

鑫苑物業服務集團有限公司

Xinyuan Property Management Service (Cayman) Ltd.

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1895

Global Offering

Sole Sponsor



Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



Joint Bookrunners and Joint Lead Managers



IMPORTANT

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

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)

GLOBAL OFFERING

Total number of Offer Shares : 125,000,000 Shares
Number of Hong Kong Public Offering Shares : 12,500,000 Shares (subject to reallocation)
Number of International Placing Shares : 112,500,000 Shares (subject to reallocation)
Offer Price : Not more than HK\$3.00 per Offer Share and expected to be not less than HK\$2.08 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value : HK\$0.00001 per Share
Stock code : 1895

Sole Sponsor



Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



Joint Bookrunners and Joint Lead Managers



Joint Lead Managers



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the subsection headed "Documents Delivered to the Registrar of Companies" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required under section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on the Price Determination Date which is expected to be on or around Monday, 30 September 2019 or such later date as may be agreed by our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) but in any event no later than Monday, 30 September 2019. The Offer Price will be not more than HK\$3.00 per Offer Share and is expected to be not less than HK\$2.08 per Offer Share, unless otherwise announced.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, with our Company's consent, reduce the indicative Offer Price range stated in this prospectus and/or the number of Offer Shares under the Global Offering at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, a notice of reduction in the indicative Offer Price range and/or the number of Offer Shares will be published on the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at www.xypm.hk not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Details of the arrangement will then be announced by our Company as soon as practicable. Further details are set out in the sections headed "Structure and Conditions of the Global Offering" and "How to Apply for Hong Kong Public Offering Shares" in this prospectus.

If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on or before Monday, 30 September 2019, the Global Offering will not become unconditional and will lapse immediately.

Prior to making an investment decision, prospective investors should consider carefully all the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus. Pursuant to the Hong Kong Public Offering Underwriting Agreement, the Joint Global Coordinators have the right in certain circumstances to terminate the obligations of the Hong Kong Public Offering Underwriters at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of such circumstances are set out in the section headed "Underwriting – Underwriting Arrangements and Expenses – Grounds for Termination" in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of, U.S. persons, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

25 September 2019

EXPECTED TIMETABLE⁽¹⁾

If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement to be published on the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at www.xypm.hk.

Latest time to complete electronic applications under HK eIPO White Form service through the designated website www.hkeipo.hk ⁽²⁾	11:30 a.m. on Monday, 30 September 2019
Application lists of the Hong Kong Public Offering open ⁽³⁾	11:45 a.m. on Monday, 30 September 2019
Latest time to lodge WHITE and YELLOW Application Forms	12:00 noon on Monday, 30 September 2019
Latest time to give electronic application instructions to HKSCC ⁽⁴⁾	12:00 noon on Monday, 30 September 2019
Latest time to complete payment of HK eIPO White Form applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Monday, 30 September 2019
Application lists of the Hong Kong Public Offering close	12:00 noon on Monday, 30 September 2019
Expected Price Determination Date ⁽⁵⁾	Monday, 30 September 2019
Announcement of the final Offer Price, the level of indication of interest in the International Placing, the level of applications in respect of the Hong Kong Public Offering and the results and basis of allotment under the Hong Kong Public Offering to be published on the websites of Stock Exchange at www.hkexnews.hk and our Company at www.xypm.hk ⁽⁶⁾ on or before	Thursday, 10 October 2019

EXPECTED TIMETABLE⁽¹⁾

Announcement of the results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where applicable) to be available through a variety of channels including the websites of the Stock Exchange at www.hkexnews.hk and our Company's website at www.xypm.hk⁽⁶⁾ (see the subsection headed "How to Apply for Hong Kong Public Offering Shares – 11. Publication of Results") from Thursday, 10 October 2019

Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers where appropriate) will be available at www.tricor.com.hk/ipo/result (or www.hkeipo.hk/IPOResult) with a "search by ID" function from Thursday, 10 October 2019

Dispatch of Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before⁽⁷⁾ Thursday, 10 October 2019

Dispatch of **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques on or before⁽⁸⁾ Thursday, 10 October 2019

Dealings in Shares on the Stock Exchange expected to commence at 9:00 a.m. on Friday, 11 October 2019

Notes:

- (1) All times and dates refer to Hong Kong local time and date, except as otherwise stated.
- (2) You will not be permitted to submit your application through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 30 September 2019, the application lists will not open on that day. Please refer to the subsection headed "How to Apply for Hong Kong Public Offering Shares – 10. Effect of Bad Weather on the Opening of the Application Lists" in this prospectus.
- (4) Applicants who apply for Hong Kong Public Offering Shares by giving **electronic application instructions** to HKSCC should refer to the subsection headed "How to Apply for Hong Kong Public Offering Shares – 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS".
- (5) The Price Determination Date is expected to be on or around Monday, 30 September 2019 and, in any event, not later than Monday, 30 September 2019. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the other Underwriters) and us by Monday, 30 September 2019, the Global Offering will not proceed and will lapse.
- (6) None of the website or any of the information contained on the website forms part of this prospectus.

EXPECTED TIMETABLE⁽¹⁾

- (7) **Share certificates are expected to be issued on Thursday, 10 October 2019, but will only become valid provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details before the receipt of share certificates and before they become valid do so entirely at their own risk.**

- (8) **e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications.**

You should read carefully the sections headed “Underwriting”, “Structure and Conditions of the Global Offering” and “How to Apply for Hong Kong Public Offering Shares” in this prospectus for details relating to the structure and conditions of the Global Offering, procedures on the applications for Hong Kong Public Offering Shares and the expected timetable, including conditions, effect of bad weather and the dispatch of refund cheques and Share certificates.

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You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers, employees, partners, agents or representatives, or any other party involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus and is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial information appearing elsewhere in this prospectus. As this is a summary, it does not contain all the information that may be important to you and we urge you to read the entire prospectus carefully before making your investment decision. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are one of the fast growing property management companies among the Top 100 property management companies in terms of revenue growth rate in the PRC during the Track Record Period. As at 31 March 2019, properties we have contracted to manage are located in over 35 cities in the PRC, including Zhengzhou, Jinan, Xi'an, Chengdu, Suzhou, Beijing and Shanghai. We believe our business growth is mainly attributable to our wide range of quality services covering the pre-delivery stage (being our pre-delivery and consulting services) and the post-delivery stage (being our property management services and value-added services) provided to property developers, property owners and property occupants.

According to F&S, we were ranked 33rd among property management companies in the PRC in terms of total revenue in 2018. According to the China Property Management Institute, the E-house China R&D Institute and the China Real Estate Appraisal, we were ranked 12th among property management companies in the PRC in 2018, based on the comprehensive index rating that is determined based on, among other things, the GFA under management, the financial performance, property owners' satisfaction and number of accredited projects of property management companies. The shares in Xinyuan Science were quoted on the NEEQ on 16 March 2017, and it ceased to be quoted on the NEEQ on 24 January 2019 in contemplation of the Listing.

A total of 45, 54, 61, 61 properties, representing approximately 80.4%, 71.1%, 63.5% and 62.9% of the number of properties under our management as at 31 December 2016, 31 December 2017, 31 December 2018 and 31 March 2019 respectively, were properties developed by the Xinyuan Real Estate Group. During the same period, our revenue attributable to properties developed solely by the Xinyuan Real Estate Group amounted to approximately RMB138.0 million, RMB174.6 million, RMB220.8 million and RMB59.8 million, respectively, representing approximately 96.2%, 88.9%, 84.3% and 83.6% of our revenue generated from the provision of property management services for the same periods.

However, the revenue contribution from the transactions with the Xinyuan Real Estate Group only accounted for a relatively small proportion of our total revenue. The majority of the revenue of our Group was derived from Independent Third Parties, which accounted for approximately 80.7%, 83.5%, 82.1% and 81.5% of the revenue of our Group for the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019, respectively. During the Track Record Period, our Group received property management service fee of approximately RMB3.2 million, RMB4.3 million, RMB12.4 million and RMB3.3 million from Xinyuan Real Estate Group, respectively (representing 2.2%, 2.2%, 4.7%, 4.6% of our total revenue under this business line for the same periods). Our Group also recorded approximately RMB4.2 million, RMB3.9 million, RMB12.4 million and RMB2.8 million for provision of value-added services to the Xinyuan Real Estate Group, respectively (representing 8.9%, 6.8%, 16.0%, 13.6% of our total revenue under this business line for the same periods). In terms of pre-delivery and consulting service fee, our Group received approximately RMB36.8 million, RMB41.1 million, RMB45.5 million and RMB14.0 million from the Xinyuan Real Estate Group, respectively (representing 97.7%, 94.4%, 84.6%, 86.3% of our total revenue under this business line for the same periods). In total, the revenue generated from transactions with the Xinyuan Real Estate Group during the Track Record Period amounted to approximately RMB44.1 million, RMB49.2 million, RMB70.3 million and RMB20.2 million, respectively, representing approximately 19.4%, 16.6%, 17.9% and 18.6% of our total revenue for the same periods.

Based on the above, our Group has demonstrated the ability to operate independently from the Xinyuan Real Estate Group, and we have not unduly relied on the Xinyuan Real Estate

SUMMARY

Group during the Track Record Period. Further, as described in the subsection headed “Business – Property Management Services – Growth of Our Property Management Services” in this prospectus, we have implemented various measures to further diversify our customer base and to reduce our reliance on the Xinyuan Real Estate Group. For further details, please also refer to the subsection headed “Relationship with the Controlling Shareholders – Operational Independence” in this prospectus.

OUR BUSINESS MODEL

We offer a wide range of services covering the pre-delivery and post-delivery phases to property developers, property owners and property occupants for their enjoyment of community life, which can be categorised in three main business lines, namely, (i) property management services; (ii) value-added services; and (iii) pre-delivery and consulting services:

- *Property management services.* We provide a wide spectrum of traditional property management services, primarily including cleaning and sanitation, safety and security, gardening, parking space management and facilities maintenance services, to property developers, property owners and property occupants. Part of these services, such as cleaning and sanitation, safety and security, gardening and facilities maintenance services, are provided through our subcontractors. The properties under our management mainly consist of (i) complexes (including residential complexes and non-residential complexes); (ii) residential properties; and (iii) office buildings.
- *Value-added services.* We offer a wide range of value-added services to property developers, property owners and property occupants to improve property owners’ and occupants’ living standards as well as living experience through various channels (including our “Xinyuan-E-Jia” platform). The services offered primarily include (i) utility fee payment services; (ii) common area resources management; (iii) home living services; and (iv) property cleaning and property delivery services.
- *Pre-delivery and consulting services.* We offer tailored pre-delivery and consulting services primarily to property developers to enhance the competitiveness of the properties developed. Pre-delivery services include providing sales assistance services, for instance (i) property sales venues management services; and (ii) property sales venues “warm-up” services to property developers at the pre-delivery stage of the relevant property or when the property is put onto the market for sale. Consulting services include (i) advising property developers at the early and construction stages of a property on project planning, design management and construction management to enhance its functionality, comfort and convenience; and (ii) referral and management services provided to property developers for unsold properties.

The table below sets forth the respective revenue and gross profit margin of our three business lines for the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019:

	2016		For the year ended 31 December			2018		For the three months ended				
	Revenue	Percentage	Gross	Revenue	Percentage	Gross	Revenue	Percentage	Gross	Revenue	Percentage	Gross
		of total			profit							
	RMB'000	%	%	RMB'000	%	%	RMB'000	%	%	RMB'000	%	%
Property management services	143,523	63.0	14.6	196,332	66.2	20.6	261,882	66.6	20.7	71,545	65.8	21.8
Value-added services	46,802	20.5	50.3	56,886	19.2	66.1	77,653	19.7	67.6	20,951	19.3	63.0
Pre-delivery and consulting services	37,626	16.5	45.5	43,501	14.6	53.4	53,794	13.7	49.8	16,261	14.9	49.5
Total	227,951	100.0	27.0	296,719	100.0	34.1	393,329	100.0	34.0	108,757	100.0	33.8

Our property management services business line is our primary business and largest revenue-generating business line, which enables us to source customers and expand business scale for our other business lines. Our value-added services increase our involvement and

SUMMARY

interaction with customers, broaden our revenue sources and enhance our future growth potential. Our pre-delivery and consulting services allow us to gain early access to property development projects, establish and cultivate business relationships with property developers, and assist us in gaining a stronger position to secure future engagements for property management services.

For property management services, during the Track Record Period, save for the property management fees of one of our property management services agreements which were determined on a commission basis, those of all other property management services agreements entered into by us were determined on a lump-sum basis. We consider this to be an industry norm, and according to F&S, the lump-sum basis is the dominant model in the property management services market. Under the lump-sum basis, fixed amount and all-inclusive monthly, quarterly or semi-annual property management fees are charged by us in accordance with our pricing policy. We then either provide our property management services through our employees or through subcontractors engaged by us, depending on the nature of the services offered. During the Track Record Period, our average property management fees per sq.m. per month ranged from RMB1.71 to RMB2.02. For further information, please refer to the subsection headed “Business – Property Management Services – Pricing Policy” in this prospectus.

For value-added services, the services we offered primarily include (i) utility fee payment services; (ii) common area resources management; and (iii) home living services. Among which, (i) we profit by adopting a cost-plus-margin approach on the utility fees paid; (ii) we charge a pre-agreed fee for the common area resources management, and (iii) we profit by selling necessities and groceries through our “Xinyuan-E-Jia” mobile application and providing customised services such as underfloor heating maintenance services and electric cars charging station application and installation service, when providing home living services.

For pre-delivery and consulting services, the services we offered include (i) sales assistance services, (ii) early involvement services, and (iii) referral and management services. Among which, (i) our fees under sales assistance services is determined based on a cost-plus-margin pricing model, (ii) our service fees under early involvement services is determined based on the GFA of the property, and (iii) we charge a fixed rate commission fee for our referral and management services for unsold properties based on the aggregate sale price of the relevant sales transactions concluded by the property developers, over a period of time.

The table below sets forth the details of our total GFA under management and the number of our managed properties, and the corresponding revenue recognised, by type of developers as at the dates/for the periods indicated:

	2016		As at/for the year ended 31 December				2018		As at/for the three months ended			
	Number of managed properties		2017		2017		Number of managed properties		31 March 2019		Number of managed properties	
	GFA Sq.m.'000	Revenue RMB'000	GFA Sq.m.'000	Revenue RMB'000	GFA Sq.m.'000	Revenue RMB'000	GFA Sq.m.'000	Revenue RMB'000	GFA Sq.m.'000	Revenue RMB'000	GFA Sq.m.'000	Revenue RMB'000
Properties developed solely by the Xinyuan Real Estate Group												
– Property developers as agreement counterparty	7,971	39	115,120	9,754	48	152,605	10,462	55	197,449	10,516	55	53,841
– Property owners' association as agreement counterparty	1,222	6	22,898	1,222	6	21,958	1,222	6	23,363	1,222	6	5,946
Properties developed by third party developers												
– Property developers as agreement counterparty	1,560	11	5,505	2,705	22	21,769	3,719	31	40,108	3,810	32	10,771
– Property owners' association as agreement counterparty	-	-	-	-	-	-	252	4	962	252	4	987
Total	10,753	56	143,523	13,681	76	196,332	15,655	96	261,882	15,800	97	71,545

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The table below sets forth a further breakdown of our property management services revenue recognised by type of developers for the periods indicated:

	For the year ended 31 December						For the three months ended 31 March	
	2016		2017		2018		2019	
	Revenue	% of our property management services revenue	Revenue	% of our property management services revenue	Revenue	% of our property management services revenue	Revenue	% of our property management services revenue
	RMB'000		RMB'000		RMB'000		RMB'000	
Properties developed solely by the Xinyuan Real Estate Group								
- Property developers as agreement counterparty								
- Revenue attributable to the Xinyuan Real Estate Group	3,185	2.2	4,277	2.2	12,362	4.7	3,298	4.6
- Revenue attributable to Independent Third Parties	111,935	78.0	148,328	75.5	185,087	70.7	50,543	70.6
- Property owners' association as agreement counterparty								
- Revenue attributable to the Xinyuan Real Estate Group	-	-	-	-	-	-	-	-
- Revenue attributable to Independent Third Parties	22,898	16.0	21,958	11.2	23,363	8.9	5,946	8.3
Properties developed by third party developers								
- Property developers as agreement counterparty ¹	5,505	3.8	21,769	11.2	40,108	15.3	10,771	15.1
- Property owners' association as agreement counterparty ¹	-	-	-	-	962	0.4	987	1.4
Total	143,523	100.0	196,332	100.0	261,882	100.0	71,545	100.0

Note:

- All revenue generated from properties developed by third party developers came from Independent Third Parties.

During the Track Record Period, even though the majority of our property management services agreements were entered into with property developers (including the Xinyuan Real Estate Group), the vast majority of our property management services revenue generated thereunder came from Independent Third Parties, which amounted to approximately 97.8%, 97.8%, 95.3% and 95.4% for the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019, respectively. During the development phase of the properties, property developers enter into preliminary property management services agreements with us on behalf of property owners, which shall be reflected in the property purchase agreement entered into by the property developer and the purchaser who later becomes the property owner. Shall property owners wish to engage another property management services provider at a later stage, they may establish a property owners' association to act on their behalf, who will enter into a property management services agreement with the new property management services provider. However, it is not mandatory under applicable PRC laws and regulations that a property owners' association is established. The establishment of a property owners' association is subject to votes by relevant property owners in their general meetings, and such meetings shall be held upon application by the property owners constituting a quorum and under the guidance of relevant government authorities, as stipulated in the Property Law of the PRC (《中華人民共和國物權法》), the Regulation on Property Management (《物業管理條例》) and the Guidance Rules on Property Owners' Meeting and Property Owners' Association (《業主大會和業主委員會指導規則》).

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The table below sets forth a breakdown of our revenue generated and our gross profit margin from the provision of property management services for the periods indicated, by different types of property developers:

	For the year ended 31 December						For the three months ended 31 March					
	2016		2017		2018		2019		2019		2019	
	Revenue	Gross profit margin	Revenue	Gross profit margin	Revenue	Gross profit margin	Revenue	Gross profit margin	Revenue	Gross profit margin	Revenue	Gross profit margin
	<i>% of total revenue from property management services</i>		<i>% of total revenue from property management services</i>		<i>% of total revenue from property management services</i>		<i>% of total revenue from property management services</i>		<i>% of total revenue from property management services</i>		<i>% of total revenue from property management services</i>	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Xinyuan Real Estate Group	138,018	96.2	174,563	88.9	220,812	84.3	59,787	83.6	59,787	83.6	59,787	83.6
Third party developers	5,505	3.8	21,769	11.1	41,070	15.7	11,758	16.4	11,758	16.4	11,758	16.4
Total	143,523	100.0	196,332	100.0	261,882	100.0	71,545	100.0	71,545	100.0	71,545	100.0

During the Track Record Period, the gross profit margin resulted from properties developed by third party developers were lower than those developed by the Xinyuan Real Estate Group mainly due to (i) their different geographical locations; (ii) economies of scale as a result of the concentration of properties developed by the Xinyuan Real Estate Group; and (iii) our marketing concerns. For more details, please refer to the subsection headed “Business – Property Management Services – Overview” in this prospectus.

The table below sets forth the breakdown of our property management services revenue by type of properties for the periods indicated:

	For the year ended 31 December						For the three months ended 31 March		
	2016		2017		2018		2019		2019
	Revenue	<i>% of total revenue from property management services</i>	Revenue	<i>% of total revenue from property management services</i>	Revenue	<i>% of total revenue from property management services</i>	Revenue	<i>% of total revenue from property management services</i>	Revenue
	RMB'000		RMB'000		RMB'000		RMB'000		RMB'000
Complexes ¹	107,346	74.8	129,918	66.2	173,133	66.1	50,002	69.9	50,002
– Residential complexes ²	98,668	68.7	119,351	60.8	154,728	59.1	45,008	62.9	45,008
– Non-residential complexes	8,678	6.1	10,567	5.4	18,405	7.0	4,994	7.0	4,994
Residential properties	36,177	25.2	59,398	30.3	67,256	25.7	15,975	22.3	15,975
Office buildings ³	–	–	5,539	2.8	18,279	7.0	4,949	6.9	4,949
Others ⁴	–	–	1,477	0.7	3,214	1.2	619	0.9	619
Total	143,523	100.0	196,332	100.0	261,882	100.0	71,545	100.0	71,545

Notes:

- (1) Complexes primarily include a combination of (i) residential properties; (ii) office buildings; and/or (iii) small shops located in communities.
- (2) According to F&S, residential complexes refer to those whose total GFA of residential properties under our management accounts for more than 80% of the total GFA of the complex.
- (3) The office building under our management as at 31 December 2016 was handed over to us on 31 December 2016. As a result, no revenue was generated for the year ended 31 December 2016.
- (4) Others include industrial parks and service halls.

SUMMARY

OUR CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS

Our customers primarily consisted of property developers, property owners and property occupants. For the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019, revenue generated from sales to our five largest customers amounted to approximately RMB48.4 million, RMB57.1 million, RMB80.9 million and RMB22.6 million, respectively, accounting for approximately 21.3%, 19.2%, 20.6% and 20.8% of our total revenue, respectively. For the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019, revenue generated from sales to our largest customer, the Remaining Xinyuan Real Estate Group, amounted to approximately RMB44.1 million, RMB49.2 million, RMB70.3 million and RMB20.2 million, respectively, accounting for approximately 19.4%, 16.6%, 17.9% and 18.6% of our total revenue, respectively.

Our suppliers and subcontractors during the Track Record Period primarily consisted of (i) companies specialised in safety and security, cleaning and hygiene, gardening and specialised maintenance services; (ii) utilities providers such as electricity and water supply companies; as well as (iii) gardening and cleaning supplies companies. For the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019, purchases from our top five suppliers and subcontractors amounted to approximately RMB56.9 million, RMB75.9 million, RMB92.7 million and RMB24.3 million, respectively, accounting for approximately 34.2%, 38.8%, 35.7% and 33.8% of our total cost of sales, respectively. For the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019, purchases from our largest supplier and subcontractor amounted to approximately RMB33.1 million, RMB31.2 million, RMB38.7 million and RMB10.7 million, respectively, accounting for approximately 19.9%, 16.0%, 14.9% and 14.8% of our total cost of sales, respectively.

OVERLAPPING BETWEEN OUR CUSTOMER AND OUR SUBCONTRACTOR

During the Track Record Period, to the best knowledge and belief of our Directors, certain members of one of our top 5 customers, namely the Remaining Xinyuan Real Estate Group and its related parties, were also our suppliers and subcontractors (the “**Overlapping Group**”). The revenue contributed by the Overlapping Group amounted to approximately RMB44.1 million, RMB49.2 million, RMB70.3 million and RMB20.2 million, respectively, representing approximately 19.4%, 16.6%, 17.9% and 18.6% of our total revenue for the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019. The cost of sales attributable to the Overlapping Group amounted to approximately RMB12.1 million, RMB27.2 million, RMB36.7 million and RMB10.6 million, respectively, representing approximately 7.3%, 13.9%, 14.1% and 14.8% of our total cost of sales for the same period. For further information, please refer to the subsection headed “Business – Overlapping Between our Customer and our Subcontractor” in this prospectus.

OUR COMPETITIVE STRENGTHS

We believe the following strengths differentiate us from our competitors: (i) we are one of the fast growing property management companies that offers a competitive service package; (ii) our advanced information technology systems provide a strong support to our rapid business development; (iii) due to our quality services, we have achieved a high customer satisfaction, which serves as a solid foundation for the future development of our business; (iv) our ability to formulate standardised working procedures ensures the stability and quality of our service offerings; (v) our experienced, professional and stable management team supports our sustainable growth, and we are devoted towards training our current employees and nurturing our next generation of senior management; and (vi) the unwavering support from and cooperation with the Xinyuan Real Estate Group have caused our business to continue to grow.

OUR BUSINESS STRATEGIES

We plan to strengthen our position in the property management industry by implementing the following business strategies: (i) further improving our service quality and expanding the scale of our property management business and geographical reach; (ii) strengthening our services offered; and (iii) upgrading and developing our own information technology and smart systems.

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SUMMARY HISTORICAL FINANCIAL INFORMATION

The tables below include, for the periods indicated, selected financial data derived from our combined statements of profit or loss and other comprehensive income, the details of which are set forth in Appendix I to this prospectus, and these should be read in conjunction with the financial statements in Appendix I to this prospectus, including the related notes.

Selected items of combined statements of profit or loss and other comprehensive income

	Year ended 31 December			Three months ended 31 March	
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2018 RMB'000 <i>(unaudited)</i>	2019 RMB'000
Revenue	227,951	296,719	393,329	87,536	108,757
Cost of sales	(166,350)	(195,553)	(259,757)	(57,575)	(71,947)
Gross profit	61,601	101,166	133,572	29,961	36,810
Profit before tax	34,744	93,176	104,417	22,823	15,192
Profit and total comprehensive income for the year	<u>25,953</u>	<u>69,430</u>	<u>76,089</u>	<u>16,935</u>	<u>7,619</u>

Selected items of combined statements of financial position

	As at 31 December			As at 31 March 2019
	2016 RMB'000	2017 RMB'000	2018 RMB'000	RMB'000
Total current assets	283,463	433,831	492,838	524,005
Total current liabilities	185,370	266,299	355,693	366,894
Net current assets	98,093	167,532	137,145	157,111
Total non-current assets	5,472	5,652	113,522	112,742
Total non-current liabilities	3	192	-	308
Net assets	<u>103,562</u>	<u>172,992</u>	<u>250,667</u>	<u>269,545</u>
Total equity	<u>103,562</u>	<u>172,992</u>	<u>250,667</u>	<u>269,545</u>

Our net current assets as at 31 March 2019 was approximately RMB157.1 million and we recorded a net current liabilities position of approximately RMB47.8 million as at 31 July 2019. Such decrease was mainly attributable to the one-off shareholder's loan payable of RMB230.0 million for the purpose of the Reorganisation. The one-off shareholder's loan has been fully settled by (i) cash settlement of RMB8.4 million and (ii) capitalisation of RMB221.6 million on 23 August 2019. As at 31 August 2019, the net assets position of our Group has improved due to the capitalisation of the one-off shareholder's loan for the purpose of the Reorganisation.

SUMMARY

Selected items of combined statements of cash flows

	For the year 31 December			Three months ended 31 March	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net cash flows from operating activities	181,103	90,547	113,244	21,349	10,929
Net cash flows from/(used in) investing activities ⁽¹⁾	250,966	(60,195)	143,220	63,263	(1,304)
Net cash flows from/(used in) financing activities ⁽¹⁾	(390,407)	–	–	–	1,412
Net increase in cash and cash equivalents	41,662	30,352	256,464	84,612	11,037
Cash and cash equivalents at beginning of year	25,797	67,459	97,811	97,811	354,275
Cash and cash equivalents at end of year	67,459	97,811	354,275	182,423	365,312

Note:

- (1) The net cash used in financing activities of approximately RMB390.4 million recorded for the year ended 31 December 2016 mainly represented (i) the net repayment of bank loans of approximately RMB353.8 million; (ii) dividend declared and paid by Xinyuan Science of approximately RMB18.0 million to its then shareholders; and (iii) interest paid of approximately RMB18.6 million.

During the Track Record Period, our Group recorded gain on disposal of financial assets of approximately RMB3.1 million, RMB19.4 million, RMB8.3 million and nil, whereas our Group recorded net profit of approximately RMB26.0 million, RMB69.4 million, RMB76.1 million and RMB7.6 million, respectively. The gain on disposal of financial assets refers to the realised gain from the disposal of our investments in listed securities and unlisted financial products, of which our total purchase amounted to approximately RMB222.2 million, RMB889.6 million, RMB711.7 million and nil in 2016, 2017, 2018, and the three months ended 31 March 2019, respectively. As at the Latest Practicable Date, we did not own any listed securities or unlisted financial products.

KEY FINANCIAL RATIOS

The following table below sets out the key financial ratios of our Group during the Track Record Period:

	As at/for the year ended 31 December			As at/for the three months ended 31 March
	2016	2017	2018	2019
Return on equity ⁽¹⁾	25.1%	40.1%	30.4%	N/A
Return on assets ⁽¹⁾	9.0%	15.8%	12.5%	N/A
Current Ratio ⁽¹⁾	1.53x	1.63x	1.39x	1.43x

Note:

- (1) Please see the subsection headed “Financial Information – Key Financial Ratios” in this prospectus for descriptions of the calculations and explanations of the above ratios.

SUMMARY OF MATERIAL RISK FACTORS

There are certain risks relating to an investment in our Offer Shares. These risks can be broadly categorised into: (i) risks relating to our business and industry; (ii) risks relating to conducting business in the PRC; (iii) risks relating to the Global Offering; and (iv) risks relating to statements made in this prospectus. A detailed discussion of the risk factors is set forth in the section headed “Risk Factors” in this prospectus. A summary of certain of these risk factors is set forth below. Any of the following developments may have a material and adverse effect on our business, financial condition, results of operations and prospects:

- We may not be able to grow our property management portfolio as planned, which may have a material adverse effect on our business, financial condition and results of operations.

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- There is no assurance we will continue to be engaged by the Remaining Xinyuan Real Estate Group to manage properties developed by them, or that we will be able to supplement any shortfall with properties from third party developers on terms acceptable to us, or at all.
- We may be subject to losses and our profit margins may decrease if we fail to control our costs in performing our property management services on a lump-sum basis.
- Our Group recorded net current liabilities as at 31 July 2019. If we do not generate sufficient cash flow from our operations to meet our present and future financial needs as anticipated, we may be forced to delay or abandon our expansion plans, and our business, financial conditions and results of operations may be adversely affected.
- We may not be able to collect property management fees from property developers, property owners and property occupants and as a result, we may incur impairment losses on receivables.
- We rely on subcontractors to perform certain property management services and may be held responsible for their substandard services to our customers.

You should read the entire section headed “Risk Factors” in this prospectus before you decide to invest in the Offer Shares.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Immediately upon the completion of the Global Offering, Xinyuan Real Estate, which is wholly-owned by Xinyuan Real Estate Holdings, will directly hold approximately 60.0% of the issued share capital of our Company (without taking into account any Shares which may be issued upon the exercise of the options which may be granted under the Post-IPO Share Option Scheme). As a result, Xinyuan Real Estate Holdings and Xinyuan Real Estate are regarded as our Controlling Shareholders.

Following the Global Offering, the Remaining Xinyuan Real Estate Group will continue to engage principally in the businesses of property development, property leasing, shopping mall operation, computer network engineering, software and technology product development, architectural design and other real estate related services including construction management service and financing support (collectively, the “**Retained Businesses**”). For further details of the delineation between the Retained Businesses and our business, please refer to the subsection headed “Relationship with the Controlling Shareholders – Our Controlling Shareholders – Delineation of Business” in this prospectus. Our Group also intends to enter into transactions with some of the connected persons, which will constitute continuing connected transactions upon Listing. For further details, please refer to the section headed “Continuing Connected Transactions” in this prospectus.

PRE-IPO SHARE AWARD SCHEME

We have adopted the Pre-IPO Share Award Scheme. The principal terms of the Pre-IPO Share Award Scheme are summarised in the subsection headed “4. Pre-IPO Share Award Scheme and Post-IPO Share Option Scheme – 4.1 Pre-IPO Share Award Scheme” in Appendix V to this prospectus.

RECENT DEVELOPMENTS

Subsequent to 31 March 2019 and up to the Latest Practicable Date, we have been contracted to manage an additional aggregate GFA of approximately 3.1 million sq.m., comprising 18 properties. Further, our business continued to record relatively stable performance. Based on our unaudited management accounts, our revenue during the seven months ended 31 July 2019 has increased by approximately 41.4% as compared to that during the seven months ended 31 July 2018. Further, there has been no material adverse change in our average management fees charged per sq.m.

Our net profit for the year ending 31 December 2019 is expected to be affected by the estimated expenses in relation to the Listing. Please refer to the subsection headed “– Listing Expenses” below for details of the Listing Expenses that are expected to be charged as expenses upon Listing in 2019. Our Directors have confirmed that, up to the date of this prospectus, there has been no material adverse change in our business, financial or trading position since 31 March 2019, the end of the period reported in the Accountants’ Report set out in Appendix I to this prospectus, and save as disclosed below, there has been no event since 31 March 2019 which would materially affect the information shown in the Accountants’ Report as set out in Appendix I to this prospectus.

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DIVIDEND POLICY

For the year ended 31 December 2016, Xinyuan Science declared dividend in the amount of approximately RMB18.0 million. Following completion of the Global Offering, we expect to pay a dividend equivalent to not more than 30% of the profit after tax in each financial year after Listing. A decision to distribute any interim dividend or recommend any final dividend would require the approval of our Board and will be at its discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. For further details, please refer to the subsection headed "Financial Information – Dividends and Dividend Policy" in this prospectus.

GLOBAL OFFERING STATISTICS

	Based on the Offer Price of HK\$2.08 per Offer Share	Based on the Offer Price of HK\$3.00 per Offer Share
Market capitalisation of our Shares ⁽¹⁾	HK\$1,040 million	HK\$1,500 million
Pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company per Share ⁽²⁾	HK\$1.03	HK\$1.26

Notes:

- (1) The calculation of market capitalisation is based on 500,000,000 Shares expected to be in issue immediately after completion of the Global Offering.
- (2) The unaudited pro forma adjusted net tangible assets per Share is calculated after making the adjustment referred to in Appendix II and based on 500,000,000 Shares to be issued and outstanding following the completion of the Global Offering.

USE OF PROCEEDS

We estimate the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK\$2.54 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK\$275.7 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering.

We intend to use the net proceeds of the Global Offering for the following purposes assuming the Offer Price is fixed at HK\$2.54 per Offer Share (being the mid-point of the Offer Price range):

- Approximately 60% of our net proceeds, or HK\$165.4 million, will be used to expand our property management services, seek strategic acquisition and investment opportunities;
- Approximately 15% of our net proceeds, or HK\$41.4 million, will be used to expand the types of services offered in our value-added services business line;
- Approximately 15% of our net proceeds, or HK\$41.4 million, will be used to upgrade and develop our own information technology and smart systems; and
- Approximately 10% of our net proceeds, or HK\$27.5 million, will be used in funding our working capital needs and other general corporate purposes.

For further details, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus.

LISTING EXPENSES

Our estimated listing expenses primarily consist of legal and professional fees in relation to the Listing. Assuming an Offer Price of HK\$2.54 per Share, being the mid-point of the Offer Price range stated in this prospectus, the listing expenses to be borne by the Company are estimated to be approximately HK\$41.8 million, of which approximately HK\$18.6 million is directly attributable to the issue of new Shares and is to be accounted for as a deduction from equity in accordance with the relevant accounting standard. The remaining amount of approximately HK\$23.2 million is expected to be charged as expenses upon Listing in 2019. The estimated listing expenses are subject to adjustments based on the actual amount incurred or to be incurred.

DEFINITIONS

In this prospectus, the following expressions shall have the meanings set out below unless the context otherwise requires.

“affiliate(s)”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Anyang Xinhengyue”	Anyang Xinhengyue Property Services Co., Ltd. (安陽鑫恒悅物業服務有限公司), a limited liability company established in the PRC on 26 June 2019 and an indirect wholly-owned subsidiary of our Company
“Application Form(s)”	WHITE, YELLOW and GREEN Application Form(s) relating to the Hong Kong Public Offering or, where the context so requires, any of them
“Arrangement Agreement”	the arrangement agreement dated 14 August 2019 entered into among our Company, Xinyuan Real Estate, Mr. Zhang Lizhou and BVI-Zhang Lizhou, pursuant to which (i) BVI-Zhang Lizhou shall transfer 18,750 Shares to Xinyuan Real Estate in consideration of our Company’s refund of RMB2,800,000 paid by Mr. Zhang Lizhou pursuant to the Pre-IPO Share Award Scheme and (ii) Xinyuan Real Estate shall apply a portion of the shareholder’s loan it advanced to our Company in the amount of RMB2,800,000 as settlement of the consideration for such Shares
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company conditionally adopted on 16 September 2019 and will come into effect upon Listing (as amended, supplemented or otherwise modified from time to time), a summary of which is set out in Appendix IV to this prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Beijing Aijieli”	Beijing Aijieli Technology Development Co., Ltd. (北京愛接力科技發展有限公司), a limited liability company established in the PRC on 20 October 2015 and an associate of Mr. Zhang Yong

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“Beijing Juzhouyun”	Beijing Juzhouyun Technology Co., Ltd. (北京巨洲雲科技有限公司), a limited liability company established in the PRC on 24 December 2014 and an indirect non-wholly owned subsidiary of Xinyuan Real Estate Holdings
“Beijing Xinxiang”	Beijing Xinxiang Huicheng Property Services Co., Ltd. (北京鑫享滙成物業服務有限公司) (formerly known as Beijing Xinxiang Huicheng Decoration Co., Ltd. (北京鑫享滙成裝飾有限公司)), a limited liability company established in the PRC on 18 October 2013 and an indirect wholly-owned subsidiary of our Company
“Binhai Huafang”	Binhai Huafang Property Co., Ltd. (濱海華芳物業有限公司), a limited liability company established in the PRC on 12 June 2017 and an indirect wholly-owned subsidiary of our Company
“Board”	the board of Directors
“Business Day(s)” or “business day(s)”	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“BVI-Cui Yong”	New Moment Holdings Limited, a limited liability company incorporated in the BVI on 4 December 2018 and wholly-owned by Mr. Cui Yong. BVI-Cui Yong is one of our Shareholders
“BVI-Management”	Galaxy Team Holdings Limited, a limited liability company incorporated in the BVI on 28 November 2018 and owned as to 30%, 15%, 15%, 10%, 10%, 5%, 5%, 5% and 5% by Ms. Wang Yanbo, Mr. Huang Bo, Mr. Wang Yantao, Ms. Du Xiangyan, Ms. Zhang Rong, Mr. Huang Jinfu, Mr. An Guangfu, Mr. Lyu Shaohui and Mr. Zhang Xiaofei, respectively. BVI-Management is one of our substantial Shareholders
“BVI-Yang Yuyan”	Grace Hope Holdings Limited, a limited liability company incorporated in the BVI on 21 January 2019 and wholly-owned by Ms. Yang Yuyan. BVI-Yang Yuyan is one of our Shareholders

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“BVI-Zhang Lizhou”	Glory Eternity Holdings Limited, a limited liability company incorporated in the BVI on 4 December 2018 and wholly-owned by Mr. Zhang Lizhou
“BVI-Zhang Yong”	Victory Destiny Holdings Limited, a limited liability company incorporated in the BVI on 4 December 2018 and wholly-owned by Mr. Zhang Yong. BVI-Zhang Yong is one of our Shareholders
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant, which may be an individual, joint individuals or a corporation
“CCASS Operational Procedures”	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time in force
“CCASS Participant(s)”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “the PRC”	the People’s Republic of China excluding, for the purposes of this prospectus, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Companies Law”	the Companies Law (2018 Revision) of the Cayman Islands (as amended, supplemented or otherwise modified from time to time)
“Companies Ordinance”	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)

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“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
“Company” or “our Company”	Xinyuan Property Management Service (Cayman) Ltd. (鑫苑物業服務集團有限公司), a company incorporated with limited liability under the laws of the Cayman Islands on 13 December 2018, and references to “we”, “us” or “our” refer to our Group or, where the context requires, our Company
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and, unless the context requires otherwise, refers to Xinyuan Real Estate Holdings and Xinyuan Real Estate (for more details, please refer to the section headed “Relationship with the Controlling Shareholders” in this prospectus); and “Controlling Shareholder” means any one of them
“core connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the national securities market in China
“Deed of Indemnity”	the deed of indemnity dated 16 September 2019 entered into by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of its subsidiaries), particulars of which are set out in the subsection headed “5. Estate Duty, Tax and Other Indemnities” in Appendix V to this prospectus
“Deed of Non-Competition”	the deed of non-competition dated 16 September 2019 entered into by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of its subsidiaries), which set out certain non-competition undertakings as described more particularly in the subsection headed “Relationship with the Controlling Shareholders – Competition and Conflict of Interests – Undertakings Given by the Controlling Shareholders” in this prospectus

DEFINITIONS

“Director(s)”	the director(s) of our Company
“EIT”	enterprise income tax in the PRC
“EIT Law”	the PRC Enterprise Income Tax Law
“First Shareholder’s Loan Agreement”	the shareholder’s loan agreement dated 19 March 2019 entered into between Xinyuan Real Estate and our Company, pursuant to which Xinyuan Real Estate agreed to provide a shareholder’s loan in the sum of RMB230 million or its equivalent in other currencies to our Company
“F&S”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent industry research consultant commissioned to prepare the F&S Report
“F&S Report”	the market research report prepared by F&S
“General Rules of CCASS”	General Rules of CCASS published by the Stock Exchange and as amended from time to time
“Global Offering”	the Hong Kong Public Offering and the International Placing
“ GREEN Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider
“Group”, “our Group”, “our”, “we”, or “us”	our Company and all of our subsidiaries, or any one of them as the context may require or, where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries, or any one of them as the context may require, were or was engaged in and which were subsequently assumed by it
“Henan Chengzhihang”	Henan Chengzhihang Property Services Co., Ltd. (河南誠至行物業服務有限公司), a limited liability company established in the PRC on 15 December 2017 and an indirect wholly-owned subsidiary of our Company
“Henan Gechen”	Henan Gechen Culture Media Co., Ltd. (河南格宸文化傳媒有限公司), a limited liability company established in the PRC on 14 March 2019 and an indirect wholly-owned subsidiary of our Company

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“Henan Qingning”	Henan Qingning Apartment Management Co., Ltd. (河南青寧公寓管理有限公司), a limited liability company established in the PRC on 20 April 2017
“Henan Qingning Group”	Henan Qingning and its subsidiaries
“Henan Xinyuan”	Henan Xinyuan Property Services Co., Ltd. (河南鑫苑物業服務有限公司), a limited liability company established in the PRC on 1 December 2016 and an indirect wholly-owned subsidiary of our Company
“Henan Xinyuan Education”	Henan Xinyuan Education Technology Co., Ltd. (河南鑫苑教育科技有限責任公司), a limited liability company established in the PRC on 31 May 2017
“Henan Xinyuan Marketing”	Henan Xinyuan Real Estate Marketing Co., Ltd. (河南鑫苑房地產營銷策劃有限公司), a limited liability company established in the PRC on 30 July 2015 and an indirect wholly-owned subsidiary of our Company
“Henan Xinyuan Real Estate”	Henan Xinyuan Real Estate Co., Ltd. (河南鑫苑置業有限公司), a limited liability company established in the PRC on 19 May 1997 and a wholly-owned subsidiary of Xinyuan Real Estate Holdings
“Henan Yueshenghang”	Henan Yueshenghang Property Services Co., Ltd. (河南悅晟行物業服務有限公司), a limited liability company established in the PRC on 15 April 2016 and an indirect wholly-owned subsidiary of our Company
“ HK eIPO White Form ”	the application for Hong Kong Public Offering Shares to be issued in the applicant’s own name by submitting applications online through the designated website at www.hkeipo.hk
“ HK eIPO White Form Service Provider ”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website www.hkeipo.hk
“HK-Liu Huaiyu”	JX Investment Limited (金心投資有限公司), a limited liability company incorporated in Hong Kong on 9 November 2010 and wholly-owned by Mr. Liu Huaiyu. HK-Liu Huaiyu is one of our Shareholders
“HKSCC”	the Hong Kong Securities Clearing Company Limited

DEFINITIONS

“HKSCC Nominees”	HKSCC Nominees Limited, a wholly owned subsidiary of the HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited
“Hong Kong dollars” or “HK dollars” or “HK\$”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong Public Offering”	the offer for subscription of the Hong Kong Public Offering Shares to the public in Hong Kong (subject to reallocation as described in the section headed “Structure and Conditions of the Global Offering”) at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) on the terms and subject to the conditions described in this prospectus and the Application Forms, as further described in the subsection headed “Structure and Conditions of the Global Offering – The Hong Kong Public Offering” in this prospectus
“Hong Kong Public Offering Shares”	the 12,500,000 Shares being initially offered for subscription in the Hong Kong Public Offering, subject to reallocation
“Hong Kong Public Offering Underwriters”	the underwriters of the Hong Kong Public Offering listed in the subsection headed “Underwriting – Hong Kong Public Offering Underwriters” in this prospectus
“Hong Kong Public Offering Underwriting Agreement”	the underwriting agreement dated 24 September 2019, relating to the Hong Kong Public Offering and entered into among our Company, the Sole Sponsor, the Joint Global Coordinators, ABCI Capital Limited, the Controlling Shareholders, the executive Directors and the Hong Kong Public Offering Underwriters as further described in the subsection headed “Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering” in this prospectus
“IFRS”	International Financial Reporting Standards

DEFINITIONS

“Independent Third Party” or “Independent Third Parties”	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, is/are independent of our Company and our connected persons
“International Placing”	conditional placing of the International Placing Shares at the Offer Price to selected professional, institutional and other investors as set out in the section headed “Structure and Conditions of the Global Offering” in this prospectus
“International Placing Shares”	the 112,500,000 Shares initially being offered by our Company for subscription under the International Placing, subject to reallocation as described in the section headed “Structure and Conditions of the Global Offering” in this prospectus
“International Placing Underwriters”	the underwriters of the International Placing
“International Placing Underwriting Agreement”	the conditional underwriting and placing agreement relating to the International Placing expected to be entered into on or about 30 September 2019 by, among others, our Company, the Joint Global Coordinators and the International Placing Underwriters, particulars of which are summarised in the subsection headed “Underwriting – Underwriting Arrangements and Expenses – International Placing” in this prospectus
“Joint Bookrunner(s)”	Orient Securities (Hong Kong) Limited, Guotai Junan Securities (Hong Kong) Limited, CCB International Capital Limited, Haitong International Securities Company Limited, BOCOM International Securities Limited, CMB International Capital Limited, ABCI Capital Limited, Zhongtai International Securities Limited, Yuanyin Securities Limited and Futu Securities International (Hong Kong) Limited
“Joint Global Coordinator(s)”	Orient Securities (Hong Kong) Limited and Guotai Junan Securities (Hong Kong) Limited

DEFINITIONS

“Joint Lead Manager(s)”	Orient Securities (Hong Kong) Limited, Guotai Junan Securities (Hong Kong) Limited, CCB International Capital Limited, Haitong International Securities Company Limited, BOCOM International Securities Limited, CMB International Capital Limited, ABCI Securities Company Limited, Zhongtai International Securities Limited, Yuanyin Securities Limited, Futu Securities International (Hong Kong) Limited, Bluemount Securities Limited and Valuable Capital Limited
“Latest Practicable Date”	18 September 2019, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Listing”	listing of the Shares on the Stock Exchange
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about 11 October 2019, on which the Shares will be listed and dealings in the Shares first commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
“Loan Capitalisation Agreement”	the loan capitalisation agreement dated 23 August 2019 entered into among Xinyuan Real Estate, BVI-Zhang Yong, BVI-Yang Yuyan, BVI-Cui Yong, HK-Liu Huaiyu and our Company, pursuant to which the parties agreed that the outstanding shareholders’ loans in the respective amounts of RMB198,600,000 (or its equivalent in other currencies) and RMB23,000,000 (or its equivalent in other currencies) shall be capitalised into Shares
“Macau”	the Macau Special Administrative Region of the PRC
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company, conditionally adopted on 16 September 2019 and will come into effect upon Listing (as amended from time to time)

DEFINITIONS

“Mingyuan Landscape”	Mingyuan Landscape Engineering Co., Ltd. (名苑園林工程有限公司), a limited liability company established in the PRC on 17 February 2004 and an indirect wholly-owned subsidiary of Xinyuan Real Estate Holdings
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“MOHURD”	the General Office of the Ministry of Housing and Urban-Rural Development
“Mr. Zhang Lizhou”	Mr. Zhang Lizhou (張立洲), the sole shareholder of BVI-Zhang Lizhou
“Mr. Zhang Yong”	Mr. Zhang Yong (張勇), the sole shareholder of BVI-Zhang Yong, and one of our non-executive Directors and the chairman of our Board
“Ms. Yang Yuyan”	Ms. Yang Yuyan (楊玉岩), the sole shareholder of BVI-Yang Yuyan, and one of our non-executive Directors
“NEEQ”	the National Equities Exchange and Quotations Co., Ltd., a PRC over-the-counter system for trading shares of public companies
“Offer Price”	the offer price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK\$3.00 per Share and expected to be not less than HK\$2.08 per Share, at which the Offer Shares are to be subscribed for pursuant to the Global Offering, to be determined in the manner further described in the subsection headed “Structure and Conditions of the Global Offering – Pricing and Allocation” in this prospectus
“Offer Shares”	the Hong Kong Public Offering Shares and the International Placing Shares

DEFINITIONS

“PBOC”	People’s Bank of China (中國人民銀行)
“Post-IPO Share Option Scheme”	the share option scheme conditionally adopted by the Company on 16 September 2019, the principal terms of which are set forth in “4. Pre-IPO Share Award Scheme and Post-IPO Share Option Scheme – 4.2 Post-IPO Share Option Scheme” in Appendix V to this prospectus
“PRC government”	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
“PRC Legal Advisers”	Jingtian & Gongcheng, the legal adviser to our Company as to the laws of the PRC
“Pre-IPO Share Award Scheme”	the pre-IPO share award scheme approved and adopted by our Company on 31 January 2019 and most recently amended on 15 March 2019, for the benefit of any director, employee, adviser or consultant of our Company or any of our subsidiaries; the principal terms of which are set forth in the subsection headed “4. Pre-IPO Share Award Scheme and Post-IPO Share Option Scheme – 4.1 Pre-IPO Share Award Scheme” in Appendix V to this prospectus
“Price Determination Agreement”	the agreement to be entered into by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date to record and fix the Offer Price

DEFINITIONS

“Price Determination Date”	the date, expected to be on or about Monday, 30 September 2019, on which the Offer Price will be determined, or such later time as the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company may agree, but in any event, not later than Monday, 30 September 2019
“Puyang Zhongfang”	Puyang Zhongfang Xinyuan Property Services Co., Ltd. (濮陽中房鑫苑物業服務有限公司), a limited liability company established in the PRC on 29 November 2017 and is owned as to 65% by Xinyuan Science, 20% by Henan Puyang Zhongfang Real Estate Co., Ltd. (河南濮陽中房置業有限責任公司) and 15% by Henan Huana Real Estate Co., Ltd. (河南華納置業股份有限公司)
“Qingdao Xinyuan”	Qingdao Xinyuan Jinguang Property Development Co., Ltd. (青島鑫苑金光物業發展有限公司) (formerly known as Qingdao Chengtou Jinguang Property Development Co., Ltd. (青島城投金光物業發展有限公司)), a limited liability company established in the PRC on 6 November 2001 and is owned as to 60% by Henan Xinyuan and 40% by an Independent Third Party
“Regulation S”	Regulation S under the U.S. Securities Act
“Remaining Xinyuan Real Estate Group”	the Xinyuan Real Estate Group excluding our Group
“Reorganisation”	the reorganisation of the Group in preparation of the Listing, details of which are set out in the section headed “History and Reorganisation” in this prospectus
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局)
“SAMR”	State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council of the PRC (中華人民共和國國務院國有資產監督管理委員會)

DEFINITIONS

“SAT”	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“Second Shareholders’ Loan Agreement”	the shareholders’ loan agreement dated 14 August 2019 entered into among BVI-Zhang Yong, BVI-Yang Yuyan, BVI-Cui Yong and HK-Liu Huaiyu (collectively as lenders) and our Company (as borrower), pursuant to which the lenders agreed to provide a shareholders’ loan in the aggregate sum of RMB23 million or its equivalent in other currencies to our Company
“Securities and Futures Commission” or “SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
“Shanghai Hexinli”	Shanghai Hexinli Property Management Centre (Limited Partnership) (上海合欣利資產管理中心(有限合夥)), a limited partnership established in the PRC on 28 July 2015 and was ultimately owned as to 78.95% by Xinyuan Real Estate Holdings and 21.05% by Ms. Yang Yuyan immediately prior to Reorganisation
“Share(s)”	ordinary share(s) with nominal value of HK\$0.00001 each in the share capital of our Company
“Shareholder(s)”	holder(s) of the Share(s)
“Sole Sponsor”	Orient Capital (Hong Kong) Limited
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed thereto under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers and Share Buy-backs, as published by the SFC (as amended, supplemented or otherwise modified from time to time)
“Track Record Period”	the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019

DEFINITIONS

“Underwriters”	the Hong Kong Public Offering Underwriters and the International Placing Underwriters, details of which are set out in the section headed “Underwriting” in this prospectus
“Underwriting Agreements”	the Hong Kong Public Offering Underwriting Agreement and the International Placing Underwriting Agreement
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. dollars”, “US\$” or “USD”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	the United States Securities Act of 1933, as amended or supplemented from time to time and the rules and regulations promulgated thereunder
“ WHITE Application Form(s)”	the application form(s) for use by the public who require(s) such Hong Kong Public Offering Shares to be issued in the applicant’s/applicants’ own name(s)
“Xinyi Xinyuan”	Xinyi Xinyuan Property Services Co., Ltd. (新沂鑫苑物業服務有限公司), a limited liability company established in the PRC on 7 May 2019 and an indirect wholly-owned subsidiary of our Company
“Xinyuan-BVI”	Xinyuan Property Management Service (BVI) Ltd., a company incorporated in the BVI with limited liability on 2 January 2019 and a direct wholly-owned subsidiary of our Company
“Xinyuan-HK”	Xinyuan Property Management Service (HK) Limited, a company incorporated in Hong Kong with limited liability on 8 January 2019 and an indirect wholly-owned subsidiary of our Company
“Xingyang Xinzhiheng”	Xingyang City Xinzhiheng Property Services Co., Ltd. (滎陽市鑫之晟物業服務有限公司), a limited liability company established in the PRC on 9 April 2019 and an indirect wholly-owned subsidiary of our Company

DEFINITIONS

“Xinyuan (China)”	Xinyuan (China) Real Estate, Ltd. (鑫苑(中國)置業有限公司), a limited liability company established in the PRC on 10 April 2006 and an indirect wholly-owned subsidiary of Xinyuan Real Estate Holdings
“Xinyuan Real Estate”	Xinyuan Real Estate, Ltd. (鑫苑地產有限公司), a company incorporated with limited liability in the Cayman Islands on 27 January 2006 and wholly-owned by Xinyuan Real Estate Holdings, is one of our Controlling Shareholders. It will directly hold approximately 60.0% of the issued share capital of the Company immediately upon completion of the Global Offering, without taking into account the Shares which may be allotted and issued pursuant to the exercise of the options to be granted under the Post-IPO Share Option Scheme
“Xinyuan Real Estate Group”	Xinyuan Real Estate Holdings and its subsidiaries, including our Group
“Xinyuan Real Estate Holdings”	Xinyuan Real Estate Co., Ltd., a company incorporated with limited liability in the Cayman Islands on 26 March 2007, the shares of which are listed on the New York Stock Exchange (stock code: XIN), and one of our Controlling Shareholders. It will indirectly hold approximately 60.0% of the issued share capital of the Company immediately upon completion of the Global Offering, without taking into account the Shares which may be allotted and issued pursuant to the exercise of the options to be granted under the Post-IPO Share Option Scheme
“Xinyuan Renju (Beijing)”	Xinyuan Renju (Beijing) Asset Management Co., Ltd. (鑫苑仁居(北京)資產管理有限責任公司), a limited liability company established in the PRC on 16 January 2009 and an indirect wholly-owned subsidiary of Xinyuan Real Estate Holdings
“Xinyuan Science”	Xinyuan Science and Technology Service Group Co., Ltd. (鑫苑科技服務集團有限公司) (formerly known as Xinyuan Science and Technology Service Co., Ltd. (鑫苑科技服務股份有限公司)), a limited liability company established in the PRC on 28 December 1998 and an indirect wholly-owned subsidiary of our Company

DEFINITIONS

“ YELLOW Application Form(s)”	the application form(s) for use by the public who requires such Hong Kong Public Offering Shares to be deposited directly in CCASS
“Yingsheng M&E”	Henan Yingsheng M&E Engineering Co., Ltd. (河南省盈晟機電工程有限公司), a limited liability company established in the PRC on 10 April 2019 and is owned as to 51% by Xinyuan Science and 49% by an Independent Third Party
“%”	per cent.

The English names of PRC laws, regulations, governmental authorities, institutions, and of companies or entities established in the PRC included in this prospectus are translations of their Chinese names or vice versa and are included for identification purposes only. In the event of inconsistency, the Chinese versions shall prevail.

GLOSSARY OF TECHNICAL TERMS

This glossary contains certain definitions and technical terms used in this prospectus in connection with our business. As such, some terms and definitions may not correspond to standard industry definitions or usage of such terms.

“average renewal rate”	a percentage arrived at by dividing the number of renewed property management services agreements at their expiry by the total number of expired property management services agreements during the same period
“Bohai Rim”	as at the Latest Practicable Date and for the purpose of this prospectus, includes Beijing, Tianjin, Hebei, Liaoning and Shandong
“CAGR”	compound annual growth rate
“CRM System”	the customer relationship management system co-owned by Xinyuan Renju (Beijing) and Leruan Shiji (Beijing) Information Technology Co., Ltd (樂軟世紀(北京)信息技術有限公司), an Independent Third Party
“commission basis”	a revenue generating model for property management services whereby our fee income from property management services consists only of a specified percentage of the total management fees payable by the property developers, property owners or property occupants
“GFA”	gross floor area
“lump-sum basis”	when the property management fees are charged on a lump-sum basis, all property management fees collected will be recorded as revenue and all expenses incurred in providing property management services will be recorded as costs or expenses
“O2O”	online to offline
“OA System”	the office administration system owned by Beijing Juzhouyun

GLOSSARY OF TECHNICAL TERMS

“Pearl River Delta”	as at the Latest Practicable Date and for the purpose of this prospectus, includes Guangzhou, Shenzhen, Zhuhai, Foshan, Dongguan, Zhongshan, Jiangmen, Huizhou, Zhaoqing, Qingyuan, Yunfu, Shaoguan, Shanwei, Heyuan and Yangjiang
“property management fees collection rate”	percentage of annual property management service fee received in cash in the relevant financial year/period
“residential complex”	according to F&S, refers to those whose total GFA of residential properties under our management accounts for more than 80% of the total GFA of the complex
“sq.m.”	square meters
“Xinyuan-E-Jia”	the intelligent community platform owned by Beijing Juzhouyun

FORWARD-LOOKING STATEMENTS

FORWARD-LOOKING STATEMENTS CONTAINED IN THIS PROSPECTUS ARE SUBJECT TO RISKS AND UNCERTAINTIES

This prospectus contains forward-looking statements relating to our plans, objectives, expectations and intentions, which may not represent our overall performance for the periods of time to which such statements relate. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business strategies and plans to achieve these strategies;
- expected growth of and changes in the PRC property management industry;
- our future debt levels and capital needs;
- changes to the political and regulatory environment in the industry and markets in which we operate;
- our expectations with respect to our ability to acquire and maintain regulatory licenses or permits;
- changes in competitive conditions and our ability to compete under these conditions;
- future developments, trends and conditions in the industry and markets in which we operate;
- general economic, political and business conditions in the markets in which we operate;
- effects of the global financial markets and economic crisis;
- our financial conditions and performance;
- our dividend policy; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

FORWARD-LOOKING STATEMENTS

In some cases, we use the words “aim”, “anticipate”, “believe”, “can”, “continue”, “could”, “estimate”, “expect”, “going forward”, “intend”, “ought to”, “may”, “might”, “plan”, “potential”, “predict”, “project”, “seek”, “should”, “will”, “would” and similar expressions to identify forward-looking statements. In particular, we use these forward-looking statements in the “Business” and “Financial Information” sections in this prospectus in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets.

These forward-looking statements are based on current plans and estimates, and speak only as of the date they were made. We undertake no obligation to update or revise any forward-looking statements in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. We caution you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statements.

Our Directors confirm that the forward-looking statements are made after reasonable care and due consideration. Nonetheless, due to the risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all.

Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

RISK FACTORS

Prospective investors should consider carefully all the information set forth in this prospectus and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to the Global Offering. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial conditions and prospects of our Group.

This prospectus contains certain forward-looking statements regarding our plans, objectives, expectations and intentions which involve risks and uncertainties. Our Group's actual results could differ materially from those discussed in this prospectus. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this prospectus. The trading price of the Offer Shares could decline due to any of these risks, and you may lose all or part of your investment.

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorised these risks and uncertainties into: (i) risks relating to our business and industry; (ii) risks relating to conducting business in the PRC; (iii) risks relating to the Global Offering; and (iv) risks relating to statements made in this prospectus.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We may not be able to grow our property management portfolio as planned, which may have a material adverse effect on our business, financial condition and results of operations

We have experienced growth and expanded our business during the Track Record Period. Our GFA under management increased from approximately 10.8 million sq.m. as at 31 December 2016 to approximately 15.8 million sq.m. as at 31 March 2019. As a result, our revenue from provision of property management services increased from approximately RMB143.5 million for the year ended 31 December 2016 to approximately RMB196.3 million for the year ended 31 December 2017, and further increased to approximately RMB261.9 million for the year ended 31 December 2018. For the three months ended 31 March 2019, our revenue from provision of property management services amounted to approximately RMB71.5 million. We have been expanding our property management portfolio primarily through securing new property management services agreements. We seek to continue to grow our property management portfolio. However, there is no assurance that we are able to grow our property management portfolio as planned. In addition, our expansion is based upon forward-looking assessment of market prospect. We cannot assure you that our assessment will always turn out to be correct. Our growth may be affected by a number of factors beyond our control, such as China's general economic condition, developments in the real estate market, changes in the supply and demand of the property management service industry and our ability to obtain external financing. Also, our current and planned operations, personnel, systems, internal procedures and controls may not be adequate to support our future growth and expansion. Our growth has placed and will continue to place significant demands on our management and our administrative, operational

RISK FACTORS

and financial resources. To accomplish our growth strategies and manage the future growth of our operations, we will be required to enhance our service quality, improve our operational and financial systems, and expand, train and manage our growing employee base. We will also need to maintain and expand our relationship with our customers, subcontractors, suppliers and other third parties. When we expand into a new geographic market, we may have limited knowledge of the local property management service market, which could be substantially different from those we currently operate in. We may not have established relationship with local suppliers, subcontractors and other business partners as we do in our established markets. We may be unable to rely on our goodwill in a new market, and may face intense competition from the local property management companies. If we are unable to execute our growth strategies or manage our growth effectively, we may not be able to take advantage of market opportunities or respond to competitive pressure, which may materially and adversely affect our business prospects and results of operations.

There is no assurance we will continue to be engaged by the Remaining Xinyuan Real Estate Group to manage properties developed by them, or that we will be able to supplement any shortfall with properties from third party developers on terms acceptable to us, or at all

A significant portion of the properties under our management during the Track Record Period were developed by the Xinyuan Real Estate Group. For the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019, respectively, approximately 96.2%, 88.9%, 84.3% and 83.6% of our revenue generated from property management services is attributable to properties developed by the Xinyuan Real Estate Group, and 85.5%, 80.2%, 74.6% and 74.3% of our GFA under management were attributable to properties developed by the Xinyuan Real Estate Group. Any adverse development in the operations of the Remaining Xinyuan Real Estate Group or its ability to develop new properties may affect our ability to procure new property management projects.

As the selection of property management companies through the tender process would depend on a number of factors, including but not limited to the quality of services, the level of pricing and the operating history of the property management companies, we cannot assure you that the Remaining Xinyuan Real Estate Group will continue to engage us as their property management companies for any property they develop. Similarly, if we bid on property management service projects developed by third party developers, there can be no assurance that we will be successful in such bids, or that such bids will provide positive contributions to our revenue or profits.

If we are not able to continue to be engaged as the Remaining Xinyuan Real Estate Group's property management service provider for properties they develop, or to supplement any shortfall in managing properties developed by the Remaining Xinyuan Real Estate Group by procuring new property management services agreements with acceptable terms on properties developed by third party developers, our results of operations and growth prospects may be materially and adversely affected.

RISK FACTORS

Our future acquisitions may not be successful, or we may fail to achieve the desired benefits from successful acquisitions

We plan to continue to selectively pursue strategic investment, cooperation and acquisition opportunities involving other property management services companies or other businesses that are supplementary to our existing business and integrate their operations into our business. However, we cannot assure you that we will be able to identify suitable opportunities. Even if we manage to identify suitable opportunities, we may not be able to complete the transactions on terms favourable or acceptable to us, in a timely manner, or at all. The inability to identify suitable opportunities or complete such transactions successfully could adversely affect our operations and competitiveness.

Furthermore, even if we successfully complete an acquisition, we may fail to achieve the desired benefits from such transaction. Our ability to manage the acquired business may be affected by a number of factors, including but not limited to, the nature and size of the acquired business, the risks of operating in new markets, difference in corporate cultures, inability to retain the personnel of the acquired business, inability to obtain approval from relevant government authorities as well as hidden costs associated with the acquisitions. If we cannot achieve the desired benefits from the acquisitions, our business strategies and operations may be adversely affected.

We intend to engage more property management projects of properties developed by third party developers and this may cause a decline in the overall gross profit margin of our property management services

As mentioned in the subsection headed “Business – Property Management Services – Growth of Our Property Management Services” in this prospectus, we intend to continue to diversify our portfolio by engaging more property management projects of properties developed by third party developers. As mentioned in the subsection headed “Business – Property Management Services – Overview” in this prospectus, during the Track Record Period, our average property management fees charged for properties developed by third party developers were on average approximately 13.8% to 17.2% lower than those charged for properties developed by the Xinyuan Real Estate Group. Such lower average property management fees, together with other reasons including geographical location and our marketing strategy, have caused a lower gross profit margin attributable to properties developed by third party developers. During the Track Record Period, the gross profit margin of our property management services provided to properties developed by third party developers amounted to approximately 3.1%, 17.3%, 11.7% and 12.7% respectively, which is lower than those attributable to properties developed by the Xinyuan Real Estate Group, being approximately 15.1%, 21.0%, 22.4% and 23.4%, respectively. There is no assurance that we will be able to engage in property management projects of properties developed by third party developers at our standard pricing or that we will be able to substantially increase our average property management fees when we engage in property management projects of properties developed by third party developers in the future. In the event that such average property management fees maintain at their current level, we may experience a decline in the overall gross profit margin of our property management services, thereby causing an adverse impact to our financial condition and operating results.

RISK FACTORS

Our Group recorded net current liabilities as at 31 July 2019. If we do not generate sufficient cash flow from our operations to meet our present and future financial needs as anticipated, we may be forced to delay or abandon our expansion plans, and our business, financial conditions and results of operations may be adversely affected

Our net current assets decreased from approximately RMB157.1 million as at 31 March 2019 to net current liabilities of approximately RMB47.8 million as at 31 July 2019. For further details of the net current liabilities, please refer to the subsection headed “Financial Information – Liquidity and financial resources – Current assets and liabilities” in this prospectus.

Our future liquidity, the payment of trade and other payables and the repayment of our outstanding debts when they become due will primarily depend on future operating and financial performance, including our ability to maintain adequate cash inflows from operating activities and our ability to obtain adequate financing. Although we anticipate that we shall have sufficient working capital to meet our present requirements for the next 12 months, our future performance will be impacted by prevailing economic conditions and a range of other business and competitive factors which are beyond our control. Our Group may continue to record net current liabilities in the future, and if we do not generate sufficient cash flow from our operations to meet our present and future financial needs as anticipated, we may need to rely on additional borrowings for funding. If sufficient funds are not available, we may be forced to delay or abandon our expansion plans, and our business, financial conditions and results of operations may be adversely affected.

We recorded gain on disposal of financial assets and interest income during the Track Record Period which are non-recurring in nature

During the Track Record Period, our Group recorded gain on disposal of financial assets of approximately RMB3.1 million, RMB19.4 million, RMB8.3 million and nil, whereas our Group recorded net profit of approximately RMB26.0 million, RMB69.4 million, RMB76.1 million and RMB7.6 million, respectively. The gain on disposal of financial assets refers to the realised gain from the disposal of our investments in listed securities and unlisted financial products, of which our total purchase amounted to approximately RMB222.2 million, RMB889.6 million, RMB711.7 million and nil in the years ended 31 December 2016, 2017, 2018, and the three months ended 31 March 2019, respectively. Further, our Group also recorded interest income of approximately RMB17.3 million, RMB1.9 million, RMB0.5 million and RMB0.8 million for the years ended 31 December 2016, 2017, 2018, and the three months ended 31 March 2019. In particular, approximately RMB16.0 million out of the total interest income of approximately RMB17.3 million recorded for the year ended 31 December 2016 was generated from the entrusted loan of RMB453,000,000 to our Group’s fellow subsidiaries. The principal of the entrusted loan and related interest receivables were fully settled in June 2016. As at the Latest Practicable Date, we did not own any listed securities or unlisted financial products. In the absence of the gain on disposal of financial assets and interest income in the future, our results of operations and financial condition may be adversely affected.

RISK FACTORS

We are exposed to fair value changes for financial assets at fair value through profit or loss and valuation uncertainty due to the use of unobservable inputs that require judgement and assumptions which are inherently uncertain

Our financial assets at fair value through profit or loss mainly represent our investment in the securities which were listed on the Shanghai/Shenzhen Stock Exchange and unlisted financial products which were wealth management products issued by PRC banks. As at 31 December 2016, 2017 and 2018 and 31 March 2019, the book value of our financial assets at fair value through profit or loss amounted to approximately RMB102.9 million, RMB248.3 million, nil and nil, respectively. Such book value increased by approximately RMB145.4 million, or approximately 141.3%, from approximately RMB102.9 million as at 31 December 2016 to approximately RMB248.3 million as at 31 December 2017, primarily attributable to the purchase of additional listed securities and unlisted financial products in 2017. We disposed all of our aforementioned listed securities and unlisted financial products in the second half of 2018 and did not hold any investments in listed securities or unlisted financial products as at 31 December 2018 and up to the Latest Practicable Date. For further details, please refer to Note 32 to the Accountants' Report in Appendix I to this prospectus.

The fair value of our unlisted financial products that are not traded in an active market is determined using valuation techniques, which require judgement and assumptions and involve the use of unobservable input, such as the expected yield of the underlying investment portfolio and discount rate. We use our judgement to make assumptions that are mainly based on market conditions existing at the end of each reporting period. Changes in these assumptions and estimates could materially affect the fair value of these unlisted financial products. Factors beyond our control can significantly influence and cause adverse changes to the estimates we use and thereby affect the fair value. These factors include, but are not limited to, general economic conditions, changes in market interest rates and stability of the capital markets.

The valuation techniques that we use may involve a significant degree of management judgement and are inherently uncertain, and may result in material adjustment, which in turn may materially and adversely affect our results of operations.

We may be subject to losses and our profit margins may decrease if we fail to control our costs in performing our property management services on a lump-sum basis

During the Track Record Period, the property management fees of only one of our property management services agreements were determined on a commission basis, while those of all other property management services agreements were determined on a lump-sum basis. On a lump-sum basis, we charge property management fees at a pre-determined fixed lump-sum price per sq.m. per month, representing "all-inclusive" fees for the property management services provided. These management fees do not change with the actual amount of property management costs we incur. We recognise as revenue the full amount of property management fees we charge to the property owners or property developers, and recognise as our cost of sales the actual costs we incur in connection with rendering our services. For more information, please refer to the subsections headed "Business – Property Management Services – Property Management Fees" and "Financial Information – Significant Accounting Policies – Revenue Recognition" in this prospectus.

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In the event that the amount of property management fees that we charge is insufficient to cover all the costs incurred for our property management services, we are not entitled to collect the shortfall from the relevant property owners or property developers. As a result, we may suffer losses.

If we are unable to raise property management fees and there is a shortfall of working capital after deducting the property management costs, we would seek to cut costs with a view to reducing the shortfall. However, our ability to mitigate against such losses through cost-saving initiatives may not be successful, and our cost-saving efforts may negatively affect the quality of our property management services, which in turn would further reduce the owners' willingness to pay us the property management fees.

We may not be able to collect property management fees from property developers, property owners and property occupants and as a result, we may incur impairment losses on receivables

We may encounter difficulties in collecting property management fees from property developers, property owners or property occupants, especially in communities where the vacancy rate is relatively high. Even though we seek to collect overdue property management fees through a number of collection measures, we cannot assure you that such measures will be effective or enable us to accurately predict our future collection rate.

Our trade receivables from related parties amounted to approximately RMB11.7 million, RMB32.6 million, RMB68.9 million and RMB71.9 million as at 31 December 2016, 2017 and 2018 and 31 March 2019, respectively. Our average trade receivables from related parties turnover days were 104.9 days, 164.5 days, 263.5 days and 314.1 days for the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019, respectively, which were substantially longer than our average trade receivables from third parties turnover days of 56.9 days, 55.9 days, 57.4 days and 63.7 days for the same periods, respectively.

As our business continues to scale, our balance of trade receivables from related parties may continue to grow, which may increase our risks for uncollectible trade receivables from related parties. There is no assurance that we will be able to fully recover our trade receivables from related parties or that they will settle our trade receivables in a timely manner. In the event the settlements from the related parties are not made in a timely manner, the financial position, profitability and cash flows of our Group may be adversely affected.

Our allowance for impairment of trade receivables amounted to RMB3.7 million, RMB3.3 million, RMB3.6 million and RMB4.3 million for the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019, respectively. Although our management's estimates and the related assumptions have been made in accordance with information available to us, such estimates or assumptions may require adjustment if new information arises. For further details, please refer to the subsection headed "Financial Information – Description of Major Components of Combined Statements of Financial Position – Trade Receivables" in this prospectus. In the event that the actual recoverability is lower than expected, or that our past allowance for impairment of trade receivables becomes insufficient in light of any new information, we may need to provide for an additional allowance for impairment of trade receivables, which may in turn materially and adversely affect our business, financial position and results of operations.

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The illiquidity of the Group's property investment and the speculative nature of such property investment may adversely affect our investment return, financial condition and results of operations

As at the Latest Practicable Date, we had an one-off property investment amounting to approximately RMB89.1 million, representing the purchase of 342 residential units in its property development project (“**Residential Units**”) in Henan in 2018. The Residential Units are currently under construction and expected to be delivered to us in 2020. We do not plan to make any more property investment in the foreseeable future and therefore our investment property portfolio is expected to include the Residential Units only. Investment properties are generally illiquid and our ability to sell our Residential Units in response to changing economic, financial and investment conditions is limited.

We cannot assure you that we will be able to sell the Residential Units at prices or on terms satisfactory to us, if at all. We cannot predict the length of time needed to find purchasers to purchase the Residential Units. Furthermore, the local demand for Residential Units, changes in economic and financial condition, such as changes in interest rates, or changes in the competitive landscape in the PRC property market are beyond our control, and any one of these may adversely affect the return we generate from, as well as the fair value of, the Residential Units. In addition, limited availability of accurate financial and market information and the general low level of transparency in the PRC property industry contribute to overall market uncertainty. Investors may be discouraged from acquiring new properties due to the lack of a liquid secondary market for residential properties. Moreover, the limited amounts and types of mortgage financing available to individuals, together with the lack of long-term security of legal title and enforceability of property rights, may also hinder the demand for residential property in the PRC.

The PRC residential property markets may also be affected by local, regional, national and global factors, including economic and financial condition, speculative activities in local markets, demand for and supply of properties, investor confidence, availability of alternative investment choices for property buyers, inflation, government policies, interest rates and availability of capital, many of which are beyond our control. Any market downturn in the PRC generally or in the city in which our Residential Unit is located may materially and adversely affect our investment return, financial condition and results of operations.

Our ability to maintain or improve our current level of profitability depends on our ability to control operating costs, and in particular, staff costs and subcontracting costs, and our profit margins and results of operations may be materially and adversely affected

The property management industry is a labour intensive industry. For the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019, our staff costs accounted for approximately 48.0%, 31.6%, 29.6% and 34.2%, respectively, of our total cost of sales. During the same periods, our subcontracting costs accounted for approximately 28.2%, 44.2%, 40.8% and 37.4%, respectively, of our total cost of sales. To maintain and improve our profit margins, it is critical for us to control and reduce our staff costs, subcontracting costs as

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well as other operating costs. We face pressure from rising staff costs and subcontracting costs due to various contributing factors, including but not limited to:

- *increases in general level of compensation.* The general level of compensation in the regions where we operate has increased substantially in recent years, directly affecting our direct labour costs as well as the fees we pay to our subcontractors.
- *increases in headcount of our employees and number of subcontractors.* As we expand our operations, the headcount of our property management staff, sales and marketing staff and administrative staff will continue to grow. We also need to retain and continuously recruit qualified employees to meet our growing demand for talents. Moreover, as we continue to expand our business scale, we require more subcontractors and thus, our subcontracting costs will increase. Such increases will result in increases of associated costs such as training, social insurances and housing funds and quality control measures.
- *delay in implementation.* There is a time gap between our commencement of property management services for a particular property and any implementation of our systems to that property to reduce staff costs.

Our ability to maintain and improve our current profit margins depends upon whether we can control and reduce our staff costs and subcontracting costs and other operating costs as our business expands, and replicate the same cost model across different properties under our management. We cannot assure you that we will be able to control our costs, improve our efficiency through the implementation of standardisation, automation and smart management strategies or successfully pass the cost impact to the property management fees charged by us so as to maintain our profit margins. If we cannot achieve these goals, our business, financial position and results of operations may be materially and adversely affected.

We rely on subcontractors to perform certain property management services and may be held responsible for their substandard services to our customers

During the Track Record Period, we outsourced part of our safety and security, cleaning and hygiene, gardening and specialized maintenance services to subcontractors to lower our cost of sales as well as to improve the services delivered to our customers. For the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019, our subcontracting costs were approximately RMB46.9 million, RMB86.4 million, RMB106.0 million and RMB26.9 million, respectively, accounting for approximately 28.2%, 44.2%, 40.8% and 37.4% of our total cost of sales, respectively. Although we have adopted supervision policies with regards to the services provided by subcontractors, we may not be able to monitor such subcontractors as directly and efficiently as with our own employees. They may take actions contrary to our or our customers' instructions or requests, or be unable or unwilling to fulfil their obligations. As a result, we may have disputes with our subcontractors, or may be held responsible for their actions, either of which could lead to damages to our reputation, additional expenses and business disruptions and potentially expose us to litigation and damage claims. There is no

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guarantee that we will be able to recover from a subcontractor the amounts we are required to pay to customers due to the subcontractor's failure to fulfil its obligations.

In addition, we cannot assure you that upon the expiration of our agreements with our current subcontractors that we will be able to renew such agreements or find suitable replacements in a timely manner, on terms acceptable to us, or at all.

Further, if our subcontractors fail to maintain a stable team of qualified personnel or do not have easy access to a stable supply of qualified personnel or fail to perform their obligations properly or in a timely manner, the work process may be interrupted. Any interruption to the subcontractors' work process may potentially result in a breach of the agreement between our customers and us. Any such events could materially and adversely affect our service quality, our reputation, as well as our business, financial position and results of operations.

Our mobile application, namely “Xinyuan-E-Jia”, may not grow as planned

We aim to expand the function of our mobile application, namely “Xinyuan-E-Jia”, to increase accessibility and improve user experience, and plan to attract extensive use by residents of the properties we manage. For more information, please refer to the subsection headed “Business – Business Strategies – Strengthening Our Services Offered” in this prospectus.

However, our “Xinyuan-E-Jia” mobile application is relatively new and still evolving and we cannot assure you that we will be able to develop our “Xinyuan-E-Jia” mobile application as planned. The future growth of our “Xinyuan-E-Jia” mobile application depends on our ability to attract new users, as well as to increase the spending and purchase rate of existing users. Changing consumer preferences have historically affected, and will continue to affect, the e-commerce industry. As a result, we must stay abreast of emerging lifestyle and consumer preferences and anticipate product trends that will appeal to existing and potential users. We may require substantial time, resources and capital to develop new products and services, or enter into new markets. As a result, we may not be able to achieve our profit targets. We cannot assure you that the residents will use the services and products on our “Xinyuan-E-Jia” mobile application. Our “Xinyuan-E-Jia” mobile application, with the intention to better serve our residents, integrates our property management services and value-added services. If our residents cannot find desired products or services offered in our “Xinyuan-E-Jia” mobile application at attractive prices, they may lose interest in our “Xinyuan-E-Jia” mobile application and thus may use it less frequently, if at all, which in turn, may adversely affect our business, our results of operations and our financial position.

Moreover, we may also encounter technical problems, security issues and logistical issues that may prevent our platform from functioning properly and our users from receiving desired products and services. We may also be subject to product liability arising from selling the products or services on our platform under the Laws on the Protection and Rights and Interests of Consumers of the PRC (中華人民共和國消費者權益保護法), the Tort Law of the PRC (中華人民共和國侵權責任法), the Advertising Law of the PRC (中華人民共和國廣告法), the Product Quality Law of the PRC (中華人民共和國產品質量法) and other relevant PRC laws and

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regulations. For further details of the related risks arising from the PRC laws and regulations, please refer to the subsection headed “– Risks Relating to Conducting Business in the PRC” in this section. If we are unable to resolve such problems in a timely manner, or at all, we may lose our existing users or face lower user engagement.

In addition, we may not be able to recruit sufficient qualified personnel to support the development of our “Xinyuan-E-Jia” mobile application. We cannot assure you that our investment in our “Xinyuan-E-Jia” mobile application can be recovered in a timely manner, or at all, or our return would be comparable to those of other companies. In addition, our development of and investment in our “Xinyuan-E-Jia” mobile application may be subject to PRC laws and regulations governing license approval and renewal. We cannot assure you that we can obtain or renew our license on time, if at all. Any of the foregoing could adversely affect our reputation, business, financial position and results of operations.

Termination or non-renewal of our property management services agreements to a significant number of properties could have a material adverse effect on our business, financial position and results of operations

During the Track Record Period, for properties under development, we entered into preliminary property management services agreements with property developers for the management of such properties prior to them being sold to property owners and such contracts will continue to be in force until it is expired or unless a property owners’ association is formed by the property owners and a new property management services agreement is entered into. Under the PRC Property Management Regulations (中華人民共和國物業管理條例), a preliminary property management services agreement signed with property developers at the pre-sale and pre-delivery stages can be terminated before the expiration date if the property owners’ association is formed and a new property management services agreement is entered into. There are agreements signed with property developers without a fixed term, and where local rules or practices prescribe a form of property management services agreement and such form does not have a fixed term, the term of the agreement will be settled based on commercial negotiation. These agreements will usually end upon the establishment of a property owners’ association or otherwise agreed by the parties, as applicable. According to F&S, it is common in the industry to use non-fixed terms in preliminary property management services agreements as the service providers are not able to predict when a property owners’ association will be established. In the event that we enter into a new property management services agreement with the property owners’ association, such agreement generally has a term of three years and may be renewed upon mutual consent. We also entered into property management services agreements with property owners’ association without a fixed term, and they could be terminated when the property owners’ association selects another property management companies through a property owners’ general meeting. In all of the above circumstances, there is no assurance that the relevant property owners’ association will decide to enter into, renew, or maintain the property management services agreements with us instead of selecting another property management services company. In the event a property owners’ association enters into a property management services agreement with another company rather than us, the preliminary property management services agreement we entered into with the property developer will automatically terminate.

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Even in the event the property owners' association decides to enter into a property management services agreement with us, there is no assurance that such agreement will not be terminated prior to expiration for cause or renewed upon expiration. Termination or non-renewal of a significant number of property management services agreements could have a material adverse effect on our revenue generated from property management services.

Additionally, the performance and development of our value-added services business line rely a large extent on the number of properties we manage for our property management services business line. Therefore, any failure to renew our property management services agreements or termination of such agreements could also adversely affect the performance of our value-added services business line.

Our value-added services business line may not grow as planned and our development of relevant service platforms may not be successful

We plan to grow our value-added services by expanding our service offerings and customer base and improving the integration of our relevant service platforms. For further information on our value-added services, please refer to the subsection headed "Business – Value-Added Services" in this prospectus. However, there is no assurance that we could grow such business as planned, and our related costs incurred may not be recovered. We need to recruit qualified employees with relevant experience to grow our value-added services business. As the market is competitive, there is no assurance that we will be able to recruit sufficient number of qualified employees to support our growth plan. In addition, the development of value-added services also relies on our ability to tap our existing customer base from our managed properties to use our value-added services, as well as our ability to identify suitable products and services to be marketed and sold via our relevant service platforms. However, our current planning may be changed or certain value-added services that we plan to offer may not be realised due to changes in demand from customers and market trends. For instance, we aim to expand the functionality of our online service platform through the further development of our "Xinyuan-E-Jia" mobile application. The future growth of our mobile application depends on our ability to continue to attract new users as well as to increase the spending and repeat purchase rate of existing users. Changing consumer preferences have historically affected, and will continue to affect, the e-commerce industry. As a result, we must stay abreast of emerging life-style and consumer preferences and anticipate product trends that will appeal to existing and potential users. New products and services, or entrance into new markets, may require substantial time, resources and capital, and profitability targets may not be achieved. We cannot assure you that the residents will use the services and products on our online service platforms. If our residents cannot access their desired products or services within our portfolio at attractive prices or at all, our residents may lose interest in our service platforms and thus may use our service platforms less frequently, if at all, which in turn, may adversely affect our business, our results of operations and our financial position.

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Our business is subject to third party payment processing related risks

We accept payments using a variety of methods, including payments through bank transfer, cash payment, and through a series of online payment platforms such as Wechat Pay and Alipay. We may be subject to fraud and other illegal activities in connection with the various payment methods we offer, including online payment options. We are also subject to various rules and requirements, regulatory or otherwise, governing electronic funds transfers, which are subject to change or reinterpretation that could make it difficult or impossible for us to comply with. If we fail to comply with these rules or requirements, we may be subject to fines and higher transaction fees and lose our ability to accept credit and debit card payments from customers, process electronic funds transfers or facilitate other types of any online payments, and our business, financial position and results of operations could be adversely affected.

System interruption and security risks, including security breaches and identity theft, may result in reduced use by our customers of our relevant service platforms, and expose us to the risk of litigation which could negatively affect our financial and operational results and damage our reputation

We may experience occasional system interruptions, delays or other technical problems that make any of our relevant service platforms and their services unavailable or difficult to access, and prevent us from promptly responding or providing products or services to our customers, which may reduce the attractiveness of such service applications. If we are unable to continue to effectively upgrade our systems and network infrastructure and take other steps to improve the efficiency of our systems, there may be system interruptions or delays which will adversely affect our operating results. In addition, our online platform and mobile application are subject to security risks, including security breaches and identity theft. We must be able to provide secured transmission of confidential information over public networks when providing such services. Any penetration of network security or other misappropriation or misuse of personal information could cause interruptions in the operations of our business and subject us to increased costs, litigation and other liabilities, which could negatively affect our financial and operating results and damage our reputation.

Damage to the common areas of the properties we manage as a result of any natural disasters, intended or unintended actions of property owners or residents or other events could adversely affect our business, results of operations and financial position

The common areas of the properties we manage may be damaged in a variety of ways that are out of our control, including but not limited to natural disasters, residents' intended or unintended actions, and epidemics. For example, in the event of natural disasters, such as earthquake, typhoon or flood, the common areas may be materially damaged. Although the special fund for residence maintenance could cover all or part of the costs, there can be no assurance that such fund will be sufficient. If any person purposely or recklessly sets fire or causes flooding in an apartment or common area, the exterior of the building, corridors and stairways may be damaged, or if a person commits or is suspected of having committed criminal activities within the properties, we need to allocate additional resources to assist the police and

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other governmental authorities on their investigations. In the event of any damage that affects the common areas, our current residents may be affected and we may have to fix the damages with our own resources and then attempt to collect fees from the property developers or property owners to cover our expenses. However, we may face difficulties in collecting such fees from them. The additional costs we incur due to damage to the common areas may increase along with our business growth and geographic expansion. For example, certain areas where we operate may be located on earthquake belt or may be subject to frequent typhoons. Although none of our assets, business, results of operations and financial positions were materially affected during the Track Record Period and up to the Latest Practicable Date, we continue to be exposed to such risks that our managed properties may suffer damage due to reasons such as natural disasters, epidemics, and residents' intended or unintended actions or any other events.

We are exposed to risks in relation to work safety and occurrence of accidents

Work injuries and accidents may occur during the course of our business. We provide repair and maintenance services to our customers and managed properties through our own employees or our subcontractors. Repair and maintenance services such as for elevators and fire and safety facilities involve the operation of heavy machinery and therefore, are subject to risks of work injuries or accidents. During the Track Record Period and up to the Latest Practicable Date, we had settled 13 employees' work injury or accident claims with an aggregate settlement amount of approximately RMB1.0 million. All these claims were in relation to work injuries or accidents of employees or ex-employees of our Group. Nevertheless, there can be no assurance that any such incident or accident, which could result in property damage, personal injury or even death to the residents, property owners, our employees or subcontractors, will not occur in the future. In such events, these occurrences could result in damage to, or destruction of, properties of the communities, personal injury or death and legal liability and we may be held liable for the losses.

In addition, we are exposed to claims that may arise due to employees' or subcontractors' negligence or recklessness when performing our services. We may also experience interruptions to our business and may be required to change the manner in which we operate as a result of governmental investigations or the implementation of safety measures upon occurrence of accidents. Any of the foregoing could adversely affect our reputation, business, financial position and results of operations.

Our future preliminary property management services agreements entered into with property developers may be determined as invalid if the property developers do not hold the required tendering and bidding process

Under the PRC Property Management Regulations, a residential property developer shall hire qualified property management companies to provide preliminary property management services by going through a tendering and bidding process, as required by PRC law. When the number of bidders is likely to be fewer than three or the total GFA is relatively small, and in either case with the approval of the relevant authority according to the PRC laws, property developers may go through the process of appointment through agreement. A residential property

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developer may be required to take rectification measures within a prescribed period and pay fines up to RMB100,000 if it fails to comply with such tendering and bidding requirement. During the Track Record Period, we were selected by a number of property developers to provide preliminary property management services for certain properties without going through the required tendering and bidding process.

There is a risk that our future preliminary property management services agreements may be determined as invalid if the property developers do not hold the required tendering and bidding process. If this occurs, we may lose a portion of our revenue accrued under such property management services agreements. In addition, the relevant property developer may need to reorganise a tendering and bidding process to select a property management company for their developed projects in order to comply with the relevant PRC laws. In the case that we do not win the bidding, we may not be able to continue our property management services for the relevant projects and, as a result, our revenue and business may be negatively impacted. For more details, please refer the subsection headed “Business – Property Management Services – Tender Process” in this prospectus.

We may not be able to detect and prevent fraud or other misconduct committed by our employees or third parties

We are exposed to fraud or other misconduct committed by our employees, subcontractors, agents or other third parties that could subject us to financial losses and sanctions imposed by governmental authorities as well as seriously harm our reputation. For example, theft conducted by third parties may cause us to make compensation if we were held to be negligent or reckless, and will also damage our reputation in the property management market. In addition, in managing our “Xinyuan-E-Jia” mobile application, we rely, to a large extent, on the cooperation with third party service providers to supply products and services to residents, and any major interruptions to or failures in these third parties’ services could prevent the timely and successful delivery of relevant goods or services due to fraud or misconduct of these third parties. If the purchased goods are not delivered on time or are delivered in a damaged state or if the purchased services are not timely or properly rendered, customers may refuse to accept the goods or services and may claim refund from us on our “Xinyuan-E-Jia” mobile application, and the suppliers we rely on to provide products and services on our “Xinyuan-E-Jia” mobile application may have less confidence in our services. As a result, we may lose suppliers we rely on to provide products and services on our “Xinyuan-E-Jia” mobile application, and our financial position and reputation could be damaged.

Our management information system and internal control procedures are designed to monitor our operations and overall compliance. However, they may be unable to identify non-compliance and/or suspicious transactions in a timely manner, or at all. Furthermore, it is not always possible to detect and prevent fraud and other misconduct, and the precautions we take to prevent and detect such activities may not be effective. We will continue to operate knowing that fraud and other misconduct may occur, including negative publicity as a result, which may have an adverse effect on our business, reputation, financial position and results of operations.

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We may be required to make additional contributions of social security fund and/or housing provident fund under the PRC laws and regulations

Under the relevant PRC laws and regulations, we are required to make social security fund and housing provident fund contributions for our employees. During the Track Record Period, we did not make the social security fund and housing provident fund contributions for our employees in full. As advised by our PRC Legal Advisers, in respect of outstanding social security contributions, the relevant PRC authorities may demand us to pay the outstanding social security funds within a stipulated time limit and we may be liable to a late payment fee equivalent to 0.05% of the outstanding amount for each day of delay; if we fail to make such payments, we may be liable to a fine of one to three times the amount of the outstanding contributions. In respect of outstanding housing provident fund contributions, we may be demanded by the relevant authorities to pay the underpaid amount to the housing provident funds within a prescribed time limit. If we fail to make the contributions within the time limit, further application will be made by the relevant authorities to the people's court for compulsory enforcement.

We cannot assure you that we will not be subject to any further rectification measures for these non-compliance incidents, nor can we assure you that there are no, or will not be any, employee complaints against us. In addition, we may incur additional expenses to comply with such laws and regulations by the PRC government or relevant local authorities.

We are in a competitive business with various competitors and if we do not compete successfully against existing and new competitors, our business, financial position, results of operations and prospects may be materially and adversely affected

The PRC property management industry is competitive and fragmented. Please refer to the subsection headed "Industry Overview – Competitive Landscape" in this prospectus for more details. Our major competitors include national and regional property management companies. Competition may intensify as our competitors expand their service offerings or as new competitors enter our existing or new markets. We believe that we compete with our competitors on a number of factors, including property management portfolio, brand recognition, financial resources, price and service quality. Our competitors may have better track records, longer operating histories and greater financial, technical, sales, marketing and other resources, as well as greater name recognition and larger customer bases. As a result, these competitors may be able to devote more resources to the development, promotion, sale, and support of their services. In addition to competition from established companies, emerging companies may enter our existing or new markets. There can be no assurance that we will be able to continue to compete effectively or maintain or improve our market position, and such failure could have a material adverse effect on our business, financial position and results of operations.

We believe our current success can be partially attributed to our standardisation, automation and smart management of operations in providing our property management services. We plan to continue to refine our service standardisation, automation, smart management and upgrades of IT systems, to enhance the quality and consistency of our services, improve our on-site service

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teams' efficiency and reduce our costs. If we fail to continue to improve such practices, our competitors may emulate our business model, and we may lose a competitive advantage that has distinguished ourselves from our competitors. If we do not compete successfully against existing and new competitors, our business, financial position, results of operations and prospects may be materially and adversely affected.

We may be exposed to liabilities from disputes involving products and services offered and advertised on our mobile application, namely “Xinyuan-E-Jia”

To facilitate the development of our value-added services, we provide home living services and related products through our “Xinyuan-E-Jia” mobile application. We may therefore be subject to product liability arising from selling or advertising the products or services on the mobile application under the Laws on the Protection and Rights and Interests of Consumers of the PRC (中華人民共和國消費者權益保護法), the Tort Law of the PRC (中華人民共和國侵權責任法), the Advertising Law of the PRC (中華人民共和國廣告法), the Product Quality Law of the PRC (中華人民共和國產品質量法) and other relevant PRC laws and regulations. For instance, claims may be brought against us by purchasers, regulatory authorities or other third parties alleging, among other things, that (i) the products sold or services provided by us via our service platforms fail to conform to required product quality; (ii) advertisements made on our service platforms with respect to such products or services are false, deceptive, misleading, libellous, injurious to the public welfare or otherwise offensive; (iii) such products or services are defective or injurious and may be harmful to others; and (iv) such marketing, communications or advertising infringe on the proprietary rights of other third parties.

We currently do not carry any product liability insurance coverage. Any product liability claim or governmental regulatory action could be costly and time-consuming. We could be required to pay substantial damages as a result of such claim or action. A material design, manufacturing or quality failure in the products or services offered or advertised on our relevant service platform, safety issues or heightened regulatory scrutiny could each result in a product recall and increased product liability claims. Furthermore, customers may not use the products offered on our service platform in accordance with product usage instructions, possibly resulting in customer injury. All of these events could materially harm our brand and reputation and marketability of such products or services, cause us to lose our existing service platforms' with lower user engagement, divert our management's attention and have a material adverse effect on our business, financial position and results of operations.

We are subject to the regulatory environment and measures affecting the PRC property management industry

Our operations are affected by the regulatory environment and measures affecting the property management industry in the PRC. In particular, the fees that property management services companies may charge in connection with property management services are subject to regulation and supervision by relevant regulatory authorities. For example, for our operations in the PRC, the relevant price administration department and construction administration department of the State Council are jointly responsible for the supervision over and

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administration of fees charged in relation to property management services for preliminary property management services agreements and such fees may need to follow PRC government guidance prices. Although government imposed price controls on property management fees may continue to relax over time pursuant to the Circular of the National Development and Reform Commission on Relaxing Price Controls in Certain Services (國家發展改革委關於放開部分服務價格意見的通知) (發改價格[2014]2755號), which became effective on 17 December 2014, our property management fees would continue to be subject to applicable price controls until local regulations implementing this circular are passed. For more information, please see “Business – Property Management Services – Pricing Policy”. Government-imposed limits on fees, coupled with rising labour and other operating costs, could have a negative impact on our earnings. For properties that are managed on a lump-sum basis, we may experience a decrease in profit margin. We cannot guarantee that the government regulations on fees and other matters concerning the property management industry will not have an adverse effect on our business, financial condition and results of operations, which may be material.

We are affected by the PRC government regulations on the PRC real estate industry, which may limit our business growth

Our business performance is primarily dependent on the total contracted and revenue-bearing GFA and the number of properties we manage. As such, our business growth is, and will likely continue to be, affected by the PRC government regulations of our industries. For further information on laws and regulations that are applicable to our business, please refer to the subsection headed “Regulatory Overview – Laws and Regulations Relating to Property Management Services and Other Related Services” in this prospectus. The PRC government has continued to introduce various restrictive measures to discourage speculation in the real estate market. The government exerts considerable direct and indirect influence on the development of the PRC real estate industry by imposing industry policies and other economic measures, such as control over the supply of land for property development, control of foreign exchange, property financing, taxation and foreign investment. Through these policies and measures, the PRC government may restrict or reduce property development activities, place limitations on the ability of commercial banks to make loans to property purchasers, impose additional taxes and levies on property sales and affect the delivery schedule and occupancy rates of the properties we service. Any such governmental regulations and measures may affect the PRC real estate industry, thus limiting our business growth and resulting in a material adverse effect on our business, financial position and results of operations. Furthermore, any economic slowdown, recession or other developments in the social, political, economic or legal environment of the PRC could result in fewer new property development projects, or a decline in the purchasing power of residents or tenants living in the properties we manage, resulting in lower demand for our services and lower revenue for us. As such, our business, financial condition and results of operations could be materially and adversely affected.

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Our future acquisitions may not be successful, or we may fail to achieve the desired benefits from successful acquisitions

We plan to continue to selectively pursue strategic investment, cooperation and acquisition opportunities involving other property management services companies or other businesses that are supplementary to our existing business and integrate their operations into our business. However, we cannot assure you that we will be able to identify suitable opportunities. Even if we manage to identify suitable opportunities, we may not be able to complete the transactions on terms favourable or acceptable to us, in a timely manner, or at all. The inability to identify suitable opportunities or complete such transactions successfully could adversely affect our operations and competitiveness.

Furthermore, even if we successfully complete an acquisition, we may fail to achieve the desired benefits from such transaction. Our ability to manage the acquired business may be affected by a number of factors, including but not limited to, the nature and size of the acquired business, the risks of operating in new markets, difference in corporate cultures, inability to retain the personnel of the acquired business, inability to obtain approval from relevant government authorities as well as hidden costs associated with the acquisitions. If we cannot achieve the desired benefits from the acquisitions, our business strategies and operations may be adversely affected.

Our success depends upon the retention of our senior management, as well as our ability to attract and retain qualified and experienced employees and resignation of any member of our senior management would affect our operation

Our continued success is highly dependent upon the efforts of our senior management and other key employees. If either of them or any of our other key employees leaves and we are unable to promptly hire and integrate a qualified replacement, our business, financial position and results of operations may be materially and adversely affected. For further information on our senior management, please refer to the section headed “Directors and Senior Management” in this prospectus.

In addition, the future growth of our business will depend in part on our ability to attract and retain qualified personnel in all aspects of our business, including but not limited to corporate management and property management personnel. If we are unable to attract and retain these qualified personnel, our growth may be limited and our business, financial position and operating results could be materially and adversely affected.

Accidents in our business may expose us to liability and reputational risk

Accidents may occur during the course of business. We provide repair and maintenance services to property developers, property owners and property occupants through our own employees or subcontractors. Repair and maintenance services such as elevators maintenance involve the operation of heavy machinery and therefore, are generally subject to certain risks of accidents. These occurrences could result in damage to, or destruction of, properties of the communities, personal injury or death and legal liability. Working at dangerous environment presents risks to our employees and subcontractors. In addition, we are exposed to claims that may arise due to employees’ or subcontractors’ negligence or recklessness when performing repair and maintenance services, or other services they are engaged to provide. We may be held

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liable for the employees', subcontractors' or residents' injuries or deaths. We may also experience interruptions to our business and may be required to change the manner in which we operate as a result of governmental investigations or the implementation of safety measures upon occurrence of accidents. Any of the foregoing could adversely affect our reputation, business, financial position and results of operations.

We may be exposed to claims by third parties or visitors to our managed properties which, if successful, could cause us to pay significant damage awards and incur other costs

During the Track Record Period, there was an accident which happened to a visitor to one of our managed properties, resulting in a one-off compensation of approximately RMB1.0 million paid by our Group. We are exposed to litigation and other legal proceedings that may arise from time to time by third parties or visitors to our managed properties. Any of these proceedings is inherently unpredictable and excessive verdicts may be granted. Although we plan to vigorously defend our interests in any legal proceedings that arise from third parties or visitors to our managed properties, we could in future incur judgments or enter into settlements of claims that could have a material adverse effect on our results of operations in any particular periods.

Our insurance may not sufficiently cover, or may not cover at all, losses and liabilities we may encounter

We maintain certain insurance coverage primarily including third party liability insurance and property insurance to cover liabilities for damages suffered by third parties arising out of our business operations, personal accident insurance for some of our employees and vehicle insurance. Please refer to the subsection headed "Business – Insurance" in this prospectus. We believe our insurance coverage is in line with industry practice for similar property management companies in the PRC. However, we cannot assure that our insurance coverage will be sufficient or available to cover damages, liabilities or losses we may incur in the course of our business. Moreover, there are certain losses for which insurance is not available in the PRC on commercially practicable terms, such as losses suffered due to business interruptions, earthquakes, typhoons, flooding, war or civil disorder. If we are held responsible for any such damages, liabilities or losses due to insufficiency or unavailability of insurance, there could be a material adverse effect on our business, financial position and results of operations.

The expansion of our business may expose us to increased risks of non-compliance with rules and regulations issued by a number of governments at provincial and local levels

As we expand our business operations into new geographic regions and broaden the range of services we perform, we are subject to an increasing number of provincial and local rules and regulations. In addition, because the size and scope of our operations had increased during the Track Record Period, the difficulty of ensuring compliance with the various local property management regulations and the potential for loss resulting from non-compliance have increased. If we fail to comply with the related local regulations, we may be subject to penalties by the competent PRC authorities. The laws and regulations applicable to our business, whether national, provincial or local, may also change in ways that materially increase our costs of compliance, and any failure to comply could result in significant financial penalties which could have a material adverse effect on our reputation, business, financial position and results of operations.

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We may be involved in legal and other disputes and claims from time to time arising from our operations

We may, from time to time, be involved in disputes with and subject to claims by our customers, such as property developers, property owners or residents, to whom we provide property management and other services. Disputes may also arise if they are dissatisfied with our services. In addition, property owners may take legal actions against us if they perceive that our services are inconsistent with the prescribed service standards contained in the property management service agreements. Furthermore, we may from time to time be involved in disputes with and subject to claims by other parties involved in our business, including our employees, subcontractors, other suppliers, and other third parties who sustain injuries or damages while visiting properties under our management. All of these disputes and claims may lead to legal or other proceedings or cause negative publicity against us, thereby resulting in damage to our reputation, substantial costs and diversion of resources and management's attention from our business activities. Any such dispute, claim or proceeding may have a material adverse effect on our business, financial position and results of operations.

Our historical results may not be indicative of our future prospects and results of operations

Although we experienced stable revenue and profit growth during the Track Record Period, we cannot assure you that we can sustain such growth in the future. Our profitability depends partially on our ability to control costs and operating expenses, which may increase as our business expands. In addition, we may devote significant resources to acquiring other property management companies. This initiative may negatively impact our short-term profitability. If our efforts in the acquisition of other property management companies prove ineffective, we fail to increase revenue, or if our cost and operating expense grow faster than our revenue, our business, financial position and results of operations may be negatively affected.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Changes in economic conditions in the PRC could substantially affect our business

All of our business, assets and operations are located in the PRC and all of our revenue is derived from our operations in the PRC. Therefore, our business, results of operations, financial condition and prospect are, to a significant extent, subject to the economic conditions in the PRC. The economy of the PRC differs from the economies of the most developed countries in many aspects, including but not limited to:

- the degree of the PRC government's involvement;
- the growth rate and degree of development;
- control of foreign exchange; and
- allocation of resources.

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While the economy of the PRC has experienced significant growth over the past decade and consequently there has been high demand for property management services, we cannot assure you that the economy of the PRC will continue to develop at its recent fast pace. A number of factors could slow down the economic development of the PRC, such as a global economic recession, a crisis in the financial market or natural disasters. During such times of economic downturn, the demand for our property management services is likely to drop. As a result, our financial condition and results of operations could be materially and adversely affected.

Our business, results of operations and financial condition may be affected by changes in the PRC's economic and political environment and by newly adopted PRC economic regulation policies

The economy of the PRC used to be a planned economy and a substantial portion of productive assets in the PRC are still owned by the PRC government. The PRC government also exercises substantial control over the PRC's economic growth by allocating resources, setting monetary policies and providing preferential treatment to particular industries or companies. While the PRC government has implemented economic reform measures to introduce market forces and to establish sound corporate governance in business enterprises, such economic reform measures may be adjusted, modified or applied inconsistently from industry to industry, or across different regions of the country. Hence, we cannot assure you that we may benefit from all, or any, of the measures which are under constant adjustments.

In addition, there can be no assurance that the PRC government will continue to pursue its current economic reform policies. Our operations and financial results could be materially and adversely affected by changes in political, economic and social conditions or relevant government policies, such as changes in laws and regulations or the interpretations thereof, measures which might be introduced to control inflation, changes in the rate or method of taxation and imposition of additional restrictions on currency conversion.

Uncertainties regarding interpretation and enforcement of the PRC laws, rules and regulations may have a material adverse effect on us

All of our business and operations are conducted in the PRC and we are therefore subject to the PRC laws, rules and regulations. The PRC legal system is a civil law system based on written statutes, while court decisions have limited precedential value and are cited for reference only. Due to the limited number of published cases and the non-binding nature of court decisions, there are uncertainties on the interpretation and enforcement of the laws and regulations. The interpretation of the PRC laws, rules and regulations may also be influenced by changes in monetary policy and changes in the domestic, political and social conditions in the PRC. Accordingly, the outcome of dispute resolutions and/or litigation in the PRC may not be consistent or predictable.

Furthermore, the PRC legal system is partly based on government policies and certain internal rules, some of which are not published on a timely basis or at all, which may have a retrospective effect. As a result, we may not be aware of any violation of these policies and internal rules until sometime after the violation. Moreover, administrative or court proceedings may be extended, resulting in substantial costs and diversion of resources and management attention if our Group seeks to enforce our legal rights through administrative or court

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proceedings. In addition, compared to a more developed legal system, the PRC administrative and court authorities have substantially wider discretion in interpreting and implementing statutory and contractual provisions. Therefore, the outcome of administrative and court proceedings and the level of legal protection our Group is entitled to may be difficult to evaluate. These uncertainties may have a negative impact on our ability to enforce contracts, which could in turn materially and adversely affect our business and results of operations.

It may be difficult to effect service of process or to enforce foreign judgments against our Group and management

All of our businesses, assets and operations are located in the PRC. Furthermore, the assets of our Directors are mainly located in the PRC. Therefore, investors may encounter difficulties in effecting service of process from other places outside the PRC upon us or our Directors. Moreover, it is understood that the enforcement of foreign judgments in the PRC is subject to uncertainties. A court judgement from a foreign jurisdiction may be reciprocally recognised or enforced if the jurisdiction has signed a treaty with the PRC. However, the PRC does not sign treaties for the reciprocal recognition and enforcement of court judgments with the United States, the United Kingdom and many other countries. As a result, recognition and enforcement in the PRC of a court judgement obtained in those jurisdictions mentioned above may be difficult or impossible.

Payment of dividends is subject to restrictions under the PRC law

As our Company is a holding company, we rely on dividend payment from our subsidiaries in the PRC for cash requirements, including service of any debts our Group may incur. Under the current PRC law, dividend may be paid only out of our PRC subsidiaries' accumulated after-tax profits, if any, determined in accordance with the PRC accounting standards and regulations. Moreover, our PRC subsidiaries are required to set aside a certain amount of their after-tax profits each year, if any, to fund certain statutory reserves. These reserves are not distributable as cash dividends. In addition, in the future, if our PRC subsidiaries incur debt, the loan agreement may impose restrictions on their ability to pay dividends or make other payments to our Company. The inability of our PRC subsidiaries to distribute dividends or other payments to our Company could significantly affect the amount of capital available to support the development and growth of our business.

Foreign exchange control by the PRC government may have a material adverse effect on your investment

We receive all of our revenue in RMB during the Track Record Period. RMB generally cannot be freely converted into any foreign currencies. Under the existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the SAFE subject to certain procedures. Hence, our PRC subsidiaries are able to pay dividends in foreign currencies to our Company without prior approval from the SAFE by satisfying certain procedural requirements. However, there is no assurance that the foreign exchange policies regarding payment of dividends in foreign currencies will continue.

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Moreover, foreign exchange transactions under the capital account, including principal payments in respect of foreign currency-denominated obligations, continue to be subject to limitations and require prior approval of the SAFE. The PRC government may further implement rules and regulations in the future, which could restrict the use of foreign currency under current account and capital account in certain circumstances. These restrictions could affect our ability to obtain foreign currency through debt financing, or to obtain foreign exchange needed for our capital expenditure. The unavailability of sufficient foreign currency or an inability to transfer sufficient dividends or make other payments to us or to otherwise satisfy their foreign currency-denominated obligations would hinder our business operation or administration. Also, we may not be able to pay dividends to our Shareholders.

PRC regulations of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of the Global Offering to make loans or additional capital contributions to our PRC subsidiaries

In utilizing the proceeds from the Global Offering or any further offering, as an offshore holding company of our PRC subsidiaries, we may make loans to our PRC subsidiaries, or we may make additional capital contributions to our PRC subsidiaries. Any loans provided by us to our PRC subsidiaries are subject to PRC regulations. For example, loans by us to our PRC subsidiaries in China to finance their activities cannot exceed statutory limits and must be registered or filed on record. We may also decide to finance our PRC subsidiaries through capital contributions. These capital contributions must be filed with the MOFCOM or its local counterpart. We cannot assure you that we will be able to obtain these government registrations or approvals or to complete filing procedures on a timely basis, if at all, with respect to future loans or capital contributions by us to our subsidiaries or any of their respective subsidiaries. If we fail to receive such registrations or approvals or fail to complete such filing procedures, our ability to use the proceeds of the Global Offering and to capitalise our PRC operations may be negatively affected, which could adversely and materially affect our liquidity and our ability to fund and expand our business.

Our dividend income from our foreign-invested PRC subsidiaries may be subject to a higher rate of withholding tax than that which we currently anticipate

Under the EIT Law and the EIT Implementation Rules, dividend payments from PRC subsidiaries to their foreign shareholders, if the foreign shareholder is not deemed as a PRC tax resident enterprise under the EIT Law, are subject to a withholding tax at the rate of 10%, unless the jurisdiction of such foreign shareholders has a tax treaty or similar arrangement with the PRC and the foreign shareholder obtains approval from competent local tax authorities for application of such tax treaty or similar arrangement. If certain conditions and requirements under the Arrangement between the Mainland of China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排(國稅函[2006]第884號)》), or the “China-Hong Kong Tax Arrangement” are met, the withholding rate could be reduced to 5%. However, the Announcement of the State Administration of Taxation on Issues Relating to “Beneficial Owner” in Tax Treaties (《國家稅務總局關於稅收協定中“受益所有人”有關問題的公告》) or the “Notice 9” provides that “Beneficial Owners” refer to persons who engaged in substantial business operations. It is unclear whether Notice 9 applies to dividends from our PRC operating subsidiaries paid to us through Xinyuan-HK, our direct

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subsidiary incorporated in Hong Kong which holds our PRC entities. If, under Notice 9, Xinyuan-HK were not considered the “beneficial owner” of any such dividends, such dividends would, as a result, be subject to income tax withholding at the rate of 10% rather than the more favorable 5% rate applicable under the China-Hong Kong Tax Arrangement. In that case, our financial condition and results of operations may be materially and adversely affected.

Dividends payable by us to our foreign investors and gains on the sale of our Shares may become subject to withholding taxes under the PRC tax laws

Under the EIT Law and EIT Implementation Rules, our foreign corporate Shareholders may be subject to a 10% income tax upon any gains realised from the transfer of their Shares and dividend distributable to such foreign corporate Shareholder, if such income is regarded as income from “sources within the PRC.” According to the EIT Implementation Rules, whether income generated from transferring equity investments is to be regarded as sources within the PRC or from foreign territory shall depend upon the locations in which the enterprises accepting the equity investment are located. However, it is unclear whether income received by our Shareholders will be deemed to be income from sources within the PRC and whether there will be any exemption or reduction in taxation for our foreign corporate Shareholders due to the promulgation of the EIT Law. If our foreign corporate Shareholders are required to pay PRC income tax on the transfers of our Shares that they hold or on the gains on the sale of our Shares by them, the value of our foreign corporate Shareholders’ investments in our Shares may be materially and adversely affected.

We may be classified as a “resident enterprise” for PRC enterprise income tax purposes, which could result in unfavorable tax consequences to us and our non-PRC Shareholders

The EIT Law provides that enterprises established outside of China whose “de facto management bodies” are located in China are considered “resident enterprises” and are generally subject to the uniform 25% enterprise income tax rate on their worldwide income. In addition, a circular issued by the SAT on 22 April 2009 regarding the standards used to classify certain Chinese-invested enterprises controlled by Chinese enterprises or Chinese group enterprises and established outside of China as “resident enterprises” clarified that dividends and other income paid by such “resident enterprises” will be considered to be PRC source income, subject to PRC withholding tax, currently at a rate of 10%, when recognised by non-PRC enterprise shareholders. This circular also subjects such “resident enterprises” to various reporting requirements with the PRC tax authorities. Under the implementation regulations to the enterprise income tax, a “de facto management body” is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and properties of an enterprise. In addition, the circular mentioned above sets out criteria for determining whether “de facto management bodies” are located in China for overseas incorporated, domestically controlled enterprises. If the PRC tax authorities determine that we are a “resident enterprise”, we may be subject to enterprise income tax at a rate of 25% on our worldwide income and dividends paid by us to our non-PRC Shareholders as well as capital gains recognised by them with respect to the sale of our Shares may be subject to a PRC withholding tax. This will have an impact on our effective tax rate, a material adverse effect on our net income and results of operations, and may require us to withhold tax on our non-PRC Shareholders.

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Fluctuation of the exchange rates may negatively affect our profitability and our ability to pay dividends

During the Track Record Period, all of our revenue was denominated in RMB. As dividends will be paid to our Shareholders in Hong Kong dollar, any appreciation of the Hong Kong dollar against RMB would have a negative effect on the amount available to us when converted into Hong Kong dollar, and would therefore reduce our dividend payments.

Any future natural disasters, acts of God, outbreak of any contagious disease in the PRC or any other epidemics may adversely affect our business, results of operations and financial condition

All of our assets and operations are located in the PRC. Accordingly, our business is subject to general economic and social conditions in the PRC. Natural disasters, epidemics and other acts of God, which are beyond our control, may adversely affect the economy, infrastructure and livelihood of people in the PRC. People in the PRC may be under threats of flood, earthquake, sandstorm, snowstorm, fire, drought or epidemics such as Severe Acute Respiratory Syndrome (SARS), H5N1 avian flu, H7N9 avian flu or H1N1 human swine flu.

Past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in the PRC. If in the future any of our employees, our subcontractors or our customers in our office or our properties are suspected of having SARS, H7N9 avian flu, H5N1 avian flu or H1N1 human swine flu, or any other epidemics or any of our office or our properties are identified as a possible source of spreading such epidemics, we may be required to quarantine the employees and our subcontractors that have been suspected of becoming infected, as well as others that had come into contact with those employees or our subcontractors. We may also be required to disinfect the affected properties and thereby suffer a temporary suspension of our operations. Any quarantine or suspension of our operations will affect our business and results of operations. A recurrence of SARS or an outbreak of any other epidemics in the PRC, such as the H7N9 avian flu, H5N1 avian flu or the H1N1 human swine flu, may result in material disruptions to our operations and delays in meeting our customers' demand, which in turn could have a material adverse effect on our business, results of operations and financial condition.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for the Shares, and the liquidity, market price and trading volume of the Shares may be volatile

Prior to the Listing, there has been no public market for the Shares. The listing of, and the permission to deal with, the Shares on the Stock Exchange do not guarantee an active trading market following completion of the Global Offering. The determination of the indicative Offer Price range stated in this prospectus was the negotiation result between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company. As such, the Offer Price may not be an indicative trading price of the Shares on the Stock Exchange. Future sales of a substantial number of the Shares by our Group or its existing Shareholders after the Global Offering could adversely affect the prevailing market price of the Shares from time to time.

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In addition, the liquidity, the market price and the trading volume of the Shares could be adversely affected by factors beyond our Group's control and unrelated to the performance of our Group's business. Factors affecting the volatility of the price and the trading volume of our Shares include:

- fluctuations in our operating results, such as revenue, earnings and cash flows;
- fluctuations in market prices for services of our Group or any of our Group's comparable companies;
- changes in pricing policy adopted by us and our competitors;
- investors' perception of our Group and our business plans;
- announcements of new investments, strategic alliances by our Group;
- changes in our senior management personnel; and
- general economic factors in the PRC.

In such cases, investors may not be able to sell their Shares at or above the Offer Price.

Investors may experience dilution if we issue additional Shares in the future

Our Group may issue additional Shares upon exercise of options to be granted under the Post-IPO Share Option Scheme in the future. The increase in the number of Shares outstanding after the issue would reduce the percentage ownership of the Shareholders and may dilute the earnings per Share and net asset value per Share.

In addition, our Group may need to raise additional funds in the future to finance expansion, investment and new development of our business. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro rata basis to the existing Shareholders, the shareholding of such Shareholders may be reduced or such new securities may confer rights and privileges that take priority over those conferred by the Offer Shares.

Any disposal of a substantial number of Shares by our Controlling Shareholders in the public market could materially and adversely affect the market price of the Shares

There is no guarantee that our Controlling Shareholders will not dispose of their Shares following the expiration of their respective lock-up periods after the Listing. Our Group is unable to predict the impacts, if any, of any future sales of the Shares by any of our Controlling Shareholders, on the market price of the Shares. Sales of a substantial number of Shares by any of our Controlling Shareholders or the market perception that such sales may occur could materially and adversely affect the prevailing market price of the Shares.

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Possible termination of the Underwriting Agreements

Prospective investors of the Global Offering should note that the Underwriters are entitled to terminate their obligations under the Underwriting Agreements by notice in writing to our Company from the Joint Global Coordinators (for themselves and on behalf of the other Underwriters) upon the occurrence of any of the events stated in the relevant underwriting agreements. Such events include, without limitation, any acts of God, wars, riots, public disorder, civil commotion, fire, flood, tsunami, explosions, epidemic, pandemic, acts of terrorism, earthquakes, strikes or lock-outs.

The laws of the Cayman Islands for minority shareholders protection may be different from those under the laws of Hong Kong or other jurisdictions

Our corporate affairs are governed by the Memorandum, the Articles, and by the Companies Law and common law of Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ in some respects from those established under statutes and judicial precedent in existence in Hong Kong and other jurisdictions. The remedies available to our Group's minority shareholders may be different from those they would have under the laws of Hong Kong or other jurisdictions. Please refer to the section headed "Summary of the Constitution of Our Company and Cayman Islands Company Law" in Appendix IV to this prospectus for further information.

RISKS RELATING TO STATEMENTS MADE IN THIS PROSPECTUS

Certain facts and statistics included in this prospectus may not be relied upon

Certain facts and statistics presented in the section headed "Industry Overview" and elsewhere in this prospectus are derived from the F&S Report and other publicly available sources. We believe that the sources of these information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted. However, the information has not been independently verified by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or their respective directors, affiliates or advisers or any other party involved in the Global Offering and no representation is given as to its accuracy and completeness. Accordingly, such information should not be unduly relied upon.

The current market condition may not be reflected in the statistical information included in this prospectus

The historical information set out in this prospectus relating to market conditions of the PRC may not reflect the current market situation due to rapid changes in the economy of the PRC. In order to provide context to the industry in which we operate, and greater understanding of our market presence and performance, various statistics and facts have been provided

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throughout this prospectus. However, this information may not reflect current market condition of the PRC as recent economic development may not be fully factored into these statistics, and the availability of the latest data may lag behind of this prospectus. As such, any information relating to market shares, sizes and growth, or performance in the markets in the PRC and other similar industry data should be viewed as historical figures that may have little value in determining future trends and results.

Forward-looking statements in this prospectus are subject to risks and uncertainties

This prospectus contains certain forward-looking statements and information relating to us that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words “aim”, “anticipate”, “believe”, “can”, “continue”, “could”, “estimate”, “expect”, “going forward”, “intend”, “ought to”, “may”, “might”, “plan”, “potential”, “predict”, “project”, “seek”, “should”, “will”, “would” and similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. Please refer to the section headed “Forward-looking Statements” in this prospectus for further details.

Such forward-looking statements reflect current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including other risk factors as described in this prospectus. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. Investors should not place undue reliance on such forward-looking statements and information.

We strongly caution you not to place any reliance on any information contained in press articles, media coverage and/or research analyst reports regarding us and the Global Offering

There may be press articles, media coverage and/or research analyst reports regarding, among others, our Group, our business, our industry, our Controlling Shareholders, our Directors and employees or the Global Offering, which may include certain financial information, financial projections and other information about us that do not appear in this prospectus. We have not authorised the disclosure of any such information in the relevant publications and we do not accept any responsibility for any such press articles, media coverage and/or research analyst reports or the accuracy or completeness or reliability of any such information or publications. To the extent that any such information appearing in publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus, we disclaim it. Accordingly, prospective investors should not rely on any such information. In making your decision as to whether to purchase our Shares, you should rely only on the financial, operational and other information included in this prospectus.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Listing, our Company has sought the following waivers from strict compliance with relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules provides that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong and this normally means that at least two of its executive directors must be ordinarily resident in Hong Kong.

The principal business operations of our Group are and will be primarily based in the PRC. Our Group will not have any material operation in Hong Kong. Our executive Directors and members of the senior management team are and will be expected to continue to be based in the PRC. The appointment of additional executive Directors who are ordinarily resident in Hong Kong or relocation of our executive Directors to Hong Kong will not be beneficial to or appropriate for our Group. As such, our Company does not and will not in the foreseeable future have two executive Directors residing in Hong Kong, for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules.

In view of the above, the Sole Sponsor has, on behalf of our Company, applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.12 of the Listing Rules on the following conditions:

- (a) our Company will appoint two authorised representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our Company's principal channel of communication with the Stock Exchange. The two authorised representatives to be appointed are Mr. Zhang Yong, our Chairman and non-executive Director and Mr. Tso Ping Cheong Brian, one of our joint company secretaries. Each of the authorised representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email. Each of the authorised representatives is authorised to communicate on behalf of our Company with the Stock Exchange and their respective contact details have been provided to the Stock Exchange;
- (b) both authorised representatives have means to contact all members of the Board (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters. In the event that a Director expects to travel and be out of office, he/she will provide to the authorised representatives the telephone number of the place of his/her accommodation or other contact details. This would ensure that each of the authorised representatives would have the means to contact all of our Directors (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (c) to further enhance communications between the Stock Exchange and our Directors, each Director has provided to the Stock Exchange his/her mobile telephone number, office phone number, fax number and email address (where applicable);
- (d) each of the Directors (including the independent non-executive Directors) who is not ordinarily resident in Hong Kong has confirmed that he/she possesses or is eligible to apply for valid travel documents to visit Hong Kong and he/she has never been rejected for application of such travel documents, and he/she will be able to meet with the Stock Exchange within a reasonable period upon the request of the Stock Exchange;
- (e) in compliance with Rule 3A.19 of the Listing Rules, our Company has appointed Orient Capital (Hong Kong) Limited as the compliance adviser of our Company for a period (the “**CA Period**”) commencing from the Listing Date and ending on the date on which our Company distributes the annual report for the first full financial year commencing after the Listing Date in accordance with Rule 13.46 of the Listing Rules to advise our Company on its obligations to comply with the Listing Rules, and all other applicable laws, rules, codes and guidelines. The compliance adviser will advise on on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong, and where our Company’s authorised representatives are unavailable, act as an additional channel of communication between the Stock Exchange and our Company at least for the CA Period; and
- (f) our Company will retain other professional advisers (including legal advisers and accountants) after Listing to assist our Company in dealing with any questions which may be raised by the Stock Exchange from time to time.

WAIVER FROM STRICT COMPLIANCE WITH CHAPTER 14A OF THE LISTING RULES

We have entered into, and are expected to continue after the Listing, transactions which will constitute non-exempt continuing connected transaction or continuing connected transaction with a term of more than three years under the Listing Rules upon Listing. Our Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the relevant announcement and independent shareholders’ approval requirements or, as the case may be, the requirement to have a fixed term of not more than three years under Chapter 14A of the Listing Rules, details of which are set out in the subsection headed “Continuing Connected Transactions – (C) Application for Waiver” in this prospectus.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rule 8.17 of the Listing Rules, we must appoint a company secretary who satisfies Rule 3.28 of the Listing Rules. According to Rule 3.28 of the Listing Rules, we must appoint as our company secretary an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Note 1 to Rule 3.28 of the Listing Rules sets out the academic or professional qualifications considered to be acceptable by the Stock Exchange:

- (a) a member of The Hong Kong Institute of Chartered Secretaries;
- (b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and
- (c) a certified public accountant (as defined in the Professional Accountants Ordinance).

Note 2 to Rule 3.28 of the Listing Rules sets out the factors that the Stock Exchange considers when assessing an individual's "relevant experience":

- (a) length of employment with the issuer and other issuers and the roles he played;
- (b) familiarity with the Listing Rules and other relevant law and regulations including the SFO, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;
- (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (d) professional qualifications in other jurisdictions.

We have appointed Mr. Xu Yibin ("**Mr. Xu**") as one of our joint company secretaries. He has more than eight years of experience in investment management matters with sound understanding of the operations of the Group. For details of Mr. Xu, please refer to the subsection headed "Directors and Senior Management – Joint Company Secretaries" in this prospectus. Mr. Xu, however, does not possess the specified qualifications required by Rule 3.28 of the Listing Rules. Given the important role of the company secretary in the corporate governance of a listed issuer, particularly in assisting the listed issuer as well as its directors in complying with the Listing Rules and other relevant laws and regulations, we have made the following arrangements:

- Mr. Xu will endeavor to attend relevant training courses, including briefing on the latest changes to the applicable Hong Kong laws as well as the Listing Rules organised by the Stock Exchange from time to time, in addition to the minimum requirement under Rule 3.29 of the Listing Rules;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- we have appointed Mr. Tso Ping Cheong Brian (“**Mr. Tso**”), who meets the requirements under Note 1 to Rule 3.28 of the Listing Rules, as a joint company secretary to work closely with and to provide assistance to Mr. Xu in the discharge of his duties as a company secretary for an initial period of three years commencing from the Listing Date so as to enable Mr. Xu to acquire the relevant experience (as required under Note 2 to Rule 3.28 of the Listing Rules) to discharge the duties and responsibilities as company secretary; and
- upon expiry of the initial three-year period, the qualifications and experience of Mr. Xu will be re-evaluated. Mr. Xu is expected to demonstrate to the Stock Exchange’s satisfaction that he, having had the benefit of Mr. Tso’s assistance for three years, would then have acquired the “relevant experience” within the meaning of Note 2 to Rule 3.28 of the Listing Rules.

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of Rule 3.28 and Rule 8.17 of the Listing Rules. Upon expiry of the initial three-year period, the qualifications of Mr. Xu will be re-evaluated to determine whether the requirements as stipulated in Note 2 to Rule 3.28 of the Listing Rules can be satisfied. In the event that Mr. Xu has gained relevant experience under Note 2 to Rule 3.28 of the Listing Rules at the end of the said initial three-year period, the above joint company secretaries arrangement would no longer be necessary.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement in this prospectus misleading.

Our Directors have confirmed that the Global Offering does not constitute a spin-off for the purpose of the United States federal securities law and no registration is required to be filed with the Securities and Exchange Commission of the United States.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering which forms part of the Global Offering. Details of the terms of the Global Offering are described in the section headed "Structure and Conditions of the Global Offering" in this prospectus and in the related Application Forms.

The Listing is sponsored by the Sole Sponsor and the Global Offering is lead managed by the Joint Global Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Public Offering Underwriters and the International Placing is expected to be fully underwritten by the International Placing Underwriters.

RESTRICTIONS ON SALE OF THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, and without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any such circumstances such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

The distribution of this prospectus or the related Application Forms and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered or sold, directly or indirectly, in the PRC or the United States, except in compliance with the relevant laws and regulations of each of such jurisdictions.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

No action has been taken to register or qualify the Offer Shares or the Global Offering, or otherwise to permit a public offering of the Offer Shares, in any jurisdiction outside Hong Kong. The distribution of this prospectus and the related Application Forms in jurisdictions outside Hong Kong may be restricted by law and therefore persons into whose possession this prospectus or any of the related Application Forms should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of the applicable securities laws.

Each person acquiring the Offer Shares will be required to confirm, or be deemed by his or her or its acquisition of the Offer Shares to have confirmed, that he or she or it is aware of the restrictions on offer of the Offer Shares described in this prospectus.

Prospective applicants for the Offer Shares should consult their financial advisers and seek legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws, rules and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should also inform themselves as to the relevant legal requirements and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any Shares which may be issued pursuant to the exercise of the options which may be granted under the Post-IPO Share Option Scheme).

No part of the share or loan capital of our Company is listed, traded or dealt in on any stock exchange and save as disclosed herein, no such listing or permission to deal is being or proposed to be sought.

Under Section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Offer Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in the Offer Shares or exercising rights attached to them. None of us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, partners, agents, advisers or representatives or any other person or party involved in the Global Offering accepts

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchasing, holding, disposition of, or dealing in, the Offer Shares or exercising any rights attached to them.

HONG KONG REGISTER OF MEMBERS AND HONG KONG STAMP DUTY

Our Company's principal register of members will be maintained by its principal Share Registrar, Tricor Services (Cayman Islands) Limited at P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1-1001, in the Cayman Islands. All of the Offer Shares issued pursuant to the Global Offering will be registered on our Company's Hong Kong share register to be maintained in Hong Kong by its Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. Dealings in the Shares registered in our Company's Hong Kong share register will be subject to Hong Kong stamp duty.

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of Shares will be paid to the Shareholders listed on the Hong Kong share register of our Company, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

Investors should seek the advice of their stockbrokers or other professional advisers for details of the settlement arrangements as such arrangements may affect their rights and interests.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

PROCEDURES FOR APPLICATION FOR HONG KONG PUBLIC OFFERING SHARES

The procedures for applying for Hong Kong Public Offering Shares are set out in the section headed “How to Apply for Hong Kong Public Offering Shares” in this prospectus and on the Application Forms.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure and Conditions of the Global Offering” in this prospectus.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations among certain amounts denominated in Renminbi and Hong Kong dollars. No representation is made that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated or at all. Unless indicated otherwise the translations between Renminbi and Hong Kong dollars were made at the rate of RMB1.00 to HK\$1.11, being the PBOC central parity rate prevailing on the Latest Practicable Date. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. However, the English names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations and the like are translations of their Chinese names and are included for identification purposes only. If there is any inconsistency, the Chinese name prevails.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Ms. WANG Yanbo (王研博)	West Flat, 9/F Unit 2, Block 7 No.80 Huashan Road Zhongyuan District, Zhengzhou Henan Province, PRC	Chinese
Mr. HUANG Bo (黄波)	Unit 8-2-3-22, 8/F Xinyuan Shijia Huayuan Road Jinshui District Zhengzhou Henan Province, PRC	Chinese
<i>Non-executive Directors</i>		
Mr. ZHANG Yong (張勇)	Unit 14, Block 12, Unit 18 Xinyuan Road, Zhengzhou Henan Province, PRC	Chinese
Ms. YANG Yuyan (楊玉岩)	7/F. West, Block 12, Unit 18 Xinyuan Road, Zhengzhou Henan Province, PRC	Chinese
<i>Independent Non-executive Directors</i>		
Mr. LUO Ji (羅輯)	No. 405 147 Beiheyuan Avenue Dongcheng District Beijing, PRC	Chinese
Mr. LI Yifan (李軼梵)	1 Jumen Road Apartment 1-2804 Shanghai, PRC	U.S.
Mr. WANG Peng (王鵬)	No. 603, Unit 1, Block 35 Ding An Lane Chong Wen District Beijing, PRC	Chinese

For further information regarding our Directors, please refer to the section headed “Directors and Senior Management” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor

Orient Capital (Hong Kong) Limited

A corporation licensed under the SFO to carry on type 6 (advising on corporate finance) regulated activity

Rooms 2803–2807, 28/F

Wing On House

71 Des Voeux Road Central

Central

Hong Kong

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Orient Securities (Hong Kong) Limited

A corporation licensed under the SFO to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities

Rooms 2803–2807, 28/F

Wing On House

71 Des Voeux Road Central

Central

Hong Kong

Guotai Junan Securities (Hong Kong) Limited

A corporation licensed under the SFO to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities

27/F–28/F, Low Block

Grand Millennium Plaza

181 Queen's Road Central

Hong Kong

Joint Bookrunners and Joint Lead Managers

CCB International Capital Limited

A corporation licensed under the SFO to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities

9/F, CCB Tower

3 Connaught Road Central

Central

Hong Kong

Haitong International Securities Company Limited

A corporation licensed under the SFO to carry on type 1 (dealing in securities), type 3 (leveraged foreign exchange trading) and type 4 (advising on securities) regulated activities

22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

BOCOM International Securities Limited

A corporation licensed under the SFO to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 5 (advising on futures contracts) regulated activities

9th Floor, Man Yee Building
68 Des Voeux Road, Central
Hong Kong

CMB International Capital Limited

A corporation licensed under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities

45/F, Champion Tower
3 Garden Road
Central
Hong Kong

Zhongtai International Securities Limited

A corporation licensed under the SFO to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities

19 Floor, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Yuanyin Securities Limited

A corporation licensed under the SFO to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities

Room 2201, 22/F
238 Des Voeux Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Futu Securities International (Hong Kong) Limited

A corporation licensed under the SFO to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts), type 7 (providing automated trading services) and type 9 (asset management) regulated activities

Unit C1-2, 13/F,
United Centre,
No. 95 Queensway,
Hong Kong

Joint Bookrunner

ABCI Capital Limited

A corporation licensed under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities

11/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

Joint Lead Managers

ABCI Securities Company Limited

A corporation licensed under the SFO to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities

10/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

Bluemount Securities Limited

A corporation licensed under the SFO to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities

Room 2403-05
Jubilee Centre
18 Fenwick Street
Wan Chai
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Valuable Capital Limited

A corporation licensed under the SFO to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 9 (asset management) regulated activities

Flat 2807–2809, 28/F

China Merchants Tower

Shun Tak Centre

168–200 Connaught Road Central

Hong Kong

Legal Advisers to our Company

As to Hong Kong law:

Li & Partners

22/F, World Wide House

Central

Hong Kong

As to PRC law:

Jingtian & Gongcheng

34th Floor, Tower 3

China Central Place

77 Jianguo Road, Chaoyang District

Beijing, PRC

As to Cayman Islands law:

Maples and Calder (Hong Kong) LLP

53rd Floor, The Center

99 Queen's Road Central

Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

**Legal Advisers to the Sole Sponsor and
the Underwriters**

As to Hong Kong law:

King & Wood Mallesons
13/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to PRC law:

Beijing Kangda (Shenzhen) Law Firm
21/F, Tower B, Rong Chao Business Center
No. 6003 Yitian Road, Futian District
Shenzhen
PRC

Auditor and Reporting Accountants

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

Industry Consultant

**Frost & Sullivan (Beijing) Inc., Shanghai
Branch Co.**
1018, Tower B
500 Yunjin Road
Shanghai, 200232
PRC

Receiving Bank

**Industrial and Commercial Bank of China
(Asia) Limited**
34/F., ICBC Tower
3 Garden Road
Central, Hong Kong

CORPORATE INFORMATION

Registered office	PO Box 309, Uglan House Grand Cayman, KY1-1104 Cayman Islands
Corporate headquarters	3/F., International Living Clubhouse 18 Xiuyuan Road Jinshui District Zhengzhou Henan Province, PRC
Principal place of business in Hong Kong	9/F., Wah Yuen Building 149 Queen's Road Central Hong Kong
Company's website	www.xypm.hk (The contents on this website do not form part of this prospectus)
Compliance adviser	Orient Capital (Hong Kong) Limited Rooms 2803–2807, 28/F Wing On House 71 Des Voeux Rd Central Central Hong Kong
Company secretary	Mr. Tso Ping Cheong Brian (曹炳昌) <i>F CPA, FCCA, FCIS, FCS</i> 9/F., Wah Yuen Building 149 Queen's Road Central, Hong Kong Mr. Xu Yibin (許倚濱) Unit 1103, Block 3 Xidi International Unit No.3 Jianye District, Nanjing Jiangsu Province, PRC
Authorised representatives	Mr. ZHANG Yong (張勇) Unit 14, Block 12, Unit 18, Xinyuan Road, Zhengzhou Henan Province, PRC Mr. Tso Ping Cheong Brian (曹炳昌) <i>F CPA, FCCA, FCIS, FCS</i> 9/F., Wah Yuen Building 149 Queen's Road Central, Hong Kong

CORPORATE INFORMATION

Audit Committee

Mr. LI Yifan (李軼梵) (*Chairman*)
Mr. LUO Ji (羅輯)
Mr. WANG Peng (王鵬)

Remuneration Committee

Mr. LI Yifan (李軼梵) (*Chairman*)
Mr. ZHANG Yong (張勇)
Mr. LUO Ji (羅輯)

Nomination Committee

Mr. ZHANG Yong (張勇) (*Chairman*)
Mr. LI Yifan (李軼梵)
Mr. LUO Ji (羅輯)

**Cayman Islands share registrar and
transfer office**

Tricor Services (Cayman Islands) Limited
P.O. Box 10008
Willow House
Cricket Square
Grand Cayman KY1-1001
Cayman Islands

Hong Kong Branch Share Registrar

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

CORPORATE INFORMATION

Principal bankers

China Everbright Bank (Zhengzhou Dongfeng Branch)

58 Jingsan Road,
Jinshui District, Zhengzhou City
Henan Province, PRC

Bank of China (Zhengzhou Mianfang East Road Branch)

1/F., Xinyuan International City Garden
66 Mianfang East Road, Erqi District
Zhengzhou City
Henan Province, PRC

China Everbright Bank (Zhengbian Road Zhengzhou Branch)

Zheng Bian Road & Ying Xie Road Junction
Zhengzhou City
Henan Province, PRC

China Minsheng Bank (Minggong Road Zhengzhou Branch)

Minggong Road and Taikang Road Junction
Zhengzhou City
Henan Province, PRC

Bank of Communications (Zhengzhou Xinqu Branch)

21/F., Jincheng Yangguang Shiji
21 Shangwu Neihuan Road
Zhengdong Xinqu
Zhengzhou City
Henan Province, PRC

REGULATORY OVERVIEW

Our business operations are subject to extensive supervision and regulation from the PRC government. This section sets out a summary of the main laws and regulations applicable to our business in PRC.

LAWS AND REGULATIONS RELATING TO PROPERTY MANAGEMENT SERVICES AND OTHER RELATED SERVICES

Foreign Invested Property Management Enterprises

The Law of the PRC on Wholly Foreign-owned Enterprises (《中華人民共和國外資企業法》) (Order No. 39 of the President), which was promulgated and came into effect on 12 April 1986 and was amended on 31 October 2000 and 3 September 2016, and the Detailed Rules for the Implementation of the Law of the PRC on Wholly Foreign-owned Enterprises (《中華人民共和國外資企業法實施細則》), which was promulgated on 12 December 1990 and was amended on 12 April 2001 and 19 February 2014, regulate the establishment, change and approval procedures of wholly foreign-owned enterprises.

According to the Interim Administrative Measures for the Record-filing of the Establishment and Change of Foreign-Funded Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) (Order No. 3 [2016] of the Ministry of Commerce), which was promulgated and came into effect on 8 October 2016, and was amended on 30 July 2017 and 29 June 2018, the record-filing administration is applicable to the establishment and change of foreign-invested enterprises that do not involve special administrative measures for access, and the enterprise shall submit the filing information on the establishment and change of foreign-invested enterprise online when they handle the registration of establishment and change with the authorities of industry and commerce and market supervision and management.

According to Regulations on Foreign Investment Guidelines (《指導外商投資方向規定》) (Order No. 346 of the State Council), which was promulgated by the State Council on 11 February 2002 and came into effect on 1 April 2002, foreign investment projects shall be classified into four categories, namely “encouraged”, “permitted”, “restricted” and “prohibited”. Encouraged, restricted and prohibited foreign investment projects shall be listed in the Guideline Catalogue of Foreign Investment Industries, while foreign investment projects that do not fall within the encouraged, restricted and prohibited categories shall be classified as belonging to the category of permitted foreign investment projects.

According to the Special Management Measures (Negative List) for the Access of Foreign Investment (2019) (《外商投資准入特別管理措施(負面清單) (2019年版)》) (No. 25 Order of the National Development and Reform Commission and the Ministry of Commerce) which was issued on 30 June 2019 and came into effect on 30 July 2019, property management industry is an industry that allows foreign merchants to make investments.

REGULATORY OVERVIEW

On 15 March 2019, the National People's Congress adopted the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the “**Foreign Investment Law**”). Upon taking effect on 1 January 2020, the Foreign Investment Law will replace the Law on Chinese-foreign Equity Joint Ventures (《中外合資經營企業法》), the Law on Chinese-Foreign Contractual Joint Ventures (《中外合作經營企業法》) and the Law on Wholly Foreign-owned Enterprises (《外資企業法》) to become the legal foundation for foreign investment in the PRC.

Qualification of Property Management Enterprises

According to the Regulation on Property Management (《物業管理條例》) (Order No. 379 of the State Council), which was promulgated on 8 June 2003, came into effect since 1 September 2003, and was amended on 26 August 2007, 6 February 2016 and 19 March 2018, the construction administration authority of the State Council shall, jointly with the relevant authorities, established a joint honesty incentives and joint dishonesty punishment mechanism, and strengthen industry creditworthiness administration.

According to Measures for the Administration on Qualifications of Property Management Enterprises (《物業管理企業資質管理辦法》) (Order No.125 of the Ministry of Construction), which was promulgated by the Ministry of Construction on 17 March 2004, came into effect on 1 May 2004, was amended on 26 November 2007 and was abolished on 8 March 2018, a system of qualification administration was once adopted and the qualifications of a property management enterprise was classified into first, second and third grades.

According to Decision of the State Council on Canceling the Third Batch of Administrative Licencing Items Designated by the Central Government for Implementation by Local Governments (《國務院關於第三批取消中央指定地方實施行政許可事項的決定》), which was promulgated by the State Council on 12 January 2017, the examination and approval of second grade or below qualifications of property management enterprises were cancelled. According to the Decision of the State Council on Canceling a Group of Administrative Licencing Items (《國務院關於取消一批行政許可事項的決定》) (Guo Fa [2017] No.46), which was promulgated by the State Council on 22 September 2017, the examination and approval of first-grade qualification of property management enterprises were cancelled.

According to the Notice of the General Office of Ministry of Housing and Urban-Rural Development on Effectively Implementing the Work of Canceling the Qualification Accreditation for Property Management Enterprises (《住房城鄉建設部辦公廳關於做好取消物業服務企業資質核定相關工作的通知》) (Jianbanfang [2017] No.75), which was promulgated by the General Office of the Ministry of Housing and Urban-Rural Development (the “**MOHURD**”) on 15 December 2017, application, change, renewal or re-application of the qualifications of property management enterprises shall not be accepted, and the qualifications obtained already shall not be a requirement for property management enterprises to undertake new property management projects. The real estate administration department at and above the county level shall instruct and supervise the property management work, and the integrity management system of the property management industry will be established, the supervision of property management enterprises will be based on credit appraisal.

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Appointment of Property Management Enterprises

According to Property Law of the PRC (《中華人民共和國物權法》) (Order No. 62 of the President), which was promulgated by the National People's Congress (the "NPC") on 16 March 2007 and came into effect on 1 October 2007, the owners of a building may manage the building and its affiliated facilities by themselves or by entrusting a property management enterprise or other management personnel. The owners are entitled to change the property management enterprise or any other management personnel hired by the developer according to law.

Property management enterprises or other management personnel shall manage the building and its ancillary facilities within the building area upon the entrustment of the owners and be subject to the supervision of the owners.

According to the Regulation on Property Management (《物業管理條例》), the selecting, employing and dismissing of property management enterprise shall be subject to the approval by owners who possess exclusive areas accounting for more than half of the total area of buildings and owners who account for more than half of the total number of owners.

Where the construction entity selects any property management enterprise before the owners and/or the owners' general meeting do so, it shall conclude a written preliminary property management contract with the enterprise. A sales contract concluded by the construction entity and the realty buyer shall include the contents stipulated in the preliminary property management contract, and when the property management contract concluded by the owners' association and the property management enterprise takes effect, the preliminary property management contract shall be terminated.

According to Interim Measures for Bid-Inviting and Bidding Management of Preliminary Property Management (《前期物業管理招標投標管理暫行辦法》) (Jian Zhu Fang [2003] No. 130), which was promulgated by the Ministry of Construction on 26 June 2003 and came into effect on 1 September 2003, preliminary property management services shall be implemented by the property management enterprise employed by the construction entity before the owners or the owners' general meeting select a property management enterprise at its own discretion. The construction entity of residential buildings and non-residential buildings located in the same property management areas shall engage the property management enterprises of corresponding qualification through bid-invitation and bidding. The bid inviter shall establish tender evaluation committee consisting of an odd number of no less than five members, among which the experts in property management other than the representatives of the bid inviter shall be no less than two-thirds of total members. The property management experts shall be confirmed by the means of random sampling from the expert name list set up by the administrative departments of real estate, and person of interest with the bidder shall not a member of the Bidding Evaluation Commission of the relevant project. In cases where there are no more than 3 bidders or the residence scale is relatively small, the construction entity may select the property management enterprise with corresponding qualifications through agreement upon approval by the

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administrative department of real estate of the people's government of the district or county of the place where the realty is located.

In addition, Interpretation of the Supreme People's Court on Several Issues on the Specific Application of Law in the Trial of Cases of Disputes over Property Management Service (《最高人民法院關於審理物業服務糾紛案件具體應用法律若干問題的解釋》) (Fashi [2009] No. 8), which was issued by the Supreme People's Court on 15 May 2009 and came into effect on 1 October 2009, stipulates the principles applied by the court when hearing disputes on specific matters between property owners and property management companies. For example, the preliminary property management contract signed according to the relevant laws and regulations by the developer and the property management company and the property management contract signed by the property owners' association and property management companies hired according to the relevant laws and regulations by the general meeting are legally binding on property owners, and the people's court shall not support a claim if property owners plead on the basis that they are not a party to the contract. The court shall support a claim if property owners' association or property owners appeal to the court to confirm that the clauses of property management service contracts which exempt the responsibility of property management companies or which aggravate the responsibility or harm the rights of property owners' association or property owners are invalid.

Fees Charged by Property Management Enterprises

According to Administrative Measures for Property Service Charges (《物業服務收費管理辦法》) (Fa Gai Jia Ge [2003] No. 1864), which was jointly promulgated by the National Development and Reform Commission (the "NDRC") and the Ministry of Construction on 13 November 2003 and came into effect on 1 January 2004, property management enterprises are permitted to charge property service fees from property owners for repairing, maintaining and managing houses as well as their accompanying facilities and equipment and relevant sites, and ensuring the sanitation and order of relevant areas according to relevant property management contracts.

Property service charges shall be reasonable, transparent, and suitable for the level of services offered, and shall take into account the unique nature and characteristics of the different property and be priced under the government's guidance and market regulation respectively. In what way the charges are priced shall be determined by competent price departments under the people's governments of all provinces, autonomous regions and municipalities directly under the Central Government, in concert with the competent departments of real estate.

According to the Regulation on Property Management Service Fee with Clear Price Tag (《物業服務收費明碼標價規定》) (Fa Gai Jia Jian [2004] No. 1428), which was promulgated by the NDRC and the Ministry of Construction on 19 July 2004 and came into effect on 1 October 2004, property management enterprises, during their provision of services to the property owners (inclusive of the property service as stipulated in the property management contract as well as other services requested by property owners), shall charge service fees at expressly marked prices, and display their service items, standards and other related contents. In case there's any

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change to the pricing standard, the property management enterprise shall adjust the related contents displayed and indicate the execution date of new standards one month prior to the implementation of the new standards.

According to the Circular of NDRC on the Opinions for Decontrolling the Prices of Some Services (《國家發展改革委關於放開部分服務價格意見的通知》) (Fa Gai Jia Ge [2014] No. 2755) (the “**Decontrolling Service Price Opinions**”), which was promulgated by NDRC and became effective on 17 December 2014, price control on property services of non-government-supported houses was cancelled, including fees charged by a property service company from property owners for the maintenance, conservation and management of non-government supported houses, the supporting facilities and equipment, and the relevant sites thereof, activities of maintaining the environment, sanitation, and relevant order inside the property management regions, and other actions completed in accordance with the agreement of the property service contract, upon commission of the property owners. The provincial price authorities shall, jointly with the housing and urban-rural development administrative authorities, decide to implement government guidance prices for charges of property management for government-supported houses, houses under housing reform, old residence communities and preliminary property management service in light of the actual situation. In decontrolling the charges of property services for government-supported houses and implementing market-regulated prices, the affordability of the supported subjects shall be considered and a subsidy mechanism shall be established.

According to the Circular of the NDRC and the Ministry of Construction on Issuing the Measures for the Supervision and Examination of Pricing Costs of Property Services (Trial) (《國家發展改革委及建設部關於印發物業服務定價成本監審辦法(試行)》) (Fa Gai Jia Ge [2007] No.2285) which was jointly issued by the NDRC and the Ministry of Construction on 10 September 2007 and came into effect on 1 October 2007, competent pricing department of people’s government shall formulate or regulate property management charging standards and implements pricing cost supervision and examination on relevant property management enterprises. Property management pricing cost is determined according to the social average cost of property management services verified by the competent pricing department of the people’s government. With the assistance of a competent real estate administrative department, competent pricing department is responsible for organizing the implementation of the property management pricing cost supervision and examination work. Property management service pricing cost shall include staff costs, expenses for daily operation and maintenance on public facilities and equipment, green conservation costs, sanitation fee, order maintenance cost, public facilities and equipment as well as public liability insurance costs, office expenses, shared administration fee, fixed assets depreciation and other fees approved by property owners.

Regulations on the Internet Information Services

According to the Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》) (No. 292 Order of the State Council) which was issued by the State Council on 25 September 2000, and amended on 8 January 2011, Internet information service refers to the provision of information through Internet to web users, and includes two categories: commercial

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and non-commercial. Commercial Internet information service refers to the provision with charge of payment of information through the Internet to web users or of web page designing, etc. Non-commercial Internet information service refers to the provision free of charge of public, commonly-shared information through the Internet to web users.

Entities engaged in providing commercial Internet information service shall apply for a licence for value-added telecommunication services of Internet information services. As for the operation of non-commercial Internet information services, only a filing is required. Internet information service provider shall provide services within the scope of their licences or filing. Non-commercial Internet information service providers shall not provide services with charge of payment. In case an Internet information service provider changes its services, website address, etc., it shall apply for approval of the change 30 days in advance at the relevant government department.

Where an entity provides commercial internet information service without a license or provides service beyond the scope of the license, the competent provincial telecommunication administrative department shall order it to make correction within a prescribed time limit. Where there are illegal gains, such gains shall be confiscated; and a fine more than 3 times and less than 5 times of such gains shall be imposed. Where there is no illegal gain or the gain is less than RMB50,000, a fine of RMB100,000 to RMB1 million shall be imposed. Where the circumstance is serious, the website shall be ordered to shut down. Where an entity provides non-commercial internet information service without a filing, the competent provincial telecommunication administrative department shall order it to make corrections within a prescribed time limit and to shut down the website if it refused to make corrections.

Regulations on Mobile Internet Application Information Services

According to the Provisions on Administration of Mobile Internet Application Information Services (《移動互聯網應用程序信息服務管理規定》) which was issued by the Cyberspace Administration of China (國家互聯網信息辦公室) on 28 June 2016 and came into effect on 1 August 2016, entities providing information services through mobile Internet applications shall obtain relevant qualifications according to laws and regulations. Mobile Internet application provider shall not use mobile Internet application programs to carry out activities prohibited by laws and regulations, such as endangering national security, disturbing public orders, and infringing on other's legal rights and interests, or use mobile internet applications to produce, copy, publish and spread illegal information prohibited by laws and regulations. The Cyberspace Administration of China shall be responsible for the supervision and administration of information on mobile Internet applications. The local cyberspace administrations shall be responsible for the supervision and administration of information on mobile Internet application program within the administrative regions.

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LAWS AND REGULATIONS RELATING TO TAXATION

Enterprise Income Tax (the “EIT”)

According to the EIT Law (《中華人民共和國企業所得稅法》) (Order No.63 of the President), which was promulgated by the NPC on 16 March 2007 and then amended respectively on 24 February 2017 and 29 December 2018, and came into effect on 29 December 2018, and the EIT Implementation Rules(《企業所得稅法實施條例》) (Order No. 512 of the State Council), which was promulgated by the State Council on 6 December 2007 and became effective from 1 January 2008 and amended on 23 April 2019, enterprises are classified as either resident enterprises or non-resident enterprises. The income tax rate for resident enterprises, including both domestic and foreign-invested enterprises shall typically be 25% commencing from 1 January 2008. An enterprise established outside the PRC with its “de facto management body” located in the PRC is considered a “resident enterprise”, which means it can be treated as domestic enterprise for enterprise income tax purposes. A non-resident enterprise that does not have an establishment or place of business in the PRC, or has an establishment or place of business in the PRC but the income of which has no actual relationship with such establishment or place of business, shall pay enterprise income tax on its income deriving from inside the PRC at the reduced rate of enterprise income tax of 10%.

Income Tax in Relation to Dividend Distribution

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷漏稅的安排》), which was promulgated by the State Administration of Taxation and became effective on 8 December 2006, the 5% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident, provided that the recipient is a company that directly holds at least 25% of the capital of the PRC company; the 10% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident if the recipient is a company that directly holds less than 25% of the capital of the PRC company.

Pursuant to the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) promulgated by the State Administration of Taxation and became effective on 20 February 2009, all of the following requirements must be satisfied for a resident enterprise to enjoy the preferential tax rates provided under the tax agreements: (i) such a fiscal resident who obtains dividends should be a company as defined in the tax agreement; (ii) the equity and voting interests in the PRC resident enterprise directly owned by such fiscal resident must reach a specified percentage; and (iii) the equity interests of the PRC resident enterprise directly owned by such fiscal resident, at any time during the 12 months prior to the payment of the dividends, must reach a specified percentage.

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Pursuant to the Administrative Measures for Tax Agreements Treatment for Non-Resident Taxpayers (《非居民納稅人享受稅收協定待遇管理辦法》), which became effective on 1 November 2015 and revised on 15 June 2018 by the State Administration of Taxation, a non-resident taxpayer meeting conditions for the tax agreement treatment may obtain this treatment when filing a tax return or making a withholding declaration through a withholding agent, subject to the administrative policies of the tax authorities.

The Announcement of the State Administration of Taxation on Issues concerning “Beneficial Owners” in Tax Treaties (《國家稅務總局關於稅收協定中“受益所有人”有關問題的公告》) (the “**Announcement 9**”), which was promulgated by the State Administration of Taxation on 3 February 2018 and took effect on 1 April 2018, provides the methods to determine the “beneficial owners” under the treaty articles on dividends, interest and royalties. Pursuant to Announcement 9, a “beneficial owner” generally must be engaged in substantive business activities and, for determining such a “beneficial owner”, a comprehensive analysis shall be conducted based on the factors set out in the Announcement 9 and in combination with the actual conditions of the specific case.

Value-added Tax

According to the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) (Order No. 134 of the State Council), which was promulgated by the State Council on 13 December 1993, came into effect on 1 January 1994, and was amended on 5 November 2008, 6 February 2016 and 19 November 2017, and the Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-Added Tax (《中華人民共和國增值稅暫行條例實施細則》) (No. 65 Order of the Ministry of Finance), which were issued on 25 December 1993 by the Ministry of Finance, and became effective on the same day and revised on 15 December 2008 and 28 October 2011 (collectively, the “**VAT Law**”), the organisations and individuals engaging in sale of goods or processing, repair and assembly services (hereinafter referred to as “**labour services**”), sale of services, intangible assets, immovables and importation of goods in the PRC shall be taxpayers of Value-added Tax (“**VAT**”), and the tax rate for taxpayers engaging in sale of services and intangible assets shall be 6% unless otherwise stipulated and for taxpayers selling goods, labour services, or tangible movable property leasing services or importing goods shall be 17%.

In addition, in accordance with the Notice on Fully Launch of the Pilot Scheme for the Conversion of Business Tax to Value-Added Tax (《關於全面推開營業稅改徵增值稅試點的通知》) (Cai Shui [2016] No. 36) which was issued by the Ministry of Finance and the State Administration of Taxation on 23 March 2016 and came into effect on 1 May 2016 and partially invalidated by the subsequent regulations, the state started to fully implement the pilot change from business tax to value-added tax on 1 May 2016. All taxpayers of business tax in construction industry, real estate industry, financial industry and living service industry have been included in the scope of the pilot and should pay value-added tax instead of business tax.

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According to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》), which was issued by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on 20 March 2019 and came into effect on 1 April 2019, for VAT taxable sales or imported goods of a VAT general taxpayer where the VAT rate of 16% applies currently, it shall be adjusted to 13%; the currently applicable VAT rate of 10% shall be adjusted to 9%.

LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE CONTROL

According to Regulations on Foreign Exchange Administration of the PRC (《中華人民共和國外匯管理條例》) (Order No.193 of the State Council) (the “**Foreign Exchange Administration Regulations**”), which was promulgated by the State Council of on 29 January 1996 and came into effect since 1 April 1996 and was amended on 14 January 1997 and 5 August 2008, RMB is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as direct investment, loan or investment in securities outside the PRC, unless the prior approval by the State Administration of Foreign Exchange (the “**SAFE**”) or its local counterparts is obtained.

Pursuant to the Circular of the State Administration of Foreign Exchange on Relevant Issues concerning Foreign Exchange Administration of the Overseas Investment and Financing and Round-trip Investments by Domestic Residents through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (Hui Fa [2014] No. 37) (“**SAFE Circular No. 37**”), promulgated and effective on 4 July 2014, (a) a PRC individual resident (a “**PRC Resident**”) must register with the local SAFE branch for foreign exchange registration of overseas investment before he or she contributes domestic or overseas lawful assets or interests into a special purpose vehicle (the “**SPV**”); (b) if the basic information (such as domestic individual resident shareholder, name, operating period) of the registered SPV changes, or upon the occurrence of material changes in the SPV’s capital, such as capital increases or decreases, share transfers or swaps, mergers and divisions, the foreign exchange registration of overseas investments shall be updated timely with the foreign exchange office. Pursuant to SAFE Circular No. 37, failure to comply with these registration procedures may result in penalties.

Pursuant to Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (Hui Fa [2015] No. 13) (“**SAFE Circular 13**”), which was promulgated on 13 February 2015 and implemented 1 June 2015, the initial foreign exchange registration for establishing or taking control of a SPV by domestic residents can be conducted with a qualified bank, instead of the local foreign exchange bureau, and the SAFE Circular 13 also simplifies some procedures relating to foreign exchange for direct investments.

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According to the Circular of the SAFE on Reforming the Administration Measures on Conversion of Foreign Exchange Registered Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (Hui Fa [2015] No. 19) (“**SAFE Circular 19**”), which was promulgated on 30 March 2015 and became effective on 1 June 2015, a foreign-invested enterprise may, in response to its actual business needs, settle with a bank the portion of the foreign exchange capital in its capital account for which the relevant foreign exchange bureau has confirmed monetary contribution rights and interests (or for which the bank has registered the account crediting of monetary contribution). And foreign-invested enterprises are allowed to settle such portion at 100% of their foreign exchange capital on a discretionary basis. Furthermore, SAFE Circular 19 stipulates that the use of capital by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises.

According to the Notice of State Administration of Foreign Exchange on Reforming and Regulating the policies for the Administration of Foreign Exchange Settlement under the Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (Hui Fa [2016] No.16) (“**SAFE Notice 16**”), which was promulgated and became effective on 9 June 2016, enterprises registered in the PRC (including Chinese-funded enterprises and foreign-funded enterprises, but excluding financial institutions) may also covert their foreign debt from foreign currency into RMB on self-discretionary basis. And SAFE Notice 16 also provides an integrated standard for conversion of foreign exchange under capital account items (including but not limited to foreign currency capital, foreign debt and funds recovered from overseas listing) on a self-discretionary basis, which applies to all enterprises registered in the PRC.

LABOUR LAWS AND REGULATIONS

Enterprises in China are mainly subject to the following PRC labour laws and regulations: the Labour Law of the People’s Republic of China (《中華人民共和國勞動法》) (the “**PRC Labour Law**”), the PRC Labour Contract Law (《中華人民共和國勞動合同法》), the Social Insurance Law of the People’s Republic of China (《中華人民共和國社會保險法》) (the “**PRC Social Insurance Law**”), the Regulation of Insurance for Work-Related Injury (《工傷保險條例》), the Regulations on Unemployment Insurance (《失業保險條例》), the Provisional Measures on Insurance for Maternity of Employees (《企業職工生育保險試行辦法》), the Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), the Administrative Regulation on Housing Provident Fund (《住房公積金管理條例》) and other related regulations, rules and provisions issued by the relevant governmental authorities from time to time.

Pursuant to the PRC Labour Law, which was promulgated by the SCNPC on 5 July 1994 and amended on 27 August 2009 and 29 December 2018, companies must enter into employment contracts with their employees, based on the principles of equality, consent and agreement through consultation. Companies must establish and effectively implement a system of ensuring occupational safety and health, educate employees on occupational safety and health, preventing work-related accidents and reducing occupational hazards. Companies must also pay for their employees’ social insurance premium.

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The principal regulations governing the employment contract is the PRC Labour Contract Law, which was promulgated by the SCNPC on 29 June 2007 and was amended on 28 December 2012 and came into effect on 1 July 2013. Pursuant to the PRC Labour Contract Law, employers shall establish an employment relationship with employees on the date that they start employing the employees. To establish employment, a written employment contract shall be concluded, or employers will be liable for illegal actions. Furthermore, the probation period and liquidated damages shall be restricted by the law to safeguard employees' rights and interests.

As required under the PRC Social Insurance Law, the Regulation of Insurance for Work-Related Injury, the Provisional Measures on Insurance for Maternity of Employees, the Interim Provisions on Registration of Social Insurance and the Administrative Regulation on Housing Provident Fund, enterprises in China are obliged to provide employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, injury insurance, medical insurance and housing provident fund.

LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Trademark Law

According to the Trademark Law of the PRC (《中華人民共和國商標法》) (Order No.10 of SCNPC), which was promulgated on 23 August 1982, and amended on 22 February 1993, 27 October 2001, 30 August 2013 and 23 April 2019, and the Implementation Regulations on the Trademark Law of the PRC (《中華人民共和國商標法實施條例》) (Order No.358 of the State Council) which was promulgated by the State Council on 3 August 2002 and amended on 29 April 2014, the trademark registrant may, by concluding a trademark licensing contract, authorise others to use the registered trademark. The licensor shall supervise the quality of the goods on which the licensee uses the licensor's registered trademark, and the licensee shall guarantee the quality of the goods on which the registered trademark is used. For licenced use of a registered trademark, the licensor shall file record of the licencing of the said trademark with the trademark bureau, while non-filing of the licencing of a trademark shall not be contested against a good faith third party.

Patent Law

According to the Patent Law of the PRC (《中華人民共和國專利法》) (No.11 Order of the President) which was issued by the SCNPC on 12 March 1984, came into effect on 1 April 1985, and amended on 4 September 1992, 25 August 2000 and 27 December 2008, the State Intellectual Property Office is responsible for managing patent work of the whole nation. The patent management departments of the people's governments of each province, autonomous region and municipality directly under the central government are responsible for the patent management in their respective administrative regions. Chinese patent system adopts the principle of "prior application", i.e. where two or more applicants file applications for patent for the identical invention or creation respectively, the patent right shall be granted to the applicant whose application was filed first. If one wishes to file application for patent for invention or utility models, the following three standards must be met: novelty, creativity and practicability.

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The validity period of a patent for invention is 20 years, while the validity period of utility models and design is 10 years. Others may use the patent after obtaining the permit or proper authorisation of the patent holder, otherwise such behaviour will constitute an infringing act of the patent right.

Copyright Law

The Copyright Law of the PRC (《中華人民共和國著作權法》) (No.31 Order of the President), which was issued by the SCNPC on 7 September 1990, came into effect on 1 June 1991 and was amended on 27 October 2001 and 26 February 2010, specifies that works of Chinese citizens, legal persons or other organisations, including literature, art, natural sciences, social sciences, engineering technologies and computer software created in writing or oral or other forms, whether published or not, all enjoy the copyright. Copyright holder can enjoy multiple rights, including but not limited to the right of publication, the right of authorship and the right of reproduction.

The Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) (No.1 Order of the National Copyright Administration), which was issued by the National Copyright Administration on 20 February 2002, and came into effect on the same day, regulates the registration of software copyright, the exclusive licencing contract and transfer contracts of software copyright. The National Copyright Administration is mainly responsible for the registration and management of national software copyright and recognises the China Copyright Protection Centre as the software registration organisation. The China Copyright Protection Centre will grant certificates of registration to computer software copyright applicants in compliance with the regulations of the Measures for the Registration of Computer Software Copyright and the Regulations on Protection of Computers Software (《計算機軟件保護條例》) (No.339 Order of the State Council) (issued by the State Council on 20 December 2001, came into effect on 1 January 2002 and revised on 8 January 2011 and 30 January 2013).

According to the Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in Hearing Cases of Civil Disputes of Information Network Transmission Right (《最高人民法院關於審理侵害信息網絡傳播權民事糾紛案件適用法律若干問題的規定》) (No. 20 FS [2012]) (issued by the Supreme People's Court on 17 December 2012 and came into effect on 1 January 2013), where network users or network service providers provide, through information networks, any work, performance, or audio or video recording in which the right holders enjoy the transmission right of information network without due permission, they shall be regarded as infringing upon the transmission right of information network by the people's court.

Domain Name

According to the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》) (No.43 Order of the Ministry of Industry and Information Technology), which was issued by the Ministry of Industry and Information Technology on 24 August 2017 and came into effect on 1 November 2017, the Ministry of Industry and Information Technology is responsible for managing Internet network domain names of China. The “.CN” and the “.zhongguo (in Chinese character)” shall be China’s national top-level domains. The principle of “first-to-file” is adopted for domain name services. The applicant of domain name registration shall provide the agency of domain name registration with the true, accurate and complete information about the domain name holder’s identity for the registration purpose, and sign the registration agreements. Upon the completion of the registration process, the applicant will become the holder of the relevant domain name.

INDUSTRY OVERVIEW

Unless otherwise indicated, the information contained in this section is derived from various governmental and official publications, other publications and the market research report prepared by F&S, which was commissioned by us.

We believe that the sources of information are appropriate and we have taken reasonable and cautious care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. We, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of our or their respective directors, senior management, representatives or any other person involved in the Global Offering have not independently verified such information and have made no representation as to the accuracy and completeness thereof. The relevant information and statistics may not be consistent with such other information and statistics compiled within or outside the PRC. As a result, you are advised not to place undue reliance on such information.

SOURCES OF INFORMATION

We have commissioned F&S, an independent market researcher and consultant, to analyse and report on the property management services industry in the PRC. F&S is an independent global consulting firm founded in 1961 in New York. F&S offers industry research and market strategies and provides growth consulting and corporate training to companies in a wide range of industries in the PRC. We have agreed to pay F&S a total fee of RMB700,000 for the preparation of the F&S Report.

F&S Report

Our Company has included certain information from the F&S Report in this prospectus because our Directors believe that such information facilitates an understanding of the relevant market for potential investors. The market research process for the F&S Report has been undertaken through detailed primary research which involves discussing the status of property management services market with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on F&S's own research database. After making reasonable enquiries, our Directors have confirmed that there is no adverse change in the market information since the date of the F&S Report which may qualify, contradict or have an impact on the information in this section.

Analysis and forecasts contained in the F&S Report are based on the following major assumptions at the time of compiling such reports: (i) the PRC economy is likely to maintain steady growth in the next decade; (ii) the PRC's social, economic, and political environment is likely to remain stable in the forecast period; and (iii) market drivers such as increasing urbanisation, further development of real estate market will drive property management services market.

PRC PROPERTY MANAGEMENT SERVICES MARKET OVERVIEW

Definition and Segmentation

Property management is the operation, control, and oversight of real estate as used in its most broad terms. The property management services market consists of upstream property development industry, midstream property management services market and downstream property owners and property occupants. Among them, the upstream property development industry is mainly composed of preliminary development and property leasing and sales, the middle property management services market is the core of the entire value chain as the property management services companies provide additional services to the property owners and property occupants to maintain or increase the value of their property. Most PRC's property management services companies provided services for a wide range of properties, such as residential properties and non-residential properties including complexes (being a mixture of residential properties and/or non-residential properties), office buildings, government buildings, shopping centres, industrial facilities, arenas and stadiums, schools, hospitals and others. Complexes can be divided into residential complexes and non-residential complexes in terms of the total GFA

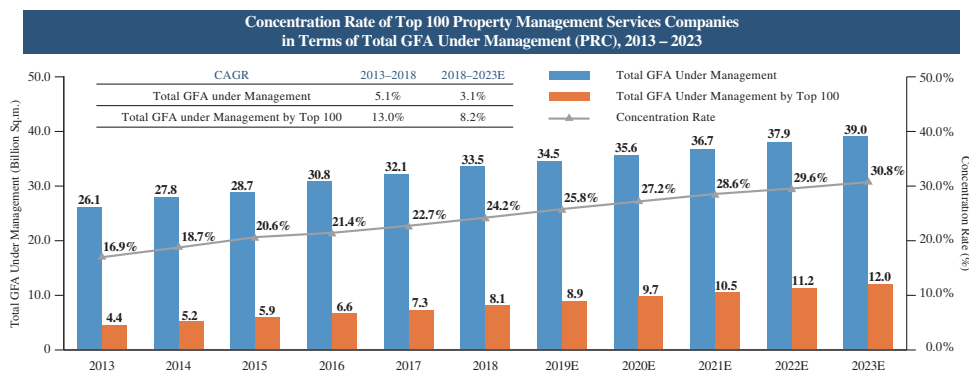
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under management of residential properties. In residential complexes, the total GFA under management of residential properties accounted for more than 80% of the complex's total GFA under management. In the PRC, reliance on parent groups is a common market phenomenon for property management services providers in the PRC. It is common for property management services companies to obtain property projects from their parent companies. It is not uncommon that properties in the PRC do not have property owners' associations formed. Therefore, the growth of the number of properties represented by property owners' associations is lower than properties whose property management services agreements were entered into by property developers on behalf of property owners and property occupants.

Property management services companies generally offer a range of services, namely (1) traditional property management services; and (2) other services comprise of pre-delivery services, consulting services and value-added services. Property management services refer to services such as safety and security, repair and maintenance, cleaning and sanitation, and gardening provided to residential property owners and property occupants. Residential properties refer to buildings used for residing, such as apartments, villas, dormitories and others. Non-residential properties mainly include commercial buildings, office buildings, hospitals, schools and other buildings which do not belong to residential buildings. Pre-delivery services refer to any sales-related assistance and services provided to the property developers at the pre-delivery stage of sale of property, including daily property services and organisation of warm-up activities. In terms of pre-delivery services, the common revenue generating model is lump sum basis on which property management services companies receive a fixed amount of fees based on the total management area or the number and position of employees who provide services. In terms of consulting services, the service fees are mainly charged on lump sum basis according to the total management area, or commission basis where a certain percentage of total property management fees paid by property owners or property occupants is charged as the commission of the property management services companies. Lump sum basis is more common in providing consulting services in PRC's property management services market. Property consulting services include advising property developers on project planning, design management, and construction management. The property management services companies also provide value-added services, mainly include (i) engineering services such as (for property developers) automation consulting and engineering product sales and (for property management companies) inspection services, repair and maintenance services and equipment upgrade services; (ii) community leasing, sales and other services where residents and tenants of the properties under management are offered a diversified range of offline services (such as common area rental assistance, purchase assistance and rental assistance for properties that have been delivered to owners by developers and household assistance services) and online services through their O2O platforms; (iii) home-living services such as shopping, travel, group buying, and indoor maintenance; (iv) smart home services such as the promotion, installation and maintenance of smart home and (v) visitors' parking lot management.

Market Size of Property Management Services Market

Total GFA under Management by Property Management Services Companies and Top 100 Property Management Services Companies



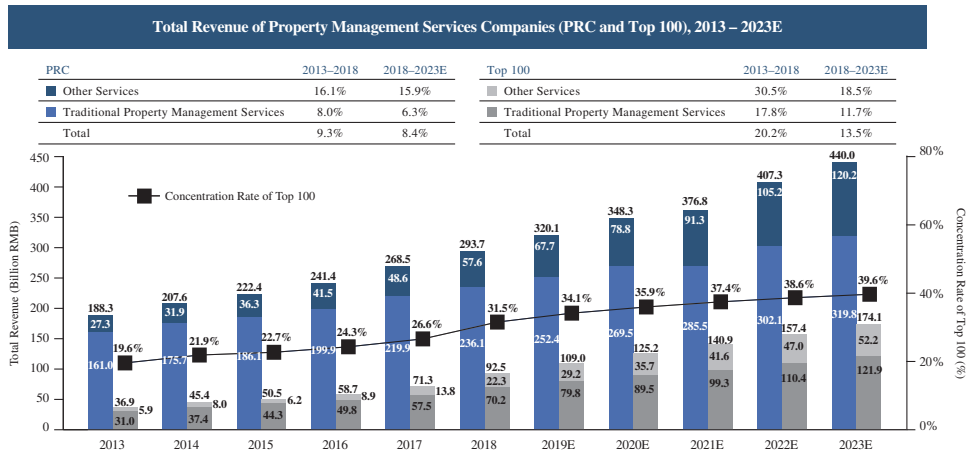
Source: F&S Analysis

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GFA under management refers to the aggregate of gross floor area of individual units privately owned by property owners or occupied by property occupants and gross floor area of common areas. From 2013 to 2018, the total GFA under management by property management services companies has increased from 26.1 billion sq.m. in 2013 to 33.5 billion sq.m. in 2018, with a CAGR of 5.1%. The total GFA under management of residential properties reached 28.9 billion sq.m. in 2018, with a CAGR of 4.6% from 2013 to 2018, and the total GFA under management of non-residential properties reached 4.6 billion sq.m. in 2018, with a CAGR of 8.9% from 2013 to 2018. In 2023, the total GFA under management is expected to reach 39.0 billion sq.m, with an expected CAGR of 3.1% from 2018 to 2023.

The top 100 property management services companies in aggregate accounted for approximately 16.9% of total GFA under management in the PRC, reaching 4.4 billion sq.m. in 2013. In recent years, with the accelerating expansion of the top 100 property management services companies, including business mergers and acquisitions, the concentration rate of the top 100 companies increased continuously. In 2018, the total GFA under management of the top 100 property management services companies reached 8.1 billion sq.m., reaching 24.2% of the total GFA under management in the PRC. Going forward, with the increasing integration by mergers and acquisitions among property management services companies, the concentration rate of top 100 property management services companies is anticipated to reach 30.8% in 2023.

Total Revenue of Property Management Services Companies



Source: F&S Analysis

Property management services companies mainly offer traditional property management services and other services. Other services comprise of value-added services and pre-delivery and consulting services. For property management services companies in the PRC, most of their revenue is generated from traditional property management services, accounting for approximately 80.4% in 2018.

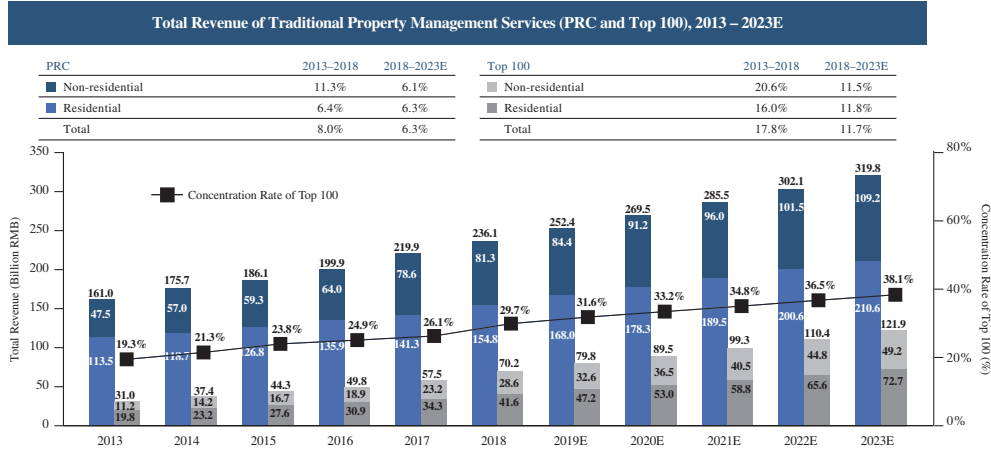
In recent years, property management services companies in the PRC have been seeking to diversify their services and revenue streams. The total revenue of value-added services and pre-delivery and consulting service reached RMB57.6 billion in 2018, accounting for approximately 19.6% of total revenue of property management services companies in the PRC. With the increasing diversification of services, the total revenue of other services provided by those companies has grown from RMB27.3 billion in 2013 to RMB57.6 billion in 2018 and is expected to reach RMB120.2 billion in 2023, with a CAGR of 15.9% from 2018 to 2023. The growth rate of other services is higher than traditional property management services as a result of diversification of services.

From 2013 to 2018, the total revenue of property management services companies has increased from RMB188.3 billion to RMB293.7 billion, with a CAGR of 9.3%. In 2023, the total revenue is expected to reach RMB440.0 billion, with an expected CAGR of 8.4% from 2018 to

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2023. In terms of revenue, the growth rate of top 100 property management services companies is higher than the overall property management services companies in the PRC mainly due to their strong brand recognition, large and extensive property management portfolio and the ability to quickly capture new market opportunities. From 2013 to 2018, the total revenue of top 100 property management services companies has increased from RMB36.9 billion to RMB92.5 billion, with a CAGR of 20.2%. In 2023, total revenue is expected to reach RMB174.1 billion, with an expected CAGR of 13.5% from 2018 to 2023. The concentration rate of top 100 companies reached 31.5% in 2018 and is expected to reach 39.6% in 2023 in terms of total revenue of property management services companies in the PRC.

Total Revenue of Traditional Property Management Services and Top 100 Property Management Services Companies



Source: F&S Analysis

With the rapid urbanisation and increasing per capita disposable income as well as the development of real estate market, the traditional property management services market has maintained a fast growth in recent years. From 2013 to 2018, the total revenue of traditional property management services market has increased from RMB161.0 billion to RMB236.1 billion, with a CAGR of 8.0%. In 2023, the total revenue is expected to reach RMB319.8 billion, with an expected CAGR of 6.3% from 2018 to 2023.

Traditional property management services can be divided into services offered for residential property owners and property occupants. In the future, with the further implement of favourable policies issued by Chinese government, such as “Three Supplies and One Industry” (“三供一業”), the development of traditional property management services market is expected to be accelerated. In 2023, the total revenue of residential property management services is projected to reach RMB210.6 billion, with an expected CAGR of 6.3% from 2018 to 2023.

From 2013 to 2018, the top 100 companies’ revenue from traditional property management services has increased from RMB31.0 billion to RMB70.2 billion, with a CAGR of 17.8%. In 2023, the revenue of top 100 companies in traditional property management services is expected to reach RMB121.9 billion, with an expected CAGR of 11.7% from 2018 to 2023.

Average Property Management Fee for the Top 100 Property Management Services Companies in the PRC

In the PRC, the average property management fees of top 100 property management services companies for both residential and non-residential properties have kept increasing in recent years. For residential properties, the average property management fees of top 100 property management services companies has increased from RMB1.12 per sq.m. per month in 2013 to RMB1.31 per sq.m. per month in 2018, representing a CAGR of 3.2%. As for non-residential properties, the average property management fees of top 100 property

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management services companies reached RMB2.71 per sq.m. per month in 2018. For residential and non-residential properties, the overall average property management fees of top 100 property management services companies has increased from RMB1.37 per sq.m. per month in 2013 to RMB1.66 per sq.m. per month in 2018, representing a CAGR of 3.9%. Normally, the property management fees of non-residential properties is higher than residential properties mainly because of the wider service scope and the higher cost, such as facilities maintenance and management cost. The collection rate of property management services fees reflects the level of the property management services, relationship with the customers and customers' satisfaction, which in turn affects the sustainability and development of the property management services companies. In 2018, the average collection rate of property management services companies in the PRC amounted to approximately 78.2% whereas the average collection rate of top 100 property management services companies amounted to approximately 87.8%. The payment patterns of some of the property owners and occupants who pay their property management fees late at mid-year or year-end out of personal preference and convenience without following the terms of the property management service agreements is not uncommon in the property management services industry in the PRC.

Market Drivers

Increasing Per Capita Disposable Income and Rapid Urbanisation: From 2013 to 2018, per capita annual disposable income saw an increase from RMB26,955 to RMB39,770 with a CAGR of 8.1%. Such growth has a positive effect on Chinese residents' purchasing power and demand for property management services. During the same period, the urbanisation rate in the PRC increased by 6.3%, from 53.7% to 60.0%. The rapid urbanisation results in an increasing demand for property management services with the rapid growth of real estate market. Therefore, the increasing per capita disposable income and rapid urbanisation has been one of the main drivers for the property management services market.

The table below sets forth the population, urbanisation and per capita disposable income in China and Central China from 2013 to 2018.

	2013	2014	2015	2016	2017	2018	2018– 2023E CAGR
China							
Total Population (million)	1,360.7	1,367.8	1,374.6	1,382.7	1,390.1	1,395.4	0.3%
Urban Population (million)	731.1	749.2	771.2	793.0	813.5	836.6	2.7%
Urbanisation Rate	53.7%	54.8%	56.1%	57.3%	58.5%	60.0%	2.4%
Per Capital Annual disposable Income (RMB)	26,955	29,381	31,195	33,616	36,396	39,770	7.6%
Central China							
Total Population (million)	360.9	362.6	364.9	367.1	369.0	371.1	0.4%
Urban Population (million)	175.0	180.6	187.0	193.7	200.4	206.3	3.5%
Urbanisation Rate	48.5%	49.8%	51.2%	52.8%	54.3%	55.6%	3.1%
Per Capital Annual disposable Income (RMB)	22,664	24,733	26,810	28,879	31,295	34,096	8.0%
Yangtze River Delta							
Total Population (million)	158.5	158.9	159.3	160.1	161.0	162.1	0.2%
Urban Population (million)	107.7	109.4	110.7	112.9	114.9	117.2	1.6%
Urbanisation Rate	68.0%	68.8%	69.5%	70.5%	71.3%	72.3%	1.4%
Per Capital Annual disposable Income (RMB)	36,050	39,202	42,346	45,807	49,683	54,698	8.1%
Pearl River Delta							
Total Population (million)	57.2	57.6	58.7	60.0	61.5	62.0	1.1%
Urban Population (million)	47.9	48.4	49.6	50.9	52.5	53.2	1.7%
Urbanisation Rate	83.8%	84.0%	84.4%	84.9%	85.3%	85.7%	0.5%
Per Capital Annual disposable Income (RMB)	39,837	36,779	40,071	43,807	47,717	53,133	8.7%
Beijing-Tianjin-Hebei Region							
Total Population (million)	109.2	110.5	111.4	112.0	112.5	112.7	0.5%
Urban Population (million)	65.6	67.5	69.7	71.6	73.0	74.2	2.9%
Urbanisation Rate	60.1%	61.1%	62.5%	63.9%	64.9%	65.9%	2.4%
Per Capital Annual disposable Income (RMB)	29,683	32,218	34,809	37,475	40,453	43,523	8.3%

Source: National Bureau of Statistics; F&S Analysis

Note: Central China refers to six provinces including Henan, Shanxi, Hubei, Hunan, Anhui and Jiangxi.

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Continuous Development of Real Estate Market: The Chinese government has increased the land supply owing to the rapid urbanisation and growing per capital disposable income. Thus, the real estate market achieved further development in recent years. The total GFA of commodity properties in the PRC increased from 1,305.5 million sq.m. in 2013 to 1,716.5 million sq.m. in 2018, with a CAGR of 5.6%. Accordingly, further development of real estate market increases the demand for property management service.

Extensive Implication of Data Digitalisation and Technology: The property management services companies in the PRC have delivered increasingly standardised services along with the development of property management services market. In particular, the improvement of information technology and data digitalisation enables companies to improve the quality of services and reduce the cost of operation, labour cost, energy and material consumption effectively. For instance, property management services companies are expected to achieve effective consolidation and distribution of community resources by utilizing social media, mobile APPs and other technology tools to enhance business collaborations as well as the expansion and diversification of value-added services, such as housekeeping, community elder nursing, childcare, and consulting services.

Involvement in Capital Market: With the wider participation of property management services companies in the capital market, powerful support from capital market is a major driver of the property management services market. Diversified capital operation methods can accelerate the integration and mergers and acquisitions among property management services companies, which can enable companies to significantly increase market share and form scale management effect. Moreover, involvement in capital market can accelerate the improvement of service quality and increase the brand reputation and recognition from customers.

Future Opportunities and Challenges

Enhanced Standardisation and Automation: There is no uniform standard for governing the services provided by property management services companies in the PRC. As a result, the quality of property management services from different companies could vary significantly. Thus, an increasing number of leading companies are making efforts to enhance the standardisation of property management services, such as intelligent system in communities, including access control system, parking management system, etc. In addition, investment in automation technology is made to improve the efficiency of property management services. Those companies are expected to improve the efficiency of corporate management, foster quality services through enhancing automation technology.

Accelerated Industry Concentration: The degree of concentration of the property management services market is increasing in recent years as a result of policy environment, market competition and information technology. Especially, a few of the leading property management services companies begin to enhance management standards and core competitiveness through mergers and acquisitions. Moreover, property management services companies are making efforts to develop alliance and consolidation to achieve economies of scale resulting in the increasing concentration level of PRC's property management services market. The market share of the top 100 property management companies in terms of GFA under management is expected to increase from 24.2% in 2018 to 30.8% in 2023.

Expansion of Service Scope: Property management services gradually extend from the initial residential property to offices, industrial parks, public facilities, etc. With the separation and transfer of “Three Supplies and One Industry” (“三供一業”), more property types will be included in the property management service scope, and services providers will participate in the municipal management gradually. Combined with community consumption upgrades, property management services companies will extend from the property services to life services, further expanding the business chain and industrial chain in the future.

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Diverse Value-added Services: Along with the exploration of diverse value-added services, property management services companies have great potentials primarily in community education, leasing and sales as well as community financial services. With the access to community facilities and the acquaintance with residents or property owners from long-term services, property management services companies can provide early education, post-school care and extracurricular tutoring by both self-built team and cooperation with education institution. Close to the community and property owners, property management services companies have advantages to develop housing brokerage due to convenient management and effective supervision. Moreover, with the continuous increase of per capita disposable income, the demand for community financial services such as community bank and community consumption payment will experience a dramatic growth, promoting the popularity of community financial services.

Specialised and Segmented Services: With the gradual increase of the property management service scope, key players have continuously increased their scale and profitability. Facing with fierce competition, small and medium-sized property management services companies will seek their own living space in specialised and segmented services. In the future, it is predicted that there will be a group of small and medium-sized companies that specialise in a certain service field and maintain their own management and operation advantages in PRC's property management services market.

Furthermore, the residential property management services market is becoming increasingly competitive as a result of rising labour and operation cost. Thus, property management services companies are expanding their services to more diversified types of properties such as non-residential properties. Although there are fewer competitors, the entry barriers for non-residential property management services market are relatively higher as experienced and large-scale companies are major players. Moreover, property management services companies are more flexible in negotiating with the property owners of non-residential properties on the property management fees. As a result, property management services companies are trying to gain competitive advantages through expanding services to more diversified properties such as public properties, office buildings and hotels, commercial establishments and government properties.

Increasing Labour and Operation Cost: It is well-known that property management services market is a labour-intensive market and involves large amount of workers such as security, cleaning and maintenance personnel. The minimum monthly wage is increasing continuously in recent years. In addition, the utility fees such as electricity and water also have increased in the last few years. The rising labour cost and operation cost may reduce the profit margin for property management services companies and impose greater pressure for those companies in the market.

Monthly Average Wages of Workers

Property management services market is labour-intensive and labour cost is the largest component of property management services companies' cost of services. In this market, the daily operation, such as security, cleaning, greening, gardening and repair and maintenance services relies heavily on the manual labours. With the rapid growth of PRC's economy and property management services market, the average wages of workers in property management services market has risen continuously in recent years. From 2013 to 2018, the monthly average wages of workers in property management services market has increased from RMB3,335.5 in 2013 to RMB4,992.5 in 2018, with a CAGR of 8.4%. In 2023, the monthly average wages of workers are expected to reach RMB7,298.8, with an expected CAGR of 7.9%.

In the PRC, in order to reduce the operational cost, most property management companies, especially the top 100 companies use subcontractors and rely heavily on them. Usually, these subcontractors are arranged by third party dispatching companies, who have large labour pools and can meet the demands from their customers.

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COMPETITIVE LANDSCAPE

The property management services market in the PRC is quite fragmented and there were over 100,000 property management services companies, which generally provide property management services to residential and non-residential properties in 2018. The top 33 companies account for approximately 24.95% of total revenue of property management services market in the PRC in 2018.

Ranking Information of Property Management Services Companies in China (In terms of Revenue), 2018

Ranking	Company	Market Share (%)
1	Company A	3.17%
2	Company B	2.24%
3	Company C	1.45%
4	Company D	1.39%
5	Company E	1.39%
6	Company F	1.23%
7	Company G	1.21%
8	Company H	1.16%
9	Company I	1.07%
10	Company J	0.94%
11	Company K	0.93%
12-32	*****	more than 0.13%
33	Our Group	0.13%
Top 33		24.95%
Others		75.05%
Total		100.00%

Source: Annual Reports; F&S Analysis

Our Group was ranked the 33rd among the property management services companies in the PRC in terms of revenue in 2018, with a revenue of RMB0.39 billion, accounting for approximately 0.13% of total revenue of the property management services market in the PRC.

Our group is one of the fast growing property management companies with a competitive service package, advanced information technology systems, high customer satisfaction, ability to formulate standardised working procedures, experienced, professional and stable management team.

According to the China Property Management Institute, the E-house china R&D Institute and the China Real Estate Appraisal, our Group ranked 12th in the PRC in terms of comprehensive index rating that is determined based on, among other things, the GFA under management, the financial performance, property owners' satisfaction and number of accredited projects of property management companies in 2018.

Entry Barriers

The "Decision on Abolishing the Measures for the Administration of Qualifications of Property Service Enterprises" (關於廢止《物業服務企業資質管理辦法》的決定) issued by the Ministry of Housing and Urban-Rural Development on 8 March 2018 abolished the legal basis of the property service enterprise qualifications. The removal of the requirement of such qualifications in the Regulations on Property Management (《物業管理條例》) made by the State Council on 19 March 2018 further clarified that the property service enterprise qualifications will not be required as a prerequisite for undertaking the property management business, which lowers the entry barriers for new entrants.

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Brand Reputation: Brand reputation is an important factor for property management services companies. Most consumers prefer renowned property management services companies over less well-known service providers. Furthermore, the marketing of property management services companies normally depends on their service reputation which is spread among consumers through word-of-mouth publicity. A well brand reputation relies on years of management and accumulation thus the brand reputation of well-known and experienced companies built over the years cannot be easily caught up by a new participant.

Investment Requirement and Management Capability: The PRC's property management services market is considered as a light asset and labour-intensive industry. Along with the development of the market, an increasing number of property management services companies replace certain process which were used to be conducted by labour with advanced automated machine and equipment, and construct a data management system to operate more efficiently. Thus, investment requirement has been a barrier with the change of the market from labour intensive to capital intensive. Through several years of development and expansion of PRC's property management services market, PRC's property management services companies are making efforts to strengthen their business with a lower operation and management costs. As a result, the capability of offering services more efficiently is a challenge for many property companies especially for those new players in the market. Thus, operation and management capability has been one of the entry barriers in property management services market in the PRC.

Customer Relationship: Customer relationship is one of the determining factors affecting the business of property management services companies. With sustainable customer relationship, the property management services companies can have prominent performance in customer satisfaction rate, renewal rate and fee collection rate. In addition, the cooperation with some customers such as hospitals and government institutions who have greater demands of high-quality property management services is based on good customer relationship. The new players in this market are not easy to achieve such a good customer relationship.

Technology Level: Each property management services company has core information operation and management capabilities, especially its information system. Efficient information system is conducive to integrate resources, greatly improve management efficiency, effectively monitor service processes, improve service level and reduce property management costs. Key players establish their information system by combining with their own business characteristics, which has formed their technological advantages through long-term exploration, and this leads to the technical barrier for new entrants in the property management services market.

Human Resources: Along with the long-term operation, property management services companies have formed their own talent reserve, training mechanism and incentive system. There is an obvious gap between new entrants and key players in the introduction and cultivation of talents and the unified corporate values, understanding and culture. Meanwhile, talents have the preference to existing companies in property management services market rather than new entrants. Moreover, as property management services market is labour intensive, existing companies use mobile applications to manage and train employees to standardise management and improve efficiency, which is a challenge for new entrants.

PRC RESIDENTIAL COMMUNITY O2O MARKET

Definition and Introduction

Residential Community O2O is defined as a platform where online and offline resources are integrated to deliver property management services and products to residents or property owners conveniently, and realises the streams of information, capital and services within this closed cycle. Residential community O2O handles problems encountered by offline services providers in providing delivery and on-site services in the community.

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Market Size

With the further development of internet industry and increasing diversified demands of residents, the market size of residential community O2O market has undergone rapid development in recent years. The market size of residential community O2O market in China has reached RMB465.8 billion in 2018, with a CAGR of 69.2% from 2013 to 2018. In the future, with the further promotion of government policies such as “Internet Plus” and “Service Plus” policy and the gradual formation of residents’ consumption habits, the residential community O2O market is expected to keep growing. In 2023, the market size of residential community O2O market is anticipated to reach RMB1,431.0 billion, with an expected CAGR of 25.2% from 2018 to 2023.

Property management services companies have competitive advantages than pure O2O companies such as larger customer base, richer offline community resources, better ability to meet the needs of residents and property owners and information sharing cycle within property management services companies.

Market Drivers

With the development of the Internet industry, property management services companies tend to provide services online especially with the proliferation of O2O platforms to meet the customers’ habits. The higher penetration of the Internet provides a positive environment for the development and growth of residential community O2O platform. Besides, property owners have generally realised the importance of property management services and have generated variety demands of services. Customers could be satisfied with diversified and upgraded services provided by O2O platforms which integrate offline and online resources to meet the increasing diversified demands of customers. Moreover, the residential community services have made great progress with the development of service industry such as delivery, online shopping, laundry and housekeeping. It is expected that the residential community services still have significant growth potential in the future, promoting the growth of the residential community O2O platforms.

Future Opportunities

Increasing diversified demands for property management services and rising costs have led the providers to adjust their traditional business model with providing innovative services. The property management services market will thus undergo integration and most participants will be specialised in services like community O2O services. Besides, due to the increase in the wealth of households in rural areas, the penetration rate of O2O platforms is increasing and will observe a continuous growth with more widespread access to the Internet. In the future, as the O2O market becomes saturated in tier-1 and tier-2 cities, rural areas can be regarded as the next potential market.

Entry Barriers

Due to less renowned reputation, new players are likely to face difficulties when bidding for property management service contracts in managing new residential properties or commercial properties with leading players. Besides, leading property management services companies usually have cultivated a good commercial relationship with many participants, such as physical retail stores and have the strengths in setting up cooperation over new players in the market. Moreover, O2O industry is faced with innovative solutions to the last-mile delivery barrier, such as a centralised location or store within a residential community for product pickups. Property management services companies who are able to improve the cost-effectiveness of last-mile delivery would be able to upgrade their services leading to increase in their profit margin.

HISTORY AND REORGANISATION

GENERAL

Our Group's history can be traced back to December 1998, when Xinyuan Science, our principal operating subsidiary, was established and started to provide property management services for properties developed by Xinyuan Real Estate Group, the shares of which are listed on the New York Stock Exchange (stock code: XIN) on 12 December 2007. Both Xinyuan Real Estate Group and our Group were founded by Mr. Zhang Yong. Further details of the qualifications and experience of Mr. Zhang Yong are set out in the section headed "Directors and Senior Management" in this prospectus.

As at the date of its establishment, Xinyuan Science was owned as to 80% by Mr. Zhang Yong and 20% by Ms. Zhang Xin; and had become a wholly-owned subsidiary of Xinyuan Real Estate Group since 4 September 2006 following a series of equity transfers among Mr. Zhang Yong, Ms. Zhang Xin, Ms. Yang Yuyan and Henan Xinyuan Real Estate. From March 2017 to January 2019, the shares in Xinyuan Science were quoted on the NEEQ (stock code: 870929). As at the Latest Practicable Date, Xinyuan Science had set up 34 branch offices to provide property management services, which covered 42 cities across 15 provinces in the PRC, with a total GFA under management reaching approximately 16.8 million sq.m..

To complement our property management services, in 2008, we began to provide a comprehensive range of value-added services for the properties we manage. In 2014, we introduced our integrated one-stop mobile application "Xinyuan-E-Jia" to consolidate and upgrade our value-added services with the goal to build a smart community and enhance the living experience of our property owners and residents. We also provide pre-delivery and consulting services to property developers to enhance the competitiveness of the properties developed.

HISTORY AND REORGANISATION

BUSINESS HISTORY AND MILESTONES

The following illustrates our major business development milestones and achievements:

Year	Key Milestones
1998	<ul style="list-style-type: none">• Xinyuan Science was established in Zhengzhou, Henan Province under the name of “Henan Xinyuan Property Management Co., Ltd.” and started providing property management services.
2001	<ul style="list-style-type: none">• Xinyuan Science was first accredited with ISO9000 quality management system certification.
2003	<ul style="list-style-type: none">• Xinyuan Science started expanding its business operations by establishing branch offices in other major cities in the PRC.
2007	<ul style="list-style-type: none">• Xinyuan Science started providing pre-delivery and consulting services.
2008	<ul style="list-style-type: none">• Xinyuan Science started providing value-added services.• Xinyuan Science was awarded “the Level One Property Management Qualification (一級物業管理企業資質)” by MOHURD.
2010	<ul style="list-style-type: none">• Xinyuan Science was elected as a China Property Management Institute Executive Director Member (中國物業管理協會常務理事單位).
2014	<ul style="list-style-type: none">• Xinyuan Science launched “Xinyuan-E-Jia”, our integrated one-stop mobile application.
2016	<ul style="list-style-type: none">• Xinyuan Science was ranked 14th in terms of comprehensive index rating that is determined based on, among other things, the GFA under management, the financial performance, property owners’ satisfaction and number of accredited projects of property management companies among the 2016 Top 100 property management companies in China by China Property Management Institute (中國物業管理協會).
2017	<ul style="list-style-type: none">• The shares in Xinyuan Science were quoted on the NEEQ (stock code: 870929).
2018	<ul style="list-style-type: none">• Xinyuan Science was ranked 12th in terms of comprehensive index rating that is determined based on, among other things, the GFA under management, the financial performance, property owners’ satisfaction and number of accredited projects of property management companies among property management companies in the PRC in 2018 by China Property Management Institute, the E-house China R&D Institute and the China Real Estate Appraisal.

HISTORY AND REORGANISATION

CORPORATE HISTORY AND DEVELOPMENT

As at the Latest Practicable Date, Xinyuan Science, Henan Xinyuan, Puyang Zhongfang, Qingdao Xinyuan, Binhai Huafang, Henan Gechen and Yingsheng M&E were the operating subsidiaries of our Group. The following table contains brief information of our Company, our subsidiaries and our joint venture company as at the Latest Practicable Date:

Name	Date of incorporation/ Date of commencement of business (if different)	Place of incorporation/ establishment	Principal activities
Our Company	13 December 2018/ 19 March 2019	Cayman Islands	Investment holding
Subsidiaries			
Xinyuan-BVI	2 January 2019 <i>(Note 1)</i>	BVI	Investment holding
Xinyuan-HK	8 January 2019	Hong Kong	Investment holding
Xinyuan Science	28 December 1998	PRC	Provision of property management services, value-added services and pre-delivery and consulting services
Qingdao Xinyuan	6 November 2001	PRC	Provision of property management services
Beijing Xinxiang	18 October 2013 <i>(Note 1)</i>	PRC	Provision of property management services
Henan Xinyuan Marketing	30 July 2015 <i>(Note 1)</i>	PRC	Provision of property marketing services
Henan Yueshenghang	15 April 2016 <i>(Note 1)</i>	PRC	Provision of property management services
Henan Xinyuan	1 December 2016	PRC	Provision of property management services

HISTORY AND REORGANISATION

Name	Date of incorporation/ Date of commencement of business (if different)	Place of incorporation/ establishment	Principal activities
Binhai Huafang	12 June 2017	PRC	Provision of property management services
Puyang Zhongfang	29 November 2017	PRC	Provision of property management services
Henan Chengzhihang	15 December 2017 <i>(Note 1)</i>	PRC	Provision of property management services
Henan Gechen	14 March 2019	PRC	Provision of event planning services
Xinyang Xinzhisheng	9 April 2019 <i>(Note 1)</i>	PRC	Provision of property management services
Yingsheng M&E	10 April 2019	PRC	Provision of intelligence engineering services
Xinyi Xinyuan	7 May 2019 <i>(Note 1)</i>	PRC	Provision of property management services
Anyang Xinhengyue	26 June 2019 <i>(Note 1)</i>	PRC	Provision of property management services
Joint Venture Company			
Henan Qingning <i>(Note 2)</i>	20 April 2017	PRC	Leasing of residential apartments

Notes:

- (1) No operation as at the Latest Practicable Date.
- (2) Our Group has invested in Henan Qingning Group since April 2018. According to the Articles of Association of Henan Qingning, all significant and relevant matters, including its business operations and financial arrangements, require approval by two-thirds of the shareholders' votes and Henan Qingning is therefore accounted for as a joint venture of the Group and its account is not consolidated into the financial statement of our Group.

HISTORY AND REORGANISATION

Our Directors confirm that the main reason for retaining the above subsidiaries of our Company which are inactive/have no business operation is because such readily available corporate vehicles might be used by our Group in the future when necessary and the time of incorporating new corporate vehicles could be saved in this regard.

Please refer to the subsection headed “– Corporate Structure” below for the chart showing the shareholding and corporate structure of our Group immediately after the Reorganisation.

Establishment and Shareholding Changes of the Major Members of Our Group

Our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 13 December 2018 with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of a par value of HK\$0.01 each. It was incorporated for the purpose of implementing the Reorganisation.

On 13 December 2018, one fully-paid Share of HK\$0.01 was allotted and issued to Mapcal Limited (the initial subscriber and an Independent Third Party), which was transferred to Xinyuan Real Estate on the same day.

On 21 March 2019, our Company allotted and issued 281,249 Shares, 15,000 Shares, 15,000 Shares, 3,750 Shares and 3,750 Shares, all nil-paid, to Xinyuan Real Estate, BVI-Zhang Yong, BVI-Yang Yuyan, BVI-Cui Yong and HK-Liu Huaiyu respectively.

On 21 March 2019, 37,500 Shares and 18,750 Shares were allotted and issued to BVI-Management, a nominee vehicle of nine selected directors and employees of our Group, and BVI-Zhang Lizhou, a nominee vehicle of Mr. Zhang Lizhou, the then director of our Company, respectively, pursuant to the Pre-IPO Share Award Scheme. The major terms of the Pre-IPO Share Award Scheme are set out in the subsection headed “4. Pre-IPO Share Award Scheme and Post-IPO Share Option Scheme – 4.1 Pre-IPO Share Award Scheme” in Appendix V to this prospectus. The shareholding of our Company immediately following the above allotment is shown below:

Shareholders of our Company	Number of Shares being held	Shareholding percentage (%)
Xinyuan Real Estate	281,250	75.00
BVI-Management	37,500	10.00
BVI-Zhang Lizhou	18,750	5.00
BVI-Zhang Yong	15,000	4.00
BVI-Yang Yuyan	15,000	4.00
BVI-Cui Yong	3,750	1.00
HK-Liu Huaiyu	3,750	1.00
Total:	<u>375,000</u>	<u>100.00</u>

HISTORY AND REORGANISATION

On 14 August 2019, the Company, Xinyuan Real Estate, Mr. Zhang Lizhou and BVI-Zhang Lizhou entered into the Arrangement Agreement, pursuant to which BVI-Zhang Lizhou shall transfer all of its Shares to Xinyuan Real Estate in consideration of the Company's refund of RMB2,800,000 paid by Mr. Zhang Lizhou pursuant to the Pre-IPO Share Award Scheme. Further details regarding the Arrangement Agreement are set out in the subsection headed "– Reorganisation – Steps of Reorganisation" in this section and the subsection headed "4. Pre-IPO Share Award Scheme and Post-IPO Share Option Scheme – 4.1 Pre-IPO Share Award Scheme" in Appendix V to this prospectus. The shareholding of our Company immediately following the above transfer is shown below:

Shareholders of our Company	Number of Shares being held	Shareholding percentage (%)
Xinyuan Real Estate	300,000	80.00
BVI-Management	37,500	10.00
BVI-Zhang Yong	15,000	4.00
BVI-Yang Yuyan	15,000	4.00
BVI-Cui Yong	3,750	1.00
HK-Liu Huaiyu	3,750	1.00
Total:	<u>375,000</u>	<u>100.00</u>

On 20 August 2019, each issued and unissued Share of a par value of HK\$0.01 in the authorised share capital of our Company was subdivided into 1,000 Shares of a par value of HK\$0.00001 each, such that the authorised share capital of our Company is HK\$380,000 divided into 38,000,000,000 Shares of a par value of HK\$0.00001 each. On 23 August 2019, our Company credited all the nil-paid Shares above as fully-paid in consideration of the capitalisation of the respective shareholders' loans owing by our Company to Xinyuan Real Estate, Mr. Zhang Yong, Ms. Yang Yuyan, Mr. Cui Yong and Mr. Liu Huaiyu, details of which are set out in the subsection headed "– Reorganisation – Steps of Reorganisation" in this section. The shareholding of our Company immediately following the above capitalisation is shown below:

Shareholders of our Company	Number of Shares being held	Shareholding percentage (%)
Xinyuan Real Estate	300,000,000	80.00
BVI-Management	37,500,000	10.00
BVI-Zhang Yong	15,000,000	4.00
BVI-Yang Yuyan	15,000,000	4.00
BVI-Cui Yong	3,750,000	1.00
HK-Liu Huaiyu	3,750,000	1.00
Total:	<u>375,000,000</u>	<u>100.00</u>

HISTORY AND REORGANISATION

Pursuant to the Global Offering, our Company will offer 125,000,000 Shares, being 25% of the total issued share capital of our Company (as enlarged by the Shares offered under the Global Offering and not taking into account any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Post-IPO Share Option Scheme) for subscription by the public in Hong Kong and placing to professional, institutional and individual investors.

Xinyuan-BVI

Xinyuan-BVI was incorporated under the laws of the BVI with limited liability on 2 January 2019. It was incorporated for the purpose of implementing the Reorganisation. On 22 January 2019, 100 shares of no par value were allotted and issued as fully-paid at an issue price of US\$0.01 per share to our Company. Xinyuan-BVI is a direct wholly-owned subsidiary of our Company.

Xinyuan-HK

Xinyuan-HK was incorporated under the laws of Hong Kong with limited liability on 8 January 2019. It was incorporated for the purpose of implementing the Reorganisation. On 8 January 2019, one share of HK\$1.00 each was allotted and issued, fully-paid, to Maples Fiduciary Services (Hong Kong) Limited (the initial subscriber and an Independent Third Party), and on the same day, the one fully-paid subscriber share was transferred from Maples Fiduciary Services (Hong Kong) Limited to Xinyuan-BVI. On 8 January 2019, 99 shares of HK\$1.00 each were allotted and issued as fully-paid to Xinyuan-BVI. Xinyuan-HK is a direct wholly-owned subsidiary of Xinyuan-BVI.

Xinyuan Science

Xinyuan Science was established in the PRC on 28 December 1998 as a limited liability company with an initial registered capital of RMB1,000,000, which had been fully paid-up. It is principally engaged in the provision of property management services, value-added services and pre-delivery and consulting services in the PRC.

As at the date of its establishment, it was owned as to 80% by Mr. Zhang Yong and 20% by Ms. Zhang Xin. On 4 September 2006, Xinyuan Science became a wholly-owned subsidiary of Xinyuan Real Estate Group after a series of equity transfers among Mr. Zhang Yong, Ms. Zhang Xin, Ms. Yang Yuyan and Henan Xinyuan Real Estate.

Xinyuan Science undertook a series of capital increases from 2006 to 2009. On 11 May 2006, the registered capital of Xinyuan Science increased from RMB1,000,000 to RMB3,000,000. On 27 April 2007, the registered capital of Xinyuan Science increased from RMB3,000,000 to RMB5,000,000. On 18 December 2009, the registered capital of Xinyuan Science further increased from RMB5,000,000 to RMB50,000,000.

On 31 December 2009, Xinyuan Science changed its company name from Henan Xinyuan Property Management Co., Ltd. to Xinyuan Property Services Co., Ltd..

HISTORY AND REORGANISATION

On 26 April 2016, Henan Xinyuan Real Estate entered into equity transfer agreements with Xinyuan Renju (Beijing), Shanghai Hexinli, Mr. Zhang Yong, Mr. Cui Yong, Mr. Wu Zhihui and Mr. Wang Xinqi, pursuant to which Henan Xinyuan Real Estate agreed to transfer its 75%, 19%, 2%, 1%, 1% and 1% equity interest in Xinyuan Science to aforementioned parties at the considerations of RMB42,000,000, RMB10,640,000, RMB1,120,000, RMB560,000, RMB560,000 and RMB560,000 respectively. The considerations were determined based on the net asset value of Xinyuan Science as of February 2016 appraised by an independent valuer. Mr. Cui Yong has been a director of Xinyuan Real Estate Holdings. Mr. Wu Zhihui and Mr. Wang Xinqi were the then directors of Xinyuan Science. The transfers to Xinyuan Renju (Beijing) and Shanghai Hexinli were settled on 14 December 2015 respectively, and the transfer to Mr. Cui Yong was settled on 27 May 2016, while the transfers to Mr. Zhang Yong, Mr. Wu Zhihui and Mr. Wang Xinqi were settled on 14 July 2016 respectively. On 27 April 2016, the updated business license reflecting such transfers was granted by the relevant PRC authority.

On 26 April 2016, Henan Xinyuan Real Estate also entered into an equity transfer agreement with Mr. Liu Huaiyu, pursuant to which Henan Xinyuan Real Estate agreed to transfer its 1% equity interest in Xinyuan Science to Mr. Liu Huaiyu for a consideration of an amount in HK dollars equivalent to RMB560,000. The consideration was determined based on the net asset value of Xinyuan Science as of February 2016 appraised by an independent valuer and was settled on 29 June 2016. On 24 May 2016, the updated business license reflecting such transfer was granted by the relevant PRC authority.

On 1 June 2016, each of Mr. Wu Zhihui and Mr. Wang Xinqi entered into an equity transfer agreement with Mr. Zhang Yong, pursuant to which each of Mr. Wu Zhihui and Mr. Wang Xinqi agreed to transfer his 1% equity interest in Xinyuan Science to Mr. Zhang Yong at the consideration of RMB560,000, which was determined based on the net asset value of Xinyuan Science as of February 2016 appraised by an independent valuer. Both considerations were settled on 14 July 2016. On 28 June 2016, the updated business license reflecting such transfers was granted by the relevant PRC authority.

In contemplation of being quoted on the NEEQ, Xinyuan Science applied to the relevant PRC authority to change its company name from Xinyuan Property Services Co., Ltd. to Xinyuan Science and Technology Service Co., Ltd. and a notice of approval on such change was granted on 29 June 2016. For the propose of implementing its quoting on the NEEQ, on 25 August 2016, the relevant resolutions of the shareholders of Xinyuan Science were passed to approve, among other matters, the conversion of Xinyuan Science from a limited liability company into a joint stock company with limited liability. Upon completion of such conversion on 27 September 2016, the share capital of Xinyuan Science was RMB50,000,000 divided into 50,000,000 shares with a nominal value of RMB1.00 each, among which Xinyuan Renju (Beijing), Shanghai Hexinli, Mr. Zhang Yong, Mr. Cui Yong, and Mr. Liu Huaiyu held 37,500,000 shares, 9,500,000 shares, 2,000,000 shares, 500,000 shares and 500,000 shares, respectively, representing 75%, 19%, 4%, 1%, and 1% of the share capital of Xinyuan Science, respectively. On 16 March 2017, the shares in Xinyuan Science were quoted on the NEEQ. The quoting of Xinyuan Science on the NEEQ did not involve any offering or placement of shares or any other securities of Xinyuan Science, and no proceeds were raised in connection with the quoting of Xinyuan Science on the NEEQ.

HISTORY AND REORGANISATION

Throughout the time that the shares in Xinyuan Science were quoted on the NEEQ, the composition of the shareholders of Xinyuan Science remained the same, where there had been no change in the respective shareholdings of each shareholder.

In contemplation of the Listing, Xinyuan Science ceased to be quoted on the NEEQ on 24 January 2019. On 16 November 2018, the relevant resolutions of the shareholders of Xinyuan Science were passed to approve, among other matters, the conversion of Xinyuan Science from a joint stock company with limited liability into a limited liability company. In this regard, Xinyuan Science also applied to the relevant PRC authority to change its company name from Xinyuan Science and Technology Service Co., Ltd. to Xinyuan Science and Technology Service Group Co., Ltd. and a notice of approval on such change was granted on 21 February 2019. Upon completion of the said conversion on 15 March 2019, the registered capital of Xinyuan Science was RMB50,000,000 and was owned as to 75% by Xinyuan Renju (Beijing), 19% by Shanghai Hexinli, 4% by Mr. Zhang Yong, 1% by Mr. Cui Yong, and 1% by Mr. Liu Huaiyu.

On 23 April 2019, as part of the Reorganisation, each of Xinyuan Renju (Beijing), Shanghai Hexinli, Mr. Zhang Yong, Mr. Cui Yong and Mr. Liu Huaiyu, entered into an equity transfer agreement with Xinyuan-HK, pursuant to which each of Xinyuan Renju (Beijing), Shanghai Hexinli, Mr. Zhang Yong, Mr. Cui Yong and Mr. Liu Huaiyu agreed to transfer its/his entire equity interest in Xinyuan Science to Xinyuan-HK at the considerations of RMB172,500,000, RMB43,700,000, RMB9,200,000, RMB2,300,000 and RMB2,300,000 respectively, each of which was based on the net asset value of Xinyuan Science as at 31 December 2018. Xinyuan-HK settled the respective considerations with Xinyuan Renju (Beijing) and Shanghai Hexinli on 30 April 2019 while that with Mr. Zhang Yong, Mr. Cui Yong and Mr. Liu Huaiyu on 15 May 2019, by using the shareholders' loan of RMB230,000,000 provided to our Company by Xinyuan Real Estate. Upon completion of such acquisitions, Xinyuan Science became a direct wholly-owned subsidiary of Xinyuan-HK.

Henan Xinyuan

Henan Xinyuan was established in the PRC on 1 December 2016 as a limited liability company with an initial registered capital of RMB10,000,000. Since its establishment and up to the Latest Practicable Date, there had been no change in the shareholding of Henan Xinyuan. Henan Xinyuan is a direct wholly-owned subsidiary of Xinyuan Science. Henan Xinyuan is principally engaged in the provision of property management services.

Puyang Zhongfang

Puyang Zhongfang was established in the PRC on 29 November 2017 as a limited liability company with an initial registered capital of RMB5,000,000. As at the date of its establishment, it was owned as to 65% by Xinyuan Science, 20% by Henan Puyang Zhongfang Real Estate Co., Ltd. (河南濮陽中房置業有限責任公司) (“**Henan Puyang**”) and 15% by Henan Huana Real Estate Co., Ltd. (河南華納置業股份有限公司) (“**Henan Huana**”). Each of Henan Puyang and Henan Huana is an Independent Third Party other than being a shareholder of Puyang Zhongfang. Since its establishment and up to the Latest Practicable Date, there had been no change in the shareholding of Puyang Zhongfang. Puyang Zhongfang is principally engaged in the provision of property management services.

HISTORY AND REORGANISATION

Qingdao Xinyuan

Qingdao Xinyuan was established in the PRC on 6 November 2001 as a limited liability company with an initial registered capital of RMB1,000,000. As at the date of its establishment, it had 14 shareholders who are Independent Third Parties. On 9 February 2018, Henan Xinyuan entered into an equity transfer agreement with Qingdao Chengtou Shiye Co., Ltd. (青島城投實業有限公司) (“**Qingdao Chengtou**”), an Independent Third Party, pursuant to which Qingdao Chengtou agreed to transfer its entire equity interest, i.e. 60% equity interest in Qingdao Xinyuan to Henan Xinyuan, at a total consideration of RMB2,177,600, which was determined based on arm’s length negotiation between the parties with reference to the then net asset value of Qingdao Xinyuan. The consideration was settled on 29 January 2018. Upon completion of such acquisition on 9 May 2018, Qingdao Xinyuan became an indirect non-wholly owned subsidiary of Xinyuan Science and there had been no change in the shareholding of Qingdao Xinyuan since the completion of such acquisition and up to the Latest Practicable Date. Qingdao Xinyuan is principally engaged in the provision of property management services.

Binhai Huafang

Binhai Huafang was established in the PRC on 12 June 2017 as a limited liability company with an initial registered capital of RMB2,680,000. As at the date of its establishment, it was wholly-owned by Binhai Huafang Real Estate Development Co., Ltd. (濱海華芳房地產開發有限公司) (“**Binhai Huafang Real Estate**”), an Independent Third Party. On 1 December 2018, Xinyuan Science entered into an equity transfer agreement with Binhai Huafang Real Estate, pursuant to which Binhai Huafang Real Estate agreed to transfer its entire equity interest, i.e. 100% equity interest in Binhai Huafang to Xinyuan Science, at a total consideration of RMB1, which was determined based on arm’s length negotiation between the parties with reference to the then net asset value of Binhai Huafang. Upon completion of such acquisition on 2 February 2019, Binhai Huafang became a direct wholly-owned subsidiary of Xinyuan Science and there had been no change in the shareholding of Binhai Huafang since the completion of such acquisition and up to the Latest Practicable Date. Binhai Huafang is principally engaged in the provision of property management services.

Henan Gechen

Henan Gechen was established in the PRC on 14 March 2019 as a limited liability company with an initial registered capital of RMB10,000,000. Since its establishment and up to the Latest Practicable Date, there had been no change in the shareholding of Henan Gechen. Henan Gechen is a direct wholly-owned subsidiary of Xinyuan Science. Henan Gechen is principally engaged in the provision of event planning services.

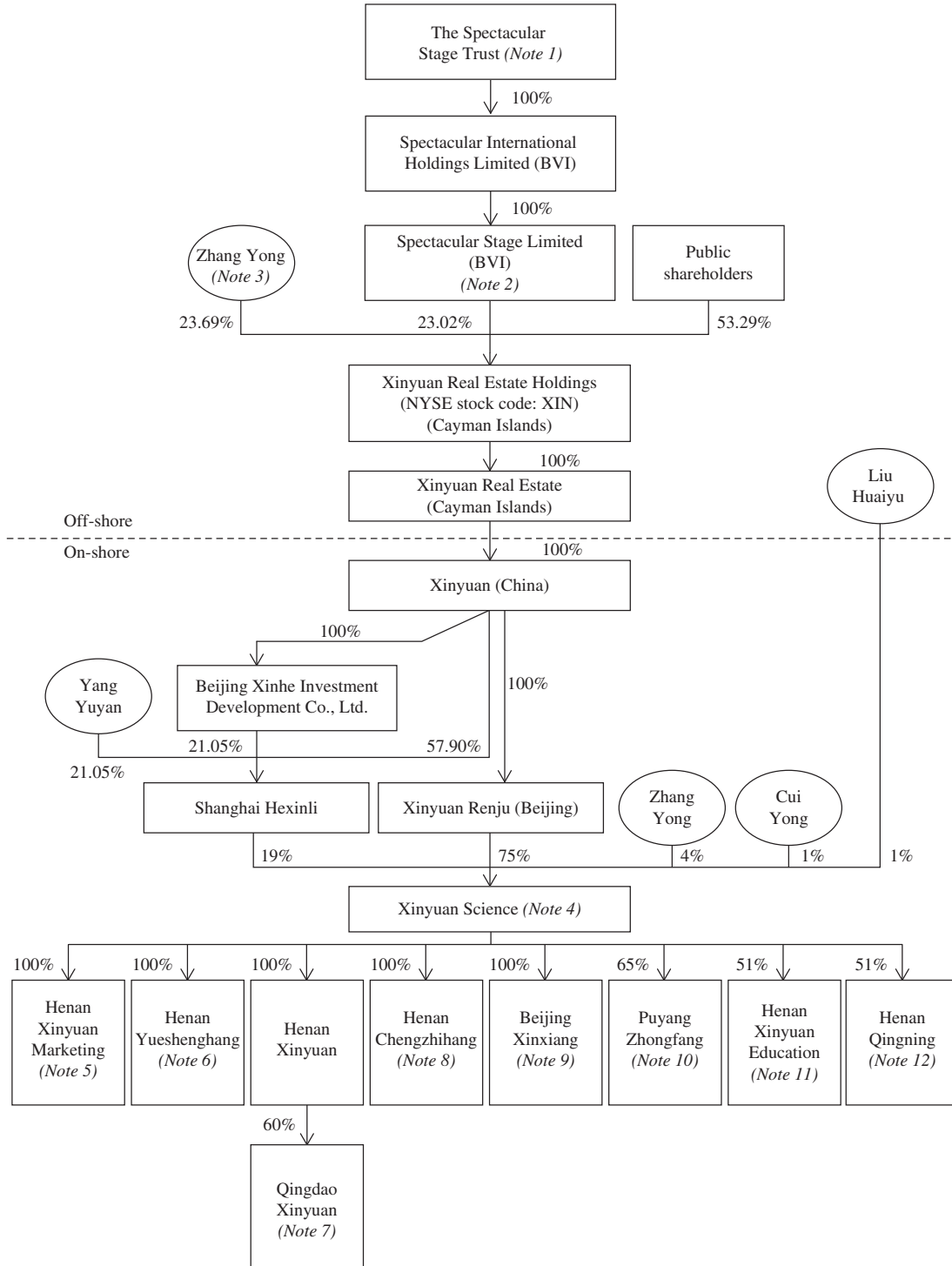
Yingsheng M&E

Yingsheng M&E was established in the PRC on 10 April 2019 as a limited liability company with an initial registered capital of RMB20,000,000. As at the date of its establishment, it was owned as to 51% by Xinyuan Science and 49% by Mr. Ma Tianqing (馬天擎). Mr. Ma Tianqing is an Independent Third Party other than being a shareholder of Yingsheng M&E. Since its establishment and up to the Latest Practicable Date, there had been no change in the shareholding of Yingsheng M&E. Yingsheng M&E is principally engaged in the provision of intelligence engineering services.

HISTORY AND REORGANISATION

REORGANISATION

Immediately prior to the Reorganisation, the corporate structure of our Group was as follows:



HISTORY AND REORGANISATION

Notes:

1. Pursuant to the trust deed dated 24 November 2015 (the “**Trust Deed**”) entered into between Ms. Yang Yuyan (as settlor) and HSBC International Trustee Limited (as trustee) (the “**Trustee**”), The Spectacular Stage Trust (the “**Trust**”) was established as a discretionary trust and the beneficiaries under the Trust include the family member(s) of Ms. Yang Yuyan.

Pursuant to the terms of the Trust Deed, the Trustee is required to obtain the prior written consent of Ms. Yang Yuyan, as protector, before making any direct or indirect dispositions of any shares in Xinyuan Real Estate Holdings (the “**Common Shares**”) that constitute the assets of the Trust and to vote Common Shares held by the Trust and cause any entity owned by the Trust directly or indirectly that holds the Common Shares to vote such shares in accordance with instructions from Ms. Yang Yuyan. Accordingly, pursuant to Section 13(d) of the Securities Exchange Act of 1934 of the United States, as amended, Ms. Yang Yuyan may be deemed to beneficially own all of the Common Shares held directly or indirectly by the Trust.

2. Spectacular Stage Limited (“**Spectacular Stage**”), a limited company incorporated in the BVI and being indirectly wholly-owned by the Trust via Spectacular International Holdings Limited, directly held 28,400,000 Common Shares immediately prior to the Reorganisation.
3. Immediately prior to the Reorganisation, Mr. Zhang Yong directly held 28,400,000 Common Shares and was interested in 820,916 Common Shares via Universal World Development Co. Ltd. (“**Universal World**”), a BVI company, of which Mr. Zhang Yong is the sole owner.
4. As at the Latest Practicable Date, Xinyuan Science had set up 34 branch offices across different regions in the PRC, including Jinan, Suzhou, Kunshan, Shanghai, Hefei, Beijing, Chengdu, Sanya, Tianjin, Xi An, Xuzhou, Changsha, Jiaozuo, Luohe, Sanmenxia, Xinxiang, Zhumadian, Xingyang, Hebi, Zhengzhou, Xinyang, Pingdingshan, Gongyi, Puyang, Nanyang, Qingdao, Wuhan, Dalian, Taicang, Foshan, Guangzhou, Zhuhai, Huzhou and Shangqiu.
5. Henan Xinyuan Marketing was inactive and had no business operation during the Track Record Period and up to and including the Latest Practicable Date.
6. Henan Yueshenghang was inactive and had no business operation during the Track Record Period and up to and including the Latest Practicable Date.
7. The remaining 40% equity interest was held by Qingdao Baoqing Property Management Co., Ltd. (青島寶青物業管理有限公司) (“**Qingdao Baoqing**”). Save for the investment in Qingdao Xinyuan, Qingdao Baoqing is an Independent Third Party.
8. Henan Chengzhihang was inactive and had no business operation during the Track Record Period and up to and including the Latest Practicable Date.
9. Beijing Xinxiang was inactive and had no business operation during the Track Record Period and up to and including the Latest Practicable Date.
10. The remaining 15% and 20% equity interests are held by Henan Huana and Henan Puyang respectively. Save for the investment in Puyang Zhongfang, each of Henan Huana and Henan Puyang is an Independent Third Party.
11. The remaining 49% interest in Henan Xinyuan Education is held by Henan Yuebei Education Technology Co., Ltd. (河南悅貝教育科技有限公司) (“**Henan Yuebei**”). Save for the investment in Henan Xinyuan Education, Henan Yuebei is an Independent Third Party.
12. The remaining 49% interest in Henan Qingning is held by Mr. Li Yanhui (李燕輝). Save for his interest in Henan Qingning, Mr. Li Yanhui is an Independent Third Party. Henansheng Jiacheng Real Estate Consultancy Co., Ltd. (河南省佳誠房地產諮詢有限公司) (“**Henansheng Jiacheng**”), Zhengzhou Taiju Property Services Co., Ltd. (鄭州泰居物業服務有限公司) (“**Zhengzhou Taiju**”), Beijing Qingning Modern Consultancy Services Co., Ltd. (北京青寧時尚諮詢服務有限公司) (“**Beijing Qingning**”) and Wuhan Qingning Real Estate Marketing Co., Ltd. (武漢青寧房地產營銷策劃有限公司) (“**Wuhan Qingning**”) are the wholly-owned subsidiaries of Henan Qingning. Henan Qingning Group is principally engaged in the leasing of residential apartments.

HISTORY AND REORGANISATION

Steps of Reorganisation

In preparation for the Listing and the Global Offering, our Group implemented the Reorganisation which involved the following principal steps:

1. Incorporation of BVI-Zhang Yong, BVI-Cui Yong and BVI-Yang Yuyan

BVI-Zhang Yong was incorporated in the BVI with limited liability on 4 December 2018. On 2 February 2019, one share of no par value in BVI-Zhang Yong was allotted and issued as fully paid at an issue price of US\$1 per share to Mr. Zhang Yong. Mr. Zhang Yong had owned the entire issued share in BVI-Zhang Yong from the above date of activation and up to the Latest Practicable Date.

BVI-Cui Yong was incorporated in the BVI with limited liability on 4 December 2018. On 29 January 2019, one share of no par value in BVI-Cui Yong was allotted and issued as fully paid at an issue price of US\$1 per share to Mr. Cui Yong. Mr. Cui Yong had owned the entire issued share in BVI-Cui Yong from the above date of activation and up to the Latest Practicable Date.

BVI-Yang Yuyan was incorporated in the BVI with limited liability on 21 January 2019. On 29 January 2019, one share of no par value in BVI-Yang Yuyan was allotted and issued as fully paid at an issue price of US\$1 per share to Ms. Yang Yuyan. Ms. Yang Yuyan had owned the entire issued share in BVI-Yang Yuyan from the above date of activation and up to the Latest Practicable Date.

HK-Liu Huaiyu was incorporated in Hong Kong with limited liability on 9 November 2010 and its incorporation was not for the purpose of the Reorganisation. Mr. Liu Huaiyu had owned the entire issued shares in HK-Liu Huaiyu immediately before the allotment under step 6 and up to the Latest Practicable Date.

2. Incorporation of our Company, Xinyuan-BVI and Xinyuan-HK

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 13 December 2018. Its initial authorised share capital was HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. On the date of incorporation, one fully-paid Share of HK\$0.01 was allotted and issued to Mapcal Limited (the initial subscriber and an Independent Third Party), which was transferred to Xinyuan Real Estate on the same day.

Xinyuan-BVI was incorporated under the laws of the BVI with limited liability on 2 January 2019. As at the date of incorporation, Xinyuan-BVI was authorised to issue a maximum of 50,000 shares. On 22 January 2019, 100 shares of no par value were allotted and issued as fully-paid at an issue price of US\$0.01 per share to our Company. Xinyuan-BVI is a direct wholly-owned subsidiary of our Company.

HISTORY AND REORGANISATION

Xinyuan-HK was incorporated under the laws of Hong Kong with limited liability on 8 January 2019. On the date of incorporation, one fully-paid share of HK\$1.00 was allotted and issued to Maples Fiduciary Services (Hong Kong) Limited (the initial subscriber and an Independent Third Party), which was transferred to Xinyuan-BVI on the same day. On 8 January 2019, 99 shares of HK\$1.00 each were allotted and issued as fully-paid to the Xinyuan-BVI. Xinyuan-HK is a direct wholly-owned subsidiary of Xinyuan-BVI.

3. Ceasing to be quoted on the NEEQ and Conversion of Xinyuan Science into a limited liability company

Considering the Listing could raise the brand awareness, enhance the corporate image and strengthen the corporate governance, on 24 January 2019, Xinyuan Science ceased to be quoted on the NEEQ. Our Directors confirm that, to the best of their knowledge and belief, Xinyuan Science had been in compliance with all applicable PRC securities laws and regulations as well as rules and regulations of the NEEQ in all material respects, and had not been subject to any disciplinary actions by the relevant regulators, during the period when it was quoted on the NEEQ. Further, during the period of Xinyuan Science's quoting on the NEEQ, none of its shareholders nor its directors had been subject to any investigations or disciplinary actions by any regulatory authority in the PRC nor had they committed any material breach of the relevant rules governing the NEEQ. As confirmed by our Directors and the Sole Sponsor, having considered the above as well as publicly available information, concurred, there is no matter that needs to be brought to the attention of the regulators and investors in relation to Xinyuan Science's quoting and ceasing to be quoted on the NEEQ mentioned above.

On 16 November 2018, the relevant resolutions of the shareholders of Xinyuan Science were passed to approve, among other matters, the conversion of Xinyuan Science from a joint stock company with limited liability into a limited liability company (the "**Conversion**"). In this regard, Xinyuan Science also applied to the relevant PRC authority to change its company name from Xinyuan Science and Technology Service Co., Ltd. to Xinyuan Science and Technology Service Group Co., Ltd. and the notice of approval on such change was granted on 21 February 2019. Upon completion of the Conversion on 15 March 2019, the registered capital of Xinyuan Science was RMB50,000,000 and was owned as to 75% by Xinyuan Renju (Beijing), 19% by Shanghai Hexinli, 4% by Mr. Zhang Yong, 1% by Mr. Cui Yong and 1% by Mr. Liu Huaiyu, respectively.

HISTORY AND REORGANISATION

4. Adoption of Pre-IPO Share Award Scheme

On 31 January 2019, our Company adopted the Pre-IPO Share Award Scheme, the major terms of which are set out in the subsection headed “4. Pre-IPO Share Award Scheme and Post-IPO Share Option Scheme – 4.1 Pre-IPO Share Award Scheme” in Appendix V to this prospectus. Pursuant to the Pre-IPO Share Award Scheme, an award of a total of 56,250 Shares (representing 15% of the share capital of our Company immediately after the allotment of such Shares and the Shares issued under step 6 of the Reorganisation) was granted to ten directors and employees of our Group (the “**Grantees**”) as below:

Grantees	Number of issued Shares granted and vested	Grantees’ shareholding in our Company after the allotment and issue of granted Shares (%)
Mr. Zhang Lizhou	18,750	5.00
Ms. Wang Yanbo	11,250	3.00
Mr. Huang Bo	5,625	1.50
Mr. Wang Yantao	5,625	1.50
Ms. Du Xiangyan	3,750	1.00
Ms. Zhang Rong	3,750	1.00
Mr. Huang Jinfu	1,875	0.50
Mr. An Guangfu	1,875	0.50
Mr. Lyu Shaohui	1,875	0.50
Mr. Zhang Xiaofei	1,875	0.50
Total:	56,250	15.00

HISTORY AND REORGANISATION

5. Incorporation of BVI-Zhang Lizhou and BVI-Management

BVI-Zhang Lizhou was incorporated in the BVI with limited liability on 4 December 2018. On 22 January 2019, one share of no par value in BVI-Zhang Lizhou was allotted and issued as fully paid at an issue price of US\$1 per share to Mr. Zhang Lizhou. Mr. Zhang Lizhou had owned the entire issued share in BVI-Zhang Lizhou from the above date of activation and up to the Latest Practicable Date.

BVI-Management was incorporated in the BVI with limited liability on 28 November 2018. On 22 January 2019, a total of 100 shares of no par value in BVI-Management were allotted and issued as fully paid at an issue price of US\$0.01 per share to the shareholders of BVI-Management in the proportions as set out below. The shareholding of BVI-Management immediately after such allotment is shown below:

Shareholders of BVI-Management	Number of issued shares held	Shareholding percentage (%)
Ms. Wang Yanbo	30	30.00
Mr. Huang Bo	15	15.00
Mr. Wang Yantao	15	15.00
Ms. Du Xiangyan	10	10.00
Ms. Zhang Rong	10	10.00
Mr. Huang Jinfu	5	5.00
Mr. An Guangfu	5	5.00
Mr. Lyu Shaohui	5	5.00
Mr. Zhang Xiaofei	5	5.00
Total:	<u>100</u>	<u>100.00</u>

Each of the above shareholders of BVI-Management had owned the entire issued shares in BVI-Management from the above date of activation and up to the Latest Practicable Date.

HISTORY AND REORGANISATION

6. *Allotment of Shares to Xinyuan Real Estate, BVI-Zhang Yong, BVI-Yang Yuyan, BVI-Cui Yong, HK-Liu Huaiyu and pursuant to Pre-IPO Share Award Scheme*

On 21 March 2019, our Company allotted and issued 281,249 Shares, 15,000 Shares, 15,000 Shares, 3,750 Share, 3,750 Shares, all nil-paid, to Xinyuan Real Estate, BVI-Zhang Yong, BVI-Yang Yuyan, BVI-Cui Yong and HK-Liu Huaiyu respectively. The shareholding of our Company immediately following such allotment is shown below:

Shareholders of our Company	Number of Shares being held	Shareholding percentage (%)
Xinyuan Real Estate	281,250	88.24
BVI-Zhang Yong	15,000	4.71
BVI-Yang Yuyan	15,000	4.71
BVI-Cui Yong	3,750	1.17
HK-Liu Huaiyu	3,750	1.17
Total:	<u>318,750</u>	<u>100.00</u>

Pursuant to the Pre-IPO Share Award Scheme, our Company allotted and issued 37,500 Shares and 18,750 Shares, all fully-paid, to the Grantees' nominee vehicles, namely BVI-Management and BVI-Zhang Lizhou at the aggregate considerations of RMB8,400,000 on 21 March 2019 respectively. Such considerations were fully settled in cash on the same date of the above issue of Shares. Please refer to the subsection headed "4. Pre-IPO Share Award Scheme and Post-IPO Share Option Scheme – 4.1 Pre-IPO Share Award Scheme" in Appendix V to this prospectus for more details.

The shareholding of our Company immediately following the above allotment is shown below:

Shareholders of our Company	Number of Shares being held	Shareholding percentage (%)
Xinyuan Real Estate	281,250	75.00
BVI-Management	37,500	10.00
BVI-Zhang Lizhou	18,750	5.00
BVI-Zhang Yong	15,000	4.00
BVI-Yang Yuyan	15,000	4.00
BVI-Cui Yong	3,750	1.00
HK-Liu Huaiyu	3,750	1.00
Total:	<u>375,000</u>	<u>100.00</u>

HISTORY AND REORGANISATION

7. *Disposal of Henan Xinyuan Education*

Henan Xinyuan Education⁽¹⁾ was established in the PRC on 31 May 2017 and was owned as to 51% by Xinyuan Science and 49% by Henan Yuebei Education Technology Co., Ltd. (河南悦貝教育科技有限公司). Given that the business of Henan Xinyuan Education is unrelated to the principal business of our Group, in order to focus our resources on our property management business and to streamline our corporate structure, on 13 March 2019, Xinyuan Science entered into an equity transfer agreement with Mingyuan Landscape, an indirect wholly-owned subsidiary of Xinyuan Real Estate Holdings, pursuant to which Xinyuan Science transferred its entire 51% interest in Henan Xinyuan Education to Mingyuan Landscape, at a nominal consideration of RMB1. The consideration was settled in cash on 13 March 2019. Upon completion of the transfer, Henan Xinyuan Education ceased to be a subsidiary of Xinyuan Science. Our Directors confirm that, to the best of their knowledge and belief, none of the directors and legal representative of Henan Xinyuan Education, during the period from its establishment to immediately before the disposal, had been subject to any investigations or disciplinary actions by any regulatory authority in the PRC nor had they committed any material breach of the applicable rules.

Note 1:

Based on the information regarding the relevant status of Henan Xinyuan Education prior to Xinyuan Science's disposal of its equity interests in Henan Xinyuan Education and as advised by our PRC Legal Advisers, save for the following incidents, our Directors are not aware of any other material non-compliance incidents of Henan Xinyuan Education with the applicable laws and regulations as at the date of the disposal (i.e. 13 March 2019):

- (a) Henan Xinyuan Education did not make the filings of its value added tax (advisory service) for July and August 2018 timely and thus received a penalty of RMB500 each respectively from the relevant PRC authority;
- (b) As at 13 March 2019, Henan Xinyuan Education failed to make full contribution to the social insurance for all of its employees in a timely manner as required under the relevant PRC laws and regulations, as a result of which the relevant PRC authority may demand Henan Xinyuan Education to pay the outstanding social insurance contributions within a prescribed time limit and Henan Xinyuan Education may be liable to a late payment fee equal to 0.05% of the outstanding amount for each day of delay. If Henan Xinyuan Education fails to make such payments, it may be liable to a penalty of one to three times the amount of the outstanding contributions;
- (c) As at 13 March 2019, Henan Xinyuan Education failed to undertake payment and deposit registration of housing provident fund and go through the formalities of opening housing provident fund accounts for its employees, as a result of which the relevant PRC authority may (i) demand Henan Xinyuan Education to register and establish accounts for housing provident funds, respectively, for employees within a prescribed time limit, failing which the relevant PRC authority may impose a penalty from RMB10,000 to RMB50,000; and (ii) order Henan Xinyuan Education to pay the outstanding housing provident fund contributions within a prescribed time limit, failing which the relevant PRC authority may apply to the People's Court for compulsory enforcement; and
- (d) As at 13 March 2019, Henan Xinyuan Education failed to register with the relevant PRC authority in respect of the tenancy of its leased properties, as a result of which the relevant PRC authority may order Henan Xinyuan Education to rectify this non-compliance and if Henan Xinyuan Education fails to rectify within a certain period, a penalty of RMB1,000 to RMB10,000 may be imposed on Henan Xinyuan Education as a result of such non-registration.

8. Acquisition of Equity Interest in Xinyuan Science by Xinyuan-HK

For the purpose of acquiring the equity interest in Xinyuan Science by Xinyuan-HK as part of the Reorganisation, Xinyuan Real Estate provided a non-interest bearing shareholder's loan of RMB230,000,000 to our Company pursuant to the First Shareholder's Loan Agreement dated 19 March 2019 (the "**First Shareholder's Loan**").

On 23 April 2019, each of Xinyuan Renju (Beijing), Shanghai Hexinli, Mr. Zhang Yong, Mr. Cui Yong and Mr. Liu Huaiyu, entered into an equity transfer agreement with Xinyuan-HK, pursuant to which each of Xinyuan Renju (Beijing), Shanghai Hexinli, Mr. Zhang Yong, Mr. Cui Yong and Mr. Liu Huaiyu agreed to transfer its/his entire equity interest in Xinyuan Science to Xinyuan-HK at the considerations of RMB172,500,000, RMB43,700,000, RMB9,200,000, RMB2,300,000 and RMB2,300,000 respectively. Such considerations were based on the net asset value of Xinyuan Science as at 31 December 2018. Xinyuan-HK settled the respective considerations with Xinyuan Renju (Beijing) and Shanghai Hexinli on 30 April 2019 while that with Mr. Zhang Yong, Mr. Cui Yong and Mr. Liu Huaiyu on 15 May 2019. Upon completion of such acquisitions, Xinyuan Science became a direct wholly-owned subsidiary of Xinyuan-HK.

After the completion of the above acquisitions, (i) BVI-Zhang Yong, (ii) BVI-Yang Yuyan, (iii) BVI-Cui Yong and (iv) HK-Liu Huaiyu (collectively as lenders) and (v) our Company (as borrower) entered into the Second Shareholders' Loan Agreement on 14 August 2019, pursuant to which the above lenders agreed to provide a non-interest bearing shareholder's loan of RMB23,000,000 to our Company (the "**Second Shareholders' Loan**"). The sum provided under the Second Shareholders' Loan was the proceeds received by the above lenders from the acquisitions in respect of Xinyuan Science by Xinyuan-HK. The main reason for having the Second Shareholders' Loan was because the above proceeds arose from the process of the Reorganisation and such lenders, also being the Shareholders, injected the above proceeds back to our Company through capitalising the Second Shareholders' Loan in step 10 of the Reorganisation.

HISTORY AND REORGANISATION

9. *Transfer of Shares from BVI-Zhang Lizhou to Xinyuan Real Estate*

On 30 June 2019, Mr. Zhang Lizhou resigned as an executive Director in order to devote more time to other personal businesses. Pursuant to the Pre-IPO Share Award Scheme, upon the resignation of Mr. Zhang Lizhou, the Company is entitled to request Mr. Zhang Lizhou to transfer, or procure his nominee vehicle (i.e. BVI-Zhang Lizhou) to transfer, the legal and equitable ownership in all the Shares (i.e. 18,750 Shares) allotted and issued to him or his nominee vehicle under the Pre-IPO Share Award Scheme to the Company or its nominee. For further details regarding the terms of the Pre-IPO Share Award Scheme, please refer to the subsection headed “4. Pre-IPO Share Award Scheme and Post-IPO Share Option Scheme – 4.1 Pre-IPO Share Award Scheme” in Appendix V to this prospectus.

On 14 August 2019, the Company, Xinyuan Real Estate, Mr. Zhang Lizhou and BVI-Zhang Lizhou entered into the Arrangement Agreement, pursuant to which (i) BVI-Zhang Lizhou shall transfer all of its Shares to Xinyuan Real Estate in consideration of the Company’s refund of RMB2,800,000 paid by Mr. Zhang Lizhou pursuant to the Pre-IPO Share Award Scheme and (ii) Xinyuan Real Estate shall apply a portion of the First Shareholder’s Loan in the amount of RMB2,800,000 as settlement of the consideration for such Shares. Such transfer was completed on 20 August 2019.

The shareholding of our Company immediately following the above transfer is shown below:

Shareholders of our Company	Number of Shares being held	Shareholding percentage (%)
Xinyuan Real Estate	300,000	80.00
BVI-Management	37,500	10.00
BVI-Zhang Yong	15,000	4.00
BVI-Yang Yuyan	15,000	4.00
BVI-Cui Yong	3,750	1.00
HK-Liu Huaiyu	3,750	1.00
Total:	<u>375,000</u>	<u>100.00</u>

HISTORY AND REORGANISATION

10. Subdivision of Shares and Capitalisation of Shareholders' Loans

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

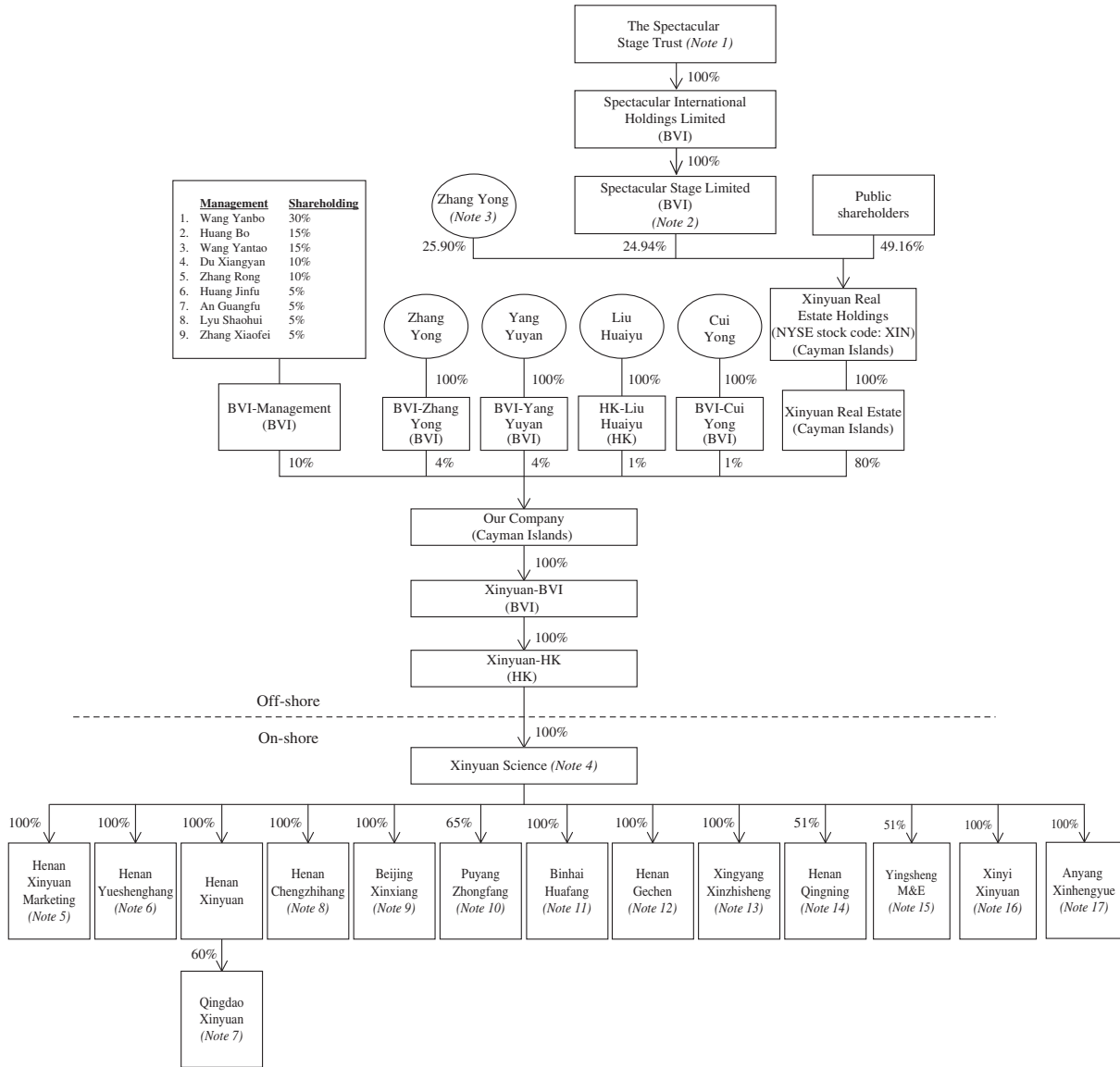
On 23 August 2019, pursuant to the Loan Capitalisation Agreement our Company credited all the nil-paid Shares above as fully-paid in consideration of the capitalisation of (i) the remaining First Shareholder's Loan in the amount of RMB198,600,000 owing by our Company to Xinyuan Real Estate and (ii) the amount of RMB23,000,000 under the Second Shareholders' Loan Agreement, respectively. The balance of the First Shareholder's Loan in the amount of RMB31,400,000 which is not subject to such loan capitalisation was partly applied as settlement of the consideration in the amount of RMB2,800,000 pursuant to the Arrangement Agreement as described under the above step 9 of the Reorganisation; and partly repaid by the remaining proceeds of the total consideration in the amount of RMB5,600,000 received under the Pre-IPO Share Award Scheme and the proceeds of the Second Shareholders' Loan in the amount of RMB23,000,000. Upon completion of such loan capitalisation, our Company remained to be owned by Xinyuan Real Estate, BVI-Management, BVI-Zhang Yong, BVI-Yang Yuyan, BVI-Cui Yong and HK-Liu Huaiyu as to 80%, 10%, 4%, 4%, 1% and 1%, respectively. The shareholding of our Company immediately following the above capitalisation is shown below:

Shareholders of our Company	Number of Shares being held	Shareholding percentage (%)
Xinyuan Real Estate	300,000,000	80.00
BVI-Management	37,500,000	10.00
BVI-Zhang Yong	15,000,000	4.00
BVI-Yang Yuyan	15,000,000	4.00
BVI-Cui Yong	3,750,000	1.00
HK-Liu Huaiyu	3,750,000	1.00
Total:	<u>375,000,000</u>	<u>100.00</u>

HISTORY AND REORGANISATION

CORPORATE STRUCTURE

The following chart illustrates the shareholding structure following completion of the Reorganisation, and immediately prior to the Global Offering:



Notes:

1. Pursuant to the Trust Deed, the Trust was established as a discretionary trust and the beneficiaries under the Trust include the family member(s) of Ms. Yang Yuyan.

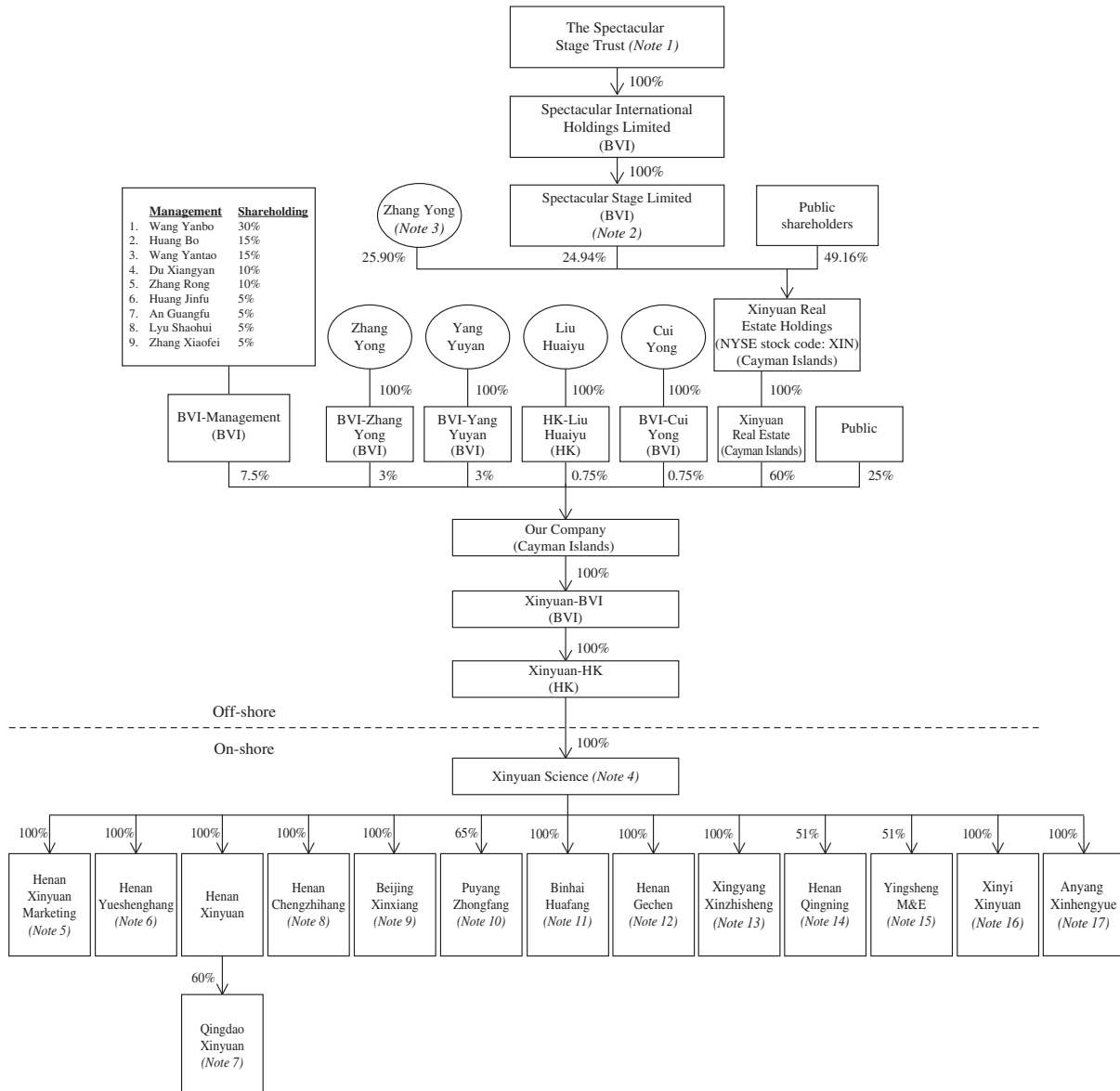
Pursuant to the terms of the Trust Deed, the Trustee is required to obtain the prior written consent of Ms. Yang Yuyan, as protector, before making any direct or indirect dispositions of any Common Shares that constitute the assets of the Trust and to vote Common Shares held by the Trust and cause any entity owned by the Trust directly or indirectly that holds the Common Shares to vote such shares in accordance with instructions from Ms. Yang Yuyan. Accordingly, pursuant to Section 13(d) of the Securities Exchange Act of 1934 of the United States, as amended, Ms. Yang Yuyan may be deemed to beneficially own all of the Common Shares held directly or indirectly by the Trust.

HISTORY AND REORGANISATION

2. Spectacular Stage directly owned 28,400,000 Common Shares as at the Latest Practicable Date. The Reorganisation does not affect the shareholding of Spectacular Stage in Xinyuan Real Estate Holdings
3. As at the Latest Practicable Date, Mr. Zhang Yong directly held 28,400,000 Common Shares and was interested in 1,090,724 Common Shares via Universal World. The Reorganisation does not affect the shareholding of Mr. Zhang Yong in Xinyuan Real Estate Holdings.
4. As at the Latest Practicable Date, Xinyuan Science had set up 34 branch offices across different regions in the PRC, including Jinan, Suzhou, Kunshan, Shanghai, Hefei, Beijing, Chengdu, Sanya, Tianjin, Xi An, Xuzhou, Changsha, Jiaozuo, Luohe, Sanmenxia, Xinxiang, Zhumadian, Xingyang, Hebi, Zhengzhou, Xinyang, Pingdingshan, Gongyi, Puyang, Nanyang, Qingdao, Wuhan, Dalian, Taicang, Foshan, Guangzhou, Zhuhai, Huzhou and Shangqiu.
5. Henan Xinyuan Marketing was inactive and had no business operation during the Track Record Period and up to and including the Latest Practicable Date.
6. Henan Yueshenghang was inactive and had no business operation during the Track Record Period and up to and including the Latest Practicable Date.
7. The remaining 40% equity interest is held by Qingdao Baoqing. Save for the investment in Qingdao Xinyuan, Qingdao Baoqing is an Independent Third Party.
8. Henan Chengzhihang was inactive and had no business operation during the Track Record Period and up to and including the Latest Practicable Date.
9. Beijing Xinxiang was inactive and had no business operation during the Track Record Period and up to and including the Latest Practicable Date.
10. The remaining 15% and 20% equity interests are held by Henan Huana and Henan Puyang respectively. Save for the investment in Puyang Zhongfang, each of Henan Huana and Henan Puyang is an Independent Third Party.
11. On 1 December 2018, Xinyuan Science entered into an equity transfer agreement with Binhai Huafang Real Estate, an Independent Third Party, pursuant to which Binhai Huafang Real Estate agreed to transfer its entire 100% equity interest in Binhai Huafang to Xinyuan Science, at a total consideration of RMB1 as Binhai Huafang had no asset immediately prior to the transfer. Upon completion of such acquisition on 2 February 2019, Binhai Huafang became a direct wholly-owned subsidiary of Xinyuan Science.
12. Henan Gechen was established by Xinyuan Science in the PRC on 14 March 2019.
13. Xingyang Xinzhiseng was established by Xinyuan Science in the PRC on 9 April 2019. Xingyang Xinzhiseng was inactive and had no business operation since its establishment and up to and including the Latest Practicable Date.
14. The remaining 49% interest in Henan Qingning is held by Mr. Li Yanhui. Save for his interest in Henan Qingning, Mr. Li Yanhui is an Independent Third Party. Henansheng Jiacheng, Zhengzhou Taiju, Beijing Qingning and Wuhan Qingning are the wholly-owned subsidiaries of Henan Qingning. Henan Qingning Group is principally engaged in the leasing of residential apartments. According to the Articles of Association of Henan Qingning, all significant and relevant matters, including its business operations and financial arrangements, require approval by two-thirds of the shareholders' votes and Henan Qingning is therefore accounted for as a joint venture of the Group and its financial statements are not consolidated into the financial statements of our Group.
15. Yingsheng M&E was established in the PRC on 10 April 2019 and since its establishment and up to the Latest Practicable Date, it was owned as to 51% by Xinyuan Science and 49% by Mr. Ma Tianqing (馬天擎). Save for the investment in Yingsheng M&E, Mr. Ma Tianqing is an Independent Third Party.
16. Xinyi Xinyuan was established by Xinyuan Science in the PRC on 7 May 2019. Xinyi Xinyuan was inactive and had no business operation since its establishment and up to and including the Latest Practicable Date.
17. Anyang Xinhengyue was established by Xinyuan Science in the PRC on 26 June 2019. Anyang Xinhengyue was inactive and had no business operation since its establishment and up to and including the Latest Practicable Date.

HISTORY AND REORGANISATION

The following chart depicts the shareholding and corporate structure of our Group immediately after the completion of the Global Offering (without taking into account any Shares which may be issued upon the exercise of the options which may be granted under the Post-IPO Share Option Scheme):



Notes:

- Pursuant to the Trust Deed, the Trust was established as a discretionary trust and the beneficiaries under the Trust include the family member(s) of Ms. Yang Yuyan.

Pursuant to the terms of the Trust Deed, the Trustee is required to obtain the prior written consent of Ms. Yang Yuyan, as protector, before making any direct or indirect dispositions of any Common Shares that constitute the assets of the Trust and to vote Common Shares held by the Trust and cause any entity owned by the Trust directly or indirectly that holds the Common Shares to vote such shares in accordance with instructions from Ms. Yang Yuyan. Accordingly, pursuant to Section 13(d) of the Securities Exchange Act of 1934 of the United States, as amended, Ms. Yang Yuyan may be deemed to beneficially own all of the Common Shares held directly or indirectly by the Trust.

HISTORY AND REORGANISATION

2. Spectacular Stage directly owned 28,400,000 Common Shares as at the Latest Practicable Date. The Reorganisation does not affect the shareholding of Spectacular Stage in Xinyuan Real Estate Holdings.
3. As at the Latest Practicable Date, Mr. Zhang Yong directly held 28,400,000 Common Shares and was interested in 1,090,724 Common Shares via Universal World. The Reorganisation does not affect the shareholding of Mr. Zhang Yong in Xinyuan Real Estate Holdings.
4. As at the Latest Practicable Date, Xinyuan Science had set up 34 branch offices across different regions in the PRC, including Jinan, Suzhou, Kunshan, Shanghai, Hefei, Beijing, Chengdu, Sanya, Tianjin, Xi An, Xuzhou, Changsha, Jiaozuo, Luohe, Sanmenxia, Xinxiang, Zhumadian, Xingyang, Hebi, Zhengzhou, Xinyang, Pingdingshan, Gongyi, Puyang, Nanyang, Qingdao, Wuhan, Dalian, Taicang, Foshan, Guangzhou, Zhuhai, Huzhou and Shangqiu.
5. Henan Xinyuan Marketing was inactive and had no business operation during the Track Record Period and up to and including the Latest Practicable Date.
6. Henan Yueshenghang was inactive and had no business operation during the Track Record Period and up to and including the Latest Practicable Date.
7. The remaining 40% equity interest is held by Qingdao Baoqing. Save for the investment in Qingdao Xinyuan, Qingdao Baoqing is an Independent Third Party.
8. Henan Chengzhihang was inactive and had no business operation during the Track Record Period and up to and including the Latest Practicable Date.
9. Beijing Xinxiang was inactive and had no business operation during the Track Record Period and up to and including the Latest Practicable Date.
10. The remaining 15% and 20% equity interests are held by Henan Huana and Henan Puyang respectively. Save for the investment in Puyang Zhongfang, each of Henan Huana and Henan Puyang is an Independent Third Party.
11. On 1 December 2018, Xinyuan Science entered into an equity transfer agreement with Binhai Huafang Real Estate, an Independent Third Party, pursuant to which Binhai Huafang Real Estate agreed to transfer its entire 100% equity interest in Binhai Huafang to Xinyuan Science, at a total consideration of RMB1 as Binhai Huafang had no asset immediately prior to the transfer. Upon completion of such acquisition on 2 February 2019, Binhai Huafang became a direct wholly-owned subsidiary of Xinyuan Science.
12. Henan Gechen was established by Xinyuan Science in the PRC on 14 March 2019.
13. Xingyang Xinzhiseng was established by Xinyuan Science in the PRC on 9 April 2019. Xingyang Xinzhiseng was inactive and had no business operation since its establishment and up to and including the Latest Practicable Date.
14. The remaining 49% interest in Henan Qingning is held by Mr. Li Yanhui. Save for his interest in Henan Qingning, Mr. Li Yanhui is an Independent Third Party. Henansheng Jiacheng, Zhengzhou Taiju, Beijing Qingning and Wuhan Qingning are the wholly-owned subsidiaries of Henan Qingning. Henan Qingning Group is principally engaged in the leasing of residential apartments. According to the Articles of Association of Henan Qingning, all significant and relevant matters, including its business operations and financial arrangements, require approval by two-thirds of the shareholders' votes and Henan Qingning is therefore accounted for as a joint venture of the Group and its financial statements are not consolidated into the financial statements of our Group.
15. Yingsheng M&E was established in the PRC on 10 April 2019 and since its establishment and up to the Latest Practicable Date, it was owned as to 51% by Xinyuan Science and 49% by Mr. Ma Tianqing. Save for the investment in Yingsheng M&E, Mr. Ma Tianqing is an Independent Third Party.
16. Xinyi Xinyuan was established by Xinyuan Science in the PRC on 7 May 2019. Xinyi Xinyuan was inactive and had no business operation since its establishment and up to and including the Latest Practicable Date.
17. Anyang Xinhengyue was established by Xinyuan Science in the PRC on 26 June 2019. Anyang Xinhengyue was inactive and had no business operation since its establishment and up to and including the Latest Practicable Date.

HISTORY AND REORGANISATION

PRC REGULATORY REQUIREMENTS

Our PRC Legal Advisers have confirmed that all necessary approvals and permits required under PRC laws and regulations in connection with the Reorganisation and the Listing have been obtained and the Reorganisation and the Listing are in compliance with relevant PRC laws and regulations.

The Rules on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors in the PRC

According to the “Provisions Regarding Mergers and Acquisitions of Domestic Enterprises by Foreign Investors” (《關於外國投資者併購境內企業的規定》) (“**Circular 10**”) jointly issued by the MOFCOM, the SASAC, the SAT, the CSRC, the SAMR and the SAFE on 8 August 2006 and effective as at 8 September 2008 and amended on 22 June 2009, where a domestic company, enterprise or natural person intends to acquire its or his/her related domestic company in the name of an offshore company which it or he/she lawfully established or controls such that it becomes a foreign invested enterprise, the acquisition shall be subject to the examination and approval of the MOFCOM; and where a domestic company or natural person holds an equity interest in a domestic company through an offshore special purpose company, any overseas listing of that special purpose company shall be subject to approval by the CSRC.

In this respect, none of the acquisitions of Xinyuan Science by Xinyuan-HK from Xinyuan Renju (Beijing), Shanghai Hexinli, Mr. Zhang Yong, Mr. Cui Yong and Mr. Liu Huaiyu constitutes a foreign merger or acquisition specified in Circular No. 10, so the relevant reviewing and approving procedures required by Circular No. 10 do not apply.

Therefore, as advised by our PRC Legal Advisers, the Reorganisation was not subject to Circular 10 and it is not necessary for us to obtain approval from the CSRC or the MOFCOM for the Listing and trading of our Shares on the Stock Exchange.

Circular 37

Pursuant to the Circular on the Administration of Foreign Exchange Involved in the Investment and Financing and Round-trip Investment Conducted by PRC Residents via Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (“**Circular 37**”) issued by SAFE on 4 July 2014, (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (the “**Overseas SPV**”) that is directly established or controlled by the PRC resident for the purpose of conducting investment or financing; and (b) following the initial registration, the PRC resident is required to register with the local SAFE branch for any major change in respect of the Overseas SPV, including, among other things, a change in the Overseas SPV’s PRC resident shareholder, name of the Overseas SPV, term of operation or any increase or reduction of the Overseas SPV’s registered capital, share transfer or swap, and merger or division. Pursuant to Circular 37, failure to comply with these registration procedures may result in penalties, including the imposition of restrictions on the ability of the Overseas SPV’s PRC subsidiary to distribute dividends to its overseas parent.

As advised by our PRC Legal Advisers, each of Mr. Zhang Yong, Ms. Yang Yuyan and Mr. Cui Yong has completed the registration as required by Circular 37 on 27 March 2019, and each of, Mr. Zhang Lizhou, Ms. Wang Yanbo, Mr. Huang Bo, Mr. Wang Yantao, Ms. Du Xiangyan, Ms. Zhang Rong, Mr. Huang Jinfu, Mr. An Guangfu, Mr. Lyu Shaohui and Mr. Zhang Xiaofei has completed the same on 18 March 2019.

OVERVIEW

We are one of the fast growing property management companies among the Top 100 property management companies in terms of revenue growth rate in the PRC during the Track Record Period. As at 31 March 2019, properties we have contracted to manage are located in over 35 cities in the PRC, including Zhengzhou, Jinan, Xi'an, Chengdu, Suzhou, Beijing and Shanghai. We believe our business growth is mainly attributable to our wide range of quality services covering the pre-delivery stage (being our pre-delivery and consulting services) and the post-delivery stage (being our property management services and value-added services) provided to property developers, property owners and property occupants. According to F&S, we were ranked 33rd among property management companies in the PRC in terms of total revenue in 2018. According to the China Property Management Institute, the E-house China R&D Institute and the China Real Estate Appraisal, we were ranked 12th among property management companies in the PRC in 2018, based on the comprehensive index rating that is determined based on, among other things, the GFA under management, the financial performance, property owners' satisfaction and number of accredited projects of property management companies. Our major customers include property developers (both the Xinyuan Real Estate Group and third party developers), property owners and property occupants. As at 31 March 2019, the total GFA under our management amounted to approximately 15.8 million sq.m. Further, the total GFA under our management as at 31 December 2018 amounted to approximately 15.7 million sq.m., representing a CAGR of approximately 20.7% from 2016 to 2018 that is higher than that of the Top 100 property management companies, being 10.8%, during the same period, according to F&S.

We offer a wide range of services covering the pre-delivery and post-delivery phases to property developers, property owners and property occupants for their enjoyment of community life, which can be categorised as (i) property management services; (ii) value-added services; and (iii) pre-delivery and consulting services:

- *Property management services.* We provide a wide spectrum of traditional property management services, primarily including cleaning and sanitation, safety and security, gardening, parking space management and facilities maintenance services, to property developers, property owners and property occupants. Part of these services, such as cleaning and sanitation, safety and security, gardening and facilities maintenance services, are provided through our subcontractors. The properties under our management mainly consist of (i) complexes (including residential complexes and non-residential complexes); (ii) residential properties; and (iii) office buildings and there are no material differences as to the services we provide. During the Track Record Period, the property management fees of only one of our property management services agreements were determined on a commission basis, while those of all other property management services agreements were determined on a lump-sum basis.
- *Value-added services.* We offer a wide range of value-added services to property developers, property owners and property occupants to improve property owners' and occupants' living standards as well as living experience through various channels (including our "Xinyuan-E-Jia" platform). The services offered primarily include (i) utility fee payment services; (ii) common area resources management; (iii) home living services; and (iv) property cleaning and property delivery services.

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

In addition to our three business lines, to further improve our work efficiency, expand our service offerings and to enhance the user experience of property owners and property occupants, we have utilised comprehensive information technology systems, including the OA System that automated our internal business operations and managerial functions, and the CRM System that integrated the management of different properties, as well as the mobile application “Xinyuan-E-Jia” for property owners and property occupants. Through these systems, we are able to standardise, digitise and effectively manage our business operations by analyzing and monitoring data of our managed properties and our employees, and we are able to increase our work efficiency, lower our cost of sales, increase our overall competitiveness and enhance user experience.

The table below sets forth the respective revenue and gross profit margin of our three business lines for the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019, respectively:

	For the year ended 31 December						For the three months ended 31 March 2019					
	2016		2017		2018		2019		2019		2019	
	Revenue	Percentage of total revenue	Gross Profit Margin	Revenue	Percentage of total revenue	Gross Profit Margin	Revenue	Percentage of total revenue	Gross Profit Margin	Revenue	Percentage of total revenue	Gross Profit Margin
RMB'000	%	%	RMB'000	%	%	RMB'000	%	%	RMB'000	%	%	
Property management services	143,523	63.0	14.6	196,332	66.2	20.6	261,882	66.6	20.7	71,545	65.8	21.8
Value-added services	46,802	20.5	50.3	56,886	19.2	66.1	77,653	19.7	67.6	20,951	19.3	63.0
Pre-delivery and consulting services	37,626	16.5	45.5	43,501	14.6	53.4	53,794	13.7	49.8	16,261	14.9	49.5
Total	227,951	100.0	27.0	296,719	100.0	34.1	393,329	100.0	34.0	108,757	100.0	33.8

Our property management services business line is our primary business and largest revenue-generating business line, which enables us to source customers and expand business scale for our other business lines. Our value-added services increase our involvement and interaction with customers, broaden our revenue sources and enhance our future growth potential. Our pre-delivery and consulting services allow us to gain early access to property development projects, establish and cultivate business relationships with property developers, and assist us in gaining a stronger position to secure future engagements for property management services.

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Over the years of our operation, we have successfully built and leveraged on our brand name “Xinyuan” (鑫苑) by offering quality services to our customers. As a result, we have recorded stable and positive financial performance during the Track Record Period. For each of the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019, our total revenue amounted to approximately RMB228.0 million, RMB296.7 million, RMB393.3 million and RMB108.8 million, respectively, representing a CAGR of approximately 31.3% from 2016 to 2018. For the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019, we recorded net profit of approximately RMB26.0 million, RMB69.4 million, RMB76.1 million and RMB7.6 million, respectively, representing a CAGR of approximately 71.1% from 2016 to 2018.

Our competitiveness and service quality have earned us numerous recognitions. Since 2008, we have been awarded the Grade One Qualification Certificate for Property Management Enterprise in the PRC by the MOHURD and we continue to hold such certification as at the Latest Practicable Date. We were awarded the Outstanding Property Management Enterprise Award in November 2010 by the China Real Estate Top 10 Research. In September 2011, we were awarded the Excellent Property Management Branding Award in 2011 by the China Index Academy. In September 2015, we were recognised as one of the Greatest Potential Property Management Companies by the China Property Management Institute. In July 2016, we were accredited the Outstanding Enterprise Award by the China Property Management Magazine. In October 2018, we were ranked 12th out of the Top 100 Property Management Companies in China by the China Property Management Institute, the E-house China R&D Institute and the China Real Estate Appraisal, based on the comprehensive index rating that is determined based on, among other things, the GFA under management, the financial performance, property owners’ satisfaction and number of accredited projects of property management companies.

COMPETITIVE STRENGTHS

We believe the following strengths differentiate us from our competitors:

We are one of the fast growing property management companies among the Top 100 property management companies in terms of revenue growth rate in the PRC during the Track Record Period that offers a competitive service package.

Our experience in the property management industry in the PRC has enabled us to become one of the fast growing property management companies among the Top 100 property management companies in terms of revenue growth rate in the PRC during the Track Record Period. According to F&S, we were ranked 33rd among property management companies in the PRC in terms of total revenue in 2018. According to the China Property Management Institute, the E-house China R&D Institute and the China Real Estate Appraisal, we were ranked 12th among property management companies in the PRC in 2018, based on the comprehensive index rating that is determined based on, among other things, the GFA under management, the financial performance, property owners’ satisfaction and number of accredited projects of property management companies. Since our establishment in 1998, we have strived to provide quality services to our customers. Since 2009, we have been ranked one of the Top 100 property management companies in China by various official authorities. Since 2008, we have been awarded the Grade One Qualification Certificate for Property Management Enterprise in the PRC by the MOHURD and we continue to hold such certification as at the Latest Practicable Date.

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Throughout our 20 years of corporate history and development, we have closely adhered to our service motto of “high price to performance ratio, high customer satisfaction, excellent service enjoyment” (高性價比、高滿意度、高服務體驗), thereby creating a unique service and management edge over our competitors. The properties under our management are mainly located in cities in central, eastern and western China. As at 31 March 2019, we managed approximately 15.8 million sq.m. of properties in over 23 cities in the PRC, providing quality property management services to our customers.

In addition to managing properties developed by the Xinyuan Real Estate Group, since 2015, we started to obtain property management projects from third party developers. By building upon the brand name “Xinyuan” (鑫苑) and the reputation we earned throughout the years of our operation, we have been able to secure property management projects of newly developed properties from third party developers. We have been successful in developing long term co-operation with most of such property developers. As at 31 December 2016, 2017 and 2018 and 31 March 2019, we have entered into agreements to manage in aggregate 20, 40, 59 and 65 properties developed by the third party developers, with the GFA contracted amounting to, in aggregate, approximately 3.9 million sq.m., 8.4 million sq.m., 10.9 million sq.m. and 12.6 million sq.m., respectively. The number of properties that we managed which were developed by third party developers amounted to 11, 22, 35 and 36, representing approximately 19.6%, 28.9%, 36.5% and 37.1% of the total number of properties managed by us as at 31 December 2016, 2017 and 2018 and 31 March 2019, respectively. As at 31 December 2016, 2017, 2018 and 31 March 2019, the GFA of properties under our management which were developed by third party developers amounted to approximately 1.6 million sq.m., 2.7 million sq.m., 4.0 million sq.m. and 4.1 million sq.m., respectively, representing a CAGR of approximately 58.1% from 2016 to 2018. For the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019, revenue generated from the provision of property management services to properties developed by the third party developers amounted to approximately RMB5.5 million, RMB21.8 million, RMB41.1 million and RMB11.8 million, respectively, representing approximately 3.8%, 11.1%, 15.7% and 16.4% of our total revenue generated from the provision of property management services.

Our advanced information technology systems provide a strong support to our rapid business development.

The information technology systems used by us provide a comprehensive information technology platform for our day-to-day business operations, and act as a strong support for the increase in our management efficiency and business performance. We believe these systems have assisted us in the following aspects:

Business support systems

These systems enable us to integrate field data and our business management functions by mobilizing various streams of business management, including instant fee collection, job handling, quality check, safety patrol, equipment inspection and maintenance and e-building automation. Real time data and status of various work streams and facilities can be monitored by our employees and members of the senior

management effectively. Further, since we have built a set of standardised procedures and protocols in these systems, our employees are essentially conducting work in adherence to such standards while utilizing the systems. The real time data transmission also enhances the effectiveness and timeliness of our management functions.

Management support systems

These systems are capable of assisting us in the preparation and planning of our budgets more realistically and accurately. Formulae and models are built into them such that real time data recorded during our daily business operations can be utilised to monitor, analyse, compare, calculate and improve our cost model.

Further, these systems allow us to gather information about our employees throughout their employment with us. From the day they report for duty, we record our employees' background information and personal attributes, such as task performance records, team management and training records, in the systems. When needed, these systems are able to present our employee's development. As such, our management will be able to thoroughly understand our employees' abilities, strengths and shortcomings. The data gathered can also be used as a reference when we consider employee promotions. Our mobile application also contains certain business management functions through which we can monitor the real time execution progress of our employees' assigned tasks and follow up when needed.

In terms of project management, information such as certain milestones, work progress, important events, budget and cost of each of our managed properties is input to and regularly updated in the systems. Such arrangement allows our management to understand the development progress and financial performance whenever needed. Our management will also be able to analyse and compare the big data collected from our projects to have a better understanding of our business performance as a whole and to more efficiently plan ahead for our future development.

Customer service systems

We utilise (i) "Xinyuan-E-Jia"; (ii) our official Wechat account; and (iii) the "Conbow Robot" (慷寶機械人) developed by the Xinyuan Real Estate Group to serve property owners and property occupants. We publish the latest news and information relevant to their neighbourhood, such as news, upcoming events and service reports to property owners and property occupants through the above channels. Property owners and property occupants can also pay our property management fees and submit feedback through these channels. Further, property owners and property occupants can order living necessities such as bottled water and daily necessities on these platforms, and we will arrange free delivery thereafter. We also provide information relating to sight-seeing spots nearby so as to enhance their living enjoyment.

Strategic support systems

Through the gathering and analyzing of big data collected from the above channels, we will be able to understand the fee collection rate and maintenance record of each of our managed properties, down to each unit and each property owner or property occupant. We will also be able to have a better understanding of our employees' performance. These enable us to act swiftly in managing and allocating resources to properties when needed. Further, the big data gathered can assist us in determining our future business development strategies and directions. Such systems are also able to utilise the big data collected and assist us in reviewing our business performance and in making necessary adjustments and improvements.

Due to our quality services, we have achieved a high customer satisfaction, which serves as a solid foundation for the future development of our business.

Since our establishment, we have been dedicated towards providing excellent property management services to our customers.

Riding on our previously successful customer services and as a furtherance of our “6S Service Standard”, namely “Sincere, Diligent, Caring, Attentive, Thoughtful, and Dedicated” (誠心、盡心、細心、專心、貼心、熱心), we have continuously expanded the quality and the quantity of our service offerings. We introduced our “XIN 3.0” service model in July 2018, where we improved our services to be more interactive. The “XIN 3.0” service model, by realizing our service motto of “high price to performance ratio, high customer satisfaction, excellent service enjoyment” (高性價比、高滿意度、高服務體驗), has molded our “6S Service Standard” and has enhanced the service experience of property owners and property occupants. As a result, our customer satisfaction has continued to rise. We believe the “XIN 3.0” service model will further boost our customer satisfaction. For more information, please refer to the subsection headed “– XIN 3.0 Service Model” in this section. Further, a global analytics and advisory firm has been conducting annual customers' satisfaction studies against our services since 2016, which shows that our customers' satisfaction is on a rising trend. Its reports issued in 2017 and 2018 showed that our customer satisfaction score was higher than the industry norm. Such high customer satisfaction has effectively increased our customers' loyalty towards us. As a result of such high customer satisfaction, the average renewal rates of our property management services agreements entered into with third party developers for the years ended 31 December 2016, 2017 and 2018 were 100%, 100%, approximately 96%, respectively. Also, our average property management fees collection rates for the Track Record Period were 89.5%, 84.9%, 86.2% and 69.3%, respectively.

In 2014, we established a country-wide customer services center named the “400 CS Center”, where property owners and property occupants can provide their feedback of the services rendered by us through phone calls, mails and our mobile application, “Xinyuan-E-Jia”.

Our ability to formulate standardised working procedures ensures the stability and quality of our service offerings.

With a bid to maintain the standard and continue to improve the quality of our property management services, thereby increasing our competitiveness in the market, we have formulated a set of standard working procedures that cover different aspects of a property management project where we are engaged such as those applicable to security personnel, cleaning personnel and concierge personnel. In recognition of our internal management system, in January 2001, we were first awarded the ISO9001:2000 (Property Management Service of Residential Quarters and High-Rise Office Buildings) certification by Intertek Certification Limited, an accredited certifying body by the United Kingdom Accreditation Service. In August 2016, we were awarded three certifications by Intertek Certification Limited at the same time, namely the ISO9001:2015 (Property Management Service and Property Advisory Service for Resident District and Office Buildings) certification, the ISO14001:2015 (Environmental Management Systems applicable to Property Management Service and Property Advisory Service for Resident District and Office Buildings) certification and the OHSAS18001:2007 (Health and Safety Management Systems applicable to Property Management Service and Property Advisory Service for Resident District and Office Buildings). These certifications remain valid as at the Latest Practicable Date and have certified the standardisation of our internal management systems and are testament of the quality of our services offered.

We have also designed numerous user manuals in accordance with the abovementioned certifications and by taking into account the characteristics of our three business lines. These manuals, being tailored to different type of properties, set out the standard and service offerings that are applicable to that property type. They also provide easy-to-read and easy-to-follow instructions and illustrations for our employees, who are able to access them through their end of our mobile application. We target to implement standardised procedures in accordance with these manuals within three months we start to manage a property to ensure our consistent service stability and standard. We believe such standardisation has also created an effective training and working environment for our employees and has led to an efficient and high standard of operation. In addition, Ms. Wang Yanbo, one of our executive Directors, took the lead in formulating the Guidelines to Property Management in relation to commercial and complexes published by the China Planning Press in 2017.

Our experienced, professional and stable management team supports our sustainable growth, and we are devoted towards training our current employees and nurturing our next generation of senior management.

A substantial part of our success can be attributable to our employees and management. Each of the members of our senior management possess more than 10 years of industry experience. In particular, one of our executive Directors and our chief executive officer, Ms. Wang Yanbo joined us in October 2004 and possesses over 15 years of industry experience. She was appointed as a chief management of Xinyuan Science in January 2012

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and has been a director of Xinyuan Science since 8 May 2016. Under her leadership and management, our Group's business scale and financial performance continued to grow. Ms. Wang's industry experience as well as her knowledge of our Group's operations have been, and we expect to continue to be, pivotal to our success. Please refer to the section headed "Directors and Senior Management" in this prospectus for details of the biographies of Ms. Wang.

While our success continues to be attributable to our senior management, we believe the acquisition and reservation of talents are equally important. Internally, we have established a talent retention and training plan, and we have established a specialised institute to provide tailored training programs to our employees in accordance with their positions and needs. Over the years, such institute has developed separate training courses for each of our new recruits, talent pool, newly promoted employees, office managers and project managers. We require that all our employees undergo such training before they take up their respective roles. We also provide continuous learning initiatives to our employees by offering them mobile learning courses on our CRM System. We aim at having one to two back-up individuals ready for each key position within the Group. Externally, we are dedicated towards attracting competent and high-quality employees. We recruit seasoned professionals from other well-established property management companies and enterprises.

We view our employees as our valuable asset, and provide them with adequate motivation such as cash bonuses, share award schemes and business performance awards. We believe such incentives both offer our employees motivation to improve and an extra stream of income that is directly linked to their performance and effort, thereby stimulating initiative and innovation among themselves.

The unwavering support from and cooperation with the Xinyuan Real Estate Group have caused our business to continue to grow.

Our co-operation with the Xinyuan Real Estate Group has enabled us to increase our competitiveness within the property management industry and keep up with market competition. The Xinyuan Real Estate Group is a property development company in the PRC that is listed on the New York Stock Exchange (stock code: XIN). During the Track Record Period, all of the properties developed by the Xinyuan Real Estate Group were managed by us. This co-operation provides a steady inflow of property management projects that contributes significantly towards our revenue and profit, which we believe will continue after the Listing. In addition to complexes and residential properties developed by the Xinyuan Real Estate Group, as at the Latest Practicable Date, we have been contracted to manage other types of properties developed by them, such as industrial parks. As at 31 December 2016, 2017 and 2018 and 31 March 2019, we have entered into agreements to manage in aggregate 58, 70, 80 and 84 properties developed by the Xinyuan Real Estate Group, with the GFA contracted amounting to in aggregate approximately 11.6 million sq.m., 13.6 million sq.m., 15.3 million sq.m. and 17.4 million sq.m. as at the end of each period, respectively. As at 31 December 2016, 2017 and 2018 and 31 March 2019, the GFA of properties under our management which were developed by the Xinyuan Real Estate

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Group amounted to approximately 9.2 million sq.m., 11.0 million sq.m., 11.7 million sq.m. and 11.7 million sq.m., respectively, representing approximately 85.5%, 80.2%, 74.6% and 74.3% of our total GFA under management as at the same dates and a CAGR of approximately 12.8% from 2016 to 2018. For the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019, revenue generated from property management services provided to properties developed by the Xinyuan Real Estate Group amounted to approximately RMB138.0 million, RMB174.6 million, RMB220.8 million and RMB59.8 million, respectively, representing approximately 96.2%, 88.9%, 84.3% and 83.6% of our total revenue generated from the provision of our property management services. The unwavering support from the Xinyuan Real Estate Group has proved to be, and we expect to continue to be, a solid source of property supply and revenue for our property management business.

The cooperation with the Xinyuan Real Estate Group's other business segments has also enabled our business to better cater for our customers' needs. For instance, we started using the proprietary systems of the Xinyuan Real Estate Group, namely the OA System and the CRM System in 2017. These systems serve as the backbone for our day-to-day business management. Apart from those systems, we have integrated the "Conbow Robot" (慷寶機械人) developed by the Xinyuan Real Estate Group into the properties we manage with a bid to provide an all-rounded property management experience to our customers.

BUSINESS STRATEGIES

Our business strategies for our continuous development in the property management industry are as follows:

Further improving our service quality and expanding the scale of our property management business and geographical reach

We plan to (i) further improve our service quality; and (ii) further increase our market share in the PRC both via organic growth and via horizontal strategic acquisitions of and investments in other property management companies.

As at 31 March 2019, the total GFA of properties under our management amounted to approximately 15.8 million sq.m. comprising 97 properties, among which 61 were developed by the Xinyuan Real Estate Group and 36 were developed by third party developers. To cater the growing needs of our current customers, we plan to source and upgrade our current equipment and facilities used and accessed by property owners and property occupants in accordance to their requests, thereby offering property management services of a higher standard and enhancing user experience.

Further, leveraging on our success in providing property management services to properties developed by the Xinyuan Real Estate Group, we plan to further increase the GFA as well as the number of properties under our management by both actively participating in quality tenders, industry forums, commercial negotiations and arranging

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business visits to large scale third party developers and property owners' associations, who are our target customers in addition to the Xinyuan Real Estate Group. We plan to increase our market share in cities where we have presence and we plan to further expand in property management projects in central and eastern China, as well as along the Bohai Rim. For this purpose, we plan to engage agents who specialise in locating quality property management projects in these regions, and to increase the headcount in our current business development team by 15 to 20, who will be responsible for (a) promoting our service offerings to third party developers and property owners' associations; and (b) seeking quality tenders for us to participate in, in both the regions that we are already committed to, and those regions which we intend to explore opportunities in. Leveraging on our experience in the property management industry as well as our competent management and business development team, we believe we will be able to expand our geographical reach. Other than our organic growth related to third party developers, we also plan to build on our long term business relationship with the Xinyuan Real Estate Group, deepen our co-operation and grasp opportunities brought by its rapid expansion in the property development industry, which as a result would lead to more opportunities of obtaining property management projects for us. We also plan to increase our business scale by taking advantage of our brand name "Xinyuan" (鑫苑) by penetrating into the market of properties developed by other large scale property developers. We will consider identifying strategic co-operation partners such as property developers and property management companies by paying attention to market development and by arranging business visits, and inviting them to enter into strategic co-operation agreements with us, as and when appropriate.

In addition to our organic growth, we also plan to acquire and invest in other property management companies. According to the F&S Report, the property management service industry in PRC is very fragmented with a large number of competitors providing comparable services. Therefore, our Directors believe we will be able to identify suitable acquisition targets in the industry. Other than complexes and residential properties, such companies may also manage other non-residential properties such as hospitals, schools and office buildings. According to the F&S Report, the residential property management services market is becoming increasingly competitive as a result of rising labour and operational cost. Moreover, property management companies are more flexible in negotiating property management fees with property owners of non-residential properties as there is no regulations in relation to the pricing of property management fees of non-residential properties. Thus, property management companies expand their portfolio to cover diversified types of properties such as non-residential properties. As a result, property management companies are able to gain a competitive edge by diversifying their portfolios to include properties such as public properties, office buildings, hotels, commercial establishments and government properties. During the Track Record Period, we have had experience, and derived revenue from managing office buildings, small shops located in communities, as well as industrial parks and service halls, which to a certain extent has laid out foundation for us to offer property management services to non-residential types of properties. To implement this expansion plan, we plan to target those property management companies who have business operations in cities or regions where we currently operate and therefore are relatively more familiar with, and we plan to

retain relevant senior management personnel after our acquisition or investment to maintain management continuity. During the Track Record Period, our focus has primarily been on complexes and residential properties and we believe the acquisition of or investment in such non-residential property management companies would allow us to gain more experience and expertise in the management of other types of properties. The criteria for selection of our targets generally include (i) the GFA under management must be over 2.0 million sq.m.; (ii) the revenue for the latest financial year must be over RMB50.0 million or the net profit for the same period must be over RMB5.0 million; and (iii) the net profit margin for the latest financial year must be over 8.0%. As at the Latest Practicable Date, we have not identified any targets for such purposes.

We plan to use approximately 60.0%, or approximately HK\$165.4 million, of our net proceeds from the Global Offering for further improving our service quality and expanding our scale of business and geographical reach.

Strengthening our services offered

The services we currently offer and derive revenue from comprise (i) property management services; (ii) value-added services; and (iii) pre-delivery and consulting services.

Property Management Services

On the property management services end, we currently provide certain services such as cleaning and sanitation, safety and security and gardening services mostly through our subcontractors. Going forward, we plan to strengthen our service offerings by acquiring such subcontractors and other companies with similar capabilities.

We intend to use our own capital and financial resources, but not net proceeds from the Global Offering, in strengthening our property management services.

Value-added Services

In view of the continuously increasing expectation of a wider scope of services from our customers, we plan to further diversify our types of value-added services offered in a bid to enable property owners or property occupants to enjoy a more comprehensive service package as they move in and to cater their living needs. We also believe such additional service offerings would complement our current business, and increase their overall satisfaction of our customers. For instance, we plan to develop and invest in elderly care, child care and retail services in the communities under our management by acquiring service providers with similar capabilities. Further, after gathering feedback from our customers, we intend to engage subcontractors to provide an even wider range of value-added services to them.

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We also plan to create a more intelligent living environment for our customers by engaging specialists to develop a brand new and complementary information technology system in addition to the “Xinyuan-E-Jia” mobile application currently in use to further strengthen and broaden the capabilities and functionalities, and to enhance the potential of our mobile applications. The new system is expected to contain new features such as skills sharing and self-service property agency. For more details, please refer to the subsection headed “Future Plans and Use of Proceeds – Use of Proceeds” in this prospectus. We believe such enhanced attributes would improve users’ experience, increase our customers’ satisfaction and further increase our reputation, market share and profitability. We also believe such enhanced system will offer more comprehensive services to property owners and property occupants, and foster their sense of belongings to the community, such as retail services and social platforms on which property owners and property occupants in the vicinity can interact with each other.

We believe the investment in and expansion of the scope of the above-mentioned value-added services offered would increase the living experience of property owners and property occupants, thereby increasing their loyalty and satisfaction towards our services, which will in turn increase our competitiveness and chance of obtaining new property management services agreements and, in the case of existing customers, renewing our property management services agreements.

We plan to use approximately 15.0%, or approximately HK\$41.4 million, of our net proceeds from the Global Offering for strengthening our value-added services offered.

Pre-delivery and consulting services

Moreover, we plan to expand the scope and scale of our services offered to property developers. During the Track Record Period, we mostly offer sales assistance services and early involvement services to property developers. Going forward, in addition to the above, we plan to (i) start offering gardening services and intelligent home installation services to property developers at the development phase of the properties; and (ii) expand the scale and variety of our sales assistance services.

For gardening services, we have gathered experience through primarily focusing on the improvement and maintenance of greeneries during the Track Record Period; while for intelligent home installation services, we accumulated experience by providing early involvement services as well as conducting repair services for property owners or property occupants as part of our property management services during the Track Record Period. We also intend to increase the scale and variety of our sales assistance services, in particular our property sales venue “warm-up” services. For this purpose, Henan Gechen, being one of our wholly-owned subsidiaries, was set up in March 2019. Going forward, we plan to expand our property sales venues “warm-up” services by actively engaging in various types of “warm-up” activities, such as sales venue and display units opening ceremonies, music performance and carnivals during, for instance, the National Day of the PRC, and other festive seasons.

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For property developers, we believe the additional pre-delivery services offered by us would enhance our professionalism and their willingness of engaging us for future projects, as well as raising our profile among those third party developers. On the whole, we believe the above would increase our business scope and profitability.

Upgrading and developing our own information technology and smart systems

We intend to further improve the quality of our customer services by upgrading and developing the information technology and smart systems in use during our business operations.

Most of our property management services are conducted manually, such as safety patrol and car park management. Going forward, we plan to introduce intelligent systems to lower the chance of human mistake and to further lower our cost of labour. Such systems include intelligent door locks systems, face recognition systems, smart car park management systems, smart fire prevention systems, other smart detection systems and building management systems. Further and as a result of the deployment of advanced technologies and equipment, current software may become obsolete. Therefore, we also plan to upgrade our various internal information technology systems, including the relevant hardware and software. We plan to use approximately 5%, or approximately HK\$13.8 million, in introducing and upgrading the above facilities.

As stated in the subsection headed “– Competitive Strengths – Our Advanced Information Technology Systems Provide a Strong Support to Our Rapid Business Development” in this section, we utilise various functions in our information technology systems in our daily business, including the business management systems, the management support systems, the customer service systems, and the strategic support systems. Going forward, we plan to further upgrade and develop these systems to enrich their functions, support and accessibility. We believe this would allow us to make swift and precise business decisions and to better manage our employees and customers. We plan to use approximately 4.3%, or approximately HK\$11.9 million, to further develop and upgrade the software end of our information technology systems.

Further, with a view to provide back-end support to our upgraded software and information technology systems, we intend to also upgrade our hardware, namely our current services, real-time monitoring devices and service centers. We plan to use approximately 5.7%, or approximately HK\$15.7 million, to upgrade the hardware end of our information technology systems.

In aggregate, we plan to use approximately 15.0%, or HK\$41.4 million, of our net proceeds from the Global Offering for upgrading and developing our own information technology and smart systems.

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OUR BUSINESS MODEL

During the Track Record Period, our revenue was generated from three business lines:

Property management services	We provide a wide spectrum of traditional property management services, primarily including cleaning and sanitation, safety and security, gardening, parking space management and facilities maintenance services, to property developers, property owners and property occupants. Part of these services, such as cleaning and sanitation, safety and security, gardening and facilities maintenance services, are provided through our subcontractors. The properties under our management mainly consist of (i) complexes (including residential complexes and non-residential complexes); (ii) residential properties; and (iii) office buildings and there are no material differences as to the services we provide.
Value-added services	We offer a wide range of value-added services to property developers, property owners and property occupants to improve their living standards as well as living experience through various channels (including our “Xinyuan-E-Jia” platform). The services offered primarily include (i) utility fee payment services; (ii) common area resources management; (iii) home living services; and (iv) property cleaning and property delivery services.
Pre-delivery and consulting services	We offer tailored pre-delivery and consulting services primarily to property developers to enhance the competitiveness of the properties developed. Pre-delivery services include providing sales assistance services, for instance (i) property sales venues management services; and (ii) property sales venue “warm-up” services to property developers at the pre-delivery stage of the relevant property or when the property is put onto the market for sale. Consulting services include (i) advising property developers at the early and construction stages of a property on project planning, design management and construction management to enhance its functionality, comfort and convenience; and (ii) referral and management services provided to property developers for unsold properties.

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The table below sets out a breakdown of our revenue from each of our business lines by revenue source for the periods indicated:

	For the year ended 31 December						For the three months ended 31 March	
	2016		2017		2018		2019	
	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>
Property management services								
–Xinyuan Real Estate Group	3,185	1.4%	4,277	1.4%	12,362	3.1%	3,298	3.0%
–Third party developers	618	0.3%	3,863	1.3%	6,903	1.8%	676	0.6%
–Property owners or property occupants	139,720	61.3%	188,192	63.5%	242,617	61.7%	67,571	62.2%
Subtotal	143,523	63.0%	196,332	66.2%	261,882	66.6%	71,545	65.8%
Value-added services								
–Xinyuan Real Estate Group	4,172	1.8%	3,859	1.3%	12,446	3.2%	2,846	2.6%
–Property owners or property occupants	42,630	18.7%	53,027	17.9%	65,207	16.5%	18,105	16.7%
Subtotal	46,802	20.5%	56,886	19.2%	77,653	19.7%	20,951	19.3%
Pre-delivery and consulting services								
–Xinyuan Real Estate Group	36,777	16.1%	41,076	13.8%	45,532	11.6%	14,036	12.9%
–Third party developers	849	0.4%	2,425	0.8%	8,262	2.1%	2,225	2.0%
Subtotal	37,626	16.5%	43,501	14.6%	53,794	13.7%	16,261	14.9%
Total	<u>227,951</u>	<u>100.0%</u>	<u>296,719</u>	<u>100.0%</u>	<u>393,329</u>	<u>100.0%</u>	<u>108,757</u>	<u>100.0%</u>

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PROPERTY MANAGEMENT SERVICES

Overview

As at 31 March 2019, we manage 97 properties in 13 provinces in the PRC, among which 61 were developed by the Xinyuan Real Estate Group and 36 were developed by third party developers. Since our establishment and throughout the Track Record Period, all properties developed by the Xinyuan Real Estate Group (other than shopping malls) were managed by us. Since 2015, we started exploring opportunities from third party developers in order to diversify our portfolio and customer base and in the same year, we started managing properties developed by third party developers. As at 31 December 2016, 2017 and 2018 and 31 March 2019, our total GFA under management was approximately 10.8 million sq.m., 13.7 million sq.m., 15.7 million sq.m. and 15.8 million sq.m., respectively. For the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019, the total revenue generated from our property management services was RMB143.5 million, RMB196.3 million, RMB261.9 million and RMB71.5 million, respectively, among which RMB138.0 million, RMB174.6 million, RMB220.8 million and RMB59.8 million was generated from our property management services provided to properties developed by the Xinyuan Real Estate Group, amounting to 96.2%, 88.9%, 84.3% and 83.6% of our total revenue for each of the period.

The table below sets forth a breakdown of our bidding success rates by type of developers for the periods indicated:

	For the year ended 31 December						For the three months ended 31 March	
	2016		2017		2018		2019	
	Number of public tenders we participated in	Number of tenders won	Number of public tenders we participated in	Number of tenders won	Number of public tenders we participated in	Number of tenders won	Number of public tenders we participated in	Number of tenders won
Properties developed solely by the Xinyuan Real Estate Group	5	5	8	8	9	9	3	3
Properties developed by third party developers	16	6	6	2	7	3	2	0
Total	21	11	14	10	16	12	5	3

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All our other property management engagements are obtained through commercial negotiations with property developers during the Track Record Period.

The table below sets forth the details of our total GFA under management and the number of our managed properties, and the corresponding revenue recognised, by type of developers as at the dates/for the periods indicated:

	As at/for the year ended 31 December						As at/for the three months ended					
	2016		2017		2018		31 March					
	Number of managed properties		Number of managed properties		Number of managed properties		2019		Number of managed properties			
	GFA	Revenue	GFA	Revenue	GFA	Revenue	GFA	Revenue	GFA	Revenue		
	Sq.m.'000	RMB'000	Sq.m.'000	RMB'000	Sq.m.'000	RMB'000	Sq.m.'000	RMB'000	Sq.m.'000	RMB'000		
Properties developed solely by the Xinyuan Real Estate Group												
– Property developers as agreement counterparty	7,971	39	115,120	9,754	48	152,605	10,462	55	197,449	10,516	55	53,841
– Property owners' association as agreement counterparty	1,222	6	22,898	1,222	6	21,958	1,222	6	23,363	1,222	6	5,946
Subtotal	9,193	45	138,018	10,976	54	174,563	11,684	61	220,812	11,738	61	59,787
Properties developed by third party developers												
– Property developers as agreement counterparty	1,560	11	5,505	2,705	22	21,769	3,719	31	40,108	3,810	32	10,771
– Property owners' association as agreement counterparty	-	-	-	-	-	-	252	4	962	252	4	987
Subtotal	1,560	11	5,505	2,705	22	21,769	3,971	35	41,070	4,062	36	11,758
Total	10,753	56	143,523	13,681	76	196,332	15,655	96	261,882	15,800	97	71,545

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The table below sets forth a further breakdown of our property management services revenue recognised by type of developers for the periods indicated:

	For the year ended 31 December						For the three months ended 31 March	
	2016		2017		2018		2019	
	Revenue		Revenue		Revenue		Revenue	
	<i>% of our property management services</i>	<i>RMB'000</i>	<i>% of our property management services</i>	<i>RMB'000</i>	<i>% of our property management services</i>	<i>RMB'000</i>	<i>% of our property management services</i>	<i>RMB'000</i>
Properties developed solely by the Xinyuan Real Estate Group								
– Property developers as agreement counterparty								
– Revenue attributable to the Xinyuan Real Estate Group	3,185	2.2	4,277	2.2	12,362	4.7	3,298	4.6
– Revenue attributable to Independent Third Parties	111,935	78.0	148,328	75.5	185,087	70.7	50,543	70.6
– Property owners' association as agreement counterparty								
– Revenue attributable to the Xinyuan Real Estate Group	–	–	–	–	–	–	–	–
– Revenue attributable to Independent Third Parties	22,898	16.0	21,958	11.2	23,363	8.9	5,946	8.3
Properties developed by third party developers								
– Property developers as agreement counterparty ¹	5,505	3.8	21,769	11.2	40,108	15.3	10,771	15.1
– Property owners' association as agreement counterparty ¹	–	–	–	–	962	0.4	987	1.4
Total	143,523	100.0	196,332	100.0	261,882	100.0	71,545	100.0

Note:

- All revenue generated from properties developed by third party developers came from Independent Third Parties.

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During the Track Record Period, even though the majority of our property management services agreements were entered into with property developers (including the Xinyuan Real Estate Group), the vast majority of our property management services revenue generated thereunder came from Independent Third Parties, which amounted to approximately 97.8%, 97.8%, 95.3% and 95.4% for the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019, respectively. During the development phase of the properties, property developers enter into preliminary property management services agreements with us on behalf of property owners, which shall be reflected in the property purchase agreement entered into by the property developer and the purchaser who later becomes the property owner. Shall property owners wish to engage another property management services provider at a later stage, they may establish a property owners' association to act on their behalf, who will enter into a property management services agreement with the new property management services provider. However, it is not mandatory under applicable PRC laws and regulations that a property owners' association is established. The establishment of a property owners' association is subject to votes by relevant property owners in their general meetings, and such meetings shall be held upon application by the property owners constituting a quorum and under the guidance of relevant government authorities, as stipulated in the Property Law of the PRC (《中華人民共和國物權法》), the Regulation on Property Management (《物業管理條例》) and the Guidance Rules on Property Owners' Meeting and Property Owners' Association (《業主大會和業主委員會指導規則》).

As at 31 March 2019, out of the 97 properties we managed, 61 of them were developed by the Xinyuan Real Estate Group and 36 were developed by third party developers. The table below sets forth a breakdown of our revenue generated from the provision of property management services for the periods indicated, by different types of property developers:

	For the year ended 31 December						For the three months ended					
	2016		2017		2018		2019		31 March		2019	
	Revenue	Gross profit margin	Revenue	Gross profit margin	Revenue	Gross profit margin	Revenue	Gross profit margin	Revenue	Gross profit margin	Revenue	Gross profit margin
	<i>% of total revenue from property management services</i>	<i>%</i>	<i>% of total revenue from property management services</i>	<i>%</i>	<i>% of total revenue from property management services</i>	<i>%</i>	<i>% of total revenue from property management services</i>	<i>%</i>	<i>% of total revenue from property management services</i>	<i>%</i>	<i>% of total revenue from property management services</i>	<i>%</i>
	RMB'000		RMB'000		RMB'000		RMB'000		RMB'000		RMB'000	
Xinyuan Real Estate Group	138,018	96.2	174,563	88.9	210	220,812	84.3	22.4	59,787	83.6	23.4	
Third party developers	5,505	3.8	21,769	11.1	17.3	41,070	15.7	11.7	11,758	16.4	12.7	
Total	143,523	100.0	196,332	100.0	20.6	261,882	100.0	20.7	71,545	100.0	21.8	

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During the Track Record Period, the gross profit margin resulted from properties developed by third party developers were lower than those developed by the Xinyuan Real Estate Group mainly for the following reasons:

- *Geographical locations:* The properties developed by the Xinyuan Real Estate Group were mainly located in new tier-1 and tier-2 cities (according to the classification by the Rising Lab of Yicai (第一財經新一線城市研究所)) in the PRC that possess higher spending abilities. In contrast, properties developed by third party developers and under our management were mainly located in tier-3, tier-4 or lower tier cities in the PRC, where the cost of living were relatively lower and resulted in a lower average property management fee. According to F&S, the average per capita annual disposable income of urban households in new tier-1 and tier-2 cities during the Track Record Period amounted to approximately RMB43,000, as compared to approximately RMB30,000 in tier-3, tier-4 or lower tier cities. We had to be more cautious in setting our average property management fees charged in tier-3, tier-4 or lower tier cities keeping in mind of such difference in spending power. As a result, the property management revenue attributable to properties developed by third party developers have been lower than those attributable to properties developed by the Xinyuan Real Estate Group, thereby causing the former to have a lower gross profit margin during the Track Record Period.
- *Economies of scale:* The properties developed by the Xinyuan Real Estate Group are concentrated in new tier-1 and tier-2 cities (according to the classification by the Rising Lab of Yicai (第一財經新一線城市研究所)) such as Zhengzhou, Jinan and Suzhou, while those developed by third party developers are more scattered. In cities where properties developed by the Xinyuan Real Estate Group are concentrated, we generally enjoy a higher bargaining power and will be able to lower our costs of procuring from our suppliers by bulk-purchasing. Shall need arise, it is also more flexible for us to reallocate our resources (whether administrative or labor) among such properties, thereby enabling us a better control of their respective cost of sales. In contrast, properties developed by third party developers are more scattered such that there may be only one property under our management in one given city, which poses certain limitations and causes us to have limited bargaining power when negotiating with our suppliers and less flexibility when allocating our resources. As a result, the cost of managing the former properties due to their scale and geographic concentration are generally lower than that of managing the latter thereby leading to higher gross profit margin attributable to properties developed by the Xinyuan Real Estate Group than those developed by third party developers during the Track Record Period.
- *Marketing concerns:* In order to gain an edge over our competitors and earn our reputation among third party developers, we strategically lower our average property management fees when we try to engage properties developed by third party developers. For instance, during the three years ended 31 December 2018, our average property management fees charged for properties developed by third party developers

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were on average approximately 13.8% to 17.2% lower than those charged for properties developed by the Xinyuan Real Estate Group. Further, with a bid to increase our competitiveness and business development capabilities, we may offer certain discounts to the property owners and property occupants for their property management fees payable to us. The aforementioned has decreased our property management services revenue attributable to properties developed by third party developers and resulted in their gross profit margin lower than that of properties developed by the Xinyuan Real Estate Group.

Going forward, our Directors believe that we will be able to establish our competitiveness and reputation among third party developers and expect that the difference in gross profit margin attributable to properties developed by the Xinyuan Real Estate Group and third party developers will narrow down.

The increase in the GFA of properties developed by the Xinyuan Real Estate Group during the Track Record Period can be attributable to our long-term co-operation with the Xinyuan Real Estate Group. Such GFA under management increased from approximately 9.2 million sq.m. as at 31 December 2016 to approximately 11.7 million sq.m. as at 31 March 2019. The corresponding revenue also increased from approximately RMB138.0 million for the year ended 31 December 2016 to approximately RMB220.8 million for the year ended 31 December 2018, representing a CAGR of approximately 26.5%. We recorded revenue generated from property management services provided to properties developed by the Xinyuan Real Estate Group of approximately RMB59.8 million for the three months ended 31 March 2019.

We were also able to continuously increase the GFA of properties developed by third party developers under our management. During the Track Record Period, we have been continuously exploring co-operation opportunities with third party developers in order to expand the reach of our property management services to them. As at 31 December 2016, approximately 14.5% of our total GFA under management was developed by third party developers, while as at 31 March 2019, approximately 25.7% of our total GFA under management was developed by third party developers. The corresponding revenue also increased from approximately RMB5.5 million for the year ended 31 December 2016 to approximately RMB41.1 million for the year ended 31 December 2018, representing a CAGR of approximately 173.4%. For the three months ended 31 March 2019, revenue attributable to property management services provided to properties developed by third party developers amounted to approximately RMB11.8 million.

In addition to the properties currently under management, as at 31 March 2019, we have also been contracted to manage 52 properties in the PRC that have never been delivered for our management, comprising a GFA of approximately 11.3 million sq.m., among which approximately 5.2 million sq.m. is developed by the Xinyuan Real Estate Group, and approximately 6.1 million sq.m. is developed by third party developers and is located in the Henan Province and the Shandong province. Further, among the 97 properties under our management as at 31 March 2019, 21 of them will have their later phases delivered for our management, where approximately 0.5 million sq.m. is developed by the Xinyuan Real Estate

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Group, and approximately 2.5 million sq.m. is developed by third party developers. These properties are planned to be delivered from 2019 to 2021.

Set out below is a breakdown of the cumulative GFA and the revenue expected to be generated from the aforementioned 73 properties (for instance, the 52 properties that have never been delivered for our management and the 21 properties that will have their later phases delivered for our management) we were contracted to manage as at 31 March 2019:

	As at and for the year ending 31 December								
	2019			2020			2021		
			% of			% of			% of
	GFA	Revenue	total	GFA	Revenue	total	GFA	Revenue	total
<i>Sq.m.'000</i>	<i>RMB'000</i>	expected	<i>Sq.m.'000</i>	<i>RMB'000</i>	expected	<i>Sq.m.'000</i>	<i>RMB'000</i>	expected	%
Properties developed solely by the Xinyuan Real Estate Group	1,135	8,988	52.6	3,172	61,140	33.7	5,685	151,648	44.4
Properties developed solely by third party developers	1,813	8,107	47.4	6,815	120,293	66.3	8,532	189,466	55.6
Total	2,948	17,095	100.0	9,987	181,433	100.0	14,217	341,114	100.0

The revenue expected to be generated pursuant to the aforementioned 73 properties are expected to be approximately RMB17.1 million, RMB181.4 million and RMB341.2 million for the years ending 31 December 2019, 2020 and 2021, respectively.

The revenue expected to be generated pursuant to the aforementioned 73 properties for the three years ending 31 December 2021 are calculated based on (i) the estimated GFA under management of each property project during the three years ending 31 December 2021; (ii) the estimated property management fee per sq.m. of each property project during the three years ending 31 December 2021; and (iii) the estimated timing of delivery of each new property project during the three years ending 31 December 2021. The calculation is also based on a number of assumptions, such as all our property management services agreements will not be terminated prior to the termination date stated in such agreements, and are not subject to changes. Going forward, we plan to tender for all properties developed by the Remaining Xinyuan Real Estate Group (other than shopping malls) in the PRC and we expect our tender success rate to be 100%.

Scope of our property management services

We provide a wide range of services. Below are the major categories of property management services that we provide during our daily operations:

- *Cleaning and sanitation services.* We are determined towards providing a clean and hygienic living environment to property owners and property occupants. We provide (i) cleaning and hygiene maintenance services to the common areas of the properties under our management, including but not limited to roads, lobbies, staircases, lifts, glasses, doors; (ii) general cleaning services; and (iii) waste management services, which are generally provided through subcontractors. We utilise specialised equipment and vehicles equipped with advanced technology in the provision of our cleaning and sanitation services.
- *Safety and security services.* We strive to provide quality safety and security services to property owners and property occupants. The safety and security services that we provide primarily include patrolling, access control, visitor handling and emergency response services. We generally provide our safety and security services through our own employees or through subcontractors. In addition to traditional safety and security services, we also make use of intelligent devices to enhance the effectiveness of our work.
- *Gardening services.* Our gardening services seek to preserve and maintain the greenery located within our managed properties and are provided by our own employees and subcontractors. It also includes the pest control, watering and fertilizing of plants.
- *Parking space management services.* We are responsible for the daily operation and maintenance of car parks and parking spaces, by providing order maintenance, cleaning, facilities management, and energy consumption management services. We also utilise advanced car park management systems that record vehicles entering into and exiting car parks. Such systems also assist users in managing their parking spaces.
- *Facilities maintenance services.* We are responsible for the maintenance of public facilities located in the properties under our management. The scope of our facilities maintenance services typically covers (i) common area equipment and facilities, such as elevators and central air conditioning systems; (ii) fire and safety facilities, such as fire extinguishers and fire alarm systems; (iii) security facilities, such as entrance gates control and surveillance cameras; and (iv) utility facilities, such as electric power distribution systems, water pumps and water tank. We outsource the maintenance of elevators, double-deck parking spaces and fire and safety facilities to specialised subcontractors. Our in-house technicians perform routine management and inspections of certain systems and equipment and they also take charge in planning equipment maintenance schedules to ensure the normal operation of the equipment and facilities in the serviced area. We also make use of our information technology systems, such as the e-building automation systems to conduct real time monitoring of equipment and facilities.
- *Customer services.* Our ancillary services include, among other things, (i) handling customer complaints and suggestions and following up on the progress and feedback; (ii) concierge services; and (iii) community activities.

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Our Portfolio

We provide similar services to all types of properties in our portfolio. A substantial amount of properties in our current portfolio are complexes and residential properties. During the Track Record Period, we have also extended the coverage of our property management services from complexes and residential properties to office buildings, industrial parks and service halls. The table below sets forth a breakdown of our total GFA under management as at the dates indicated, as well as the respective number of managed properties, by the type of properties:

	As at 31 December				As at 31 March			
	2016		2017		2018		2019	
	Number of managed properties		Number of managed properties		Number of managed properties		Number of managed properties	
	GFA properties	GFA properties	GFA properties	GFA properties	GFA properties	GFA properties	GFA properties	GFA properties
	Sq.m.'000		Sq.m.'000	Sq.m.'000		Sq.m.'000		Sq.m.'000
Complexes ¹	7,210	37	9,106	52	10,892	69	11,037	70
– Residential complexes ²	6,552	31	8,448	46	10,123	62	10,268	63
– Non-residential complexes ³	658	6	658	6	769	7	769	7
Residential properties	3,507	18	4,014	19	3,995	20	3,995	20
Office buildings	36	1	529	4	606	5	606	5
Others ⁴	–	–	32	1	162	2	162	2
Total	10,753	56	13,681	76	15,655	96	15,800	97

Notes:

- (1) Complexes primarily include a combination of (i) residential properties; (ii) office buildings; and/or (iii) small shops located in communities.
- (2) According to F&S, residential complexes refer to those whose total GFA of residential properties under our management accounts for more than 80% of the total GFA of the complex.
- (3) Non-residential complexes generally refer to a combination of office buildings and small shops.
- (4) Others include industrial parks and service halls.

In terms of complexes, as at 31 December 2016, 2017 and 2018 and 31 March 2019, approximately 67.1%, 66.6%, 69.6% and 69.9% of the total GFA under our management are complexes, which primarily include a combination of (i) residential properties; (ii) office buildings; and/or (iii) small shops located in communities. Among the 37, 52, 69 and 70 complexes managed by us as at the respective dates, 31, 46, 62 and 63 of them are residential complexes, which, according to F&S, refer to those whose total GFA of residential properties within the complex accounts for more than 80% of the total GFA of the said complex. Approximately 90.9%, 92.8%, 92.9% and 93.0% of the GFA of such complexes are attributable to residential complexes.

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As a result of the foregoing, the total GFA of residential complexes and residential properties managed by us as at 31 December 2016, 2017 and 2018 and 31 March 2019 amounted to approximately 10.1 million sq.m., 12.5 million sq.m., 14.1 million sq.m. and 14.3 million sq.m., respectively, representing approximately 93.5%, 91.1%, 90.2% and 90.3% of the total GFA under our management as at the respective dates.

The table below sets forth the breakdown of our property management services revenue by type of properties for the periods indicated:

	For the year ended 31 December				For the three months ended 31 March			
	2016		2017		2018		2019	
	% of total revenue from property management services		% of total revenue from property management services		% of total revenue from property management services		% of total revenue from property management services	
	Revenue		Revenue		Revenue		Revenue	
	RMB'000		RMB'000		RMB'000		RMB'000	
Complexes ¹	107,346	74.8	129,918	66.2	173,133	66.1	50,002	69.9
– Residential complexes ²	98,668	68.7	119,351	60.8	154,728	59.1	45,008	62.9
– Non-residential complexes ³	8,678	6.1	10,567	5.4	18,405	7.0	4,994	7.0
Residential properties	36,177	25.2	59,398	30.3	67,256	25.7	15,975	22.3
Office buildings ⁴	–	–	5,539	2.8	18,279	7.0	4,949	6.9
Others ⁵	–	–	1,477	0.7	3,214	1.2	619	0.9
Total	143,523	100.0	196,332	100.0	261,882	100.0	71,545	100.0

Notes:

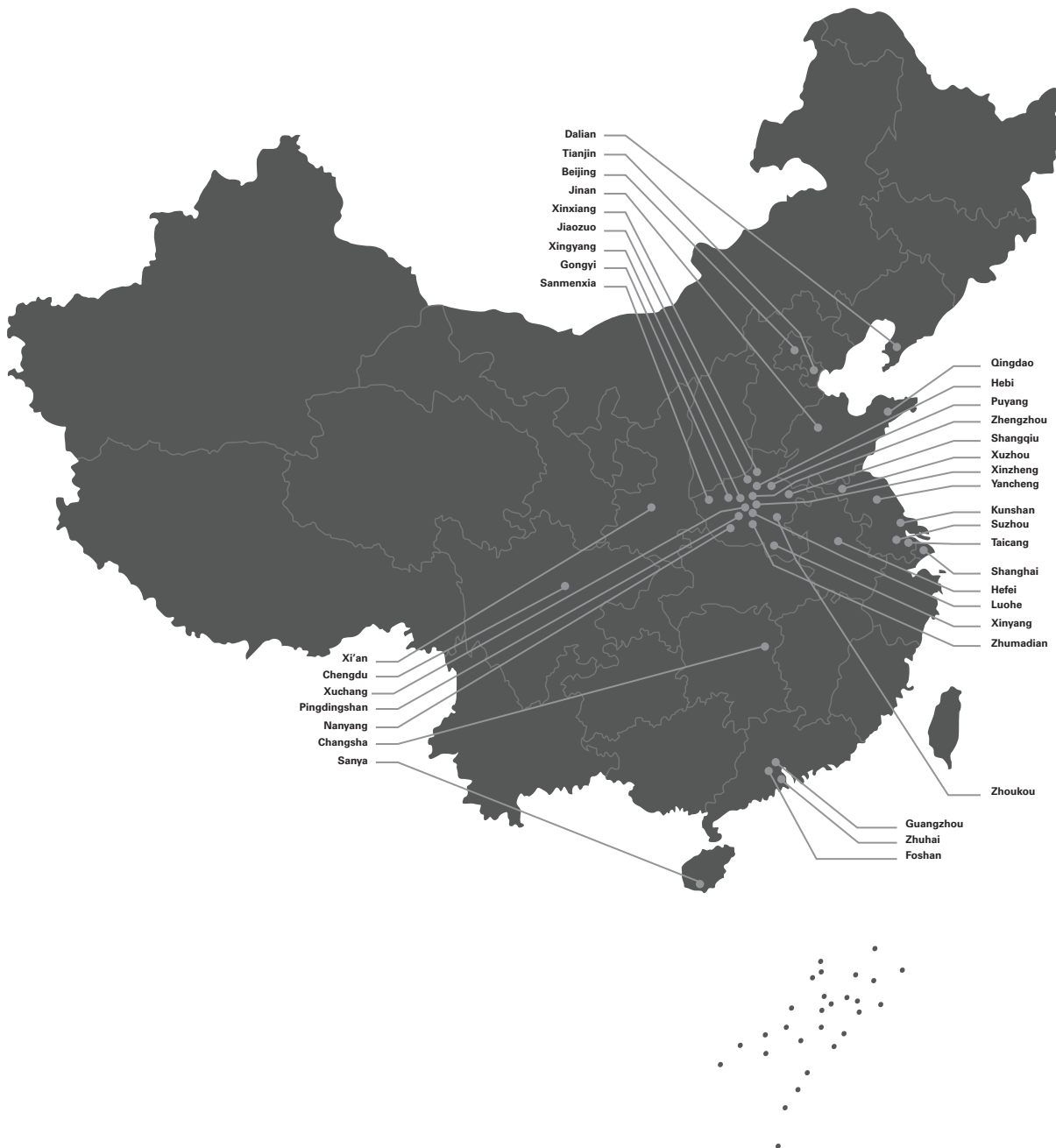
- (1) Complexes primarily include a combination of (i) residential properties; (ii) office buildings; and/or (iii) small shops located in communities.
- (2) According to F&S, residential complexes refer to those whose total GFA of residential properties under our management accounts for more than 80% of the total GFA of the complex.
- (3) Non-residential complexes generally refer to a combination of office buildings and small shops.
- (4) The office building under our management as at 31 December 2016 was handed over to us on 31 December 2016. As a result, no revenue was generated for the year ended 31 December 2016.
- (5) Others include industrial parks and service halls.

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The total revenue contributed by our managed residential properties and residential complexes for the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019 amounted to approximately RMB134.8 million, RMB178.7 million, RMB222.0 million and RMB61.0 million, respectively, representing approximately 94.0%, 91.0%, 84.8% and 85.2% of the total revenue from our property management services during the same period.

Our geographic presence

The map below illustrates our geographic presence (including properties under our management and those we are contracted to manage) as at 31 March 2019:



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When we were established, we primarily focused on managing properties located in Zhengzhou City of the Henan Province of the PRC. Over the years, we have expanded the coverage of our services to over 35 cities in 13 provinces, including Zhengzhou, Jinan, Xi'an, Chengdu, Suzhou, Beijing and Shanghai.

The table below sets forth a breakdown of the respective GFA of the properties we are contracted to manage and the number of contracted properties by geographic location as at the dates indicated:

	As at 31 December				As at 31 March			
	2016		2017		2018		2019	
	Number	Number	Number	Number	Number	Number	Number	Number
	of	of	of	of	of	of	of	of
	contracted	contracted	contracted	contracted	contracted	contracted	contracted	contracted
	GFA properties	GFA properties	GFA properties	GFA properties	GFA properties	GFA properties	GFA properties	GFA properties
	<i>sq.m.'000</i>	<i>sq.m.'000</i>	<i>sq.m.'000</i>	<i>sq.m.'000</i>	<i>sq.m.'000</i>	<i>sq.m.'000</i>	<i>sq.m.'000</i>	<i>sq.m.'000</i>
Central China ¹	9,395	51	15,366	80	19,047	102	21,595	107
Eastern China ²	4,375	20	4,546	21	5,067	27	5,135	28
Western China ³	1,145	3	1,336	4	1,463	5	1,701	6
Northern China ⁴	425	3	569	4	602	4	890	4
Southern China ⁵	150	1	150	1	150	1	696	4
Total	<u>15,490</u>	<u>78</u>	<u>21,967</u>	<u>110</u>	<u>26,329</u>	<u>139</u>	<u>30,017</u>	<u>149</u>

Notes:

- (1) Includes cities located in the Henan Province and the Hunan Province.
- (2) Includes cities located in the Jiangsu Province, the Anhui Province, the Shandong Province and Shanghai.
- (3) Includes cities located in the Sichuan Province and the Shaanxi Province.
- (4) Includes cities located in the Liaoning Province, Beijing and Tianjin.
- (5) Includes cities located in the Hainan Province and the Guangdong Province.

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The table below sets forth the breakdown of our property management services revenue by geographic locations for the periods indicated:

	For the year ended 31 December				For the three months ended 31 March			
	2016		2017		2018		2019	
	Revenue	% of total revenue from property management services	Revenue	% of total revenue from property management services	Revenue	% of total revenue from property management services	Revenue	% of total revenue from property management services
	<i>RMB'000</i>		<i>RMB'000</i>		<i>RMB'000</i>		<i>RMB'000</i>	
Central China ¹	64,377	44.9	89,367	45.5	128,145	48.9	36,774	51.4
Eastern China ²	60,985	42.5	74,993	38.2	86,268	32.9	23,181	32.4
Western China ³	13,820	9.6	23,752	12.1	36,548	14.0	8,616	12.0
Northern China ⁴	4,341	3.0	6,955	3.6	8,674	3.3	2,030	2.8
Southern China ⁵	–	–	1,265	0.6	2,247	0.9	944	1.4
Total	<u>143,523</u>	<u>100.0</u>	<u>196,332</u>	<u>100.0</u>	<u>261,882</u>	<u>100.0</u>	<u>71,545</u>	<u>100.0</u>

Notes:

- (1) Includes cities located in the Henan Province and the Hunan Province.
- (2) Includes cities located in the Jiangsu Province, the Anhui Province, the Shandong Province and Shanghai.
- (3) Includes cities located in the Sichuan Province and the Shaanxi Province.
- (4) Includes cities located in the Liaoning Province, Beijing and Tianjin.
- (5) Includes cities located in the Hainan Province and the Guangdong Province.

Growth of our property management services

As at 31 December 2016, 2017 and 2018 and 31 March 2019, we were contracted to manage a total GFA of approximately 15.5 million sq.m., 22.0 million sq.m., 26.3 million sq.m. and 30.0 million sq.m., which comprised of 78, 110, 139 and 149 properties, respectively. Among the properties we were contracted to manage as at 31 December 2016, 2017 and 2018 and 31 March 2019, 20, 40, 59 and 65 properties, or approximately 3.9 million sq.m., 8.4 million sq.m., 10.9 million sq.m. and 12.6 million sq.m. were developed by third party developers. During the Track Record Period, we have actively explored the market of properties developed by third party developers and have been successful in further diversifying our portfolio and customer base. As at 31 March 2019, approximately 42.1% of the GFA we were contracted to manage came from third party developers. During the year ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019, we have entered into preliminary property management services agreements with 11, 18, 20 and five new counterparties, all of which were third party developers. Since 31 March 2019 and up to the Latest Practicable Date, we have entered into agreements with ten new counterparties, all of which were third party developers.

Going forward, we intend to continue to diversify our portfolio by engaging more property management projects of properties developed by third party developers. We have implemented various measures in order to further diversify our customer base and to reduce our reliance on the Xinyuan Real Estate Group. For example, we will encourage our business development personnel to develop new third party customers and will motivate them by distributing a bonus in accordance with the revenue brought about as a result of such new engagements. Furthermore, as disclosed in the section headed “Future Plans and Use of Proceeds” in this prospectus, we plan to utilise approximately 45% of the net proceeds from the Global Offering in acquiring or investing in quality property management companies who has a regional scale of business operations. As it is anticipated such property management companies will be managing properties developed by third party developers, the Directors believe such acquisition or investment would further diversify our source of property management projects and further reduce its reliance on the Xinyuan Real Estate Group. We also plan to explore selective strategic investment, acquisition and joint venture opportunities. We believe these co-operation and acquisitions can increase our business scale, grow our revenue sources, enhance resources allocation and expand our geographic coverage. Based on the continuing increase in revenue generated from and GFA under our management of properties developed by third party developers, the Sole Sponsor and the Directors are of the view that the aforementioned measures have been, and will continue to be effective in reducing our reliance on the Xinyuan Real Estate Group. For more information, please refer to the subsection headed “– Business Strategies – Further Improving Our Service Quality and Expanding the Scale of Our Property Management Business and Geographical Reach” in this section.

Set out below is a breakdown of the movement of our contracted property management projects as well as the properties under our management in terms of GFA as at the dates indicated:

	2016			As at 31 December 2017			2018			As at 31 March 2019			From 1 April 2019 to Latest Practicable Date		
	GFA contracted sq.m.'000	Number of properties	GFA under management sq.m.'000	GFA contracted sq.m.'000	Number of properties	GFA under management sq.m.'000	GFA contracted sq.m.'000	Number of properties	GFA under management sq.m.'000	GFA contracted sq.m.'000	Number of properties	GFA under management sq.m.'000	GFA contracted sq.m.'000	Number of properties	GFA under management sq.m.'000
As at the beginning of the period	12,419	61	7,410	15,490	36	10,753	21,967	56	13,681	26,329	76	15,655	30,017	149	15,800
New property management services agreements entered into ¹	3,071	17	3,343	6,477	20	2,928	4,838	20	2,450	3,688	23	145	3,096	18	965
Terminations ^{2,3}	-	-	-	-	-	-	(476)	(3)	(476)	-	(3)	-	-	-	-
As at the end of the period	15,490	78	10,753	21,967	56	13,681	26,329	76	15,655	30,017	96	15,800	33,113	167	16,765

Notes:

- (1) These primarily include property management services agreements entered into with the property developers and/or the property owners of newly developed properties, as well as with property owners in communities that have terminated their previous property management companies.
- (2) These include our voluntary termination of the property management services agreements entered into with property developers and/or property owners' association as some of the relevant customers failed to discharge their payment obligations.
- (3) We terminated the property management services agreement for one residential property during the year ended 31 December 2018. Such property came under our management following our acquisition of Qingdao Xinyuan in February 2018. We terminated the agreement in September 2018 as the customer failed to discharge its payment obligations. As a result, such agreement was not shown in the table of movements above.

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During the year ended 31 December 2018, we terminated the property management services agreements in relation to four residential properties. Such agreements were entered into with third party developers and carried an aggregate contract sum payable of approximately RMB4.0 million. Some of them were terminated due to the failure of such customers to discharge their payment obligations. Our Directors have confirmed that our Group has no outstanding and unresolved claims from or against such customers subsequent to our voluntary termination of the relevant property management services agreements.

As at the Latest Practicable Date, we have entered into property management services agreements for a total of approximately 16.3 million sq.m., representing 56 properties to be delivered within the next three years.

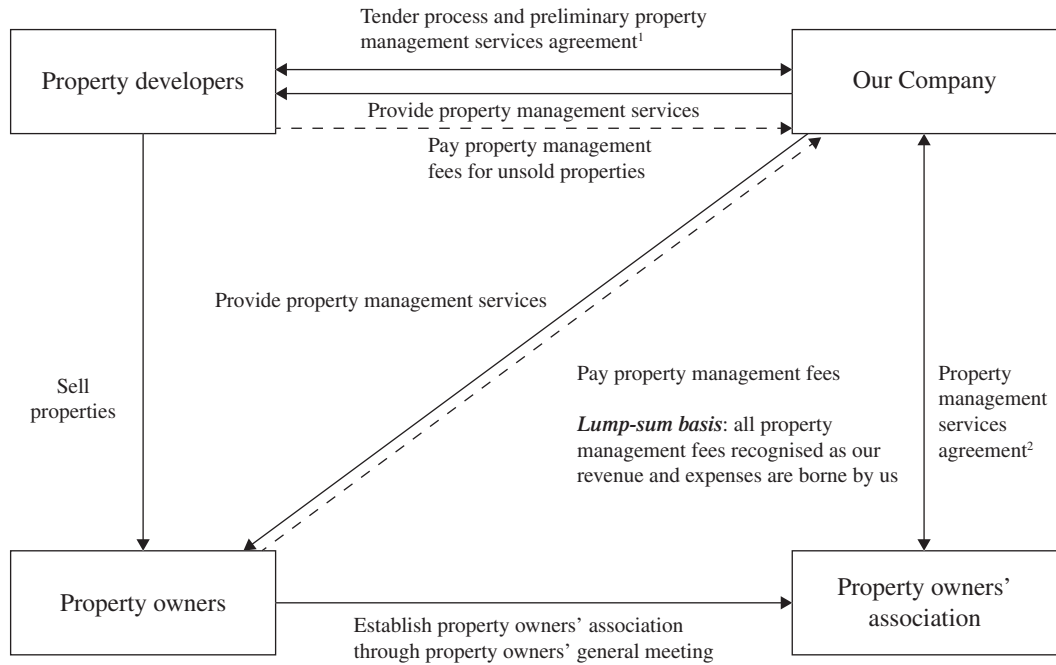
The table below sets forth the details of the expiry schedule of our property management services agreements as at 31 March 2019 in relation to properties that are under our management:

	GFA under management		
	With Xinyuan Real Estate Group as the counterparty	With third party developers as the counterparty	Subtotal
		<i>sq.m. '000</i>	
Property management services agreements without fixed terms	11,099	3,357	14,456
Property management services agreements with fixed terms ending during:			
The year ending 31 December 2019	223	445	668
The year ending 31 December 2020	111	177	288
The year ending 31 December 2021	306	82	388
Total			15,800

When we enter into negotiations with our customers in relation to the renewal of existing property management services agreements, we do not need to undergo the tender process. Throughout the Track Record Period, our average renewal rates for property management services agreements entered into with the Xinyuan Real Estate Group has been 100%, while that for property management services agreements entered into with third party developers were 100%, 100%, approximately 96%, for the years ended 31 December 2016, 2017 and 2018, respectively. Certain property management services agreements were terminated by us during the year ended 31 December 2018 as certain customers failed to discharge their obligations.

Property Management Fees

The following diagram illustrates our revenue model:



Notes:

- (1) A property developer can enter into a preliminary property management services agreement with us on behalf of property owners before the establishment of property owner's association and such agreement is legally binding on property owners.
- (2) The property owners can select to engage us through the property owners' general meeting. Once we are selected, the property owners' general meeting can authorise the property owners' association to enter into a property management services agreement with us on behalf of property owners and such agreement is legally binding on property owners.

During the Track Record Period, the property management fees of only one of our property management services agreements were determined on a commission basis, while those of all other property management services agreements were determined on a lump-sum basis. We consider this to be the industry norm, and according to F&S, the lump-sum basis is the dominant model in the property management services market.

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Lump-sum basis

Under the lump-sum basis, fixed amount and all-inclusive monthly, quarterly or semi-annual property management fees are charged by us in accordance with our pricing policy. We then either provide our property management services through our employees or through subcontractors engaged by us, depending on the nature of the services offered. During the Track Record Period, our average property management fees per sq.m. per month ranged from RMB1.71 to RMB2.02.

The table below sets forth a breakdown of the average management fees per sq.m. per month by type of developers for the periods indicated:

	For the year ended 31 December			For the three months ended 31 March
	2016	2017	2018	2019
	<i>Average property management fees per sq.m. per month (RMB)</i>			
Properties developed by the Xinyuan Real Estate Group	1.74	1.88	1.98	2.04
Properties developed by third party developers	1.50	1.58	1.64	1.96
Overall	1.71	1.82	1.90	2.02

The property management fees we charge are all negotiated on normal commercial terms or better, arm's length basis and commensurate with industry norms. During the Track Record Period, the average property management fees per sq.m. per month of properties developed by the Xinyuan Real Estate Group were higher than those of properties developed by third party developers. This is due to a combination of factors including (i) the geographical location of the properties; and (ii) our marketing concerns. Please refer to the subsection headed “– Property Management Services – Overview” in this section for more details.

We take into account a number of factors before we negotiate the property management fees with our counterparties, including but not limited to our labour and staff costs, subcontracting costs, costs of supplies and equipment, as well as our expected profit. As we charge a fixed sum under this fee model, our ability to make a profit is largely dependent on our effective cost control. In case our cost is higher than what we had initially expected, we are not entitled to require property owners and property occupants to pay us the shortfall and hence we may not be able to achieve a profit. For more information, please refer to the subsection headed “Risk Factors – We May be Subject to Losses and Our Profit Margins May Decrease If We Fail to Control Our Costs In Performing Our Property Management Services On A Lump-sum Basis” in this prospectus.

Commission basis

Under the commission basis, we charge a fixed percentage of the total property management fees payable by the property developers, property owners or property occupants. The remaining property management fees paid are then placed in a pool of funds from which expenses incurred through the property management process will be drawn. The property developers, property owners or property occupants have ownership rights to the surplus but they are also required to provide additional funds to the said pool shall there be a shortfall. During the Track Record Period, one of our property management services agreements was charged on a commission basis, and our commission is 5% of the total management fees payable therein.

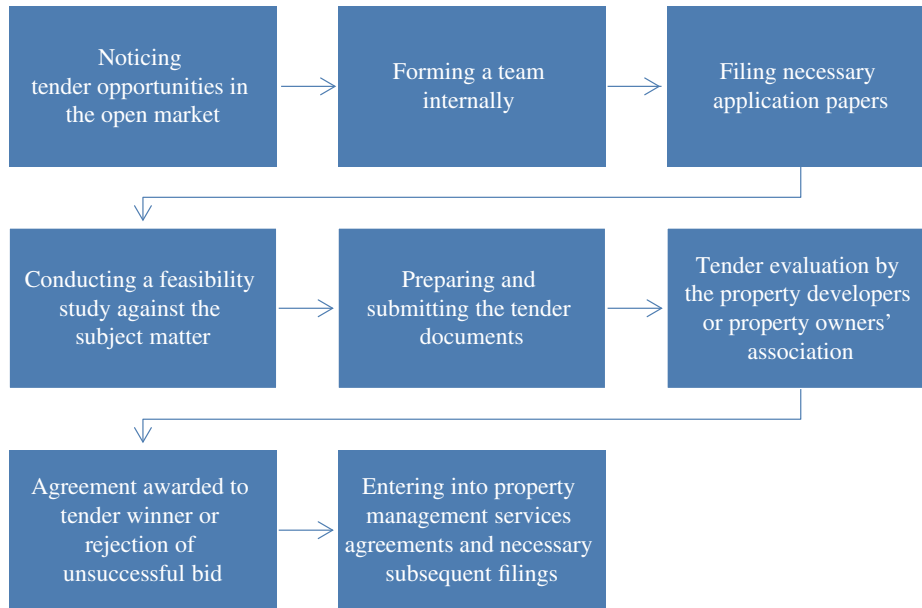
Tender Process

We select our customers based on their property portfolio, background and development timetable of the target properties. We conduct feasibility analysis and financial projections before taking on a new engagement, taking into account a variety of factors, such as the expected rate of return, features and size of the project, resources management and target customers.

Under relevant PRC laws and regulations, property developers are typically required to select property management companies through a bidding process for their residential properties and residential complexes projects. In circumstances where there are not enough bidders or the size of the residential property or residential complex is small, property developers are permitted to select property management companies without conducting any bidding process, subject to approval by competent PRC property administration authorities.

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The following flow chart illustrates the major stages involved in a typical tender process for us to obtain property management services agreements:



The tender process is largely the same for properties developed by the Xinyuan Real Estate Group and by third party developers. It begins with us noticing tender opportunities in the open market. After targeting a potential project, we would form a team in our investment and development department, which would file the necessary preliminary application papers. The team would then conduct a feasibility study against the subject matter. During the feasibility study process, parameters such as geographical location and expected cost of sales will be taken into account. Once the study is completed with a satisfactory result, we would prepare the tender documents setting out, among other things, a detailed price list of our chargeable items as well as a list of our cost of sales items. If we win the tender, we will then enter into property management services agreements with the counterparty and make necessary filings with the relevant government authorities.

The Xinyuan Real Estate Group considers a number of factors when evaluating tenders, which can mainly be split into two aspects namely (i) commercial capability (including proposed fees, cost analysis and sufficiency of manpower); and (ii) technical capability (implementation plan, management capability and equipment).

We believe our high customer satisfaction rate, reputable credentials, capital resources, diverse managed property portfolio, industry ranking and brand recognition, wide service offerings and long-time relationship help us secure the projects developed by Xinyuan Real Estate Group. For instance, our over 19 years of cooperation with the Xinyuan Real Estate Group has enabled us to understand their expected standards and quality of work. Our advanced information technology systems, “6S Service Standard” and standardised working procedures also made us stand out among competitors. During the Track Record Period, we won all the public tenders with respect to projects developed by the Xinyuan Real Estate Group for which

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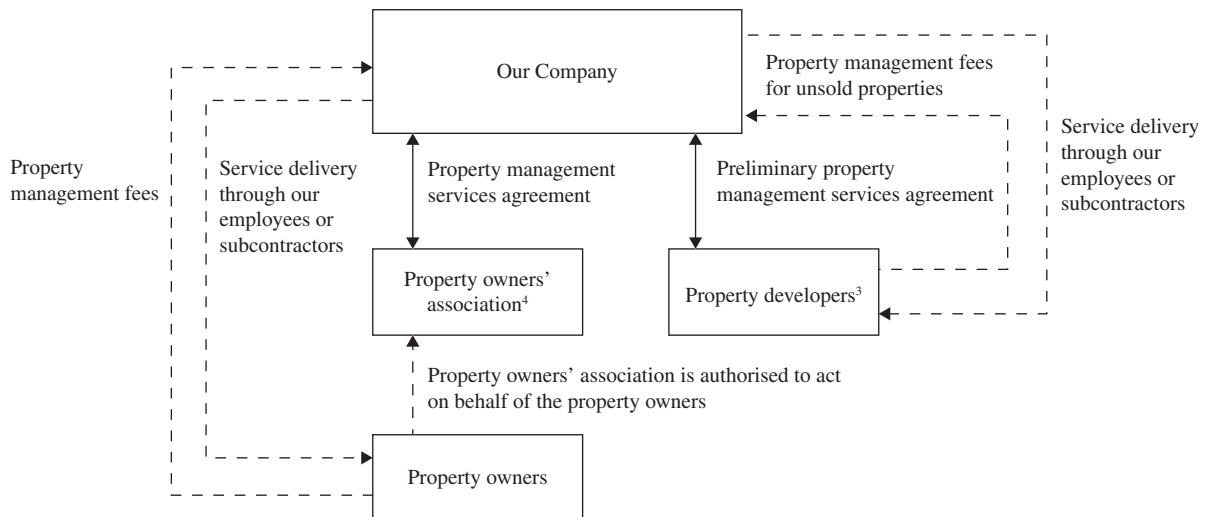
we submitted a tender. Going forward, our Directors are of the view that the risk of us not winning the public tenders or commercial negotiations in relation to properties developed by the Xinyuan Real Estate Group is low.

We also actively explored new engagement opportunities with third party developers. We have submitted 16, 6, 7 and 2 tenders for properties developed by third party developers for the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019, respectively. Our bidding success rate for properties developed by third party developers, which is calculated by dividing the number of public tenders with respect to properties developed by them that we won during the year by the total number of public tenders with respect to properties developed by third party developers in which we participated during the same period, was approximately 37.5%, 33.3%, 42.9% and nil for the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019, respectively.

All our other property managements during the Track Record Period are obtained through commercial negotiations with property developers.

Property Management Services Agreements

The following diagram illustrates our relationship with various contracting parties under our property management services agreements.



Notes:

- (1) Solid lines indicate binding agreements entered into between the parties.
- (2) Dotted lines indicate no agreements entered into between the parties.
- (3) Property developers enter into the preliminary property management services agreements with us. Such agreement is legally binding on the future property owners in accordance with applicable PRC laws and regulations.

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- (4) Property owners' association enters into the property management services agreements on behalf of property owners with us. Such agreement is legally binding on all property owners in accordance with applicable PRC laws and regulations.

We enter into property management services agreements with all our customers, being property developers for properties under development and property owners' association for properties already delivered. For properties under development, we enter into preliminary property management services agreements with property developers at the construction phase of the properties and such agreements will continue to be in force even when such properties are sold and delivered to property owners, until a property owners' association is formed and a new property management services agreement is entered into. It is not mandatory under applicable PRC laws and regulations that a property owners' association is established. The establishment of a property owners' association is subject to votes by relevant property owners in their general meetings, and such meetings shall be held upon application by the property owners constituting a quorum and under the guidance of relevant government authorities, as stipulated in the Property Law of the PRC (《中華人民共和國物權法》), the Regulation on Property Management (《物業管理條例》) and the Guidance Rules on Property Owners' Meeting and Property Owners' Association (《業主大會和業主委員會指導規則》). If we take over properties managed by another property management company, we will enter into property management services agreements with property owners' association on behalf of all property owners.

Salient terms of preliminary property management services agreements and property management services agreements

The table below summarises the key terms of (i) the preliminary property management services agreements entered into between us and the property developers; and (ii) the property management services agreements entered into between us and the property owners' associations:

	Preliminary property management services agreements	Property management services agreements
Scope of services	We agree to provide property management services, including cleaning and sanitation, safety and security, gardening, parking space management and facilities maintenance services, to common areas and facilities in the neighbourhood.	
Performance scope and standard	The agreement sets forth the scope of our property management services and the standard that we are expected to attain. It will also specify the areas where we need to provide our services as well as the time and duration expected of our services and responses, such as the time expected for our response to an urgent repair work request.	

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	Preliminary property management services agreements	Property management services agreements
Property management fees	<p>The preliminary property management services agreement sets out the property management fees payable, which is calculated based on the GFA owned. The service fee payable per parking space is also specified in the agreement. So long as the property remains unsold, the property developer is responsible for the payment of the property management fees. The property management fees are either payable monthly, quarterly or semi-annually. In case of late payment, we will charge an overdue penalty of a portion of the property management fees overdue.</p> <p>The property management fees under one of the preliminary property management services agreements are determined on a commission basis. Under such basis, we charge property owners and property occupants a fixed amount of property management fees per sq.m., among which a fixed percentage will be charged by us as our commission.</p>	<p>The agreement sets out the property management fees payable, which is calculated based on the GFA owned. The service fee payable per parking space is also specified in the agreement. The property management fees are either payable monthly, quarterly or semi-annually. In the case of late payment, we will charge an overdue penalty of a portion of the property management fees overdue.</p>
Obligations of property developers or property owners' associations	<p>The property developer or property owners' association is required to provide office premises to us.</p>	

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	Preliminary property management services agreements	Property management services agreements
Terms of service	The preliminary agreements generally do not have a fixed term of service and will continue to be in force until a property owners' association is established and enters into a new property management services agreement. However, it is stipulated that such preliminary agreements will automatically be terminated upon the property owners' association entering into a property management services agreement with another new property management company.	The property management services agreements generally contain an automatic renewal clause and have a fixed term of three years.
Termination rights	The agreements are generally voluntarily terminable by a party serving a three-month prior written notice on the counterparty at their expiry.	
Mechanism for determining renewal price	The agreements generally do not contain a mechanism for determining the property management fees. Please refer to the subsection headed "Property Management Services – Pricing Policy" for more details about the property management fees adjustment process.	
Dispute resolution	Both parties are typically required to resolve any contractual disputes through friendly negotiations prior to resorting to litigation or mediation.	

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Once the properties are delivered to property owners, they may form and operate a property owners' association. It is not mandatory under applicable PRC laws and regulations that a property owners' association is established. The establishment of a property owners' association is subject to votes by relevant property owners in their general meetings, and such meetings shall be held upon application by the property owners constituting a quorum and under the guidance of relevant government authorities, as stipulated in the Property Law of the PRC (《中華人民共和國物權法》), the Regulation on Property Management (《物業管理條例》) and the Guidance Rules on Property Owners' Meeting and Property Owners' Association (《業主大會和業主委員會指導規則》). The property owners' associations also have the power to hire or dismiss property management companies by vote from both (i) more than half of the property owners; and (ii) property owners who own over half of the delivered GFA at the property owners' meeting. The property owners' association may hire a new property management company through a tender process.

Under the applicable PRC laws and regulations, a property owners' association represents the interest of property owners in matters concerning property management and its decision is binding on all property owners. Any agreements entered into between the property owners' association and a property management company are valid and legally binding on all property owners, irrespective of whether or not the said property owners are a party to such agreement. As a result, since we enter into property management services agreements with property owners' associations, the property owners are under a legal obligation to pay property management fees to us, and we have a legal right to claim from them if they fail to do so. Further, when the property developers enter into property sale and purchase agreements with property owners, we typically attach the preliminary property management services agreements to the property sale and purchase agreements to ensure that the property owners are aware of and undertake to comply with it, and to highlight to the property owners their legal obligations to comply with the preliminary property management services agreements. As required under the applicable PRC laws and regulations, property owners should settle all outstanding property management fees prior to selling their properties.

Pricing Policy

Since almost all our property management fees were charged on a lump-sum basis (with the exception of one property management services agreement, under which the property management fees were charged on a commission basis, please refer to the subsection headed “–Property Management Services – Property Management Fees” in this section for more information) during the Track Record Period, our pricing policy is not directly proportionate to the total GFA under our management. We are typically appointed as the property management company through a tender process or through commercial negotiations. When we bid for a new engagement, we generally price our services based on a number of factors, including (i) the size, location and positioning of the properties to be sold, (ii) budgeted operational expenses (including but not limited to labour, materials and administrative expenses), (iii) scope and quality of the services proposed, (iv) revenue generating model and targeted profit margins, (v)

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local government's pricing guidance/regulations on property management fees (where applicable), (vi) pricing of comparable properties, and (vii) evaluation of our competitors' pricing.

In the PRC, the fees that property management companies may charge in connection with property management services provided to residential properties are regulated and supervised by relevant PRC authorities. The relevant price administration department and construction administration department of the State Council are jointly responsible for the supervision over and administration of the property management fees. The government-imposed limits on fees have, to certain extent, had an effect on our results of operations during the Track Record Period, as we may not at all times have the flexibility to adjust our pricing in response to rising operating costs. As a result, we have adopted other measures, such as cost control and revenue source diversification through our other businesses, such as value-added services to property owners and property occupants, to maintain our profitability. Please refer to the subsection headed "Regulatory Overview – Fees Charged by Property Management Enterprises" in this prospectus for more details.

When the residential properties have reached the delivery stage, we receive property management fees from owners of sold property units which are generally calculated based on the size of the unit and the nature of the area, such as residential areas, retail areas and car parks. Property developers are obliged to pay us property management fees for unsold properties. Our pricing policy for different types of properties is the same.

We review and evaluate our property management fees charged regularly and compare them against our financial performance to ensure our targeted profit margins can be sustained and to assess whether we should revise the property management fees charged when we renew our property management services agreements.

We may increase our property management fees from time to time. For properties that have yet to establish a property owners' association, there is no specific process under applicable PRC laws for raising property management fees. For properties that have established a property owners' association, if we wish to adjust our property management fees prior to the expiration of the property management services agreements, we negotiate with property owners' associations for the increase in property management fees. Furthermore, upon expiration of the fixed term property management services agreements, we may re-negotiate our property management fees with property owners' associations.

In addition to the above, we have formulated an internal policy in relation to the adjustment of our property management fees. According to such policy, the property management office of the relevant property will initiate a meeting between property owners and ourselves, in which we propose an adjustment to the property management fees and seek approval from property owners. Once a proposed adjustment figure is agreed upon, we will hold a meeting where all property owners in that community are invited to attend and vote. The adjustment proposal will become effective when approved by both (i) more than half of the property owners; and (ii) property owners who own over half of the delivered GFA of such

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property, and we may enter into a supplemental property management services agreement (in the case where the previous agreement has not expired) or a new property management services agreement (in the case where the previous agreement has expired).

For the respective pricing policy of our value-added services and our pre-delivery and consulting services, please refer to the subsections headed “– Value-added Services” and “– Pre-delivery and Consulting Services” in this section.

Payment and Credit Terms

In accordance with our property management services agreements, we charge our property management fees either monthly, quarterly or semi-annually. Property management fees are due for payment by property owners upon the issuance of a payment notice. We typically require property owners or property occupants to prepay their property management fees. Once property management fees fall overdue, we will first issue a demand letter to our customers. If our customers still fail to settle the fees, we may engage third parties to help us collect the fees or resort to litigation.

We accept payment for property management fees through bank transfer, cash payment, and through a series of online payment platforms such as WeChat Pay and Alipay. To ensure the timely collection of our property management fees, we notify property developers, property owners and occupants by utilizing various method such as (i) posting notices prior to the due date; and (ii) attending to their properties and reminding them about the overdue fees. When property management fees are overdue for a certain period, we may engage third parties to help us collect the fees or resort to litigation.

For the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019, our collection rates of property management fees, calculated by dividing the property management fees we actually received by the total property management fees payable to us for the same periods, were approximately 89.5%, 84.9%, 86.2% and 69.3%, respectively.

VALUE-ADDED SERVICES

We offer a wide range of value-added services (i) to property owners and property occupants to improve their living standard as well as living experience; and (ii) to property developers. The services offered primarily include (i) utility fee payment services; (ii) common area resources management; (iii) home living services; and (iv) property cleaning and property delivery services.

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The table below sets forth a breakdown of the revenue generated from our value-added services by property developers for the relevant year/ periods:

	For the year ended 31 December				For the three months ended 31 March			
	2016		2017		2018		2019	
	Revenue <i>RMB'000</i>	Percentage of revenue from value-added services %	Revenue <i>RMB'000</i>	Percentage of revenue from value-added services %	Revenue <i>RMB'000</i>	Percentage of revenue from value-added services %	Revenue <i>RMB'000</i>	Percentage of revenue from value-added services %
Properties developed solely by the Xinyuan Real Estate Group	46,652	99.7	55,851	98.2	74,061	95.4	19,582	93.5
Properties developed solely by third party developers	150	0.3	1,035	1.8	3,592	4.6	1,369	6.5
Total	46,802	100.0	56,886	100.0	77,653	100.0	20,951	100.0

The demand for and the outcome of our value-added services do not wholly depend on the GFA under our management. Factors such as the geographical locations of the properties, needs for additional services and the mix of property owners and/or property occupants contribute to the outcome of our value-added services. For instance, properties developed by third party developers and under our management are mainly located in tier-3, tier-4 or lower tier cities, leading to a relatively lower demand for our value-added services. As a result, for the three months ended 31 March 2019, only approximately 6.5% of our value-added services revenue came from properties developed solely by third party developers. Our Directors believe that our effort in expanding the reach and scale of our value-added services would enable us to continue the increasing trend of our value-added services revenue generated from properties developed by third party developers in the future.

Utility fee payment services

In contrast with residential units where each of them have individual water and electricity meters, certain areas such as small shops in the properties under our management do not have a dedicated water or electricity meter for the utility companies to keep track of the consumption level for the purpose of calculating utility fees. As a result, occupants of such areas are required to share our meters. We pay utility fees such as those for water and electricity to government

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utility companies mainly on behalf of shop owners who are property occupants in the properties under our management. We profit by adopting a cost-plus-margin approach on the utility fees paid.

For the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019, revenue generated from the provision of our utility fee payment services to property owners or property occupants amounted to approximately RMB6.9 million, RMB6.9 million, RMB11.4 million and RMB5.2 million, respectively.

Common area resources management

We assist property occupants as users in managing common area resources so that they can enjoy and utilise such resources. Such resources primarily include (i) visitors' parking spaces; (ii) gym rooms; and (iii) advertisement areas. We charge the users of such resources a pre-agreed fee for the management of common area resources. The services provided under our common area resource management differ from our property management services. For instance, we manage and ensure the up-keeping of visitors' parking spaces under our common area resource management, while we provide property management services to parking spaces used by property owners and/or property occupants. The management and maintenance services as part of our value-added services provided to gym operators refer to those targeted at the gym rooms' facilities such as water pipes and electric wires, while as part of our property management services, we manage and up-keep the gym rooms for property owners and/or property occupants, who have an option to use (at a fee) or not use the gym rooms.

The table below sets forth a breakdown of the revenue from our common area resources management by types of customers:

	For the year ended 31 December			For the three months ended
	2016	2017	2018	31 March 2019
	RMB'000			
The Xinyuan Real Estate Group	3,007	3,373	4,318	1,055
Property occupants	27,590	35,702	40,952	9,983

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Salient terms of agreements for our common area resources management

The table below summarises the key terms of agreements for our common area resources management entered into between us and the relevant users:

	Advertisement area	Swimming pools and gym rooms
Scope of agreement and performance scope	We provide management service for users to use common areas for advertisement purposes. The agreement sets forth the rights and obligations generally for us to supervise and to provide assistance for the users to access to the common areas for installation and maintenance of advertisements display.	We agree to provide the counterparty with management and maintenance services in relation to common area facilities such as water pipes and electric wires.
Service/rental fees	The service fees are generally payable on a quarterly, semi-annual or annual pre-agreed basis.	Fees are pre-agreed annual fee and payable semi-annually.
Terms of agreements	The terms of agreements range from six months to two years. The parties to the agreement have a priority to renew under the same conditions of the preceding agreement.	The terms of agreement are generally three years and the counterparty has a priority to renew under the same conditions of the preceding agreement.
Termination rights	The agreements are generally terminable upon occurrence of force majeure events.	No termination rights unless the contractual term are violated.
Dispute resolution	Both parties are typically required to resolve any contractual disputes through friendly negotiations. All disputes shall be resolved in local courts, if negotiations are unsuccessful.	

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Home living services

Our home living services include (i) household repair services; (ii) groceries ordering and delivery services; and (iii) other services.

- *Household repair services.* From time to time, household appliances or fixtures may fall into disrepair and property owners and property occupants may request us to assist in the restoration of such. Our services are provided through our employees and subcontractors depending on the type of services requested, and a separate fee will be agreed with the property owner or property occupant beforehand.
- *Groceries ordering and delivery services.* Property owners or property occupants may order necessities and groceries such as bottled water and local delicacies offered by third party merchants through our “Xinyuan-E-Jia” mobile application. When we receive the order, we will buy from third party merchants, gather the ordered goods and deliver to the designated premises. We only charge property owners or property occupants the retail value of the goods ordered and delivery is free of charge.
- *Other services.* We provide customised services to property owners and property occupants with reference to their feedbacks. For example, during the Track Record Period, we offered (i) underfloor heating maintenance services; and (ii) electric cars charging station application and installation services to our customers.

The table below sets forth a breakdown of the revenue from our home living services by types of developers for the periods indicated:

	For the year ended		For the	
	31 December		three months	
	2016	2017	2018	ended
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	31 March
				2019
				<i>RMB'000</i>
Properties developed by the Xinyuan Real Estate Group				
– property owners and property occupants	7,461	9,534	9,878	2,053
Properties developed by third party developers				
– property owners and property occupants	36	216	1,851	518

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Salient terms of agreements for our other services

The table below summarises the key terms of agreements for some of our other services entered into between us and the counterparties:

	Underfloor heating cleaning and maintenance	Electric car charging stations
Scope of agreement	Service providers agree to provide us with services such as cleaning and maintaining the underfloor heating system.	We agree to purchase electric car charging stations, stored-value cards and installation services.
Cleaning and maintenance fees/purchase price	Cleaning fees are charged at a pre-agreed price per sq.m. and maintenance fees are subject to the condition of the heating system. We receive a percentage of the cleaning and maintenance fees as our fees for each completed service.	We agree to pay for the electric car charging stations within 12 months and we shall receive a prescribed amount of the charging fees received per day through the use of such charging stations
Rights and obligations	We have the right to supervise our service providers' work. We also agree to provide reasonable access for workers to discharge their duties. The service fee is received by us on behalf of the subcontractor and we will pay our subcontractor after the completion of the service.	The manufacturer agrees to provide free warranty of three years after the completion of inspection.
Term of agreement	Term of agreement is around two months.	The agreement is a one-time purchase agreement with a three-year warranty period.
Termination rights	The agreement does not specify any terminable rights.	

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	Underfloor heating cleaning and maintenance	Electric car charging stations
Dispute resolution	Both parties are required to resolve any contractual disputes through friendly negotiations. All disputes shall be resolved in local courts, if negotiations are unsuccessful.	Either parties may resolve the disputes in local courts.

Property cleaning and property delivery services

We started actively providing property cleaning and property delivery services to the properties developed by the Xinyuan Real Estate Group in 2018. We are responsible for cleaning the properties prior to their delivery and we profit by adopting a cost-plus-margin approach. Further, during the delivery stage, we may assist in the inspection of such properties and provide customer relation services. For the year ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019, the revenue generated from our property cleaning and property delivery services provided to the Xinyuan Real Estate Group amounted to approximately RMB1.2 million, RMB0.2 million, RMB3.3 million and RMB0.6 million, respectively.

Salient terms of agreements for our property cleaning services

Scope of agreement and performance scope	We provide cleaning services prior the delivery of the properties. We are also responsible for clearing any garbage that is left on the premises.
Service fees	The services fees are pre-agreed.
Terms of agreements	The agreements are one-off service agreements.
Termination rights	The agreements are generally terminable when we are unable to rectify our shortcomings within a prescribed period after being notified in writing by the counterparty.
Dispute resolution	Both parties are required to resolve any contractual disputes through friendly negotiations. All disputes shall be resolved in local courts, if negotiations are unsuccessful.

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PRE-DELIVERY AND CONSULTING SERVICES

We offer tailored pre-delivery and consulting services primarily to property developers (i) to enhance the competitiveness of the properties developed; and (ii) to provide assistance towards the promotion and selling of the properties developed by them. Pre-delivery services include providing sales assistance services, for instance (i) property sales venues management services; and (ii) property sales venue “warm-up” services, to property developers at the pre-delivery stage of the relevant property or when the property is put onto the market for sale. Consulting services include (i) advising property developers at the early and construction stages of a property on project planning, design management and construction management to enhance its functionality, comfort and convenience; and (ii) referral and management services provided to property developers for unsold properties.

The table below sets forth a breakdown of the revenue generated from our pre-delivery and consulting services by revenue source for the relevant year/periods:

	For the year ended 31 December						For the three months ended 31 March	
	2016		2017		2018		2019	
	Revenue RMB'000	Percentage of revenue from pre-delivery and consulting services %	Revenue RMB'000	Percentage of revenue from pre-delivery and consulting services %	Revenue RMB'000	Percentage of revenue from pre-delivery and consulting services %	Revenue RMB'000	Percentage of revenue from pre-delivery and consulting services %
The Xinyuan Real Estate Group	36,777	97.7	41,076	94.4	45,532	84.6	14,036	86.3
Third party developers	849	2.3	2,425	5.6	8,262	15.4	2,225	13.7
Total	37,626	100.0	43,501	100.0	53,794	100.0	16,261	100.0

Sales assistance services

For the purpose of selling properties developed, property developers in the PRC usually set up a sales office that contains, among other things, a bird-view map of the community, display units, as well as a team of sales representatives. The sales office may be set up when the relevant property is still under development or after its development, and is usually located within the residential community under development and aims to offer potential buyers a brief feel of what the community and the apartments look like. The services we provide include the setting up, cleaning, visitor management, security, parking service, gardening, up-keeping of display units. Occasionally, in the early days after the setting up of the sales office, we organise

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different kinds of performances taking into account the sales needs to “warm-up” the venue with a view to increase visitor flow and boost the sales.

The table below sets forth a breakdown of the revenue from our sales assistance services by types of customers:

	For the year ended 31 December			For the
	2016	2017	2018	three months ended 31 March 2019
	<i>RMB'000</i>			
The Xinyuan Real Estate Group	24,728	22,638	29,830	10,857
Third party developers	711	1,571	7,311	2,011

Salient terms of agreements for our sales assistance services

The table below summarises the key terms of agreements for our sales assistance service, which include those for (i) sales venue management services; and (ii) property sales venue “warn-up” services”, entered into between us and the property developers:

(1) Sales venue management

Scope of agreement	We agree to provide sales venue management services, for instance providing security personnel (only for the properties for which we have entered into preliminary property management services agreements), fire alarm systems, cleaning services, facilities maintenances and property sales seminars.
Rights and obligations of property developers	Property developers have the rights to inspect and supervise our sales venue management service, to suggest replacing underperforming employees, and they have the obligation to pay the pre-agreed fees.
Our rights and obligations	We agree to provide quality management services, such as providing employee training and ensuring sufficient number of employees for the provision of services.
Service fees	The agreement sets out annual lump sum management service fees. The agreement also sets out a monthly material consumption fee.
Terms of agreement	The terms of agreements are generally one year.

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Termination rights The agreements are generally terminable when we are unable to discharge our contractual duties within ten days after the pre-agreed date, and either party may terminate the agreement if the counter party fails to meet a prescribed standard.

Dispute resolution Both parties are required to resolve any contractual disputes through friendly negotiations. All disputes shall be resolved in local courts, if negotiations are unsuccessful.

(2) *Property sales venue “warm-up” services*

	“Warm-up” services	“Warm-up” services supplies
Scope of service and performance scope	We agree to decorate the venue and produce custom-made gifts. We also agree to plan, organise and execute “warm-up” events.	We agree to purchase supplies for the “warm-up” activities.
Our rights and obligations	We shall efficiently and effectively provide quality services that meets the prescribed standard.	We are required to deliver the supplies to the designated venue in accordance with the contracted quantity, type and amount.
Service fee	The service agreements set out a pre-agreed lump-sum service fee.	
Terms of agreement	The term of the agreements varies, depending on the nature of the events.	The agreement is a one-off engagement.
Termination rights	Property developers have the right to terminate the agreement if we breach the contractual terms.	Property developers have the right to terminate the agreement if we fail to deliver the supplies twice. Property developer may also terminate the agreement if the quality of the supplies falls below standard.
Dispute resolution	Both parties are required to resolve any contractual disputes through friendly negotiations. All disputes shall be resolved in local courts, if negotiations are unsuccessful.	

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Our fees under this type of service is determined based on a cost-plus-margin pricing model. Pursuant to the service agreements entered into with property developers, our services provided must conform to a certain standard, and the property developers are responsible for providing the necessary venue and equipment for the discharge of our responsibilities. We provide our services through our employees as well as our subcontractors.

Early involvement services

During the Track Record Period, property developers have engaged us to leverage our expertise in the property management industry as well as our experience in interacting with end-users in the early stage of their development. The services we provide include reviewing blueprints and construction planning documents, attending on-site inspections during the early construction stage and advising the property developers on the expected needs of end-users, such that property developers can try their best to accommodate to these needs during the construction phase. The areas that we assess include apartments, individual units, common areas, basements, as well as facilities located in the community. We may conduct follow-up visits to the construction sites to ensure proper execution of the agreed plan.

The table below sets forth a breakdown of the revenue from our early involvement services by types of customers:

	For the year ended 31 December			For the three months ended 31 March
	2016	2017	2018	2019
	<i>RMB'000</i>			
The Xinyuan Real Estate Group	9,978	11,139	10,796	1,324
Third party developers	97	–	50	–

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Salient terms of agreements for our early involvement services

The table below summarises the key terms of agreements for early involvement services entered into between us and the property developers:

Scope of service and standard	We agree to advise property developers at the early construction, selling, inspection and delivering stages on project planning, design management, management quality standard and estimate management fees, including dispatching relevant technicians and management personnel.
Rights and obligations of property developers	Property developers have the rights to inspect and supervise our consultation services, and shall provide operational premises to us.
Our rights and obligations	We agree to review early stage blueprints, undertake on-site inspection and flat inspection services prior to the delivery of properties.
Service fee	The consultation fees are calculated based on the GFA of the type of properties.
Terms of agreement	The agreements commence on their signing up to the delivery of the properties.
Termination rights	We have the right to terminate the agreement, if property developers fail to let us discharge our duties. Property developers also have the right to terminate the agreement if we fail to rectify the issue as requested by them.
Dispute resolution	Both parties are required to resolve any contractual disputes through friendly negotiations. All disputes shall be resolved in local courts, if negotiations are unsuccessful.

Our service fees are determined based on the GFA of the property. We provide our services through our employees.

Referral and management services

We provide referral and management services for unsold properties in the properties we manage. These properties are mainly unsold parking spaces and basements owned by the property developers. We recommend these properties to the existing property owners or property occupants living in the properties under our management. If they are interested in purchasing these properties, we refer them to the relevant property developers for them to further negotiate and enter into sale and purchase agreements directly. We are also responsible for the upkeep of such unsold properties. We charge a fixed rate commission fee for our referral and management services for unsold properties based on the aggregate sale price of the relevant sales transactions concluded by the property developers, over a period of time.

For the year ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019, all revenue generated from our referral and management services are from the Xinyuan Real Estate Group, which amounted to approximately RMB2.1 million, RMB7.3 million, RMB4.9 million and RMB1.9 million, respectively.

Salient terms of agreements for our referral and management services

The table below summarises the key terms of agreements for referral and management services entered into between us and the property developers:

Scope and standard of service	We agree to provide referral and management services to property developers for unsold properties. We are also responsible for the upkeep of such unsold properties.
Referral fee	The agreements set out a fixed rate commission fee for our referral and management services for unsold properties based on the final sale price.
Terms of agreement	The terms of agreements are generally one year to two years.
Termination rights	The agreements are generally automatically terminable at the end of their terms and either party shall not unilaterally terminate the agreement unless the other party is in breach. Property developers may terminate the agreement if we fail to perform our contractual obligations. We may also terminate the agreement if property developers has failed to perform their contractual obligations, failed to deliver relevant information or failed to pay us the required commission fee.
Dispute resolution	All disputes shall be resolved in local courts, if negotiations are unsuccessful.

OUR INFORMATION TECHNOLOGY SYSTEMS AND MOBILE APPLICATION

We utilise various information technology systems and mobile application, namely the CRM System, the OA System, the “Conbow Robot” (慷寶機械人) and the “Xinyuan-E-Jia” mobile application during our daily operations to increase our work efficiency, reduce our reliance on manual labor and staff cost, as well as to enhance our competitive strength. Set out below are overviews of the abovementioned information technology systems and mobile application:

CRM System

Design

The CRM System is designed for managing our employees. It is a system capable of receiving and handling management tasks, complaints, enquiries, suggestions and other related tasks requested by property owners or property occupants. The CRM System also allows our management to schedule monthly or weekly agenda and allocate tasks for other staff members to follow up. It is also a training portal for our employees to attend mobile learning courses. Further, the CRM System serves as an occurrence book assisting security guards to perform their patrolling duties.

Features

“400 CS Center”: Property owners or property occupants can file complaints, make enquiries, provide suggestions and request other management services through making a phone call to the “400 CS Center”. After the customer service representative inputs the requests into the CRM System, it distributes and assigns the orders to relevant staff members accordingly. These staff can choose to process the requests through the employee end of the system.

Employees can sign in or sign out for work through the CRM System, and requests from property owners or property occupants are assigned accordingly. When employees process such requests, they are required to make remarks of the progress and upload photos to the CRM System. Property owners or property occupants can rate them afterwards.

Management agenda: The aim of this system is to provide real-time control function to management team to supervise different departments of our Company. Our management team can schedule or edit any monthly or weekly plans through the CRM System. Managers can review or revise these plans where needed.

Security function: Security personnel on our managed properties can schedule patrolling routines, routes and personnel through the CRM System. Security guards are required to follow these scheduled plans and check in at the checkpoints located along the scheduled routes by scanning QR codes through the CRM System. Security guards can also record and make reports upon discovering unusual occurrences on the properties.

OA System

Design

The OA System is an office automation system that creates and stores office information and data for accomplishing tasks and goals. The Juzhouyun CC feature contained within is an instant messaging system for our internal communicating purpose.

Features

Juzhouyun OA: All internal operations, applications, requests and working schedules viewing are made through this system. The system is divided into all sorts of categories, such as personal, finance, business, administration, human resource, legal, operation and investment. Our staff members make applications and requests through the system, for instance request for personal leave and reimbursement.

Juzhouyun CC: This application is for communication and collaboration purposes. It operates on both mobile phones and personal computers. Our employees use this application to communicate internally by sending text and voice messages, documents and pictures. This application is also able to collaborate with Juzhouyun OA for performing office automation functions on mobile phones and receiving notifications, such as date and time for meetings, email, news, and notices.

“Xinyuan-E-Jia” mobile application

Design

“Xinyuan-E-Jia” is a mobile application for property owners or property occupants to order necessities and groceries. “Xinyuan-E-Jia” also offers property management services, provides news and community updates.

Features

Online shopping: Property owners or property occupants place orders through “Xinyuan-E-Jia”. We only charge property owners or property occupants the retail value of the goods ordered and delivery is free of charge.

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Property management services: “Xinyuan-E-Jia” allows property owners or property occupants to request maintenance and repairing services, make complaints and suggestions.

“Conbow Robot” (慷寶機械人)

Design “Conbow Robot” is a smart home device. It has a built-in touchscreen display, a front-facing camera, microphone and speakers. The user interface is interacted through its touchscreen display or by voice control.

Features “Conbow Robot” is mainly used as a personal home assistant to gain access to a variety of services, such as access to health services, access to information, access to domestic services, and control of home appliances.

Property management services: Users can receive alerts and settle property management fees through the online system on “Conbow Robot”. It also provides instant community support by serving as a bulletin board displaying management notices and other community updates.

Health services: “Conbow Robot” provides daily health related news and information, emergency dial, placing medication orders and delivery, managing patient’s health profiles, medication alerts and conducting online health diagnosis.

Information provider: “Conbow Robot” is an information hub providing educational information, financial information and services, daily news, weather reports, entertainment information and other social updates.

Home appliance controller: The housekeeping function of “Conbow Robot” controls the major types of smart home appliances. These home appliances include lighting systems, music player systems, security devices, kitchen appliances and dust detector systems.

As confirmed by our Directors, taking into account that our Group is not responsible for the design, operation and marketing of “Conbow Robot” and has not obtained any revenue therefrom, our Group is thus not supposed to be required to obtain any licenses for the use of the “Conbow Robot”.

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OUR BRANDS

We market and provide our services primarily under the brand “Xinyuan” (鑫苑), which serves as a general reference of the standard that can be expected from our work. The “Xinyuan” (鑫苑) brand, together with our service motto of “high price to performance ratio, high customer satisfaction, excellent service enjoyment” (高性價比–高滿意度–高服務體驗) and our “XIN 3.0” service model aim at catering our customers’ needs and providing them with excellent service. Since our establishment, we endeavor to increase the intrinsic value of our brand by further diversifying our brand into “Xinyuan” (鑫苑), “Yueshenghang” (悅晟行) and “Chengzhihang” (誠至行).

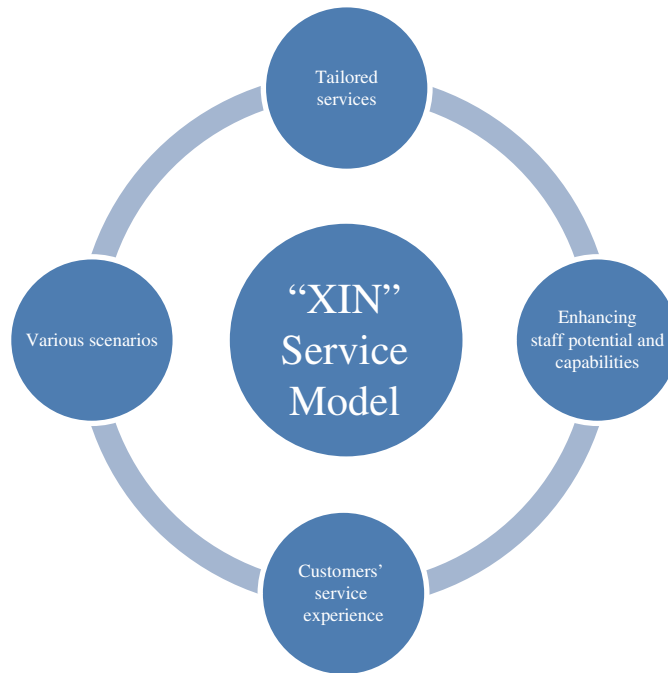
The table below sets forth details of our three brand names:

Brand Name	“Xinyuan” (鑫苑)	“Chengzhihang” (誠至行)	“Yueshenghang” (悅晟行)
Target Customers	Those with mid-to-high spending power		High net worth individuals who have his/ her own family
Target Market	(i) Properties developed by the Xinyuan Real Estate Group	Prefecture-level cities in the PRC	High-end residential properties, complexes and office buildings in tier-1 and tier-2 cities in the PRC
	(ii) National market		
Target type of property	Mixed	Residential properties and office buildings	Burgeoning property types
Core value of brand	Quality and professional service experience		Prestigious and tailored service experience

Going forward, we plan to introduce and further promote our three brand names, in particular “Yueshenghang” (悅晟行) and “Chengzhihang” (誠至行), first by introducing these brand names to our potential customers when we conduct business development, thereby raising public awareness. Then, we plan to provide our services under these brand names in accordance with their targeted customers and markets. We believe such promotion strategies would allow us to raise public awareness and clearly delineate the target customers and markets of the services offered by us.

XIN 3.0 SERVICE MODEL

We spare no effort in providing excellent services to our customers. In 1998, we introduced the “XIN 1.0” service model setting out our “6S Service Standard” of “Sincere, Diligent, Caring, Attentive, Thoughtful, and Dedicated” (誠心、盡心、細心、專心、貼心、熱心), which focused on the attributes and qualities of our employees. Later, we further developed the ‘XIN 2.0” service model, which is more leaned towards the needs of our customers. With a view of integrating the “XIN 1.0” and “XIN 2.0” service models, as well as to increase our customer loyalty and to excel in the competition within the property management industry, we introduced the “XIN 3.0” service model in July 2018. The “XIN 3.0” service model seeks to further improve our service quality through (i) providing more tailored property management services; (ii) enhancing the capabilities and potentials of our staff members; (iii) focusing more on our customers’ experience and feedback of our tailored services; and (iv) characterizing our services according to different scenarios. The diagram below illustrates the interaction among different streams under our “XIN 3.0” service model:



Tailored services

We are fully aware that each individual has his or her own needs and preferences. As such, under the “XIN 3.0” service model, we strive to provide property owners and property occupants with services that are tailored to each of them. This is achieved by collecting and analyzing their historical choices and habits, then adapting our service offerings to create a more personalised experience for them.

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Enhancing staff potential and capabilities

The “XIN 3.0” service model seeks to explore the potential of our employees via encouraging them to proactively cater our customers’ needs. For instance, we provide various trainings to better equip our new joiners and to assist them in blending in to our corporate culture. We also would offer a token of appreciation once the relevant employee passes his or her probation period, which we believe would increase their loyalty to us. Also, we would regularly give credit to our employees’ act of goodwill by posting their stories onto our website.

Customers’ service experience

We seek to enhance and personalise our customers’ service experience in accordance with their own characteristics and needs. For instance, we organise various activities such as children’s activities and interest classes, through which we are able to individualise the user experience.

Various scenarios

We have a detailed manual setting out standard procedures, steps and guidance relating to areas such as repair and management, security, cleaning and customers management, in order to better the experience of our customers. The manual also contains service, outfit and service standards that are expected from our employees in different positions under different scenarios. For instance, it sets out the procedures to follow and the expected reaction time when we receive a repair request from our customers.

The “XIN 3.0” service model has been applied to our managed properties and our regional branch offices. Going forward, we intend to continue to adhere to our “XIN 3.0” service model to maximise the user experience of our customers.

SALES AND MARKETING

We believe that excellent market reputation and the ability to properly manage our customers and projects are the key reasons to our success. For such purpose, we have set up the investment and development center at our headquarters that is primarily responsible for the planning and formulating of our marketing and expansion strategies, conducting market studies, managing our tendering pacers and performing contract management. In addition, our regional branch offices will seek to expand their local presence by utilizing the reputation and resources provided by our brand “Xinyuan” (鑫苑).

For current customers, we deploy certain measures to maintain our business relationship, including but not limited to (i) paying regular business visits to them; (ii) keeping in close contact with such customers and actively respond to their requests; and (iii) regularly conducting a survey of their satisfaction towards our services and following up on issues identified.

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We formulate clear and detailed market development strategies and direction through the co-operation of our headquarters and regional branch offices. For instance, our investment and development center provided training in relation to our service offerings and our brand to personnel of our regional branch offices such that they understand and can promote our service offerings to current or potential customers within the region, whom they are familiar with. Through this method, our presence in the Henan area, Bohai Rim and Pearl River Delta area has continued to grow, and we have gained the attention of more potential customers. Going forward, we plan to increase our effort in business development and engage more customers located in the abovementioned areas.

We employ different strategies when we develop different customers:

- *Property developers.* During the Track Record Period, most of our property management projects came from the Xinyuan Real Estate Group. We expect to continue to co-operate with them in the long run, and that projects from the Remaining Xinyuan Real Estate Group will continue to be a steady source of revenue for us. For third party developers, we primarily market our services by participating in quality tenders, actively arranging business visits to them and by promoting our brand. We believe we were able to secure property management projects from third party developers due to (i) our strong brand; (ii) our advanced management systems; (iii) our experience in serving third party developers; and (iv) our high cost to performance ratio.
- *Property owners' association.* We strive to continuously improve our service standard. We aim at achieving a high level of service satisfaction among our customers. We believe we have obtained customers' acknowledgement and public praise since our establishment, which is a cost effective way of marketing our services. We also believe that (i) our quality services; (ii) high customer satisfaction; and (iii) our wide range of value-added services have continued to serve property owners and property occupants well, and have been vital when we enter into property management services agreements with new customers and negotiate the renewal of our existing property management services agreements upon their expiry.

As a result of our marketing effort, the total GFA we are contracted to manage increased from approximately 15.5 million sq.m. as at 31 December 2016 to approximately 30.0 million sq.m. as at 31 March 2019, representing a CAGR of approximately 30.3% from 2016 and 2018. For the three months ended 31 March 2019, revenue attributable to third party developers under our property management services business line accounted for approximately 16.4% of our total revenue from property management services for the same period.

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CUSTOMERS

Our customers primarily consisted of property developers, property owners and property occupants. Set out below is a breakdown of the main types of customers in each of our business lines:

Business Line	Major Customers
Property management services	Property developers, property owners and occupants
Value-added services	Property owners and property occupants
Pre-delivery and consulting services	Property developers

For the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019, revenue generated from sales to our five largest customers amounted to approximately RMB48.4 million, RMB57.1 million, RMB80.9 million and RMB22.6 million, respectively, accounting for approximately 21.3%, 19.2%, 20.6% and 20.8% of our total revenue, respectively. For the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019, revenue generated from sales to our largest customer, the Remaining Xinyuan Real Estate Group and its related parties, amounted to approximately RMB44.1 million, RMB49.2 million, RMB70.3 million and RMB20.2 million, respectively, accounting for approximately 19.4%, 16.6%, 17.9% and 18.6% of our total revenue, respectively. Apart from the Remaining Xinyuan Real Estate Group and its related parties, who are our connected person for the purpose of Chapter 14A of the Listing Rules, all our customers during the Track Record Period are Independent Third Parties. As at the Latest Practicable Date, save for the Remaining Xinyuan Real Estate Group and its related parties, none of our Directors, Shareholders, members of our senior management, members of our Group who owned more than 5% of our issued share capital and their respective close associates held any interest in any of our top five customers.

For more information in relation to our historical and future transactions with the Remaining Xinyuan Real Estate Group, please refer to the sections headed “Continuing Connected Transactions” and “Relationship with the Controlling Shareholders”, as well as the subsection headed “Risk Factors – There is No Assurance We Will Continue to be Engaged By The Remaining Xinyuan Real Estate Group to Manage Properties Developed by them, or that We Will be Able to Supplement Any Shortfall With Properties From Third Party Developers on Terms Acceptable to Us, or At All” in this prospectus.

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Our Top Five Customers

The following table sets forth the details of our top five customers for the year ended 31 December 2016:

Rank	Customer	Major services provided	Years of business relationship as at the Latest Practicable Date	Terms of payment	Payment method	Revenue <i>RMB'000</i>	Percentage of total revenue for the period %
1	The Remaining Xinyuan Real Estate Group and its related parties	Property management services, value-added services and pre-delivery and consulting services	20	Prepayment on a semi-annual, quarterly or monthly basis, by stage or upon the completion of sales, depending on contract terms	Bank transfer	44,134	19.4
2	Customer A	Value-added services	6	Prepayment on a semi-annual basis	Bank transfer	1,363	0.6
3	Customer B	Value-added services	10	Prepayment on an annual, semi-annual or quarterly basis, depending on contract terms	Bank transfer	1,115	0.5
4	Zhengzhou Mingmen Gym Co., Ltd. (鄭州名門健身服務有限公司)	Value-added services	5	Prepayment on a semi-annual basis	Bank transfer	1,028	0.5
5	Customer C	Value-added services	12	Prepayment on an annual basis	Bank transfer	806	0.3

BUSINESS

The following table sets forth the details of our top five customers for the year ended 31 December 2017:

Rank	Customer	Major services provided	Years of business relationship as at the Latest Practicable Date	Terms of payment	Payment method	Revenue <i>RMB'000</i>	Percentage of total revenue for the period %
1	The Remaining Xinyuan Real Estate Group and its related parties	Property management services, value-added services and pre-delivery and consulting services	20	Prepayment on a semi-annual, quarterly or monthly basis, by stage or upon the completion of sales, depending on contract terms	Bank transfer	49,212	16.6
2	Customer D	Property management services and value-added services	11	Monthly or prepayment on an annual basis, depending on contract terms	Bank transfer	2,451	0.8
3	Customer E	Property management services	3	Monthly	Bank transfer	2,087	0.7
4	Customer A	Value-added services	6	Prepayment on a semi-annual basis	Bank transfer	1,909	0.6
5	Zhengzhou Mingmen Gym Co., Ltd. (鄭州名門健身服務有限公司)	Value-added services	5	Prepayment on a semi-annual basis	Bank transfer	1,450	0.5

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The following table sets forth the details of our top five customers for the year ended 31 December 2018:

Rank	Customer	Major services provided	Years of business relationship as at the Latest Practicable Date	Credit terms	Payment method	Revenue <i>RMB'000</i>	Percentage of total revenue for the period %
1	The Remaining Xinyuan Real Estate Group and its related parties	Property management services, value-added services and pre-delivery and consulting services	20	Prepayment on a semi-annual, quarterly or monthly basis, by stage or upon the completion of sales, depending on contract terms	Bank transfer	70,340	17.9
2	Customer D	Property management services and value-added services	11	Monthly or prepayment on an annual basis, depending on contract terms	Bank transfer	4,216	1.1
3	Wangshi Media Advertising (Beijing) Co., Ltd. (網勢傳媒廣告(北京)有限公司)	Pre-delivery and consulting services	1	Upon acceptance of delivery	Bank transfer	2,395	0.6
4	Customer B	Value-added services	10	Prepayment on an annual, semi-annual or quarterly basis, depending on contract terms	Bank transfer	2,379	0.6
5	Customer A	Value-added services	6	Prepayment on semi-annual basis	Bank transfer	1,544	0.4

BUSINESS

The following table sets forth the details of our top five customers for the three months ended 31 March 2019:

Rank	Customer	Major services provided	Years of business relationship as at the Latest Practicable Date	Credit terms	Payment method	Revenue <i>RMB'000</i>	Percentage of total revenue for the period %
1	The Remaining Xinyuan Real Estate Group and its related parties	Property management services, value-added services and pre-delivery and consulting services	20	Prepayment on a semi-annual, quarterly or monthly basis, by stage or upon the completion of sales, depending on contract terms	Bank transfer	20,180	18.6
2	Customer D	Property management services and value-added services	11	Monthly or prepayment on an annual basis, depending on contract terms	Bank transfer	978	0.9
3	Wangshi Media Advertising (Beijing) Co., Ltd. (網勢傳媒廣告(北京)有限公司)	Pre-delivery and consulting services	1	Upon acceptance of delivery	Bank transfer	750	0.7
4	Customer B	Value-added services	10	Prepayment on an annual, semi-annual or quarterly basis, depending on contract terms	Bank transfer	443	0.4
5	Customer A	Value-added services	6	Prepayment on a semi-annual basis	Bank transfer	283	0.2

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SUPPLIERS AND SUBCONTRACTORS

Our suppliers and subcontractors during the Track Record Period primarily consisted of (i) companies specialised in safety and security, cleaning and hygiene, gardening and specialised maintenance services; (ii) utilities providers such as electricity and water supply companies; as well as (iii) gardening and cleaning supplies companies. Save for the Remaining Xinyuan Real Estate Group and its related parties, who are our connected person for the purpose of Chapter 14A of the Listing Rules, all our suppliers and subcontractors during the Track Record Period are Independent Third Parties. As at the Latest Practicable Date, save for the Xinyuan Real Estate Group and its related parties, none of our Directors, Shareholders, members of our senior management, members of our Group who owned more than 5% of our issued share capital and their respective close associates held any interest in any of our top five suppliers and subcontractors. For the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019, purchases from our top five suppliers and subcontractors amounted to approximately RMB56.9 million, RMB75.9 million, RMB92.7 million and RMB24.3 million, respectively, accounting for approximately 34.2%, 38.8%, 35.7% and 33.8% of our total cost of sales, respectively. For the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019, purchases from our largest supplier and subcontractor amounted to approximately RMB33.1 million, RMB31.2 million, RMB38.7 million and RMB10.7 million, respectively, accounting for approximately 19.9%, 16.0%, 14.9% and 14.8% of our total cost of sales, respectively.

Our Top Five Suppliers and Subcontractors

The following table sets forth the details of our top five suppliers and subcontractors for the year ended 31 December 2016:

Rank	Suppliers/ Subcontractors	Major services/ products purchased	Years of business relationship as at the Latest Practicable Date	Terms of payment	Payment method	Purchase amount <i>RMB'000</i>	Percentage of total cost of sales for the period %
1	Company A ⁽¹⁾	Services for safety and security, clean and sanitation, facilities maintenance and gardening	4	Monthly	Bank transfer	33,138	19.9

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Rank	Suppliers/ Subcontractors	Major services/ products purchased	Years of business relationship as at the Latest Practicable Date	Terms of payment	Payment method	Purchase amount <i>RMB'000</i>	Percentage of total cost of sales for the period %
2	The Remaining Xinyuan Real Estate Group and its related parties ⁽¹⁾	Services for safety and security, clean and sanitation, facilities maintenance and gardening	20	Monthly or quarterly, depending on contract terms	Bank transfer	12,378	7.4
3	Shandong Sirui Human Resource Co., Ltd. ⁽¹⁾ (山東思銳人力資源有限公司) (formerly known as Jinan Sirui Human Resource Co., Ltd. (濟南思銳人力資源有限公司))	Services for safety and security, clean and sanitation, facilities maintenance and gardening	11	Monthly	Bank transfer	8,577	5.2
4	Shanghai Saifu Security Services Co., Ltd. ⁽¹⁾ (上海賽夫保安服務有限公司)	Services for safety and security	3	Monthly	Bank transfer	1,414	0.9
5	Zhengzhou Jinshui Hongbo Lighting Co., Ltd. ⁽²⁾ (鄭州市金水區宏博燈具商行)	Materials and supplies	5	Monthly	Bank transfer	1,359	0.8

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The following table sets forth the details of our top five suppliers and subcontractors for the year ended 31 December 2017:

Rank	Suppliers/ Subcontractors	Major services/ products purchased	Years of business relationship as at the Latest Practicable Date	Terms of payment	Payment method	Purchase amount <i>RMB'000</i>	Percentage of total cost of sales for the period %
1	Company A ⁽¹⁾	Services for safety and security, clean and sanitation, facilities maintenance and gardening	4	Monthly	Bank transfer	31,239	16.0
2	The Remaining Xinyuan Real Estate Group and its related parties ⁽¹⁾	Services for safety and security, clean and sanitation, facilities maintenance and gardening	20	Monthly or quarterly, depending on contract terms	Bank transfer	28,038	14.3
3	Shangdong Sirui Human Resource Co., Ltd. ⁽¹⁾ (山東思銳人力資源有限公司) (formerly known as Jinan Sirui Human Resource Co., Ltd. (濟南思銳人力資源有限公司))	Services for safety and security, clean and sanitation, facilities maintenance and gardening	11	Monthly	Bank transfer	8,651	4.4
4	Shanghai Saifu Security Services Co., Ltd. ⁽¹⁾ (上海賽夫保安服務有限公司)	Services for safety and security	3	Monthly	Bank transfer	4,783	2.4
5	Shanghai Zhiheng Cleaning Services Co., Ltd. ⁽¹⁾ (上海志恒清潔服務有限公司)	Services for clean and sanitation	4	Quarterly	Bank transfer	3,156	1.7

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The following table sets forth the details of our top five suppliers and subcontractors for the year ended 31 December 2018:

Rank	Suppliers/ Subcontractors	Major services/ products purchased	Years of business relationship as at the Latest Practicable Date	Terms of payment	Payment method	Purchase amount <i>RMB'000</i>	Percentage of total cost of sales for the period %
1	Company A ⁽¹⁾	Services for safety and security, clean and sanitation, facilities maintenance and gardening	4	Monthly	Bank transfer	38,743	14.9
2	The Remaining Xinyuan Real Estate Group and its related parties ⁽¹⁾	Services for safety and security, clean and sanitation, facilities maintenance and gardening	20	Monthly or quarterly, depending on contract terms	Bank transfer	37,014	14.2
3	Shangdong Sirui Human Resource Co., Ltd. ⁽¹⁾ (山東思銳人力資源有限公司) (formerly known as Jinan Sirui Human Resource Co., Ltd. (濟南思銳人力資源有限公司))	Services for safety and security, clean and sanitation, facilities maintenance and gardening	11	Monthly	Bank transfer	11,384	4.4
4	Shanghai Saifu Security Services Co., Ltd. ⁽¹⁾ (上海賽夫保安服務有限公司)	Services for safety and security	3	Monthly	Bank transfer	3,451	1.3
5	Henan Xingyao Property Management Services Co., Ltd. ⁽¹⁾ (河南星耀物業服務有限公司)	Services for clean and sanitation	3	Quarterly	Bank transfer	2,109	0.9

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The following table sets forth the details of our top five suppliers and subcontractors for the three months ended 31 March 2019:

Rank	Suppliers/ Subcontractors	Major services/ products purchased	Years of business relationship as at the Latest Practicable Date	Terms of payment	Payment method	Purchase amount <i>RMB'000</i>	Percentage of total cost of sales for the period %
1	The Remaining Xinyuan Real Estate Group and its related parties ⁽¹⁾	Services for safety and security, clean and sanitation, facility maintenance and gardening	20	Monthly or quarterly, depending on contract terms	Bank transfer	10,671	14.8
2	Company A ⁽¹⁾	Services for safety and security, clean and sanitation, facility maintenance and gardening	4	Monthly	Bank transfer	9,491	13.2
3	Shandong Sirui Human Resource Co., Ltd. ⁽¹⁾ (山 東思銳人力資源 有限公司) (formerly known as Jinan Sirui Human Resource Co., Ltd. (濟南 思銳人力資源有 限公司))	Services for safety and security, clean and sanitation, facility maintenance and gardening	11	Monthly	Bank transfer	2,993	4.2
4	Company B ⁽¹⁾	Services of cleaning and sanitation	Less than one year	Quarterly	Bank transfer	681	0.9

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Rank	Suppliers/ Subcontractors	Major services/ products purchased	Years of business relationship as at the Latest Practicable Date	Terms of payment	Payment method	Purchase amount <i>RMB'000</i>	Percentage of total cost of sales for the period %
5	Company C ⁽¹⁾	Services of cleaning and sanitation	3	Quarterly	Bank transfer	512	0.7

Notes:

- (1) These are our subcontractors.
- (2) This is our supplier.

During the Track Record Period, we outsourced part of our safety and security, cleaning and hygiene, gardening and specialised maintenance services to subcontractors to lower our cost of sales as well as to improve the services delivered to our customers. Our subcontractors are specialised companies in the services they provide and are able to operate in an effective manner. We believe we can benefit from such subcontracting arrangement as we can rely on the expertise of our subcontractors, and such arrangement can lower our cost of sales which in turn enhances our overall profitability. For the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019, our subcontracting costs amounted to approximately RMB46.9 million, RMB86.4 million, RMB106.0 million and RMB26.9 million, respectively, accounting for 28.2%, 44.2%, 40.8% and 37.4% of our total cost of sales, respectively.

Selection and Management of Subcontractors

We take into account a number of factors when selecting our subcontractors, and have designed various parameters in assessing and monitoring the suitability and performance of our subcontractors.

Selection of our Subcontractors

Our headquarters is responsible for overseeing and supervising the selection and evaluation of potential subcontractors conducted by our regional branch offices. It also centralises the subcontractor tendering process and designs various policies and standard forms used in the day-to-day management of our subcontractors.

We generally require our subcontractors to provide safety and security, cleaning and hygiene services and specialised maintenance services. We maintain a database of qualified subcontractors and usually hire our preferred subcontractors from such list, which is updated

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regularly. Our regional branch offices compile the list first by collecting preliminary background information of subcontractors through physical visits and online enquiries. They will then shortlist qualified subcontractors into a preliminary list for inspections by a team consisting of members from our headquarters, who will (i) devise a report of each of the subcontractors stating their prices, specialty and quality of services; and (ii) inspect their relevant documentary proofs. The report together with the record of visit will then be submitted for our management's approval via the OA System. Once passed, the said subcontractor will be entered into the database of qualified subcontractors and will be classified according to their respective functions.

Depending on the actual situation of the required services, our headquarters may invite subcontractors on the approved list to submit tenders. The designated team will then assess the tenders based on the criteria set out in the tender invitation documents.

Management of our Subcontractors

To ensure that the subcontractors meet our requirements and standards of services and are able to timely serve our customers, we regularly monitor and evaluate their performance. Our headquarters is responsible for formulating and maintaining the policies relating to the management and assessment of our subcontractors from time to time. In accordance with the internal policies formulated, our regional branch offices are responsible for the field work of such management and assessment of our subcontractors providing services to the properties within the region on a monthly basis.

Our monthly assessment is split into four parts, including (i) the timeliness of the services provided; (ii) the quality of the services; (iii) whether there are any complaints from customers; and (iv) customer satisfaction. If the grades attributable to the subcontractor falls below a certain standard, we will withhold part of the services fee payable to them until they have rectified the problems. An assessment report will be prepared by our regional branch offices. We will also make reference to such report when we perform the annual update of our list of approved subcontractors.

Salient Terms of our Subcontracting Agreements

Typically, the subcontracting agreements entered into between us and the subcontractors include the following terms:

- *Term.* Our subcontracting agreements generally are signed for a one-to-two-year period and do not contain automatic renewal clauses. We will consider entering into a new subcontracting agreement with the subcontractor close to the end of the term based on the quality of services provided by such subcontractor.

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- *Scope of services and standards.* The subcontracting agreements will set out the scope, frequency and location of the services required from subcontractors. We will include the expected service standards by making reference to market standards or official standards implemented by governmental or professional bodies where applicable. We also require our subcontractors to keep record of their attendance, as well as their monthly, quarterly and annual inspection record for our internal filing purpose. For specialised services such as fire system maintenance services, we also require our subcontractors to respond to an incident or accident within a certain period of time.
- *Our rights and obligations.* We have the right to inspect and check the performance of our subcontractors and we are entitled to request a change of personnel shall any of their work fall below the prescribed standard. We are obliged to provide access to areas that require our subcontractors' services. We are also required to provide the necessary space for our subcontractors' personnel to rest and store their equipment.
- *Rights and obligations of subcontractors.* Our subcontractors are obliged to notify us if there is any change in the personnel attending the premises. Some of them are also required to maintain a 24-hour service hotline in case we need to contact them under emergency situations. Where applicable, our subcontractors are required to possess the necessary licences and permits to carry out their work and they are required to co-operate with us in relation to trainings provided.
- *Procurement of raw materials.* Our subcontractors are generally responsible for procuring raw materials and equipment for the discharge of their obligations under the subcontracting agreements. In the event that certain specialised equipment such as fire system components needs to be procured, our subcontractors are required to first obtain our prior consent.
- *Indemnity.* The subcontracting agreements generally contain indemnity clauses whereby the subcontractors are required to indemnify us against damages or losses incurred as a result of (i) their breach of government regulations and policies; (ii) their lack of qualifications; (iii) any loss or damage caused to third parties; and (iv) damage caused to equipment provided by us.
- *Termination and renewal.* The subcontracting agreements generally automatically terminate upon the expiry of their terms and there is no automatic right of renewal.

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OVERLAPPING BETWEEN OUR CUSTOMER AND OUR SUBCONTRACTOR

During the Track Record Period, to the best knowledge and belief of our Directors, one of our top 5 customers, namely the Remaining Xinyuan Real Estate Group and its related parties, was also our suppliers and subcontractors (the “**Overlapping Group**”). The Remaining Xinyuan Real Estate Group and its related parties were one of our five largest customers for the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019, respectively. We provide property management services to the Remaining Xinyuan Real Estate Group for their unsold properties as well as pre-delivery and consulting services. For the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019, respectively, we mainly subcontracted safety and security, cleaning and hygiene, gardening and specialised maintenance services to the Overlapping Group. In such subcontracting arrangement, the Overlapping Group provided the personnel responsible for the subcontracted services, and is responsible for the overall management, planning and resource allocation.

During the Track Record Period, all revenue attributable to the Overlapping Group came from properties developed by the Xinyuan Real Estate Group. The table below sets forth a breakdown of our revenue attributable to the Overlapping Group as well as the number of properties involved based on business lines:

	For the year ended 31 December						For the three months ended					
	2016			2017			2018			31 March		
	RMB'000	% of total revenue	number of properties	RMB'000	% of total revenue	number of properties	RMB'000	% of total revenue	number of properties	RMB'000	% of total revenue	number of properties
- Property management services	3,185	1.4%	3	4,277	1.4%	6	12,362	3.1%	21	3,298	3.0%	12
- Value-added services ¹	4,172	1.8%	3	3,859	1.3%	8	12,446	3.2%	17	2,846	2.6%	20
- Pre-delivery and consulting services ²	36,777	16.2%	27	41,076	13.9%	36	45,532	11.6%	37	14,036	13.0%	35
Total ³	44,134	19.4%	33	49,212	16.6%	48	70,340	17.9%	61	20,180	18.6%	49

Notes:

- (1) We provided, among other things, utility fee collection services and property cleaning and property delivery services to the Overlapping Group during the Track Record Period.
- (2) We provided sales assistance services, early involvement services and referral and management services to the Overlapping Group during the Track Record Period.
- (3) We provide more than one type of services to certain properties. As a result, the number of properties involved in the breakdown may be duplicated thus the total number of properties may not reflect a mathematical sum of the breakdown.

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The table below sets forth a breakdown of our cost of sales attributable to the Overlapping Group by types of developers:

	For the year ended 31 December						For the three months ended					
	2016		2017		2018		2019		31 March			
	% of total		% of total		% of total		% of total		% of total			
	<i>cost of</i>	<i>number of</i>	<i>cost of</i>	<i>number of</i>	<i>cost of</i>	<i>number of</i>	<i>cost of</i>	<i>number of</i>	<i>cost of</i>	<i>number of</i>		
RMB'000	sales	properties	RMB'000	sales	properties	RMB'000	sales	properties	RMB'000	sales	properties	
- Properties developed by the Xinyuan Real Estate Group	10,233	6.2%	25	20,596	10.5%	37	20,369	7.8%	46	5,362	7.5%	34
- Properties developed by third party developers	1,845	1.1%	11	6,573	3.4%	25	16,335	6.3%	34	5,257	7.3%	29
Total	12,078	7.3%	36	27,169	13.9%	62	36,704	14.1%	80	10,619	14.8%	63

We procured such services from the Overlapping Group in places where it operates to lower our cost of sales. As the Overlapping Group and the Group belonged to the Xinyuan Real Estate Group prior to the Listing, the Overlapping Group only charged us at cost. In contrast, to the best knowledge of our Directors, third party subcontractors generally charge us on a cost-plus-margin basis, with the margin amounting to approximately 3% to 5% of their total costs. Further, by belonging to the same group, the Overlapping Group has a better understanding of our expected standards as compared to third party subcontractors.

As at the Latest Practicable Date, in view of the Listing and to reduce reliance on the Remaining Xinyuan Real Estate Group, we have ceased to engage the Overlapping Group for its safety and security, cleaning and hygiene, gardening and specialised maintenance subcontracting services and have engaged other subcontractors in place of the Overlapping Group. Our Directors confirmed that the engagement of other subcontractors in place of the Overlapping Group has no material adverse impact on our cost of sales and financial performance.

Our Directors confirmed that all of our sales to and our purchases from the Overlapping Group were conducted in the ordinary course of business under normal commercial terms and on arm's length basis. Further, the management policy and process of the Overlapping Group are the same as those applicable to our other suppliers and subcontractors. The terms of transactions with the Overlapping Group are similar to those transactions with our other customers, suppliers and subcontractors.

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AWARDS AND RECOGNITION

The table below sets forth some of the awards and certifications we received since our establishment:

Date of award or recognition	Name of award or recognition	Awarding or certifying body
2008 – Current	Grade One Qualification Certificate for Property Management Enterprise in the PRC (中國一級物業管理企業資質證書)	Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部)
October 2018	Ranked 12th among the Top 100 Property Management Companies of China (2018年物業服務企業綜合實力測評TOP100第12位)	China Property Management Institute (中國物業管理協會) E-house China R&D Institute (上海易居房地產研究院) China Real Estate Appraisal (中國房地產評測中心)
2009 – 2018	Top 100 Property Management Companies of China (中國物業服務百強企業)	China Property Management Institute (中國物業管理協會) China Index Academy (中國指數研究院) E-house China R&D Institute (上海易居房地產研究院)
February 2017	Modern Enterprise Award for the Standardisation of Property Management Services (物業服務標準化先進企業)	Jinan City Property Management Industry Association (濟南市物業管理行業協會)
July 2016	Outstanding Enterprise Award (傑出企業)	China Property Management Magazine (《中國物業管理》)
September 2015	The Greatest Potential Property Management Companies (物業管理最具成長性企業)	China Property Management Institute (中國物業管理協會)

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Date of award or recognition	Name of award or recognition	Awarding or certifying body
October 2013	2013 China Property Management Influential Brands (2013中國物業管理品牌影響力企業)	China International Housing Industry and Building Industrial Products and Equipment Expo (中國國際住宅產業博覽會) Urban Development Magazine (《城市開發》) China Property Management Magazine (《中國物業管理》)
October 2013	Top 200 Property Management Companies (物業管理綜合實力 TOP 200企業)	China Property Management Institute (中國物業管理協會)
September 2011	Excellent Property Management Branding Award in 2011 (2011中國物業服務優秀品牌企業)	China Index Academy (中國指數研究院)
November 2010	Outstanding Property Management Enterprise Award in 2010 (2010中國特色服務領先企業)	China Real Estate Top 10 Research (中國房地產Top 10研究組)

QUALITY CONTROL

We are dedicated towards providing excellent services to our customers, and we consider them as the key to our continuous success. For such, we have formulated systematic quality control measures and have put together a team of individuals with extensive experience in quality control.

Quality control measures in relation to our services

We first obtained the ISO9001:2000 (Property Management Service of Residential Quarters and High-Rise Office Buildings) certification in January 2001 from Intertek Certification Limited, which is an accredited certifying body by the United Kingdom Accreditation Service. In August 2016, we were awarded three certifications by Intertek Certification Limited at the same time, namely the ISO9001:2015 (Property Management Service and Property Advisory Service for Resident District and Office Buildings) certification, the ISO14001:2015 (Environmental Management Systems applicable to Property Management Service and Property Advisory Service

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for Resident District and Office Buildings) certification and the OHSAS18001:2007 (Health and Safety Management Systems applicable to Property Management Service and Property Advisory Service for Resident District and Office Buildings). These certifications remain valid as at the Latest Practicable Date. These certifications act as indications of our quality control work. The quality control sub-department consisting of seven employees and under our operational management department is primarily responsible for overseeing the quality control of our services. Internally, we conduct an assessment every quarter to gain a better understanding of the properties under management, our employees and our services. The assessment covers our regional branch offices and properties under our management, in which each of them are evaluated mainly depending on their (i) service execution; (ii) record keeping; (iii) complaint records; and (iv) internal management. The assessment report will also list out the issues identified and the relevant responsible employees, and follow up on the issues discovered in the previous assessment as to whether they have been rectified. At the same time, we utilise the information collected during our daily operations and analyse the feedback from property owners and property occupants. Such analysis is used as a reference when we assess the quality of our services and is vital in our improvement process.

Externally, we engage third party analytics and advice firms in performing an analysis on the satisfaction index of mainly the individual owners of the properties under our management. The analysis will be conducted each on the Group level, the city level and the property level, and an overall score will be assigned to different aspects of their customer experience, for example (i) our sales services; (ii) property management services; and (iii) repair and maintenance services. A comparison will also be made against the score obtained in the previous year.

Quality control measures in relation to our subcontractors

To ensure the quality of services provided through our subcontractors, we have formulated a quality assurance system that tackles their service quality from different angles such as the selection, assessment, contract terms, daily operations and the ability to discharge contractual obligations of our subcontractors. Further, we generally set out the standards we require in the contracts entered into with our subcontractors. If their work products or services fall below the prescribed standards, we are entitled to request rectification measures from them.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, the trademark of “ 逸話” was licensed to us by the Remaining Xinyuan Real Estate Group. Further, in June 2019, we have submitted trademark applications for our “Yueshenghang” and “Chengzhihang” brands and expect to obtain the registration certificates by September 2020. As at the Latest Practicable Date, we were not aware of any material infringement of any intellectual property rights owned by third parties.

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For more information about our intellectual property rights and applications, please refer to the subsection headed “2. Further Information About Our Business – 2.2 Intellectual Property Rights of Our Group” in Appendix V to this prospectus.

COMPETITION

We have deployed various measures to maintain our competitiveness and respond to the intensifying competition within the industry. For instance, we launched the “XIN 3.0” service model in July 2018 in order to continue offering more tailored quality services to our customers. Moreover, we have expanded our geographical reach by exploring new locations and projects during the Track Record Period. With our strengths and strategies as described in the subsections headed “– Competitive Strengths” and “– Business Strategies”, our Directors believe that we are able to compete with peer industry players going forward. According to F&S, the property management services industry in China is highly competitive and fragmented with numerous market participants. There is a relatively low entry barrier for the property management services market in China due to the cancellation of qualifications of property services companies in 2018. However, brand reputation, financial resources, management capability, customer relationship, technology level and human resources would still be the main entry barriers for new entrants.

As one of the fast growing property management companies among the Top 100 property management companies in terms of revenue growth rate in the PRC during the Track Record Period, we primarily compete against large national, regional and local property management companies. According to F&S, we were ranked 33rd among property management companies in the PRC in terms of total revenue in 2018. We were ranked 12th among property management companies in the PRC in terms of comprehensive index rating that is determined based on, among other things, the GFA under management, the financial performance, property owners’ satisfaction and number of accredited projects of property management companies in 2018 according to the China Property Management Institute, the E-house China R&D Institute and the China Real Estate Appraisal.

Our value-added services primarily compete against a wide range of firms and individuals providing similar services, such as firms and individuals providing home living services. Our pre-delivery and consulting services primarily compete against other property management companies providing similar services. As a result, we believe that we will continue to be one of the fast growing industry players in the property management industry in the future.

Please refer to the section headed “Industry Overview” in this prospectus for more information about the property management industry.

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OCCUPATIONAL HEALTH AND SAFETY

During our ordinary course of business, we are subject to applicable rules and regulations in the PRC relating to occupational health and safety. During the Track Record Period, we have not experienced any material accidents involving personal injury or property damage. Our PRC Legal Advisers have confirmed that, save as disclosed in the subsection headed “– Legal Proceedings and Compliance” in this section, we have been in compliance with all applicable labour laws and regulations in all aspects, and that there have been no material labour disputes or labour-related legal proceedings against us during the Track Record Period.

In recognition of our occupational health and safety measures, we first received the OHSAS18001:2007 (Health and Safety Management Systems applicable to Property Management Service and Property Advisory Service for Resident District and Office Buildings) certification by Intertek Certification Limited in August 2016 and the current certification is valid until August 2019. Further, we have formulated an occupational health and safety management policy that is applicable to all operations on the premises we manage. A specialised committee is formed under such policy and is responsible for supervising various departments and regional branch offices in identifying, assessing and rectifying potential occupational health and safety issues during the daily business. Such committee is also responsible for ensuring the compliance of our system with applicable laws and regulations.

ENVIRONMENTAL PROTECTION

Given the nature of our business, we believe we are not subject to material risks or compliance costs in relation to environmental issues. Nonetheless, we have obtained the ISO14001:2015 (Environmental Management Systems Applicable to Property Management Service and Property Advisory Service for Resident District and Office Buildings) certification by Intertek Certification Limited in August 2016 and the current certification is valid until August 2019. During the Track Record Period and up to the Latest Practicable Date, we were not subject to any material fines or penalties for non-compliance of environmental laws and regulations in the PRC.

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EMPLOYEES

As at the Latest Practicable Date, we had in total 1,245 full-time employees. The following table sets forth the number and breakdown of our full-time employees by their respective departments:

Department	Number of employees
Project team	1,110
Information management	21
Finance management	20
Engineering and maintenance	26
Operational management	18
Human resources	17
Brand management	5
Management office	6
Community value-added services	11
Facilities maintenance	6
Audit and legal	5
Total	1,245

Recruitment

We are committed towards providing high quality services to our customers and closely adhere to our recruitment spirit of “Talent First and Transparent Process”. For this purpose, we have formulated a detailed internal policy in relation to the recruitment of new talents. According to such policy, the recruitment responsibility is split into three parts each handled by a different department or regional branch office:

- Human Resources Department: mainly responsible for the formulating of the recruitment policy and the planning of our annual recruitment plan. It will also supervise the overall recruitment process conducted by our branch offices and project teams.
- Regional branch offices: mainly responsible for the recruitment work within the region and the review of the overall recruitment outcome.
- Project team: mainly responsible for conducting interviews, on-job training and probationary review.

Our recruitment process typically consists of the following steps:

- Our human resources department will formulate a recruitment plan every December in accordance with the actual needs of new recruitment reported by each regional branch office and project.
- The office or project team in need of new recruits will obtain candidates either internally by referrals or externally by posting openings on the Internet. The relevant office or project team will then review the resumes and come up with short-listed candidates.
- The identified candidates are then required to fill in an application form and attend job interviews and sometimes written tests. Depending on the position to be hired, we may conduct background searches to check against the integrity of the candidate.
- Once approved by our headquarters, the candidates will be notified and we will enter into formal employment agreements with them.

Training

We believe our continuous growth and our ability to provide quality services are partly attributable to the abilities and personal attributes of our employees. We require all our employees to undergo adequate training before they report duty to their respective positions. As such, we have established a specialised institute to provide personalised training programs to our employees by taking into account their positions and characteristics. Courses we have developed include those for new joiners, employees in our talent pool, newly promoted employees, managers and project leaders. We also offer distant learning opportunities to our employees by offering various courses and trainings on our CRM System.

We also provide ongoing training programs and refresher courses to our current employees to keep them abreast of the latest development in the industry and to help them familiarise with various skills previously taught. Every year we formulate an annual training plan for each of our departments, which sets out (i) the courses offered each month; (ii) targeted attendees; (iii) course instructor; (iv) method of conveying such courses; and (v) assessment method. These trainings may be conducted in our office premises or in training centers. The instructors of such courses are either senior management personnel within our Group or external parties with specialised knowledge in the training concerned. Our in-house instructors are categorised into junior, intermediate and advance level instructors. We require all our department heads to sign up and apply to be instructors, while other staff members can apply on a voluntary basis. The applicants are then required to attend a training course before they are assessed and qualified to be an instructor. The assessment is held on an annual basis to ensure that our instructors are up to standard.

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OUR CASH MANAGEMENT POLICY

Our finance department has formulated a set of policy governing the management of our cash inflow and outflow. Such policies are applicable to all our subsidiaries and branch offices.

Types of payment

Relevant policies

Cash payment

- (i) Cash payment is only allowed for the following purposes: (i) payment of salary, bonus, subsidy and out of pocket expenses to our employees; (ii) payment to corporates or individuals for services rendered or goods delivered, where bank transfer is not accepted; (iii) any payment below the minimum bank transfer threshold, being RMB1,000; and (iv) any other payment that must be conducted in cash as required by the PBOC.
- (ii) Consent from the manager of the finance department is required when any payment is to be made in cash other than those purposes specified above.
- (iii) A maximum of RMB30,000 is allowed to be kept at the headquarters, while a maximum of RMB10,000 is allowed to be kept at our regional branch offices.
- (iv) The cash register must be balanced each day and any cash on hand on top of the allowed amount must be deposited into the bank accounts.

Bank transfer

- (i) The employee initiating a bank transfer must keep the transfer record, which must be filed on a daily basis.
- (ii) The designated employee should cross check the bank transfer record and our bank balance daily.
- (iii) Our headquarters is responsible for approving the opening of bank accounts to each of our regional branch offices, and no bank account should be opened without the headquarters' clearance.
- (iv) The company chop for the purpose of signing cheques should be kept separately with the cheque book.

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INSURANCE

We have purchased third party liability insurance and property insurance during the Track Record Period. In our subcontracting agreements, we have expressly required our subcontractors to take out necessary insurance during the provision of their services. In accordance with market practice, we do not carry any business interruption insurance or litigation insurance. Our Directors are of the view that the current insurance coverage is in line with industry norm and is adequate for our business operations. However, there can be no assurance that the insurance policies we maintain are sufficient in covering all our operational risks. Please refer to the subsection headed “Risk Factors – Our Insurance May Not Sufficiently Cover, or May Not Cover At All, Losses and Liabilities We May Encounter” in this prospectus for more information.

CERTIFICATES, LICENCES AND PERMITS

We are required to obtain and maintain various certificates, licenses and permits in relation to our operations. As advised by our PRC Legal Advisers, we had obtained all material certificates, licences and permits from competent regulatory authorities that are necessary for our business operations during the Track Record Period and up to the Latest Practicable Date, and that all our certificates, licences and permits are in full force and valid. As advised by our PRC Legal Advisers, our Directors do not anticipate any difficulties in the renewal of such certificates, licences and permits as long as we are able to meet the relevant requirements and conditions set by the competent government authorities.

RISK MANAGEMENT AND INTERNAL CONTROL

We have maintained an internal control system and our Directors are responsible for monitoring the implementation of our internal control measures and reviewing its effectiveness. With a view to manage our business and operational risks, to ensure our smooth operation and to avoid future recurrence of historical non-compliance incidents, we have engaged an independent internal control adviser (the “**Internal Control Adviser**”) to assist us in reviewing and providing recommendations on improving our internal control system, including corporate governance, enterprise risk assessment, internal audit, compliance consultancy and relevant business processes including revenue, purchase, expenses and cost management, fixed assets management, human resources, financial management and information technology. The Internal Control Adviser has conducted a review during the period from February 2019 to March 2019 and have provided recommendations to our internal control system. No material internal control deficiencies were identified. During April 2019, our Group has subsequently adopted the internal control measures and rectified the weaknesses identified by the Internal Control Adviser.

Based on the recommendations of the Internal Control Adviser and the follow-up review procedures conducted, our Directors has confirmed that our Group had adopted all internal control measures and policies suggested by the Internal Control Adviser and did not have any significant or material deficiencies in its internal control system as at the Latest Practicable Date.

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PROPERTIES

We lease certain properties in the PRC in connection with our business operations, which are principally used as our offices in the course of our daily business. During the Track Record Period, we do not have any self-owned properties.

Leased properties

As at the Latest Practicable Date, we leased and used 23 properties in the PRC with a total GFA of approximately 10,623.05 sq.m. for our offices. None of these properties is individually material to our operations.

As at the Latest Practicable Date, 14 properties with a total GFA of approximately 8,679.1 sq.m. are leased from owners who have provided sufficient and valid ownership certificates or other ownership documents, and these properties accounted for approximately 81.7% of our leased properties, in terms of GFA. Our PRC Legal Advisers have advised us that the lease agreements for our aforesaid 14 leased properties are valid and enforceable, and we are lawfully entitled to occupy and use these properties in accordance with the terms of the lease agreements.

As at the Latest Practicable Date, 9 properties with a total GFA of approximately 1,943.95 sq.m. were also provided for or leased to us to use for free, but the landlords or owners of these properties have not provided us with sufficient and valid ownership certificates or other ownership documents, and these properties accounted for approximately 18.3% of our leased properties, in terms of GFA. As advised by our PRC Legal Advisers, we are unable to ascertain whether such landlords or property owners have the legal right or requisite authority to grant us the right to use such properties for free, whether such properties are subject to mortgages or third-party rights, or whether our use of such properties is subject to challenge by third parties. Our Directors are of the view that, as these properties are principally used as our offices, and replacement premises are readily available, such defects will not have a material adverse effect on our business or financial condition taken as a whole.

Pursuant to the applicable PRC laws and regulations, leases must be registered with housing administration authorities. As at the Latest Practicable Date, we did not register two leases for our offices which were primarily caused by lack of cooperation from the owners/landlords of the relevant properties in registering the relevant lease agreements. As advised by our PRC Legal Advisers, under the relevant PRC laws and regulations, we might be ordered by the housing administration authorities to register the aforesaid leases within a prescribed time limit, failing which we may be imposed a fine of RMB1,000 to RMB10,000 per lease. Our PRC Legal Advisers have also advised us that the absence of registration for such lease agreements would not affect their validity. As at the Latest Practicable Date, we have not received any penalties from any regulatory authorities as a result of the absence of the registration for such lease agreements. Our Directors are of the view that such absence of registration would not have a material adverse effect on our business operations.

LEGAL PROCEEDINGS AND COMPLIANCE

Save for the following historical non-compliance incidents, our Directors are not aware of any other material non-compliance incidents of our Group with the applicable laws and regulations during the Track Record Period and as at the Latest Practicable Date:

Non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential maximum penalties	Remedies and rectification measures taken
<p>1. During the Track Record Period, we failed to (i) register with the relevant PRC authorities in respect of social insurance for some of our PRC subsidiaries and branch companies; (ii) undertake payment and deposit registration of housing provident fund for some of our PRC subsidiaries and branch companies and go through the formalities of opening housing provident fund accounts for some of our employees; and (iii) make full contribution to the social insurance and housing provident funds for all of our employees as required under the relevant PRC laws and regulations.</p>	<p>These non-compliance incidents were primarily due to members of our staff who are in charge of these matters in our relevant PRC subsidiaries and branch companies overlooking and not fully understanding the different regulatory requirements in areas and regions where we operated.</p>	<p>For our failure to register with the relevant PRC authorities in respect of social insurance and housing provident funds, according to the relevant PRC laws and regulations, the relevant PRC authorities may demand us to register and establish accounts for social insurance and housing provident funds, respectively, for employees within a prescribed period, failing which the relevant PRC authorities may impose (i) a penalty of one to three times the amount of the outstanding social insurance fund contributions; and (ii) a penalty from RMB10,000 to RMB50,000 for each subsidiary and branch company who fails to register with the competent housing provident fund authority, respectively.</p>	<p>We plan to register and establish accounts for social insurance and housing provident funds for all employees of our PRC subsidiaries and branch companies as soon as practicable. We intend to start arranging the payment of social insurance and housing provident funds contributions for all employees of our PRC subsidiaries and branch companies in full once all the accounts mentioned above are established. As confirmed by our PRC Legal Advisers, there is no legal impediment to our contribution in full for all employees of our PRC subsidiaries and branch companies in accordance with the relevant PRC laws and regulations.</p>

As at the Latest Practicable Date, there are 48 entities (including 14 PRC subsidiaries and 34 PRC branches) in total in our Group, among which 21 entities did not register with the competent social insurance authorities and open their respective social insurance accounts while 24 entities did not register with the competent housing provident fund authorities and open their respective housing provident fund accounts.

Non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential maximum penalties	Remedies and rectification measures taken
		<p>Since the subsidiaries and branch companies that have not been registered with the competent social insurance authorities have had no employees since their respective establishment, no outstanding amount of social insurance fund contributions is attributable to these subsidiaries and branch companies. As a result, the potential maximum amount of fines for not registering with the relevant authorities in respect of social insurance, which is calculated based on the outstanding social insurance fund contributions, would be nil.</p> <p>Moreover, since 24 entities of our Group have not registered with the competent housing provident fund authorities as at the Latest Practicable Date, the potential maximum amount of fines that may be imposed on us for failure to register with the relevant PRC authorities in respect of housing provident funds amount to RMB1.2 million as at the Latest Practicable Date.</p> <p>We plan to complete registration of all of our subsidiaries and branch companies with the relevant PRC authorities in respect of social insurance and housing provident fund by the end of 2019.</p>	

Non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential maximum penalties	Remedies and rectification measures taken
		<p>In respect of our failure to make full contribution to the social insurance and housing provident funds, according to the relevant PRC laws and regulations, the relevant PRC authorities may (i) demand us to pay the outstanding social insurance contributions within a prescribed period and we may be liable to a late payment fee equal to 0.05% of the outstanding amount for each day of delay. If we fail to make such payments, we may be liable to a penalty of one to three times the amount of the outstanding contributions; and (ii) order us to pay the outstanding housing provident fund contributions within a prescribed time period, failing which the relevant PRC authorities may apply to the People's Court for compulsory enforcement.</p>	<p>We made provisions in the total amount of approximately RMB3.5 million, RMB4.9 million, RMB5.3 million and RMB4.9 million, respectively, on our combined financial statements in respect of such maximum potential liabilities arising from our non-compliance concerning social insurance and housing provident fund contributions for the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019, respectively. Our Directors are of the view that such provisions made are adequate.</p>

Non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential maximum penalties	Remedies and rectification measures taken
		<p>Given that (i) certain of our relevant PRC subsidiaries and branch companies have obtained written confirmations from local social insurance authorities; (ii) certain of our relevant PRC subsidiaries and branch companies have obtained written and oral confirmations from local housing provident fund authorities; (iii) our PRC Legal Advisers have conducted public searches on our relevant PRC subsidiaries and branch companies, which confirm that no administrative penalty had been imposed on the relevant PRC subsidiaries and branch companies; (iv) we have undertaken that in the event that the competent social insurance or housing provident fund authorities require our relevant PRC subsidiaries and branch companies to make contributions within a prescribed period, we will ensure our relevant PRC subsidiaries and branch companies duly comply in a timely manner; and (v) our Directors have confirmed that as at the Latest Practicable Date, we had not received any written notice from the relevant PRC authorities demanding payment of the outstanding amount of social insurance and housing provident fund contributions, our PRC Legal Advisers are of the view that the risk that penalties are imposed on our relevant PRC subsidiaries and branch companies by the relevant authorities is remote.</p>	

Non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential maximum penalties	Remedies and rectification measures taken
<p>2. As at the Latest Practicable Date, we have not registered two leases for our offices with housing administration authorities of the PRC as required under PRC laws.</p>	<p>This non-compliance incident was primarily caused by lack of cooperation from the landlords/ owners of the relevant properties in registering the relevant lease agreements. Registration of lease agreements requires the landlords' cooperation including submitting their identity documents and building title certificates to the relevant authorities.</p>	<p>We were advised by our PRC Legal Advisers that we might be ordered to rectify this non-compliance by competent authorities and if we fail to rectify within a certain period, a penalty of RMB1,000 to RMB10,000 may be imposed on us for each lease not registered as a result of non-registration.</p> <p>We did not receive any notice from any regulatory authority with respect to potential administrative penalties or enforcement action as a result of our failure to register the leases described above. Our PRC Legal Advisers have advised us that failure to register lease agreements would not affect the validity of such agreements.</p>	<p>In the event that we are required by competent authorities to rectify the non-compliance with lease registration requirement, we intend to find an alternative location nearby and relocate without causing any material disturbances. Given the nature of our business, we do not believe such relocation would cause any material disruption to or impact on our business, operation or financial condition.</p> <p>We have adopted the following measures going forward to prevent this from recurring: (i) for new leases, we will communicate with potential landlords/owners beforehand and select the landlords/owners that are willing to cooperate to the extent possible; and (ii) we have provided and plan to continue to provide senior management and legal staff with training regarding the legal and regulatory requirements applicable to our operations from time to time.</p>

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately upon the completion of the Global Offering, Xinyuan Real Estate, which is wholly-owned by Xinyuan Real Estate Holdings, will directly hold 60% of the issued share capital of our Company (without taking into account any Shares which may be issued upon the exercise of the options which may be granted under the Post-IPO Share Option Scheme). As a result, Xinyuan Real Estate Holdings and Xinyuan Real Estate are regarded as our Controlling Shareholders.

Xinyuan Real Estate Group is a property developer founded by Mr. Zhang Yong, the chairman of our Board and one of our non-executive Directors, in 1997 and has been dedicated to developing real estate properties with quality and innovative technology. According to F&S, Xinyuan Real Estate Group was ranked 82nd among property developers in the PRC in terms of total contracted sales revenue in 2018.

Xinyuan Real Estate Group has been primarily focusing its businesses in the PRC and currently operates in 18 cities over the PRC. Xinyuan Real Estate Group focuses on developing large scale quality residential projects with the aim of providing middle-class consumers with a comfortable and convenient community life. In addition to the residential projects, Xinyuan Real Estate Group also developed several shopping malls in the PRC, which have been retained by it for leasing, operating and managing those properties itself. In addition to the PRC market, Xinyuan Real Estate Group also keeps exploring opportunities globally. The shares in Xinyuan Real Estate Holdings have been listed on the New York Stock Exchange (stock code: XIN) for trading since December 2007. As at the Latest Practicable Date, Xinyuan Real Estate Group expanded its operations to overseas markets including several cities in the United States, the United Kingdom and Malaysia.

Following the Global Offering, the Remaining Xinyuan Real Estate Group will continue to engage principally in the businesses of property development, property leasing, shopping mall operation, computer network engineering, software and technology product development and other real estate related services including construction management service and financing support (collectively, the “**Retained Businesses**”).

Delineation of Business

Our Directors are of the view that there is a clear delineation between the Retained Businesses and our business which, as a result, none of the Retained Businesses would compete, or is expected to compete, directly or indirectly, with our businesses.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

The table below sets forth the principal businesses of our Group and the Remaining Xinyuan Real Estate Group as at the Latest Practicable Date:

Principal business operations

Our Group	property management services, value-added services, pre-delivery and consulting services
The Remaining Xinyuan Real Estate Group	property development (including the stages of (i) land acquisition, (ii) project planning and design, (iii) project construction and management, (iv) pre-sales, sales and marketing and (v) after-sale service and delivery), property leasing, shopping mall operation, computer network engineering, software and technology product development and other real estate related services including construction management service and financing support

Our Group focuses on the property management-related businesses while the Remaining Xinyuan Real Estate Group focuses on its role of property developer and other businesses derived from the integration of property development and technology innovation. In particular, when developing a residential property project, the Remaining Xinyuan Real Estate Group will carry out the project planning and design process including concept and architectural design, construction and engineering design, budgeting, financial analysis and projections as well as arranging for financing. During such process, it will engage various service providers and consultants such as designers, architects and our Group to develop, review and/or advise on the designs and blueprints from different perspectives. In particular, leveraging our expertise in the property management industry and our experience in interacting with end-users, our Group is capable of advising the Remaining Xinyuan Real Estate Group on how to accommodate the expected needs of end-users in regards to a comfortable and convenient living environment as early as during the project planning and design stage. With the input and advice from those service providers and consultants, the Remaining Xinyuan Real Estate Group will focus on the master planning and work closely with those service providers and consultants to ensure that the designs comply with the PRC laws and regulations and meet various project objectives such as costs, quality, timing and end-user satisfaction in a balanced manner. In addition to the aforementioned involvement in the project planning and design stage, our Group will also attend on-site inspections during the early construction stage as part of our early involvement services to ensure proper execution of the agreed plan from the perspectives of functionality, comfort and convenience; and our focus areas include apartments, individual units, common areas, basements and facilities located in the residential community.

The Remaining Xinyuan Real Estate Group also leverages its expertise in property development and would provide construction management service to the owners of land parcels who wish to carry out the property development projects thereon. In providing such construction management service, the Remaining Xinyuan Real Estate Group would designate a project team to operate and manage the property development project for and on behalf of the owner of land

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

parcel and provide all the technical support among different stages of property development. Under this asset-light business model, the Remaining Xinyuan Real Estate Group would charge a service fee for providing such construction management service or even be entitled to revenue sharing upon completion of the sales.

The Remaining Xinyuan Real Estate Group will continue to engage in the business of shopping mall operation. As at the Latest Practicable Date, under the current business model, the developer of a shopping mall will first engage the relevant subsidiary of the Remaining Xinyuan Real Estate Group (the “**Shopping Mall Operating Subsidiary**”) to act as leasing agent as well as to operate and manage the shopping mall on a daily basis and the parties will further enter into a lease agreement, pursuant to which the Shopping Mall Operating Subsidiary will lease from the developer the entire shopping mall for performing its roles of leasing agent and shopping mall operator. The Shopping Mall Operating Subsidiary will then enter into separate lease agreements with the retail tenants respectively, which set out the terms and conditions regarding the leases of the relevant stores, the overall shopping mall operation and the provision of property management services in relation thereto. Set out below are details of the key differences between our property management services and the said shopping mall operation business:

	Our property management services	Shopping mall operation business
Business model and revenue source	Our Group generally obtains property management services agreements through a standard tender process regulated by applicable PRC laws and regulations, under which no lease will be entered into. The major revenue is the property management fee. For further details, please refer to the subsection headed “Business – Property Management Services” in this prospectus.	As elaborated above, the Shopping Mall Operating Subsidiary will first lease from the developer the entire shopping mall for performing its roles of leasing agent and shopping mall operator; and then enter into separate leases regarding the relevant stores with the retail tenants respectively, the major revenues contemplated under which include the rent and the property management fee.
Property managed	The properties under our management mainly consist of (i) complexes (residential complexes and non-residential complexes); (ii) residential properties; and (iii) office buildings.	The shopping mall operation business focuses on shopping malls.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

	Our property management services	Shopping mall operation business
Services rendered	We provide a wide spectrum of traditional property management services, primarily including cleaning and sanitation, safety and security, gardening, parking space management and facilities maintenance services.	The key services rendered under the shopping mall operation business are (i) lease negotiation and management; (ii) optimising the mix of different retail tenants in a shopping mall in order to attract more visitors; and (iii) provision of supporting services to assist the retail tenants' business development such as arranging promotional events at the shopping mall. Traditional property management services such as cleaning and security are also provided as integral and inseparable part of the lease arrangement with the retail tenants.
Service objective	We aim at providing a comfort and orderly user space for the property owners and property occupants.	The shopping mall operation business aims at providing an enjoyable shopping environment which attracts more visitors and stimulate their consumption.
Service targets	Property developers, property owners and property occupants.	Shopping mall developers, retail tenants and visitors.

Given the differences between our property management services and the shopping mall operation business as elaborated above, our Directors are of the view that there is no competition between the said businesses.

The Remaining Xinyuan Real Estate Group has derived a portion of its revenue from the leasing of shopping malls and ancillary facilities of its development projects, including basement parking, kindergartens and elementary schools. Since April 2018, our Group has invested in Henan Qingning Group, which is principally engaged in the leasing of residential apartments. The investment in Henan Qingning Group was an one-off investment by our Group with a view to generate higher return in view of (i) the future price appreciation of the residential market in Henan and (ii) the rental income to be received from the leasing of residential apartments. As confirmed by our Directors, our Group will not engage in the business of leasing of residential apartments in the foreseeable future as it is the intention of our Group to continue to focus on the property management-related businesses.

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Also, our Directors are of the view that despite our 51% equity interest in Henan Qingning, we do not have control over Henan Qingning Group on the following grounds: (i) the Articles of Association of Henan Qingning provide that all significant and relevant matters, including the appointment and removal of its directors, its business operations and financial arrangements, require the approval by more than two-thirds of the shareholders' votes; and (ii) the day-to-day operations of Henan Qingning Group had been overseen and managed by its senior management team led by Mr. Li Yanhui, and such mode of management has been maintained after our Group's investment in Henan Qingning Group and hence our Group is not engaged in the daily operation and management of Henan Qingning Group. The interest in Henan Qingning Group is thus a passive investment of our Group and we intend to retain this interest as such. Such investment and the residential apartments involved do not have any connection with the Remaining Xinyuan Real Estate Group. Further, given the differences in the properties for lease and the target clientele, our Group is of the view that there is no direct competition between the said business of Henan Qingning Group and that of the Remaining Xinyuan Real Estate Group.

Given the differences between the respective principal business operations of our Group and the Remaining Xinyuan Real Estate Group and having considered all the relevant factors, our Directors consider that the delineation between the businesses of our Group and those of the Remaining Xinyuan Real Estate Group is clear. Our Directors are of the view that there is no competition between the businesses of our Group and those of the Remaining Xinyuan Real Estate Group.

To ensure that competition will not exist in the future, each of our Controlling Shareholders has given non-competition undertakings in favor of our Company to the effect that each of them will not, and will procure each of their respective close associates and/or companies controlled by them (other than our Group) not to, directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with our business, further details of which are set out in the subsection headed “– Competition and Conflict of Interests – Undertakings Given by the Controlling Shareholders” in this section.

As at the Latest Practicable Date, none of our Controlling Shareholders, our Directors and their respective close associates (other than our Group) had any interest in any business which competes or is likely to compete, either directly or indirectly with our Company's businesses which would require disclosure under Rule 8.10 of the Listing Rules.

Mutual and Complementary Relationship

Our Group has a well-established and ongoing business relationship with the Remaining Xinyuan Real Estate Group. We have provided various services to the Remaining Xinyuan Real Estate Group, including property management services since December 1998 upon the establishment of Xinyuan Science, our major operating subsidiary and value-added services and pre-delivery and consulting services onwards.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Our Directors confirm that, to the best of their knowledge and belief, the Remaining Xinyuan Real Estate Group engaged our Group to provide property management services for all the properties (other than shopping malls) it developed during the Track Record Period. The number of properties developed by the Remaining Xinyuan Real Estate Group under our management was 45, 54, 61 and 61, constituting a total GFA of approximately 9.2 million sq. m., 11.0 million sq. m., 11.7 million sq. m. and 11.7 million sq. m., as at 31 December 2016, 2017, 2018 and 31 March 2019, respectively, representing approximately 85.5%, 80.2%, 74.6% and 74.3% of our total GFA under management as at the same dates. Such business relationship between our Group and the Remaining Xinyuan Real Estate Group is common among PRC property management companies and their parent companies, which are property developers according to F&S.

Given the long history of business relationship, we and the Remaining Xinyuan Real Estate Group have developed a well-established mutual understanding in our business collaborations. Benefiting from such long-standing relationship, our management is familiar with the standards and requirements of the Remaining Xinyuan Real Estate Group and we are able to provide the Remaining Xinyuan Real Estate Group with tailored services to meet their specific needs. In order to meet the specific needs of the Remaining Xinyuan Real Estate Group, for instance, we provide referral and management services to introduce interested buyers to the Remaining Xinyuan Real Estate Group for further negotiation of unsold properties in the properties we manage, in addition to providing property management services for their unsold properties. We further provide services to collect utility fees for and on behalf of the Remaining Xinyuan Real Estate Group upon its request.

Excluded Business

During the Track Record Period, our Controlling Shareholders had been interested in Henan Xinyuan Education via their shareholding in Xinyuan Science. Henan Xinyuan Education is engaged in the provision of kindergarten education service in the PRC (the “**Excluded Business**”).

Since our Group is principally engaged in the provision of property management services, value-added services, and pre-delivery and consulting services, which has a different nature of business from the Excluded Business, Henan Xinyuan Education was excluded as part of our Group and our Controlling Shareholders have no present intention to inject Henan Xinyuan Education into our Group.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Despite our mutual and complementary business relationship with the Remaining Xinyuan Real Estate Group, we believe that we are capable of carrying on our business independently from our Controlling Shareholders and their respective close associates (other than our Group) after the Listing for the following reasons:

Management Independence

Our Company and Xinyuan Real Estate Holdings have boards of directors that function independently from each other. The following table sets forth the details of the directorships and/or roles in our Company and Xinyuan Real Estate Holdings (if any) immediately upon Listing:

Name	Position in our Company	Position in Xinyuan Real Estate Holdings
Wang Yanbo	Executive Director and chief executive officer	N/A
Huang Bo	Executive Director and chief financial officer	N/A
Zhang Yong	Non-executive Director and the chairman of the Board	Director, chairman of the board
Yang Yuyan	Non-executive Director	Director
Li Yifan	Independent non-executive Director	Independent non-executive director
Luo Ji	Independent non-executive Director	N/A
Wang Peng	Independent non-executive Director	N/A

Our Board comprises two executive Directors, two non-executive Directors and three independent non-executive Directors. Other than Mr. Zhang Yong, Ms. Yang Yuyan and Mr. Li Yifan, none of our other Directors holds any directorship or senior management role in the Remaining Xinyuan Real Estate Group. Since Mr. Zhang Yong and Ms. Yang Yuyan are non-executive Directors in our Company, they will not be involved in the day-to-day management or affairs and operations of our businesses.

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Whilst Mr. Li Yifan is an independent non-executive director of both our Company and Xinyuan Real Estate Holdings, he will not participate in the day-to-day operation of either our Group or the Remaining Xinyuan Real Estate Group. If our Group proposes to enter into any transactions with the Remaining Xinyuan Real Estate Group which are subject to independent shareholders' approval of our Company pursuant to the Listing Rules; and with respect to the consideration or review of any matters referred to or under the Non-Competition Undertakings (as mentioned and defined in the subsection headed “– Competition and Conflict of Interests – Undertakings Given by the Controlling Shareholders” in this section), the other two independent non-executive Directors of our Company will still be able to form an independent board committee to advise our Company and/or the independent shareholders of our Company on the transactions. It is expected that such arrangement will not affect the discharge of Mr. Li Yifan's duties and responsibilities as independent non-executive director to both our Group and the Remaining Xinyuan Real Estate Group.

In the event that the overlapping Directors are required to abstain from any board meeting of our Company on any matter which may give rise to a potential conflict of interest with the Remaining Xinyuan Real Estate Group, the remaining Directors (the “**Non-overlapping Directors**”) will have sufficient expertise and experience to fully consider any such matter. In the event that there is an equality of votes by the Non-overlapping Directors when the overlapping Directors abstain from voting due to the conflict of interests, the chairman of the relevant meeting who is elected by the Non-overlapping Directors shall have a second or casting vote to resolve any such matter. Notwithstanding the overlapping Directors, our Directors, including the independent non-executive Directors, are of the view that our Board is able to manage our business independently from the Remaining Xinyuan Real Estate Group for the following reasons:

- (a) none of the Retained Businesses or the Excluded Business competes, or is likely to compete, with our core businesses and there are corporate governance measures in place to manage existing and potential conflicts of interest, therefore, the dual roles assumed by the overlapping Directors in most cases will not affect the requisite degree of impartiality of our Directors in discharging their fiduciary duties owed to our Company;
- (b) in an event of conflict of interest, the relevant Director(s) will abstain from voting in the relevant resolution(s) of the board of directors of both our Company and Xinyuan Real Estate Holdings and will not be counted in the quorum of the relevant board meeting. We believe our Directors with no overlapping directorships in Xinyuan Real Estate Holdings have the requisite qualifications, integrity and experience to maintain an effective board and observe their fiduciary duties in an event of conflict of interests. Please refer to the section headed “Directors and Senior Management” in this prospectus for the relevant experience and qualifications of our Directors; and

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- (c) our Group has a separate senior management team to carry out business decisions independently. The non-overlapping independent non-executive Directors have requisite knowledge, experience and expertise to advise on the conflicted transactions and business decisions, having taken into account the advice of our senior management team and our Group will engage additional independent consultants to provide advice to them where needed.

Based on the reasons above, our Directors are of the view that we are capable of managing our businesses independently from our Controlling Shareholders and their respective close associates (other than our Group).

Financial Independence

During the Track Record Period, our Group had certain amounts due to and due from associates of our Controlling Shareholders. Please refer to Note 31 of the Accountants' Report set out in Appendix I to this prospectus for further details. All balances as at 31 March 2019 which were non-trade in nature between our Group and our Controlling Shareholders and their respective associates are expected to be settled prior to the Listing.

Other than the above, our source of funding has been independent from our Controlling Shareholders. Our Directors confirm that our Group does not intend to obtain any further borrowing, guarantees, pledges and mortgages from any of our Controlling Shareholders or their respective close associates (other than our Group).

We have an independent financial system and finance team responsible for our own treasury functions and we have made, and will continue to make, financial decisions based on our own business needs. Our Directors believe that we are capable of obtaining financing from external sources without reliance on our Controlling Shareholders.

Based on the above, our Directors believe that we are able to maintain financial independence from our Controlling Shareholders and their respective associates (other than our Group).

Operational Independence

We have full rights over, hold and enjoy the benefit of all relevant licenses, have sufficient capital and employees necessary to make all decisions on, and to carry out, our own business operations independent from our Controlling Shareholders and their respective close associates (other than our Group) and will continue to do so after the Listing.

Although a total of 45, 54, 61 and 61 properties, representing approximately 80.4%, 71.1%, 63.5% and 62.9% of the number of properties under our management by our Group as at 31 December 2016, 31 December 2017, 31 December 2018 and 31 March 2019 respectively, were properties developed by the Remaining Xinyuan Real Estate Group, the

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majority of the revenue of our Group was derived from Independent Third Parties, which accounted for approximately 80.7%, 83.5%, 82.1% and 81.5% of the revenue of our Group for the years ended 31 December 2016, 2017, 2018 and the three months ended 31 March 2019 respectively.

Our Group generally secures our preliminary property management services engagements through commercial negotiation and a standard tender process regulated by applicable PRC laws and regulations. Pursuant to the Interim Measures for Bid-Inviting and Bidding Management of Preliminary Property Management (《前期物業管理招標投標管理暫行辦法》), a bid evaluation committee shall be established to consider and make decisions on the bids. The committee shall be composed of no less than five members, of which the number of independent property management experts other than representatives from the bid inviter shall not be less than two-thirds of the total number of the committee members. For details of the tender process, please refer to the subsection headed “Business – Property Management Services – Tender Process” in this prospectus.

In addition, in the post-delivery stage of the property development projects where the property units have been wholly or partially sold and the property owners’ associations have been established, the property owners’ associations have the right to select or replace the preliminary property management companies. The Remaining Xinyuan Real Estate Group does not have any decisive influence over the selection or replacement of the property management companies by the property owners’ associations. During the Track Record Period, all of such property owners’ associations had engaged us to continue to provide property management services upon their establishment through renewing the existing contracts or continuing to execute the original contracts.

Our Group has started to provide property management services for properties developed by third party developers since 2015. Leveraging on our Group’s increasing market penetration in existing geographic markets and its brand recognition, our Group’s GFA under management of properties developed by third party developers recorded substantial growth since then and as at 31 March 2019, we managed 36 properties developed by third party developers, with a total GFA of approximately 4.1 million sq.m.

Licenses required for operation

We hold and enjoy the benefit of all relevant licenses and permits material to the operation of our business.

Access to customers

Our Group has access to a large and diversified base of customers that are unrelated to our Controlling Shareholders and/or their respective close associates (other than our Group).

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Operational facilities

As at the Latest Practicable Date and save as disclosed in the section headed “Continuing Connected Transactions” in this prospectus, all the properties and facilities necessary for our business operations were separate from our Controlling Shareholders and/or their respective close associates (other than our Group).

Employees

As at the Latest Practicable Date, all of our full-time employees were recruited independently and primarily through recruitment websites, on-campus recruitment programs, job fair and recruiting firms.

Connected transactions with our Controlling Shareholders

The section headed “Continuing Connected Transactions” in this prospectus sets out the continuing connected transactions between our Group and the Remaining Xinyuan Real Estate Group or its associates which will continue after the completion of the Global Offering. All such transactions have been or will be determined after arm’s-length negotiations and on normal commercial terms. Save for the continuing connected transactions set out in the section headed “Continuing Connected Transactions” in this prospectus, our Directors currently do not expect that there will be any other continuing connected transactions between our Group and the Remaining Xinyuan Real Estate Group or its associates upon or shortly after the completion of the Global Offering.

Based on the above, our Directors are satisfied that we are able to operate independently from the Remaining Xinyuan Real Estate Group upon Listing.

COMPETITION AND CONFLICT OF INTERESTS

Undertakings Given by the Controlling Shareholders

To protect our Group from any potential competition, each of our Controlling Shareholders (collectively, the “**Covenantors**” and each a “**Covenantor**”) has given non-competition undertakings (the “**Non-Competition Undertakings**”) in favor of our Company (for itself and as trustee for each of its subsidiaries) on 16 September 2019, pursuant to which each of the Covenantors has, among other matters, irrevocably undertaken to us on a joint and several basis that at any time during the Relevant Period (as defined below), each of the Covenantors shall, and shall procure that their respective close associates and/or companies controlled by them (other than our Group) shall:

- (i) not, directly or indirectly, be interested or involved or engaged in or acquire or hold any right or interest (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) in any business which is or is about to be engaged in any business which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by our Group (including but not limited to the provision of (i) property management services, (ii)

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value-added services, (iii) pre-delivery and consulting services, (iv) property marketing services, (v) event planning services and (vi) intelligence engineering services, as described in this prospectus) in the PRC and/or any other country or jurisdiction to which our Group provides such services and/or in which any member of our Group carries on business mentioned above from time to time (the “**Restricted Activity**”);

- (ii) not solicit any existing employee of our Group for employment by it or its associates (excluding our Group);
- (iii) not, without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to its knowledge in its capacity as our Controlling Shareholder for any purpose of engaging, investing or participating in any Restricted Activity;
- (iv) if there is any project or new business opportunity that relates to the Restricted Activity, refer such project or new business opportunity to our Group for consideration;
- (v) not invest or participate in any Restricted Activity; and
- (vi) procure its associates (excluding our Group) not to invest or participate in any project or business opportunity of the Restricted Activity.

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

The Non-Competition Undertakings will become effective conditional on (i) the Stock Exchange granting listing of, and permission to deal in, all our Shares in issue and to be issued under the Global Offering and our Shares which may be issued upon the exercise of the options that may be granted under the Post-IPO Share Option Scheme; and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant

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as a result of the waiver of any condition(s) by the Underwriters) and that the Underwriting Agreements not being terminated in accordance with their respective terms or otherwise.

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

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

Each of the Covenantors has further undertaken in favour of our Company under the Deed of Non-Competition that it shall provide to our Group and our Directors (including our independent non-executive Directors) from time to time all information necessary for the annual review by our independent non-executive Directors who do not have any directorship in Xinyuan Real Estate Holdings (the “**Non-overlapping INEDs**”) with regard to compliance with the terms of the Deed of Non-Competition and the enforcement of the Non-Competition Undertakings by the Covenantors. Each of the Covenantors has also undertaken in favour of our Company to make an annual declaration as to compliance with the terms of the Deed of Non-Competition in our annual reports.

Corporate Governance Measures

In order to properly manage any potential or actual conflict of interests between us and our Controlling Shareholders in relation to the compliance and enforcement of the Non-Competition Undertakings, we have adopted the following corporate governance measures:

- (a) the Non-overlapping INEDs⁽¹⁾ would review, at least on an annual basis, the compliance with and enforcement of the terms of the Non-Competition Undertakings by our Controlling Shareholders and if any, the options, pre-emptive rights or first rights of refusals provided by our Controlling Shareholders and/or their respective close associates on their existing or future competing businesses. Such options, pre-emptive rights or first rights of refusals relate to business which our Group may engage in the future (and, in such context, does not mean the business currently engaged by our Group);
- (b) our Company shall disclose decisions with basis on matters reviewed by the Non-overlapping INEDs⁽¹⁾ relating to non-compliance and enforcement of the Non-Competition Undertakings (including whether to take up the options, pre-emptive rights or first rights of refusals) either through annual report, or by way of announcement and/or other documents issued or published by our Company as required under the Listing Rules;

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- (c) our Company shall disclose in the corporate governance report of the annual reports on how the terms of the Non-Competition Undertakings are complied with and enforced;
- (d) the Covenanters will make an annual declaration on compliance with the Non-Competition Undertakings in the annual report of our Company;
- (e) our Controlling Shareholders have undertaken to provide all information necessary to our Company for the annual review by our Non-overlapping INEDs⁽¹⁾ and the enforcement of the Non-Competition Undertakings;
- (f) in the event that any of our Directors and/or their respective close associates has material interest in any matter to be deliberated by our Board in relation to compliance and enforcement of the Non-Competition Undertakings or other proposed transactions in which such Directors and/or their respective close associates have material interest, he/she/they may not vote on the resolutions of our Board considering and approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles;
- (g) our Company has appointed Orient Capital (Hong Kong) Limited as the compliance adviser, which will provide advice and guidance to our Company in respect of compliance with applicable laws and the Listing Rules including various requirements relating to directors' duties and internal control; and
- (h) where the advice from independent professional, such as that from financial adviser, is reasonably requested by our Directors (including the independent non-executive Directors), the appointment of such independent professional will be made at our Company's expenses.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and their respective close associates and our Group and to protect the interests of our Shareholders, in particular, the minority Shareholders.

Note 1: As at the Latest Practicable Date, the Non-overlapping INEDs consist of Mr. Wang Peng and Mr. Luo Ji. Mr. Wang Peng is currently the deputy chairman and secretary general of China Property Management Institute (中國物業管理協會) and has over 18 years of experience in the property management industry in the PRC. Mr. Luo Ji was qualified as lawyer in the PRC in April 2001 and has been practicing law for over 15 years in the PRC. They had served as an independent director of a listed company in Hong Kong or in the PRC. Our Directors are of the view that each of the Non-overlapping INEDs, with his qualification and the diverse experience in the PRC property management industry or legal field, is capable of assisting our Board in understanding and analysing the business and financial information in different aspects. To further enhance and update their knowledge as to our Group's business and the property management industry, we will provide or arrange for training to the Non-overlapping INEDs from time to time.

CONTINUING CONNECTED TRANSACTIONS

Our Group has entered into a number of agreements with parties who will, upon completion of the Listing, become our connected persons, and the transactions disclosed in this section will constitute continuing connected transactions of our Company under the Listing Rules upon the Listing of our Shares on the Stock Exchange.

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

Transaction	Connected person(s)	Applicable		Historical amount (RMB'000)			Proposed annual cap (RMB'000)		
		Listing Rules	Waiver Sought	Year ended December 31			Year ending December 31		
				2016	2017	2018	2019	2020	2021
<i>Fully exempt continuing connected transactions</i>									
Trademark Licensing Agreement	Henan Xinyuan, Beijing Aijieli	14A.52, 14A.76	a fixed term of not more than three years requirement	N/A	N/A	N/A	N/A	N/A	N/A
Software Licensing Agreement	Beijing Juzhouyun	14A.76	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Property Lease Framework Agreement	Xinyuan (China)	14A.76	N/A	190	190	190	248	310	387
<i>Non-exempt continuing connected transactions</i>									
Property Management Services Framework Agreement	Xinyuan Real Estate Holdings	14A.34, 14A.35, 14A.36, 14A.49, 14A.71	Announcement and independent shareholders' approval requirements	3,185	4,277	12,362	17,265	22,962	30,081
Pre-delivery and Consulting Services Framework Agreement	Xinyuan Real Estate Holdings	14A.34, 14A.35, 14A.36, 14A.49, 14A.71	Announcement and independent shareholders' approval requirements	36,777	41,076	45,532	82,573	111,194	156,080
Value-added Services Framework Agreement	Xinyuan Real Estate Holdings	14A.34, 14A.35, 14A.36, 14A.49, 14A.71	Announcement and independent shareholders' approval requirements	4,172	3,859	12,446	21,978	29,385	41,140

CONTINUING CONNECTED TRANSACTIONS

(A) CONTINUING CONNECTED TRANSACTIONS FULLY EXEMPT FROM THE REPORTING, ANNUAL REVIEW, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

1. Trademark Licensing Agreement

On 16 September 2019, a trademark licensing agreement was entered into between our Company on one hand and Henan Xinyuan and Beijing Aijieli (collectively the “**Licensors**”) on other hand (the “**Trademark Licensing Agreement**”), pursuant to which the Licensors agreed to irrevocably and unconditionally grant us a non-transferable license to use certain trademarks registered in the names of the Licensors in the PRC for a perpetual term commencing from the date of the Trademark Licensing Agreement on a royalty-free basis. The Trademark Licensing Agreement is not unilaterally terminable by the Licensors. For details of the licensed trademarks, please refer to the subsection headed “2. Further Information About Our Business – 2.2 Intellectual Property Rights of Our Group – (a) Trademarks” in Appendix V to this prospectus.

We have been using the abovementioned licensed trademarks in the business of our Group over the years in relation to the services rendered by our Group and for the related marketing and promotion activities on a royalty-free basis. Our Directors believe that the entering into of the Trademark Licensing Agreement with a term of more than three years can ensure the stability of our operations, and is beneficial to our Company and our Shareholders as a whole. The Sole Sponsor is of the view that it is normal business practise for agreements of this type to be of such duration.

Henan Xinyuan and Beijing Aijieli, as the registered proprietors of the licensed trademarks, are an indirect wholly-owned subsidiary of Xinyuan Real Estate Holdings, our Controlling Shareholder, and an associate of Mr. Zhang Yong, our non-executive Director respectively, and therefore each of them is a connected person of our Company under the Listing Rules. Accordingly, the transactions under the Trademark Licensing Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing.

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

CONTINUING CONNECTED TRANSACTIONS

2. Software Licensing Agreement

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

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

We have been using the Software on a royalty-free basis to enhance our effectiveness and efficiency in operating our business and intend to continue to use them after the Listing. The Software Licensing Agreement is not unilaterally terminable by Beijing Juzhouyun and our Company is entitled to, subject to compliance with the PRC laws and the Listing Rules, renew the Software Licensing Agreement for successive periods of three years under the same conditions upon the expiry thereof.

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

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

3. Property Lease Framework Agreement

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

Under the Property Lease Framework Agreement, we will lease property(ies) from Xinyuan (China) or its subsidiary/associate for office use in the PRC. For each of the years ended 31 December 2016, 2017 and 2018, the total amount of rental expenses incurred between our Group and Xinyuan (China) and/or its subsidiaries/associates for the property we leased for office use amounted to approximately RMB190,000, RMB190,000 and RMB190,000, respectively.

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

Our Directors estimate that the maximum annual fee payable by us under the Property Lease Framework Agreement for each of the three years ending 31 December 2021 will not exceed RMB248,000, RMB310,000 and RMB387,000, respectively. In arriving at the above annual caps, our Directors have considered the following factors which are considered to be reasonable and justifiable in the circumstances:

- the historical transaction amounts during the Track Record Period;
- the fair rental valuation regarding the existing property leased by our Group, which is determined by our independent property valuer;
- the terms and conditions, in particular, the rent, under the existing lease agreement; and
- the expected incremental in rental rate and the possible needs of our Group with reference to our Group’s future business development plan.

CONTINUING CONNECTED TRANSACTIONS

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

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

(B) CONTINUING CONNECTED TRANSACTIONS SUBJECT TO THE REPORTING, ANNUAL REVIEW, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

1. Property Management Services Framework Agreement

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

For each of the years ended 31 December 2016, 2017 and 2018, the total amount of fees payable by the Remaining Xinyuan Real Estate Group and/or its associates for the XRE Property Management Services provided by our Group amounted to approximately RMB3,185,000, RMB4,277,000 and RMB12,362,000, respectively.

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

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

CONTINUING CONNECTED TRANSACTIONS

at the above annual caps of the XRE Property Management Services, our Directors have considered the following factors which are considered to be reasonable and justifiable in the circumstances:

- the historical transaction amounts and the growth trend during the Track Record Period and the unaudited transaction amount for the eight months ended 31 August 2019;
- the estimated revenue to be recognised in relation to the XRE Property Management Services provided by our Group with reference to the total GFA of unsold properties during the Track Record Period;
- the estimated additional area of unsold properties units which will procure property management services from us with reference to (i) the estimated increase in the total GFA of the properties expected to be developed and delivered by the Remaining Xinyuan Real Estate Group for the three years ending 31 December 2021, based on the existing property management service contracts entered into with the Remaining Xinyuan Real Estate Group. As at 31 March 2019, our Group has been contracted to manage 23 properties which are under development by the Remaining Xinyuan Real Estate Group, comprising a GFA of approximately 5.2 million sq.m. These properties are expected to be delivered for our Group's management from 2019 to 2021; and (ii) the unsold properties unit ratio during the Track Record Period, which is calculated by dividing the total unsold property unit area by the total GFA delivered by the Remaining Xinyuan Real Estate Group and under our management during the Track Record Period, being approximately 1.1%, 1.0% and 2.0% as at 31 December 2016, 2017, and 2018, respectively; and
- the expected increase in property management service fee to be charged by our Group with reference to the increasing trend of property management service fee we charged to the properties developed by the Remaining Xinyuan Real Estate Group during the Track Record Period. The average property management fees per sq.m. per month were RMB1.74, RMB1.88 and RMB1.98 for the properties developed by the Remaining Xinyuan Real Estate Group and under our management for the years ended 31 December 2016, 2017 and 2018, respectively. Based on the existing property management service contracts entered into with the Remaining Xinyuan Real Estate Group, the average property management fees per sq.m. per month for the properties developed by the Remaining Xinyuan Real Estate Group which are expected to be delivered in the years ending 31 December 2019, 2020 and 2021 are RMB2.04, RMB2.31 and RMB2.33, respectively.

CONTINUING CONNECTED TRANSACTIONS

Xinyuan Real Estate Holdings is one of the Controlling Shareholders and therefore a connected person of our Company under the Listing Rules. Accordingly, the transactions under the Property Management Services Framework Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing.

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

2. Pre-delivery and Consulting Services Framework Agreement

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

The total service fees payable by the Remaining Xinyuan Real Estate Group and/or its associates for the XRE Pre-delivery and Consulting Services provided by our Group for each of the years ended 31 December 2016, 2017 and 2018 are as follows:

		For the year ended 31 December		
		2016	2017	2018
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(approximately)	(approximately)	(approximately)
(i)	Sales assistance services	24,727	22,637	29,830
(ii)	Early involvement services	9,978	11,139	10,796
(iii)	Referral and management services for unsold properties	2,072	7,300	4,906
(iv)	Repair and intelligent engineering services	nil	nil	nil
	Total:	36,777	41,076	45,532

CONTINUING CONNECTED TRANSACTIONS

The fees to be charged for the XRE Pre-delivery and Consulting Services shall be determined as follows:

- | | |
|--|--|
| (i) Sales assistance services | Sales assistance service fee is determined after arm's length negotiations taking into account the location of the project, the anticipated operational costs (including labour costs and material costs) with reference to the fees for similar services and similar type of projects in the market. |
| (ii) Early involvement services | Early involvement service fee is determined after arm's length negotiations taking into account the GFA involved, the anticipated service costs and the prevailing market price for similar services in the market. |
| (iii) Referral and management services for unsold properties | The service fee to be charged shall be calculated by multiplying the selling price of the property sold to the buyer we introduced with a certain service rate. The service rate shall be determined after arm's length negotiations with reference to the anticipated operational costs (including labour costs and material costs) and the type of the subject property. |
| (iv) Repair and intelligent engineering services | Such service fee is determined after arm's length negotiations taking into account the scope of services under each of such contracts, the anticipated operational costs (including labour costs and material costs) with reference to the fees for similar services and similar type of projects in the market. |

Our Directors estimate that the maximum annual fee payable by the Remaining Xinyuan Real Estate Group and/or its associates in relation to the XRE Pre-delivery and Consulting Services to be provided by our Group under the Pre-delivery and Consulting Services Framework Agreement for each of the three years ending 31 December 2021 will not exceed RMB82,573,000, RMB111,194,000 and RMB156,080,000, respectively. The significant increase in the maximum annual fee payable by the Remaining Xinyuan Real Estate Group and/or its associates for the XRE Pre-delivery and Consulting Services is mainly due to (i) the expansion of the scope and the scale of the XRE Pre-delivery and Consulting Services, including the increase in the variety of our sales assistance services mentioned as below and the addition of our repair and intelligent engineering services and (ii) our expected increase in the GFA to be developed and delivered by the Remaining Xinyuan Real Estate Group, which would procure the increase in the Remaining Xinyuan

CONTINUING CONNECTED TRANSACTIONS

Real Estate Group's demand for our pre-delivery and consulting services. During the year ended 31 December 2018, our Group provided the sales assistances services and the early involvement services to 22 and 23 properties developed by the Remaining Xinyuan Real Estate Group, respectively. With reference to the existing contracts, and the internal development and sales plan of the Remaining Xinyuan Real Estate Group, we expect to provide the sales assistances services and the early involvement services to 34 and 48 properties respectively for the three years ending 31 December 2021.

In arriving at the above annual caps of the XRE Pre-delivery and Consulting Services, our Directors have considered the following factors which are considered to be reasonable and justifiable in the circumstances:

- the historical transaction amounts and growth trend during the Track Record Period and the unaudited transaction amount for the eight months ended 31 August 2019;
- the estimated revenue to be recognised in relation to the XRE Pre-delivery and Consulting Services provided by our Group pursuant to existing contracts;
- in respect of sales assistance services, our anticipated increase in the demand of the Remaining Xinyuan Real Estate Group for our sales assistance services as a result of (i) the estimated pre-sale schedule of the properties to be developed by the Remaining Xinyuan Real Estate Group; and (ii) our expansion of the scale of our sales assistance services from basic services such as cleaning and security services for displaying units to various types of “warm-up” activities such as sales venue and display units opening ceremonies, music performance and carnivals;
- in respect of early involvement services, (i) our estimation of the contracted GFA to be delivered by the Remaining Xinyuan Real Estate Group for the three years ending 31 December 2021, based on the development plan of the Remaining Xinyuan Real Estate Group with reference to its existing land reserve; and (ii) the estimated average increase of approximately 28% in the early involvement service fees to be charged by our Group over the three years ending 31 December 2021 after taking into account the expected prevailing market price growth, the expected inflation rate;
- in respect of referral and management services for unsold properties, (i) our estimation of the number of unsold properties owned by the Remaining Xinyuan Real Estate Group and/or its associates in residential communities managed by us which require such services for the three years ending 31 December 2021 and the success rate of referring potential buyers for such unsold properties; and (ii) the outlook of real estate industry in the PRC for the next three years; and

CONTINUING CONNECTED TRANSACTIONS

- in respect of repair and intelligent engineering services, (i) the anticipated demand for such services of the Remaining Xinyuan Real Estate Group with reference to its development plan for the three years ending 31 December 2021 and based on our discussion with the Remaining Xinyuan Real Estate Group during the negotiations of the terms of the Pre-delivery and Consulting Services Framework Agreement; (ii) the estimated revenue to be recognised in relation to the repair and intelligent engineering services which are being provided by our Group pursuant to the existing contracts; and (iii) our estimation of our enhanced capacity to provide repair and intelligent engineering services for the three years ending 31 December 2021. Our repair and intelligent engineering services include the provision of maintenance services on behalf of the property developer to the property owners for the warranty period of a development project, construction quality improvement services and intelligent system installation services. In light of our expected increasing GFA to be developed and delivered by the Remaining Xinyuan Real Estate Group and the growing demand for smart residential communities in the PRC, we expect a substantial growth in the demand for our repair and intelligent engineering services for the next three years. With reference to the existing contracts, and the internal development and sales plan of the Remaining Xinyuan Real Estate Group, we expect to provide the repair and intelligent engineering services to at least 23 new properties for the three years ending 31 December 2021.

Xinyuan Real Estate Holdings is one of the Controlling Shareholders and therefore a connected person of our Company under the Listing Rules. Accordingly, the transactions under Pre-delivery and Consulting Services Framework Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing.

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

3. Value-added Services Framework Agreement

On 16 September 2019, our Company (for itself and on behalf of its subsidiaries and associates) (as service providers) entered into a value-added services framework agreement with Xinyuan Real Estate Holdings (for itself and on behalf of its subsidiaries and associates) (as receiving parties) (the “**Value-added Services Framework Agreement**”), pursuant to which we agreed to provide to the Remaining Xinyuan Real Estate Group and/or its associates value-added services, including but not limited to the provision of

CONTINUING CONNECTED TRANSACTIONS

on-site cleaning, operations and other related services at the pre-delivery stage and the delivery events for the property development projects, utility fee collection service, “400 CS Center” service and other value-added services (collectively the “**XRE Value-added Services**”), for a term commencing from the Listing Date until 31 December 2021.

For each of the years ended 31 December 2016, 2017 and 2018, the total amount of fees payable by the Remaining Xinyuan Real Estate Group and/or its associates for the XRE Value-added Services provided by our Group amounted to approximately RMB4,172,000, RMB3,859,000 and RMB12,446,000, respectively. As the business lines of our Group are inter-related and complementary, the Remaining Xinyuan Real Estate Group’s demand for our value-added services would increase with its demand for our other services, leading to the increase in the maximum annual fee payable by the Remaining Xinyuan Real Estate Group and/or its associates for the XRE Value-added Services. In particular, properties under development would generate new engagements for our pre-delivery and consulting services; and such properties once developed by the Remaining Xinyuan Real Estate Group would then be managed by our Group, as result of which it is also expedient for the Remaining Xinyuan Real Estate Group to engage our value-added services during the pre-delivery stage, at the delivery events or thereafter. As such, the estimated increase in the contracted GFA to be delivered by the Remaining Xinyuan Real Estate Group for the three years ending 31 December 2021 would also increase the Remaining Xinyuan Real Estate Group’s demand for our value-added services. For example, during the year ended 31 December 2018, we provided utility fee collection services to collect utility fees from more than 44,000 residential units in 19 properties which are developed by the Remaining Xinyuan Real Estate Group; and we expect that the provision of the utility fee collection service would further cover an additional 7 properties in 2019.

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

Our Directors estimate that the maximum annual fee payable by the Remaining Xinyuan Real Estate Group and/or its associates in relation to the XRE Value-added Services to be provided by our Group under the Value-added Services Framework Agreement for each of the three years ending 31 December 2021 will not exceed RMB21,978,000, RMB29,385,000 and RMB41,140,000, respectively. In arriving at the above annual caps of the XRE Value-added Services, our Directors have considered the following factors which are considered to be reasonable and justifiable in the circumstances:

- the historical transaction amounts and the overall growth trend during the Track Record Period and the unaudited transaction amount for the eight months ended 31 August 2019;

CONTINUING CONNECTED TRANSACTIONS

- the estimated revenue to be recognised in relation to the XRE Value-added Services provided by our Group pursuant to the existing contracts, and the internal development and sales plan of the Remaining Xinyuan Real Estate Group; and
- our anticipated increase in the demand of the Remaining Xinyuan Real Estate Group for the XRE Value-added Services as a result of (i) our estimation of the contracted GFA to be delivered by the Remaining Xinyuan Real Estate Group for the three years ending 31 December 2021, based on the development and sales plan of the Remaining Xinyuan Real Estate Group with reference to its existing land reserve and (ii) the increase in the types and scale of our value-added services. Our Group began to actively provide the on-site cleaning, operations and other related services to the Remaining Xinyuan Real Estate Group at the pre-delivery stage and the delivery events during the year ended 31 December 2018. Given the immense needs of the Remaining Xinyuan Real Estate Group for such services at the pre-delivery stage and the delivery events, we have been expanding our scale and enhancing our capacity, and intend to provide such services to all the properties which are expected to be delivered by the Remaining Xinyuan Real Estate Group during the three years ending 31 December 2021 as per its internal development and sales plan. Additional value-added services, such as our “400 CS Center” service, are also added to further cater for the needs of the Remaining Xinyuan Real Estate Group. In light of the above, we believe that there will be an initially steeper and gradually more steady increment of approximately over 30% per annum in transaction volume upon expansion of our value-added services.

Xinyuan Real Estate Holdings is one of the Controlling Shareholders and therefore a connected person of our Company under the Listing Rules. Accordingly, the transactions under the Value-added Services Framework Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing.

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

(C) APPLICATION FOR WAIVER

The transactions described under the subsection headed “– (B) Continuing Connected Transactions Subject to the Reporting, Annual Review, Announcement and Independent Shareholders’ Approval Requirements” in this section constitute our continuing connected transactions under the Listing Rules, which are subject to the reporting, annual review, announcement and independent Shareholders’ approval requirements of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

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

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

(D) DIRECTORS' VIEWS

Our Directors (including our independent non-executive Directors) consider that all the continuing connected transactions described under the subsection headed “– (B) Continuing Connected Transactions Subject to the Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements” have been and will be carried out (i) in the ordinary and usual course of our business; (ii) on normal commercial terms or better; and (iii) in accordance with the respective terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Our Directors (including our independent non-executive Directors) are also of the view that the annual caps of the continuing connected transactions under the subsection headed “– (B) Continuing Connected Transactions Subject to the Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements” in this section are fair and reasonable and are in the interests of our Shareholders as a whole.

The Trademark Licensing Agreement has a term exceeding three years due to the nature of the transaction contemplated thereunder. Our Directors (including our independent non-executive Directors) consider that the Trademark Licensing Agreement with a term exceeding three years has been entered into the ordinary and usual course of our business, on normal or better commercial terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole and it is normal business practise for such agreement to have a relatively long duration.

(E) SOLE SPONSOR'S VIEW

The Sole Sponsor is of the view that (i) that the continuing connected transactions described under the subsection headed “– (B) Continuing Connected Transactions Subject to the Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements” have been and will be entered into in the ordinary and usual course of our business, on normal commercial terms or better, that are fair and reasonable and in the interests of our Company and our Shareholders as a whole; (ii) that the proposed annual caps (where applicable) of such continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and (iii) as for the duration of the Trademark Licensing Agreement, it is normal business practise for agreements of such type to have such duration.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board consists of seven members, comprising two executive Directors, two non-executive Directors and three independent non-executive Directors. Our Board is responsible and has general powers for the management and conduct of our businesses. The day-to-day operations of our Group are supervised and carried out by our executive Directors with the assistance of our senior management. The table below sets out certain information in respect of our Directors.

Name	Age	Position	Date of joining our Group <i>(Note 1)</i>	Date of appointment as a Director	Main roles and responsibilities
Wang Yanbo (王研博)	48	Executive Director and chief executive officer	28 October 2004	13 December 2018	Overseeing the strategic and business planning of our Group and making decisions in material business operations
Huang Bo (黃波)	41	Executive Director and chief financial officer	13 August 2007	13 December 2018	Overseeing financial operations and strategic investment developments of our Group
Zhang Yong (張勇)	55	Non-executive Director and the chairman of our Board	28 December 1998	19 April 2019	Formulating of and providing guidance and development strategies for the overall development of our Group
Yang Yuyan (楊玉岩)	55	Non-executive Director	11 November 2001	19 April 2019	Planning the future strategic development of our Group
Luo Ji (羅輯)	73	Independent non-executive Director	16 September 2019	16 September 2019	Supervising and providing independent judgment to our Board <i>(Note 2)</i>
Li Yifan (李軼梵)	52	Independent non-executive Director	16 September 2019	16 September 2019	Supervising and providing independent judgment to our Board <i>(Note 2)</i>
Wang Peng (王鵬)	43	Independent non-executive Director	16 September 2019	16 September 2019	Supervising and providing independent judgment to our Board <i>(Note 2)</i>

Notes:

1. The date of joining our Group in this table above includes the dates of joining members of our Group prior to the reorganisation of such members into our Group.
2. Independent non-executive Directors' functions are to participate in meetings of our Board to bring an independent judgment to bear on issues of strategy, performance, accountability, resources, key appointments and standards of conduct and transactions which are material to our Group as and when required, taking the lead where potential conflicts of interest arise and serving on the audit committee, remuneration committee and the nomination committee (as the case may be).

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

The table below shows certain information in respect of our senior management:

Name	Age	Position	Date of joining our Group (Note 1)	Date of appointment as senior management	Main roles and responsibilities
Wang Yantao (王彥濤)	39	Vice president	18 February 2003	5 January 2012	Overseeing property management and business development of our Group
Du Xiangyan (杜祥艷)	39	Human resources center chief manager	2 March 2000	5 January 2012	Managing human resources and administrative matters
Zhang Rong (張蓉)	48	Operations chief manager	9 August 2006	5 January 2012	Overseeing business operations and performance appraisal

Note:

1. The date of joining our Group in this table above includes the dates of joining members of our Group prior to the reorganisation of such members into our Group.

The biographies of our Directors are set out as follows:

Executive Directors

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

DIRECTORS AND SENIOR MANAGEMENT

Ms. Wang joined our Group in October 2004 as a customer service manager. She was appointed as a chief manager of Xinyuan Science in January 2012 and has been a director of Xinyuan Science since 8 May 2016, responsible for overseeing the business operations of the group of Xinyuan Science. In addition, Ms. Wang currently holds directorship in various other subsidiaries of our Company, including set out below:

Name of entity	Position	Date of appointment
Xinyuan-BVI	Director	2 January 2019
Xinyuan-HK	Director	8 January 2019
Henan Xinyuan Marketing	Director	21 September 2017
Henan Yueshenghang	Director	15 September 2017
Henan Xinyuan	Director	15 September 2017
Henan Chengzhihang	Director	15 December 2017

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

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

From July 2000 to December 2002, Mr. Huang acted as the financial officer of the diamond manufacturing business unit at Henan Huanghe Whirlwind Co. Ltd. (河南黃河旋風股份有限公司). From December 2002 to August 2007, he acted as the supervisor of the audit department at Henan Provincial Yuehua Certified Public Accountants (河南岳華會計師事務所). His roles and responsibilities were leading various kinds of auditing projects, formulating auditing plans, auditing risk and quality controlling.

Mr. Huang joined our Group in August 2007 as the financial controller of Xinyuan Science. He was further appointed as the deputy manager of business operations as well as the financial controller of Xinyuan Science on 26 April 2013 and has been a director of Xinyuan Science since 8 May 2016, responsible for overseeing the financial operations of

DIRECTORS AND SENIOR MANAGEMENT

the group of Xinyuan Science. In addition, Mr. Huang currently holds directorship in various other subsidiaries of our Company, including set out below:

Name of entity	Position	Date of appointment
Xinyuan-BVI	Director	2 January 2019
Xinyuan-HK	Director	8 January 2019
Puyang Zhongfang	Director	29 November 2017

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

Non-executive Directors

Mr. Zhang Yong (張勇), aged 55, was appointed as a Director on 19 April 2019 and was designated as a non-executive Director and appointed as the chairman of the Board on the same date. He is responsible for formulating of and providing guidance and development strategies for the overall development of our Group.

Mr. Zhang founded Xinyuan Real Estate Group, our parent group, on 19 May 1997. The shares in Xinyuan Real Estate Holdings have been listed on the New York Stock Exchange (stock code: XIN) since 12 December 2007. Mr. Zhang has been appointed as a director and the chairman of the board of directors of Xinyuan Real Estate Holdings since 26 March 2007. Xinyuan Real Estate Holdings was owned as to 25.90% by Mr. Zhang as at the Latest Practicable Date. Also, Mr. Zhang has been appointed as a director of Xinyuan Real Estate since 1 February 2006 and the president and the chief executive officer thereof since 21 August 2006.

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

DIRECTORS AND SENIOR MANAGEMENT

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

Ms. Yang Yuyan (楊玉岩), aged 55, was appointed as a Director on 19 April 2019 and was designated as a non-executive Director on the same date. She is responsible for planning the future strategic development of our Group. Ms. Yang had been a supervisor of Xinyuan Science from 11 November 2001 to 8 May 2016.

Ms. Yang has invested in Xinyuan Real Estate Group since its establishment and has been appointed as a director of Xinyuan Real Estate Holdings since 9 April 2007. As at the Latest Practicable Date, Ms. Yang was deemed to beneficially own all of the shares in Xinyuan Real Estate Holdings held directly or indirectly by The Spectacular Stage Trust representing 24.94% of the issued shares in Xinyuan Real Estate Holdings. Please refer to note 1 to the subsection headed "History and Reorganisation – Corporate Structure" in this prospectus for Ms. Yang's interest in Xinyuan Real Estate Holdings as at the Latest Practicable Date. Also, Ms. Yang has been appointed as a director of Xinyuan Real Estate since 25 August 2006.

Ms. Yang was a director, supervisor and/or manager of the following companies, which were established in the PRC and had been dissolved or cancelled as at the Latest Practicable Date:

Name of company	Principal business of the company prior to dissolution or cancellation	Position	Status	Date of dissolution or cancellation	Reason for dissolution
Beijing Xinyuan Jinhe Investment Consultancy Co., Ltd. (北京鑫苑金和投資諮詢有限公司)	Investment consultancy	Supervisor	Cancelled	20 December 2006	Cessation of business
Beijing Hongdetong Investment Consultancy Co., Ltd. (北京宏德通投資顧問有限公司)	Investment consultancy	Supervisor	Cancelled	30 March 2007	Cessation of business
Henan Wanzhong Real Estate Co., Ltd. (河南萬眾置業有限公司)	Real estate development	Supervisor	Cancelled	25 September 2012	Cessation of business

DIRECTORS AND SENIOR MANAGEMENT

Name of company	Principal business of the company prior to dissolution or cancellation	Position	Status	Date of dissolution or cancellation	Reason for dissolution
Zhengzhou Construction Investment Xinyuan Real Estate Co-Development Co., Ltd. (鄭州建投鑫苑聯合地產發展有限公司)	Real estate development	Supervisor	Cancelled	6 April 2012	Cessation of business
Zhengzhou Xinyuan Computer Network Engineering Co., Ltd. (鄭州鑫苑計算機網絡工程有限公司)	Software	Supervisor	Dissolved by resolutions	20 December 2016	Cessation of business

Ms. Yang confirmed that (i) the above companies were solvent immediately prior to their dissolutions; (ii) there was no wrongful act on her part leading to the dissolutions of the above companies and was not aware of any actual or potential claim that had been or would be made against her as a result of the dissolutions; and (iii) no misconduct or misfeasance had been involved in the dissolution of the above companies.

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

Independent Non-executive Directors

Mr. Luo Ji (羅輯), aged 73, was appointed as an independent non-executive Director on 16 September 2019.

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

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

DIRECTORS AND SENIOR MANAGEMENT

Mr. Li Yifan (李軼梵), aged 52, was appointed as an independent non-executive Director on 16 September 2019.

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

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

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

Mr. Wang Peng (王鵬), aged 43, was appointed as an independent non-executive Director on 16 September 2019.

Since October 2000, Mr. Wang successively served at China Property Management Institute (中國物業管理協會), an industry association of property management enterprises with his current position as the deputy chairman and secretary general. He has been serving as an independent non-executive director at A-Living Services Co., Ltd., the shares in which are listed on the Stock Exchange (stock code: 3319) since August 2017 and an independent non-executive director at Ever Sunshine Lifestyle Services Group Limited, the shares in which are listed on the Stock Exchange (stock code: 1995) since November 2018.

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

DIRECTORS AND SENIOR MANAGEMENT

General

Save as disclosed, there is no other information relating to our Directors that needs to be disclosed under the requirements of Rule 13.51(2) of the Listing Rules. As at the Latest Practicable Date, there are no familial relationships among our Directors.

Save as disclosed, none of our Directors:

- (i) holds any other positions in our Company or other members of our Group;
- (ii) has any other relationship with any Directors, senior management or substantial shareholders or Controlling Shareholders of our Company; and
- (iii) he or she has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

Except for such interests of the Directors in the Shares which are disclosed in the section headed “Substantial Shareholders” and the subsection headed “3. Further Information About Our Directors and Substantial Shareholders” in Appendix V to this prospectus, none of our Directors have any interest in the Shares within the meaning of Part XV of the SFO or is a director or an employee of a company which has an interest or short position in the Shares and underlying Shares of our Company. Save as disclosed in the section headed “Relationship With the Controlling Shareholders” in this prospectus, each of our Directors has confirmed that none of them or their respective associates are engaged in, or interested in any business (other than our Group) which, directly or indirectly, competes or may compete with our business or has or may have any conflict of interests with our Group.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors after having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of or paragraph 41(3) of Appendix 1A to the Listing Rules as at the Latest Practicable Date.

Senior Management

The biographies of our senior management are set out as follows:

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

DIRECTORS AND SENIOR MANAGEMENT

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

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

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

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

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

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

DIRECTORS AND SENIOR MANAGEMENT

JOINT COMPANY SECRETARIES

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

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

He was admitted as a member and a fellow of the Association of Chartered Certified Accountants in October 2006 and October 2011 respectively. He was admitted in September 2008 as a certified public accountant and is a certified public accountant (practicing) of the Hong Kong Institute of Certified Public Accountants. He was admitted as an associate and a fellow of The Hong Kong Institute of Chartered Secretaries in January 2014 and November 2015 respectively. He was admitted as a fellow of the Institute of Chartered Secretaries and Administrators in November 2015.

Mr. Tso obtained his bachelor's degree in accountancy in November 2003 and master's degree in corporate governance in October 2013, both from the Hong Kong Polytechnic University in Hong Kong.

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

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

Mr. Xu obtained a bachelor's degree in e-commerce from Zhejiang Gongshang University (浙江工商大學) in the PRC in July 2007 and a postgraduate qualification in economics from Nanjing University (南京大學) in the PRC in July 2011.

DIRECTORS AND SENIOR MANAGEMENT

REMUNERATION POLICY

Our Directors and senior management of our Company receive compensation in the form of fees, salaries, contributions to pension schemes, other allowances, other benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and performance of our Directors and senior management, as well as the performance of our Group.

Our Group regularly reviews and determines the remuneration and compensation packages of our Directors and senior management by reference to, among other things, market level of remuneration and compensation paid by comparable companies, respective responsibilities of our Directors and senior management and performance of our Group.

Following the Listing, the Remuneration Committee will review and determine the remuneration and compensation packages of our Directors with reference to their experience, responsibilities, workload and time devoted to our Group and performance of our Group.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

For each of the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019, the aggregate director's fee, salaries and allowances and retirement benefits scheme contribution, other benefits in kind and/or discretionary bonuses paid by us to our Directors were approximately RMB3,354,000, RMB3,697,000, RMB3,548,000 and RMB2,367,000, respectively.

For each of the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019, the aggregate salaries and allowances, other benefits in kind, discretionary bonuses and retirement benefits scheme contribution paid by us to the five highest paid individuals, including directors, were approximately RMB6,601,000, RMB7,299,000, RMB7,069,000 and RMB3,197,160, respectively.

We did not pay to our Directors or the five highest paid individuals any inducement fees to join us or as compensation for loss of office for each of the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019. Furthermore, none of our Directors waived any compensation for the same period.

Save as disclosed above, no other emoluments had been paid, or are payable, by us to our Directors and the five highest paid individuals in respect of each of the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019, respectively.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors (excluding discretionary benefits or bonus or other fringe benefits) for the financial year ended 31 December 2019 will be approximately RMB4 million.

DIRECTORS AND SENIOR MANAGEMENT

To incentivise our Directors, senior management and employees, our Company has adopted the Pre-IPO Share Award Scheme on 31 January 2019. Please refer to the subsection headed “4. Pre-IPO Share Award Scheme and Post-IPO Share Option Scheme – 4.1 Pre-IPO Share Award Scheme” in Appendix V to this prospectus for further details.

POST-IPO SHARE OPTION SCHEME

Our Company has conditionally adopted the Post-IPO Share Option Scheme. Further information on the Post-IPO Share Option Scheme is set forth in the subsection headed “4. Pre-IPO Share Award Scheme and Post-IPO Share Option Scheme – 4.2 Post-IPO Share Option Scheme” in Appendix V to this prospectus.

BOARD COMMITTEES

Audit Committee

Our Audit Committee consists of three members, namely Mr. Li Yifan, Mr. Luo Ji and Mr. Wang Peng. Mr. Li Yifan is the chairman of the Audit Committee. Written terms of reference for our Audit Committee were adopted in accordance with paragraph C.3.3 of the Corporate Governance Code.

The primary duties of our Audit Committee are to review and supervise our financial reporting process, to nominate and monitor our external auditors, and to oversee the risk management and internal control procedures of our Company.

Remuneration Committee

Our Remuneration Committee consists of three members, namely Mr. Li Yifan, Mr. Zhang Yong and Mr. Luo Ji. Mr. Li Yifan is the chairman of our Remuneration Committee. Written terms of reference for our Remuneration Committee were adopted in accordance with paragraph B.1.2 of the Corporate Governance Code.

The primary duties of our Remuneration Committee are to make recommendations to our Board on the overall remuneration policy and structure relating to all Directors and senior management of our Company, and to ensure that none of our Directors determine their own remuneration.

Nomination Committee

Our Nomination Committee consists of three members, namely Mr. Zhang Yong, Mr. Li Yifan and Mr. Luo Ji. Mr. Zhang Yong is the chairman of our Nomination Committee. Written terms of reference for our Nomination Committee were adopted in accordance with paragraph A.5.2 of the Corporate Governance Code.

DIRECTORS AND SENIOR MANAGEMENT

The primary duties of our Nomination Committee are to review the structure, size and composition of our Board and our board diversity policy (the “**Board Diversity Policy**”), to identify individuals suitably qualified to become members of our Board, to assess the independence of our independent non-executive Directors, and to make recommendations to our Board on relevant matters relating to appointments of Directors.

BOARD DIVERSITY POLICY

We have adopted the Board Diversity Policy which sets out the approach to achieve diversity on our Board in order to enhance the quality of its performance. The Board Diversity Policy provides that our Company should endeavour to ensure that our Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy. Pursuant to the Board Diversity Policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. After Listing, our Nomination Committee will review the Board Diversity Policy from time to time to ensure its continued effectiveness and monitor and report annually in our corporate governance report about the implementation of the Board Diversity Policy.

COMPLIANCE ADVISER

We have appointed Orient Capital (Hong Kong) Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us on, among other matters, the following:

- (i) (before its publication) any regulatory announcement, circular or financial report;
- (ii) a transaction, which might be a notifiable or connected transaction including share issues and share repurchases;
- (iii) where our Company proposes to use the net proceeds of the Global Offering in a manner different from that set out in this prospectus or where our business activities, development or results deviate from any forecast, estimate, or other information in this prospectus; and
- (iv) where the Stock Exchange makes any inquiry of us under Rule 13.10 of the Listing Rules.

The term of appointment of our compliance adviser will commence on the Listing Date and will end on the date of dispatch of our annual report in respect of our financial results for the first full financial year commencing after the Listing Date. Such appointment may be subject to extension by mutual agreement.

SHARE CAPITAL

SHARE CAPITAL

Without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Post-IPO Share Option Scheme, the authorised and issued share capital of our Company as at the date of this prospectus and immediately after completion of the Global Offering will be as follows:

HK\$

Authorised share capital:

38,000,000,000	Shares of HK\$0.00001 each	380,000.00
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Issued and to be issued and fully paid or credited as fully paid:

375,000,000	Shares in issue as at the date of this prospectus	3,750.00
<u>125,000,000</u>	Shares to be issued pursuant to the Global Offering	<u>1,250.00</u>
<u>500,000,000</u>	Total	<u>5,000.00</u>

Assumptions

The above table assumes that the Global Offering becomes unconditional, and the issue of Shares pursuant to the Global Offering. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Post-IPO Share Option Scheme, or any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

Minimum Public Float

Pursuant to Rule 8.08(1) of the Listing Rules, a minimum prescribed percentage of 25% of the total issued Shares of our Company must at all times be held by the public (as defined in the Listing Rules).

Ranking

The Offer Shares and Shares which may be issued upon the exercise of any options which may be granted under the Post-IPO Share Option Scheme will rank equally in all respects with all the existing Shares in issue or to be issued as set out in the above table, and will qualify for all dividends or other distributions declared, made or paid on, or any other rights and benefits attaching to or accruing from, the Shares after the date of this prospectus.

SHARE CAPITAL

PRE-IPO SHARE AWARD SCHEME

We have adopted the Pre-IPO Share Award Scheme. The principal terms of the Pre-IPO Share Award Scheme are summarised in the subsection headed “4. Pre-IPO Share Award Scheme and Post-IPO Share Option Scheme – 4.1 Pre-IPO Share Award Scheme” in Appendix V to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted the general unconditional mandate to allot, issue and deal in a total number of Shares of not more than the aggregate of:

- (i) 20% of the total number of Shares in issue immediately following completion of the Global Offering, but excluding any Shares which may be issued upon the exercise of any option that may be granted under the Post-IPO Share Option Scheme; and
- (ii) the total number of our Shares repurchased by our Company (if any) pursuant to the Repurchase Mandate (as mentioned below).

The general unconditional mandate does not apply to situations where our Directors allot, issue or deal in Shares by way of rights issue, scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or in part of any dividend in accordance with the Articles, or pursuant to the exercise of any subscription or conversion rights attaching to any warrants or any securities which are convertible into Shares, or pursuant to the exercise of any options that may be granted under the Post-IPO Share Option Scheme, or under the Global Offering or pursuant to any specific authority granted by the Shareholders in general meeting. Our Directors may, in addition to the Shares which they are authorised to issue under the general unconditional mandate, allot, issue and deal in Shares pursuant to a rights issue, the exercise of subscription rights attaching to any warrants of our Company, scrip dividends or similar arrangements or the exercise of any options that may be granted under the Post-IPO Share Option Scheme or any other option scheme or similar arrangement for the time being adopted.

The general unconditional mandate will expire upon the earliest occurrence of any of the following:

- at the conclusion of our next annual general meeting;
- on the date by which our next annual general meeting is required by the Articles, the Companies Law or any applicable Cayman Islands laws to be held; or
- when the authority given to our Directors is revoked or varied by an ordinary resolution passed by our Shareholders in general meeting.

SHARE CAPITAL

Further details of the general mandate to issue shares are set out in the subsection headed “1. Further Information About Our Group and the Subsidiaries – 1.3 Resolutions in Writing of Our Shareholders Passed on 16 September 2019” in Appendix V to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted the Repurchase Mandate to exercise all the powers of our Company to repurchase Shares with an aggregate number of Shares of not exceeding 10% of the aggregate number of Shares in issue immediately following completion of the Global Offering, but excluding any Shares that may be issued upon the exercise of any option that may be granted under the Post-IPO Share Option Scheme.

The Repurchase Mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with the Listing Rules. A summary of the relevant requirements under the Listing Rules is set out in the subsection headed “1. Further Information About Our Group and the Subsidiaries – 1.7 Repurchases by Our Company of Our Own Securities” in Appendix V to this prospectus.

The Repurchase Mandate will expire upon the earliest occurrence of any of the following:

- at the conclusion of our next annual general meeting;
- on the date by which our next annual general meeting is required by the Articles, the Companies Law or any applicable Cayman Islands laws to be held; or
- when the authority given to our Directors is revoked or varied by an ordinary resolution passed by our Shareholders in general meeting.

Further details of the Repurchase Mandate are set out in the subsection headed “1. Further Information About Our Group and the Subsidiaries – 1.3 Resolutions in Writing of Our Shareholders Passed on 16 September 2019” in Appendix V to this prospectus.

POST-IPO SHARE OPTION SCHEME

Our Company has conditionally adopted the Post-IPO Share Option Scheme. Details of the principal terms of the Post-IPO Share Option Scheme are summarised in the subsection headed “4. Pre-IPO Share Award Scheme and Post-IPO Share Option Scheme – 4.2 Post-IPO Share Option Scheme” in Appendix V to this prospectus.

SHARE CAPITAL

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of Companies Law, an exempted company is not required by law to hold any general meetings or class meetings on an annual or regular basis. The holding of a general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, we will hold general meetings as prescribed for under our Articles, a summary of which is set out in the section headed “Summary of the Constitution of Our Company and Cayman Islands Company Law” in Appendix IV to this prospectus.

Our Company has only one class of Shares, namely ordinary Shares, each of which ranks *pari passu* with the other Shares.

Pursuant to the Companies Law and the terms of the Memorandum of Association and the Articles of Association, our Company may from time to time by ordinary resolutions of Shareholders (i) increase its share capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may, subject to the provisions of the Companies Law, reduce the share capital or capital redemption reserve by our Shareholders passing a special resolution. Further details are set out in the section headed “Summary of the Constitution of Our Company and Cayman Islands Company Law” in Appendix IV to this prospectus.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering (without taking into account any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Post-IPO Share Option Scheme), the following persons will have interests or short positions in the Shares and the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

Long Position in the Shares of Our Company

Name of Shareholder	Capacity and nature of interest	As at the Latest Practicable Date		Immediately after the Global Offering	
		Number of Shares	Approximate percentage of shareholding in our Company	Number of Shares	Approximate percentage of shareholding in our Company
Xinyuan Real Estate (Note 1)	Beneficial owner	300,000,000	80.00%	300,000,000	60.00%
Xinyuan Real Estate Holdings (Notes 1, 2)	Interest of a controlled corporation	300,000,000	80.00%	300,000,000	60.00%
BVI-Management (Note 3)	Beneficial owner	37,500,000	10.00%	37,500,000	7.50%

Notes:

- Xinyuan Real Estate is wholly-owned by Xinyuan Real Estate Holdings. By virtue of the SFO, Xinyuan Real Estate Holdings is deemed to be interested in the Shares which are interested by Xinyuan Real Estate.
- As at the Latest Practicable Date, Xinyuan Real Estate Holdings, the shares in which are listed on the New York Stock Exchange (stock code: XIN), is owned as to 25.90% by Mr. Zhang Yong, 24.94% by Spectacular Stage Limited and 49.16% by public shareholders.
- BVI-Management is owned as to 30%, 15%, 15%, 10%, 10%, 5%, 5%, 5% and 5% by Ms. Wang Yanbo, Mr. Huang Bo, Mr. Wang Yantao, Ms. Du Xiangyan, Ms. Zhang Rong, Mr. Huang Jinfu, Mr. An Guangfu, Mr. Lyu Shaohui and Mr. Zhang Xiaofei, respectively.

Save as disclosed herein, our Directors are not aware of any persons who will, immediately following completion of the Global Offering (without taking into account any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Post-IPO Share Option Scheme), have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

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You should read the following discussion and analysis in conjunction with our combined financial statements including the notes thereto, as set forth in the Accountants' Report included as Appendix I to this prospectus. The Accountants' Report has been prepared on the basis set out in Appendix I to this prospectus and in accordance with our accounting policies that are in conformity with International Financial Reporting Standards (“IFRSs”).

Our historical results do not necessarily indicate our performance for any future periods. The following discussion and analysis of our financial conditions and results of operations contain forward-looking statements that involve risks and uncertainties. Our actual results may differ from those discussed below due to a number of factors, including those set out in the sections headed “Risk Factors”, “Forward-looking Statements”, “Business” and elsewhere in this prospectus.

Potential investors should read the whole of the Accountants' Report set out in Appendix I to this prospectus and not rely merely on the information contained in this section.

OVERVIEW

We are one of the fast growing property management companies among the Top 100 property management companies in terms of revenue growth rate in the PRC during the Track Record Period. As at 31 March 2019, properties we have contracted to manage are located in over 35 cities in the PRC, including Zhengzhou, Jinan, Xi'an, Chengdu, Suzhou, Beijing and Shanghai. We believe our business growth is mainly attributable to our wide range of quality services covering the pre-delivery stage (being our pre-delivery and consulting services) and the post delivery stage (being our property management services and value-added services) provided to property developers, property owners and property occupants. According to F&S, we were ranked 33rd among property management companies in the PRC in terms of total revenue in 2018. According to the China Property Management Institute, the E-house China R&D Institute and the China Real Estate Appraisal, we were ranked 12th among property management companies in the PRC in 2018, based on the comprehensive index rating that is determined based on, among other things, the GFA under management, the financial performance, property owners' satisfaction and number of accredited projects of property management companies. Our major customers include property developers (both the Xinyuan Real Estate Group and third party developers), property owners and property occupants. As at 31 March 2019, the total GFA under our management amounted to approximately 15.8 million sq.m. Further, the total GFA under our management as at 31 December 2018 amounted to approximately 15.7 million sq.m., representing a CAGR of approximately 20.7% from 2016 to 2018 that is higher than that of the Top 100 property management companies, being 10.8%, during the same period, according to F&S.

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We offer a wide range of services covering the pre-delivery and post-delivery phases to property developers, property owners and property occupants for their enjoyment of community life, which can be categorised as (i) property management services; (ii) value-added services; and (iii) pre-delivery and consulting services:

- *Property management services.* We provide a wide spectrum of traditional property management services, primarily including cleaning and sanitation, safety and security, gardening, parking space management and facilities maintenance services, to property developers, property owners and property occupants. Part of these services, such as cleaning and sanitation, safety and security, gardening and facilities maintenance services, are provided through our subcontractors. The properties under our management mainly consist of (i) complexes (including residential complexes and non-residential complexes); (ii) residential properties; and (iii) office buildings and there is no material differences as to the services we provide. During the Track Record Period, the property management fees of only one of our property management services agreements were determined on a commission basis, while those of all other property management services agreements were determined on a lump-sum basis.
- *Value-added services.* We offer a wide range of value-added services to property developers, property owners and property occupants to improve property owners' and occupants' living standards as well as living experience through various channels (including our "Xinyuan-E-Jia" platform). The services offered primarily include (i) utility fee payment services; (ii) common area resources management; (iii) home living services; and (iv) property cleaning and property delivery services.
- *Pre-delivery and consulting services.* We offer tailored pre-delivery and consulting services primarily to property developers to enhance the competitiveness of the properties developed. Pre-delivery services include providing sales assistance services, for instance (i) property sales venues management services; and (ii) property sales venues "warm-up" services to property developers at the pre-delivery stage of the relevant property or when the property is put onto the market for sale. Consulting services include (i) advising property developers at the early and construction stages of a property on project planning, design management and construction management to enhance its functionality, comfort and convenience; and (ii) referral and management services provided to property developers for unsold properties.

In addition to our three business lines, to further improve our work efficiency, expand our service offerings and to enhance the user experience of property owners and property occupants, we have utilised comprehensive information technology systems, including the OA System that automated our internal business operations and managerial functions, and the CRM System that integrated the management of different properties, as well as the mobile application "Xinyuan-E-Jia" for property owners and property occupants. Through these systems, we are able to standardise, digitise and effectively manage our business operations by analyzing and monitoring data of our managed properties and our employees, and we are able to increase our work efficiency, lower our cost of sales, increase our overall competitiveness and enhance user experience.

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The table below sets forth the respective revenue and gross profit margin of our three business lines for the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019, respectively:

	For the year ended 31 December						For the three months ended 31 March					
	2016		2017		2018		2019		2019		2019	
	Percentage of total Revenue	Gross Profit Margin	Percentage of total Revenue	Gross Profit Margin	Percentage of total Revenue	Gross Profit Margin	Percentage of total Revenue	Gross Profit Margin	Percentage of total Revenue	Gross Profit Margin	Percentage of total Revenue	Gross Profit Margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Property management services	143,523	63.0	14.6	196,332	66.2	20.6	261,882	66.6	20.7	71,545	65.8	21.8
Value-added services	46,802	20.5	50.3	56,886	19.2	66.1	77,653	19.7	67.6	20,951	19.3	63.0
Pre-delivery and consulting services	37,626	16.5	45.5	43,501	14.6	53.4	53,794	13.7	49.8	16,261	14.9	49.5
Total	227,951	100.0	27.0	296,719	100.0	34.1	393,329	100.0	34.0	108,757	100.0	33.8

Our property management services business line is our primary business and largest revenue-generating business line, which enables us to source customers and expand business scale for our other business lines. Our value-added services increase our involvement and interaction with customers, broaden our revenue sources and enhance our future growth potential. Our pre-delivery and consulting services allow us to gain early access to property development projects, establish and cultivate business relationships with property developers, and assist us in gaining a stronger position to secure future engagements for property management services.

Over the years of our operation, we have successfully built and leveraged on our brand name “Xinyuan” (鑫苑) by offering quality services to our customers. As a result, we have recorded stable and positive financial performance during the Track Record Period. For each of the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019, our total revenue amounted to approximately RMB228.0 million, RMB296.7 million, RMB393.3 million and RMB108.8 million, respectively, representing a CAGR of approximately 31.3% from 2016 to 2018. For the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019, we recorded net profit of approximately RMB26.0 million, RMB69.4 million, RMB76.1 million and RMB7.6 million, respectively, representing a CAGR of approximately 71.1% from 2016 to 2018.

During the Track Record Period, we recorded higher gross profit margins for our value-added services and pre-delivery and consulting services compared to our property management services as we were able to charge higher services fees for our value-added services and pre-delivery and consulting services, which are generally tailor-made in order to meet the specific requirements of our customers. Further, certain types of our value-added services and pre-delivery and consulting services such as referral and management services and early involvement services can generate greater economic benefits to our customers, and thereby we

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are able to charge a higher premium for these services as compared to the more standardised property management services, which are labour intensive by its nature, leading to higher cost of sale and relatively lower gross profit margin. The lower gross profit margin of our property management service was also attributable to the fact that the fees charged by property management companies in connection with property management services provided to residential properties are regulated and supervised by relevant PRC authorities. For further details in relation to the government-imposed limits on fees for property management services provided to residential properties, please refer to the subsection headed “Business – Property Management Services – Pricing Policy” in this prospectus.

BASIS OF PRESENTATION

Pursuant to the Reorganisation, as more fully explained in the subsection headed “History and Reorganisation – Reorganisation” in this prospectus, our Company became the holding company of the companies now comprising the Group on 23 August 2019, being the date on which the Reorganisation was completed. Our Company, Xinyuan-BVI and Xinyuan-HK (together, the “**Investment Holding Companies**”) are newly incorporated companies as part of the Reorganisation and none of these new holding companies carried out any businesses since their incorporation. The Investment Holding Companies are inserted as holding companies of Xinyuan Science, and have not resulted in any change of economic substances. Accordingly, the financial information has been prepared on a combined basis as a continuation of the existing group by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the relevant periods. For more information on the basis of presentation of our financial information included herein, please refer to the Accountants’ Report in Appendix I to this prospectus.

BASIS OF PREPARATION

The financial information has been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”), which include all International Financial Reporting Standards, International Accounting Standards (“**IASs**”) and Standing Interpretations Committee interpretations issued and approved by the International Accounting Standards Board (the “**IASB**”). All IFRSs effective for the accounting period commencing from 1 January 2018, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the financial information throughout the relevant periods. In addition, the financial information has been prepared under the historical cost convention. For more information on the basis of preparation of our financial information included herein, please refer to the Accountants’ Report in Appendix I to this prospectus.

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MAJOR FACTORS AFFECTING OUR FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Our results of operations have been, and will continue to be, affected by a number of factors, including those set out below:

Our GFA under Management

The GFA under our management is a key driver for our revenue generated from property management services. During the Track Record Period, the majority of our revenue was generated from the provision of our property management services. For the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019, revenue generated from the provision of our property management services amounted to approximately RMB143.5 million, RMB196.3 million, RMB261.9 million and RMB71.5 million, representing approximately 63.0%, 66.2%, 66.6% and 65.8% of our total revenue for the same period, respectively. Further, the number of properties under our management increased from 56 as at 31 December 2016 to 76 as at 31 December 2017, and to 96 as at 31 December 2018, and to 97 as at 31 March 2019. The total GFA under our management increased from approximately 10.8 million sq.m. as at 31 December 2016 to approximately 13.7 million sq.m. as at 31 December 2017, and to approximately 15.7 million sq.m. as at 31 December 2018, and to 15.8 million sq.m. as at 31 March 2019. Further, as at the Latest Practicable Date, we have entered into property management services agreements for a total of 16.3 million sq.m. representing 56 properties to be delivered within the next three years. GFA under management is the key driver for our revenue in this business line during the Track Record Period.

We seek to continue to grow our portfolio and strengthen our ability to generate revenue. This depends on the outcome of our effort in entering into more property management services agreements to increase the total number of properties and GFA under our management. We endeavor to expand our portfolio through various channels.

Branding and Pricing

We are one of the reputable property management companies in the PRC, and we believe this is attributable to our brand name “Xinyuan” (鑫苑). As such, our financial conditions and results of performance depend on our ability to manage, maintain and further develop the market’s recognition of our brand name and its image. We plan to further enhance and leverage on our brand name “Xinyuan” (鑫苑) to grow our property management business and we believe such action will further strengthen our presence in the property management industry in the PRC and increase our customers’ loyalty towards us, which we believe will further facilitate our business expansion and improve the results of our operations. Our Directors believe that our value-added services and pre-delivery and consulting services can also benefit from the market’s recognition of our brand name and its image, leading to higher price charged for and higher profit margin derived from these services.

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Our revenue is dependent on the property management fees charged. During the Track Record Period, our average property management fee charged per sq.m. per month for the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019 was approximately RMB1.71, RMB1.82, RMB1.90 and RMB2.02, respectively. We have been able to raise our property management fees either during the term of the property management services agreements or when renewing the property management services agreements upon their expiry. Our ability to raise our property management fees will be impacted by our ability to uphold and enhance our brand recognition.

The table below sets forth a sensitivity analysis for our average property management fees, illustrating its impact on our profit before income tax if our average property management fees had been 5% and 10% higher or lower during the Track Record Period, assuming all other variables were held constant:

	Year ended 31 December			Three months ended	
				31 March	
	2016	2017	2018	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
If our average property management fees had been 5% higher/lower					
Increase/(decrease) in profit before tax	7,176/(7,176)	9,817/(9,817)	13,094/(13,094)	3,096/(3,096)	3,577/(3,577)
If our average property management fees had been 10% higher/lower					
Increase/(decrease) in profit before tax	14,352/(14,352)	19,633/(19,633)	26,188/(26,188)	6,192/(6,192)	7,155/(7,155)

Ability to Manage our Staff Costs and Subcontracting Costs

Our profit will be affected by our ability to control the costs of sales given that our property management fees are charged on a lump-sum basis. Staff cost is one of the largest component of our cost of sales and our results of operations are directly dependent on our ability to manage our staff cost. For the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019, our staff costs included in cost of sales amounted to approximately RMB79.9 million, RMB61.9 million, RMB76.9 million and RMB24.6 million, respectively, representing approximately 48.0%, 31.6%, 29.6% and 34.2% of our total cost of sales. For the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019, our staff costs included in administrative expenses amounted to approximately RMB18.2 million, RMB20.7 million, RMB19.3 million and RMB8.1 million, respectively, accounting for approximately 67.3%, 73.9%, 70.3% and 44.5% of our administrative expenses. Our staff cost included in cost of sales primarily consisted of salaries and other benefits paid to our employees who provide property management services, value-added services and pre-delivery and consulting services to our customers. Staff costs included under administrative expenses primarily consisted of salaries and other benefits for our administrative staff, and directors' emoluments.

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During the Track Record Period, we subcontracted certain aspects of our services such as cleaning and sanitation, safety and security, gardening and facilities maintenance to gain the economy advantage of specialisation and to better manage our cost of sales. For the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019, our subcontracting cost amounted to approximately RMB46.9 million, RMB86.4 million, RMB106.0 million and RMB26.9 million, respectively, representing approximately 28.2%, 44.2%, 40.8% and 37.4% of our total cost of sales. Our ability to control our staff costs and subcontracting costs will therefore continue to affect our profitability.

The table below sets forth a sensitivity analysis for our staff cost and subcontracting cost, illustrating their impact on our profit before income tax if our staff cost and subcontracting cost had been 5% and 10% higher or lower during the Track Record Period, assuming all other variables were held constant:

	Year ended 31 December			Three months ended	
				31 March	
	2016	2017	2018	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
If our staff cost and subcontracting cost had been 5% higher/lower					
(Decrease)/increase in profit before tax	(6,341)/6,341	(7,411)/7,411	(9,148)/9,148	(2,092)/2,092	(2,577)/2,577
If our staff cost and subcontracting cost had been 10% higher/lower					
(Decrease)/increase in profit before tax	(12,681)/12,681	(14,821)/14,821	(18,926)/18,926	(4,184)/4,184	(5,154)/5,154

General Economy and Timelines of Real Estate Development

Our results of operations as well as future growth are dependent on the timely delivery of newly developed properties, and thus our ability to obtain new property management projects, as well as the general economic conditions in the PRC. The delivery of developed properties largely depends on the demand and performance of the PRC real estate market which is subject to the performance of the general economy. We expect our results of operations will continue to be affected by the growth of our property management portfolio.

The regulatory environment in the PRC and the policies and measures implemented by the PRC government have affected, and we expect to continue to affect, the real estate market in the PRC and in turn our results of operations and financial conditions. From time to time, the PRC government adjusts or introduces macroeconomic control policies to encourage or restrict property development in the private property sector through regulating land grants, pre-sale of properties, bank financing and taxation, among other means. In particular, the PRC government has in the past introduced various restrictive measures to discourage speculation in the real estate market. Measures taken by the PRC government to control money supply, credit availability and fixed assets have a direct impact on the performance of the real estate market in the PRC. The uncertainty inherent in the PRC government policies can have significant effects on the supply of newly developed properties, which is a major source of our new engagements in the property management services.

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SIGNIFICANT ACCOUNTING POLICIES

The discussion and analysis of our operating results and financial position are based on our audited combined financial statements, which have been prepared in accordance with IFRS. Our operating results and financial position are sensitive to accounting methods, assumptions and estimates. The assumptions and estimates are based on our historical financial experience and various factors, including our management's expectation of future events, which they believe to be reasonable. Actual results may differ from these estimates and assumption.

The selection of significant accounting policies, estimates and judgments, and other uncertainties affecting application of other policies and the sensitivity of the reported results to changes in conditions and assumptions are factors to be considered when reviewing our combined financial statements. Our significant accounting policies are summarised in Note 2 to the Accountants' Report in Appendix I to this prospectus. We believe that the following critical accounting policies involve the most significant estimates and judgments used in preparing the combined financial statements.

Revenue Recognition

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

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

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

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

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

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

Fair Value Measurement

The Group measures its financial assets at fair value through profit or loss at fair value at each balance sheet date.

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

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

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

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

- | | | |
|---------|---|--|
| Level 1 | – | Quoted prices (unadjusted) in active markets for identical assets or liabilities |
| Level 2 | – | Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable |
| Level 3 | – | Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable |

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

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As at 31 December 2017, our Group had financial asset at fair value through profit or loss categorised within level 3 of fair value measurement. Such financial asset being the wealth management products issued by PRC banks with fair value of approximately RMB125,808,000 which was determined by our Directors using the discounted cash flow method based on the expected yield of the financial products at an appropriate discount rate. The significant unobservable inputs for the fair value measurement are expected yield and discount rates. The expected yield was determined by our Directors based on the expected yield offered by the relevant financial institutions and considering the historical yield of such financial products realised by our Group during the purchase and redemption of such financial products in 2017. Historically, the actual yield realised by our Group was consistent with the expected yield. The discount rate was determined by our Directors based on interest rate which reflects corporate debt of similar level credit rating as the counterparty of the financial products as well as the relevant risk premium. Interest rate of similar credit rating debts are readily available from public market sources.

Based on the above, our Directors consider that they possess the relevant experience and are competent to ascertain the fair value of the financial products. Further, the information relevant to valuation was also made available to our Directors for their consideration. In addition, our Directors have verified and confirmed that the actual yield achieved upon realisation of the financial products in 2018 was consistent with expected yield used in the valuation of the financial products as at 31 December 2017 and the valuation method has taken consideration of the valuation method adopted by other listed companies which also have similar financial products. Hence, our Directors are of the view that the valuation analysis of the financial products is fair and reasonable, and that the fair value of financial products are properly dealt with in our Company's financial statements disclosed in the Accountants' Report in Appendix I to this Prospectus, In addition, our Directors considered that they have also satisfied their duties as required by the SFC's "Guidance note on directors' duties in the context of valuation in corporate transactions" as applicable to Hong Kong listed companies.

Details of fair value measurement of the financial products, including the fair value hierarchy, valuation techniques, key inputs and significant unobservable inputs are disclosed in note 33 to the accountants' report. Our Company's financial statements have been audited in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' report on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants, which require the reporting accountants to perform audit work to obtain reasonable assurance about whether the financial statements of the Company is free from material misstatement. The reporting accountant's opinion on the financial statements disclosed in the Company's accountant's report as a whole is set out on page I-2 in the Accountants' Report in Appendix I to this Prospectus.

In relation to the valuation analysis performed by the Directors and the reporting accountants on the wealth management products, the Sole Sponsor has conducted relevant independent due diligence work, including but not limited to (i) review of relevant notes in the Accountants' Report as contained in Appendix I to this Prospectus and relevant documents provided by the Directors; and (ii) discussed with the Directors and Reporting Accountants regarding the valuation method, key basis and assumptions of the valuation of the financial products. Having considered the work done by the Directors and reporting accountants and the relevant due diligence work as stated above, nothing has come to the Sole Sponsor's attention that would cause the Sole Sponsor to question the valuation analysis performed by the Directors on the valuation of the financial products.

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Investments in joint ventures

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

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

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

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

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

Impairment of financial assets

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

General approach

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

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

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

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

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

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

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

Simplified approach

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

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

FINANCIAL INFORMATION

Income Tax

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

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

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

SIGNIFICANT ACCOUNTING JUDGMENT AND ESTIMATES

In the application of our Group's accounting policies, our Directors are required to make judgements and estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The judgement and estimates are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates. The areas where judgements and estimates are significant to the historical financial information are disclosed in Note 3 to the Accountants' Report as set out in Appendix I to this prospectus.

FINANCIAL INFORMATION

We believe that the following critical accounting estimates and assumptions involve the critical accounting estimates and key resources of estimation uncertainty used in the preparation of the financial information:

Provision for Expected Credit Losses on Trade Receivables

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

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and expected credit losses is a significant estimate. The amount of expected credit losses is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the expected credit losses on the Group's trade receivables and other receivables are disclosed in Note 17 and Note 18, respectively, to the Accountants' Report as set out in Appendix I to this prospectus.

Impairment of Non-financial Assets (other than goodwill)

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

Impact of Adoption of New and Amendments to Certain Accounting Policies

We have consistently applied IFRS 9 "Financial Instruments", IFRS 15 "Revenue from Contracts with Customers" and IFRS 16 "Leases" throughout the Track Record Period. The adoption of IFRS 9, IFRS 15 and IFRS 16 does not have significant impact on our financial position and performance when compared to that of IAS 39 "Financial Instruments: Recognition and Measurement", IAS 18 "Revenue" and IAS 17 "Leases".

FINANCIAL INFORMATION

RESULTS OF OPERATIONS

The following table presents the results of operations of our Group during the Track Record Period, which are derived from the combined statements of profit or loss and other comprehensive income as set out in the Accountants' Report in Appendix I to this prospectus.

	Year ended 31 December			Three months ended 31 March	
	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>	2018 <i>RMB'000</i>	2018 <i>RMB'000</i>	2019 <i>RMB'000</i>
				(Unaudited)	
Revenue	227,951	296,719	393,329	87,536	108,757
Cost of sales	<u>(166,350)</u>	<u>(195,553)</u>	<u>(259,757)</u>	<u>(57,575)</u>	<u>(71,947)</u>
Gross profit	61,601	101,166	133,572	29,961	36,810
Other income and gains	21,747	23,967	11,780	2,748	909
Administrative expenses	(27,096)	(28,029)	(27,468)	(7,131)	(18,200)
Impairment losses on financial assets	(810)	(1,202)	(3,365)	(1,886)	(3,320)
Other expenses	(2,099)	(2,726)	(3,595)	(869)	(490)
Finance costs	(18,599)	–	–	–	–
Impairment of investment in a joint venture	–	–	(3,092)	–	–
Share of loss of a joint venture	–	–	(3,415)	–	(517)
Profit before tax	34,744	93,176	104,417	22,823	15,192
Income tax expense	<u>(8,791)</u>	<u>(23,746)</u>	<u>(28,328)</u>	<u>(5,888)</u>	<u>(7,573)</u>
Profit and total comprehensive income for the year	<u>25,953</u>	<u>69,430</u>	<u>76,089</u>	<u>16,935</u>	<u>7,619</u>
Profit and total comprehensive income attributable to:					
Owners of the parent	25,953	69,430	76,100	17,006	7,551
Non-controlling interests	<u>–</u>	<u>–</u>	<u>(11)</u>	<u>(71)</u>	<u>68</u>
	<u>25,953</u>	<u>69,430</u>	<u>76,089</u>	<u>16,935</u>	<u>7,619</u>

FINANCIAL INFORMATION

DESCRIPTION OF SELECTED LINE ITEMS IN THE COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

During the Track Record Period, revenue represents income from the provision of the following services:

- Property management services, which primarily include property management fees for providing cleaning and sanitation, safety and security, gardening, parking space management and facilities maintenance services, to property developers, property owners and property occupants;
- Value-added services, which primarily include fees for providing (i) utility fee payment services; (ii) common area resources management; (iii) home living services; and (iv) property cleaning and property delivery services; and
- Pre-delivery and consulting services, which primarily include fees generated from providing pre-delivery and consulting services primarily to property developers, of which pre-delivery services include providing (i) property sales venues 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; whereas consulting services include (i) advising property developers at the early and construction stages of a property on project planning, design management and construction management to enhance its functionality, comfort and convenience; and (ii) referral and management services provided to property developers for unsold properties.

Revenue by business lines

The following table sets forth the breakdown of our revenue by business lines during the Track Record Period:

	For the year ended 31 December						For the three months ended 31 March			
	2016		2017		2018		2018		2019	
	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue
Property management services	143,523	63.0	196,332	66.2	261,882	66.6	61,920	70.7	71,545	65.8
Value-added services	46,802	20.5	56,886	19.2	77,653	19.7	17,049	19.5	20,951	19.3
Pre-delivery and consulting services	37,626	16.5	43,501	14.6	53,794	13.7	8,567	9.8	16,261	14.9
Total	227,951	100.0	296,719	100.0	393,329	100.0	87,536	100.0	108,757	100.0

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During the Track Record Period, the revenue contribution from each business lines remained relatively stable, representing a balanced and steady growth of our overall business operation.

Revenue from property management services

During the Track Record Period, the property management fees of only one of our property management services agreements were determined on a commission basis, while those of all other property management services agreements were determined on a lump-sum basis. When the property management fees are charged under lump sum basis, we record all the fees as revenue and all the expenses incurred in connection with providing the property management services as cost of sales. When we charge property management fees under commission basis, we essentially act as the agent of the property owners and therefore record only a pre-determined amount as set out in the property management services agreements or a pre-determined percentage of the property management fees as revenue.

Our revenue generated from property management services amounted to approximately RMB143.5 million, RMB196.3 million, RMB261.9 million and RMB71.5 million for the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019, representing approximately 63.0%, 66.2%, 66.6% and 65.8% of our total revenue during the relevant periods, respectively. Revenue from our property management services represented the largest share of our revenue during the Track Record Period.

The increase in the revenue from our property management services during the Track Record Period was primarily driven by (i) the increase in our total GFA under management resulted from the increase in number of properties under our management and (ii) the increase in our average property management fee per sq.m./month. For more details, please refer to the subsection headed “– Period to Period Comparison of Results of Operations” in this section.

FINANCIAL INFORMATION

By Geographic Coverage

The table below sets forth a breakdown of our total property management services revenue by geographic locations for the periods indicated:

	For the year ended 31 December						For the three months ended 31 March			
	2016		2017		2018		2018		2019	
	% of total revenue from property management services		% of total revenue from property management services		% of total revenue from property management services		% of total revenue from property management services		% of total revenue from property management services	
	Revenue	services	Revenue	services	Revenue	services	Revenue	services	Revenue	services
	RMB'000		RMB'000		RMB'000		RMB'000		RMB'000	
	(Unaudited)									
Central China ⁽¹⁾	64,377	44.9	89,367	45.5	128,145	48.9	29,788	48.1	36,774	51.4
Eastern China ⁽²⁾	60,985	42.5	74,993	38.2	86,268	32.9	20,329	32.8	23,181	32.4
Western China ⁽³⁾	13,820	9.6	23,752	12.1	36,548	14.0	9,480	15.3	8,616	12.0
Northern China ⁽⁴⁾	4,341	3.0	6,955	3.6	8,674	3.3	1,796	2.9	2,030	2.8
Southern China ⁽⁵⁾	-	-	1,265	0.6	2,247	0.9	527	0.9	944	1.4
Total	143,523	100.0	196,332	100.0	261,882	100.0	61,920	100.0	71,545	100.0

Notes:

- (1) Includes cities located in the Henan Province and the Hunan Province.
- (2) Includes cities located in the Jiangsu Province, the Anhui Province, the Shandong Province and Shanghai.
- (3) Includes cities located in the Sichuan Province and Shaanxi Province.
- (4) Includes cities located in the Liaoning Province, Beijing and Tianjin.
- (5) Includes cities located in the Hainan Province and the Guangdong Province.

During the Track Record Period, properties under our management were primarily located in the Central China and Eastern China and our revenue from Central China and Eastern China continued to increase, we also gradually increased our presence in Western China since 2017. In addition, we expanded our operations in other geographic regions in the PRC. The revenue contribution by geographic locations remained relatively stable during the Track Record Period.

FINANCIAL INFORMATION

By Type of Properties

The table below sets forth a breakdown of our property management services revenue by type of properties for the periods indicated:

	For the year ended 31 December				For the three months ended 31 March			
	2016		2017		2018		2019	
	% of total revenue form property management services		% of total revenue form property management services		% of total revenue form property management services		% of total revenue form property management services	
	Revenue		Revenue		Revenue		Revenue	
	RMB'000		RMB'000		RMB'000		RMB'000	
Complexes ¹	107,346	74.8	129,918	66.2	173,133	66.1	50,002	69.9
– Residential complexes ²	98,668	68.7	119,351	60.8	154,728	59.1	45,008	62.9
– Non-residential complexes	8,678	6.1	10,567	5.4	18,405	7.0	4,994	7.0
Residential properties	36,177	25.2	59,398	30.3	67,256	25.7	15,975	22.3
Office buildings ³	–	–	5,539	2.8	18,279	7.0	4,949	6.9
Others ⁴	–	–	1,477	0.7	3,214	1.2	619	0.9
Total	143,523	100.0	196,332	100.0	261,882	100.0	71,545	100.0

Notes:

- (1) Complexes primarily include a combination of (i) residential properties; (ii) office buildings; and/or (iii) small shops located in communities.
- (2) According to F&S, residential complexes refer to those whose total GFA of residential properties under our management accounts for more than 80% of the total GFA of the complex under our management.
- (3) The office building under our management as at 31 December 2016 was handed over to us on 31 December 2016. As a result, no revenue was generated for the year ended 31 December 2016.
- (4) Others include industrial parks and service halls.

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During the Track Record Period, the majority of our revenue from property management services was derived from complexes and residential properties, which accounted for approximately RMB143.5 million, RMB189.3 million, RMB240.4 million and RMB66.0 million for the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019, representing approximately 100%, 96.5%, 91.8% and 92.2% of our total revenue during the relevant periods, respectively. We have achieved significant growth in revenue from providing property management services to non-residential properties during the Track Record Period as we extended our property management services to non-residential properties.

Revenue from value-added services

Our revenue generated from the provision of value-added services amounted to approximately RMB46.8 million, RMB56.9 million, RMB77.7 million and RMB21.0 million for the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019, representing approximately 20.5%, 19.2%, 19.7% and 19.3% of our total revenue during the relevant periods, respectively.

The increase in the revenue from our value-added services during the Track Record Period was primarily driven by the growth of our value-added services as a result of the increase in our total GFA under management and the number of properties under management, which provided us with a larger customer base for using our value-added services. For more details, please refer to the subsection headed “– Period to Period Comparison of Results of Operations” in this section.

Revenue from pre-delivery and consulting services

Our revenue generated from the provision of pre-delivery and consulting services amounted to approximately RMB37.6 million, RMB43.5 million, RMB53.8 million and RMB16.3 million for the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019, representing approximately 16.5%, 14.6%, 13.7% and 14.9% of our total revenue during the relevant year, respectively.

We mainly provide pre-delivery and consulting services to property developers, of which Xinyuan Real Estate Group was our largest customer, representing approximately 97.7%, 94.4%, 84.6% and 86.3% of the revenue generated from provision of pre-delivery and consulting services for the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019. The fluctuation in our revenue generated from pre-delivery and consulting services are directly affected by property development cycle and relevant selling phase of project under development for the property developers.

The increase in the revenue from our pre-delivery and consulting services during the Track Record Period was primarily due to (i) the increase in variety of services provided under our sales assistance services, e.g. sales venues “warm-up” services and (ii) the increase in engagements for our pre-delivery and consulting services. For more details, please refer to the subsection headed “– Period to Period Comparison of Results of Operations” in this section.

FINANCIAL INFORMATION

Cost of sales

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

For the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019, our cost of sales amounted to approximately RMB166.4 million, RMB195.6 million, RMB259.8 million and RMB71.9 million, respectively.

Cost of sales by business lines

The following table sets forth the breakdown of our costs of sales by business lines during the Track Record Period:

	For the year ended 31 December						For the three months ended 31 March			
	2016		2017		2018		2018		2019	
	RMB'000	% RMB'000	RMB'000	% RMB'000	RMB'000	% RMB'000	% RMB'000	RMB'000	% RMB'000	%
	(Unaudited)									
Property management services	122,559	73.7	155,951	79.7	207,608	79.9	47,632	82.7	55,980	77.8
Value added services	23,282	14.0	19,312	9.9	25,138	9.7	5,023	8.7	7,759	10.8
Pre-delivery and consulting services	20,509	12.3	20,290	10.4	27,011	10.4	4,920	8.6	8,208	11.4
Total	166,350	100.0	195,553	100.0	259,757	100.0	57,575	100.0	71,947	100.0

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The following table sets forth a breakdown of our cost of sales during the Track Record Period:

	For the year ended 31 December						For the three months ended 31 March			
	2016		2017		2018		2018		2019	
	% of total cost of sales		% of total cost of sales		% of total cost of sales		% of total cost of sales		% of total cost of sales	
	RMB'000		RMB'000		RMB'000		RMB'000		RMB'000	
Staff costs	79,870	48.0	61,860	31.6	76,915	29.6	18,894	33.0	24,635	34.2
Subcontracting costs	46,944	28.2	86,354	44.2	106,042	40.8	22,950	40.0	26,910	37.4
Utility expenses ⁽¹⁾	14,095	8.5	16,484	8.4	20,481	7.9	3,901	6.8	5,074	7.1
Facility maintenance expenses ⁽²⁾	7,527	4.5	8,590	4.4	13,753	5.3	4,675	8.1	6,169	8.6
Cleaning and gardening expenses ⁽³⁾	6,493	3.9	7,041	3.6	11,971	4.6	1,294	2.2	1,647	2.3
Office expenses	5,295	3.2	6,990	3.6	10,878	4.2	2,264	3.9	2,762	3.8
Promotion costs	4,906	3.0	6,798	3.5	18,544	7.1	3,276	5.6	4,491	6.2
Others	1,220	0.7	1,436	0.7	1,173	0.5	231	0.4	259	0.4
Total	166,350	100.0	195,553	100.0	259,757	100.0	57,575	100.0	71,947	100.0

Notes:

- (1) Utility expenses include expenses related to the usage of electricity, water and gas.
- (2) Facility maintenance expenses include the expenses related to the tools and consumables used in the up-keeping of facilities located in the properties under our management.
- (3) Cleaning and gardening expenses include the expenses related to the tools and consumables used in the cleaning and the gardening of the properties under our management.

During the Track Record Period, the main factors affecting our cost of sales were our staff costs and subcontracting costs. Our staff costs mainly relate to the salaries and benefits paid to our staff for engaging in security, cleaning, gardening, property repair and maintenance services. Our subcontracting costs consist of costs for our subcontracted services, which include cleaning and sanitation, safety and security, gardening and facilities maintenance in properties under our management. The increase in staff costs was mainly due to the increase in staff headcount as a result of the expansion of our operations. The increase in our subcontracting costs was mainly attributable to the increase in the number of property management services projects undertaken by us.

FINANCIAL INFORMATION

Gross profit and gross profit margin

The following table sets forth a breakdown of our gross profit and gross profit margin by our business lines during the Track Record Period:

	For the year ended 31 December						For the three months ended 31 March			
	2016		2017		2018		2018		2019	
	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
Property management services	20,964	14.6	40,381	20.6	54,274	20.7	14,288	23.1	15,565	21.8
Value-added services	23,520	50.3	37,574	66.1	52,515	67.6	12,026	70.5	13,192	63.0
Pre-delivery and consulting services	17,117	45.5	23,211	53.4	26,783	49.8	3,647	42.6	8,053	49.5
	<u>61,601</u>	27.0	<u>101,166</u>	34.1	<u>133,572</u>	34.0	<u>29,961</u>	34.2	<u>36,810</u>	33.8

For the three years ended 31 December 2016, 2017 and 2018 and for the three months ended 31 March 2019, our overall gross profit was approximately RMB61.6 million, RMB101.2 million, RMB133.6 million and RMB36.8 million, respectively, and our overall gross profit margin for the same period was approximately 27.0%, 34.1%, 34.0% and 33.8%, respectively.

For the three years ended 31 December 2016, 2017 and 2018 and for the three months ended 31 March 2019, the gross profit margin of our property management services was approximately 14.6%, 20.6%, 20.7% and 21.8%, respectively. The increase in the gross profit margin for our property management services during the Track Record Period was primarily due to (i) the increase in our average property management fee and (ii) our effective cost control.

For the three years ended 31 December 2016, 2017 and 2018 and for the three months ended 31 March 2019, the gross profit margin of our value-added services was approximately 50.3%, 66.1%, 67.6% and 63.0%, respectively. The increase in gross profit margin for our value-added services for the three years ended 31 December 2018 was primarily due to a significant growth in our revenue generated from common area resource management services and utility fee payment services whereas the increase in our cost of sales relating to these services was relatively low, attributable to economies of scale. The gross profit margin of our value-added services decreased to approximately 63.0% for the three months ended 31 March 2019.

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For the three years ended 31 December 2016, 2017 and 2018 and for the three months ended 31 March 2019, the gross profit margin of our pre-delivery and consulting services was approximately 45.5%, 53.4%, 49.8% and 49.5%, respectively. The fluctuations of the gross profit margin for our pre-delivery and consulting services were mainly attributable to the business performance of our referral and management services during the Track Record Period. We expect to record a lower gross profit margin for our pre-delivery and consulting services for the year ending 31 December 2019 due to the initial funds and relatively higher costs incurred for expanding the type and scale of our products and services offering, in particular, the repair and intelligent engineering services, which will lead to the increase in staff costs and fees paid to third parties or subcontractors for the outsourced work arising from provision of such services, which may in turn impose an adverse impact on our gross profit margin.

The fact that higher gross profit margins of our value-added services and pre-delivery and consulting services were recorded as compared to our property management services was mainly attributable to the higher services fees charged for our value-added services and pre-delivery and consulting services, which are generally tailor-made in order to meet the specific requirements of our customers. Further, certain types of our value-added services and pre-delivery and consulting services such as referral and management services and sale assistance services can generate greater economic benefits to our customers, and thereby we are able to charge a higher premium for these service as compared to the more standardised property management services, which are labour intensive by its nature, leading to higher cost of sale and relatively lower profit margin.

Other income and gains

Our other income and gains primarily consisted of (i) gain/(loss) on disposal of financial assets; (ii) interest income; (iii) rental income; (iv) change in fair value of financial assets at fair value through profit or loss; (v) government grants; and (vi) others. For the years ended 31 December 2016, 2017 and 2018 and for the three months ended 31 March 2019, our other income and gains were approximately RMB21.7 million, RMB24.0 million, RMB11.8 million and RMB0.9 million, respectively.

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The following table sets forth a breakdown of our other income and gains during the Track Record Period:

	For the year ended 31 December			For the three months ended 31 March	
	2016	2017	2018	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)	
Gain/(loss) on disposal of financial assets ⁽¹⁾	3,063	19,357	8,277	(56)	–
Interest income ⁽²⁾	17,342	1,906	465	78	779
Rental income ⁽³⁾	1,291	1,816	936	269	–
Change in fair value of financial assets at fair value through profit or loss	11	759	–	2,241	–
Government grants ⁽⁴⁾	–	114	1,875	–	–
Gain on acquisition of a subsidiary	–	–	202	202	–
Gain on disposal of a subsidiary	–	–	–	–	93
Others	40	15	25	14	37
Total	21,747	23,967	11,780	2,748	909

Notes:

- (1) Gain on disposal of financial assets refers to the realised gain from the disposal of our investments in listed securities and unlisted financial products. In 2016, 2017 and 2018, our securities were listed in Shanghai/Shenzhen Stock Exchange and our unlisted financial products represented the wealth management products issued by the banks in the PRC. We purchased these listed securities and unlisted financial products mainly as a mean to improve utilisation of our cash-on-hand on a short-term basis. Our total purchase amounted to approximately RMB222.2 million, RMB889.6 million, RMB711.7 million and nil in 2016, 2017 and 2018, and during the three months ended 31 March 2019. As at the Latest Practicable Date, we did not own any listed securities or unlisted financial products.
- (2) Included in the interest income for the year ended 31 December 2016 was interest income, amounting to approximately RMB16.0 million, generated from the entrusted loan of RMB453.0 million to a then fellow subsidiary of the Xinyuan Real Estate Group. The principal of the entrusted loan and related interest receivables were fully settled in June 2016.
- (3) Rental income refers to the income generated from the sub-leasing of office buildings in the PRC. As at the Latest Practicable Date, we have ceased such business operation.
- (4) Included in government grants for the year ended 31 December 2018 was government grant of approximately RMB1.8 million which has been granted to reward Xinyuan Science for its quoting on the NEEQ in the relevant period. There were no unfulfilled conditions or contingencies attaching to this government grant.

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Administrative expenses

Our administrative expenses mainly consisted of staff cost, professional fees, transportation expenses, depreciation and amortisation, office expenses, travelling and entertainment expenses, tax and surcharges and others. For the three years ended 31 December 2016, 2017, 2018 and the three months ended 31 March 2019, our administrative expenses amounted to approximately RMB27.1 million, RMB28.0 million, RMB27.5 million and RMB18.2 million, respectively.

The following table sets forth a breakdown of our administrative expenses during the Track Record Period:

	For the year ended 31 December						For the three months ended 31 March			
	2016		2017		2018		2018		2019	
	% of total administrative expenses		% of total administrative expenses		% of total administrative expenses		% of total administrative expenses		% of total administrative expenses	
	RMB'000		RMB'000		RMB'000		RMB'000		RMB'000	
	(Unaudited)									
Staff cost	18,239	67.3	20,703	73.9	19,305	70.3	4,887	68.5	8,093	44.5
Professional fee	3,531	13.0	1,541	5.5	1,123	4.1	371	5.2	44	0.2
Listing expenses	-	-	-	-	-	-	-	-	7,653	42.0
Transportation expenses	854	3.2	1,142	4.1	1,452	5.3	317	4.4	486	2.7
Depreciation and amortisation	538	2.0	552	1.9	583	2.1	132	1.9	93	0.5
Office expenses	533	2.0	719	2.6	640	2.3	158	2.2	127	0.7
Travelling and entertainment expenses	324	1.2	407	1.4	545	2.0	55	0.8	213	1.2
Tax and surcharges	1,861	6.9	1,849	6.6	2,402	8.7	760	10.7	905	5.0
Others	1,216	4.4	1,116	4.0	1,418	5.2	451	6.3	586	3.2
Total	27,096	100.0	28,029	100.0	27,468	100.0	7,131	100.0	18,200	100.0

Impairment losses on financial assets

Our impairment losses on financial assets amounted to approximately RMB0.8 million, RMB1.2 million, RMB3.4 million and RMB3.3 million for the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019, and primarily consisted of impairment of trade receivables and other receivables.

Other expenses

Our other expenses amounted to approximately RMB2.1 million, RMB2.7 million, RMB3.6 million and RMB0.5 million for the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019, respectively, and primarily consisted of bank service charges and cost of sub-leasing.

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Finance costs

We have only recorded finance costs of approximately RMB18.6 million for the year ended 31 December 2016, which represented interest expense attributable to the interest-bearing bank loans amounting to approximately RMB453.0 million, which were guaranteed by a then fellow subsidiary of the Remaining Xinyuan Real Estate Group and bore interest rates of 8.5% and 9%, respectively. The principal and related interest payables of the bank loans were fully repaid by Xinyuan Science in December 2016.

Impairment of investment in a joint venture

For the year ended 31 December 2018, we recorded an impairment loss of investment in a joint venture, namely Henan Qingning, of approximately RMB3.1 million as a result of the annual impairment testing. We recognised impairment loss of such investment mainly due to the estimated recoverable amount of the Group's investment in Henan Qingning being less than our investment cost as a result of (i) the tightened PRC government policies and regulations on the property leasing business; and (ii) the delivery of a large number of properties in Zhengzhou in the second half of 2018 leading to a general decrease in the market rental price of the properties located in Zhengzhou as confirmed by F&S.

Share of loss of a joint venture

We have invested in a joint venture, namely Henan Qingning, which is principally engaged in the leasing of residential apartments in 2018. Henan Qingning has recorded a loss for the year ended 31 December 2018, which was mainly due to the higher costs incurred in its early stage of development. As a result, we recorded a share of loss of a joint venture of approximately RMB3.4 million and RMB0.5 million for the year ended 31 December 2018 and the three months ended 31 March 2019.

Income tax expense

For the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019, our income tax expense amounted to approximately RMB8.8 million, RMB23.7 million, RMB28.3 million and RMB7.6 million, respectively.

Income tax expense comprises current income tax expense and deferred income tax expense. The following table sets forth our income tax expense during the years indicated:

	For the year ended 31 December			For the three months ended 31 March	
	2016	2017	2018	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)	
Current income tax	8,991	23,554	28,735	5,698	7,512
Deferred income tax	(200)	192	(407)	190	61
Total tax charge for the year	<u>8,791</u>	<u>23,746</u>	<u>28,328</u>	<u>5,888</u>	<u>7,573</u>

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

For the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019, our effective tax rates, calculated as income tax expenses divided by the profit before taxation, were approximately 25.3%, 25.5%, 27.1% and 49.8%, respectively. Our effective tax rates remained relatively stable for the years ended 31 December 2016 and 2017. Our effective tax rate increased from approximately 25.5% for the year ended 31 December 2017 to approximately 27.1% for the year ended 31 December 2018, mainly due to (i) the impairment losses on financial assets and (ii) the losses attributable to a joint venture, both of which were not tax deductible. Our effective tax rate further increased to approximately 49.8% for the three months ended 31 March 2019, mainly due to the (i) the Listing expenses incurred for the purpose of the Global Offering and (ii) the employee share based payment incurred for the Pre-IPO Share Award Scheme, both of which were not tax deductible.

The actual income tax expenses reported in the combined statements of profit or loss and other comprehensive income differs from the amount calculated by applying the statutory PRC income tax rates. Our income tax expenses for each period can be reconciled to the profit before tax as follows:

	For the year ended 31 December			For the three months ended 31 March	
	2016	2017	2018	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)	
Profit before tax	34,744	93,176	104,417	22,823	15,192
Tax at the statutory tax rate at 25%	8,686	23,294	26,104	5,706	4,583
Losses attributable to a joint venture	–	–	854	–	129
Effects of withholding tax on the distributable profits of the Group's PRC subsidiaries	–	–	–	–	308
Expenses not deductible for tax	105	452	1,370	182	2,553
	<u>105</u>	<u>452</u>	<u>1,370</u>	<u>182</u>	<u>2,553</u>
Tax charge at the Group's effective tax rate	<u>8,791</u>	<u>23,746</u>	<u>28,328</u>	<u>5,888</u>	<u>7,573</u>

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group did not have any unresolved tax issue or dispute with the relevant tax authorities.

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PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Three months ended 31 March 2019 compared to three months ended 31 March 2018

Revenue

Our revenue increased from approximately RMB87.5 million for the three months ended 31 March 2018 to approximately RMB108.8 million for the three months ended 31 March 2019, representing an increase of approximately RMB21.3 million, or approximately 24.3%.

- *Property management services.* Revenue from our property management services increased from approximately RMB61.9 million for the three months ended 31 March 2018 to approximately RMB71.5 million for the three months ended 31 March 2019, representing an increase of approximately RMB9.6 million, or approximately 15.5%. Such increase was mainly attributable to (i) the increase in our total GFA under management by approximately 12.0% from approximately 14.1 million sq.m. as at 31 March 2018 to approximately 15.8 million sq.m. as at 31 March 2019, which resulted from the increase in number of properties under our management from 80 to 97 as at the same dates.
- *Value-added services.* Revenue from our value-added services increased from approximately RMB17.0 million for the three months ended 31 March 2018 to approximately 21.0 million for the three months ended 31 March 2019, representing an increase of approximately RMB4.0 million, or approximately 23.5%. Such increase was primarily attributable to (i) the growth of our customer base as a direct result of the increase in our total GFA under management and the number of properties under management during the same period, and (ii) the increase in scale of our services sold, including but not limited to (a) property cleaning and property delivery services, (b) household repair services, and (c) other customised services to property owners and property occupants, resulting in the increase of approximately RMB1.7 million from the utility fee payment services and the increase of approximately RMB1.9 million from the common area resource management services during this period.
- *Pre-delivery and consulting services.* Revenue from our pre-delivery and consulting services increased from approximately RMB8.6 million for the three months ended 31 March 2018 to approximately 16.3 million for the three months ended 31 March 2019, representing an increase of approximately RMB7.7 million, or approximately 89.5%. Such increase was primarily attributable to (i) the increase in our sales venue “warm-up” services fee of approximately RMB4.6 million, which was introduced by our Group in the first half of 2018; (ii) the increase in our property sales venue management services fee of approximately RMB2.6 million; and (iii) the increase in our referral and management services of approximately RMB0.6 million.

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Cost of sales

Our cost of sales increased from approximately RMB57.6 million for the three months ended 31 March 2018 to approximately RMB71.9 million for the three months ended 31 March 2019, representing an increase of approximately 14.3 million, or approximately 24.8%. Such increase was primarily attributable to our business expansion and was in line with the (i) number of properties under our management from 80 to 97; and (ii) increase in our total revenue for the same periods.

Gross profit and gross profit margin

Our gross profit increased from approximately RMB30.0 million for the three months ended 31 March 2018 to approximately RMB36.8 million for the three months ended 31 March 2019, representing an increase of approximately RMB6.8 million, or approximately 22.7%. Our gross profit margin decreased from 34.2% to 33.8% for the three months ended 31 March 2018 and 2019.

- *Property management services.* The gross profit of our property management services increased from approximately RMB14.3 million for the three months ended 31 March 2018 to approximately RMB15.6 million for the three months ended 31 March 2019, representing an increase of approximately RMB1.3 million, or approximately 9.1%. The relevant gross profit margin for the same period slightly decreased from approximately 23.1% to approximately 21.8%, due to the relatively higher costs incurred for the initial stage of our newly delivered property management services projects.
- *Value-added services.* The gross profit of our value-added services increased from approximately RMB12.0 million for the three months ended 31 March 2018 to approximately RMB13.2 million for the three months ended 31 March 2019, representing an increase of approximately RMB1.2 million, or approximately 10.0%. The relevant gross profit margin for the same period decreased from approximately 70.5% to approximately 63.0%, primarily attributable to more staffs were allocated during the initial stage of our newly delivered property management services projects for the three months ended 31 March 2019 in order to cope with the unexpected demand for value-added services.
- *Pre-delivery and consulting services.* The gross profit of our pre-delivery and consulting services increased from approximately RMB3.6 million for the three months ended 31 March 2018 to approximately RMB8.1 million for the three months ended 31 March 2019, representing an increase of approximately RMB4.5 million, or approximately 125.0%. The relevant gross profit margin for the same period increased from approximately 42.6% to approximately 49.5%. The increase was primarily attributable to (i) the increase in our economies of scale leading to lower costs of sales for our property sales venue management services and (ii) the increase in contribution from referral and management services which had a relatively higher gross profit margin, which were partially offset by the increase in contribution from sales venue “warm-up” services which had a relatively lower gross profit margin.

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Other income and gains

Our other income and gains decreased from approximately RMB2.7 million for the three months ended 31 March 2018 to RMB0.9 million for the three months ended 31 March 2019, representing a decrease of approximately RMB1.8 million, or approximately 66.7%. Such decrease was mainly attributable to (i) the decrease in change in fair value of financial assets at fair value through profit or loss of approximately RMB2.2 million as we did not hold any securities/investment products since the second half of 2018, and (ii) the decrease in rental income of approximately RMB0.3 million due to the discontinuance of our subleasing contracts in 2018. Such decrease was partially offset by the increase of the interest income of approximately RMB0.7 million for the three months ended 31 March 2019.

Administrative expenses

Our administrative expenses increased from approximately RMB7.1 million for the three months ended 31 March 2018 to RMB18.2 million for the three months ended 31 March 2019, representing an increase of approximately RMB11.1 million, or approximately 156.3%. Such increase was mainly attributable to (i) the Listing expenses of approximately RMB7.7 million incurred for the purpose of the Global Offering for the three months ended 31 March 2019, and (ii) the increase in staff costs of approximately RMB3.2 million mainly as a result of the employee share based payment incurred for the Pre-IPO Share Award Scheme of approximately RMB2.8 million.

Impairment losses on financial assets

Our impairment losses on financial assets increased from approximately RMB1.9 million for the three months ended 31 March 2018 to RMB3.3 million for the three months ended 31 March 2019, representing an increase of approximately RMB1.4 million, or approximately 73.7%. Such increase was primarily attributable to the increase in allowance for impairment of trade receivables from property management services as at 31 March 2019.

Other expenses

Our other expenses decreased from approximately RMB0.9 million for the three months ended 31 March 2018 to RMB0.5 million for the three months ended 31 March 2019, representing a decrease of approximately RMB0.4 million, or approximately 44.4%. Such decrease was mainly attributable to (i) the decrease in rental expense of approximately RMB0.2 million due to the discontinuance of our subleasing contracts in 2018; (ii) the decrease in the bank service charges of approximately RMB0.1 million; and (iii) the decrease in other miscellaneous expenses relating to our civil litigation claim in 2018.

Income tax expenses

Our income tax expenses increased from approximately RMB5.9 million for the three months ended 31 March 2018 to RMB7.6 million for the three months ended 31 March 2019, representing an increase of approximately RMB1.7 million, or approximately 28.8%. Such increase was mainly attributable to the increase in our gross profit for the three months ended 31

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March 2019. Our effective tax rate increased from approximately 25.8% to approximately 49.8% for the three months ended 31 March 2019 due to (i) the Listing expenses incurred for the purpose of the Global Offering and (ii) the employee share based payment incurred for the Pre-IPO Share Award Scheme, both of which were not tax deductible.

Profit for the period

As a result of the foregoing, in particular, the Listing expenses incurred for the purpose of the Global Offering, our profit and total comprehensive income of the year decreased from approximately RMB16.9 million for the three months ended 31 March 2018 to RMB7.6 million for the three months ended 31 March 2019, representing a decrease of approximately RMB9.3 million, or approximately 55.0%.

Year ended 31 December 2018 compared to year ended 31 December 2017

Revenue

Our revenue increased from approximately RMB296.7 million for the year ended 31 December 2017 to approximately RMB393.3 million for the year ended 31 December 2018, representing an increase of approximately RMB96.6 million, or approximately 32.6%.

- *Property management services.* Revenue from our property management services increased from approximately RMB196.3 million for the year ended 31 December 2017 to approximately RMB261.9 million for the year ended 31 December 2018, representing an increase of approximately RMB65.6 million, or approximately 33.4%. Such increase was attributable to (i) the increase in our total GFA under management by approximately 14.6% from approximately 13.7 million sq.m. as at 31 December 2017 to approximately 15.7 million sq.m. as at 31 December 2018, which resulted from the increase in number of properties under our management from 76 to 96 as at the same dates and (ii) the increase in our average property management fee by 4.4% from RMB1.82 per sq.m./month for the year ended 31 December 2017 to RMB1.90 per sq.m./month for the year ended 31 December 2018.
- *Value-added services.* Revenue from our value-added services increased from approximately RMB56.9 million for the year ended 31 December 2017 to approximately RMB77.7 million for the year ended 31 December 2018, representing an increase of approximately RMB20.8 million, or approximately 36.6%. Such increase was primarily attributable to (i) the growth of our customer base as a direct result of the increase in our total GFA under management and the number of properties under management during the same period, (ii) the increase in the scale of services sold, such as property cleaning and property delivery services and other services to property owners and property occupants, resulting in the increase of approximately RMB4.5 million from the utility fee payment services fees, the increase of approximately RMB6.2 million from the common area resource management services, the increase of approximately RMB3.1 million from property cleaning and property delivery services and the increase of approximately RMB2.0 million from the home living services during this period.

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- *Pre-delivery and consulting services.* Revenue from our pre-delivery and consulting services increased from approximately RMB43.5 million for the year ended 31 December 2017 to approximately RMB53.8 million for the year ended 31 December 2018, representing an increase of approximately RMB10.3 million, or approximately 23.7%. Such increase was primarily attributable to (i) the increase in our sales venue “warm-up” services fee of approximately RMB8.9 million due to increase in the number of “warm-up” events; (ii) the increase in our property sales venue management services fee of approximately RMB4.0 million, as well as (iii) the general increase in our fees charged for our pre-delivery and consulting services during this period. Such increase was partially offset by the decrease in the revenue from the referral and management services of approximately RMB2.4 million as we referred less successful sales compared to the year ended 31 December 2017.

Cost of sales

Our cost of sales increased from approximately RMB195.6 million for the year ended 31 December 2017 to approximately RMB259.8 million for the year ended 31 December 2018, representing an increase of approximately RMB64.2 million, or approximately 32.8%. Such increase was primarily attributable to our business expansion and was in line with the increase in our total revenue for the same periods. In addition, our promotion costs increased from approximately RMB6.8 million for the year ended 31 December 2017 to approximately RMB18.5 million for the year ended 31 December 2018. Such increase was mainly attributable to the additional costs incurred for expansion of our scale and variety of our sales assistance services, in particular our property sales venue “warm-up” services during the same period.

Gross profit and gross profit margin

Our gross profit increased from approximately RMB101.2 million for the year ended 31 December 2017 to approximately RMB133.6 million for the year ended 31 December 2018, representing an increase of approximately RMB32.4 million, or approximately 32.0%. Our gross profit margin remained relatively stable at approximately 34.1% and 34.0% for the year ended 31 December 2017 and 2018.

- *Property management services.* The gross profit of our property management services increased from approximately RMB40.4 million for the year ended 31 December 2017 to approximately RMB54.3 million for the year ended 31 December 2018, representing an increase of approximately RMB13.9 million, or approximately 34.4%. The relevant gross profit margin for the same period remained stable at approximately 20.6% and 20.7%, respectively, due to our effective and consistently implemented cost control measures.
- *Value-added services.* The gross profit of our value-added services increased from approximately RMB37.6 million for the year ended 31 December 2017 to approximately RMB52.5 million for the year ended 31 December 2018, representing an increase of approximately RMB14.9 million, or approximately 39.6%. The relevant

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gross profit margin for the same period increased from approximately 66.1% to approximately 67.6%, primarily attributable to (i) the increase in our economies of scale leading to lower costs of sales and (ii) expansion of our operating scale in utility fee payment services and common resource management services in the year ended 31 December 2018 which have a relatively higher gross profit margin.

- *Pre-delivery and consulting services.* The gross profit of our pre-delivery and consulting services increased from approximately RMB23.2 million for the year ended 31 December 2017 to approximately RMB26.8 million for the year ended 31 December 2018, representing an increase of approximately RMB3.6 million, or approximately 15.5%. The relevant gross profit margin for the same period decreased from approximately 53.4% to approximately 49.8%. The decrease was primarily attributable to (i) the introduction of our sales venue “warm-up” services for the year ended 31 December 2018, which had a relatively lower gross profit margin and (ii) the decrease in contribution from referral and management services which has a relatively higher gross profit margin.

Other income and gains

Our other income and gains decreased from approximately RMB24.0 million for the year ended 31 December 2017 to approximately RMB11.8 million for the year ended 31 December 2018, representing a decrease of approximately RMB12.2 million, or approximately 50.8%. Such decrease was attributable to (i) the decrease in rental income of approximately RMB0.9 million due to the discontinuance of our subleasing contracts in 2018; (ii) the decrease in gain on disposal of certain financial assets of approximately RMB11.1 million as we did not further invest in any financial asset after our disposals during the year ended 31 December 2017 and 2018; and (iii) the decrease in interest income of approximately RMB1.4 million due to the shortened interest period of the investments in principal guaranteed deposits, partially offset by the one-off government grant of approximately RMB1.8 million to Xinyuan Science in 2018 for its successful quoting on the NEEQ.

Administrative expenses

Our administrative expenses slightly decreased from approximately RMB28.0 million for the year ended 31 December 2017 to approximately RMB27.5 million for the year ended 31 December 2018, representing a decrease of approximately RMB0.5 million, or approximately 1.8%. Such slight decrease was attributable to the decrease in staff cost as (i) some of our management has been relocated to regional branches and was treated as staff cost in cost of sales and (ii) economies of scale.

Impairment losses on financial assets

We recorded impairment losses on financial assets of approximately RMB1.2 million for the year ended 31 December 2017, which increased to approximately RMB3.4 million for the year ended 31 December 2018, representing an increase of approximately RMB2.2 million or

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approximately 183.3%. Such increase was primarily attributable to the increase in allowance for impairment of trade receivables from property management services as at 31 December 2018.

Other expenses

Our other expenses increased from approximately RMB2.7 million for the year ended 31 December 2017 to approximately RMB3.6 million for the year ended 31 December 2018, representing an increase of approximately RMB0.9 million, or approximately 33.3%. Such increase was attributable to a one-off compensation we paid for an accident that happened to a visitor to one of our managed properties during the year. As advised by our PRC Legal Advisers, save for that compensation, we do not have any further legal obligation arising from that accident, and we have not paid any other similar compensation during the Track Record Period.

Income tax expenses

Our income tax expenses increased from approximately RMB23.7 million for the year ended 31 December 2017 to approximately RMB28.3 million for the year ended 31 December 2018, representing an increase of approximately RMB4.6 million, or approximately 19.4%. Such increase was attributable to the increase in our profit before tax for the year ended 31 December 2018. Our effective tax rate increased from approximately 25.5% for the year ended 31 December 2017 to approximately 27.1% for the year ended 31 December 2018 due to (i) the impairment losses on financial assets and (ii) the losses attributable to a joint venture, both of which are not tax deductible.

Profit for the year

As a result of the foregoing, in particular, the increase in our total GFA under management and the increase in our average property management fee, our profit and total comprehensive income for the year increased from approximately RMB69.4 million for the year ended 31 December 2017 to approximately RMB76.1 million for the year ended 31 December 2018, representing an increase of approximately RMB6.7 million, or approximately 9.7%.

Year ended 31 December 2017 compared to year ended 31 December 2016

Revenue

Our revenue increased from approximately RMB228.0 million for the year ended 31 December 2016 to approximately RMB296.7 million for the year ended 31 December 2017, representing an increase of approximately RMB68.7 million, or approximately 30.1%.

- *Property management services.* Revenue from our property management services increased from approximately RMB143.5 million for the year ended 31 December 2016 to approximately RMB196.3 million for the year ended 31 December 2017, representing an increase of approximately RMB52.8 million, or approximately 36.8%. Such increase was attributable to (i) the increase in our total GFA under management

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by approximately 26.9% from approximately 10.8 million sq.m. as at 31 December 2016 to approximately 13.7 million sq.m. as at 31 December 2017, which resulted from the increase in number of properties under our management from 56 to 76 as at the same dates; and (ii) increase in our average property management fee by 6.4% from RMB1.71 per sq.m./month for the year ended 31 December 2016 to RMB1.82 per sq.m./month for the year ended 31 December 2017.

- *Value-added services.* Revenue from our value-added services increased from approximately RMB46.8 million for the year ended 31 December 2016 to approximately RMB56.9 million for the year ended 31 December 2017, representing an increase of approximately RMB10.1 million, or approximately 21.6%. Such increase was primarily attributable to the growth of our customer base as a direct result of the increase in our total GFA under management and the number of properties under management during the same period, resulting in the increase of approximately RMB8.5 million from the common area resources management fees and the increase of approximately RMB2.3 million from the home living services fees during this period.
- *Pre-delivery and consulting services.* Revenue from our pre-delivery and consulting services increased from approximately RMB37.6 million for the year ended 31 December 2016 to approximately RMB43.5 million for the year ended 31 December 2017, representing an increase of approximately RMB5.9 million, or approximately 15.7%. Such increase was primarily attributable to (i) the increase in revenue from our referral and management services as we referred more successful sales in 2017 and (ii) the increase in the new engagements for our pre-delivery and consulting services.

Cost of sales

Our cost of sales increased from approximately RMB166.4 million for the year ended 31 December 2016 to approximately RMB195.6 million for the year ended 31 December 2017, representing an increase of approximately RMB29.2 million, or approximately 17.5%. Such increase was primarily attributable to our business expansion and was in line with the increase in our total revenue for the same period. Our subcontracting costs increased by approximately RMB39.4 million while our staff costs decreased by RMB18.0 million during the same period due to our resources management and cost control measures, leading to an increase in our reliance on subcontractors by outsourcing cleaning and sanitation, safety and security and facilities maintenance services in 2017. We believe that such subcontracting arrangements allow us to leverage the human resources and technical expertise of the subcontractors, reduce our operation costs, improve service quality, and enhance the overall profitability of our operations.

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Gross profit and gross profit margin

Our gross profit increased from approximately RMB61.6 million for the year ended 31 December 2016 to approximately RMB101.2 million for the year ended 31 December 2017, representing an increase of approximately RMB39.6 million, or approximately 64.3%. Our gross profit margin increased from approximately 27.0% for the year ended 31 December 2016 to approximately 34.1% for the year ended 31 December 2017.

- *Property management services.* The gross profit of our property management services increased from approximately RMB21.0 million for the year ended 31 December 2016 to approximately RMB40.4 million for the year ended 31 December 2017, representing an increase of approximately RMB19.4 million, or approximately 92.4%. The gross profit margin for the same period increased from approximately 14.6% to approximately 20.6%, which was primarily attributable to (i) our ability to effectively control our cost of sales and economies of scale and (ii) the increase in average property management fee.
- *Value-added services.* The gross profit of our value-added services increased from approximately RMB23.5 million for the year ended 31 December 2016 to approximately RMB37.6 million for the year ended 31 December 2017, representing an increase of approximately RMB14.1 million, or approximately 60.0%. The relevant gross profit margin for the same period increased from approximately 50.3% to approximately 66.1%, which was primarily attributable to our economies of scale leading to lower costs of sales.
- *Pre-delivery and consulting services.* The gross profit of our pre-delivery and consulting services increased from approximately RMB17.1 million for the year ended 31 December 2016 to approximately RMB23.2 million for the year ended 31 December 2017, representing an increase of approximately RMB6.1 million, or approximately 35.7%. The relevant gross profit margin for the same period increased from approximately 45.5% to approximately 53.4%, which was primarily attributable to (i) the increase in our operating scale of our referral and management services which has a higher gross profit margin and (ii) economies of scale leading to lower costs of sales.

Other income and gains

Our other income and gains increased from approximately RMB21.7 million for the year ended 31 December 2016 to approximately RMB24.0 million for the year ended 31 December 2017, representing an increase of approximately RMB2.3 million, or approximately 10.6%. Such increase was attributable to (i) the increase in gain on disposal of financial assets of approximately RMB16.3 million; and (ii) the increase in rental income of approximately RMB0.5 million; and (iii) the increase in change in fair value of financial assets at fair value through profit and loss of approximately RMB0.7 million, partially offset by the decrease in interest income of approximately RMB15.4 million as a result of settlement of entrusted loans by our fellow subsidiaries for the year ended 31 December 2016.

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Administrative expenses

Our administrative expenses remained relatively stable at approximately RMB27.1 million for the year ended 31 December 2016 and approximately RMB28.0 million for the year ended 31 December 2017. The increase in the number of management and administrative personnel and the corresponding increase in staff cost, transportation expense and office expenses in 2017 was caused by our business expansion and geographic coverage from 17 to 22 cities in the PRC, which was offset by the decrease in professional fee in 2017 due to the extra professional fee incurred for the quoting of Xinyuan Science on the NEEQ in 2016.

Impairment losses on financial assets

We recorded impairment losses on financial assets of approximately RMB0.8 million for the year ended 31 December 2016, which increased to approximately RMB1.2 million for the year ended 31 December 2017, representing an increase of approximately RMB0.4 million or 50.0%. Such increase was primarily attributable to the increase in allowance for impairment of trade receivables from property management services as at 31 December 2017.

Other expenses

Our other expenses increased from approximately RMB2.1 million for the year ended 31 December 2016 to approximately RMB2.7 million for the year ended 31 December 2017, representing an increase of approximately RMB0.6 million, or approximately 28.6%.

Finance costs

Our finance cost was approximately RMB18.6 million for the year ended 31 December 2016, as compared to nil for the year ended 31 December 2017. Our finance costs represented interest expense attributable to the interest-bearing bank loans amounting to approximately RMB453.0 million, which were guaranteed by a then fellow subsidiary of the Xinyuan Real Estate Group, with interest rates of 8.5% and 9%, respectively. The principal and related interest payables of the bank loans were fully repaid by Xinyuan Science in December 2016.

Income tax expense

Our income tax expenses increased from approximately RMB8.8 million for the year ended 31 December 2016 to approximately RMB23.7 million for the year ended 31 December 2017, representing an increase of approximately RMB14.9 million, or approximately 169.3%. Such increase was mainly attributable to the increase in our profit before tax for the year ended 31 December 2017. Our effective tax rate remained stable at approximately 25.3% and 25.5% for the years ended 31 December 2016 and 2017, respectively.

Profit for the year

As a result of the foregoing, our profit and total comprehensive income of the year increased from approximately RMB26.0 million for the year ended 31 December 2016 to approximately RMB69.4 million for the year ended 31 December 2017, representing an increase of approximately RMB43.4 million, or approximately 166.9%.

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DESCRIPTION OF MAJOR COMPONENTS OF COMBINED STATEMENTS OF FINANCIAL POSITION

The following table sets forth a summary of our combined statements of financial position as at the dates indicated:

	As at 31 December			As at
	2016	2017	2018	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS				
Property, plant and equipment	3,993	4,085	4,766	3,825
Intangible assets	360	451	399	830
Investment in a joint venture	–	–	17,953	17,436
Prepayments	–	–	89,073	89,073
Deferred tax assets	1,119	1,116	1,331	1,578
Total non-current assets	<u>5,472</u>	<u>5,652</u>	<u>113,522</u>	<u>112,742</u>
CURRENT ASSETS				
Trade receivables	42,090	78,098	125,033	141,268
Prepayments and other receivables	6,003	9,672	13,530	17,425
Financial assets at fair value through profit or loss	102,911	248,250	–	–
Investments in principal guaranteed deposits	65,000	–	–	–
Cash and cash equivalents	67,459	97,811	354,275	365,312
Total current assets	<u>283,463</u>	<u>433,831</u>	<u>492,838</u>	<u>524,005</u>
CURRENT LIABILITIES				
Trade payables	14,539	16,949	29,456	30,349
Other payables and accruals	116,203	168,582	217,110	191,240
Contract liabilities	40,076	55,944	78,761	120,131
Tax payable	14,552	24,824	30,366	25,174
Total current liabilities	<u>185,370</u>	<u>266,299</u>	<u>355,693</u>	<u>366,894</u>
NET CURRENT ASSETS	<u>98,093</u>	<u>167,532</u>	<u>137,145</u>	<u>157,111</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>103,565</u>	<u>173,184</u>	<u>250,667</u>	<u>269,853</u>

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	As at 31 December			As at
	2016	2017	2018	31 March
	RMB'000	RMB'000	RMB'000	2019 RMB'000
NON-CURRENT LIABILITIES				
Deferred tax liabilities	3	192	–	308
Total non-current liabilities	3	192	–	308
Net assets	103,562	172,992	250,667	269,545
EQUITY				
Share capital	–	–	–*	–*
Merger reserve	50,000	50,000	50,000	50,000
Reserves	53,562	122,992	199,092	217,812
	103,562	172,992	249,092	267,812
Non-controlling interests	–	–	1,575	1,733
Total equity	103,562	172,992	250,667	269,545

* Amount less than RMB1,000

Property, plant and equipment

During the Track Record Period, our property, plant and equipment mainly consisted of motor vehicles and office equipment. As at 31 December 2016, 2017 and 2018 and 31 March 2019, the net carrying amount of our property, plant and equipment amounted to approximately RMB4.0 million, RMB4.1 million, RMB4.8 million and RMB3.8 million, respectively.

Investment in a joint venture

We recorded investment in a joint venture amounting to approximately RMB18.0 million and RMB17.4 million as at 31 December 2018 and 31 March 2019, which represents our investment of 51% equity interest in Henan Qingning. According to the Articles of Association of Henan Qingning, all significant and relevant matters, including its business operations and financial arrangements, require approval by two-thirds of the shareholders' votes, therefore Henan Qingning is accounted for as a joint venture of our Group and its account is not combined with that of our Group. For further details of the financial performance of Henan Qingning, please refer to Note 16 to the Accountants' Report in Appendix I to this prospectus.

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Trade receivables

During the Track Record Period, our trade receivables mainly consisted of receivables arising from our property management services income under a lump sum basis, value-added services fees and pre-delivery and consulting services fees. The following table sets forth our trade receivables as at 31 December 2016, 2017 and 2018 and 31 March 2019, respectively:

	As at 31 December			As at
	2016	2017	2018	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables from related parties	11,730	32,625	68,920	71,940
Trade receivables from third parties	34,060	48,728	59,731	73,616
	45,790	81,353	128,651	145,556
Less: allowance for impairment of trade receivables	(3,700)	(3,255)	(3,618)	(4,288)
Total	42,090	78,098	125,033	141,268

Our trade receivables from related parties amounted to approximately RMB11.7 million, RMB32.6 million, RMB68.9 million and RMB71.9 million as at 31 December 2016, 2017 and 2018 and 31 March 2019, respectively. Such increase was primarily attributable to (i) our increased number of pre-delivery and consulting projects and (ii) increase in our property management services provided to our related parties.

Our trade receivables from third parties amounted to approximately RMB34.1 million, RMB48.7 million, RMB59.7 million and RMB73.6 million as at 31 December 2016, 2017 and 2018 and 31 March 2019, respectively. Such increase was primarily attributable to the growth in our property management services.

Our trade receivables net of allowance for impairment amounted to approximately RMB42.1 million, RMB78.1 million, RMB125.0 million and RMB141.3 million as at 31 December 2016, 2017 and 2018 and 31 March 2019, respectively. Such increase was mainly attributable to our business expansion and increase in our revenue, leading to the increase in our corresponding trade receivables.

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The following table sets out the average turnover days of our trade receivables for the periods presented:

	For the year ended 31 December			For the three months ended
	2016	2017	2018	31 March 2019
Average trade receivables turnover days (<i>Note 1</i>)	69.8	73.9	94.3	110.2
Average trade receivables from third parties turnover days (<i>Note 2</i>)	56.9	55.9	57.4	63.7
Average trade receivables from related parties turnover days (<i>Note 3</i>)	104.9	164.5	263.5	314.1

Notes:

- (1) Average trade receivables turnover days for a period equals the average of the opening and closing trade receivables (including trade receivables from related parties) divided by total revenue for the same year and multiplied by the number of days in the relevant year (i.e. 366 days for the year ended 31 December 2016, 365 days for the years ended 31 December 2017 and 2018, and 90 days for the three months ended 31 March 2019).
- (2) Average trade receivables from third parties turnover days for a period equals the average of the opening and closing trade receivables (excluding trade receivables from related parties) divided by revenue (excluding revenue from related parties) for the same year and multiplied by the number of days in the relevant year (i.e. 366 days for the year ended 31 December 2016, 365 days for the years ended 31 December 2017 and 2018, and 90 days for the three months ended 31 March 2019).
- (3) Average trade receivables from related parties turnover days for a period equals the average of the opening and closing trade receivables from related parties divided by revenue from related parties for the same year and multiplied by the number of days in the relevant year (i.e. 366 days for the year ended 31 December 2016, 365 days for the years ended 31 December 2017 and 2018, and 90 days for the three months ended 31 March 2019).

For our property management services, we generally require our customers to pay the property management fees in advance pursuant to the relevant terms under the property management services agreements. Subsequent payments are required to be made shortly after the issuance of payment notice and before the next billing period. Among our pre-delivery and consulting services, (i) for early involvement services, our customers are generally required to make stage payments after entering into the agreement, achieving certain milestones, and shortly before the completion of the project; (ii) for sales assistance services, customers are generally required to prepay the service fees in advance; and (iii) for referral and management services, customers are generally required to pay the services fees after completion of the sale.

Our average trade receivables turnover days increased from 69.8 days for the year ended 31 December 2016 to 73.9 days for the year ended 31 December 2017, and further to 94.3 days for the year ended 31 December 2018 and 110.2 days for the three months ended 31 March 2019, primarily due to the delay in the settlement of the trade receivables from the related party transactions. However, we did not experience any practical difficulty in collecting our trade receivables from our related parties.

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Our average trade receivables from related parties turnover days were 104.9 days, 164.5 days, 263.5 days and 314.1 days for the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019, respectively, which were substantially longer than our average trade receivables from third parties turnover days of 56.9 days, 55.9 days, 57.4 days and 63.7 days for the same periods, respectively. The general increase in our average trade receivables from related parties turnover days was primarily attributable to (i) the increase in our amounts due from related parties, and (ii) that we did not collect payments from our related parties as frequently as we did from our third parties, as we considered that the default risk of our related parties was low.

The table below sets out the ageing analysis of our trade receivables as at the end of each year, based on the invoice date and net of impairment:

	As at 31 December			As at
	2016	2017	2018	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	27,226	60,245	89,958	95,587
1 to 2 years	6,783	10,382	24,598	30,814
2 to 3 years	4,340	3,866	5,818	9,431
3 to 4 years	1,035	1,502	2,435	3,055
4 to 5 years	1,059	855	1,135	886
Over 5 years	1,647	1,248	1,089	1,495
Total	42,090	78,098	125,033	141,268

We recorded allowance for impairment of trade receivables in the amount of approximately RMB3.7 million, RMB3.3 million, RMB3.6 million and RMB4.3 million as at 31 December 2016, 2017 and 2018 and 31 March 2019 respectively, which were made at each reporting date based on a group basis assessment by aging and nature of trade receivables due from third parties. None of the trade receivable due from third parties was individually determined to be impaired. We did not make any impairment on trade receivables due from our related parties during the Track Record Period in light of the historical payment records of our related parties.

When determining the recoverability of trade receivables during the Track Record Period, we considered (i) the nature of the trade receivables; (ii) the amount of the deposits paid; (iii) the types of the services rendered by us for the relevant trade receivables; and (iv) our relationship with the party to whom the trade receivables were due.

We did not experience any practical difficulty in collecting property management fees during the Track Record Period. As at 31 December 2016, 2017 and 2018 and 31 March 2019, the collection rate for our property management fees due from our customers, calculated by dividing the property management fees we actually received by the total property management fees payable to us for the same periods, were approximately 89.5%, 84.9%, 86.2% and 69.3%, respectively. The fluctuation in our collection rate for our property management fees was primarily subject to (i) our incentive policies and award schemes encouraging timely payment of the property management fees by our customers and (ii) our internal human resources

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management to enhance our collection efforts. As at 31 March 2019, the collection rate for our property management fees decreased to 69.3%, mainly due to the payment patterns of some of the property owners and occupants who pay their property management fees late at mid-year or year-end out of personal preference and convenience without following the terms of the property management service agreements, which is a common phenomenon in the property management services industry in the PRC according to F&S.

The table below sets out the ageing analysis of our trade receivables from related parties and third parties as at the date indicated, based on the invoice date and net of impairment:

	As at 31 March 2019					
	Third parties		Related parties		Total	
	<i>Amount of subsequent settlement as at the Latest Practicable</i>		<i>Amount of subsequent settlement as at the Latest Practicable</i>		<i>Amount of subsequent settlement as at the Latest Practicable</i>	
	<i>RMB'000</i>	<i>Date</i>	<i>RMB'000</i>	<i>Date</i>	<i>RMB'000</i>	<i>Date</i>
Within 1 year	47,930	(18,133)	47,657	(39,895)	95,587	(58,028)
1 to 2 years	12,009	(2,812)	18,805	(16,785)	30,814	(19,597)
2 to 3 years	4,945	(841)	4,486	–	9,431	(841)
3 to 4 years	2,521	(316)	534	–	3,055	(316)
4 to 5 years	886	(118)	–	–	886	(118)
Over 5 years	1,037	(125)	458	–	1,495	(125)
Total	69,328	(22,345)	71,940	(56,680)	141,268	(79,025)

As at the Latest Practicable Date, approximately RMB79.0 million, or 55.9% of our trade receivables as at 31 March 2019 was subsequently settled. Among such, approximately RMB22.3 million and RMB56.7 million was settled by third parties and related parties, representing approximately 15.8% and 40.1% of our trade receivables as at 31 March 2019, respectively. The Group expects to recover and settle the majority of the outstanding trade receivables from related parties as at 31 March 2019 and aged two years or above prior to the Listing.

Further, the Group has devised a concrete plan to help strengthen the recoverability of the balance of the trade receivables from related parties and reduce the average turnover days for trade receivables from related parties to be in line with those from third parties, including but not limited to, (i) settling the outstanding balance of trade receivables from related parties on a monthly basis; (ii) reviewing aging analysis of the trade receivables from related parties on a monthly basis; (iii) contacting the related parties with outstanding balance of trade receivable via physical meetings, telephone calls and reminder letters; (iv) evaluating our staff's performance in the finance department with the collection rate of trade receivables from related parties; (v) improving the effectiveness of our collection methods from the related parties and discussing and implementing any additional measures to further improve our collection rate on a monthly basis; and (vi) collecting and retaining relevant supporting documents (including demand notes and reminder letters) to provide support for chasing payments from the related parties and enforcing our rights under those documents.

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In addition to the above, our Group has put in place the following internal control measures to monitor and strengthen recoverability of our trade receivables due from third parties:

- We have set up an internal control system to monitor the ageing analysis of the trade receivables at the end of each month. The ageing analysis of the trade receivables will be submitted to the management for review and approval regularly;
- Our accounts department prepares monthly trade receivables aging report to be reviewed by our senior management and issues reminder for payment if overdue amount lasts for more than three months; and
- For the trade receivables past due, material overdue payments are monitored continuously and evaluated on a case-by-case basis with appropriate follow-up actions based upon the customer's normal payment processing procedures, our relationship with the customer, its history of making payments, its financial position as well as the general economic environment. Follow-up actions to recover overdue trade receivables include (i) active communications with the customers' appropriate personnel for processing payments; (ii) sending reminders through various channels, such as phone calls and mails to our customer until the overdue balance is recovered; (iii) review the recoverable amount of each individual trade receivable balance at the end of each reporting period to ensure adequate impairment losses are provided for irrecoverable amounts; and (iv) seeking legal advices when necessary.

With the above internal control measures, we believe that the recovery of trade receivables is expected to be expedited. We did not write off any outstanding trade receivables due from related parties during the Track Record Period.

Prepayments and other receivables

The following table sets out the components of prepayments and other receivables as at the dates indicated:

	As at 31 December			As at 31 March
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current				
Prepayments to related parties	–	–	89,073	89,073
Current				
Prepayments to third parties	1,219	1,446	2,776	3,981
Deposit	280	677	678	1,470
Other receivables (<i>Note</i>)	5,281	8,757	11,783	13,997
Less: allowance for impairment of other receivables	(777)	(1,208)	(1,707)	(2,023)
Total	6,003	9,672	13,530	17,425

Note: Other receivables from related parties amounted to approximately RMB0.2 million, RMB0.9 million, RMB2.6 million and RMB4.7 million as at 31 December 2016, 2017 and 2018 and 31 March 2019, respectively.

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Our prepayments to related parties represent our advance payment to a fellow subsidiary of the Xinyuan Real Estate Group for the purchase of 342 residential units in its property development project (“**Residential Units**”) in Henan in 2018. The Residential Units are currently under construction and expected to be delivered to us in 2020. As confirmed by our PRC Legal Advisers, the Residential Units have obtained the pre-sale permits under the applicable PRC rules, laws and regulations. As confirmed by our Directors, we purchased these Residential Units for investment purposes in view of the future price appreciation of the residential market in Henan. Under the sale and purchase agreement for purchase of the Residential Units (“**SPA**”) dated 11 June 2018, the total purchase price of approximately RMB89.1 million shall be payable by two instalments, with (i) the initial payment of deposit of approximately RMB1.7 million, representing approximately 2% of the total purchase price, payable to Xinyuan Real Estate Group on or before 10 June 2018 and (ii) the remaining balance of the total purchase price of approximately RMB87.4 million payable to Xinyuan Real Estate Group within 10 business days from the date of the SPA. The purchase price for the Residential Units was negotiated on an arm’s length basis, with reference to (i) the prevailing market price of the properties in the surrounding areas, (ii) the market demand for such Residential Units in the local market, (iii) the future price appreciation of the residential market in Henan, and (iv) the quality and standard of the residential properties developed by Xinyuan Real Estate Group. Taking into consideration the above-mentioned factors and the sale price of other residential units in the same property development project to other Independent Third Parties, our Directors are of the view that the purchase of the Residential Units by our Group is on substantially the same terms as purchase of similar properties by Independent Third Parties from Xinyuan Real Estate Group. For further details in relation to the Residential Units, please refer to Appendix III to this prospectus.

During the Track Record Period, our investment strategy for purchase of the Residential Units was intended to achieve higher return on our excess cash than regular bank deposits in the long term. Our investment decisions for purchase of residential properties are made after due and careful consideration of a number of factors, including market and investment conditions, economic and property developments, demand for residential properties in the local market, duration of the investment and the expected returns and potential losses of such investment. With the assistance of the finance department of our Company, the Directors will assess each investment opportunity on a case-by-case basis, and will take into account of cash flow, operational needs and capital expenditure of our Group before making a proposal to invest in residential properties.

Our Group takes a cautious and prudent approach in evaluating each property investment opportunity before making property investment decisions. Our Group takes into account of various factors when examining a property investment opportunity, including but not limited to (i) the development strategy; (ii) cash flow and operating cash position; (iii) market conditions and economic environment for property investment; (iv) demand for the relevant properties in the local market; (v) investment term; and (vi) expected rates of return and potential losses from the property investment. In terms of selection of the properties, our Group will only consider properties with clear proof of ownership and a complete set of corresponding legal ownership and title documents. In addition, our Group generally selects properties located in cities with geographical advantages such as direct-controlled municipalities, provincial capitals or independently-planned municipalities, with relatively centralised administration to satisfy requirements on asset allocation and risk control. Based on the market forecast and operational cash requirements, our Group will also make timely entry and divestment plans on its property investments to control its property investment risks.

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Save for the one-off purchase of the Residential Units for investment purposes by the Group during the Track Record Period, the Group does not have any plans to acquire properties in the PRC for investment purposes in the foreseeable future.

Our prepayments to third parties primarily consist of advance payment we made to our utility suppliers and subcontractors. Our prepayments increased by approximately RMB0.2 million, or approximately 16.7%, from approximately RMB1.2 million as at 31 December 2016 to approximately RMB1.4 million as at 31 December 2017, and increased by approximately RMB1.4 million, or approximately 100.0%, to approximately RMB2.8 million as at 31 December 2018, and further increased by approximately RMB1.2 million, or approximately 42.9%, to approximately RMB4.0 million as at 31 March 2019. Such increase was primarily attributable to the increase in advance payments made to our suppliers and subcontractors as a result of the increase in engagements with them, which is in line with our business expansion.

Our other receivables primarily represent deposits, prepayments on behalf of property residents and amount due from third parties, which increased by approximately RMB3.5 million, or approximately 66.0%, from approximately RMB5.3 million as at 31 December 2016 to approximately RMB8.8 million as at 31 December 2017. Such increase was primarily attributable to the increase in the deposits paid and increase in the prepayments on behalf of the property occupants for the utility fee payment services. Our other receivables increased by approximately RMB3.0 million, or approximately 34.1%, to approximately RMB11.8 million as at 31 December 2018 and further increased by approximately RMB2.2 million, or approximately 18.6%, to approximately RMB14.0 million as at 31 March 2019, which were primarily attributable to the increase in the amount due from related parties.

We recorded allowance for impairment of other receivables due from third parties in the amount of approximately RMB0.8 million, RMB1.2 million, RMB1.7 million and RMB2.0 million as at 31 December 2016, 2017 and 2018 and 31 March 2019, respectively. We did not provide any impairment on amount due from our related parties during the Track Record Period.

Financial assets at fair value through profit or loss

Our financial assets at fair value through profit or loss mainly represent our investment in the securities which were listed on the Shanghai/Shenzhen Stock Exchange and unlisted financial products being the wealth management products issued by the PRC banks. As at 31 December 2016, 2017 and 2018 and 31 March 2019, the book value of our financial assets at fair value through profit or loss amounted to approximately RMB102.9 million, RMB248.3 million, nil and nil, respectively. Such book value increased by approximately RMB145.4 million, or approximately 141.3%, from approximately RMB102.9 million as at 31 December 2016 to approximately RMB248.3 million as at 31 December 2017, primarily attributable to the purchase of additional listed securities and unlisted financial products in 2017. We disposed all of our securities and financial products in the second half of 2018 and did not hold any investments in listed securities or unlisted financial products as at 31 December 2018 and up to the Latest Practicable Date.

During the Track Record Period, it was our investment strategy to invest our excess cash in the securities listed on the Shanghai/Shenzhen Stock Exchange and unlisted financial products. The primary objective of our investment is to generate income at a yield higher than current deposit bank interest rates, with an emphasis on capital preservation. Our investment decisions were made on a case-by-case basis and after due and careful consideration of a number of factors, including but not limited to our cash flow and working capital position, the market conditions, the anticipated investment conditions, the investment costs, the duration of the investment and expected benefit and potential loss of and risk associated with the investment.

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Our Group has adopted stringent internal control measures to monitor and mitigate its investment risks. Except for low-risk bank-issued financial investment products such as principal guaranteed investment products, our Group generally conducts feasibility analysis and risk assessment, which cover the operational, financial and legal aspects of the potential investment, before making its investment decision so that it can better evaluate the risks associated with the investments. Upon completion of the feasibility analysis and risk assessment, the senior management of our Company, our Directors and the shareholders will exercise a three-level review and approval on the potential investment, taking into account (i) our cash flow and working capital position; (ii) control of the investment ratio; (iii) the relevant government policies and regulations applicable to the proposed investment; (iv) the expected profit/return to be generated from the proposed investment; and (v) the default risks and security of the proposed investment. Through the collaboration of the expertise and experience of the finance personnel, senior management, Directors and external advisers (if required), our Group strives to ensure that its investment risks are properly monitored and controlled at different stages of the investment period covering (i) establishment of investment portfolios; (ii) examination and approval; (iii) implementation; and (iv) transfer and recovery.

Investments in principal guaranteed deposits

Our investments in principal guaranteed deposits represent our investment in principal guaranteed deposits in licensed banks in the PRC. We only recorded investments in principal guaranteed deposit of RMB65.0 million as at 31 December 2016. This investment in principal guaranteed deposits have a term of less than one year and have expected annual rates of return of approximately 2.65% on average. Pursuant to the underlying contracts or notices, the investments in principal guaranteed deposits are principal guaranteed upon the maturity date. We subsequently redeemed such investment and we did not hold any investments in principal guaranteed deposits as at 31 December 2018. As at the Latest Practicable Date, we recorded investments in principal guaranteed deposits of RMB290.0 million.

Cash and cash equivalents

Our cash and cash equivalents as at 31 December 2016, 2017 and 2018 and 31 March 2019 amounted to approximately RMB67.5 million, RMB97.8 million, RMB354.3 million and RMB365.3 million, respectively.

Our cash and cash equivalents increased by approximately RMB30.3 million or approximately 44.9%, from approximately RMB67.5 million as at 31 December 2016 to approximately RMB97.8 million as at 31 December 2017, which was mainly attributable to an increase in net cash operating inflow due to our business expansion, partially offset by our cash used in investing activities during the year. Further, we experienced a substantial increase in our cash and cash equivalents of approximately RMB256.5 million, or approximately 262.3%, from approximately RMB97.8 million as at 31 December 2017 to approximately RMB354.3 million as at 31 December 2018, and further increased by approximately RMB11.0 million, or approximately 3.1%, to approximately RMB365.3 million as at 31 March 2019, which were primarily attributable to (i) our business expansion and (ii) the redemption and disposal of our investments in listed securities and unlisted financial products.

Contract Liabilities

Contract liabilities represent advance payment received from our customers for our (i) property management services; (ii) value-added services and (iii) pre-delivery and consulting services.

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Our contract liabilities amounted to approximately RMB40.1 million, RMB55.9 million, RMB78.8 million and RMB120.1 million as at 31 December 2016, 2017 and 2018 and 31 March 2019, respectively. The increases during the Track Record Period were mainly attributable to the growth in our property management services and value-added services. Among approximately RMB120.1 million of contract liabilities as at 31 March 2019, approximately RMB33.8 million (approximately 28.1%) has been recognised as income for the five months ended 31 May 2019.

Trade payables

During the Track Record Period, our trade payables mainly consisted of amount payable to our suppliers and subcontractors. The following table sets forth our trade payables as at 31 December 2016, 2017 and 2018 and 31 March 2019, respectively:

	As at 31 December			As at
	2016	2017	2018	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables due to related parties	2,204	4,717	2,872	3,212
Trade payables due to third parties	12,335	12,232	26,584	27,137
	<u>14,539</u>	<u>16,949</u>	<u>29,456</u>	<u>30,349</u>

Our trade payables increased from approximately RMB14.5 million as at 31 December 2016 to approximately RMB16.9 million as at 31 December 2017, representing an increase of approximately RMB2.4 million or approximately 16.6% and further increased to approximately RMB29.5 million as at 31 December 2018, representing an increase of approximately RMB12.6 million or approximately 74.6%. Our trade payables further increased to approximately RMB30.3 million as at 31 March 2019, representing an increase of approximately RMB0.8 million or approximately 2.7%. Such increase was primarily attributable to the increase in the amount payable to our suppliers and subcontractors as a result of the increase in the number of property management projects undertaken by us.

The table below sets forth our average trade payable turnover days as at the dates indicated:

	For the year ended 31 December			For the three
	2016	2017	2018	months ended
				31 March
				2019
Average trade payables turnover days				
(Note)	22.8	29.4	32.6	37.4

Note: Trade payables turnover days for a period equals the average of the opening and closing trade payables balance (including trade payables due to related parties) divided by cost of sales for the same period and multiplied by the number of days in the relevant year (i.e. 366 days for the year ended 31 December 2016, 365 days for the year ended 31 December 2017, 365 days for the year ended 31 December 2018 and 90 days for the three months ended 31 March 2019).

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Our average trade payables turnover days were approximately 22.8 days, 29.4 days, 32.6 days and 37.4 days for the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019, respectively, which fall within the credit periods generally granted by our suppliers and subcontractors. The general increase in our average trade payables turnover days during the Track Record Period was primarily attributable to the increase in the number of property management projects undertaken by us resulting in the increase in trade payables due to our suppliers and subcontractors.

The following table sets forth a summary of ageing of our trade payables at the end of each reporting period based on invoice date:

	As at 31 December			As at
	2016	2017	2018	31 March 2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	14,289	16,087	28,149	28,724
1 to 2 years	127	626	668	1,070
2 to 3 years	87	115	482	52
Over 3 years	36	121	157	503
Total	<u>14,539</u>	<u>16,949</u>	<u>29,456</u>	<u>30,349</u>

As at the Latest Practicable Date, approximately RMB24.8 million, or approximately 81.8%, of our trade payables as at 31 March 2019 was subsequently settled.

Other payables and accruals

The following table sets forth a breakdown of our other payables and accruals as at the dates indicated:

	As at 31 December			As at
	2016	2017	2018	31 March 2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other payables				
– Other payables due to related parties	9,375	37,921	58,978	49,202
– Deposits and temporary receipts from properties owners	77,652	92,818	112,078	112,162
– Others	7,953	9,943	12,439	7,240
	<u>94,980</u>	<u>140,682</u>	<u>183,495</u>	<u>168,604</u>
Payroll payables	17,938	21,889	26,575	17,374
Other taxes payable	3,285	6,011	7,040	5,262
Total	<u>116,203</u>	<u>168,582</u>	<u>217,110</u>	<u>191,240</u>

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Our other payables and accruals amounted to approximately RMB116.2 million, RMB168.6 million, RMB217.1 million and RMB191.2 million as at 31 December 2016, 2017 and 2018 and 31 March 2019, respectively.

Our other payables due to related parties are non-trade nature and primarily represent (i) our amount due to the Xinyuan Real Estate Group for the utility fees received from the property owners or property occupants in the course of provision of our utility collection services, and (ii) receipts of the sales amount on behalf of Xinyuan Real Estate Group for successful sales made under our referral and management services. Our deposits and temporary receipts from properties owners generally represent miscellaneous renovation deposits received from property owners or property occupants during the renovation period. Others mainly represent the amount payable to the subcontractors for their unbilled services.

Our other payables increased from approximately RMB95.0 million as at 31 December 2016 to approximately RMB140.7 million as at 31 December 2017, representing an increase of approximately RMB45.7 million or approximately 48.1%, and further increased to approximately RMB183.5 million as at 31 December 2018, representing an increase of approximately RMB42.8 million or approximately 30.4%. Such increase was primarily due to (i) the increase in other payables due to related parties in the course of provision of utility collection services resulted from the increase in the number of properties developed by the Xinyuan Real Estate Group under our management; (ii) the increase in deposit and temporary receipts from property owners; and (iii) increase in the amount payable to subcontractors for their unbilled services due to the increase in the number of properties under our management.

Our other payables decreased to approximately RMB168.6 million as at 31 March 2019, representing a decrease of approximately RMB14.9 million or approximately 8.1%. Such decrease was primarily attributable to (i) the decrease in other payables due to related parties of approximately RMB9.8 million resulted from settlement of the utility fees collected by our Group on behalf of the related parties in the provision of the utility fee collection services, and (ii) the decrease in others, mainly representing amount payable to subcontractors for their unbilled services of approximately RMB5.2 million, mainly due to the settlement of increased numbers of payment invoices issued by the subcontractors.

We recorded payroll payables, being the salary and related expenditure of our employees, of approximately RMB17.9 million, RMB21.9 million and RMB26.6 million as at 31 December 2016, 2017 and 2018, respectively. The increase in our payroll payables was in line with the increase in the headcounts of our employees as a result of the business expansion of our Group. Our payroll payables decreased to approximately RMB17.4 million as at 31 March 2019 due to a decrease in our accrued staff costs resulting from the lower first quarter employee bonus compared with that for the full year.

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LIQUIDITY AND FINANCIAL RESOURCES

Current assets and liabilities

The following table sets forth a breakdown of our current assets, current liabilities, and net current assets as at the dates indicated:

	As at 31 December			As at 31 March	As at 31 July
	2016	2017	2018	2019	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					(Unaudited)
Current assets					
Trade receivables	42,090	78,098	125,033	141,268	139,917
Prepayments and other receivables	6,003	9,672	13,530	17,425	24,528
Financial assets at fair value through profit or loss	102,911	248,250	–	–	–
Investments in principal guaranteed deposits	65,000	–	–	–	–
Cash and cash equivalents	67,459	97,811	354,275	365,312	361,607
Total current assets	<u>283,463</u>	<u>433,831</u>	<u>492,838</u>	<u>524,005</u>	<u>526,052</u>
Current liabilities					
Trade payables	14,539	16,949	29,456	30,349	26,919
Other payables and accruals	116,203	168,582	217,110	191,240	183,784
Contract liabilities	40,076	55,944	78,761	120,131	106,836
Tax payable	14,552	24,824	30,366	25,174	26,298
Shareholder's loan payable	–	–	–	–	230,000
Total current liabilities	<u>185,370</u>	<u>266,299</u>	<u>355,693</u>	<u>366,894</u>	<u>573,837</u>
Net current assets/(liabilities)	<u>98,093</u>	<u>167,532</u>	<u>137,145</u>	<u>157,111</u>	<u>(47,785)</u>

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We recorded net current assets of approximately RMB98.1 million, RMB167.5 million and RMB137.1 million as at 31 December 2016, 2017 and 2018, respectively. Our net current assets amounted to approximately RMB157.1 million as at 31 July 2019. We recorded net current liabilities in the amount of approximately RMB47.8 million as at 31 May 2019.

Our net current assets position improved by approximately RMB69.4 million from approximately RMB98.1 million as at 31 December 2016 to approximately RMB167.5 million as at 31 December 2017. The increase was primarily due to the combined effect of the increase in (i) trade receivables of approximately RMB36.0 million; (ii) prepayments and other receivables of approximately RMB3.7 million; (iii) financial assets at fair value through profit or loss of approximately RMB145.3 million; and (iv) cash and cash equivalents of approximately RMB30.4 million, partially offset by (i) the decrease in investments in principal guaranteed deposits of RMB65.0 million; (ii) the increase in other payables and accruals of approximately RMB52.4 million; (iii) the increase in contract liabilities of approximately RMB15.9 million; (iv) the increase in tax payable of approximately RMB10.3 million; and (v) the increase in trade payables of approximately RMB2.4 million.

Our net current assets position decreased by approximately RMB30.4 million from approximately RMB167.5 million as at 31 December 2017 to approximately RMB137.1 million as at 31 December 2018. The decrease was primarily due to the combined effect of the increase in (i) the other payables and accruals of approximately RMB48.5 million; (ii) the contract liabilities of approximately RMB22.8 million; (iii) the trade payables of approximately RMB12.5 million; and (iv) the tax payable of approximately RMB5.5 million, partially offset by the increase in (i) cash and cash equivalents of approximately RMB256.5 million; (ii) trade receivables of approximately RMB46.9 million; and (iii) prepayment and other receivables of approximately RMB3.9 million.

Our net current assets position increased by approximately RMB20.0 million from approximately RMB137.1 million to RMB157.1 million as at 31 March 2019. The increase was primarily due to the combined effect of the increase in (i) trade receivables of approximately RMB16.4 million; (ii) the prepayments and other receivables of approximately RMB3.9 million; (iii) cash and cash equivalents of approximately RMB11.0 million; and (iv) the decrease in other payables and accruals of approximately RMB25.9 million and the decrease in tax payable of approximately RMB5.2 million, partially offset by the (i) increase in trade payables of approximately RMB0.8 million; and (ii) the increase in contract liabilities of approximately RMB41.3 million.

For details of the reasons for the abovementioned changes, please refer to the subsection headed “– Description of Major Components of Combined Statements of Financial Position” in this section.

As at 31 July 2019, based on our unaudited management accounts, our net current assets decreased from approximately RMB157.1 million as at 31 March 2019 to net current liabilities of approximately RMB47.8 million. Such decrease was mainly attributable to the one-off shareholder’s loan payable of RMB230 million for the purpose of the Reorganisation. The

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one-off shareholder’s loan has been fully settled by (i) cash settlement of RMB8.4 million and (ii) capitalisation of RMB221.6 million. As at 31 August 2019, the net assets position of our Group has improved due to the capitalisation of the one-off shareholder’s loan for the purpose of the Reorganisation. For further details of the use of the Shareholder’s loan, please refer to the subsection headed “History and Reorganisation – Reorganisation – Steps of Reorganisation Acquisition of Equity Interest in Xinyuan Science by Xinyuan-HK” in this prospectus.

Financial resources

During the Track Record Period, our principal sources of fund have been our equity capital and cash generated from our business operations. Our primary liquidity requirements are to finance our working capital and fund the growth of our operations. We currently do not expect any significant changes in the mix and the relative costs of our capital resources. Subsequent to the Listing, we expect to meet our liquidity needs and finance our working capital requirements from cash generated from our operations, debt and equity financings, and the proceeds of the Global Offering, details of which please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

Cash flows of our Group

The following table is a summary of our combined statements of cash flows for the years indicated:

	For the year ended 31 December			For the three months ended 31 March	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net cash flow from operating activities	181,103	90,547	113,244	21,349	10,929
Net cash flow from/(used in) investing activities	250,966	(60,195)	143,220	63,263	(1,304)
Net cash flow from/(used in) financing activities	(390,407)	–	–	–	1,412
Net increase in cash and cash equivalents	41,662	30,352	256,464	84,612	11,037
Cash and cash equivalents at the beginning of the year	25,797	67,459	97,811	97,811	354,275
Cash and cash equivalents at the end of the year	67,459	97,811	354,275	182,423	365,312

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Operating activities

Net cash flow from operating activities mainly comprises fees received from the provision of our (i) property management services; (ii) value-added services; and (iii) pre-delivery and consulting services. Our cash flows from operating activities mainly reflects (i) our profit before tax adjusted for non-cash and non-operating items such as gain on disposal of financial assets, interest income, interest expenses, depreciation and amortisation, impairment losses on financial assets; (ii) the effects of movements in working capital such as changes in trade receivables, prepayment, deposits and other receivables, trade payables, other payables and accruals, and contract liabilities; and (iii) income tax paid.

For the three months ended 31 March 2019, our net cash flows from operating activities was approximately RMB10.9 million. This represents our profit before tax of approximately RMB15.2 million, adjusted mainly by (i) the accrued Listing expenses of approximately RMB7.7 million; (ii) the impairment losses on financial assets of approximately RMB3.3 million and (iii) the equity-settled share-based payment expense of approximately RMB2.8 million. Changes in working capital contributed a cash outflow of RMB6.1 million, mainly due to (i) the decrease in other payables and accruals of approximately RMB27.8 million; (ii) the increase in trade receivables of approximately RMB19.2 million; and (iii) the increase in prepayments and other receivables of approximately RMB1.7 million. We also recorded an income tax paid of approximately, RMB12.7 million for the three months ended 31 March 2019, partially offset by (i) increase in contract liabilities of approximately RMB41.7 million and (ii) increase in trade payables of approximately RMB0.9 million.

For the year ended 31 December 2018, our net cash flow from operating activities was approximately RMB113.2 million. This represents our profit before tax of approximately RMB104.4 million, adjusted mainly by (i) gain on disposal of financial assets of approximately RMB8.3 million; (ii) impairment losses on financial assets of approximately RMB3.4 million; (iii) share of loss of a joint venture of approximately RMB3.4 million; and (iv) impairment of investment in a joint venture of approximately RMB3.1 million. Changes in working capital contributed a cash inflow of approximately RMB29.2 million, mainly due to (i) increase in other payables and accruals of approximately RMB48.5 million; (ii) increase in contract liabilities of approximately RMB22.8 million; and (iii) increase in trade payables of approximately RMB11.6 million, partially offset by (i) increase in trade receivables of approximately RMB49.8 million; and (ii) increase in prepayments, deposits and other receivables of approximately RMB4.0 million. We also recorded an income tax paid of approximately RMB23.2 million for the year ended 31 December 2018.

For the year ended 31 December 2017, our net cash flow from operating activities was approximately RMB90.5 million. This represents our profit before tax of approximately RMB93.2 million, adjusted mainly by gain on disposal of financial assets of approximately RMB19.4 million. Changes in working capital contributed a cash inflow of approximately RMB29.8 million, mainly due to (i) increase in other payables and accruals of approximately RMB52.4 million; (ii) increase in contract liabilities of approximately RMB15.9 million; and (iii) increase in trade payables of approximately RMB2.4 million, partially offset by (i) increase

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in trade receivables of approximately RMB36.8 million; and (ii) increase in prepayments, deposits and other receivables of RMB4.1 million. We also recorded an income tax paid of approximately RMB13.3 million for the year ended 31 December 2017.

For the year ended 31 December 2016, our net cash flow from operating activities was approximately RMB181.1 million. This represents our profit before tax of approximately RMB34.7 million, adjusted mainly by (i) gain on disposal of financial assets of approximately RMB3.1 million; and (ii) net interest expense of approximately RMB1.4 million. Changes in working capital contributed a cash inflow of approximately RMB165.8 million, mainly due to (i) decrease in prepayments, deposits and other receivables of approximately RMB155.2 million; (ii) increase in contract liabilities of approximately RMB12.8 million; and (iii) increase in trade payables of approximately RMB8.3 million, partially offset by the decrease in other payables and accruals of approximately RMB12.5 million. We also recorded an income tax paid of approximately RMB19.9 million for the year ended 31 December 2016.

Investing activities

For the three months ended 31 March 2019, our net cash flows used in investing activities was approximately RMB1.3 million, which mainly reflected (i) the purchases of items of property, plant and equipment of approximately RMB0.3 million; (ii) the purchases of items of intangible assets of approximately RMB0.5 million; and (iii) cash and bank balances disposed due to the disposal of a subsidiary, namely Henan Xinyuan Education Technology Co., Ltd. of approximately RMB0.5 million.

For the year ended 31 December 2018, our net cash flow from investing activities was approximately RMB143.2 million, which mainly reflected the proceeds from the disposal of financial assets, being listed securities and unlisted financial products, amounting to approximately RMB968.2 million, which was partially offset by (i) the purchase of financial assets of approximately RMB711.7 million; (ii) the prepayment for purchase of investment properties of approximately RMB89.1 million; and (iii) the cash used in the acquisition of a joint venture, namely Henan Qingning, of approximately RMB24.5 million.

For the year ended 31 December 2017, our net cash flow used in investing activities amounted to approximately RMB60.2 million, which mainly reflected the purchase of financial assets of approximately RMB889.6 million, which was partially offset by the proceeds from the disposal of financial assets and our investment in principal guaranteed deposits of approximately RMB764.3 million and approximately RMB65.0 million, respectively.

For the year ended 31 December 2016, net cash flow from investing activities was approximately RMB251.0 million, which mainly reflected (i) the proceeds from disposal of investment in principal guaranteed deposits of RMB599.0 million; (ii) the repayment of loans from our fellow subsidiaries of RMB453.0 million; (iii) proceeds from the disposal of financial assets of fair value through profit or loss of approximately RMB122.3 million, which was partially offset by (i) the purchase of principal guaranteed deposits of RMB664.0 million; (ii)

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the purchase of financial assets, being listed securities and unlisted financial products of approximately RMB222.2 million; and (iii) our loan to our then fellow subsidiaries of RMB53.0 million.

Financing activities

For the three months ended 31 March 2019, our net cash flows from financing activities was approximately RMB1.4 million, which reflected the proceeds from Pre-IPO Share Award Scheme of approximately RMB8.4 million, partially offset by the Listing Expenses paid of approximately RMB7.0 million.

For the years ended 31 December 2017 and 2018, we did not generate any net cash from financing activities.

For the year ended 31 December 2016, our net cash used in financing activities was approximately RMB390.4 million, which reflected (i) the net repayment of bank loans of approximately RMB353.8 million; (ii) dividend declared and paid by Xinyuan Science of approximately RMB18.0 million to its then shareholders; and (iii) interest paid of approximately RMB18.6 million.

For further details regarding the major items affecting our working capital during the Track Record Period, please refer to the subsection headed “– Description of Major Components of Combined Statements of Financial Position” in this section.

INDEBTEDNESS

As at 31 July 2019, our Group had shareholder’s loan payable of RMB230 million, and total lease liabilities of RMB872,000, which comprised current and non-current lease liabilities of RMB188,000 and RMB684,000 respectively. Our Group’s shareholder loan payable was repayable on demand. Our Group’s lease liabilities as at 31 July 2019 arose from the recognition of right-of-use assets and relevant lease liabilities under IFRS 16. Save as aforesaid, we had no bank facilities, outstanding bank borrowings or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loan or similar indebtedness, liabilities under acceptance (other than normal trade bills), acceptance credits, debentures, mortgages, charges, or hire purchase commitments, guarantees or other material contingent liabilities. Neither did we have any unutilised bank facilities as at 31 July 2019. Further, our Group did not have any material financing plan, nor was there any material covenant or undertaking which may affect our Group’s ability to undertake additional debt or equity financing, as at the Latest Practicable Date.

PROPERTY INTEREST

Vincorn Consulting and Appraisal Limited, an independent property valuer, has valued our property interests as at 31 July 2019 and is of the opinion that Market Value with the consideration of the existing construction status of the property and the gross development value

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in which we had interest at such date was approximately RMB36.0 million and RM90.0 million, respectively. The full text of the letter and valuation certificate with regard to our property interests are set out in the valuation report in Appendix III to this prospectus. As the relevant properties are still under construction and are expected to be delivered by 2020, these were accounted as non-current prepayments to related parties amounting to approximately RMB89.1 million as at 31 March 2019.

A reconciliation of the net book value of such prepayment to its gross development value is as follows:

	<i>RMB'000</i>
Net book value of non-current prepayment:	
As at 31 March 2019	89,073
Increase/(decrease):	
During 1 April 2019 to 31 July 2019	<u>–</u>
As at 31 July 2019	89,073
Valuation surplus	<u>927</u>
Gross development value as at 31 July 2019 as set out in the Property Valuation Report	<u><u>90,000</u></u>

Note: The above prepayment of RMB89.1 million represented full payment of the consideration for the purchase of the relevant property under full development. Hence, gross development value of the property is used for the above reconciliation.

RELATED PARTY TRANSACTIONS

The related party transactions were conducted during the Track Record Period in accordance with terms as agreed between us and the respective related parties. Our Directors have confirmed that all related party transactions during the Track Record Period were conducted on normal commercial terms that are reasonable and in the interest of the Group as a whole. Our Directors further confirmed that these related party transactions would not distort our results of operations for the Track Record Period or make our historical result not reflective of our future performance. For further details on related party transactions, please refer to Note 31 to the Accountants' Report in Appendix I to this prospectus.

CONTINGENT LIABILITIES

As at the Latest Practicable Date, we did not have any material contingent liabilities.

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LISTING EXPENSES

Our estimated Listing expenses primarily consist of legal and professional fees in relation to the Listing. Assuming an Offer Price of HK\$2.54 per Share, being the mid-point of the Offer Price range stated in this prospectus, the Listing expenses to be borne by the Company are estimated to be approximately HK\$41.8 million, of which approximately HK\$18.6 million is directly attributable to the issue of new Shares and is to be accounted for as a deduction from equity in accordance with the relevant accounting standard. The remaining amount of approximately HK\$23.2 million is expected to be charged as expenses upon Listing in 2019. The estimated Listing expenses are subject to adjustments based on the actual amount incurred or to be incurred.

OFF-BALANCE SHEET ARRANGEMENT

As at the Latest Practicable Date, we had not entered into any off-balance sheet arrangement.

DISTRIBUTABLE RESERVES

As at 31 March 2019, the distributable reserve of our Company was RMB8.8 million.

DIVIDENDS AND DIVIDEND POLICY

For the years ended 31 December 2016, 2017 and 2018 and three months ended 31 March 2019, Xinyuan Science has declared dividend in the amount of approximately RMB18.0 million, nil, nil and nil, respectively.

Following completion of the Global Offering, we expect to pay a dividend equivalent to not more than 30% of the profit after tax in each financial year after Listing. A decision to distribute any interim dividend or recommend any final dividend would require the approval of our Board and will be at its discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. Our Board will review our Company's dividend policy from time to time in light of the following factors in determining whether any dividends are to be declared and paid, and the amount of such dividends if declared and paid:

- our financial results
- Shareholders' interests
- general business conditions, strategies and future expansion needs
- the Group's capital requirements
- the payment by its subsidiaries of cash dividends to the Company
- possible effects on liquidity and financial position of the Group
- other factors the Board may deem relevant

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Our historical declarations of dividends may not reflect our future declarations of dividends.

WORKING CAPITAL SUFFICIENCY

Our Directors confirm that, taking into consideration the financial resources presently available to us, including our cash generated from operations and the estimated net proceeds from the Global Offering, we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this prospectus.

KEY FINANCIAL RATIOS

The following table sets forth the key financial ratios of our Group during the Track Record Period:

	As at 31 December			As at 31 March
	2016	2017	2018	2019
Current ratio ⁽¹⁾	1.53x	1.63x	1.39x	1.43x
Gearing ratio ⁽²⁾	N/A	N/A	N/A	N/A
	For the year ended 31 December			For the three months ended 31 March
	2016	2017	2018	2019
Return on equity ⁽³⁾	25.1%	40.1%	30.4%	N/A ⁽⁵⁾
Return on assets ⁽⁴⁾	9.0%	15.8%	12.5%	N/A ⁽⁵⁾

Notes:

1. Current ratio is calculated by dividing total current assets by total current liabilities.
2. Gearing ratio is calculated by dividing total interest-bearing borrowings by total equity.
3. Return on equity is calculated by dividing profit for the year by total equity and multiplying the resulting value by 100%.
4. Return on assets is calculated by dividing profit for the year by total assets and multiplying the resulting value by 100%.
5. Ratios are not meaningful because the net profit for the period only represented three months of the profit for the relevant year.

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Current ratio

Our current ratio increased from approximately 1.53 times as at 31 December 2016 to approximately 1.63 times as at 31 December 2017, which was mainly due to the increase in financial assets at fair value through profit or loss. Our current ratio decreased to approximately 1.39 times as at 31 December 2018, which was primarily due to the increase in other payables and accruals as a result of our business expansion. Our current ratio remained relatively stable at approximately 1.43 times as at 31 March 2019.

Gearing ratio

We did not have any interest-bearing borrowings during the Track Record Period, therefore the gearing ratio is not applicable to us.

Return on equity

Our return on equity increased from approximately 25.1% for the year ended 31 December 2016 to approximately 40.1% for the year ended 31 December 2017, primarily attributable to the increase in profit for the year in 2017. Our return on equity decreased to approximately 30.4% for the year ended 31 December 2018, which was mainly attributable to the significant increase in reserves for the year ended 31 December 2018.

Return on assets

Our return on assets increased from approximately 9.0% for the year ended 31 December 2016 to approximately 15.8% for the year ended 31 December 2017, primarily attributable to the increase in profit for the year in 2017. Our return on assets decreased to approximately 12.5% for the year ended 31 December 2018, which was mainly attributable to the increase in total assets which outpaced the increase in profit for 2018.

QUANTITATIVE AND QUALITATIVE ANALYSIS ABOUT MARKET RISKS

We are exposed to market risks from changes in market rates and prices, such as credit, liquidity and capital management risks.

Credit risk

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

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

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

The Group trades only with recognised and credit worthy third parties.

Concentrations of credit risk are managed by analysis by customer/counterparty. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables and other receivables are widely dispersed. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed in Note 17 and Note 18 to the Accountants' Report as set out in Appendix I to this prospectus.

Liquidity Risk

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

Details of the risks to which we are exposed to are set out in Note 33 to the Accountants' Report as set out in Appendix I to this prospectus.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

For details of our unaudited pro forma adjusted combined net tangible assets, please refer to Appendix II to this prospectus.

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors confirm that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rule 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since 31 March 2019, the end of the period reported in the Accountants' Report as set out in Appendix I to this prospectus, and there has been no event since 31 March 2019 which would materially affect the information shown in the Accountants' Report as set out in Appendix I to this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please refer to the subsection headed “Business – Business Strategies” in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

We estimate the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK\$2.54 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK\$275.7 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering.

We intend to use the net proceeds of the Global Offering for the following purposes assuming the Offer Price is fixed at HK\$2.54 per Offer Share (being the mid-point of the Offer Price range):

- Approximately 60% of our net proceeds, or HK\$165.4 million, will be used to expand our property management services, seek strategic acquisition and investment opportunities. We plan to use:
 - (i) approximately 45% of our net proceeds, or HK\$124.1 million, in acquiring or investing in quality property management companies who has a regional scale of business operations. We plan to target those who have business operations in cities or regions where we currently operate. In particular, the property management companies that we acquire or invest in should (a) have GFA under management of over 2.0 million sq.m.; (b) have recorded revenue of over RMB50.0 million or net profit of over RMB5.0 million for the most recent financial year; and (c) have recorded net profit margin of over 8.0% for the most recent financial year. Apart from companies providing property management services to residential properties, we plan to also target companies that have diversified types of properties such as non-residential properties, i.e. hospitals, schools and office buildings in their portfolios, as the method and process of managing these properties are largely the same as those of residential properties;
 - (ii) approximately 8% of our net proceeds, or HK\$22.1 million, in sourcing, installing and upgrading current equipment and facilities used and accessed by property owners and property occupants, in accordance with their requests; and
 - (iii) approximately 7% of our net proceeds, or HK\$19.2 million, in expanding the scale of our property management services. We plan to obtain more property management projects in Central and Eastern China, as well as along the Bohai Rim. For this purpose, we plan to engage agents who specialise in locating quality property management projects in these regions and to increase the headcount in our current business development team by 15 to 20, who will be responsible for (a) promoting our service offerings to third party developers and property owners’ associations; and (b) seeking quality tenders for us to

FUTURE PLANS AND USE OF PROCEEDS

participate in. The new hires are expected to consist of five regional managers in such areas, each with around not less than three managers and/or business development officers to support them with daily operational assistance. We require such personnel to possess a college degree or above and to have relevant real estate or property management previous working experience. After taking into account the current salaries of similar positions in the relevant regions, our Directors expect that the allocated net proceeds would be sufficient for paying the salaries of such new staff up to the year ending 31 December 2022.

- Approximately 15% of our net proceeds, or HK\$41.4 million, will be used to expand the types of services offered in our value-added services business line. We plan to use:
 - (i) approximately 5% of our net proceeds, or HK\$13.8 million, in acquiring specialised companies that provide similar services as our subcontractors and companies whose services complement our property management services, such as retail shops, elderly care and childcare services. As confirmed by our Directors, suitable targets are easily located and available in places where we operate or where we manage properties. According to F&S, there is an abundant supply of the aforementioned companies in the PRC. We believe such acquisitions would synergise and benefit our current business in three aspects, namely (i) financial performance; (ii) reputation; and (iii) risk diversification. For financial performance, we believe such acquisitions would expand the scope of our service offerings, thereby creating additional income streams for us and increasing the scale of our revenue. We will exert caution when choosing our acquisition targets and will focus on those that can utilise our current resources such as our information technology systems and human resources, thereby lowering the accompanying costs of such acquisitions and maximise the profit brought about by such acquisitions. In terms of reputation, since we will be able to provide a more comprehensive service package subsequent to such acquisitions, we believe we will be able to boost the satisfaction and loyalty of our customers. This will further boost our reputation in the market and will be pivotal in our future business expansions, for example when participating in tenders and commercial negotiations. Last but not least, given the gross profit margin of our value-added services is higher than that of our property management services, the broadening of our service spectrum would spread and hedge the potential monotonous risks associated with our property management services.

We also believe such acquisition can broaden our service spectrum thereby providing an all-rounded living environment and experience to property owners and property occupants;

- (ii) approximately 5% of our net proceeds, or HK\$13.8 million, in engaging additional subcontractors so as to satisfy the growing needs of property owners and property occupants and provide an even wider range of value-added services to them; and

FUTURE PLANS AND USE OF PROCEEDS

- (iii) approximately 5% of our net proceeds, or HK\$13.8 million, in developing a brand new and complementary information technology system in addition to the “Xinyuan-E-Jia” mobile application. We expect such platform would offer comprehensive services to property owners and property occupants, such as retail services and social services. The table below sets forth some of the expected new features of the aforementioned information technology system and how we believe it will complement our “Xinyuan-E-Jia” mobile application:

**New features of
the information
technology
system (the
“New System”)**

**How it complements the “Xinyuan-E-Jia” mobile
application**

*Award points
system*

Whenever property owners or property occupants perform certain actions in the “Xinyuan-E-Jia” mobile application such as paying property management fees or making a purchase, points will be awarded to them in the New System. Such points can be used to credit against their property management fees payable. We believe such feature would increase property owners’ and property occupants’ loyalty towards us and their incentive to pay us on time, which would further improve our property management fees collection rate.

Skills sharing

Property owners and property occupants can post their specialised skills in their profile on the New System. Through linkage with the social network of the “Xinyuan-E-Jia” mobile application, they are able to provide their skills to other property owners or property occupants whenever required.

*Self-service
property agency*

Property owners and property occupants can post their properties onto the system for sale or for lease. They can also utilise the social network of the “Xinyuan-E-Jia” mobile application and refer potential buyers or tenants to properties posted. Once the sale or lease is successful, they can earn award points which can be used to credit against their property management fees. We believe such feature is complementary to the “Xinyuan-E-Jia” mobile application as it can attract more users to register on the application, thereby furthering its reach.

FUTURE PLANS AND USE OF PROCEEDS

**New features of
the information
technology
system (the
“New System”)**

**How it complements the “Xinyuan-E-Jia” mobile
application**

Lucky draw system Property owners and property occupants can earn lucky draw ballots when they make a purchase on our “Xinyuan-E-Jia” mobile application. We believe such system would further boost the reputation of our “Xinyuan-E-Jia” mobile application.

Questionnaire system Regular questionnaires will be sent to property owners and property occupants for us to understand their needs and level of satisfaction. We will then be able to improve our service quality accordingly.

We believe such act would result in our customers’ compliment and acknowledgement, increase our service quality as well as our ability to profit.

- Approximately 15% of our net proceeds, or HK\$41.4 million, will be used to upgrade and develop our own information technology and smart systems. We plan to use:
 - (i) approximately 10% of our net proceeds, or HK\$27.5 million, in upgrading and further developing the software end, namely the business management, management support, customer service and strategic support systems; and on the hardware end, namely the servers, management center, database and handheld devices related to the CRM System.

For our software end: we plan to use approximately 4.3% of our net proceeds, or HK\$11.9 million, to further develop and upgrade mainly the following functions:

– ***Business support systems***

We plan to further enhance various e-building automation function of our business support systems in order to enhance our management effectiveness and our cost control ability.

These functions mainly include the (i) energy consumption management system; (ii) smart elevator monitoring system; and (iii) patrol management system.

Energy Consumption Management System

Currently, we are unable to record and analyse the real-time energy consumption of our managed properties. As a result, we are only able to analyse our energy consumption afterwards instead of real-time. Once the

FUTURE PLANS AND USE OF PROCEEDS

upgraded management system is in place, we will be able to monitor the energy consumption level and make adjustments swiftly and electronically. Also, as the upgraded system can generate energy consumption reports and charts, we will also be able to analyse the energy consumption level more conveniently.

Smart Elevator Monitoring System

Currently, we monitor the elevators located in the properties under our management through our personnel with the assistance of our current monitoring systems. As a result, if there are multiple occurrences or requests at the same time, we may not be able to timely cater to the needs. The upgraded management system will be able to assist us in monitoring and analysing the elevators and automatically intervene if any user attempts to mis-use them. It will also be able to automatically generate usage reports for us to better plan the maintenance schedule of such elevators.

Patrol Management System

Our current system is only able to monitor and locate the patrol personnel on a two dimension basis. As a result, once the patrol personnel enters into a multi-storey building, we will be unable to locate which floor he or she is on. The upgraded system will have a built in three dimension location function, through which we will be able to more precisely locate and manage our patrol personnel.

We plan to use approximately 0.4% of our net proceeds, or HK\$1.1 million, to further enhance our business support systems.

– ***Management support systems and strategic support systems***

Currently, various functions such as management support, human resources management, financial management and strategic management are integrated to our management support systems and strategic support systems. We intend to develop and upgrade these functions into standalone specialised systems so that we will be able to pinpoint tailored updates and developments to them in accordance with our business needs.

We plan to use approximately 0.9% of our net proceeds, or HK\$2.5 million, to further enhance our management support systems and strategic support systems.

– ***Data management systems***

Currently, we rely on the preset analytical models in our systems to output analytical data for our management's decision making process. Going forward, we plan to develop a brand new system through which we can

FUTURE PLANS AND USE OF PROCEEDS

design and generate charts and diagrams for our management to keep abreast of our business performance and make decisions accordingly. We also believe such systems could minimise human error and ensure accurate and consistent output.

We plan to use approximately 3.0% of our net proceeds, or HK\$8.3 million, to further enhance our data management systems.

We believe such software enhancement would (i) increase our internal management efficiency; and (ii) provide information and big data support to our management. For instance, under the current arrangements, it takes approximately 40 minutes for us to provide facilities maintenance services after being notified by property owners or property occupants. Once the enhanced software is in place, most of the current manual workflows, such as the maintenance work logbook, can be completed electronically. We anticipate the maintenance process would be shortened by half with such enhanced systems. For instance, our enhanced energy consumption management system will reduce the frequency of our personnel manually recording the energy consumption meters and the time spent on analysing data afterwards. We anticipate an aggregate of approximately RMB2.9 million can be saved in the next three years. Further, through real-time monitoring such elevators through our upgraded smart elevator monitoring system, we will require less personnel patrolling the elevator areas and attending to some of the incidents or requests. We anticipate an aggregate of approximately RMB7.7 million can be saved in the next three years.

For our hardware end: we plan to use approximately 5.7% of our net proceeds, or HK\$15.7 million, to upgrade mainly our current servers, real-time monitoring devices and management centers in accordance with the needs of the properties under our management. We believe such upgrade would (i) ensure the stability of our own servers that in turn ensures the safety of both our data and our network; (ii) further enhance our ability to get hold of the real-time condition of properties under our management and of a clearer picture of the on-site conditions, which allows us to react swiftly and remotely; and (iii) reduce our cost of sales, in particular our staff cost. For instance, we expect the upgraded monitoring devices of our e-building automation function will reduce the number of ground patrolling personnel for each of our managed properties by one, and is expected to reduce our staff cost by in aggregate RMB10.0 million in the next three years. Further, the upgraded monitoring devices will enable the personnel at our headquarters to understand more clearly the real-time situation of our managed properties, which will result in the reduced frequency of our management attending to such properties for quality checking purpose. We anticipate an aggregate cost of approximately RMB4.3 million can be saved in the next three years.

We believe this would allow us to make swift and precise business decisions and to better manage our employees and customers; and

FUTURE PLANS AND USE OF PROCEEDS

- (ii) approximately 5% of our net proceeds, or HK\$13.8 million, in introducing and upgrading facilities used in our daily business operations, such as intelligent door lock systems, face recognition systems, smart car park management systems, smart fire prevention systems, other smart detection systems and building management systems. We believe such act would further automate our business operations thereby further decreasing our labour costs while increasing our efficiency and service standard. For example, the upgraded car park management systems will enable instant payment of car park users and close monitoring of (i) car park fees received by us; and (ii) car park usage. Through such upgrade and enhancement we will be able to avoid non-payment of car park fees and to provide better car park management services. Further, the upgraded intelligent door lock systems and face recognition systems would reduce our security personnel stationed at entrances and important areas. We anticipate an aggregate of approximately RMB16.0 million can be saved in the next three years.
- Approximately 10% of our net proceeds, or HK\$27.5 million, in funding our working capital needs and other general corporate purposes.

The above allocation of the net proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated offer price range. We plan to finance such shortfall by internal generated financial resources and/or other financing, as and when appropriate.

If the Offer Price is fixed at HK\$3.00 per Offer Share (being the high end of the Offer Price range stated in this prospectus), we will receive net proceeds of approximately HK\$331.2 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering.

If the Offer Price is fixed at HK\$2.08 per Offer Share (being the low end of the Offer Price range stated in this prospectus), we will receive net proceeds of approximately HK\$220.3 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable laws and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments. We will make an appropriate announcement if there is any change to the above proposed use of proceeds or if any amount of the net proceeds will be used for general corporate purpose.

FUTURE PLANS AND USE OF PROCEEDS

EXPANSION PLAN

The following table sets forth the key milestones, timeframe and the total estimated investment for each of our expansion plans. Shall the net proceeds be insufficient for our expansion plans, we will utilise our internal funds:

Major Categories	Percentage of aggregate net proceeds	Amount of net proceeds (HK\$ in millions)	Sub-categories	Respective percentage of aggregate net proceeds	Respective amount of net proceeds (HK\$ in millions)	Key Milestones	Approximate total investment (HK\$ in millions)	Timeframe
Strategic acquisition and investment	60.0%	165.4	1. Acquiring or investing in other property management companies	45%	124.1	<ul style="list-style-type: none"> • Completing the acquisition of or investment in target companies at a contract value of over HK\$60.0 million each • Completing the acquisition of or investment in target companies at a contract value of over HK\$60.0 million each • Completing the acquisition of or investment in target companies at a contract value of over HK\$60.0 million each • Completing the acquisition of or investment in target companies at a contract value of over HK\$60.0 million each 	250.0	Within six months after Listing Between one year and two years after Listing Between two years and three years after Listing Between three years and four years after Listing

FUTURE PLANS AND USE OF PROCEEDS

Major Categories	Percentage of aggregate net proceeds	Amount of net proceeds (HK\$ in millions)	Sub-categories	Respective percentage of aggregate net proceeds	Respective amount of net proceeds (HK\$ in millions)	Key Milestones	Approximate total investment (HK\$ in millions)	Timeframe
	8%	22.1	2. Sourcing, installing and upgrading current equipment and facilities used by property owners and occupants	8%	22.1	<ul style="list-style-type: none"> • Completing the upgrade of power management systems of 5% of the lighting facilities in walkways and roads in our managed properties • Completing the upgrade of power management systems of 50% of the electric car charging stations, elevators and parking space monitoring facilities • Completing the upgrade of power management systems of 50% of the lighting facilities in walkways and roads in our managed properties • Completing the upgrade of power management systems of 80% of the electric car charging stations, elevators and parking space monitoring facilities • Completing the upgrade of power management systems of 80% of the lighting facilities in walkways and roads in our managed properties • Completing the upgrade of power management systems of all electric car charging stations, elevators and parking space monitoring facilities • Completing the upgrade of power management systems of all lighting facilities in walkways and roads in our managed properties 	22.1	Within six months after Listing Between one year and two years after Listing

FUTURE PLANS AND USE OF PROCEEDS

Major Categories	Percentage of aggregate net proceeds	Amount of net proceeds (HK\$ in millions)	Sub-categories	Respective percentage of aggregate net proceeds	Respective amount of net proceeds (HK\$ in millions)	Key Milestones	Approximate total investment (HK\$ in millions)	Timeframe
			3. Expanding the scale of our property management services	7%	19.2	<ul style="list-style-type: none"> Increasing the headcount of our business development team Marketing our brand in view of the Listing Increasing the headcount of our business development team Furthering our marketing effort and seeking quality tenders for us to participate in Organizing activities to further promote our brand 	19.2	Within six months after Listing
						<ul style="list-style-type: none"> Furthering our marketing effort and seeking quality tenders for us to participate in Target to rank within the top 10 recognised brands in the PRC 		Between one year and two years after Listing
						<ul style="list-style-type: none"> Furthering our marketing effort and seeking quality tenders for us to participate in Target to rank within the top 20 property management companies in the PRC in terms of revenue 		Between two years and three years after Listing
						<ul style="list-style-type: none"> Furthering our marketing effort and seeking quality tenders for us to participate in Target to rank within the top 20 property management companies in the PRC in terms of revenue 		Between three years and four years after Listing
Expand the types of value-added services offered	15.0%	41.4	1. Acquiring specialised companies	5%	13.8	<ul style="list-style-type: none"> Identifying acquisition targets Completing the acquisition of retail shops and car service companies to provide services for up to three properties 	13.8	Within six months after Listing

FUTURE PLANS AND USE OF PROCEEDS

Major Categories	Percentage of aggregate net proceeds	Amount of net proceeds (HK\$ in millions)	Sub-categories	Respective percentage of aggregate net proceeds	Respective amount of net proceeds (HK\$ in millions)	Key Milestones	Approximate total investment (HK\$ in millions)	Timeframe
						<ul style="list-style-type: none"> Sourcing qualified subcontractors that satisfy the growing needs of property owners Starting to engage subcontractors in Zhengzhou, Jinan and Suzhou that provide housekeeping services Starting to engage subcontractors in Zhengzhou that provide move-in furnishing (拎包入住) services Continuing to manage subcontractors previously engaged Starting to engage subcontractors in Kunshan and Chengdu Continuing to manage subcontractors previously engaged Expanding the reach of our value-added services 		Between one year and two years after Listing
								Between two years and three years after Listing
								Between three years and four years after Listing

FUTURE PLANS AND USE OF PROCEEDS

Major Categories	Percentage of aggregate net proceeds	Amount of net proceeds (HK\$ in millions)	Sub-categories	Respective percentage of aggregate net proceeds	Respective amount of net proceeds (HK\$ in millions)	Key Milestones	Approximate total investment (HK\$ in millions)	Timeframe
			3. Developing a complimentary information technology system that complements the “Xinyuan-E-Jia” mobile application	5%	13.8	<ul style="list-style-type: none"> • Developing and promoting the New System • Completing the development of the lucky draw system • Further developing and promoting the New System • Completing the development of the questionnaire system • Further developing and promoting the New System • Completing the development of the award points system • Further developing and enhancing the New System • Completing the development of the skills sharing and self-service property agency functions 	13.8	<p>Within six months after Listing</p> <p>Between one year and two years after Listing</p> <p>Between two years and three years after Listing</p> <p>Between three years and four years after Listing</p> <p>Within six months after Listing</p>
Upgrading and developing our own information technology and smart systems	15.0%	41.4	1. Upgrading and further developing the software end	4.3%	11.9	<ul style="list-style-type: none"> • Performing a full analysis on our current information technology systems • Completing the upgrade plan and the system framework design • Developing and launching phase one of the upgrade, which entails centralised data management functions • Further utilising the information technology systems to boost efficiency and lower our staff cost 	11.9	<p>Between one year and two years after Listing</p> <p>Between two years and three years after Listing</p>

FUTURE PLANS AND USE OF PROCEEDS

Major Categories	Percentage of aggregate net proceeds	Amount of net proceeds (HK\$ in millions)	Sub-categories	Respective percentage of aggregate net proceeds	Respective amount of net proceeds (HK\$ in millions)	Key Milestones	Approximate total investment (HK\$ in millions)	Timeframe
						<ul style="list-style-type: none"> • Full coverage of the information technology systems of our managed properties • Further utilising the information technology systems to boost efficiency and lower our staff cost 		Between three years and four years after Listing
			2. Upgrading the hardware end	5.7%	15.7	<ul style="list-style-type: none"> • Sourcing and procuring hardware from qualified suppliers • Gradually performing upgrades to real-time monitoring systems and servers • Setting up quarantined server rooms to ensure safety of our servers • Launching the service center at our headquarters 	15.7	Within six months after Listing
						<ul style="list-style-type: none"> • Gradually performing upgrades to real-time monitoring systems and servers • Setting up quarantined server rooms to ensure safety of our servers 		Between one year and two years after Listing
						<ul style="list-style-type: none"> • Gradually performing upgrades to real-time monitoring systems and servers • Setting up quarantined server rooms to ensure safety of our servers 		Between two years and three years after Listing
						<ul style="list-style-type: none"> • Gradually performing upgrades to real-time monitoring systems and servers • Setting up quarantined server rooms to ensure safety of our servers 		Between three years and four years after Listing

FUTURE PLANS AND USE OF PROCEEDS

Major Categories	Percentage of aggregate net proceeds	Amount of net proceeds (HK\$ in millions)	Sub-categories	Respective percentage of aggregate net proceeds	Respective amount of net proceeds (HK\$ in millions)	Key Milestones	Approximate total investment (HK\$ in millions)	Timeframe
			3. Introducing and upgrading facilities	5%	13.8	<ul style="list-style-type: none"> • Conducting a full investigation of the current status of facilities used in our daily business operations • Sourcing and procuring relevant facilities from qualified suppliers • Installing new facilities such as intelligent door lock systems and building management systems in up to 50 of our managed properties • Installing new facilities such as intelligent door lock systems and building management systems in up to 80 of our managed properties • Installing new facilities such as intelligent door lock systems and building management systems in up to 100 of our managed properties 	13.8	Within six months after Listing
								Between one year and two years after Listing
								Between two years and three years after Listing
								Between three years and four years after Listing

FUTURE PLANS AND USE OF PROCEEDS

BASIS AND ASSUMPTIONS

Our future plans and business strategies are based on the following general assumptions:

- there will be no material change in the funding requirement for each of our future plans described in this prospectus from the amount as estimated by our Directors;
- we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which our future plans relate;
- the Global Offering will be completed in accordance with and as described in the section headed “Structure and Conditions of the Global Offering” in this prospectus;
- there will be no material changes in existing accounting policies from those stated in the audited consolidated financial statements of our Group for the three years ended 31 December 2018 and the three months ended 31 March 2019;
- our operations including our future plans will not be interrupted by any force majeure, unforeseeable factors, extraordinary items or economic changes in respect of inflation, interest rate and tax rate in the PRC;
- there will be no material changes in the bases or rates of taxation applicable to our activities;
- we will not be materially affected by the risk factors as set out in the section headed “Risk Factors” in this prospectus;
- we will continue our operation including but not limited to retaining our key staff and maintaining our customers, suppliers and subcontractors in the same manner as we had operated during the Track Record Period;
- there will be no material change in existing laws and regulations, or other governmental policies relating to our Group, or in the political or market conditions in which we operate; and
- there will be no disasters, natural, political or otherwise, which would materially disrupt our businesses or operations.

FUTURE PLANS AND USE OF PROCEEDS

REASONS FOR LISTING IN HONG KONG AND CEASING TO BE QUOTED ON THE NEEQ

Our Directors consider that a listing status would further enhance our Group's corporate profile and brand awareness as well as increase our competitiveness. Apart from the net proceeds obtained from the Listing, our Directors are of the view that a public listing status on the Main Board of the Stock Exchange is a complementary advertising for our Group to potential investors and customers, which can enhance our corporate profile and our credibility with the public and potential business partners given a public listed company will have greater transparency, relevant regulatory supervision and stability generally. The Listing will therefore serve to promote our corporate profile and brand awareness. Moreover, we believe that the Listing will further strengthen our internal control and corporate governance practices, which in turn will increase our customers' confidence in our services and thereby attract more potential customers who are more inclined towards engaging a property management services company with proven track record, solid and transparent corporate status and reputation.

According to F&S, the property management services market in the PRC is quite fragmented and there are over 100,000 property management services companies. In such a highly competitive industry, our Directors are of the view that the Listing would give us competitive advantage over other non-listed market competitors especially when we are competing with them for new customers.

Our Directors believe that a listing status on the Main Board of the Stock Exchange will further complement and strengthen our existing strategic and cooperative relationships with our suppliers. With the listing status, our Group will also be able to retain our existing employees more effectively, at managerial, operational and administrative levels as well as attracting the relevant talents required. Our employees will also generally feel more stable and secured about their employment with us, hence strengthening their morale at work.

Our Directors decided to cease Xinyuan Science's quoting on the NEEQ and apply for the Listing as (i) the NEEQ generally has a lower liquidity than the Stock Exchange; (ii) the NEEQ has a higher entry threshold for investors, thereby posing a limit to the transfer of our shares; and (iii) they believe there will be a greater opportunity in attracting investors' interests in our Shares once they have been listed on the Stock Exchange. After taking into account the above considerations, our Directors believe a dual listing on both the Stock Exchange and the NEEQ would impose extra administrative, accounting and financial costs on us as we would have to comply with two sets of regulatory and disclosure requirements. Further, a dual listing status on the Stock Exchange and the NEEQ is likely to result in a division of liquidity between the two markets, divert our resources, and may partly negate the benefit of the Listing in Hong Kong and its potential benefits to the valuation of our Shares. As a result, our Directors believe it is in the best interest of the Company and the Shareholders as a whole to apply for the Listing in Hong Kong.

FUTURE PLANS AND USE OF PROCEEDS

FUNDING NEEDS

We believe our existing cash balance alone is not sufficient to meet all of our business plans set out above, and to support our daily operations at the same time. For instance, our cash and cash equivalent as at 31 March 2019 amounted to approximately RMB365.3 million and approximately 46.2% of which consists of (i) deposits and temporary receipts from properties owners; and (ii) payments received on behalf of the Xinyuan Real Estate Group, details of which are set out in the subsection headed “Financial Information – Description of Major Components of Combined Statements of Financial Position – Other Payables and Accruals” in this prospectus. As a result, such cash and cash equivalent amount cannot be freely utilized by us. Among the remaining cash balance (excluding the amounts mentioned above and including the property management fees received by us in advance), approximately RMB90.0 million will be used to maintain our daily operations for two to three months, while the remainder cash balance will mainly be reserved for future capital expenditures, such as for our strategic acquisition and investment and for upgrading our information technology systems. Should all of our future business plans be funded by our own cash balance, we would not have a sufficient level of financial resource to support our rapid expansion plan while maintaining an adequate cash cushion for budget fund or contingency purposes. Our Directors have considered using debt financing as a means of raising capital for our future business plans. However, given we do not hold any significant property or fixed assets which could be provided as collaterals for debt financing purposes, the interest rates involved in debt financing would generally be higher and we may be exposed to less favourable terms, which usually require our Controlling Shareholder to provide a guarantee or other collaterals. Unlike the characteristics of debt financing as aforementioned, equity financing would not divert capital from our business to repay the loan regardless of our business performance. Our Group can retain the flexibility and capability for business development and dividend payment to create a greater value for our Shareholders. Further, shall we elect to adopt debt financing to support our business growth in the future, a listing status could (i) allow us to obtain financing at better terms as compared to those offered to private companies; and (ii) minimise the need to engage third party guarantee companies or our Controlling Shareholder when we apply for bank loans in the future. Therefore, the Listing is necessary and beneficial to our sustainable long-term growth.

UNDERWRITING

HONG KONG PUBLIC OFFERING UNDERWRITERS

Orient Securities (Hong Kong) Limited
Guotai Junan Securities (Hong Kong) Limited
CCB International Capital Limited
Haitong International Securities Company Limited
BOCOM International Securities Limited
CMB International Capital Limited
ABCI Securities Company Limited
Zhongtai International Securities Limited
Yuanyin Securities Limited
Futu Securities International (Hong Kong) Limited
Bluemount Securities Limited
Valuable Capital Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Public Offering Underwriting Agreement

Pursuant to the Hong Kong Public Offering Underwriting Agreement, the Company has agreed to initially offer 12,500,000 new Shares for subscription by members of the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms at the Offer Price.

Subject to, among other conditions, the granting of the approval for the listing of, and permission to deal in, all the Shares in issue and any Shares to be issued as mentioned in this prospectus by the Listing Committee and to certain other conditions set out in the Hong Kong Public Offering Underwriting Agreement, the Hong Kong Public Offering Underwriters have severally, but not jointly, agreed to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Public Offering Shares which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Public Offering Underwriting Agreement. In addition, the Hong Kong Public Offering Underwriting Agreement is conditional on and subject to the International Placing Underwriting Agreement having been executed, becoming, and continuing to be, unconditional and not having been terminated.

Grounds for termination

The respective obligations of the Hong Kong Public Offering Underwriters to subscribe, or procure subscribers for, the Hong Kong Public Offering Shares under the Hong Kong Public Offering Underwriting Agreement are subject to termination. If any of the events set out below shall occur at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date, the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Public Offering

UNDERWRITING

Underwriters) in their sole and absolute discretion may, by giving written notice to the Company, the Controlling Shareholders and executive Directors, terminate the Hong Kong Public Offering Underwriting Agreement with immediate effect:

- (a) there develops, occurs, exists or comes into force:
 - (i) any event, or series of events, in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak or escalations of disease, economic sanctions, strikes, labour disputes, lock-outs, fire, explosion, flooding, earthquake, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism (whether or not responsibility has been claimed) in or affecting Hong Kong, the PRC, the Cayman Islands, the BVI and the United States, the European Union (or any member thereof), Japan or any other jurisdiction relevant to any member of the Group (the “**Relevant Jurisdictions**”);
 - (ii) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change, in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions, equity securities or other financial markets (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets), in or affecting any of the Relevant Jurisdictions;
 - (iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Tokyo Stock Exchange;
 - (iv) any general moratorium on commercial banking activities in any Relevant Jurisdictions or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in the Relevant Jurisdictions;
 - (v) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any public, regulatory, taxing, administrative or governmental, agency or authority (including, without limitation, the Stock Exchange and the SFC), other authority and any court at the national, provincial, municipal or local level (the “**Governmental Authority**”) in or affecting any of the Relevant Jurisdictions;
 - (vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions;

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- (vii) a change or development involving a prospective change or amendment in taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a devaluation of the Hong Kong dollar or Renminbi against any foreign currencies, a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar or the Renminbi is linked to any foreign currency or currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions;
- (viii) other than with the approval of the Joint Global Coordinators, the issue of or the requirement by our Company to issue any supplement or amendment to this prospectus (the “**Supplementary Prospectus(es)**”) (or to any other documents used in connection with the Global Offering) pursuant to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC;
- (ix) any litigation or claim of any third party being threatened or instigated against our Group;
- (x) any Director is being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company;
- (xi) the chairman of the Board or any of the executive Directors vacating his or her office;
- (xii) any Governmental Authority or a political body or organisation in any Relevant Jurisdiction is commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director;
- (xiii) any contravention by any member of the Group of the Listing Rules or all applicable laws, rules, regulations, orders, judgements, decrees, guidelines, opinions, notices, circulars or rulings of any court, Governmental Authority (the “**Applicable Laws**”), which, in the reasonable opinion of the Joint Global Coordinators have a material adverse effect on the Global Offering;
- (xiv) any non-compliance of this prospectus (or any other documents used in connection with the Global Offering) or any aspect of the Global Offering with the Listing Rules or any other Applicable Laws, which, in the reasonable opinion of the Joint Global Coordinators have a material adverse effect on the Global Offering;
- (xv) any order or petition for the winding-up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of

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a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group; or

- (xvi) any change or prospective change, or a materialisation of, any of the risks set out in the section headed “Risk Factors” in this prospectus, which, in the reasonable opinion of the Joint Global Coordinators have a material adverse effect on the Global Offering,

which, individually or in the aggregate, in the reasonable opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Public Offering Underwriters): (1) has or will or may have a material adverse effect on the assets, liabilities, business, general affairs, prospects, shareholders’ equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Group as a whole; (2) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Placing; (3) makes or will make or is likely to make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or (4) has or will or may have the effect of making any part of the Hong Kong Public Offering Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

- (b) there has come to the notice of the Joint Global Coordinators:

- (i) that any statement contained in this prospectus, the Application Forms, the formal notice, the post-hearing information pack and/or any announcements and documents issued or published by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect, inaccurate or misleading in any material respects, or that any estimate, forecast, expression of opinion, intention or expectation contained in any of such documents is not fair and honest and based on reasonable assumptions;
- (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from this prospectus, the Application Forms, the formal notice, the post-hearing information pack and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto);
- (iii) any breach of any of the obligations or undertakings imposed upon any party to the Hong Kong Public Offering Underwriting Agreement or the International Placing Underwriting Agreement (other than upon any of the Sole Sponsor, the

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Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers or the Underwriters), as applicable, which, in the reasonable opinion of the Joint Global Coordinators, has a material adverse effect on the Global Offering;

- (iv) any event, act or omission which gives or is likely to give rise to any liability of any of the Company, the Controlling Shareholders and executive Directors pursuant to the indemnities clauses under the Hong Kong Public Offering Underwriting Agreement;
- (v) any adverse change or development or any prospective adverse change or development in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Group as a whole and the effect of which is, in the reasonable opinion of the Joint Global Coordinators, so adverse as to make it impracticable or inadvisable to proceed with the Global Offering;
- (vi) any breach of, or any event rendering untrue or incorrect in any material respect, any of the warranties given by any of the Company, the Controlling Shareholders and executive Directors in the Hong Kong Public Offering Underwriting Agreement, which, in the reasonable opinion of the Joint Global Coordinators, has a material adverse effect on the Global Offering;
- (vii) that the approval by the Listing Committee of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering is refused or not granted, other than subject to customary conditions, on or before the date of the listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld;
- (viii) that our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering;
- (ix) any person (other than any of the Hong Kong Public Offering Underwriters) has withdrawn or sought to withdraw its consent to being named in any of this prospectus, any Supplementary Prospectuses and the Application Forms and the documents used by the International Placing Underwriters and their respective affiliates in connection with the International Placing of the International Placing Shares, including this prospectus and any supplements or amendments thereto (the "**Offer Documents**") or to the issue of any of the Offer Documents; or
- (x) any prohibition on our Company for whatever reason from allotting or selling the Offer Shares pursuant to the terms of the Global Offering.

Indemnity

Each of the Company, the Controlling Shareholders and executive Directors has agreed to indemnify the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Public Offering Underwriters for certain losses which they

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may suffer, including losses arising from their performance of their obligations under the Hong Kong Public Offering Underwriting Agreement and any breach by them of the Hong Kong Public Offering Underwriting Agreement.

Undertakings to the Hong Kong Public Offering Underwriters

Undertakings by the Company

The Company has undertaken to each of the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Public Offering Underwriters that:

- (a) at any time from the date of the Hong Kong Public Offering Underwriting Agreement until the expiry of six months from the Listing Date (the “**First Six-Month Period**”), the Company shall not, and shall procure that each other member of the Group shall not, without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Public Offering Underwriters) and unless in compliance with the requirements of the Listing Rules:
 - (i) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any options, warrants or other rights to purchase or subscribe for, make share sale, lend or otherwise transfer or dispose of, either directly or indirectly, or repurchase, any of the Company’s share capital, debt capital or any securities of the Group or any interest therein (including but not limited to any warrants and securities which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any such share capital or securities or interest therein, as applicable);
 - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of share capital, debt capital, any other equity securities of the Company or any interest in any of the foregoing (including, without limitation, any securities which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any Shares);
 - (iii) enter into any transaction with the same economic effect as any transaction described in paragraph (i) or (ii) above; or
 - (iv) agree to, or contract to, or publicly announce any intention to enter into, any transaction described in paragraph (i), (ii) or (iii) above,

in each case, whether any of the transactions specified in paragraph (i), (ii) or (iii) above is to be settled by delivery of Shares or such other equity securities of the Company, in cash or otherwise (whether or not the issue of the Shares or such other securities will be completed within the aforesaid period), provided that the foregoing restrictions shall not apply to the issue

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of Shares by the Company pursuant to the Reorganisation and the Global Offering (including pursuant to the exercise of any options which may be granted under the Post-IPO Share Option Scheme); and

- (b) in the event that during the period of six months commencing from the expiry of the First Six-Month Period (the “**Second Six-Month Period**”), of the Company enters into any of the transactions specified in paragraph (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, the Company shall take all reasonable steps to ensure that any such transaction, agreement or, as the case may be, announcement will not create a disorderly or false market in any Shares or other securities of the Company.

Undertakings to the Stock Exchange

Undertakings by the Company

Pursuant to Rule 10.08 of the Listing Rules, the Company has undertaken to the Stock Exchange that, except pursuant to the Global Offering and the Post-IPO Share Option Scheme as described and contained in this prospectus, no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by the Company or form the subject of any agreement to such an issue by the Company within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except in certain circumstances permitted by Rule 10.08(1) to (5) of the Listing Rules.

Undertakings by our Controlling Shareholders

In accordance with Rule 10.07(1) of the Listing Rules, our Controlling Shareholders have, irrevocably and unconditionally, undertaken to the Stock Exchange and the Company that except pursuant to the Global Offering and exercise of any options granted under the Post-IPO Share Option Scheme, he/she/it shall not, and shall procure that the relevant registered holder(s) shall not:

- (a) at any time during the First Six-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/she/it is shown by this prospectus to be the beneficial owner(s); and
- (b) at any time during the Second Six-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be our Controlling Shareholder (as defined in the Listing Rules) or would together with the other Controlling Shareholders cease to be, or regarded as, a group of controlling shareholders (as defined in the Listing Rules) of the Company.

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Our Controlling Shareholders have further undertaken to the Stock Exchange and our Company that, within a period commencing from the date on which disclosure of his/her/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/she/it will:

- (a) when he/she/it pledges or charges any of the Shares or securities of the Company beneficially owned by him/her/it, whether directly or indirectly, in favour of an authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform the Company of such pledge or charge together with the number of Shares or securities of the Company so pledged or charged; and
- (b) if he/she/it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares or securities of our Company will be disposed of, immediately inform our Company of such indications.

International Placing

In connection with the International Placing, it is expected that the Company will enter into the International Placing Underwriting Agreement with the Sole Sponsor, the Joint Global Coordinators and the International Placing Underwriters, on terms and conditions that are substantially similar to the Hong Kong Public Offering Underwriting Agreement as described above and on the additional terms described below.

Under the International Placing Underwriting Agreement, subject to the conditions set out therein, the International Placing Underwriters are expected to severally, but not jointly, agree to procure subscribers for the International Placing Shares initially being offered pursuant to the International Placing. The International Placing Underwriting Agreement may be terminated on similar grounds as the Hong Kong Public Offering Underwriting Agreement. Potential investors shall be reminded that in the event that the International Placing Underwriting Agreement is not entered into, the Global Offering will not proceed.

The International Placing Underwriting Agreement is conditional on and subject to the Hong Kong Public Offering Underwriting Agreement having been executed, becoming unconditional and not having been terminated. Pursuant to the International Placing Underwriting Agreement, the Company will make similar undertakings as those given pursuant to the Hong Kong Public Offering Underwriting Agreement as described in the subsection headed “– Underwriting Arrangements and Expenses – Undertakings to the Hong Kong Public Offering Underwriters – Undertakings by the Company” in this section.

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Commission and Expenses

The Hong Kong Public Offering Underwriters will, and the International Placing Underwriters are expected to, receive a commission of 3.0% of the Offer Price multiplied by the total number of the Offer Shares underwritten by them, out of which they shall pay any sub-underwriting commissions. The amount of underwriting commission is estimated to be approximately HK\$9.5 million (based on the mid-point of our indicative Offer Price range).

In addition, the Company may, at its sole and absolute discretion, pay an incentive fee to Orient Securities (Hong Kong) Limited of up to 0.5% of the Offer Price multiplied by the total number of Hong Kong Public Offering Shares, which fee shall be determined on or before the Price Determination Date. The amount of incentive fee as regards the Hong Kong Public Offering is estimated to be approximately HK\$0.2 million (based on the mid-point of our indicative Offer Price range). In respect of the International Placing, the Company may, at its sole and absolute discretion, pay an incentive fee of up to 0.5% of the Offer Price multiplied by the total number of International Placing Shares, which fee shall be determined on or before the Price Determination Date. The amount of incentive fee as regards the International Placing is estimated to be approximately HK\$1.4 million (based on the mid-point of our indicative Offer Price range).

The underwriting commission, documentation and advisory fee, listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees together with printing and other expenses relating to the Global Offering, assuming an Offer Price of HK\$2.54 (being the mid-point of the indicative Offer Price range), are estimated to amount to approximately HK\$41.8 million in total, and are payable by the Company.

JOINT GLOBAL COORDINATORS' AND UNDERWRITERS' INTEREST IN THE COMPANY

The Joint Global Coordinators and the other Underwriters will receive underwriting commissions. Particulars of these underwriting commissions and expenses are set out under the subsection headed “– Underwriting Arrangements and Expenses – Commission and Expenses” in this section.

We have appointed Orient Capital (Hong Kong) Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the period commencing on the Listing Date and ending on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of the despatch of our annual report for the first full financial year commencing after the Listing Date.

Save as disclosed above, none of the Joint Global Coordinators or the Underwriters is interested legally or beneficially in shares of any members of the Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any members of the Group nor any interest in the Global Offering.

SOLE SPONSOR'S INDEPENDENCE

The Sole Sponsor satisfy the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

OVERVIEW

This prospectus is published in connection with the Hong Kong Public Offering. The Global Offering consists of (subject to reallocation):

- (i) the Hong Kong Public Offering of 12,500,000 Shares (subject to reallocation as mentioned below) in Hong Kong as described below in the subsection headed “– The Hong Kong Public Offering” in this section;
- (ii) the International Placing of 112,500,000 Shares outside the United States in reliance on Regulation S.

Investors may apply for the Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the Shares under the International Placing, but may not do both. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offering from investors who have received Offer Shares in the International Placing, and to identify and reject indications of interest in the International Placing from investors who have applied for Hong Kong Public Offering Shares in the Hong Kong Public Offering. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong.

The International Placing will involve selective marketing of the Shares to institutional and professional investors and other investors expected to have a sizeable demand for the Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. The International Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Shares in the International Placing. Prospective investors will be required to specify the number of the Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price.

The number of Shares to be offered under the Hong Kong Public Offering and the International Placing respectively may be subject to reallocation as described in the subsection headed “– Pricing and Allocation” in this section. The Hong Kong Public Offering is fully underwritten by the Hong Kong Public Offering Underwriters under the terms of the Hong Kong Public Offering Underwriting Agreement and is subject to the Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) agreeing on the Offer Price. The Company expects to enter into the International Placing Underwriting Agreement relating to the International Placing on the Price Determination Date. Details of the underwriting arrangements are summarised in the section headed “Underwriting” in this prospectus.

PRICING AND ALLOCATION

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Company on the Price Determination Date. The Price Determination Date is expected to be on or around Monday, 30 September 2019 and in any event, no later than Monday, 30 September 2019.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

The Offer Price will be not more than HK\$3.00 per Share and is expected not to be less than HK\$2.08 per Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, as explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus. If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Joint Global Coordinators (for themselves and on behalf of the Underwriters and with the Company's consent) consider it appropriate, the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of Monday, 30 September 2019, being the last day for lodging applications under the Hong Kong Public Offering, cause to be posted on the website of the Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.xypm.hk) notice of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section headed "Summary" in this prospectus and any other financial information which may change as a result of such reduction. Before submitting applications for Hong Kong Public Offering Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

The Shares to be offered in the Hong Kong Public Offering and the International Placing may, in certain circumstances, be re-allocated as between these offerings at the discretion of the Joint Global Coordinators.

Allocation of the Shares pursuant to the International Placing will be determined by the Joint Global Coordinators and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Shares after the Listing. Such allocation may be made to professional, institutional and retail or corporate investors and is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of the Company and the Shareholders as a whole.

Allocation of Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Public Offering Shares validly applied for by applicants, and may consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Public Offering Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offering Shares.

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The final Offer Price, level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Placing, and the basis of allocations of the Hong Kong Public Offering Shares are expected to be announced on Thursday, 10 October 2019 through a variety of channels as described in the subsection headed “How to Apply for Hong Kong Public Offering Shares – 11. Publication of Results” in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of any application for the Offer Shares pursuant to the Global Offering will be conditional on:

- the Listing Committee of the Stock Exchange granting listing of, and permission to deal in the Shares in issue and the Shares to be issued pursuant to the Global Offering (including any additional Shares which may be issued pursuant to the exercise of any option that may be granted under the Post-IPO Share Option Scheme) and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- the Offer Price having been duly agreed upon between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Company and the delivery of the price determination agreement on or around the Price Determination Date;
- the execution and delivery of the International Placing Underwriting Agreement on or around the Price Determination Date; and
- the obligations of the Underwriters under both the Hong Kong Public Offering Underwriting Agreement and the International Placing Underwriting Agreement having become and remaining unconditional and such obligations not being terminated in accordance with the terms of the respective Underwriting Agreements, in each case on or before the dates and times specified in the respective agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

The consummation of each of the Hong Kong Public Offering and the International Placing is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms. If for any reason, the Offer Price is not agreed by Monday, 30 September 2019 between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Company, the Global Offering will not proceed and will lapse.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. The Company will cause notice of the lapse of the Hong Kong Public Offering to be published by the Company on the website of the Stock Exchange at www.hkexnews.hk and on the Company’s website at www.xypm.hk on the next day following such lapse. In such eventuality, all

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

application monies will be returned, without interest, on the terms set out in the subsection headed “How to Apply for Hong Kong Public Offering Shares – 11. Publication of Results” in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving bankers or other bank(s) in Hong Kong licensed under the Banking Ordinance, Chapter 155 of the Laws of Hong Kong, as amended.

Share certificates for the Offer Shares are expected to be despatched on Thursday, 10 October 2019 but will only become valid certificates of title at 8.00 a.m. on the date of commencement of the dealings in the Shares, which is expected to be on Friday, 11 October 2019, if (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the subsection headed “Underwriting – Underwriting Arrangements and Expenses – Grounds for Termination” in this prospectus has not been exercised.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares Initially Offered

The Company is initially offering 12,500,000 Shares at the Offer Price, representing 10.0% of the 125,000,000 Offer Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to the reallocation of Offer Shares between (i) the International Placing and (ii) the Hong Kong Public Offering, the number of Shares initially offered under the Hong Kong Public Offering will represent 2.5% of the enlarged issued share capital immediately after completion of the Global Offering, without taking into account the Shares which may be allotted and issued pursuant to the exercise of the options to be granted under the Post-IPO Share Option Scheme. In Hong Kong, individual retail investors are expected to apply for Hong Kong Public Offering Shares through the Hong Kong Public Offering and individual retail investors, including individual investors in Hong Kong applying through banks and other institutions, seeking Offer Shares in the International Placing will not be allotted Offer Shares in the International Placing. The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Shares under the International Placing, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under the Hong Kong Public Offering. The Offer Price will be not more than HK\$3.00 and is expected to be not less than HK\$2.08.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$3.00 per Share plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%. If the Offer Price, as finally determined on the Price Determination Date, is lower than HK\$3.00, being the maximum price, the Company will refund the respective difference (including the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) to successful applicants, without interest. Further details are set out in the subsection headed “How to Apply for Hong Kong Public Offering Shares – 11. Publication of Results” in this prospectus.

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Reduction in Offer Price range and/or number of Offer Shares

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Joint Global Coordinator (for themselves and on behalf of the Underwriters) consider it appropriate and together with the consent of our Company, the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may be reduced below that stated in this prospectus at any time not later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

In such a case, our Company will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause to be published on the website of our Company at www.xypm.hk and the website of the Stock Exchange at www.hkexnews.hk notice of reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range. Upon issue of such notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) will be fixed within such revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in “Summary” and any other financial information which may change as a result of such reduction. As soon as practicable of such reduction of the number of Offer Shares and/or the indicative Offer Price range, we will also issue a supplemental prospectus updating investors of such reduction together with an update of all financial and other information in connection with such change and, where appropriate, extend the period under which the Hong Kong Public Offering was open for acceptance, and give potential investors who had applied for the Offer Shares the right to withdraw their applications. In the absence of any such notice and supplemental prospectus so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range stated in this prospectus.

In the event of a reduction in the number of the Offer Shares, the Joint Global Coordinators may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Placing, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering. The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Placing may, in certain circumstances, be reallocated between these offerings solely in the discretion of the Joint Global Coordinators.

If applications for the Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, such applications can be subsequently withdrawn if the number of Offer Shares and/or the indicative Offer Price range is so reduced.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Allocation

The allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Public Offering Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Public Offering Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offering Shares.

For allocation purposes only, the Hong Kong Public Offering Shares (after taking into account any adjustment in the number of Offer Shares allocated between the Hong Kong Public Offering and the International Placing) will be divided equally into two pools: Pool A and Pool B, both of which are available on an equitable basis to successful applicants. All valid applications that have been received for Hong Kong Public Offering Shares with a total subscription amount (excluding brokerage of 1%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%) of HK\$5 million or below will fall into Pool A and all valid applications that have been received for Hong Kong Public Offering Shares with a total subscription amount (excluding brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of over HK\$5 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Hong Kong Public Offering Shares in one pool (but not both pools) are under subscribed, the surplus Hong Kong Public Offering Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Public Offering Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 6,250,000 Hong Kong Public Offering Shares being 50% of the initial number of Hong Kong Public Offering Shares are liable to be rejected. Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any Offer Shares under the International Placing, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

The Joint Global Coordinators reserve their right to reallocate Offer Shares from the International Placing to the Hong Kong Public Offering to satisfy valid applications in pool A and Pool B under the Hong Kong Public Offering. According to Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if (a) the International Placing is undersubscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed irrespective of the number of times; or (b) when the International Placing is fully subscribed or oversubscribed and the Hong Kong Public Offering is oversubscribed by less than 15 times the total number of Offer Shares initially available under the Hong Kong Public Offering, then in

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

any of these circumstances, the Joint Global Coordinators may only reallocate Offer Shares from the International Placing to the Hong Kong Public Offering other than pursuant to Practice Note 18 of the Listing Rules on the following conditions (the “**Allocation Cap**”):

- (i) the total number of Offer Shares that may be reallocated from the International Placing to the Hong Kong Public Offering shall be not more than the number of Offer Shares initially allocated to the Hong Kong Public Offering i.e. 12,500,000 Offer Shares, representing 10% of the number of the Offer Shares being offered under the Global Offering, so that the total number of Offer Shares for subscription under the Hong Kong Public Offering will increase up to 25,000,000 Shares, representing two times the number of Hong Kong Public Offering Shares initially available under the Hong Kong Public Offering and 20% of the number of Offer Shares initially available under the Global Offering; and
- (ii) the final Offer Price must be fixed at the bottom end of the indicative offer price range stated in this prospectus (i.e. HK\$2.08 per Offer Share).

If the Hong Kong Public Offering is not fully subscribed and the International Offering is not undersubscribed, the Joint Global Coordinators may reallocate all or any unsubscribed Hong Kong Public Offering Shares to the International Placing, in such proportions as the Joint Global Coordinators deem appropriate. Allocation Cap will not be triggered.

Subject to the Allocation Cap, the Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Placing may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Global Coordinators.

The allocation of Shares between the Hong Kong Public Offering and the International Placing is subject to adjustment. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached as further described below. If the International Placing is fully subscribed or oversubscribed and the number of Hong Kong Public Offering Shares validly applied for in the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Hong Kong Public Offering Shares initially available under the Hong Kong Public Offering, the total number of Hong Kong Public Offering Shares available under the Hong Kong Public Offering will be increased to 37,500,000, 50,000,000 and 62,500,000 Hong Kong Public Offering Shares, respectively, representing approximately 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Offer Shares initially available under the Global Offering. In such cases, the number of Offer Shares allocated in the International Placing will be correspondingly reduced, in such manner as the Joint Global Coordinators deem appropriate, and such additional Offer Shares will be reallocated to Pool A and Pool B in the Hong Kong Public Offering.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

In the event that both the Hong Kong Public Offering and International Placing are undersubscribed, the Global Offering will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements.

Details of any reallocation of Offer Shares between the Hong Kong Public Offering and the International Placing will be disclosed in the results announcement of the Global Offering, which is expected to be published on Thursday, 10 October 2019.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him/her that he/she and any person(s) for whose benefit he/she is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Placing.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$3.00 per Offer Share in addition to the brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the subsection headed “– Pricing and Allocation” in this section, is less than the maximum price of HK\$3.00 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. For details, please refer to the section headed “How to Apply for Hong Kong Public Offering Shares” in this prospectus. References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL PLACING

Number of Offer Shares offered

The number of Shares to be initially offered under the International Placing will be 112,500,000 Shares, representing 90% of the Offer Shares under the Global Offering (subject to reallocation). The International Placing is subject to the Hong Kong Public Offering becoming unconditional.

Allocation

Allocation of Offer Shares pursuant to the International Placing will be effected in accordance with the book-building process and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Company and the Shareholders as a whole.

Reallocation

The total number of Offer Shares to be issued pursuant to the International Placing may change as a result of the clawback arrangement described in “– The Hong Kong Public Offering – Allocation” in this section and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering to the International Placing.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering and the International Placing become unconditional at 8:00 a.m. in Hong Kong on Friday, 11 October 2019, it is expected that dealings in Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 11 October 2019. The Shares will be traded in board lots of 1,000 Shares.

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Public Offering Underwriters under the terms of the Hong Kong Public Offering Underwriting Agreement, subject to agreement on the Offer Price between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Company on the Price Determination Date and subject to the other conditions set out in the subsection headed “– Conditions of the Global Offering” in this section.

The Company expects shortly after determination of the Offer Price on the Price Determination Date, to enter into the International Placing Underwriting Agreement relating to the International Placing. Underwriting arrangements, the Hong Kong Public Offering Underwriting Agreement and the International Placing Underwriting Agreement are summarised in the section headed “Underwriting” in this prospectus.

HOW TO APPLY FOR HONG KONG PUBLIC OFFERING SHARES

1. HOW TO APPLY

If you apply for Hong Kong Public Offering Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Public Offering Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; or
- apply online via the **HK eIPO White Form** service at www.hkeipo.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Public Offering Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States; and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their sole discretion and on any conditions they think fit, including evidence of the attorney's authority.

HOW TO APPLY FOR HONG KONG PUBLIC OFFERING SHARES

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Hong Kong Public Offering Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Public Offering Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering; or
- have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

3. APPLYING FOR HONG KONG PUBLIC OFFERING SHARES

(a) Which application channel to use

For Hong Kong Public Offering Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.hkeipo.hk**.

For Hong Kong Public Offering Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

HOW TO APPLY FOR HONG KONG PUBLIC OFFERING SHARES

(b) Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, 25 September 2019 until 12:00 noon on Monday, 30 September 2019 from:

- any of the following offices of the Hong Kong Public Offering Underwriters:

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

Guotai Junan Securities (Hong Kong) Limited at 27/F–28/F, Low Block Grand Millennium Plaza, 181 Queen’s Road Central, Hong Kong

CCB International Capital Limited at 9/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong

Haitong International Securities Company Limited at 22/F, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong

BOCOM International Securities Limited at 9th Floor, Man Yee Building, 68 Des Voeux Road, Central, Hong Kong

CMB International Capital Limited at 45/F, Champion Tower, 3 Garden Road, Central, Hong Kong

ABCI Securities Company Limited at 10/F, Agricultural Bank of China Tower, 50 Connaught Road Central, Hong Kong

Zhongtai International Securities Limited at 19 Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong

Yuanyin Securities Limited at Room 2201, 22/F, 238 Des Voeux Road Central, Hong Kong

Futu Securities International (Hong Kong) Limited at Unit C1–2, 13/F, United Centre, No. 95 Queensway, Hong Kong

Bluemount Securities Limited at Room 2403–05, Jubilee Centre, 18 Fenwick Street, Wan Chai, Hong Kong

Valuable Capital Limited at Flat 2807–2809, 28/F, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong

HOW TO APPLY FOR HONG KONG PUBLIC OFFERING SHARES

- any of the following branches of Industrial and Commercial Bank of China (Asia) Limited:

District	Branch Name	Address
Hong Kong Island	Sheung Wan Branch	Shop F, G/F, Kai Tak Commercial Building, 317–319 Des Voeux Road Central, Sheung Wan, Hong Kong
	Queen's Road Central Branch	Basement, Ground Floor and First Floor of 122 QRC, Nos. 122–126 Queen's Road Central, Hong Kong
	Wanchai Branch	117–123 Hennessy Road, Wanchai, Hong Kong
	Fortress Hill Branch	Shop A–C, G/F, Kwong Chiu Terrace, 272–276 King's Road, Hong Kong
	Causeway Bay Branch	Shop A on G/F, 1/F, Hennessy Apartments, 488 & 490 Hennessy Road, Hong Kong
Kowloon	Tsim Sha Tsui Branch	Shop 1&2, G/F, No. 35–37 Hankow Road, Tsimshatsui, Kowloon
	Mongkok Branch	G/F, Belgian Bank Building, 721–725 Nathan Road, Mongkok, Kowloon
	Telford Branch	Shop P19–P20, Telford Plaza, Kowloon Bay, Kowloon
	Kwun Tong Branch	Shop 5&6, 1/F, Crocodile Center, 79 Hoi Yuen Road, Kwun Tong, Kowloon
New Territories	Tai Hing Branch	Shop 21–23 Tai Hing Commercial Complex, Tai Hing Estate, Tuen Mun, New Territories
	Shatin Branch	Shop 22J, Level 3, Shatin Centre, New Territories

HOW TO APPLY FOR HONG KONG PUBLIC OFFERING SHARES

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, 25 September 2019 until 12:00 noon on Monday, 30 September 2019 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

(c) Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**ICBC (Asia) Nominee Limited – Xinyuan Property Management Service Public Offer**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Wednesday, 25 September 2019 – 9:00 a.m. to 5:00 p.m.
Thursday, 26 September 2019 – 9:00 a.m. to 5:00 p.m.
Friday, 27 September 2019 – 9:00 a.m. to 5:00 p.m.
Saturday, 28 September 2019 – 9:00 a.m. to 1:00 p.m.
Monday, 30 September 2019 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, 30 September 2019, the last application day or such later time as described in the subsection headed "– 10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Public Offering Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Memorandum and Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Forms and agree to be bound by them;

HOW TO APPLY FOR HONG KONG PUBLIC OFFERING SHARES

- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not participated in the International Placing nor applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Forms;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Public Offering Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Public Offering Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;

HOW TO APPLY FOR HONG KONG PUBLIC OFFERING SHARES

- (xiv) agree to accept the Hong Kong Public Offering Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees on our Company's register of members as the holder(s) of any Hong Kong Public Offering Shares allocated to you, and our Company and/or its agents to send any share certificate(s) or deposit any share certificate(s) into CCASS and/or to send any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offering Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Forms or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

(a) General

Individuals who meet the criteria in the subsection headed “– 2. Who Can Apply” in this section, may apply through the **HK eIPO White Form** service for the Hong Kong Public Offering Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

(b) Time for Submitting Applications under the HK eIPO White Form Service

You may submit your application through the **HK eIPO White Form** service at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Wednesday, 25 September 2019 until 11:30 a.m. on Monday, 30 September 2019 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, 30 September 2019 or such later time under the subsection headed “– 10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

(c) No Multiple Applications

If you apply by means of **HK eIPO White Form** service, once you complete payment in respect of any **electronic application instructions** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Public Offering Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

HOW TO APPLY FOR HONG KONG PUBLIC OFFERING SHARES

(d) Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

(a) General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Public Offering Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offering Shares on your behalf.

HOW TO APPLY FOR HONG KONG PUBLIC OFFERING SHARES

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and our Hong Kong Branch Share Registrar.

(b) Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Public Offering Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Public Offering Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Public Offering Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any International Placing Shares under the International Placing;
 - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that our Company, our Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offering Shares to you and that you may be prosecuted if you make a false declaration;

HOW TO APPLY FOR HONG KONG PUBLIC OFFERING SHARES

- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Public Offering Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Public Offering Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies

HOW TO APPLY FOR HONG KONG PUBLIC OFFERING SHARES

(Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Public Offering Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of our Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

(c) Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for Hong Kong Public Offering Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

HOW TO APPLY FOR HONG KONG PUBLIC OFFERING SHARES

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

(d) Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 1,000 Hong Kong Public Offering Shares. Instructions for more than 1,000 Hong Kong Public Offering Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Public Offering Shares will be considered and any such application is liable to be rejected.

(e) Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates⁽¹⁾:

Wednesday, 25 September 2019	– 9:00 a.m. to 8:30 p.m.
Thursday, 26 September 2019	– 8:00 a.m. to 8:30 p.m.
Friday, 27 September 2019	– 8:00 a.m. to 8:30 p.m.
Saturday, 28 September 2019	– 8:00 a.m. to 1:00 p.m.
Monday, 30 September 2019	– 8:00 a.m. to 12:00 noon

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, 25 September 2019 until 12:00 noon on Monday, 30 September 2019 (24 hours daily except on Monday, 30 September 2019, being the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Monday, 30 September 2019, the last application day or such later time as described in the subsection headed “– 10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

(f) No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Public Offering Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Public Offering Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Public Offering Shares given by

HOW TO APPLY FOR HONG KONG PUBLIC OFFERING SHARES

you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

(g) Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

(h) Personal Data

The section of the Application Form “Personal Data” applies to any personal data held by our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Branch Share Registrar, the receiving bank, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of Hong Kong Public Offering Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Public Offering Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Public Offering Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Monday, 30 September 2019.

HOW TO APPLY FOR HONG KONG PUBLIC OFFERING SHARES

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for Hong Kong Public Offering Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG PUBLIC OFFERING SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

HOW TO APPLY FOR HONG KONG PUBLIC OFFERING SHARES

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for the Hong Kong Public Offering Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 1,000 Hong Kong Public Offering Shares. Each application or **electronic application instruction** in respect of more than 1,000 Hong Kong Public Offering Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to the subsection headed “Structure and Conditions of the Global Offering – Pricing and Allocation” in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 30 September 2019. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Monday, 30 September 2019 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section “Expected Timetable” in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Public Offering Shares on Thursday, 10 October 2019 on our Company’s website at **www.xypm.hk** and the website of the Stock Exchange at **www.hkexnews.hk**.

HOW TO APPLY FOR HONG KONG PUBLIC OFFERING SHARES

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at **www.xypm.hk** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 8:00 a.m. on Thursday, 10 October 2019;
- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** (or **www.hkeipo.hk/IPOResult**) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, 10 October 2019 to 12:00 midnight on Wednesday, 16 October 2019;
- by telephone enquiry line by calling 852 3691-8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 10 October 2019 to Tuesday, 15 October 2019 (excluding Saturday, Sunday and public holidays in Hong Kong);
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 10 October 2019 to Monday, 14 October 2019 at the designated receiving bank branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Public Offering Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure and Conditions of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG PUBLIC OFFER SHARES

You should note the following situations in which the Hong Kong Public Offering Shares will not be allotted to you:

(a) If your application is revoked

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists

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(excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(b) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(c) If the allotment of Hong Kong Public Offering Shares is void:

The allotment of Hong Kong Public Offering Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

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(d) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Public Offering Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Public Offering Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$3.00 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Global Offering set out in the subsection headed "Structure and Conditions of the Global Offering – Conditions of the Global Offering" in this prospectus are not fulfilled or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, 10 October 2019.

HOW TO APPLY FOR HONG KONG PUBLIC OFFERING SHARES

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Public Offering Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Public Offering Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Public Offering Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on Thursday, 10 October 2019. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, 11 October 2019 provided that the Global Offering has become unconditional and the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

HOW TO APPLY FOR HONG KONG PUBLIC OFFERING SHARES

Personal Collection

(a) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Public Offering Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 10 October 2019 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop.

Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offering Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Thursday, 10 October 2019, by ordinary post and at your own risk.

(b) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Public Offering Shares or more, please follow the same instructions as described above for the collection of refund cheque(s). If you have applied for less than 1,000,000 Hong Kong Public Offering Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Thursday, 10 October 2019, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 10 October 2019, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR HONG KONG PUBLIC OFFERING SHARES

- *If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)*

For Hong Kong Public Offering Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offering Shares allotted to you with that CCASS Participant.

- *If you apply as a CCASS Investor Participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in the subsection headed "11. Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 10 October 2019 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Public Offering Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(c) If you apply through the HK eIPO White Form Service

If you apply for 1,000,000 Hong Kong Public Offering Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 10 October 2019, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates, e-Auto Refund payment instructions or refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offering Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, 10 October 2019 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

HOW TO APPLY FOR HONG KONG PUBLIC OFFERING SHARES

(d) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Public Offering Shares

For the purposes of allocating Hong Kong Public Offering Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 10 October 2019, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in the subsection headed "10. Publication of Results" above on Thursday, 10 October 2019. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 10 October 2019 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Public Offering Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Public Offering Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 10 October 2019. Immediately following the credit of the Hong Kong Public Offering Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong

HOW TO APPLY FOR HONG KONG PUBLIC OFFERING SHARES

Public Offering Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 10 October 2019.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the inclusion in this prospectus, received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong.



22nd Floor
CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

The Directors
Xinyuan Property Management Service (Cayman) Ltd.
Orient Capital (Hong Kong) Limited

Dear Sirs,

We report on the historical financial information of Xinyuan Property Management Service (Cayman) Ltd. (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-4 to I-62, which comprises the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for each of the years ended 31 December 2016, 2017 and 2018 and for the three months ended 31 March 2019 (the “Relevant Periods”), and the combined statements of financial position of the Group as at 31 December 2016, 2017 and 2018 and 31 March 2019, the statements of financial position of the Company as at 31 December 2018 and 31 March 2019 and a summary of significant accounting policies and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-4 to I-62 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 25 September 2019 (the “Prospectus”) in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “IPO”).

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in note 2.1 and note 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants’ Reports on Historical Financial*

Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in note 2.1 and note 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the financial position of the Group as at 31 December 2016, 2017 and 2018 and 31 March 2019, the financial position of the Company as at 31 December 2018 and 31 March 2019 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in note 2.1 and note 2.2 to the Historical Financial Information, respectively.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Group which comprises the combined statement of profit or loss and other comprehensive income, combined statement of changes in equity and combined statement of cash flows for the three months ended 31 March 2018 and other explanatory information (the “Interim Comparative Financial Information”). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in note 2.1 and note 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and

accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in note 2.1 and note 2.2 to the Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 12 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Yours faithfully,

Ernst & Young

Certified Public Accountants

Hong Kong

25 September 2019

I HISTORICAL FINANCIAL INFORMATION**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Section II</i>	Year ended 31 December			Three months ended	
		2016	2017	2018	31 March	
		<i>Notes</i>	RMB'000	RMB'000	RMB'000	2018
					(Unaudited)	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	5	227,951	296,719	393,329	87,536	108,757
Cost of sales	7	(166,350)	(195,553)	(259,757)	(57,575)	(71,947)
Gross profit		61,601	101,166	133,572	29,961	36,810
Other income and gains	6	21,747	23,967	11,780	2,748	909
Administrative expenses		(27,096)	(28,029)	(27,468)	(7,131)	(18,200)
Impairment losses on financial assets	7	(810)	(1,202)	(3,365)	(1,886)	(3,320)
Other expenses		(2,099)	(2,726)	(3,595)	(869)	(490)
Finance costs	8	(18,599)	-	-	-	-
Impairment of investment in a joint venture	16	-	-	(3,092)	-	-
Share of loss of: A joint venture	16	-	-	(3,415)	-	(517)
PROFIT BEFORE TAX	7	34,744	93,176	104,417	22,823	15,192
Income tax expense	11	(8,791)	(23,746)	(28,328)	(5,888)	(7,573)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		<u>25,953</u>	<u>69,430</u>	<u>76,089</u>	<u>16,935</u>	<u>7,619</u>
Attributable to:						
Owners of the parent		25,953	69,430	76,100	17,006	7,551
Non-controlling interests		-	-	(11)	(71)	68
		<u>25,953</u>	<u>69,430</u>	<u>76,089</u>	<u>16,935</u>	<u>7,619</u>

COMBINED STATEMENTS OF FINANCIAL POSITION

	<i>Section II</i>	As at 31 December			As at
		2016	2017	2018	31 March
		<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS					
Property, plant and equipment	14	3,993	4,085	4,766	3,825
Intangible assets	15	360	451	399	830
Investment in a joint venture	16	–	–	17,953	17,436
Prepayments	18	–	–	89,073	89,073
Deferred tax assets	24	1,119	1,116	1,331	1,578
Total non-current assets		5,472	5,652	113,522	112,742
CURRENT ASSETS					
Trade receivables	17	42,090	78,098	125,033	141,268
Prepayments and other receivables	18	6,003	9,672	13,530	17,425
Financial assets at fair value through profit or loss	19	102,911	248,250	–	–
Investments in principal guaranteed deposits	20	65,000	–	–	–
Cash and cash equivalents	21	67,459	97,811	354,275	365,312
Total current assets		283,463	433,831	492,838	524,005
CURRENT LIABILITIES					
Trade payables	22	14,539	16,949	29,456	30,349
Other payables and accruals	23	116,203	168,582	217,110	191,240
Contract liabilities	5	40,076	55,944	78,761	120,131
Tax payable		14,552	24,824	30,366	25,174
Total current liabilities		185,370	266,299	355,693	366,894
NET CURRENT ASSETS		98,093	167,532	137,145	157,111
TOTAL ASSETS LESS CURRENT LIABILITIES					
		103,565	173,184	250,667	269,853

	<i>Section II</i>	As at 31 December			As at
		2016	2017	2018	31 March
		<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
TOTAL ASSETS LESS					
CURRENT LIABILITIES		<u>103,565</u>	<u>173,184</u>	<u>250,667</u>	<u>269,853</u>
NON-CURRENT LIABILITIES					
Deferred tax liabilities	24	<u>3</u>	<u>192</u>	<u>–</u>	<u>308</u>
Total non-current liabilities		<u>3</u>	<u>192</u>	<u>–</u>	<u>308</u>
Net assets		<u>103,562</u>	<u>172,992</u>	<u>250,667</u>	<u>269,545</u>
EQUITY					
Share capital	25	–	–	–*	–*
Merger reserve	25	50,000	50,000	50,000	50,000
Reserves	26	<u>53,562</u>	<u>122,992</u>	<u>199,092</u>	<u>217,812</u>
		<u>103,562</u>	<u>172,992</u>	<u>249,092</u>	<u>267,812</u>
Non-controlling interests		<u>–</u>	<u>–</u>	<u>1,575</u>	<u>1,733</u>
Total equity		<u>103,562</u>	<u>172,992</u>	<u>250,667</u>	<u>269,545</u>

* Amount less than RMB1,000.

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent						Total equity RMB'000
	Merger reserve RMB'000 <i>(note 25)</i>	Capital reserves RMB'000 <i>(note 26(a))</i>	PRC reserve funds RMB'000 <i>(note 26(b))</i>	Retained earnings RMB'000	Total RMB'000	Non- controlling interests RMB'000	
At 1 January 2016	50,000	–	9,244	36,373	95,617	–	95,617
Profit and total comprehensive income for the year	–	–	–	25,953	25,953	–	25,953
Appropriation to statutory reserve	–	–	2,594	(2,594)	–	–	–
Effect of conversion of a subsidiary from a limited liability company into a joint stock company with limited liability	–	22,732	(4,210)	(18,522)	–	–	–
Dividend declared <i>(note 12)</i>	–	–	–	(18,008)	(18,008)	–	(18,008)
At 31 December 2016 and 1 January 2017	<u>50,000</u>	<u>22,732*</u>	<u>7,628*</u>	<u>23,202*</u>	<u>103,562</u>	<u>–</u>	<u>103,562</u>
Profit and total comprehensive income for the year	–	–	–	69,430	69,430	–	69,430
Appropriation to statutory reserve	–	–	6,937	(6,937)	–	–	–
At 31 December 2017 and 1 January 2018	<u>50,000</u>	<u>22,732*</u>	<u>14,565*</u>	<u>85,695*</u>	<u>172,992</u>	<u>–</u>	<u>172,992</u>
Profit and total comprehensive income for the year	–	–	–	76,100	76,100	(11)	76,089
Acquisition of a subsidiary <i>(note 28)</i>	–	–	–	–	–	1,586	1,586
Appropriation to statutory reserve	–	–	7,587	(7,587)	–	–	–
At 31 December 2018 and 1 January 2019	<u>50,000</u>	<u>22,732*</u>	<u>22,152*</u>	<u>154,208*</u>	<u>249,092</u>	<u>1,575</u>	<u>250,667</u>

	Attributable to owners of the parent								
	Share capital	Merger reserve	Capital reserves	Other reserve	PRC reserve funds	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 25)	(note 25)	(note 26(a))	(note 26(c))	(note 26(b))				
At 31 December 2017 and 1 January 2018	-	50,000	22,732	-*	14,565*	85,695*	172,992	-	172,992
Profit and total comprehensive income for the period	-	-	-	-	-	17,006	17,006	(71)	16,935
Acquisition of a subsidiary (note 28)	-	-	-	-	-	-	-	1,586	1,586
Appropriation to statutory reserve	-	-	-	-	1,701	(1,701)	-	-	-
At 31 March 2018 (unaudited)	-	50,000	22,732*	-*	16,266*	101,000*	189,998	1,515	191,513
At 31 December 2018 and 1 January 2019	-	50,000	22,732*	-*	22,152*	154,208*	249,092	1,575	250,667
Profit and total comprehensive income for the period	-	-	-	-	-	7,551	7,551	68	7,619
Disposal of a subsidiary (note 29)	-	-	-	-	-	-	-	90	90
Issue of restricted shares (note 27)	-**	-	-	8,400	-	-	8,400	-	8,400
Equity-settled share-based payment (note 27)	-	-	-	2,769	-	-	2,769	-	2,769
Appropriation to statutory reserve	-	-	-	-	1,055	(1,055)	-	-	-
At 31 March 2019	-	50,000	22,732*	11,169*	23,207*	160,704*	267,812	1,733	269,545

* The reserve accounts comprise the combined reserves of RMB53,562,000, RMB122,992,000, RMB199,092,000, RMB139,998,000 and RMB217,812,000, respectively, in the combined statements of financial position as at 31 December 2016, 2017 and 2018 and 31 March 2018 and 2019.

** Amount less than RMB1,000.

COMBINED STATEMENTS OF CASH FLOWS

Section II	Year ended 31 December			Three months ended	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Notes				(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax	34,744	93,176	104,417	22,823	15,192
Interest income	(17,202)	(1,610)	(161)	-	-
Share of loss of a joint venture	16	-	3,415	-	517
Gain from acquisition of a subsidiary	28	-	(202)	(202)	-
(Gain)/loss on disposal of financial assets	6	(3,063)	(8,277)	56	-
Loss on disposal of items of property, plant and equipment		-	158	3	3
Change in fair value of financial assets at fair value through profit or loss	6	(11)	-	(2,241)	-
Interest expenses	8	18,599	-	-	-
Listing expenses		-	-	-	7,653
Depreciation and amortisation	7	1,308	1,399	364	349
Impairment losses on financial assets	7	810	3,365	1,886	3,320
Impairment of investment in a joint venture	16	-	3,092	-	-
Gain on disposal of a subsidiary	29	-	-	-	(93)
Equity-settled share-based payment expense	27	-	-	-	2,769
	35,185	74,051	107,301	22,689	29,710

<i>Section II</i>	Year ended 31 December			Three months ended	
				31 March	
	2016	2017	2018	2018	2019
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)	
Decrease/(increase) in trade receivables	1,933	(36,779)	(49,801)	(22,587)	(19,239)
Decrease/(increase) in prepayments and other receivables	155,243	(4,100)	(3,978)	(4,462)	(1,690)
Increase in contract liabilities	12,809	15,868	22,817	35,284	41,746
Increase in trade payables	8,310	2,410	11,592	2,364	893
(Decrease)/increase in other payables and accruals	(12,455)	52,379	48,524	(5,465)	(27,787)
Cash generated from operations	201,025	103,829	136,455	27,823	23,633
Income tax paid	(19,922)	(13,282)	(23,211)	(6,474)	(12,704)
Net cash flows from operating activities	181,103	90,547	113,244	21,349	10,929
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	17,202	1,610	161	-	-
Proceeds from sales of property, plant and equipment	12	2	58	-	-
Proceeds from sales of intangible assets	-	-	25	-	-
Purchases of items of property, plant and equipment	(1,411)	(1,405)	(2,278)	(311)	(292)
Purchases of items of intangible assets	-	(179)	(71)	-	(466)
Prepayment for purchase of investment properties	-	-	(89,073)	-	-

<i>Section II</i>	Year ended 31 December			Three months ended	
				31 March	
	2016	2017	2018	2018	2019
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)	
Purchase of investments in principal guaranteed deposits	(664,000)	–	(20,000)	–	–
Purchase of financial assets at fair value through profit or loss	(222,151)	(889,552)	(711,666)	(156,101)	–
Proceeds from disposal of investments in principal guaranteed deposits	599,000	65,000	20,000	–	–
Proceeds from disposal of financial assets at fair value through profit or loss	122,314	764,329	968,192	217,343	–
Advances of loans to fellow subsidiaries	(53,000)	–	–	–	–
Repayment of loans from fellow subsidiaries	453,000	–	–	–	–
Acquisition of a joint venture	–	–	(24,460)	–	–
Acquisition of a subsidiary	28	–	2,332	2,332	–
Disposal of a subsidiary	29	–	–	–	(546)
Net cash flows from/(used in) investing activities	250,966	(60,195)	143,220	63,263	(1,304)

<i>Section II</i>	Year ended 31 December			Three months ended	
	2016	2017	2018	31 March	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Notes</i>					
					(Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES					
New bank loan	53,000	-	-	-	-
Proceeds from issuance of restricted shares	27	-	-	-	8,400
Dividends to then shareholders of a subsidiary	12	(18,008)	-	-	-
Listing expense paid		-	-	-	(6,988)
Repayment of bank loans		(406,800)	-	-	-
Interest paid		(18,599)	-	-	-
Net cash flows (used in)/from financing activities		(390,407)	-	-	1,412
NET INCREASE IN CASH AND CASH EQUIVALENTS					
		41,662	30,352	256,464	84,612
Cash and cash equivalents at beginning of year/period		25,797	67,459	97,811	354,275
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD					
		67,459	97,811	354,275	182,423
					365,312

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December 2018 RMB	As at 31 March 2019 RMB
	<i>Section II</i>		
	<i>Notes</i>		
CURRENT ASSETS			
Cash and cash equivalents		0.01	8,400,000.01
Total current assets		0.01	8,400,000.01
NON-CURRENT ASSETS			
Investment in subsidiaries		–	369,216.04
Total non-current assets		–	369,216.04
TOTAL ASSETS		0.01	8,769,216.05
EQUITY			
Share capital	25	0.01	480.21
Reserves	26	–	8,768,735.84
Total equity		0.01	8,769,216.05

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

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

The Company is an investment holding company. During the Relevant Periods, 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.

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the paragraph headed "Reorganisation" in the section headed "History and Reorganisation" in the Prospectus. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, the particulars of which are set out below:

Name	Place and date of incorporation/ place of operation	Registered and issued capital	Percentage of equity attributable to the Company				At date of this report	Principal activities
			As at 31 December		As at 31 March	2019		
			2016	2017	2018			
Xinyuan Property Management Service (BVI) Ltd. (b)	British Virgin Islands, 2 January 2019	-	-	-	-	100	100	Investment holding
Xinyuan Property Management Service (HK) Limited ("Xinyuan - HK") (b)	Hong Kong, 8 January 2019	HK\$100	-	-	-	100	100	Investment holding
Xinyuan Science and Technology Service Group Co., Ltd. (鑫苑科技服務集團有限公司) ("Xinyuan Science") (c)	The PRC, 28 December 1998	RMB50,000,000	-	-	-	-	100	Property management and related services
Beijing Xinxiang Huicheng Decoration Co., Ltd. (北京鑫亨匯成裝飾有限公司) (b)	The PRC, 18 October 2013	RMB10,000,000	100	100	100	100	100	Property decoration services
Henan Chengzhihang Property Services Co., Ltd. (河南誠至行物業服務有限公司) (b)	The PRC, 15 December 2017	RMB5,000,000	-	100	100	100	100	Property management and related services
Henan Xinyuan Education Technology Co., Ltd. (河南鑫苑教育科技有限責任公司) (b)(d)	The PRC, 31 May 2017	RMB10,000,000	-	51	51	-	-	Community related services
Henan Xinyuan Property Services Co., Ltd. (河南鑫苑物業服務有限公司) (b)	The PRC, 1 December 2016	RMB10,000,000	100	100	100	100	100	Property management and related services

Name	Place and date of incorporation/ place of operation	Registered and issued capital	Percentage of equity attributable to the Company				At date of this report	Principal activities
			As at 31 December		As at 31 March			
			2016	2017	2018	2019		
Qingdao Xinyuan Jinguang Property Development Co., Ltd. (青島鑫苑金光物業發展有限公司) (b)	The PRC, 6 November 2001	RMB1,000,000	-	-	60	60	60	Property management and related services
Henan Xinyuan Real Estate Marketing Co., Ltd. (河南鑫苑房地產營銷策劃有限公司) (b)	The PRC, 30 July 2015	RMB1,000,000	100	100	100	100	100	Real estate marketing
Henan Yueshenghang Property Services Co., Ltd. (河南悅晟行物業服務有限公司) (b)	The PRC, 15 April 2016	RMB5,000,000	100	100	100	100	100	Property management and related services
Puyang Zhongfang Xinyuan Property Services Co., Ltd. (濮陽中房鑫苑物業服務有限公司) (b)	The PRC, 29 November 2017	RMB5,000,000	-	65	65	65	65	Property management and related services
Binhai Huafang Property Co., Ltd. (濱海華芳物業有限公司) (b)	The PRC, 12 June 2017	RMB2,680,000	-	-	-	100	100	Property management and related services
Henan Gechen Culture Media Co., Ltd. (河南格宸文化傳媒有限公司) (b)	The PRC, 14 March 2019	RMB10,000,000	-	-	-	100	100	Event planning and execution
Xinyang Xinzhiheng Property Services Co., Ltd. (彘陽市鑫之晟物業服務有限公司) (b)	The PRC, 9 April 2019	RMB10,000,000	-	-	-	-	100	Property management and related services
Henan Yingsheng M&E Engineering Co., Ltd. (河南省盈晟機電工程有限公司) (b)	The PRC, 10 April 2019	RMB20,000,000	-	-	-	-	51	Intelligence engineering
Xinyi Xinyuan Property Services Co., Ltd. (新沂鑫苑物業服務有限公司) (b)	The PRC, 7 May 2019	RMB10,000,000	-	-	-	-	100	Property management and related services
Anyang Xinhengyue Property Services Co., Ltd. (安陽鑫恒悅物業服務有限公司) (b)	The PRC, 26 June 2019	RMB10,000,000	-	-	-	-	100	Property management and related services

Notes:

- (a) The English names of all subsidiaries established in the PRC are translated for identification purposes only.
- (b) No audited financial statements have been issued for these entities for the years ended 31 December 2016, 2017 and 2018.
- (c) The statutory financial statements of the entity for the year ended 31 December 2016 prepared under PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by 北京興華會計師事務所(特殊普通合夥) and the statutory financial statements of the entity for the year ended 31 December 2017 prepared under PRC GAAP were audited by 中審華會計師事務所(特殊普通合夥). No audited financial statements of Xinyuan Science have been issued for the year ended 31 December 2018.
- (d) On 13 March 2019, the Group transferred its entire 51% interest in Henan Xinyuan Education Technology Co., Ltd. to a fellow subsidiary at a nominal cash consideration of RMB1.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation, as more fully explained in the paragraph headed “Reorganisation” in the section headed “History and Reorganisation” in the Prospectus, the Company became the holding company of the companies now comprising the Group subsequent to the end of the Relevant Periods in August 2019. The Company, Xinyuan Property Management Service (BVI) Ltd. and Xinyuan Property Management Service (HK) Limited (together, the “Investment Holding Companies”) are newly incorporated companies as part of the Reorganisation and none of these new holding companies carried out any businesses since their incorporation. The Investment Holding Companies are inserted as holding companies of Xinyuan Science and Technology Service Group Co., Ltd. and have not resulted in any change of economic substances. Accordingly, for the purpose of this report, the Historical Financial Information has been prepared on a combined basis as a continuation of the existing group by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods.

The combined statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the control of the Group, where this is a shorter period. The combined statements of financial position of the Group as at 31 December 2016, 2017, 2018 and 31 March 2019 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the perspective of the existing group. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

All intra-group transactions and balances have been eliminated on combination.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which include all International Financial Reporting Standards, International Accounting Standards (“IASs”) and Standing Interpretations Committee interpretations issued and approved by the International Accounting Standards Board (the “IASB”). All IFRSs effective for the accounting period commencing from 1 January 2019, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 3	<i>Definition of a Business</i> ¹
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ²
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i> ¹

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

² No mandatory effective date yet determined but available for adoption

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

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is

on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020.

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

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in joint ventures

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

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

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

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

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

Business combinations and goodwill

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

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

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

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

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

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

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

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

Fair value measurement

The Group measures its financial assets at fair value through profit or loss at fair value at the end of each reporting period.

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

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

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

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

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

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

Impairment of non-financial assets

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

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

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

Related parties

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

- (a) the party is a person or a close member of that person's family and that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

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

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

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

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

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

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

Intangible assets (other than goodwill)

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

Computer software	5 to 10 years
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Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Leases

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

Where the Group is the lessee, at the commencement date of a lease, the Group recognises a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

Where the Group is the lessor, the Group distinguishes between operating leases and finance leases. At the commencement date, the Group recognises assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease, measured by using the interest rate implicit in the lease. The Group subsequently recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease. The Group recognises lease payments from operating leases as income on either a straight-line basis or another systematic basis.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

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

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

No right-of-use assets and lease liabilities are recognised in the Historical Financial Information because the respective amounts are immaterial.

Investments and other financial assets***Initial recognition and measurement***

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

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

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

General approach

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

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

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

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

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

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

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

Simplified approach

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

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

Financial liabilities***Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as loans and borrowings or payables.

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

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

Subsequent measurement

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

Loans and borrowings

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

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

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

Government grants

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

Revenue recognition

Revenue from contracts with customers

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

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

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

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

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

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

Revenue from other sources

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

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

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

Contract liabilities

A contract liability is the obligation to transfer services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Share-based payments

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

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

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

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

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

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

Other employee benefits

PRC contribution plan

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

Borrowing costs

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

Foreign currencies

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Estimation uncertainty

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

Provision for expected credit losses on trade receivables

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

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 17 to the Historical Financial Information.

Impairment of non-financial assets (other than goodwill)

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

Useful lives of property, plant and equipment

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

Deferred tax assets

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

4. OPERATING SEGMENT INFORMATION

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

During the Relevant Periods, 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 Relevant Periods.

As at 31 December 2016, 2017 and 2018 and 31 March 2019, all of the non-current assets were located in the PRC.

5. REVENUE

Revenue mainly comprises proceeds from property management services, value-added services and pre-delivery and consulting services to customers. An analysis of the Group's revenue by category for the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2018 and 2019 was as follows:

	Year ended 31 December			Three months ended 31 March	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Revenue from customers and recognised over time (Note 1):					
Property management services	143,523	196,332	261,882	61,920	71,545
Value-added services	46,802	56,886	77,653	17,049	20,951
Pre-delivery and consulting services	37,626	43,501	53,794	8,567	16,261
	<u>227,951</u>	<u>296,719</u>	<u>393,329</u>	<u>87,536</u>	<u>108,757</u>

For the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2018 and 2019, revenue from entities controlled by the Ultimate Holding Company accounted for 19%, 17%, 18%, 15% and 19% of the Group's revenue, respectively. Other than the entities controlled by the Ultimate Holding Company, the Group had a large number of customers and none of whom contributed 10% or more to the Group's revenue for the Relevant Periods.

Note 1: Revenue from contracts with customers:

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

During the Relevant Periods, there were no significant incremental costs to obtain a contract.

(2) Contract liabilities

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

	As at 31 December			As at
	2016	2017	2018	31 March
	RMB'000	RMB'000	RMB'000	2019
Contract liabilities	40,076	55,944	78,761	120,131

(a) Significant change in contract liabilities

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

(b) Revenue recognised in relation to contract liabilities

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

	As at 31 December			As at
	2016	2017	2018	31 March
	RMB'000	RMB'000	RMB'000	2019
Revenue recognised that was included in the contract liability balance at the beginning of the year/period	18,069	37,254	51,511	26,086

(3) Performance obligations

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

For value-added services, they are rendered in a short period of time and there is no unsatisfied performance obligation at the end of the respective periods.

6. OTHER INCOME AND GAINS

	Year ended 31 December			Three months ended 31 March	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Other income and gains:					
Rental income	1,291	1,816	936	269	–
Government grants (<i>note i</i>)	–	114	1,875	–	–
Change in fair value of financial assets at fair value through profit or loss	11	759	–	2,241	–
Gain/(loss) on disposal of financial assets	3,063	19,357	8,277	(56)	–
Gain on acquisition of a subsidiary (<i>note 28</i>)	–	–	202	202	–
Gain on disposal of a subsidiary (<i>note 29</i>)	–	–	–	–	93
Interest income (<i>note ii</i>)	17,342	1,906	465	78	779
Others	40	15	25	14	37
	<u>21,747</u>	<u>23,967</u>	<u>11,780</u>	<u>2,748</u>	<u>909</u>

Note i: Included in government grants for the year ended 31 December 2018 was government grant of RMB1,800,000 which has been granted to reward Xinyuan Science for its listing on the National Equities Exchange and Quotations in the Relevant Periods. There were no unfulfilled conditions or contingencies attaching to this government grant.

Note ii: Included in the interest income for the year ended 31 December 2016 was interest income, amounting to RMB16,012,000, generated from the entrusted loan of RMB453,000,000 to the Group's fellow subsidiaries. The principal of the entrusted loan and related interest receivables were fully settled in June 2016.

7. PROFIT BEFORE TAX

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

	Notes	Year ended 31 December			Three months ended 31 March	
		2016	2017	2018	2018	2019
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
Depreciation of property, plant and equipment	14	1,228	1,311	1,396	340	314
Amortisation of intangible assets	15	80	88	98	24	35
Employee benefit expense (excluding directors' and chief executive's remuneration (<i>note 9</i>)):						
Wages and salaries		50,434	56,893	67,308	17,136	20,779
Equity-settled share-based payment expense		–	–	–	–	1,015
Pension scheme contributions		4,938	5,426	6,605	2,764	3,755
Impairment losses on financial assets		810	1,202	3,365	1,886	3,320
Auditor's remuneration		298	536	319	–	996

Cost of sales dealt with in the Historical Financial Information represented cost of services provided by the Group.

8. FINANCE COSTS

	Year ended 31 December			Three months ended 31 March	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Finance costs:					
Interest-bearing bank loans	18,599	–	–	–	–

Finance costs for the year ended 31 December 2016 were interest expenses generated from the interest-bearing bank loans amounting to RMB453,000,000. The bank loans are guaranteed by a fellow subsidiary of the Group and bear interest at rates of 8.5% and 9%, respectively. The principal and related interest payables of the bank loans were fully repaid by the Group in December 2016.

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

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

During the three years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2018 and 2019, certain of the Company's directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors or as employees of these subsidiaries. The remuneration received by each of these directors during the Relevant Periods is set out below:

	Year ended 31 December			Three months ended 31 March	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Salaries, allowances and benefits in kind	1,729	2,174	1,882	458	476
Discretionary bonuses	1,576	1,477	1,620	110	125
Share-based payment	–	–	–	–	1,754
Pension scheme contributions	49	46	46	12	12
	3,354	3,697	3,548	580	2,367

	Salaries, allowances and benefits in kind <i>RMB'000</i>	Discretionary bonuses <i>RMB'000</i>	Share-based compensation <i>RMB'000</i>	Pension scheme contributions <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended 31 December 2016					
Mr. Zhang Yong	-	-	-	-	-
Ms. Wang Yanbo	1,079	1,041	-	22	2,142
Mr. Huang Bo	650	535	-	27	1,212
	<u>1,729</u>	<u>1,576</u>	<u>-</u>	<u>49</u>	<u>3,354</u>
Year ended 31 December 2017					
Mr. Zhang Yong	-	-	-	-	-
Mr. Zhang Lizhou	-	-	-	-	-
Ms. Wang Yanbo	1,363	1,005	-	18	2,386
Mr. Huang Bo	811	472	-	28	1,311
	<u>2,174</u>	<u>1,477</u>	<u>-</u>	<u>46</u>	<u>3,697</u>
Year ended 31 December 2018					
Mr. Zhang Lizhou	-	-	-	-	-
Ms. Wang Yanbo	1,236	1,103	-	18	2,357
Mr. Huang Bo	646	517	-	28	1,191
	<u>1,882</u>	<u>1,620</u>	<u>-</u>	<u>46</u>	<u>3,548</u>
Three months ended 31 March 2018 (unaudited)					
Mr. Zhang Lizhou	-	-	-	-	-
Ms. Wang Yanbo	303	75	-	5	383
Mr. Huang Bo	155	35	-	7	197
	<u>458</u>	<u>110</u>	<u>-</u>	<u>12</u>	<u>580</u>
Three months ended 31 March 2019					
Mr. Zhang Lizhou	-	-	923	-	923
Ms. Wang Yanbo	303	86	554	5	948
Mr. Huang Bo	173	39	277	7	496
	<u>476</u>	<u>125</u>	<u>1,754</u>	<u>12</u>	<u>2,367</u>

Mr. Zhang Yong was appointed as a director of a subsidiary now comprising the Group on 1 June 2016 and resigned on 31 May 2017. No emoluments were paid or payable to him during the Relevant Periods.

Mr. Zhang Lizhou was appointed as a director of a subsidiary now comprising the Group on 16 May 2017 and resigned as director on 30 June 2019.

10. FIVE HIGHEST PAID EMPLOYEES

An analysis of the five highest paid employees within the Group during the Relevant Periods is as follows:

	Year ended 31 December			Three months ended 31 March	
	2016	2017	2018	2018	2019
	<i>Number of individuals</i>	<i>Number of individuals</i>	<i>Number of individuals</i>	<i>Number of individuals</i> (Unaudited)	<i>Number of individuals</i>
Directors and chief executive	2	2	2	2	3
Non-directors	3	3	3	3	2
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

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

	Year ended 31 December			Three months ended 31 March	
	2016	2017	2018	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i>
Salaries, allowances and benefits in kind	1,634	2,141	1,886	453	312
Discretionary bonuses	1,531	1,377	1,551	98	48
Share-based payment	–	–	–	–	462
Pension scheme contributions	82	84	84	21	14
	<u>3,247</u>	<u>3,602</u>	<u>3,521</u>	<u>572</u>	<u>836</u>

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

	Year ended 31 December			Three months ended 31 March	
	2016	2017	2018	2018	2019
	<i>Number of individuals</i>	<i>Number of individuals</i>	<i>Number of individuals</i>	<i>Number of individuals</i> (Unaudited)	<i>Number of individuals</i>
Nil to HK\$1,000,000	–	–	–	3	2
HK\$1,000,001 to HK\$1,500,000	3	3	3	–	–
	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>2</u>

11. INCOME TAX

	Year ended 31 December			Three months ended 31 March	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Current income tax	8,991	23,554	28,735	5,698	7,512
Deferred income tax (note 24)	(200)	192	(407)	190	61
Total tax charge for the year/period	<u>8,791</u>	<u>23,746</u>	<u>28,328</u>	<u>5,888</u>	<u>7,573</u>

(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) 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 Relevant Periods.

(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 Relevant Periods on their respective taxable income.

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

	Year ended 31 December			Three months ended 31 March	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Profit before tax	34,744	93,176	104,417	22,823	15,192
Tax at the statutory tax rates of the respective jurisdictions	8,686	23,294	26,104	5,706	4,583
Losses attributable to:					
A joint venture	–	–	854	–	129
Withholding income tax (note 24)	–	–	–	–	308
Expenses not deductible for tax	105	452	1,370	182	2,553
Tax charge at the Group's effective tax rate	<u>8,791</u>	<u>23,746</u>	<u>28,328</u>	<u>5,888</u>	<u>7,573</u>

12. DIVIDENDS

During the year ended 31 December 2016, a dividend of RMB18,008,000 has been declared and paid by Xinyuan Science to its then shareholders. No dividend had been paid or declared by the Company during the Relevant Periods.

13. EARNINGS PER SHARE

No earnings per share information is presented as the information, for the purpose of this Historical Financial Information, is not considered meaningful due to the Reorganisation and the presentation of the results for the Relevant Periods on a combined basis as disclosed in note 2.1 above.

14. PROPERTY, PLANT AND EQUIPMENT

	Structures <i>RMB'000</i>	Transportation equipment <i>RMB'000</i>	Office equipment <i>RMB'000</i>	Total <i>RMB'000</i>
31 December 2016				
At 31 December 2015 and at 1 January 2016:				
Cost	177	2,802	4,883	7,862
Accumulated depreciation	(81)	(1,086)	(2,873)	(4,040)
Net carrying amount	<u>96</u>	<u>1,716</u>	<u>2,010</u>	<u>3,822</u>
At 1 January 2016, net of accumulated depreciation				
Additions	96	1,716	2,010	3,822
Disposals	41	28	1,342	1,411
Depreciation provided during the year	–	–	(12)	(12)
	<u>(55)</u>	<u>(441)</u>	<u>(732)</u>	<u>(1,228)</u>
At 31 December 2016, net of accumulated depreciation	<u>82</u>	<u>1,303</u>	<u>2,608</u>	<u>3,993</u>
At 31 December 2016:				
Cost	218	2,828	6,030	9,076
Accumulated depreciation	(136)	(1,525)	(3,422)	(5,083)
Net carrying amount	<u>82</u>	<u>1,303</u>	<u>2,608</u>	<u>3,993</u>
31 December 2017				
At 31 December 2016 and at 1 January 2017:				
Cost	218	2,828	6,030	9,076
Accumulated depreciation	(136)	(1,525)	(3,422)	(5,083)
Net carrying amount	<u>82</u>	<u>1,303</u>	<u>2,608</u>	<u>3,993</u>

	Structures <i>RMB'000</i>	Transportation equipment <i>RMB'000</i>	Office equipment <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2017, net of accumulated depreciation	82	1,303	2,608	3,993
Additions	59	148	1,198	1,405
Disposals	–	–	(2)	(2)
Depreciation provided during the year	(35)	(453)	(823)	(1,311)
At 31 December 2017, net of accumulated depreciation	<u>106</u>	<u>998</u>	<u>2,981</u>	<u>4,085</u>
At 31 December 2017:				
Cost	277	2,976	7,169	10,422
Accumulated depreciation	(171)	(1,978)	(4,188)	(6,337)
Net carrying amount	<u>106</u>	<u>998</u>	<u>2,981</u>	<u>4,085</u>
31 December 2018				
At 31 December 2017 and at 1 January 2018:				
Cost	277	2,976	7,169	10,422
Accumulated depreciation	(171)	(1,978)	(4,188)	(6,337)
Net carrying amount	<u>106</u>	<u>998</u>	<u>2,981</u>	<u>4,085</u>
At 1 January 2018, net of accumulated depreciation	106	998	2,981	4,085
Additions	814	67	1,412	2,293
Disposals	–	(190)	(26)	(216)
Depreciation provided during the year	(61)	(402)	(933)	(1,396)
At 31 December 2018, net of accumulated depreciation	<u>859</u>	<u>473</u>	<u>3,434</u>	<u>4,766</u>
At 31 December 2018:				
Cost	1,091	2,102	8,418	11,611
Accumulated depreciation	(232)	(1,629)	(4,984)	(6,845)
Net carrying amount	<u>859</u>	<u>473</u>	<u>3,434</u>	<u>4,766</u>

	Structures <i>RMB'000</i>	Transportation equipment <i>RMB'000</i>	Office equipment <i>RMB'000</i>	Total <i>RMB'000</i>
31 March 2019				
At 31 December 2018 and at 1 January 2019:				
Cost	1,091	2,102	8,418	11,611
Accumulated depreciation	(232)	(1,629)	(4,984)	(6,845)
Net carrying amount	<u>859</u>	<u>473</u>	<u>3,434</u>	<u>4,766</u>
At 1 January 2019, net of accumulated depreciation				
	859	473	3,434	4,766
Additions	42	–	250	292
Disposals	(815)	–	(104)	(919)
Depreciation provided during the period	(6)	(21)	(287)	(314)
At 31 March 2019, net of accumulated depreciation	<u>80</u>	<u>452</u>	<u>3,293</u>	<u>3,825</u>
At 31 March 2019:				
Cost	318	2,102	8,564	10,984
Accumulated depreciation	(238)	(1,650)	(5,271)	(7,159)
Net carrying amount	<u>80</u>	<u>452</u>	<u>3,293</u>	<u>3,825</u>

15. INTANGIBLE ASSETS

	Software <i>RMB'000</i>
At 1 January 2016:	
Cost	590
Accumulated amortisation	(150)
	<hr/>
Net carrying amount	440
	<hr/> <hr/>
Cost at 1 January 2016, net of accumulated amortisation	440
Amortisation provided during the year	(80)
	<hr/>
At 31 December 2016	360
	<hr/> <hr/>
At 31 December 2016:	
Cost	590
Accumulated amortisation	(230)
	<hr/>
Net carrying amount	360
	<hr/> <hr/>
Cost at 1 January 2017, net of accumulated amortisation	360
Additions	179
Amortisation provided during the year	(88)
	<hr/>
At 31 December 2017	451
	<hr/> <hr/>
At 31 December 2017:	
Cost	769
Accumulated amortisation	(318)
	<hr/>
Net carrying amount	451
	<hr/> <hr/>
Cost at 1 January 2018, net of accumulated amortisation	451
Additions	71
Disposals	(25)
Amortisation provided during the year	(98)
	<hr/>
At 31 December 2018	399
	<hr/> <hr/>
At 31 December 2018:	
Cost	815
Accumulated amortisation	(416)
	<hr/>
Net carrying amount	399
	<hr/> <hr/>

	Software <i>RMB'000</i>
Cost at 1 January 2019, net of accumulated amortisation	399
Additions	466
Disposals	–
Amortisation provided during the period	(35)
	<hr/>
At 31 March 2019	830
	<hr/> <hr/>
At 31 March 2019:	
Cost	1,281
Accumulated amortisation	(451)
	<hr/>
Net carrying amount	830
	<hr/> <hr/>

16. INVESTMENT IN A JOINT VENTURE

	As at 31 December			As at 31 March
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Share of net assets	–	–	21,045	20,528
Impairment of investment in a joint venture	–	–	(3,092)	(3,092)
	<hr/>	<hr/>	<hr/>	<hr/>
	–	–	17,953	17,436
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

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

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

As at 31 December 2016, 2017 and 2018 and 31 March 2019, there were no significant contingent liabilities relating to the Group's interest in the joint venture.

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

	As at 31 December 2018	As at 31 March 2019
	<i>RMB'000</i>	<i>RMB'000</i>
Cash and cash equivalents	1,140	1,426
Other current assets	3,375	1,261
Current assets	4,515	2,687
Non-current assets excluding goodwill	16,128	15,185
Goodwill	38,510	38,510
Non-current assets	54,638	53,695
Current liabilities	(17,732)	(15,975)
Non-current liabilities	(156)	(156)
Net assets	41,265	40,251
Net assets, excluding goodwill	2,755	1,741
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	51%	51%
Group's share of net assets of the joint venture, excluding goodwill	1,405	888
Goodwill on acquisition	19,640	19,640
Impairment of investment in the joint venture provided during the year/period	(3,092)	(3,092)
Carrying amount of the investment	17,953	17,436
	For the period from acquisition date to 31 December 2018	Three months ended 31 March 2019
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	7,309	4,039
Cost of sales	(3,155)	(1,865)
Selling expenses	(6,549)	(1,603)
Administrative expenses	(4,021)	(1,585)
Finance expenses	(282)	–
Other operating revenue	2	1
Loss and total comprehensive loss for the period	(6,696)	(1,013)
Share of loss of a joint venture	(3,415)	(517)
Dividends received	–	–
Share of tax attributable to a joint venture	–	–

17. TRADE RECEIVABLES

	As at 31 December			As at
	2016	2017	2018	31 March
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
– Related parties (<i>Note 31</i>)	11,730	32,625	68,920	71,940
– Third parties	34,060	48,728	59,731	73,616
	45,790	81,353	128,651	145,556
Less: allowance for impairment of trade receivables	(3,700)	(3,255)	(3,618)	(4,288)
	42,090	78,098	125,033	141,268

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

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

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

	As at 31 December			As at
	2016	2017	2018	31 March
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Within 1 year	27,226	60,245	89,958	95,587
1 to 2 years	6,783	10,382	24,598	30,814
2 to 3 years	4,340	3,866	5,818	9,431
3 to 4 years	1,035	1,502	2,435	3,055
4 to 5 years	1,059	855	1,135	886
Over 5 years	1,647	1,248	1,089	1,495
Total	42,090	78,098	125,033	141,268

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

	As at 31 December			As at
	2016	2017	2018	31 March
	RMB'000	RMB'000	RMB'000	2019
At the beginning of year/period	3,621	3,700	3,255	3,618
Charge for the year/period	767	771	2,866	3,004
Write-off for the year/period	(688)	(1,216)	(2,503)	(2,334)
At the end of the year/period	3,700	3,255	3,618	4,288

As at 31 December 2016, 2017 and 2018 and 31 March 2019, the trade receivables were denominated in RMB, and the fair values of trade receivables approximated to their carrying amounts.

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

	Third parties						Related parties	Total
	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	RMB'000	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
At 31 December 2016								
Expected credit loss rate	2.3%	4.9%	8.6%	16.8%	20.3%	56.4%	–	
Gross carrying amount	16,329	7,132	4,248	1,244	1,329	3,778	11,730	45,790
Expected credit losses	376	349	365	209	270	2,131	–	3,700
At 31 December 2017								
Expected credit loss rate	2.3%	4.9%	8.6%	16.8%	20.3%	56.4%	–	
Gross carrying amount	30,952	8,646	4,230	1,625	1,010	2,265	32,625	81,353
Expected credit losses	712	424	364	273	205	1,277	–	3,255
At 31 December 2018								
Expected credit loss rate	2.3%	4.9%	8.6%	16.8%	20.3%	56.4%	–	
Gross carrying amount	37,600	11,260	4,890	2,770	1,374	1,837	68,920	128,651
Expected credit losses	865	552	421	465	279	1,036	–	3,618
At 31 March 2019								
Expected credit loss rate	2.3%	4.9%	8.6%	16.8%	20.3%	56.4%	–	
Gross carrying amount	49,058	12,628	5,410	3,030	1,112	2,378	71,940	145,556
Expected credit losses	1,128	619	465	509	226	1,341	–	4,288

The expected credit loss is determined based on a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward looking factors specific to debtors and economic environment. The expected credit loss rate applicable to the trade receivables during the Relevant Periods are the same because the directors of the Company assessed that the historical credit loss rate, customer nature, and relevant economic environment are all relatively stable during the Relevant Periods.

18. PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December			As at
	2016	2017	2018	31 March
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Non-current				
Prepayments				
– Related parties (Note 31)	–	–	89,073	89,073
Current				
Prepayments				
– Third parties	1,219	1,446	2,776	3,981
Deposit	280	677	678	1,470
Other receivables				
– Related parties (Note 31)	153	884	2,599	4,678
– Third parties	5,128	7,873	9,184	9,319
	5,281	8,757	11,783	13,997
Less: allowance for impairment of other receivables	(777)	(1,208)	(1,707)	(2,023)
	6,003	9,672	13,530	17,425

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

As at 31 December 2016, 2017 and 2018 and 31 March 2019, prepayments and other receivables were denominated in RMB.

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

	As at 31 December			As at
	2016	2017	2018	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year/period	734	777	1,208	1,707
Charge for the year/period	43	431	499	316
At the end of the year/period	<u>777</u>	<u>1,208</u>	<u>1,707</u>	<u>2,023</u>

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

	Third parties	Related parties	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 31 December 2016			
Expected credit loss rate	15.2%	–	
Gross carrying amount	5,128	153	5,281
Expected credit losses	777	–	777
At 31 December 2017			
Expected credit loss rate	15.3%	–	
Gross carrying amount	7,873	884	8,757
Expected credit losses	1,208	–	1,208
At 31 December 2018			
Expected credit loss rate	18.6%	–	
Gross carrying amount	9,184	2,599	11,783
Expected credit losses	1,707	–	1,707
At 31 March 2019			
Expected credit loss rate	21.7%	–	
Gross carrying amount	9,319	4,678	13,997
Expected credit losses	2,023	–	2,023

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December			As at
	2016	2017	2018	31 March
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Securities listed on Shanghai/Shenzhen Stock Exchanges	102,911	122,442	–	–
Unlisted financial products (note)	–	125,808	–	–
	102,911	248,250	–	–

Note: The investments are managed by licensed financial institutions in the PRC to invest principally in certain financial assets including bonds, trusts, cash funds, bond funds or unlisted equity investments issued and are circulated in the PRC in accordance with the entrusted agreements entered into between the parties involved. The investments were measured at fair value at the end of the reporting period, with a corresponding gain on change in fair value of nil, RMB808,000, nil and nil, credited to “other income and gains” in the years of 2016, 2017 and 2018 and the three months ended 31 March 2019, respectively.

20. INVESTMENTS IN PRINCIPAL GUARANTEED DEPOSITS

	As at 31 December			As at
	2016	2017	2018	31 March
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Investments in principal guaranteed deposits in licensed banks in the PRC	65,000	–	–	–

These investments in principal guaranteed deposits have terms of less than one year and have expected annual rates of return of 2.65% on average. Pursuant to the underlying contracts or notices, the investments in principal guaranteed deposits are principal guaranteed upon the maturity date.

21. CASH AND CASH EQUIVALENTS

	As at 31 December			As at
	2016	2017	2018	31 March
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Cash and bank balances	67,459	97,811	354,275	365,312

The cash and bank balances of the Group are denominated in RMB.

22. TRADE PAYABLES

	As at 31 December			As at
	2016	2017	2018	31 March
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Trade payables				
– Related parties (<i>Note 31</i>)	2,204	4,717	2,872	3,212
– Third parties	12,335	12,232	26,584	27,137
	14,539	16,949	29,456	30,349

As at 31 December 2016, 2017 and 2018 and 31 March 2019, the carrying amounts of trade payables approximated their fair values.

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

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

	As at 31 December			As at
	2016	2017	2018	31 March
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Within 1 year	14,289	16,087	28,149	28,724
1 to 2 years	127	626	668	1,070
2 to 3 years	87	115	482	52
Over 3 years	36	121	157	503
	14,539	16,949	29,456	30,349

23. OTHER PAYABLES AND ACCRUALS

	As at 31 December			As at
	2016	2017	2018	31 March
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Other payables				
– Related parties (<i>Note 31</i>)	9,375	37,921	58,978	49,202
– Deposits and temporary receipts from property owners	77,652	92,818	112,078	112,162
– Others	7,953	9,943	12,439	7,240
	94,980	140,682	183,495	168,604
Payroll payables	17,938	21,889	26,575	17,374
Other taxes payable	3,285	6,011	7,040	5,262
	116,203	168,582	217,110	191,240

Other payables are non-interest-bearing and are normally settled on 90-day terms.

24. DEFERRED TAX ASSETS/LIABILITIES

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

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

	Allowance for impairment of receivables <i>RMB'000</i>
Deferred tax assets:	
At 1 January 2016	916
Recognised in profit or loss	<u>203</u>
At 31 December 2016	<u><u>1,119</u></u>
At 1 January 2017	1,119
Recognised in profit or loss	<u>(3)</u>
At 31 December 2017	<u><u>1,116</u></u>
At 1 January 2018	1,116
Recognised in profit or loss	<u>215</u>
At 31 December 2018	<u><u>1,331</u></u>
At 1 January 2019	1,331
Recognised in profit or loss	<u>247</u>
At 31 March 2019	<u><u>1,578</u></u>

	PRC withholding taxes <i>RMB'000</i>	Change in fair value of financial assets at fair value through profit or loss <i>RMB'000</i>	Total <i>RMB'000</i>
Deferred tax liabilities:			
At 1 January 2016	–	–	–
Recognised in profit or loss	–	3	3
	<u>–</u>	<u>3</u>	<u>3</u>
At 31 December 2016	–	3	3
	<u>–</u>	<u>3</u>	<u>3</u>
At 1 January 2017	–	3	3
Recognised in profit or loss	–	189	189
	<u>–</u>	<u>189</u>	<u>189</u>
At 31 December 2017	–	192	192
	<u>–</u>	<u>192</u>	<u>192</u>
At 1 January 2018	–	192	192
Recognised in profit or loss	–	(192)	(192)
	<u>–</u>	<u>(192)</u>	<u>(192)</u>
At 31 December 2018	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>
At 1 January 2019	–	–	–
Recognised in profit or loss	308	–	308
	<u>308</u>	<u>–</u>	<u>308</u>
At 31 March 2019	308	–	308
	<u>308</u>	<u>–</u>	<u>308</u>

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 extent of the net profits attributed to the three months ended 31 March 2019 planned to be distributed by the Company's Mainland China subsidiaries and the applicable tax rate of 10%.

Deferred tax liabilities of RMB2,320,000, RMB8,570,000, RMB15,433,000 and RMB16,311,000 as at 31 December 2016, 2017, 2018 and 31 March 2019, respectively, have not been provided in respect of withholding tax that would be payable on the distribution of retained earnings of the Mainland China subsidiaries, which was determined based on the extent of retained earnings of such subsidiaries unlikely to be distributed of RMB23,202,000, RMB85,695,000, RMB154,330,000 and RMB163,105,000 as at 31 December 2016, 2017, 2018 and 31 March 2019 respectively. This is because the Company controls the dividend policy of the Mainland China subsidiaries and the directors determined that such retained earnings are not likely to be distributed in the foreseeable future.

25. SHARE CAPITAL AND MERGER RESERVE

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

	As at 31 December 2018 HK\$	As at 31 March 2019 HK\$
Authorised:		
38,000,000 shares of a par value of HK\$0.01 each	380,000	380,000
	<i>RMB</i>	<i>RMB</i>
Issued and fully paid share capital:		
56,251 (2018: 1) shares of a par value of HK\$0.01 each	0.01	480.21
Issued and nil-paid share capital:		
318,749 (2018: nil) shares of par value of HK\$0.01 each	–	–

The merger reserve of the Group represents a subsidiary's reserve arose pursuant to the Reorganisation as mentioned in note 2.1. Details of the movements in the merger reserve are set out in the combined statements of changes in equity.

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

	Number of shares in issue	Fully paid share capital <i>RMB</i>
At 13 December 2018 (date of incorporation)	–	–
Issue of new shares upon incorporation	1	0.01
At 31 December 2018 and 1 January 2019	1	0.01
Allotment of nil-paid shares to Xinyuan Science's then shareholders pursuant to the Reorganisation	318,749	–
Issue of shares under a restricted share award scheme (<i>note 27</i>)	56,250	480.20
At 31 March 2019	375,000	480.21

In August 2019, the relevant shareholders had fully paid up the 318,749 nil-paid shares upon the capitalisation of loans due to such shareholders upon completion of the Reorganisation.

26. RESERVES

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the combined statements of changes in equity on page I-8 to I-9 of the Historical Financial Information.

- (a) Pursuant to the shareholders' resolution of Xinyuan Science, a subsidiary of the Group, dated 29 June 2016, Xinyuan Science was converted from a limited liability company into a joint stock company with limited liability. By reference to the net asset value of Xinyuan Science as at 30 June 2016 of approximately RMB72,732,000, Xinyuan Science issued 50,000,000 shares of RMB1 each to its then shareholders. The excess of the net asset value over the share capital of Xinyuan Science was recognised as capital reserve of Xinyuan Science. Accordingly, the balances of statutory reserves of RMB4,210,000 and retained earnings of RMB18,522,000 of Xinyuan Science as of 30 June 2016 were transferred to reserves in the combined statements of financial position.
- (b) Pursuant to the relevant rules and regulations in the PRC and the articles of association of certain PRC subsidiaries of the Group, the subsidiaries appropriate 10% of their profit after taxation to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their respective registered capital.
- (c) Pursuant to the share award scheme, the Company newly issued 56,250 restricted ordinary shares to its directors and senior executives, at the consideration of RMB8,400,000, including RMB480.20 (note 25) in share capital and the excess of the consideration over the share capital, RMB8,399,519.80 was recognised in other reserves.

The movements of the Company's reserves are as follows:

	<i>RMB</i>
Other reserves:	
At 31 December 2018 and 1 January 2019	–
Issue of shares under a restricted share award scheme (<i>note 27</i>)	8,399,519.80
Equity-settled share-based payment in respect of subsidiary's employees	369,216.04
At 31 March 2019	8,768,735.84

27. SHARE AWARD SCHEME

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

During the three months ended 31 March 2019, there were no shares vested, lapsed or forfeited and the Group recognised expense relating to the Scheme of approximately RMB2,769,000 (2018: nil, 2017: nil, 2016: nil) in profit or loss during the period.

28. BUSINESS COMBINATION

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

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

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

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

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

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

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

Had the combination taken place from 1 January 2018, the combined revenue of the Group and the combined profit of the Group for the year would have been RMB2,903,000 and RMB157,000, respectively.

29. DISPOSAL OF A SUBSIDIARY

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

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

* *Amounts less than RMB1,000.*

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

	<i>RMB'000</i>
Cash consideration	—*
Cash and bank balances disposed of	(546)
	<u>(546)</u>
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	<u><u>(546)</u></u>

* *Amounts less than RMB1,000.*

30. NOTE TO THE COMBINED STATEMENTS OF CASH FLOWS

The reconciliation of liabilities arising from financing activities is as follows:

	Interest-bearing loans <i>RMB'000</i>	Dividends payable <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2016	353,800	–	353,800
Changes from financing cash flows	(372,399)	(18,008)	(390,407)
Interest expense	18,599	–	18,599
Dividends paid	–	18,008	18,008
	<u> </u>	<u> </u>	<u> </u>
At 31 December 2016	<u> </u>	<u> </u>	<u> </u>

31. RELATED PARTY TRANSACTIONS

(a) Name and relationship with a related party

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

(b) Transactions with related parties

	Year ended 31 December			Three months ended 31 March	
	2016	2017	2018	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Property management service fee					
– Entities controlled by the Ultimate Holding Company	3,185	4,277	12,362	3,459	3,298
Value-added service fee					
– Entities controlled by the Ultimate Holding Company	4,172	3,859	12,446	1,874	2,846
Pre-delivery and consulting service fee					
– Entities controlled by the Ultimate Holding Company	36,777	41,076	45,532	7,620	14,036
Interest income					
– Entities controlled by the Ultimate Holding Company	16,012	–	–	–	–

	Year ended 31 December			Three months ended 31 March	
	2016	2017	2018	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Outsourcing service cost					
– Entities controlled by the Ultimate Holding Company	(12,078)	(27,169)	(36,704)	(7,063)	(10,619)
Other costs					
– Entities controlled by the Ultimate Holding Company	–	–	(94)	(25)	(3)
– Entities controlled by the close relatives of the Ultimate Holding Company	(110)	(679)	(26)	–	–

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

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

(c) **Key management compensation**

Compensation for key management other than those for directors as disclosed in note 9 is set out below:

	Year ended 31 December			Three months ended 31 March	
	2016	2017	2018	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, allowances and benefits in kind	3,636	4,324	3,795	869	901
Discretionary bonuses	2,987	2,825	3,126	184	142
Share-based payment	–	–	–	–	1,015
Pension scheme contributions	280	251	264	68	65
	<u>6,903</u>	<u>7,400</u>	<u>7,185</u>	<u>1,121</u>	<u>2,123</u>

(d) Balances with related parties

	As at 31 December			As at
	2016	2017	2018	31 March
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Receivables from related parties				
Trade receivables (trade nature)				
– Entities controlled by the Ultimate Holding Company	11,730	32,625	68,920	71,940
Other receivables (non-trade nature) (Note (i))				
– Entities controlled by the Ultimate Holding Company	153	884	2,599	2,533
– A joint venture of the Company	–	–	–	2,145
Prepayments (trade nature)				
– Entities controlled by the Ultimate Holding Company	–	–	89,073	89,073
Total receivables from related parties	<u>11,883</u>	<u>33,509</u>	<u>160,592</u>	<u>165,691</u>
Payables to related parties				
Trade payables (trade nature)				
– Entities controlled by the Ultimate Holding Company	2,204	4,717	2,872	3,212
Other payables (non-trade nature) (Note (ii))				
– Entities controlled by the Ultimate Holding Company	9,375	37,921	58,978	49,202
Contract liabilities (trade nature)				
– Entities controlled by the Ultimate Holding Company	115	551	167	153
Total payables to related parties	<u>11,694</u>	<u>43,189</u>	<u>62,017</u>	<u>52,567</u>

- (i) Other receivables due from entities controlled by the Ultimate Holding Company and a joint venture of the Company were unsecured, interest-free and repayable on demand.
- (ii) Other payables due to entities controlled by the Ultimate Holding Company were unsecured, interest-free and repayable on demand.

32. FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December			As at
	2016	2017	2018	31 March
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
<i>Financial assets at amortised cost:</i>				
Trade receivables	42,090	78,098	125,033	141,268
Financial assets included in prepayments and other receivables	4,504	7,549	10,076	11,974
Investments in principal guaranteed deposits	65,000	–	–	–
Cash and cash equivalents	67,459	97,811	354,275	365,312
	<u>179,053</u>	<u>183,458</u>	<u>489,384</u>	<u>518,554</u>
<i>Financial assets at fair value through profit or loss:</i>				
Financial assets at fair value through profit or loss	<u>102,911</u>	<u>248,250</u>	<u>–</u>	<u>–</u>
<i>Financial liabilities at amortised cost:</i>				
Trade payables	14,539	16,949	29,456	30,349
Financial liabilities included in other payables and accruals	94,980	140,682	183,495	168,604
	<u>109,519</u>	<u>157,631</u>	<u>212,951</u>	<u>198,953</u>

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The Group's finance department headed by the chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance manager analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

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

For financial assets at fair value through profit or loss, the following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

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

	31/12/2016	31/12/2017	31/12/2018	31/3/2019	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs
	RMB'000	RMB'000	RMB'000	RMB'000			
Securities listed on Shanghai/Shenzhen Stock Exchanges	102,911	122,442	-	-	Level 1	Quoted bid prices in an active market	Not applicable
Unlisted financial products (<i>note</i>)	-	125,808	-	-	Level 3	Discounted cash flows. Future cash flows are estimated based on expected applicable yield of the underlying investment portfolio, discounted at a rate that reflects the credit risk of various counterparties.	Expected yield of the underlying investment portfolio and the discount rate

Note: The significant unobservable inputs used in the fair value measurement of the unlisted financial products are the expected yield of the underlying investment portfolio and the discount rate. Significant increase (decrease) in expected yield in isolation would result in a significantly higher (lower) fair value measurement. Significant increase (decrease) in discount rate in isolation would result in a significantly lower (higher) fair value measurement. Generally a change in expected yield is accompanied by directionally opposite change in assumption used for discount rate. Save for the discount rate and expected yield of the unlisted financial products, there are no other significant unobservable inputs which reflects reasonably possible alternative assumptions that would significantly change the fair value measurement of the unlisted financial products. Hence the disclosure of the quantitative sensitivity effect of the fair value measurement of the unlisted financial products using alternative valuation inputs is not necessary.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, comprise financial assets at fair value through profit or loss, investments in principal guaranteed deposits and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, financial assets included in prepayments and other receivables, trade payables and financial liabilities included in other payables and accruals, which arise directly from its operations.

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

Credit risk

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

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

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

The Group trades only with recognised and creditworthy third parties. Concentrations of credit risk are managed by analysis by customer/counterparty. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables and other receivables are widely dispersed. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. The maximum exposure is the carrying amounts as disclosed in note 17 and note 18 to the Historical Financial Information.

Liquidity risk

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

The table below analyses the maturity profile of the Group's financial liabilities as at the end of each reporting period, which is based on contractual undiscounted payments. All amounts were due on demand or within one year.

	On demand or within 1 year			As at
	As at 31 December			31 March
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	14,539	16,949	29,456	30,349
Financial liabilities included in other payables and accruals	94,980	140,682	183,495	168,604
	<u>109,519</u>	<u>157,631</u>	<u>212,951</u>	<u>198,953</u>

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for capital management during the Relevant Periods.

The Group monitors capital using the gearing ratio. Gearing ratio is defined as net debt divided by capital. Net debt represents trade payables, other payables and accruals, less cash and cash equivalents, financial assets at fair value through profit or loss and investments in principal guaranteed deposits. The Group did not have net debt as at 31 December 2016, 2017 and 2018 and 31 March 2019, respectively. Capital represents total equity.

35. EVENTS AFTER THE BALANCE SHEET DATE

In preparation for the Company's IPO, the Group underwent the Reorganisation to rationalise its group structure as detailed in the paragraph headed "REORGANISATION" in the section headed "HISTORY AND REORGANISATION" in the Prospectus. In August 2019, the Reorganisation was completed and the Company became the holding company of the companies now comprising the Group.

36. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 March 2019.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this Appendix does not form part of the Accountants' Report prepared by our Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, as set out in Appendix I to this prospectus, and is included for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted combined net tangible assets attributable to owners of our Company, prepared in accordance with rule 4.29 of the Listing Rules is for illustrative purposes only and on the basis of the notes set out below, is set forth to illustrate the effect of the Global Offering on the combined net tangible assets attributable to owners of our Company as of 31 March 2019 as if it had taken place on 31 March 2019. Because of its hypothetical nature, it may not give a true picture of the combined net tangible assets attributable to owners of our Company had the Global Offering been completed as at 31 March 2019 or any future dates.

	Combined net tangible assets attributable to owners of our Company as of 31 March 2019⁽¹⁾ RMB'000	Estimated net proceeds from the Global Offering⁽²⁾ RMB'000	Unaudited pro forma adjusted combined net tangible assets attributable to owners of our Company RMB'000	Unaudited pro forma adjusted net tangible assets per Share⁽³⁾⁽⁴⁾ RMB HK\$	
Based on an Offer Price of HK\$2.08 per Offer Share	266,982	198,431	465,413	0.93	1.03
Based on an Offer Price of HK\$3.00 per Offer Share	266,982	298,408	565,390	1.13	1.26

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

- (1) The combined net tangible assets attributable to owners of our Company as at 31 March 2019 are based on our audited combined net assets attributable to owners of our Company in the amount of RMB267.8 million, as disclosed in the Accountants' Report set out in Appendix I to this prospectus, less intangible assets in the amount of RMB0.8 million.
- (2) The estimated net proceeds from the Global Offering are based on the indicative offer prices of HK\$2.08 per Offer Share (being the low-end), and HK\$3.00 per Offer Share (being the high-end), respectively, after deduction of the estimated underwriting fees and other listing expenses payable by our Company.
- (3) No adjustment has been made to the combined net tangible assets attributable to owners of our Company as of 31 March 2019 to reflect any trading results or other transactions entered into subsequent to 31 March 2019.
- (4) Our unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustment referred to in note (2) above and on the basis that 500,000,000 Shares were issue assuming that the Global Offering had been completed on 31 March 2019 .

For the purpose of this unaudited pro forma adjusted net tangible assets, the amounts stated in RMB are converted into Hong Kong dollars at a rate of RMB1.00 to HK\$1.11. No representation is made that RMB amounts have been, could have been or may be converted into Hong Kong dollars, or vice versa, at that rate.

B. LETTER FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from our independent accountants, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this document, in respect of unaudited pro forma financial information of the Group.



22nd Floor
CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

To the Directors of Xinyuan Property Management Service (Cayman) Ltd.

We have completed our assurance engagement to report on the compilation of pro forma financial information of Xinyuan Property Management Service (Cayman) Ltd. (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the pro forma combined net tangible assets as at 31 March 2019, and related notes as set out on pages II-1 to II-2 of the Company’s prospectus dated 25 September 2019 (the “Prospectus”) issued by the Company (the “Pro Forma Financial Information”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Appendix II-A to the Prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group’s financial position as at 31 March 2019 as if the transaction had taken place at 31 March 2019. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial statements for the three months ended 31 March 2019, on which an accountants’ report has been published

Directors’ responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline (“AG”) 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

25 September 2019

The following is the text of a letter and a valuation certificate prepared for the purpose of incorporation in this prospectus received from Vincorn Consulting and Appraisal Limited, an independent valuer, in connection with its valuation of a property to be held by the Group. Terms defined in this appendix applies to this appendix only.

Vincorn Consulting and Appraisal Limited
21/F
No. 268 Des Voeux Road Central
Hong Kong



The Board of Directors

Xinyuan Property Management Service (Cayman) Limited
PO Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

25 September 2019

Dear Sirs,

INSTRUCTION AND VALUATION DATE

We refer to your instructions for us to assess the Market Value of a property (the “Property”) located in The People’s Republic of China (“The PRC”) to be held by Xinyuan Property Management Service (Cayman) Limited (the “Company”) and its subsidiaries (hereinafter together referred to as the “Group”) for the purposes of public disclosure. We confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary in order to provide you with our opinion of the Market Value of the Property as at 31 July 2019 (the “Valuation Date”).

VALUATION STANDARDS

The valuation has been prepared in accordance with the HKIS Valuation Standards 2017 published by The Hong Kong Institute of Surveyors effective from 30 December 2017 with reference to the International Valuation Standards 2017 published by the International Valuation Standards Council effective from 1 July 2017; and the requirements set out in the Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

VALUATION BASIS

Our valuation has been undertaken on the basis of Market Value. Market Value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the seller sells the Property in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the Property.

No allowances have been made for any charges, mortgages or amounts owing on the Property, nor for any expenses or taxations which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect the value of the Property.

As the Property is held under long term land use rights, we have assumed that the owner has free and uninterrupted rights to use the Property for the whole of the unexpired term of the land use rights.

The Market Value has been assessed with consideration of the existing status of the Property as at the valuation date and with the assumption that the construction will be completed successfully.

VALUATION METHODOLOGY

When valuing the Property, we have adopted Market Approach to assess the gross development value of the proposed development, which is then adjusted with considerations of the outstanding development cost, the outstanding development period and the potential profit margin.

Market Approach is universally considered as the most accepted valuation approach for valuing most forms of property. This involves the analysis of recent market sale evidence of similar properties to compare with the subject under valuation. Each comparable is analysed on the basis of its unit rate or rent; each attribute of the comparables is then compared with the subject and where there are any differences, the unit rate is adjusted in order to arrive at the appropriate unit rate for the subject. This is done by making percentage adjustments to the unit rate for various factors, such as time, location, building age, building quality and so on.

LAND TENURE AND TITLE INVESTIGATION

We have been provided with copies of documents in relation to the titles of the Property. However, we have not scrutinised the original documents to verify ownership or to verify any amendments, which may not appear on the copies handed to us. We have relied to a considerable extent on the information provided by the Group.

We have relied on the advices given by the PRC Legal Advisers, regarding the title of the Property. We do not accept liability for any interpretation that we have placed on such information, which is more properly placed within the sphere of the PRC Legal Advisers.

All legal documents disclosed in this letter and the valuation certificate are for reference only. No responsibility is assumed for any legal matters concerning the legal titles to the Property set out in this letter and the valuation certificate.

INFORMATION SOURCES

We have relied to a considerable extent on the information provided by the Group and its PRC Legal Advisers, in respect of the title of the Property. We have also accepted advice given to us on matters such as identification of the Property, particulars of occupancy, areas and all other relevant matters. Dimensions, measurements and areas included in the valuation are based on information contained in the documents provided to us and are, therefore, only approximations.

We have also been advised by the Group that no material factors or information have been omitted or withheld from the information supplied and consider that we have been provided with sufficient information to reach an informed view. We believe that the assumptions used in preparing our valuation are reasonable and have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuation.

INSPECTION AND INVESTIGATIONS

The Property was inspected externally and internally. Although not all areas were accessible for viewing at the time of inspection, we have endeavoured to inspect all areas of the Property. Investigations were carried out as necessary. Our investigations have been conducted independently and without influence from any third party in any manner.

We have not tested any services of the properties and are therefore unable to report on their present conditions. We have not undertaken any structural surveys of the Property and are therefore unable to comment on the structural conditions. We have not carried out any investigations on site to determine the suitability of the ground conditions for any future developments. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be required.

We have not carried out any on-site measurements to verify the correctness of the areas in respect of the Property but have assumed that the areas shown on the documents or deduced from the plans are correct. All documents and plans have been used as reference only and all dimensions, measurements and areas are therefore approximations.

CURRENCY

Unless otherwise stated, all monetary figures stated in this letter and the certificate are in Renminbi (“RMB”).

The valuation certificate is attached hereto.

Yours faithfully,

For and on behalf of

Vincorn Consulting and Appraisal Limited

Vincent Cheung

BSc(Hons) MBA FRICS MHKIS RPS(GP)

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Managing Director

Note: Mr. Vincent Cheung holds a Master of Business Administration and he is a Registered Professional Surveyor (General Practice) with over 22 years’ experiences in real estate industry and assets valuations sector. His experience on valuations covers Hong Kong, Macau, Taiwan, South Korea, Mainland China, Vietnam, Cambodia and other overseas countries. Vincent is a fellow member of the Royal Institution of Chartered Surveyors and a member of The Hong Kong Institute of Surveyors, a member of the Institute of Shopping Centre Management, a member of the Hong Kong Securities and Investment Institute, a member of the Hong Kong Institute of Real Estate Administrators, a member of China Institute of Real Estate Appraisers and Agents and a Registered Real Estate Appraiser and Agent People’s Republic of China. Vincent is one of the valuers on the “list of property valuers for undertaking valuation for incorporation or reference in listing particulars and circulars and valuations in connection with takeovers and mergers” as well as a Registered Business Valuer of the Hong Kong Business Valuation Forum.

VALUATION CERTIFICATE

Property To Be Held by the Group for Investment in The PRC

Property	Description and Tenure	Occupancy Particulars	Market Value as at 31 July 2019:
A portion of Tower 4A and Tower 5 of a commercial development namely Glory Polis located at the junction of Dingsheng Avenue and Songshan South Road, Erqi District, Zhengzhou, Henan Province, The PRC	<p>Glory Polis (the “Development”) is a commercial development, comprising of retail spaces, apartments and carparking spaces.</p> <p>Tower 4A of Glory Polis is a 29-storey apartment building over a 2-storey basement for carparking purposes. The Property comprises the whole of Level 25 to Level 29 of Tower 4A.</p> <p>Tower 5 of Glory Polis is a 21-storey apartment building over a 2-storey basement for carparking purposes. The Property comprises Units 111 and 112 on Level 1, and the whole of Level 17 to Level 21 of Tower 5.</p>	As per our on-site inspection and the information provided by the Group, the Property is currently undergoing superstructure construction works and the construction is expected to be completed in February 2020.	<p>RMB36,000,000 (Renminbi Thirty Six Million)</p> <p>Gross Development Value as at 31 July 2019:</p> <p>RMB90,000,000 (Renminbi Ninety Million)</p>

As advised by the Group, the Property upon completion has a total gross floor area (“GFA”) of approximately 9,981.86 square metres (“sq.m.”). The area breakdown of the Property is listed below:

Portion	GFA (sq.m.)
195 Apartment Units of Block 4A	4,958.60
147 Apartment Units of Block 5	5,023.26
	9,981.86

As per the State-owned Land Use Rights Certificate, the master site of the Development has a site area of approximately 30,175.03 sq.m.

The land use rights of the Property were granted for a term expiring on 26 April 2056 for commercial uses.

Notes:

1. The Property was inspected by Wilson Tarn on 10 April 2019.
2. The valuation and this certificate were prepared by Vincent Cheung *FRICS MHKIS RPS(GP) MISCM MHKSI MHIREA MCIREA Registered Real Estate Appraiser and Agent PRC.*
3. Pursuant to a State-owned Land Use Rights Grant Contract, 410100-CR-2016-1221-15642 dated 29 January 2016 and entered into between 河南省鄭州市國土資源局 and 河南鑫苑順晟置業有限公司, the land use rights of the master site of the Development with a site area of 30,175.03 sq.m. were granted to 河南鑫苑順晟置業有限公司 for a term of 40 years for commercial uses at a consideration of RMB225,300,000.

The salient conditions of the State-owned Land Use Rights Grant Contract are summarised below:

Land Use	:	Commercial
Site Area	:	30,175.03 sq.m.
Lot No.	:	鄭政出[2015]119號(網)
Land Use Rights Term	:	40 years
Plot Ratio	:	Less than 4.0
Building Height	:	Less than 100 metres
Building Density	:	Less than 40%
Construction Period	:	Within 2.5 years after obtaining the Construction Project Work Commencement Permit

4. Pursuant to a State-owned Land Use Rights Certificate, 鄭國用(2016)第0119號 dated 20 April 2016 and issued by 鄭州市人民政府, the land use rights of the master site of the Development with a site area of 30,175.03 sq.m. were granted to 河南鑫苑順晟置業有限公司 for a term expiring on 26 April 2056 for commercial uses.
5. Pursuant to a Construction Land Use Planning Permit, 鄭規地字第410100201609052號 dated 22 March 2016 and issued by 鄭州市城鄉規劃局, the proposed land use of the master site of the Development was approved.
6. Pursuant to two Construction Project Planning Permits, issued by 鄭州市城鄉規劃局, the proposed development of the master site of the Development was approved.

Details of the Construction Project Planning Permits are listed as follows:

Permit No.	Date of Issue	Portion	Gross Floor Area (sq.m.)
鄭規建(建築)字第410100201709174號	24 November 2017	Blocks 4 and 4A	49,792.83
鄭規建(建築)字第410100201709175號	24 November 2017	Blocks 1, 2, 3, 5, 6 and Basement	124,874.48
			174,667.31

7. Pursuant to a Construction Project Work Commencement Permit, No. 410100201712070101 dated 7 December 2017 and issued by 鄭州市城鄉建設委員會, the commencement of the construction of the Development was approved.

8. Pursuant to three Pre-sale Permits, issued by 鄭州市住房保障和房地產管理局, the pre-sale of a portion of the Development was permitted.

Details of the Pre-sale Permits are listed as follows:

Permit No.	Date of Issue	Portion	Gross Floor Area (sq.m.)
(2017) 鄭房預字第4189號	22 December 2017	Blocks 1, 2 and 3	57,477.89
(2018) 鄭房預字第4354號	20 August 2018	Block 4A	28,887.99
(2018) 鄭房預字第4311號	20 August 2018	Block 5	22,357.85
			108,723.73

9. Pursuant to an Apartment Product Entire Purchase Contract, dated 28 June 2018 and entered into between 河南鑫苑順晟置業有限公司 and Xinyuan Science and Technology Service Co., Ltd., the Property was pre-sold to Xinyuan Science and Technology Service Co., Ltd..

10. The general description and market information of the Property are summarised below:

Location	:	The Property is located at the south of Dingsheng Avenue and the east of Songshan South Road, Erqi District, Zhengzhou, Henan Province, The PRC.
Transportation	:	South 4th Ring Road Metro Station of Metro Line No. 2, Zhengzhou Railway Station, Zhengzhou Xinzheng International Airport are located approximately 6.5 kilometres, 11.5 kilometres and 37.8 kilometres away from the Property respectively.
Nature of Surrounding Area	:	The subject area is a predominately residential area in Erqi District.

11. We have been provided with a legal opinion regarding the Property by the PRC Legal Advisers, which contains, inter alia, the following:

- (a) The Apartment Product Entire Purchase Contract entered into between 河南鑫苑順晟置業有限公司 and Xinyuan Science and Technology Service Co., Ltd. is legally effective and the two parties are legally bound by the contract; and
- (b) Upon signing Commodity Housing Purchase Contracts and completing the registration of the same, settling the contract sum and relevant taxes, and obtaining a building ownership certificate in accordance with laws, Xinyuan Science and Technology Service Co., Ltd. will become the sole legal owner of the Property, and will have rights to occupy, use, transfer, let, mortgage or by other legal means handle the Property according to terms of the corresponding building ownership certificate and the relevant regulations under the laws of The PRC.

12. The gross development value of the Property by assuming that it had been completed as at the Valuation Date was circa RMB90,000,000. According to the information provided, the outstanding construction cost and incurred construction cost of the Property as at the Valuation Date was circa RMB36,200,000 and RMB10,500,000.

13. In the course of our valuation of the Property, we have considered and analysed the apartment sale comparables in the vicinity. These comparables are adopted as they are considered relevant to the property in terms of physical and locational attributes. The unit rates of the adopted comparables are ranging from RMB8,000 to RMB10,556 per sq.m. on the basis of gross floor area. The unit rate adopted in the valuation are consistent with the unit rates of the relevant comparables after due adjustments in terms of different attributes, including location, time and building age. The adopted unit rate of the property is RMB9,016 per sq.m. on the basis of gross floor area.

14. The Market Value has been assessed with consideration of the existing status of the Property as at valuation date and with the assumption that the construction will be completed successfully.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and certain aspects of Cayman Islands Company Law.

SUMMARY OF THE CONSTITUTION OF OUR COMPANY

1. Memorandum of Association

The Memorandum of Association of our Company was conditionally adopted on 16 September 2019 and states, inter alia, that the liability of the members of our Company is limited, that the objects for which our Company is established are unrestricted and our Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in the section headed “Documents Delivered to the Registrar of Companies and Available for Inspection” in Appendix VI to this prospectus.

2. Articles of Association

The Articles of Association of our Company were conditionally adopted on 16 September 2019 and include provisions to the following effect:

2.1 Classes of Shares

The share capital of our Company consists of ordinary shares. The capital of our Company at the date of adoption of the Articles is HK\$380,000 divided into 38,000,000,000 shares of HK\$0.00001 each.

2.2 Directors

(a) Power to allot and issue Shares

Subject to the provisions of the Companies Law and the Memorandum and Articles of Association, the unissued shares in our Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by our Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting,

return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of our Company or the holder thereof, liable to be redeemed.

(b) Power to dispose of the assets of our Company or any subsidiary

The management of the business of our Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by our Company and are not by the Articles of Association or the Companies Law expressly directed or required to be exercised or done by our Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Articles of Association and to any regulation from time to time made by our Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) Compensation or payment for loss of office

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by our Company in general meeting.

(d) Loans to Directors

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) Financial assistance to purchase Shares

Subject to all applicable laws, our Company may give financial assistance to Directors and employees of our Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in our Company or any such subsidiary or holding company. Further, subject to all applicable laws, our Company may give financial assistance to a trustee for the acquisition of shares in our Company or shares in any such subsidiary or holding company to be held for the benefit of employees of our Company, its subsidiaries, any holding company of our Company or any subsidiary of any such holding company (including salaried Directors).

(f) Disclosure of interest in contracts with our Company or any of its subsidiaries

No Director or proposed Director shall be disqualified by his office from contracting with our Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of our Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to our Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by our Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of our Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

- (iv) any proposal or arrangement concerning the benefit of employees of our Company or any of its subsidiaries including:
 - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or
 - (B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of our Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his/their interest in shares or debentures or other securities of our Company.

(g) *Remuneration*

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or our Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in our Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of our Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of our Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of our Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) Retirement, appointment and removal

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of our Company and shall then be eligible for re-election at that meeting, but shall not be taken into account in determining the number of Directors and which Directors are to retire by rotation at such meeting.

Our Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between our Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). Our Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed.

Our Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of our Company notice in writing by a member of our Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to

propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

- (i) if he resigns his office by notice in writing to our Company at its registered office or its principal office in Hong Kong;
- (ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;
- (iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;
- (iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;
- (vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or
- (vii) if he shall be removed from office by an ordinary resolution of the members of our Company under the Articles of Association.

At every annual general meeting of our Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. Our Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) *Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of our Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of our Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) *Proceedings of the Board*

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 *Alteration to constitutional documents*

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 *Variation of rights of existing shares or classes of shares*

If at any time the share capital of our Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of capital

Our Company may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

Our Company may from time to time by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to our Company for our Company's benefit;
- (b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and
- (c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as our Company has power to attach to unissued or new shares.

Our Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Companies Law.

2.6 Special resolution – majority required

A “special resolution” is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of our Company entitled to vote at a general meeting of our Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an “ordinary resolution” is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of our Company aforesaid.

2.7 Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of our Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of our Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of our Company duly registered and who shall have paid all sums for the time being due from him payable to our Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of our Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of our Company it may authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of our Company or at any general meeting of any class of members of our Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if it were an individual member of our Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 Annual general meetings and extraordinary general meetings

Our Company shall hold a general meeting as its annual general meeting each year, within a period of not more than 15 months after the holding of the last preceding annual general meeting (or such longer period as the Stock Exchange may authorise). The annual general meeting shall be specified as such in the notices calling it.

The board of Directors may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any one or more members holding together, as at the date of deposit of the requisition, shares representing not less than one-tenth of the paid up capital of our Company which carry the right of voting at general meetings of our Company. The written requisition shall be deposited at the principal office of our Company in Hong Kong or, in the event our Company ceases to have such a principal office, the registered office of our Company, specifying the objects of the meeting and signed by the requisitionist(s). If the Directors do

not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to them by our Company.

2.9 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of our Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of our Company, or any of them, shall be open to the inspection by members of our Company (other than officers of our Company) and no such member shall have any right of inspecting any accounts or books or documents of our Company except as conferred by the Companies Law or any other relevant law or regulation or as authorised by the Directors or by our Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of our Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of our Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of our Company for the period covered by the profit and loss account and the state of our Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of our Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by our Company as provided in the Articles of Association to every member of our Company and every holder of debentures of our Company provided that our Company shall not be required to send copies of those documents to any person of whose address our Company is not aware or to more than one of the joint holders of any shares or debentures.

2.10 Auditors

Our Company shall at every annual general meeting appoint an auditor or auditors of our Company who shall hold office until the next annual general meeting. The removal of an auditor before the expiration of his period of office shall require the approval of an ordinary resolution of the members in general meeting. The remuneration of the auditors shall be fixed by our Company at the annual general meeting at which they are appointed provided that in respect of any particular year our Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.11 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of our Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from our Company).

Notwithstanding that a meeting of our Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all members of our Company entitled to attend and vote thereat or their proxies; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

If, after the notice of a general meeting has been sent but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Directors, in their absolute discretion, consider that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time and place specified in the notice calling such meeting, it may change or postpone the meeting to another date, time and place.

The Directors also have the power to provide in every notice calling a general meeting that in the event of a gale warning or a black rainstorm warning is in force at any time on the day of the general meeting (unless such warning is cancelled at least a minimum period

of time prior to the general meeting as the Directors may specify in the relevant notice), the meeting shall be postponed without further notice to be reconvened on a later date. Where a general meeting is so postponed, our Company shall endeavour to cause a notice of such postponement to be placed on our Company's website and published on the Stock Exchange's website as soon as practicable, but failure to place or publish such notice shall not affect the automatic postponement of such meeting.

Where a general meeting is postponed:

- (a) the Directors shall fix the date, time and place for the reconvened meeting and at least seven clear days' notice shall be given for the reconvened meeting; and such notice shall specify the date, time and place at which the postponed meeting will be reconvened and the date and time by which proxies shall be submitted in order to be valid at such reconvened meeting (provided that any proxy submitted for the original meeting shall continue to be valid for the reconvened meeting unless revoked or replaced by a new proxy); and
- (b) notice of the business to be transacted at the reconvened meeting shall not be required, nor shall any accompanying documents be required to be recirculated, provided that the business to be transacted at the reconvened meeting is the same as that set out in the notice of the original meeting circulated to the members of our Company.

2.12 Transfer of shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of our Company in respect thereof. All instruments of transfer shall be retained by our Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which our Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with our Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favour of our Company; and
- (f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to our Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with our Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by our Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of our Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of our Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.13 Power of our Company to purchase its own shares

Our Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of our Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase.

2.14 Power of any subsidiary of our Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.15 Dividends and other methods of distribution

Subject to the Companies Law and the Articles of Association, our Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of our Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of our Company such interim dividends as appear to the Directors to be justified by the profits of our Company. The Directors may also pay half-yearly or at other intervals to be selected by them any dividend which may be payable at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which our Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of our Company all sums of money (if any) presently payable by him to our Company on account of calls, instalments or otherwise.

No dividend shall carry interest against our Company.

Whenever the Directors or our Company in general meeting have resolved that a dividend be paid or declared on the share capital of our Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of our Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of our Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. Our Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of our Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an

allotment of shares credited as fully paid without offering any right to members of our Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of our Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of our Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of our Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to our Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. Our Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, our Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to our Company.

The Directors may, with the sanction of the members of our Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of our Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of our Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.16 Proxies

Any member of our Company entitled to attend and vote at a meeting of our Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of our Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of our Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of our Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.17 Calls on shares and forfeiture of shares

The Directors may from time to time make calls upon the members of our Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of our Company shall (subject to our Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of our Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of our Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to our Company all monies which at the date of forfeiture were payable by him to our Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.18 Inspection of register of members

The register of members of our Company shall be kept in such manner as to show at all times the members of our Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by our Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of our Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of our Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Directors may determine for each inspection.

2.19 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of our Company present in person or by proxy shall be a quorum provided always that if our Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of our Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of our Company or at any relevant general meeting of any class of members of our Company.

The quorum for a separate general meeting of the holders of a separate class of shares of our Company is described in paragraph 2.4 above.

2.20 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.21 Procedure on liquidation

If our Company shall be wound up, and the assets available for distribution amongst the members of our Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of our Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for distribution amongst the members of our Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of our Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If our Company shall be wound up, the liquidator may with the sanction of a special resolution of our Company and any other sanction required by the Companies Law, divide amongst the members of our Company in specie or kind the whole or any part of the assets of our Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of our Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of our Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of our Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.22 Untraceable members

Our Company shall be entitled to sell any shares of a member of our Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) our Company has not during that time or before the expiry of the three months period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, our Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules,

by electronic communication in the manner in which notices may be served by our Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to our Company and upon receipt by our Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1. Introduction

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2. Incorporation

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 13 December 2018 under the Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. Our Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

3. Share Capital

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the “share premium account”. At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as our company may from time to time determine including, but without limitation:

- (a) paying distributions or dividends to members;

- (b) paying up unissued shares of our company to be issued to members as fully paid bonus shares;
- (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law);
- (d) writing-off the preliminary expenses of our company;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of our company; and
- (f) providing for the premium payable on redemption or purchase of any shares or debentures of our company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid our company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of our company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of our company. The articles of association may provide that the manner of purchase may be determined by the directors of our company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of our company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, our company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of our company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of our company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4. Dividends and Distributions

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of our company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5. Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of our company to challenge (a) an act which is *ultra vires* our company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of our company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6. Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of our company in issue, appoint an inspector to examine into the affairs of our company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that our company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by our company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7. Disposal of Assets

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of our company.

8. Accounting and Auditing Requirements

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by our company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by our company; and
- (c) the assets and liabilities of our company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of our company's affairs and to explain its transactions.

9. Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10. Inspection of Books and Records

Members of a company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of our company. They will, however, have such rights as may be set out in our company's articles of association.

11. Special Resolutions

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying

the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of our company may take effect as special resolutions if this is authorised by the articles of association of our company.

12. Subsidiary Owning Shares in Parent

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13. Mergers and Consolidations

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) “consolidation” means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company’s articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14. Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right

to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15. Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16. Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17. Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if our company is solvent, or (b) by an ordinary resolution of its members if our company is insolvent. The liquidator's duties are to collect the assets of our company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge our company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18. Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19. Taxation

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, our Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to our Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
 - (i) on or in respect of the shares, debentures or other obligations of our Company; or
 - (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2018 Revision).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to our Company.

20. Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21. General

Maples and Calder (Hong Kong) LLP, our Company's legal advisers on Cayman Islands law, have sent to our Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

1. FURTHER INFORMATION ABOUT OUR GROUP AND THE SUBSIDIARIES

1.1 Incorporation of Our Company in the Cayman Islands and Registration of Our Company Under Part 16 of the Companies Ordinance

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 13 December 2018 with our registered office located at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. Our Company has established a place of business in Hong Kong at 9/F., Wah Yuen Building, 149 Queen's Road Central, Hong Kong and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 9 April 2019. In connection with such registration, Mr. Tso Ping Cheong Brian had been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, we are subject to the relevant laws of the Cayman Islands and our constitution, which comprises the Memorandum and the Articles. A summary of the relevant aspects of Cayman Islands company law and certain provisions of the Articles is set out in Appendix IV to this prospectus.

1.2 Changes in the Share Capital of Our Company

- (a) Our Company was incorporated on 13 December 2018 with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of a par value of HK\$0.01 each.
- (b) On 13 December 2018, one fully-paid Share of HK\$0.01 was allotted and issued to Mapcal Limited (the initial subscriber and an Independent Third Party), which was transferred to Xinyuan Real Estate on the same day.
- (c) On 21 March 2019, our Company allotted and issued 281,249 Shares, 15,000 Shares, 15,000 Shares, 3,750 Shares, 3,750 Shares, all nil-paid, to Xinyuan Real Estate, BVI-Zhang Yong, BVI-Yang Yuyan, BVI-Cui Yong and HK-Liu Huaiyu, respectively.
- (d) On 21 March 2019, 37,500 Shares and 18,750 Shares were allotted and issued to BVI-Management, a nominee vehicle of nine selected directors and employees of our Group, and BVI-Zhang Lizhou, a nominee vehicle of Mr. Zhang Lizhou, the then director of our Company, respectively, pursuant to the Pre-IPO Share Award Scheme, the major terms of which are set out in the subsection headed

“– 4. Pre-IPO Share Award Scheme and Post-IPO Share Option Scheme – 4.1 Pre-IPO Share Award Scheme” in this section. The shareholding of our Company immediately following the above allotment is shown below:

Shareholders	Number of Shares being held	Shareholding percentage (%)
Xinyuan Real Estate	281,250	75.00
BVI-Management	37,500	10.00
BVI-Zhang Lizhou	18,750	5.00
BVI-Zhang Yong	15,000	4.00
BVI-Yang Yuyan	15,000	4.00
BVI-Cui Yong	3,750	1.00
HK-Liu Huaiyu	3,750	1.00
Total:	<u>375,000</u>	<u>100.00</u>

- (e) After the transfer of all 18,750 Shares from BVI-Zhang Lizhou to Xinyuan Real Estate pursuant to the Arrangement Agreement, on 20 August 2019, each issued and unissued Share of a par value of HK\$0.01 in the authorised share capital of our Company was subdivided into 1,000 Shares of a par value of HK\$0.00001 each, such that the authorised share capital of the company is HK\$380,000 divided into 38,000,000,000 Shares of a par value of HK\$0.00001 each. On 23 August 2019, our Company credited all the nil-paid Shares above as fully-paid in consideration of the capitalisation of the respective shareholders' loans owed by our Company to Xinyuan Real Estate, BVI-Zhang Yong, BVI-Yang Yuyan,

BVI-Cui Yong and HK-Liu Huaiyu. The shareholding of our Company immediately following the above capitalisation is shown below:

Shareholders of our Company	Number of Shares being held	Shareholding percentage (%)
Xinyuan Real Estate	300,000,000	80.00
BVI-Management	37,500,000	10.00
BVI-Zhang Yong	15,000,000	4.00
BVI-Yang Yuyan	15,000,000	4.00
BVI-Cui Yong	3,750,000	1.00
HK-Liu Huaiyu	3,750,000	1.00
Total:	<u>375,000,000</u>	<u>100.00</u>

- (f) Pursuant to the Global Offering, our Company will offer 125,000,000 Offer Shares, being 25% of the total issued share capital of our Company (as enlarged by the Shares offered under the Global Offering and not taking into account any Shares which may be allotted and issued upon exercise of any options which may be granted under the Post-IPO Share Option Scheme) for subscription by the public in Hong Kong and placing to professional, institutional and individual investors.
- (g) Immediately following the completion of the Global Offering (without taking into account any Shares which may be issued pursuant to the Post-IPO Share Option Scheme), the total issued share capital of our Company immediately after the completion of the Global Offering will be HK\$5,000 divided into 500,000,000 Shares of HK\$0.00001 each, fully-paid or credited as fully-paid, with 37,500,000,000 Shares which our Company is authorised to issue, remaining unissued.
- (h) Other than pursuant to the exercise of any options which may be granted under the Post-IPO Share Option Scheme and the exercise of the general mandate to issue Shares referred to in the subsection headed “– 1. Further Information About Our Group and the Subsidiaries – 1.3 Resolutions in Writing of Our Shareholders Passed on 16 September 2019” in this section, our Company does not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.
- (i) Save as disclosed in this prospectus, there has been no alteration in our Company’s share capital since its incorporation.

1.3 Resolutions in Writing of Our Shareholders Passed on 16 September 2019

Pursuant to the written resolutions passed by all of our Shareholders on 16 September 2019 among others:

- (a) the Memorandum of Association and the Articles were conditionally approved and adopted to take effect from the Listing Date;
- (b) conditional on (A) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any additional Shares which may be issued pursuant to the Global Offering, the exercise of the options which may be granted under the Post-IPO Share Option Scheme) and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange; (B) the Offer Price having been duly agreed upon between the Joint Lead Managers (on behalf of the Underwriters) and the Company and the delivery of the Price Determination Agreement on or around the Price Determination Date; (C) the execution and delivery of the Underwriting Agreements on or around the Price Determination Date; and (D) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements, in each case on or before the dates and times specified in such Underwriting Agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus:
 - (i) the Global Offering was approved and the Directors were authorised to allot and issue the Offer Shares pursuant to the Global Offering;
 - (ii) the rules of the Post-IPO Share Option Scheme (the principal terms of which are set forth in the subsection headed “– 4. Pre-IPO Share Award Scheme and Post-IPO Share Option Scheme – 4.2 Post-IPO Share Option Scheme” in this section) were approved and adopted and the Directors were authorised to approve any amendments to the rules of the Post-IPO Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion to grant options to subscribe for the Shares under the Post-IPO Share Option Scheme up to the limits as referred to in the Post-IPO Share Option Scheme and to allot, issue and deal with the Shares under the exercise of any option which may be granted

under the Post-IPO Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to carry into effect the Post-IPO Share Option Scheme;

- (iii) a general unconditional mandate (“**Issuing Mandate**”) was given to the Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any dividend in accordance with the Articles of Association, or pursuant to the exercise of any options which may be granted under the Post-IPO Share Option Scheme, or under the Global Offering or pursuant to any specific authority granted by the Shareholders in general meeting, or issue of Shares upon exercise of rights of subscription or conversion attaching to any warrants of our Company or any securities which are convertible into Shares, a total number of Shares of not more than the aggregate of (a) 20% of the total number of Shares in issue immediately following completion of the Global Offering, but excluding (where applicable) any Shares which may be issued upon the exercise of any option that may be granted under the Post-IPO Share Option Scheme; and (b) the total number of our Shares repurchased by our Company (if any) pursuant to the Repurchase Mandate (as mentioned below), until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to the Directors, whichever occurs first;
- (iv) a general unconditional mandate (“**Repurchase Mandate**”) was given to the Directors to exercise all the powers for and on behalf of our Company to repurchase Shares with an aggregate number of Shares of not exceeding 10% of the aggregate number of Shares in issue immediately following completion of the Global Offering, but excluding (where applicable) any Shares which may be allotted and issued upon the exercise of any option that may be granted under the Post-IPO Share Option Scheme until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to the Directors, whichever occurs first; and
- (v) the extension of the general mandate to allot, issue and deal with Shares pursuant to sub-paragraph (iii) above by the addition of such Shares repurchased by our Company (if any) pursuant to sub-paragraph (iv) above.

1.4 Further Information About Our Group's Subsidiaries

Our Company has 16 subsidiaries in total, one of which was incorporated in the BVI, one of which was incorporated in Hong Kong, 14 of which were incorporated in the PRC. A summary of the corporate information of such companies as at the Latest Practicable Date is set out as follows:

(a) Subsidiary incorporated in the BVI

Full name of company	Xinyuan Property Management Service (BVI) Ltd.
Date of incorporation	2 January 2019
Number of issued shares	100
Percentage equity interest attributable to our Group	100%
Principal business activity	Investment holding

(b) Subsidiary incorporated in Hong Kong

Full name of company	Xinyuan Property Management Service (HK) Ltd.
Date of incorporation	8 January 2019
Issued share capital	HK\$100
Number of issued shares	100
Percentage equity interest attributable to our Group	100%
Principal business activities	Investment holding

(c) Subsidiaries incorporated in the PRC

(1) Full name of company	Xinyuan Science and Technology Service Group Co., Ltd. (鑫苑科技服務集團有限公司)
Date of incorporation	28 December 1998
Issued share capital	RMB50,000,000
Percentage equity interest attributable to our Group	100%
Principal business activities	Provision of property management services, value-added services and pre-delivery and consulting services
(2) Full name of company	Qingdao Xinyuan Jinguang Property Development Co., Ltd. (青島鑫苑金光物業發展有限公司)
Date of incorporation	6 November 2001
Issued share capital	RMB1,000,000
Percentage equity interest attributable to our Group	60%
Principal business activities	Provision of property management services
(3) Full name of company	Beijing Xinxiang Huicheng Property Services Co., Ltd. (北京鑫享滙成物業服務有限公司)
Date of incorporation	18 October 2013
Issued share capital	RMB10,000,000
Percentage equity interest attributable to our Group	100%
Principal business activities	Provision of property management services

(4) Full name of company	Henan Xinyuan Real Estate Marketing Co., Ltd. (河南鑫苑房地產營銷策劃有限公司)
Date of incorporation	30 July 2015
Issued share capital	RMB1,000,000
Percentage equity interest attributable to our Group	100%
Principal business activities	Provision of property marketing services
(5) Full name of company	Henan Yueshenghang Property Services Co., Ltd. (河南悅晟行物業服務有限公司)
Date of incorporation	15 April 2016
Issued share capital	RMB5,000,000
Percentage equity interest attributable to our Group	100%
Principal business activities	Provision of property management services
(6) Full name of company	Henan Xinyuan Property Services Co., Ltd. (河南鑫苑物業服務有限公司)
Date of incorporation	1 December 2016
Issued share capital	RMB10,000,000
Percentage equity interest attributable to our Group	100%
Principal business activities	Provision of property management services

(7) Full name of company	Binhai Huafang Property Co., Ltd. (濱海華芳物業有限公司)
Date of incorporation	12 June 2017
Issued share capital	RMB2,680,000
Percentage equity interest attributable to our Group	100%
Principal business activities	Provision of property management services
(8) Full name of company	Puyang Zhongfang Xinyuan Property Services Co., Ltd. (濮陽中房鑫苑物業服務有限公司)
Date of incorporation	29 November 2017
Issued share capital	RMB5,000,000
Percentage equity interest attributable to our Group	65%
Principal business activities	Provision of property management services
(9) Full name of company	Henan Chengzhihang Property Services Co., Ltd. (河南誠至行物業服務有限公司)
Date of incorporation	15 December, 2017
Issued share capital	RMB5,000,000
Percentage equity interest attributable to our Group	100%
Principal business activities	Provision of property management services

(10) Full name of company	Henan Gechen Culture Media Co. Ltd. (河南格宸文化傳媒有限公司)
Date of incorporation	14 March 2019
Issued share capital	RMB10,000,000
Percentage equity interest attributable to our Group	100%
Principal business activities	Provision of event planning services
(11) Full name of company	Xinyang City Xinzhiheng Property Services Co., Ltd. (滎陽市鑫之晟物業服 務有限公司)
Date of incorporation	9 April 2019
Issued share capital	RMB10,000,000
Percentage equity interest attributable to our Group	100%
Principal business activities	Provision of property management services
(12) Full name of company	Henan Yingsheng M&E Engineering Co., Ltd. (河南省盈晟機電工程有限公司)
Date of incorporation	10 April 2019
Issued share capital	RMB20,000,000
Percentage equity interest attributable to our Group	51%
Principal business activities	Provision of intelligence engineering services

(13) Full name of company	Xinyi Xinyuan Property Services Co., Ltd. (新沂鑫苑物業服務有限公司)
Date of incorporation	7 May 2019
Issued share capital	RMB10,000,000
Percentage equity interest attributable to our Group	100%
Principal business activities	Provision of property management services
(14) Full name of company	Anyang Xinhengyue Property Services Co., Ltd. (安陽鑫恒悅物業服務有限公司)
Date of incorporation	26 June 2019
Issued share capital	RMB10,000,000
Percentage equity interest attributable to our Group	100%
Principal business activities	Provision of property management services

1.5 Reorganisation

In preparing for the Listing, the companies comprising our Group underwent the Reorganisation to rationalise the corporate structure of our Group and our Company became the holding company of our Group. For further details, please refer to the section headed “History and Reorganisation” in this prospectus.

1.6 Changes in Share Capital of the Subsidiaries

The subsidiaries are listed in the Accountant’s Report set out in Appendix I to this prospectus.

Save as disclosed in the section headed “History and Reorganisation” in this prospectus, there had been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

1.7 Repurchases by Our Company of Our Own Securities

This section sets out information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of our own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) Shareholders' approval

All proposed repurchase of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association of our Company and the Listing Rules and the applicable laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, under the Companies Law any repurchases by our Company may be made out of our Company's profits, out of our Company's share premium account, out of the proceeds of a new issue of Shares made for the purpose of the repurchase or, if so authorised by the Articles and subject to the Company remaining solvent, out of capital. Any amount of premium payable on the purchase over the par value of the Shares to be repurchased must be out of profits or from sums standing to the credit of our Company's share premium account or out of capital, if authorised by the Articles, and subject to the Companies Law.

(iii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring our Company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from

repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities which would result in the number of the listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of repurchased shares

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed.

(v) Suspension of repurchase

A listed company shall not make any repurchase of securities on the Stock Exchange at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange no later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate prices paid.

(vii) Core connected persons

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a “core connected person”, that is, a director, chief executive or substantial shareholder of our Company or any of its subsidiaries or their close associates and a core connected person is prohibited from knowingly selling his securities to our Company.

(b) Reasons for repurchases

Our Directors believe that the ability to repurchase Shares is in the interests of our Company and our Shareholders. Repurchases may, depending on the circumstances, result in an increase in the net assets and/or earnings per Share. Our Directors have sought the grant of a general mandate to repurchase Shares to give our Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regard to the circumstances then pertaining.

(c) Funding of repurchases and impact on working capital or gearing position

In repurchasing securities, our Company may only apply funds lawfully available for such purpose in accordance with its Memorandum and Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

There could be a material adverse impact on the working capital or gearing position of our Company (as compared with the position disclosed in this prospectus) in the event that the Repurchase Mandate were to be carried out in full at any time during the share repurchase period.

However, our Directors do not propose to exercise the general mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(d) General

The exercise in full of the Repurchase Mandate, on the basis of 500,000,000 Shares in issue immediately following the completion of the Global Offering (without taking into account any Shares which may be issued upon the exercise of any option

that may be granted under the Post-IPO Share Option Scheme), could accordingly result in up to approximately 10% of the Shares being repurchased by our Company during the period prior to the earliest occurrence of any of the following:

- (i) the conclusion of our next annual general meeting; or
- (ii) the end of the period within which we are required by any applicable law or the Articles of Association to hold our next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code.

Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate. Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

2. FURTHER INFORMATION ABOUT OUR BUSINESS

2.1 Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or our subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (i) the entire apartment purchase agreement (公寓產品整購合同) dated 8 June 2018 entered into between Henan Xinyuan Shunsheng Real Estate Co., Ltd. (河南鑫苑順晟置業有限公司) (“**Henan Shunsheng**”) and Xinyuan Science, pursuant to which Henan Shunsheng agreed to sell and Xinyuan Science agreed to purchase 342 apartments located in Xinyuan Mingcheng Court No. 2 (鑫苑名城2號院) with a total floor area of 10,000 square metres at a consideration of RMB89,236,380;
- (ii) the equity transfer agreement (股權轉讓協議) dated 9 February 2018 entered into between Qingdao Chengtou Shiye Co., Ltd. (青島城投實業有限公司) (“**Qingdao Chengtou**”) and Henan Xinyuan, pursuant to which Qingdao Chengtou agreed to transfer 60% of the equity interest in Qingdao Xinyuan to Henan Xinyuan at a consideration of RMB2,177,600;
- (iii) the investment agreement (投資協議) (the “**Henan Qingning Agreement**”) dated 12 April 2018 entered into among Xinyuan Science, Henan Qingning, Li Yanhui (李燕輝) and Henan Yangjian Shiye Co., Ltd. (河南洋堅實業有限公司), pursuant to which Xinyuan Science agreed to invest RMB36,710,000 in Henan Qingning to acquire 51% of the equity interest in Henan Qingning;
- (iv) the supplemental agreement (補充協議) to the Henan Qingning Agreement dated 22 October 2018 entered into among Xinyuan Science, Li Yanhui (李燕輝) and Henan Qingning, pursuant to which the amount of capital contribution of Xinyuan Science in Henan Qingning was reduced from RMB36,710,000 to RMB24,460,000;
- (v) the shareholder’s loan agreement dated 19 March 2019 entered into between Xinyuan Real Estate and our Company, pursuant to which Xinyuan Real Estate agreed to provide a shareholder’s loan in the sum of RMB230 million or its equivalent in other currencies to our Company;
- (vi) the equity transfer agreement (股權轉讓協議) dated 23 April 2019 entered into between Xinyuan Renju (Beijing) and Xinyuan-HK, pursuant to which Xinyuan Renju (Beijing) agreed to transfer 75% of the equity interest in Xinyuan Science to Xinyuan-HK at a consideration of RMB172,500,000;





- (vii) the equity transfer agreement (股權轉讓協議) dated 23 April 2019 entered into between Shanghai Hexinli and Xinyuan-HK, pursuant to which Shanghai Hexinli agreed to transfer 19% of the equity interest in Xinyuan Science to Xinyuan-HK at a consideration of RMB43,700,000;
- (viii) the equity transfer agreement (股權轉讓協議) dated 23 April 2019 entered into between Zhang Yong (張勇) and Xinyuan-HK, pursuant to which Zhang Yong (張勇) agreed to transfer 4% of the equity interest in Xinyuan Science to Xinyuan-HK at a consideration of RMB9,200,000;
- (ix) the equity transfer agreement (股權轉讓協議) dated 23 April 2019 entered into between Cui Yong (崔勇) and Xinyuan-HK, pursuant to which Cui Yong (崔勇) agreed to transfer 1% of the equity interest in Xinyuan Science to Xinyuan-HK at a consideration of RMB2,300,000;
- (x) the equity transfer agreement (股權轉讓協議) dated 23 April 2019 entered into between Liu Huaiyu (劉懷宇) and Xinyuan-HK, pursuant to which Liu Huaiyu (劉懷宇) agreed to transfer 1% of the equity interest in Xinyuan Science to Xinyuan-HK at a consideration of RMB2,300,000;
- (xi) the arrangement agreement dated 14 August 2019 entered into among our Company, Xinyuan Real Estate, Zhang Lizhou (張立洲) and BVI-Zhang Lizhou, pursuant to which (i) BVI-Zhang Lizhou shall transfer 18,750 Shares to Xinyuan Real Estate in consideration of our Company's refund of RMB2,800,000 paid by Zhang Lizhou (張立洲) pursuant to the Pre-IPO Share Award Scheme and (ii) Xinyuan Real Estate shall apply a portion of the shareholder's loan it advanced to our Company in the amount of RMB2,800,000 as settlement of the consideration for such Shares;
- (xii) the shareholders' loan agreement dated 14 August 2019 entered into among BVI-Zhang Yong, BVI-Yang Yuyan, BVI-Cui Yong, HK-Liu Huaiyu and our Company, pursuant to which BVI-Zhang Yong, BVI-Yang Yuyan, BVI-Cui Yong and HK-Liu Huaiyu agreed to provide a shareholders' loan in the aggregate sum of RMB23 million or its equivalent in other currencies to our Company;
- (xiii) the loan capitalisation agreement dated 23 August 2019 entered into among Xinyuan Real Estate, BVI-Zhang Yong, BVI-Yang Yuyan, BVI-Cui Yong, HK-Liu Huaiyu and our Company, pursuant to which the parties agreed that the outstanding shareholders' loans in the respective amounts of RMB198,600,000 (or its equivalent in other currencies) and RMB23,000,000 (or its equivalent in other currencies) shall be capitalised into Shares;
- (xiv) the Deed of Indemnity;
- (xv) the Deed of Non-Competition; and
- (xvi) the Hong Kong Public Offering Underwriting Agreement.

2.2 Intellectual Property Rights of Our Group

As at the Latest Practicable Date, we had registered or were licensed to use the following intellectual property rights which are material in relation to our business.


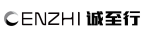
(a) Trademarks

As at the Latest Practicable Date, our Group was licensed to use the following trademarks which, in the opinion of our Directors, are material to our business:

Trademark	Registration number	Class	Name of registered proprietor	Place of registration	Date of registration	Date of expiry of registration	Licence term
	14974069	39	Henan Xinyuan Property Co., Ltd. (河南鑫苑置業有限公司)	the PRC	28 July 2015	27 July 2025	Perpetual term commencing on the date of Trademark Licensing Agreement
	14974206	41	Henan Xinyuan Property Co., Ltd. (河南鑫苑置業有限公司)	the PRC	28 July 2015	27 July 2025	Perpetual term commencing on the date of Trademark Licensing Agreement
	14973921	36	Henan Xinyuan Property Co., Ltd. (河南鑫苑置業有限公司)	the PRC	28 July 2015	27 July 2025	Perpetual term commencing on the date of Trademark Licensing Agreement
	14973949	35	Henan Xinyuan Property Co., Ltd. (河南鑫苑置業有限公司)	the PRC	28 July 2015	27 July 2025	Perpetual term commencing on the date of Trademark Licensing Agreement

Trademark	Registration number	Class	Name of registered proprietor	Place of registration	Date of registration	Date of expiry of registration	Licence term
conbow	28773601	9	Beijing Aijieli	the PRC	21 December 2018	20 December 2028	Perpetual term commencing on the Trademark Licensing Agreement

As at the Latest Practicable Date, our Group had applied for the registration of the following trademarks in the PRC which, in the opinion of our Directors, are material to our business:

Trademark	Application Number	Class	Name of Applicant	Place of Application	Date of Application
	39033988	36	Henan Yueshenghang	PRC	21 June 2019
	39022754	36	Henan Chengzhixing	PRC	21 June 2019

(b) Domain Names

As at the Latest Practicable Date, our Group had registered the following domain names which, in the opinion of our Directors, are material to our business:

Domain name	Registrant	ICP Certificate/ filing number	Date of registration	Expiry date
xywyfw.com	Xinyuan Science	豫ICP備 13010319-1號	10 May 2013	10 May 2026
xykjfw.net	Xinyuan Science	豫ICP備 19012115號-1	29 March 2019	29 March 2020
鑫苑物業.中國	Xinyuan Science	–	21 January 2019	21 January 2029
鑫苑物業.cn	Xinyuan Science	–	21 January 2019	21 January 2029

Domain name	Registrant	ICP Certificate/ filing number	Date of registration	Expiry date
鑫苑物业.net	Xinyuan Science	–	21 January 2019	21 January 2029
鑫苑物业.com	Xinyuan Science	–	21 January 2019	21 January 2029
鑫苑物业.网络	Xinyuan Science	–	21 January 2019	21 January 2029
鑫苑物业.公司	Xinyuan Science	–	21 January 2019	21 January 2029
xypm.hk	Xinyuan Science	–	18 September 2019	18 September 2020

3. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

3.1 Disclosure of Interests

(a) Interests and short positions of our Directors and chief executive in our share capital, underlying shares or debentures of our Company and the associated corporations

Immediately following the completion of the Global Offering and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Post-IPO Share Option Scheme, the interests or short positions of the Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are listed will be as follows:

(i) *Interest in our Company*

Name of Director	Nature of interest/ Capacity	Number of Shares held (L)(Note i)	Approximate percentage of shareholding
<i>Executive Directors</i>			
Ms. Wang Yanbo	Beneficial owner	11,250,000	2.25%
Mr. Huang Bo	Beneficial owner	5,625,000	1.125%
<i>Non-executive Directors</i>			
Mr. Zhang Yong	Interest of a controlled corporation (Note ii)	15,000,000	3.00%
Ms. Yang Yuyan	Interest of a controlled corporation (Note iii)	15,000,000	3.00%

Notes:

- (i) The letter “L” denotes long position in our Shares.
- (ii) BVI-Zhang Yong is wholly-owned by Mr. Zhang Yong. By virtue of the SFO, Mr. Zhang Yong is deemed to be interested in the Shares which are interested by BVI-Zhang Yong.
- (iii) BVI-Yang Yuyan is wholly-owned by Ms. Yang Yuyan. By virtue of the SFO, Ms. Yang Yuyan is deemed to be interested in the Shares which are interested by BVI-Yang Yuyan.

(ii) *Interest in our Company’s associated corporation*

Name of Director	Name of associated corporation	Nature of interest/ Capacity	Number of shares held	Approximate percentage of shareholding
Mr. Zhang Yong	Xinyuan Real Estate Holdings	Beneficial owner	29,490,724 (Note i)	25.90%
Ms. Yang Yuyan	Xinyuan Real Estate Holdings	Founder of a discretionary trust (Note ii)	28,400,000	24.94%

Note:

- (i) As at the Latest Practicable Date, Mr. Zhang Yong directly held 28,400,000 shares and was interested in 1,090,724 shares via Universal World Development Co. Ltd., which is wholly-owned by Mr. Zhang Yong.

- (ii) Pursuant to the trust deed dated 24 November 2015 (the “**Trust Deed**”) entered into between Ms. Yang Yuyan (as settlor) and HSBC International Trustee Limited (as trustee) (the “**Trustee**”), The Spectacular Stage Trust (the “**Trust**”) was established as a discretionary trust and the beneficiaries under the Trust include the family member(s) of Ms. Yang Yuyan.

Pursuant to the terms of the Trust Deed, the Trustee is required to obtain the prior written consent of Ms. Yang Yuyan, as protector, before making any direct or indirect dispositions of any shares in Xinyuan Real Estate Holdings that constitute the assets of the Trust and to vote the shares held by the Trust and cause any entity owned by the Trust directly or indirectly that holds the shares to vote such shares in accordance with instructions from Ms. Yang Yuyan. Accordingly, pursuant to Section 13(d) of the Securities Exchange Act of 1934 of the United States, as amended, Ms. Yang Yuyan may be deemed to beneficially own all of the shares held directly or indirectly by the Trust.

Save as disclosed in the sections headed “History and Reorganisation” and “Relationship with the Controlling Shareholders” in this prospectus and the subsections headed “– 3.2 Directors’ Service Contracts and Letters of Appointment” and “3.4 Related Party Transactions” in this section, none of our Directors or their close associates was engaged in any dealings with our Group during the three years preceding the date of this prospectus.

(b) *Interests of substantial shareholders*

For the information on the persons, so far as our Directors are aware, who immediately following the completion of the Global Offering (without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Post-IPO Share Option Scheme), will have interests or short positions in the Shares and the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company, please refer to the section headed “Substantial Shareholders” in this prospectus.

3.2 Directors’ Service Contracts and Letters of Appointment

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

The annual basic salary payable by our Company to the relevant executive Director is subject to annual review by our Board and our Remuneration Committee. In addition, our executive Directors may be entitled to a discretionary bonus from time to time, if so recommended by the Remuneration Committee and approved by our Board at its absolute discretion, the amount of which is determined with reference to the financial performance of our Group and the individual performance of the relevant executive Director, provided that the relevant executive Director shall abstain from voting and not be counted in the quorum in respect of any resolution approving the amount of annual salary, discretionary bonus and other benefits payable to him/her.

Each of our non-executive Directors and independent non-executive Directors has entered into a letter of appointment with our Company for an initial term of three years. Their appointments are subject to the provisions of retirement and rotation of Directors under the Articles.

3.3 Directors' and Senior Management's Remuneration

- (i) The aggregate emoluments paid and benefits in kind granted by our Group to the Directors in respect of each of the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019 were approximately RMB3,354,000, RMB3,697,000, RMB3,548,000 and RMB2,367,000, respectively.
- (ii) Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonus) payable by our Group to and benefits in kind receivable by our Directors (including our non-executive Directors and independent non-executive Directors in their respective capacity as Directors) for the year ended 31 December 2019 are expected to be approximately RMB4 million.
- (iii) None of the Directors or any past directors of any member of our Group had been paid any sum of money for each of the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019 (i) as an inducement to join or upon joining our Company or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.
- (iv) There had been no arrangement under which a Director had waived or agreed to waive any emoluments for each of the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019.

3.4 Related Party Transactions

Details of the related party transactions are set out under Note 31 to the Accountant's Report set out in Appendix I to this prospectus.

3.5 Disclaimers

- (a) Save as disclosed in the subsection headed “– 3. Further Information About Our Directors and Substantial Shareholders – 3.1 Disclosure of Interests – (a) Interests and Short Positions of Our Directors and Chief Executive in Our Share Capital, Underlying Shares or Debentures of Our Company and the Associated Corporations” in this section, none of the Directors or chief executive of our Company has any interests or short positions in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules relating to securities transactions by our Directors, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on the Stock Exchange;
- (b) save as disclosed in the subsection headed “– 3. Further Information About Our Directors and Substantial Shareholders – 3.1 Disclosure of Interests – (b) Interests of Substantial Shareholders” in this section and in the section headed “Substantial Shareholders” in this prospectus, so far as is known to any Director or chief executive of our Company, no person (other than a Director or chief executive of our Company) has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group once the Shares are listed on the Stock Exchange;
- (c) save as disclosed in the subsection headed “– 2. Further Information About Our Business – 2.1 Summary of Material Contracts” in this section and the sections headed “History and Reorganisation” and “Relationship with the Controlling Shareholders” in this prospectus, none of our Directors or the experts named in the subsection headed “– 6. Other Information – 6.6 Qualifications of Experts” in this section is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) save as disclosed in the subsection headed “– 2. Further Information About Our Business – 2.1 Summary of Material Contracts” in this section and the sections headed “History and Reorganisation” and “Relationship with the Controlling

Shareholders” in this prospectus, none of our Directors is materially interested in any contract or arrangement with our Group subsisting at the date of this prospectus which is unusual in its nature or conditions or which is significant in relation to the business of our Group;

- (e) save in connection with the Underwriting Agreements, none of the experts named in the subsection headed “– 6. Other Information – 6.6 Qualifications of Experts” in this section has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (f) save for the Underwriting Agreements, none of the persons listed in the subsection headed “– 6. Other Information – 6.6 Qualifications of Experts” in this section is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (g) save as disclosed in the subsection headed “– 3. Further Information About Our Directors and Substantial Shareholders – 3.2 Directors’ Service Contracts and Letters of Appointment” in this section, none of our Directors has entered or has proposed to enter into any service contracts with our Company or any member of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation);
- (h) so far as is known to our Directors, save as disclosed in the section headed “Business” in this prospectus, none of our Directors or their close associates or any Shareholder (which to the knowledge of our Directors owns 5% or more of the issued share capital of our Company) has any interest in any of the five largest customers or the five largest suppliers of our Group during the Track Record Period; and
- (i) none of our Directors is interested in any business apart from our Group’s business which competes or is likely to compete, directly or indirectly, with the business of our Group.

4. PRE-IPO SHARE AWARD SCHEME AND POST-IPO SHARE OPTION SCHEME

4.1 Pre-IPO Share Award Scheme

Our Pre-IPO Share Award Scheme was adopted on 31 January 2019 (the “**Adoption Date**”) and revised on 15 March 2019, the principal terms of which are summarised below. The Pre-IPO Share Award Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as the Pre-IPO Share Award Scheme does not involve the grant of options by our Company to subscribe for new Shares.

(i) Purposes of the scheme

The main purposes of the Pre-IPO Share Award Scheme are (i) to reflect the substance of the share incentive scheme adopted by Xinyuan Science on 17 March 2018 at the level of our Company (which is the ultimate holding company of our Group after the Reorganisation) and have modifications thereto based on the existing circumstances; (ii) to recognise contributions made by the grantees; (iii) to encourage and retain the grantees to work with our Group; and (iv) to align the interests of the grantees directly to the shareholders of our Company through ownership of Shares.

(ii) Implementation

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

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

Name of the Grantee	Position held within our Group	Consideration (RMB)	Number of Shares after share subdivision	Percentage of shareholding immediately following the completion of the Global Offering (Note 1)
Directors of our Company				
Ms. Wang Yanbo	Executive Director and chief executive officer	1,680,000	11,250,000	2.25%
Mr. Huang Bo	Executive Director and chief financial officer	840,000	5,625,000	1.125%

Name of the Grantee	Position held within our Group	Consideration (RMB)	Number of Shares after awarded share subdivision	Percentage of shareholding immediately following the completion of the Global Offering (Note 1)
Senior management members of our Group				
Mr. Wang Yantao	Vice president of Xinyuan Science	840,000	5,625,000	1.125%
Ms. Du Xiangyan	Human resources center chief manager of Xinyuan Science	560,000	3,750,000	0.75%
Ms. Zhang Rong	Operations chief manager of Xinyuan Science	560,000	3,750,000	0.75%
Other Grantees				
Mr. Huang Jinfu	Operations director of Xinyuan Science	280,000	1,875,000	0.375%
Mr. Lyu Shaohui	Branch manager of Xinyuan Science	280,000	1,875,000	0.375%
Mr. Zhang Xiaofei	Investment and development center vice president of Xinyuan Science	280,000	1,875,000	0.375%
Mr. An Guangfu	Branch manager of Xinyuan Science	280,000	1,875,000	0.375%
Mr. Zhang Lizhou	Then director of our Company (Note 2)	2,800,000	18,750,000 (Note 2)	3.75% (Note 2)
			Total:	
			<u>56,250,000</u>	<u>11.25%</u>

Note:

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

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

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

(iii) Triggering events for forfeiture of awarded Shares

Each Grantee shall be subject to a service condition that he/she shall continuously serve or work for our Group for the period from the date of grant to 31 December 2021 (both dates inclusive). If the Grantee ceases to be a director, supervisor, employee, officer, agent or consultant of our Company or any of our subsidiaries (the “**Disqualification**”) due to any of the Triggering Events (as defined below) during the time periods set out in the table below, such Grantee (the “**Disqualified Grantee**”) (or his/her legal representative or lawful successor as the case may be) shall upon request of our Company (i) transfer, or procure his/her nominee to transfer, the legal and equitable ownership in the respective portions of all the awarded Shares which have been allotted and issued to such Disqualified Grantee under the Pre-IPO Share Award Scheme as set out in the table below (the “**Forfeited Shares**”), free from all encumbrances, to our Company or its nominee; and (ii) refund in full all the dividends received by such Disqualified Grantee and/or his/her nominee in respect of the Forfeited Shares as at the date of the Disqualification to our Company within five business days immediately after the date of such request; and our Company shall within 30 business days immediately after such transfer and dividend refund pay in full the amount equal to the product of the number of the Forfeited Shares and the Forfeiture Price (as defined below) to such Disqualified Grantee (or his/her legal representative or lawful successor as the case may be). In this context, “**Forfeiture Price**” means (i) the consideration paid by the Grantee per

awarded Share; or (ii) the closing fair market price per Share on the date of the Disqualification, whichever is the lower:

Date of the Disqualification	Percentage of the Disqualified Grantee's entire awarded Shares to be forfeited (if any)
On or before 31 December 2019	100%
Between 1 January 2020 and 31 December 2020 (both dates inclusive)	98%
Between 1 January 2021 and 31 December 2021 (both dates inclusive)	80%

“**Triggering Events**” means the following situations when:

- (i) the Grantee has resigned from every office or employment with our Company and/or our subsidiary; or
- (ii) the office/employment of the Grantee has been terminated due to the fact that the Grantee has:
 - (aa) been convicted of any criminal offence involving his/her integrity or honesty;
 - (bb) been charged with, convicted of or held liable for any offence under the relevant securities laws in Hong Kong or any other applicable laws or regulations in force from time to time;
 - (cc) has embezzled our Group's funds;
 - (dd) committed duty encroachment or pilferage, or disclosed operational and/or technological secrets of our Group; or
 - (ee) been involved in any type of corruption, offered or accepted bribes, sought benefits on the job for himself/herself or others.

(iv) Lock-up requirement

Each Grantee shall not, and shall procure his/her nominee not to, directly or indirectly, without the prior written consent of our Company, sell, give, transfer, assign or dispose of or otherwise create any encumbrance (save for in the ordinary course of maintaining a securities account in Hong Kong) on the respective portions of all the awarded Shares which have been allotted and issued to such Grantee for different periods of time as set out in the table below (the “**Lock-up Arrangement**”):

	Percentage of each Grantee’s entire awarded Shares which is subject to the Lock-up Arrangement
On or before 31 December 2019	100%
Between 1 January 2020 and 31 December 2020 (both dates inclusive)	98%
Between 1 January 2021 and 31 December 2021 (both dates inclusive)	80%

(v) Alteration and termination of the Pre-IPO Share Award Scheme

The Pre-IPO Share Award Scheme may be amended by our Company provided that no such amendment shall operate to affect adversely any subsisting rights of any Grantee thereunder. The Pre-IPO Share Award Scheme shall commence on the Adoption Date and shall remain valid and effective for a period of three years from the Adoption Date. Notwithstanding the foregoing and without prejudice to any subsisting rights of any Grantee, our Company may at any time terminate the Pre-IPO Share Award Scheme.

4.2 Post-IPO Share Option Scheme

The following is a summary of the principal terms of the Post-IPO Share Option Scheme conditionally adopted by a resolution in writing passed by our Shareholders on 16 September 2019:

(i) Purposes of the scheme

The purpose of the Post-IPO Share Option Scheme is to enable our Group to grant options to selected participants as incentives or rewards for their contribution to our Group. The Directors consider the Post-IPO Share Option Scheme, with its broadened basis of participation, will enable our Group to reward the employees, the Directors and other selected participants for their contributions to our Group. Given that the Directors are entitled to determine any performance targets to be achieved as

well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by the Directors, it is expected that grantees of an option will make an effort to contribute to the development of our Group so as to bring about an increased market price of the Shares in order to capitalise on the benefits of the options granted.

(ii) Who may join

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

- (a) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of our Company, any of our subsidiaries or any entity (“**Invested Entity**”) in which any member of our Group holds an equity interest;
- (b) any non-executive directors (including independent non-executive directors) of our Company, any of our subsidiaries or any Invested Entity;
- (c) any supplier of goods or services to any member of our Group or any Invested Entity;
- (d) any customer of any member of our Group or any Invested Entity;
- (e) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;
- (f) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;
- (g) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity;
- (h) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of our Group;

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

For avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Company to any person who falls within any of the above classes of participants shall not, by itself, unless the Directors otherwise determine, be construed as a grant of option under the Post-IPO Share Option Scheme.

The eligibility of any of the above class of participants to an offer for the grant of any option shall be determined by the Directors from time to time on the basis of the Directors' opinion as to his contribution to the development and growth of our Group.

(iii) Maximum number of the Shares

- (a) The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other share option schemes adopted by our Group must not in aggregate exceed 30% of the share capital of our Company in issue from time to time.
- (b) The total number of the Shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Post-IPO Share Option Scheme and any other share option schemes of our Group) to be granted under the Post-IPO Share Option Scheme and any other share option schemes of our Group must not in aggregate exceed 10% of the Shares in issue on the Listing Date (“**General Scheme Limit**”).
- (c) Subject to (a) above but without prejudice to (d) below, our Company may seek approval of the Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share option schemes of our Group must not exceed 10% of the Shares in issue as at the date of approval of the latest refreshed limit and, for the purpose of calculating the latest refreshed limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Post-IPO Share Option Scheme and any other share option schemes of our Group) previously granted under the Post-IPO Share Option Scheme and any other share option schemes of our Group will not be counted. The circular sent by our Company to the Shareholders shall contain, among other information, the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

- (d) Subject to (a) above and without prejudice to (c) above, our Company may seek separate Shareholders' approval in general meeting to grant options beyond the General Scheme Limit or, if applicable, the latest refreshed limit referred to in (c) above to participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to the Shareholders containing a generic description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(iv) Maximum entitlement of each participant

The total number of Shares issued and which may fall to be issued upon the exercise of the options granted under the Post-IPO Share Option Scheme and any other share option schemes of our Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being ("**Individual Limit**"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by the Shareholders in general meeting of our Company with such grantee and his close associates (or his associates if the grantee is a connected person) abstaining from voting. Our Company must send a circular to the Shareholders and the circular must disclose the identity of the participant, the number and terms of the options to be granted (and options previously granted to such participant), the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules. The number and terms (including the exercise price) of options to be granted must be fixed before the approval of the Shareholders and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 17.03(9) of the Listing Rules.

(v) Grant of options to the Directors, chief executive or substantial shareholders of our Company or their respective associates

- (a) Any grant of options under the Post-IPO Share Option Scheme to a Director, chief executive or substantial Shareholder of our Company or any of their respective associates must be approved by independent non-executive Directors (excluding the independent non-executive Director who or whose associates is the proposed grantee of the options).

- (b) Where any grant of options to a substantial shareholder or an independent non-executive Director or any of their respective associates would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:
- (i) representing in aggregate over 0.1% of the Shares in issue; and
 - (ii) having an aggregate value, based on the closing price of the Shares at the date of each offer for the grant, in excess of HK\$5 million;

such further grant of options must be approved by Shareholders in general meeting. Our Company must send a circular to the Shareholders. The grantee, his associates and all core connected persons of our Company must abstain from voting in favour at such general meeting. Any vote taken at the meeting to approve the grant of such options must be taken on a poll. Any change in the terms of options granted to a substantial shareholder or an independent non-executive Director or any of their respective associates must be approved by the Shareholders in general meeting.

(vi) Time of acceptance and exercise of option

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

An option may be exercised in accordance with the terms of the Post-IPO Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date of the offer for the grant of options is made, but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee, there is no minimum period required under the Post-IPO Share Option Scheme for the holding of an option before it can be exercised.

(vii) Performance targets

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

(viii) Subscription price for the Shares and consideration for the option

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

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

(ix) Ranking of the Shares

- (a) The Shares allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles of Association of our Company for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (the "**Exercise Date**") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee has been entered on the register of members of our Company as the holder thereof.
- (b) Unless the context otherwise requires, references to "Shares" in this paragraph include references to shares in the ordinary equity share capital of our Company of such nominal amount as shall result from a subdivision, consolidation, re-classification or re-construction of the share capital of our Company from time to time.

(x) Restrictions on the time of the offer for the grant of options

No offer for grant of options shall be made after inside information has come to our Company's knowledge until we have announced the information. In particular, during the period commencing one month immediately preceding the earlier of (a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and (b) the deadline for our Company to publish an announcement

of its results for any year, half-year, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, no offer for the grant of options may be made.

The Directors may not make any offer for the grant of option to a participant who is a Director during the periods or times in which Directors are prohibited from dealing in Shares pursuant to Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

(xi) Period of the Post-IPO Share Option Scheme

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

(xii) Rights on ceasing employment

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death, ill-health or retirement in accordance with his contract of employment or the termination of his employment on one or more of the grounds referred to in sub-paragraph (xiv) below before exercising his option in full, the option (to the extent not already exercised) will lapse on the date of cessation and shall not be exercisable unless the Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as the Directors may determine following the date of such cessation, which will be taken to be the last day on which the grantee was at work with our Group or the Invested Entity whether salary is paid in lieu of notice or not.

“Eligible Employee” means any employee (whether full time or part time employee, including any executive director but not any non-executive director or independent non-executive director) of our Company, any of our subsidiaries or any Invested Entity.

(xiii) Rights on death, ill-health or retirement

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation of employment which date shall be the last day on which the grantee was at work with our Group or the Invested Entity whether salary is paid in lieu of notice or not or such longer period as the Directors may determine.

(xiv) Rights on dismissal

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of a termination of his employment on the grounds that he has been guilty of persistent or serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of the Directors does not bring the grantee or our Group or the Invested Entity into disrepute), his option (to the extent not already exercised) will lapse automatically on the date of cessation to be an Eligible Employee.

(xv) Rights on breach of contract

If the Directors shall at their absolute discretion determine that (a) (1) the grantee of any option (other than an Eligible Employee) or his close associate has committed any breach of any contract entered into between the grantee or his close associate on the one part and our Group or any Invested Entity on the other part; or (2) that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (3) the grantee could no longer make any contribution to the growth and development of our Group by reason of the cessation of its relations with our Group or by other reason whatsoever; and (b) the option granted to the grantee under the Post-IPO Share Option Scheme shall lapse as a result of any event specified in sub-paragraph (1), (2) or (3) above, his option will lapse automatically on the date on which the Directors have so determined.

(xvi) Rights on a general offer, a compromise or arrangement

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, *mutatis mutandis*, and assuming that they will become, by the exercise in full of the options granted to them, Shareholders. If such offer becomes or is declared unconditional or such scheme or arrangement is formally proposed to Shareholders of our Company, a grantee shall be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company in exercise of his option at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date which such offer (or, as the case may be, revised offer) closed or the relevant date for entitlements under such scheme of arrangement, as the case may be.

(xvii) Rights on winding up

In the event of a resolution being proposed for the voluntary winding-up of our Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to our Company at any time not less than two business days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Post-IPO Share Option Scheme and our Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one business day before the date on which such resolutions to be considered and/or passed whereupon he shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of our Company available in liquidation *pari passu* with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of our Company.

(xviii) Grantee being a company wholly owned by eligible participants

If the grantee is a company wholly owned by one or more eligible participants:

- (a) sub-paragraphs (xii), (xiii), (xiv) and (xv) shall apply to the grantee and to the options to such grantee, *mutatis mutandis*, as if such options had been granted to the relevant eligible participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in sub-paragraphs (xii), (xiii), (xiv) and (xv) shall occur with respect to the relevant eligible participant; and
- (b) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant eligible participant provided that the Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(xix) Adjustments to the subscription price

In the event of a capitalisation issue, rights issue, subdivision or consolidation of Shares or reduction of capital of our Company whilst an option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being of or an independent financial adviser to our Company as fair and reasonable will be made to the number or nominal amount of Shares and/or the subscription price of the option concerned, provided that (i) any adjustments shall give a grantee the same proportion of the issued share capital to which he was entitled prior to such alteration; (ii) the issue of Shares or other securities of our Group as consideration in a transaction may not be regarded as a circumstance requiring adjustment; (iii) no alteration shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; and (iv) notwithstanding (i) above, any adjustments as a result of an issue of securities with a price-dilutive element, such as a rights issue, open offer or capitalisation issue, should be based on a scrip factor similar to the one used in the accounting standards in adjusting the earnings per share figures and any such adjustment shall comply with the supplementary guidance on Rule 17.03(13) of the Listing Rules as set out in the letter issued by the Stock Exchange dated 5 September 2005; and (v) any adjustment must be made in compliance with the Listing Rules and such rules, codes and guidance notes of the Stock Exchange from time to time. In addition, in respect of any such adjustments, other than any adjustment made on a capitalisation issue, such auditors or independent financial adviser must confirm to the Directors in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules.

(xx) Cancellation of options

Any cancellation of options granted but not exercised must be subject to the prior written consent of the relevant grantee and the approval of the Directors.

When our Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding the options so cancelled) within the General Scheme Limit or the new limits approved by the Shareholders pursuant sub-paragraphs (iii) (c) or (d) above.

(xxi) Termination of the Post-IPO Share Option Scheme

Our Company may by resolution in general meeting at any time terminate the Post-IPO Share Option Scheme and in such event no further options shall be offered but in all other respects the provisions of the Post-IPO Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Post-IPO Share Option Scheme.

Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Post-IPO Share Option Scheme.

(xxii) Rights are personal to the grantee

An option is personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest whatsoever in favour of any third party over or in relation to any option or enter into any agreements so to do.

(xxiii) Lapse of option

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (a) the expiry of the option period in respect of such option;
- (b) the expiry of the periods or dates referred to in paragraph (xii), (xiii), (xiv), (xv), (xvi), (xvii) and (xviii); and
- (c) the date on which the Directors exercise our Company's right to cancel the option by reason of a breach of paragraph (xxii) above by the grantee.

(xxiv) Miscellaneous

- (a) The Post-IPO Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, such number of Shares to be allotted and issued pursuant to the exercise of any options which may be granted under the Post-IPO Share Option Scheme, such number being not less than that of the General Scheme Limit.
- (b) The terms and conditions of the Post-IPO Share Option Scheme relating to the matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees of the options except with the approval of the Shareholders in general meeting.
- (c) Any alterations to the terms and conditions of the Post-IPO Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Post-IPO Share Option Scheme.

- (d) The terms of the Post-IPO Share Option Scheme and any amended terms of the Post-IPO Share Option Scheme or the options shall comply with the relevant requirements of Chapter 17 of the Listing Rules.
- (e) Any change to the authority of the Directors or the scheme administrators in relation to any alteration to the terms of the Post-IPO Share Option Scheme shall be approved by the shareholders of our Company in general meeting.

4.3 Present Status of the Post-IPO Share Option Scheme

(i) Approval of the Listing Committee required

The Post-IPO Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, such number of Shares to be issued pursuant to the exercise of any options which may be granted under the Post-IPO Share Option Scheme, such number being not less than that of the General Scheme Limit.

(ii) Application for approval

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares to be issued within the General Scheme Limit pursuant to the exercise of any options which may be granted under the Post-IPO Share Option Scheme.

(iii) Grant of options

As at the date of this prospectus, no options have been granted or agreed to be granted under the Post-IPO Share Option Scheme.

(iv) Value of options

The Directors consider it inappropriate to disclose the value of options which may be granted under the Post-IPO Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. The Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

(v) *Compliance with the Listing Rules*

The Post-IPO Share Option Scheme complies with Chapter 17 of the Listing Rules.

5. ESTATE DUTY, TAX AND OTHER INDEMNITIES

Our Controlling Shareholders (the “**Indemnifiers**”) have entered into a Deed of Indemnity with and in favour of our Company (for itself and as trustee for each of its subsidiaries) (being the material contract (xiv) referred to in the subsection headed “– 2. Further Information About Our Business – 2.1 Summary of Material Contracts” in this section) to provide indemnities on a joint and several basis, in respect of, among other matters:

- (a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group at any time on or before the Listing Date; and
- (b) tax liabilities (including but not limited to all actual fines, penalties, liabilities, costs, charges, expenses and interest in relation to taxation or deprivation of relief) which any member of our Group may properly incur in connection with (i) the investigation, the assessment or the contesting of any taxation claim taken by or on behalf of the Inland Revenue Department of Hong Kong or any other statutory or governmental authority whatsoever in Hong Kong or any other part of the world; or (ii) the settlement of any claim under the Deed of Indemnity; or (iii) any legal proceedings in which any member of our Group claims under or in respect of the Deed of Indemnity and in which judgment is given for any member of our Group; or (iv) the enforcement of any such settlement or judgment, falling on any member of our Group resulting from or by reference to any income, profits or gains earned, accrued or received on or before the Listing Date or any event or transaction, matters or things entered into or occurring on or before the Listing Date, whether alone or in conjunction with any circumstances whenever occurring and whether or not such tax liabilities are chargeable against or attributable to any other person, firm, company or corporation.

The Indemnifiers are under no liability under the Deed of Indemnity in respect of any taxation:

- (a) to the extent that provision or reserve has been made for such taxation in the audited accounts of any member of our Group for any accounting period up to 31 March 2019;
- (b) to the extent that such taxation or liability falling on any member of our Group in respect of their accounting periods commencing on 1 April 2019 and ending on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily entered into by any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers, other than any such act, omission or transaction carried out, made or entered into pursuant to a legally binding commitment created on or before 31 March 2019 or pursuant to any statement of intention made in this prospectus; or

- (c) to the extent that such taxation liabilities or claim arise or are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department, or any other relevant authority (whether in Hong Kong or any other part of the world) coming into force after the date of the Deed of Indemnity or to the extent such taxation claim or liability for such taxation arises or is increased by an increase in rates of taxation or claim after the date of the Deed of Indemnity with retrospective effect; or
- (d) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group up to 31 March 2019 which is finally established to be an over-provision or an excessive reserve in which case the Indemnifiers liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Under the Deed of Indemnity, each of the Indemnifiers has also jointly and severally undertaken to indemnify and at all times keeps each member of our Group fully indemnified from any depletion in or reduction in value of its assets or any loss (including all legal costs and suspension of operation), cost, expenses, damages or other liabilities which any member of our Group may incur or suffer arising from or in connection with the implementation of the Reorganisation.

Pursuant to the Deed of Indemnity, each of the Indemnifiers has on a joint and several basis undertaken to indemnify each member of our Group, among other indemnities, against:

- (a) any costs, claims, damages, expenses, losses, penalties, liabilities, actions and proceedings which such member of our Group may incur, suffer, accrue, directly or indirectly, from any act of such member of our Group arising from or in connection with any non-compliance of such member of our Group on or before the Listing Date, including not having paid all requisite tax or obtained all relevant or necessary approvals, permits, licences and/or certificates for conducting its businesses, including but not limited to the non-compliances as disclosed in this prospectus, the defective share transfers in the history of Qingdao Xinyuan, which might be deemed invalid due to the failure to follow the permission procedures, to meet the public transaction requirements or to be conducted with evaluations, or all litigation, arbitration, claims, counter-claims, actions, complaints, demands, judgments and/or legal proceedings by or against any member of our Group which was issued, accrued and/or arising from any act of any of such members at any time on or before the Listing Date;

- (b) any penalty which may be imposed on any member of our Group, or any costs, expenses and losses which such member of our Group may suffer in connection with such penalty, due to such member of our Group's failure to duly make all relevant filings or reports and supply all other information required to be supplied to any relevant governmental authority, including but not limited to the relevant tax bureau and relevant administration of industry and commerce, or to observe any laws, regulations or rules in this regard; and
- (c) any costs, claims, damages, expenses, losses, penalties, liabilities, actions and proceedings arising from the relocation by such member arising from or in connection with the lessors' lack of relevant title certificates or documents or the lessors' registration default in relation to the lease agreements to the extent that damages, if any, recovered from the relevant lessor are inadequate to cover the related costs of such member of our Group.

The provisions contained in the Deed of Indemnity are conditional on the conditions stated in the subsection headed "Structure and Conditions of the Global Offering – Conditions of the Global Offering" in this prospectus being fulfilled or, to the extent permitted, waived by the relevant party. If such conditions are not fulfilled or, to the extent permitted, waived on or before the date falling 30 days after the date of this prospectus, or such later date as the parties under the Deed of Indemnity may agree, the Deed of Indemnity shall become null and void and cease to have effect. Such conditions shall be deemed to be fulfilled on the Listing Date.

Our Directors have been advised that no material liability for estate duty is likely to fall on the members of our Group.

6. OTHER INFORMATION

6.1 Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering and any Shares which may be issued upon the exercise of any options which may be granted under the Post-IPO Share Option Scheme. All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

The Sole Sponsor is independent from our Company pursuant to Rule 3A.07 of the Listing Rules. The sponsor's fees payable by us in respect of Orient Capital (Hong Kong) Limited services as sponsor for the Listing is HK\$5.5 million (excluding any disbursements).

6.2 Litigation

Save as disclosed in the subsection headed “Business – Legal Proceedings and Compliance” in this prospectus, as of the Latest Practicable Date, no member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Group member, that would have a material adverse effect on our results of operations or financial condition of our Group.

6.3 Preliminary Expenses

The preliminary expenses of our Company are estimated to be approximately US\$2,997 (equivalent to approximately HK\$23,377) and are payable by our Company.

6.4 Promoters

Our Company has no promoter for the purpose of the Listing Rules. Within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

6.5 Agency Fees or Commissions Received

Except as disclosed in the subsection headed “Underwriting – Underwriting Arrangements and Expenses – Commission and Expenses” in this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this prospectus.

6.6 Qualifications of Experts

The following are the qualifications of the experts who have given their opinion or advice which are contained in, or referred to in this prospectus:

Name	Qualification
Orient Capital (Hong Kong) Limited	a licensed corporation under the SFO to carry on type 6 (advising on corporate finance) regulated activity (as defined in the SFO)
Ernst & Young	Certified Public Accountants
Jingtian & Gongcheng	Legal advisers to our Company as to PRC law

Name	Qualification
Maples and Calder (Hong Kong) LLP	Legal advisers to our Company as to Cayman Islands law
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant
Vincorn Consulting and Appraisal Limited	Property valuer

6.7 Consents of Experts

Each of the experts referred to in “6.6 Qualifications of Experts” above, has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or opinion and/or the references to its name included in the form and context in which they appear.

6.8 Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

6.9 Taxation of Holders of Shares

(a) Hong Kong

Dealings in Shares registered on our Company’s Hong Kong branch register of members will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Islands

Under present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares.

(c) *Consultation with professional advisers*

Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares or exercising any rights attaching to them. It is emphasised that none of our Company, the Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercising any rights attaching to them.

6.10 Miscellaneous

- (a) Within the two years immediately preceding the date of this prospectus:
- (i) no share or loan capital of our Company or any of the subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash, save as disclosed in the section headed “History and Reorganisation” in this prospectus;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) neither our Company nor any of the subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;
 - (iv) no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares;
 - (v) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought; and
 - (vi) our Company has no outstanding convertible debt securities.
- (b) Our principal register of members will be maintained by our principal registrar, Tricor Services (Cayman Islands) Limited, in the Cayman Islands and our Hong Kong register of members will be maintained by our Hong Kong Branch Share Registrar in Hong Kong, Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Hong Kong Branch Share Registrar and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to CCASS.

- (c) Our Directors confirm that up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 March 2019 (being the date to which the latest audited combined financial statements of our Group were made up).
- (d) None of the equity and debt securities of our Company is listed or dealt with on any other stock exchange nor is any listing or permission to deal being or proposed to be sought.
- (e) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.
- (f) There is no arrangement under which future dividends are waived or agreed to be waived.

6.11 Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by Section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**APPENDIX VI DOCUMENTS DELIVERED TO THE REGISTRAR OF
COMPANIES AND AVAILABLE FOR INSPECTION**

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were (i) a copy of each of the **WHITE, YELLOW** and **GREEN** Application Forms; (ii) a copy of each of the material contracts referred to in the subsection headed “2. Further Information About Our Business – 2.1 Summary of Material Contracts” in Appendix V to this prospectus; and (iii) the written consents referred to in the subsection headed “6. Other Information – 6.7 Consents of Experts” in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Li & Partners at 22/F, World Wide House, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association and Articles of Association;
- (b) the Accountants’ Report of our Group for the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019 prepared by Ernst & Young, the text of which is set out in Appendix I to this prospectus;
- (c) the audited consolidated financial statements of our Group for the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019;
- (d) the report from Ernst & Young on the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;
- (e) the PRC legal opinions issued by Jingtian & Gongcheng, our legal advisers as to PRC law, in respect of certain aspects of our Group and the property interests of our Group;
- (f) the letter issued by Maples and Calder (Hong Kong) LLP, our legal advisers as to Cayman Islands law, summarising certain aspects of the Companies Law referred to in the section headed “Summary of the Constitution of Our Company and Cayman Islands Company Law” in Appendix IV to this prospectus;
- (g) the Companies Law;
- (h) the F&S Report, the summary of which is set forth in the section headed “Industry Overview” in this prospectus;
- (i) the letter and valuation certificate relating to a property to be held by our Group prepared by Vincorn Consulting and Appraisal Limited, the texts of which are set out in Appendix III to this prospectus;

**APPENDIX VI DOCUMENTS DELIVERED TO THE REGISTRAR OF
 COMPANIES AND AVAILABLE FOR INSPECTION**

- (j) the material contracts referred to in the subsection headed “2. Further Information About Our Business – 2.1 Summary of Material Contracts” in Appendix V to this prospectus;
- (k) the service contracts and/or letters of appointment entered into between our Company and each of the Directors;
- (l) the written consents referred to in the subsection headed “6. Other Information – 6.7 Consents of Experts” in Appendix V to this prospectus;
- (m) the rules of the Pre-IPO Share Award Scheme; and
- (n) the rules of the Post-IPO Share Option Scheme.

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