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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1895)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

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

2. Gross profit for the year ended 31 December 2019 increased by approximately 51.0% to approximately RMB201.8 million from approximately RMB133.6 million for the year ended 31 December 2018. Gross profit margin for the year ended 31 December 2019 was 37.8% as compared to gross profit margin of 34.0% for the year ended 31 December 2018, representing a year-on-year growth of 3.8%.

3. Profit attributable to owners of the Company for the year ended 31 December 2019 increased by 6.8% to approximately RMB81.3 million from approximately RMB76.1 million for the year ended 31 December 2018.

4. The Group's contracted GFA under property management services as at 31 December 2019, was approximately 37.0 million sq.m., representing an increase of approximately 40.7% over approximately 26.3 million sq.m. as at 31 December 2018.

5. The Board recommends payment of a final dividend of HK5.2 cents per ordinary share in respect of the year ended 31 December 2019.

RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Xinyuan Property Management Service (Cayman) Ltd. (the "**Company**") is pleased to announce the consolidated financial results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2019, together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2019

	Notes	**2019** *RMB'000*	2018 *RMB'000*
REVENUE	5	**533,954**	393,329
Cost of sales		**(332,165)**	(259,757)
Gross profit		**201,789**	133,572
Other income and gains	6	**5,907**	11,780
Administrative expenses		**(68,640)**	(27,468)
Impairment losses on financial assets		**(3,373)**	(3,365)
Other expenses		**(1,105)**	(3,595)
Impairment of investment in a joint venture		**(2,995)**	(3,092)
Share of loss of:			
A joint venture		**(4,350)**	(3,415)
PROFIT BEFORE TAX	7	**127,233**	104,417
Income tax expense	8	**(45,308)**	(28,328)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**81,925**	76,089
Attributable to:			
Owners of the parent		**81,319**	76,100
Non-controlling interests		**606**	(11)
		81,925	76,089
		RMB cents	*RMB cents*
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic		**21.76**	22.55
Diluted		**20.33**	22.55

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	**2019** *RMB'000*	2018 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**4,505**	4,766
Intangible assets		**906**	399
Investment in a joint venture		**10,608**	17,953
Prepayments		**89,073**	89,073
Deferred tax assets		**1,700**	1,331
Total non-current assets		**106,792**	113,522
CURRENT ASSETS			
Trade receivables	11	**182,008**	125,033
Prepayments and other receivables		**8,974**	13,530
Cash and cash equivalents		**606,552**	354,275
Total current assets		**797,534**	492,838
CURRENT LIABILITIES			
Trade payables	12	**37,067**	29,456
Other payables and accruals		**159,032**	217,110
Contract liabilities	5	**103,445**	78,761
Tax payable		**38,497**	30,366
Total current liabilities		**338,041**	355,693
NET CURRENT ASSETS		**459,493**	137,145
TOTAL ASSETS LESS CURRENT LIABILITIES		**566,285**	250,667
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**3,198**	–
Total non-current liabilities		**3,198**	–
Net assets		**563,087**	250,667

	Note	2019	2018
		RMB'000	RMB'000
EQUITY			
Share capital	13	**4**	–
Reserves		**561,932**	249,092
		561,936	249,092
Non-controlling interests		**1,151**	1,575
Total equity		**563,087**	250,667

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

1. CORPORATE AND GROUP INFORMATION

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

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

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

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

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

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

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Standing Interpretations Committee interpretations issued and approved by the International Accounting Standards Board (the "**IASB**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the financial statements.

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

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

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

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

4. OPERATING SEGMENT INFORMATION

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

During the year, the Group is principally engaged in the provision of property management services, value-added services and pre-delivery and consulting services to customers in the PRC. Management reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the chief operating decision maker of the Company regards that there is only one segment which is used to make strategic decisions.

The major operating entities of the Group are domiciled in the PRC. Accordingly, all of the Group's revenue was derived in the PRC during the year.

As at 31 December 2019, all of the non-current assets were located in the PRC.

5. REVENUE

Revenue mainly comprises proceeds from property management services, value-added services and pre-delivery and consulting services to customers. An analysis of the Group's revenue by category for the years ended 31 December 2019 and 2018 was as follows:

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

For the years ended 31 December 2019 and 2018, revenue from entities controlled by the Ultimate Holding Company accounted for 20% and 18% of the Group's revenue, respectively. Other than the entities controlled by the Ultimate Holding Company, the Group had a large number of customers and none of whom contributed 10% or more to the Group's revenue for the year.

Note 1: Revenue from contracts with customers:

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

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

(2) Contract liabilities

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

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

(a) Significant change in contract liabilities

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

(b) Revenue recognised in relation to contract liabilities

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

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

(3) Performance obligations

For property management services and pre-delivery and consulting services, the Group recognises revenue in the amount that equals to the right to invoice which corresponds directly with the value to the customer of the Group's performance to date. The Group has elected the practical expedient for not to disclose the remaining performance obligations for these types of contracts. The majority of the property management service contracts do not have a fixed term. The terms of the contracts for pre-delivery and consulting services are generally set to expire when the counterparties notify the Group that the services are no longer required.

For value-added services, they are rendered in a short period of time and there is no unsatisfied performance obligation at the end of the year.

6. OTHER INCOME AND GAINS

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

7. PROFIT BEFORE TAX

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

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

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

8. INCOME TAX

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

(a) Cayman Islands income tax

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

(b) British Virgin Islands ("BVI") income tax

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

(c) Hong Kong profits tax

No provision for Hong Kong profits tax was made as the Group did not have any assessable income subject to Hong Kong profits tax during the year.

(d) PRC corporate income tax

Under the relevant PRC income tax law, the PRC entities of the Group are subject to corporate income tax at a rate of 25% during the year on their respective taxable income.

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the companies comprising the Group are domiciled to the tax expense at the effective tax rate is as follows:

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

9. DIVIDENDS

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

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

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted for the dividends in respect of unvested shares under restricted share award scheme, and the weighted average number of ordinary shares of 365,582,000 (2018: 337,500,000) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been vested under a restricted share award scheme on the deemed conversion of all dilutive potential ordinary shares into ordinary shares.

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

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

Notes:

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

** Weighted average of 365,582,000 ordinary shares for the year ended 31 December 2019 includes the weighted average of 125,000,000 ordinary shares issued immediately upon the completion of Global Offering, in addition to the aforementioned 337,500,000 ordinary shares in issue (excluding the unvested restricted shares) upon the completion of the Reorganisation in August 2019.

11. TRADE RECEIVABLES

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

Trade receivables mainly arise from property management services, value-added services and pre-delivery and consulting services.

Property management services, value-added services and pre-delivery and consulting services are received in accordance with the terms of the relevant agreements, which are due for payment upon the issuance of demand note.

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

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

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

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

As at 31 December 2019 and 2018, the trade receivables were denominated in RMB, and the fair values of trade receivables approximated to their carrying amounts.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days from billing date for customer with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity. Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

The expected credit loss is determined based on a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to debtors and economic environment. As at 31 December 2019 and 2018, the loss allowance provision for the remaining balances was determined as follows:

	Third parties							
	Less than 1 year	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**Over 5 years**	**Related parties**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2019								
Expected credit loss rate	3.1%	7.3%	12.4%	22.1%	29.1%	61.2%	–	
Gross carrying amount	43,456	14,362	6,039	2,991	1,928	2,273	116,716	187,765
Expected credit losses	1,347	1,048	749	661	561	1,391	–	5,757
At 31 December 2018								
Expected credit loss rate	2.3%	4.9%	8.6%	16.8%	20.3%	56.4%	–	
Gross carrying amount	37,600	11,260	4,890	2,770	1,374	1,837	68,920	128,651
Expected credit losses	865	552	421	465	279	1,036	–	3,618

12. TRADE PAYABLES

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

As at 31 December 2019 and 2018, the carrying amounts of trade payables approximated their fair values.

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

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

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

13. SHARE CAPITAL

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

	2019	2018
	HK$'000	*HK$'000*
Authorised:		
38,000,000,000 shares of a par value of HK$0.00001 each (2018: 38,000,000 shares of a par value of HK$0.01 each)*	**380**	380

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

	Number of shares in issue	Fully paid share capital *RMB'000*
At 13 December 2018 (date of incorporation)	–	–
Issue of new shares upon incorporation	1	–**
At 31 December 2018 and 1 January 2019	1	–**
Allotment of nil-paid shares to Xinyuan Science then shareholders pursuant to the Reorganisation	318,749	–
Issue of shares under a restricted share award scheme	56,250	–
Subdivision of shares*	374,625,000	–
Fully paid up all the nil-paid shares issued pursuant to the capitalisation of shareholders' loans	–	3
Shares issued pursuant to the Global Offering	125,000,000	1
At 31 December 2019	500,000,000	4

Notes:

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

** Amount less than RMB1,000.

MANAGEMENT DISCUSSION AND ANALYSIS

General Performance

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

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

Overview

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

Business Review

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

Property Management Services

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

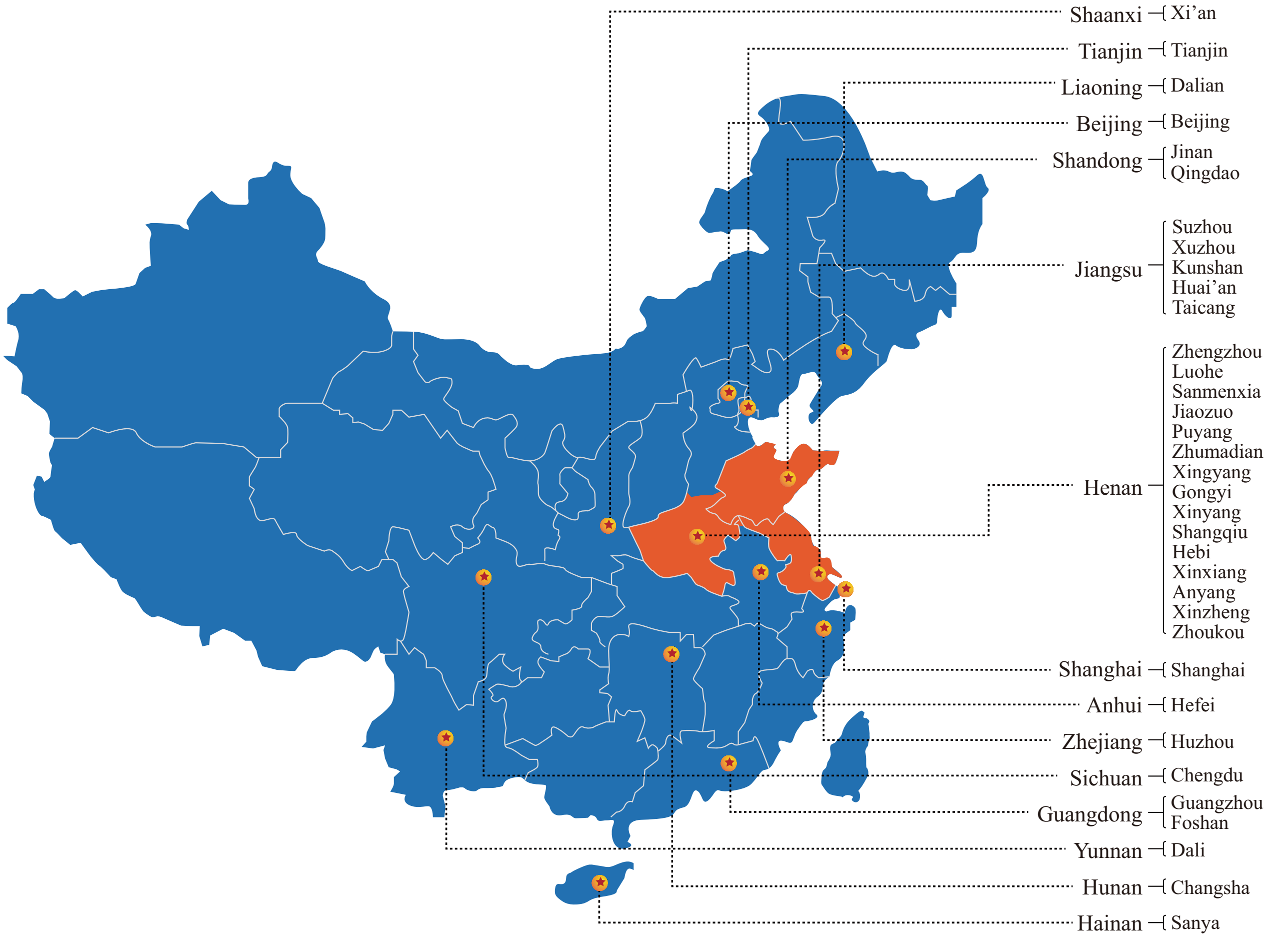
As at 31 December 2019, our contracted GFA was approximately 37.0 million sq.m., with a total of 175 contracted properties, representing a year-on-year growth of 40.7% and 25.9% respectively; GFA under management amounted to 20.1 million sq.m., with a total of 120 managed properties, representing a year-on-year growth of 28.2% and 25.0% respectively.

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

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

Our geographical coverage:

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



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

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

Notes:

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

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

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

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

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

Diversified Property Management Portfolio

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

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

Note:

(1) Includes industrial parks and service halls.

Business Expansion Strategy

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

The following table sets out by developer type GFA under management and revenue from property management services for the year/at the date shown:

	For the year ended 31 December/As at 31 December									
	2019					2018				
	Revenue *RMB'000*	**%**	**GFA under management** *(sq.m. '000)*	**%**	**No. of properties**	Revenue *RMB'000*	%	GFA under management *(sq.m. '000)*	%	No. of properties
Xinyuan Real Estate Group	**438,619**	**82.1**	**12,737**	**63.5**	**65**	344,368	87.6	11,684	74.6	61
Independent third parties	**95,335**	**17.9**	**7,327**	**36.5**	**55**	48,961	12.4	3,971	25.4	35
Total	**533,954**	**100.0**	**20,064**	**100.0**	**120**	393,329	100.0	15,665	100.0	96

Value-added Services

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

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

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

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

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

Pre-Delivery and Consulting Services

Leveraging on the Group's real estate professional services experience of over 20 years, we offer tailored pre-delivery and consulting services to property developers. Pre-delivery services include providing sales assistance services, for instance (i) property sales venues management services; and (ii) property sales venues "warm-up" services to property developers at the pre-delivery stage of the relevant property or when the property is put onto the market for sale. Consulting services include (i) advising property developers at the early and construction stages of a property on project planning, design management and construction management to enhance its functionality, comfort and convenience; and (ii) referral and management services provided to property developers for unsold properties.

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

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

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

PROSPECTS

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

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

"Offline Business Scale Expansion"

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

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

"Online User Base Fission"

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

2. Strengthening management capability through informatisation and smart features

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

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

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

FINANCIAL REVIEW

Revenue

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

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

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

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

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

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

Cost of sales

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

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

Gross profit and gross profit margin

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

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

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

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

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

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

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

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

Other income and gains

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

Administrative expenses

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

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

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

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

Impairment of investment in a joint venture

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

Share of loss of a joint venture

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

Impairment losses on financial assets

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

Other expenses

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

Profit before income tax expense

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

Income tax expense

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

Profit and total comprehensive income for the year

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

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

Capital Structure

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

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

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

Cash and Cash Equivalents

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

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

Plant, Property and Equipment

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

Intangible Assets

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

Trade Receivables

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

Prepayments and Other Receivables

Our prepayments and other receivables mainly comprised (i) prepayments to related parties; (ii) prepayments to third parties; and (iii) other receivables. As at 31 December 2019, the Group's prepayments and other receivables was approximately RMB98.0 million, representing a decrease of approximately RMB4.6 million as compared to approximately RMB102.6 million as at 31 December 2018. The decrease was mainly due to a decrease in other receivables from third parties in the period.

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

Our prepayments to third parties mainly comprised prepayments made to utility suppliers and subcontractors. Our prepayments increased from approximately RMB2.8 million as at 31 December 2018 to approximately RMB3.0 million as at 31 December 2019. The increase was mainly attributable to the increase in advance payments made to our suppliers and subcontractors as a result of the increase in the Group's GFA under management leading to the increase in engagements with them.

Our other receivables mainly represent deposits, prepayments on behalf of property residents and amount due from third parties. Our other receivables decreased from approximately RMB10.8 million as at 31 December 2018 to approximately RMB5.9 million as at 31 December 2019. The decrease was mainly attributable to the Group's improved management of other receivables from third parties during the year.

Trade Payables

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

Other Payables and Accruals

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

Contract Liabilities

The Group's contract liabilities mainly resulted from the advance payments received from customers while the underlying services are yet to be provided. As at 31 December 2019, our contract liabilities was approximately RMB103.4 million, representing an increase of 31.2% from approximately RMB78.8 million as at 31 December 2018. The increase was mainly due to the increase in the Group's GFA under management and the number of customers during the year.

Cash Flow

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

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

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

Gearing Ratio and Basis of Calculation

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

Liquidity and Financial Resources

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

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

Pledged Assets

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

Material Acquisition and Disposal of Assets

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

Significant Investment

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

Contingent Liabilities

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

Interest Rate Risk

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

Exchange Rate Risk

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

Employment and Remuneration Policy

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

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

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

Use of Proceeds from Listing

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

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

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

The unutilised amount of the net proceeds will be applied in the manner consistent as set out in the Prospectus.

Events After the Reporting Period

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

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

FINAL DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

The AGM is expected to be held on Friday, 29 May 2020. For determining the entitlement to attend and vote at the AGM, the Register of Members of the Company will be closed from Tuesday, 26 May 2020 to Friday, 29 May 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all share transfer documents, accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 25 May 2020.

For determining the entitlement to the proposed final dividend (subject to approval by the Shareholders at the AGM), the Register of Members of the Company will be closed from Thursday, 4 June 2020 to Friday, 5 June 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 3 June 2020.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own code of corporate governance. The Company has complied with all the code provisions as set out in the CG Code from 11 October 2019 (the "**Listing Date**") to 31 December 2019.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuer (the "**Model Code**") set out in Appendix 10 to the Listing Rules. Specific enquiry has been made to all the Directors and the Directors have confirmed that they have complied with the Model Code from the Listing Date to 31 December 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

AUDIT COMMITTEE

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

SUFFICIENCY OF PUBLIC FLOAT

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

PRE-EMPTIVE RIGHTS

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

ANNUAL GENERAL MEETING

The AGM will be held on Friday, 29 May 2020. The notice of AGM will be sent to Shareholders at least 20 clear business days before AGM.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Company at www.xypm.hk and Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk. The 2019 annual report containing all the information required by Appendix 16 of the Listing Rules will be dispatched to the Shareholders and published on the above websites in due course.

By Order of the Board
Xinyuan Property Management Service (Cayman) Ltd.
ZHANG Yong
Chairman

Hong Kong, 27 March 2020

As at the date of this announcement, the Board of Directors of the Company comprises Ms. WANG Yanbo and Mr. HUANG Bo as Executive Directors, Mr. ZHANG Yong and Ms. YANG Yuyan as Non-Executive Directors, and Mr. LUO Ji, Mr. LI Yifan and Mr. WANG Peng as Independent Non-Executive Directors.