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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

FINANCIAL HIGHLIGHTS

1. Total revenue for the six months ended 30 June 2022 increased by approximately 5.6% from approximately RMB337.5 million for the six months ended 30 June 2021 to approximately RMB356.3 million.
2. Gross profit for the six months ended 30 June 2022 was approximately RMB136.1 million, representing an increase of approximately 12.9% as compared to approximately RMB120.6 million for the six months ended 30 June 2021.
3. Profit attributable to owners of the Company for the six months ended 30 June 2022 was approximately RMB64.9 million, representing an increase of 1.1% as compared to approximately RMB64.2 million for the six months ended 30 June 2021.
4. As at 30 June 2022, the contracted GFA of the Group's property management services was approximately 64.2 million sq.m., representing an increase of approximately 12.7% from approximately 57.0 million sq.m. as at 30 June 2021.

RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Xinyuan Property Management Service (Cayman) Ltd. (the “**Company**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2022 (the “**Period**”) together with the comparative figures for the corresponding period in 2021 as follows:

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

For the six months ended 30 June 2022

		Six months ended 30 June	
	Notes	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue	4	356,259	337,483
Cost of sales		<u>(220,164)</u>	<u>(216,896)</u>
Gross profit		136,095	120,587
Other income and gains		10,022	5,153
Administrative expenses		(27,753)	(29,427)
Provision for impairment on financial assets and contract assets (other than related parties)		(2,508)	(4,649)
Provision for impairment on financial assets and contract assets (related parties)		(25,135)	–
Other expenses		2,844	(2,089)
Interest on lease liabilities		(103)	(75)
Fair value losses on financial assets at fair value through profit or loss		(3,523)	–
Impairment of investment in a joint venture			
Share of profits/(losses) of:			
Joint venture		–	(362)
Associates		107	359
Profit before tax	5	90,046	89,497
Income tax expense	6	<u>(24,757)</u>	<u>(25,080)</u>
Profit and total comprehensive income for the period		<u>65,289</u>	<u>64,417</u>
Attributable to:			
Equity holders of the Company		64,880	64,166
Non-controlling interests		409	251
		<u>65,289</u>	<u>64,417</u>
		<i>RMB cents</i>	<i>RMB cents</i>
Earnings per share attributable to ordinary equity holders of the Company			
Basic	8	<u>11.43</u>	<u>12.02</u>
Diluted		<u>11.43</u>	<u>11.38</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

		As at 30 June 2022	As at 31 December 2021
	<i>Notes</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		9,012	9,608
Goodwill		3,090	3,090
Right-of-use assets		1,713	1,859
Intangible assets		2,120	2,197
Investment in a joint venture		–	–
Investments in associates		1,630	1,523
Prepayments to a related party		89,073	89,073
Payments to related parties		205,461	191,469
Deferred tax assets		18,541	12,033
Loan to a related party		48,000	40,131
		<hr/>	<hr/>
Total non-current assets		378,640	350,983
Current assets			
Trade and bills receivables	9	290,121	258,152
Contract assets		57,442	62,105
Deposits, prepayments and other receivables		28,667	61,582
Financial assets at fair value through profit or loss		37,381	40,904
Term deposits		399,461	397,330
Cash and cash equivalents		242,695	321,719
		<hr/>	<hr/>
Total current assets		1,055,767	1,141,792
Current liabilities			
Trade payables	10	101,440	102,900
Other payables and accruals		171,125	249,890
Contract liabilities		160,249	138,815
Lease liabilities		1,509	1,393
Tax payable		75,251	74,087
		<hr/>	<hr/>
Total current liabilities		509,574	567,085
Net current assets		546,193	574,707
		<hr/>	<hr/>
Total assets less current liabilities		924,833	925,690

		As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Non-current liabilities			
Lease liabilities		484	692
Deferred tax liabilities		10,878	10,106
		<hr/>	<hr/>
Total non-current liabilities		11,362	10,798
		<hr/>	<hr/>
Net assets		913,471	914,892
		<hr/> <hr/>	<hr/> <hr/>
Equity			
Share capital	11	5	5
Reserves		909,703	911,533
		<hr/>	<hr/>
Total equity attributable to equity holders of the Company		909,708	911,538
		<hr/>	<hr/>
Non-controlling interests		3,763	3,354
		<hr/>	<hr/>
Total equity		913,471	914,892
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated on 13 December 2018 in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The trading in shares of the Company has been suspended since 1 April 2021. The registered office of the Company is located at the offices of Maples Corporate Services Limited, P.O. Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands. The principal place of business was located at 9/F., Wah Yuen Building, 149 Queen’s Road Central, Hong Kong. With effect from 1 August 2022, the principal place of business has been changed to Unit B, 17/F., United Centre, 95 Queensway, Admiralty, Hong Kong.

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

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

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

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2022 has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, and the International Accounting Standard (“**IAS**”) 34 Interim Financial Reporting, issued by the International Accounting Standards Board (“**IASB**”).

The preparation of the interim condensed consolidated financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those described in the annual financial statements for the year ended 31 December 2021.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2021 which have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by IASB, and any public announcements made by the Company during the interim reporting period.

The interim condensed consolidated financial statements have been prepared on historical cost basis except for certain financial instruments which are measured at fair values. As the Group mainly operates in the People’s Republic of China (the “**PRC**”), Renminbi (“**RMB**”) is used as the presentation currency of the interim condensed consolidated financial information and all values are rounded to the nearest thousand (*RMB’000*) except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies and method of computation adopted in the preparation of these interim condensed consolidated financial statements were consistent with those adopted in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021 other than changes in accounting policies resulting from adoption of the new or amendments to IFRSs for the first time for the current period's financial information.

Accounting Guideline 5 (Revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IFRS3, IAS16 and IAS 37	Narrow-scope Amendments
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Costs of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018–2020

The adoption of these new or amendments to IFRSs has had no significant financial effect on the Group's interim condensed consolidated financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

Except for the above, the Group has not adopted any other new or amendments to IFRSs which are issued but not yet effective for the current interim period. The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial adoption. So far the directors of the Company have concluded that the adoption of them is unlikely to have a significant financial effect on the interim condensed consolidated financial statements.

3. OPERATING SEGMENT INFORMATION

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

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

The major operating entities of the Group are domiciled in the PRC. Accordingly, all of the Group's revenue was derived in the PRC during the periods. As at 30 June 2022, all of the non-current assets were located in the PRC.

4. REVENUE

Revenue mainly represents consideration to which the Group expects to be entitled for the property management services, value-added services, pre-delivery and consulting services and property engineering services rendered to customers, net of value added tax and surcharges, and allowances for discounts. An analysis of the Group's revenue by category is as follows:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue from contract with customers within the scope of IFRS 15, types of goods or services		
Property management services	256,386	206,772
Value-added services	53,367	51,011
Pre-delivery and consulting services	36,319	51,915
Property engineering services	10,187	27,785
	<u>356,259</u>	<u>337,483</u>

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

For the six months ended 30 June 2022, revenue from entities controlled by the Ultimate Holding Company accounted for 11% (six months ended 30 June 2021: 21%) of the Group's total revenue. 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 period.

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

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue recognised that was included in the contract liability balance at the beginning of the period	<u>105,008</u>	<u>97,453</u>

Performance obligations

For property management services, pre-delivery and consulting services and property engineering services, the Group recognises revenue in the amount that equals to the right to invoice which corresponds directly with the value to the customer of the Group's performance to date. The majority of the property management service contracts do not have a fixed term. The terms of the contracts for pre-delivery and consulting services (except for construction services) are generally set to expire when the counterparties notify the Group that the services are no longer required.

The Group has elected the practical expedient in paragraph 121 of IFRS 15 for the value-added services and property engineering services contracts that regarding the performance obligation that has an original expected duration of one year or less, the Group does not make disclosure in accordance with paragraph 120 of IFRS 15, that is the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period and an explanation of when the Group expects to recognise as revenue.

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of services provided	<u>220,164</u>	<u>216,896</u>
Employee benefit expense (including director's and chief executive's remuneration):		
– Wages and salaries	73,763	52,114
– Equity-settled share-based payment expense (<i>Note</i>)	57	4,660
– Pension scheme contributions	<u>6,091</u>	<u>5,736</u>
	<u>79,911</u>	<u>62,510</u>
Depreciation and amortisation:		
Depreciation of property, plant and equipment	596	1,040
Depreciation of right-of-use assets	725	667
Amortisation of intangible assets	<u>134</u>	<u>90</u>
	<u>1,455</u>	<u>1,797</u>
Lease payments not included in the measurement of lease liabilities	58	75
Fair value losses on financial assets at fair value through profit or loss	<u>3,523</u>	<u>–</u>
Impairment of financial assets and contract assets:		
–Third parties		
Provision for impairment of trade receivables	3,369	5,100
Reversal of impairment of contract assets	–	(162)
Reversal of impairment of financial assets included in other receivables	<u>(861)</u>	<u>(289)</u>
	<u>2,508</u>	<u>4,649</u>
–Related parties		
Provision for impairment of trade receivables	27,917	–
Provision for impairment of contract assets	14,337	–
Reversal of impairment of financial assets included in deposits, prepayments and other receivables	(9,250)	–
Reversal of impairment of loan to a related party	<u>(7,869)</u>	<u>–</u>
	<u>25,135</u>	<u>–</u>
Total impairment of financial assets and contract assets	<u>27,643</u>	<u>4,649</u>

Note: The Group recognised share-based payment expenses related to a total of 56,250,000 awarded restricted shares granted pursuant to the restricted share award scheme adopted in 2019 (the “Scheme”) of approximately RMB57,000 (six months ended 30 June 2021: RMB4,660,000) in profit or loss during the six months ended 30 June 2022. Details of the Scheme is set out in the annual consolidated financial statements for the year ended 31 December 2021.

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax expense-PRC	30,493	26,257
Deferred tax expense-PRC	(5,736)	(1,177)
	<hr/>	<hr/>
Total tax charge for the year	24,757	25,080
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(a) Cayman Islands income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and is exempted from Cayman Islands income tax (six months ended 30 June 2021: Same).

(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 (six months ended 30 June 2021: Nil).

(c) Hong Kong profits tax

No provision for Hong Kong profits tax was made as the Group did not have any assessable income subject to Hong Kong profits tax for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

(d) PRC Corporate Income

Under the relevant PRC income tax law, the PRC entities of the Group are subject to corporate income tax at a rate of 25% on their respective taxable income (six months ended 30 June 2021: Same).

7. DIVIDENDS

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Final declared and paid – HK13.8 cents per ordinary share	66,767	–
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A final dividend in respect of the year ended 31 December 2021 of HK13.8 cents per ordinary share, amounting to HK\$78,315,000 (equivalent to approximately RMB63,660,000) was approved at the annual general meeting of the Company held on 27 May 2022.

The dividend of approximately RMB66,767,000 had been paid during six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

8. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the six months ended 30 June 2022 attributable to ordinary equity holders of the Company, adjusted for the dividends in respect of unvested shares under the restricted share award scheme, and the weighted average number of ordinary shares of 567,500,000 (six months ended 30 June 2021: 533,721,000) in issue during the period.

The calculation of the diluted earnings per share amount is based on the profit for the six months ended 30 June 2022 attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic profit per share calculation, and the weighted average number of ordinary shares assumed to have been vested under a restricted share award scheme (Note 5) 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:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to equity holders of the Company, used in the diluted earnings per share calculation (<i>RMB'000</i>):	64,880	64,166
Adjustment of the proposed dividends for unvested shares under restricted share award scheme (<i>RMB'000</i>):	—	—
	<hr/>	<hr/>
Adjusted profit attributable to equity holders of the Company, used in the basic earnings per share calculation (<i>RMB'000</i>):	64,880	64,166
	<hr/> <hr/>	<hr/> <hr/>
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation (<i>thousands</i>)	567,500	533,721*
Effect of dilution		
– weighted average number of ordinary shares:		
Restricted share award scheme (<i>thousands</i>)	—	30,000
	<hr/>	<hr/>
Weighted average number of ordinary shares for diluted earnings per share (<i>thousands</i>)	567,500	563,721
	<hr/> <hr/>	<hr/> <hr/>
Basic earnings per share (<i>RMB cents</i>)	11.43	12.02
Diluted earnings per share (<i>RMB cents</i>)	11.43	11.38

Note:

* Weighted average of 533,721,000 ordinary shares represented the 567,500,000 ordinary shares in issue for the six months ended 30 June 2021, excluded the 30,000,000 unvested restricted shares and the weighted average of 18,000,000 ordinary shares issued by the Company in February 2021.

9. TRADE AND BILLS RECEIVABLES

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Trade receivables (<i>Note (a)</i>)		
– Related parties	186,371	127,855
– Third parties	152,218	134,312
	<u>338,589</u>	<u>262,167</u>
Less: allowance for impairment of trade receivables	(51,050)	(19,764)
	<u>287,539</u>	<u>242,403</u>
Bills receivable (<i>Note (b)</i>)	2,582	15,749
	<u>290,121</u>	<u>258,152</u>

- (a) For trade receivables from property management services, the Group charges property management fees on a monthly or quarterly basis and the payment is generally due upon the issuance of demand notes. No credit period is granted (31 December 2021: Nil).

Receivables from value-added services and pre-delivery services are due for payments in accordance with the terms of the relevant services agreements with property developers, which is normally within 30 to 90 days (31 December 2021: 30 to 90 days) from the issue of demand note.

The amounts due from related parties are repayable on credit terms similar to those offered to other major customers of the Group.

- (b) The balance represented certain bank acceptance bills totaling RMB2,582,000 (31 December 2021: RMB15,749,000). The directors of the Company considered that expected credit loss for these bills is immaterial in view of no history of default and good repayment history of these customers.

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

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Within 1 year	235,158	214,638
1 to 2 years	44,231	30,887
2 to 3 years	9,039	9,208
3 to 4 year	1,693	3,419
4 to 5 years	–	–
Over 5 years	–	–
	<u>290,121</u>	<u>258,152</u>
Total	<u>290,121</u>	<u>258,152</u>

10. TRADE PAYABLES

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Trade payables		
– Related parties	1,745	2,494
– Third parties	99,695	100,406
	<u>101,440</u>	<u>102,900</u>

As at 30 June 2022, the carrying amounts of trade payables approximated their fair values (31 December 2021: Same). The trade payables are non-interest-bearing and have a normal credit terms of 30 to 90 (31 December 2021: 30 to 90) days.

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

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Within 1 year	38,679	71,096
1 to 2 years	37,430	29,782
2 to 3 years	24,009	1,238
Over 3 years	1,322	784
	<u>101,440</u>	<u>102,900</u>

11. SHARE CAPITAL

There was no changes of share capital of the Group during the six months ended 30 June 2022.

During the six months ended 30 June 2021, 18,000,000 ordinary shares of HK\$0.00001 each of the Company were issued at a price of HK\$2.10 per share by way of placing. The proceeds of HK\$37,800,000 (equivalent to approximately RMB31,654,000) representing the par value of the shares of the Company, were credited to the Company's share capital, the remaining proceeds of approximately HK\$37,160,000 (after deducting all the issuing expenses) (equivalent to approximately RMB31,118,000), were credited to share premium account. The new shares rank pari passu with the existing shares in all respects.

MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL PERFORMANCE

Total revenue for the six months ended 30 June 2022 increased by 5.6% from approximately RMB337.5 million for the six months ended 30 June 2021 to approximately RMB356.3 million.

Net profit for the six months ended 30 June 2022 was approximately RMB65.3 million representing an increase of 1.4%, as compared to approximately RMB64.4 million for the six months ended 30 June 2021.

OVERVIEW

The Group strives to be a leading intelligent operator of pan-property industry. In the first half of 2022, capability upgrading was the core orientation of the Group's development. We focused on the three dimensions of strategic upgrading, service upgrading and organizational upgrading and based on the three directions: Xin-property, Xin-industry and Xin-technology, to continue to optimize the three-wheel drive model of property + industry + technology.

On the basis of the Xin-service's 4.0 service system upgrade, Xin-property focused on ensuring the development quality of core operations and building a strong foundation for business development; it achieved breakthroughs in scale expansion, in terms of both business types and regional coverage by centering its business around the expansion pattern of "1+4+N", expanding from residential operation type to non-residential operation type.

Xin-property focused on carrying out in-depth business layout in areas such as the full life cycle of property owners, comprehensive living scenarios in the community, the renewal of stock asset projects, and the up and downstream property industrial chain. Combining internal and external resources, and capabilities strengths, it further concentrated on its industrial layout, by focusing on home living services, housekeeping services, door to door professional services, house maintenance services and stock assets renewal projects.

On the basis of internal business empowerment, Xin-technology continued to develop external output capacity and industrial service capacity. Xinzhi Xiang Technology Co., Ltd.* (鑫智享科技有限公司) was formed, realizing its breakthrough to external services and the gradual industrialization of technological services.

In the first half of 2022, the Group continued to enhance its brand influence and operation capabilities. In terms of brand influence, we were listed by China Index Academy as one of the Top 15 enterprises among the Top 100 Property Management Companies in China in the first half of 2022. We were also recognized by Shanghai E-House China R&D Institute and CRIC Property Management as one of the 2022 Top 100 Property Service Companies, 2022 Top 10 Companies with High-End Property Services, and 2022 Service Benchmarking Projects.

In terms of business growth, as at 30 June 2022, the Group provided property management services to 53 cities in the PRC, with contracted gross floor area (“GFA”) amounting to 64.2 million sq.m., and GFA under management amounting to 38.8 million sq.m. Our business covers three major spaces: residential, non-residential, and urban, and includes various types of properties such as residential properties, integrated properties, commercial and office buildings, business parks, industrial parks, schools and urban services etc.

While we continued to upgrade our business development, we also continued to carry out organizational upgrading work, concentrating on the core principles of specialized headquarters, stronger regions, and practical industry, with the core focus of establishing two sharing systems, namely job function sharing center and business sharing center, to improve the operational and management efficiency of our internal organization. In the first half of the year, the per capita management efficiency of the Group recorded a year-on-year increase of 10%.

In the first half of 2022, our employees across China actively participated in pandemic control and prevention work. During the joint efforts of pandemic prevention and treatment with the community, arrangements for daily nucleic acid tests, and the safeguarding of property owners’ livelihoods during the lockdown, the leadership roles of CCP organizations and pioneers at all levels were given full play. A lot of heroic deeds and people emerged from the pandemic, such as the “11 warriors” and “8 golden flowers” rising from the pandemic control work in Kunshan, which have won extensive commendation from the society and governments at all levels, and have fully demonstrated the social responsibilities and social values of enterprises.

BUSINESS REVIEW

In the first half of 2022, the Group fully implemented its strategic upgrade, organizational upgrade and service upgrade around its core orientation of capability upgrading and the three development dimensions of Xin-property, Xin-industry and Xin-technology. We overcame the double pressure arising from the strict pandemic restrictions and the downward development of the property industry, took the initiative to make changes, and carried out in-depth business expansions so as to ensure its stable development.

Xin-property focused on the regional development layout of “1+4+N” (focusing on Central China + in-depth development of four major regions + growth opportunities for a “N” number of cities) and realized continuous expansion in terms of both business types and regional coverage.

In terms of business type expansion, we entered into 17 contracted comprehensive engagement projects in the first half of the year, with the contract GFA recording a year-on-year increase of 84%. Non-residential spaces, such as schools, banks, offices and industrial parks have been added to our business scope, thereby further optimizing our business structure.

In terms of regional expansion, we achieved breakthroughs in comprehensive engagement in Hubei, Yunnan, Anhui and other locations, further strengthen the regional layout of “1+4+N”, and continued to make efforts to deepen regional cultivation.

Xin-industry continued to transform from resource-based to capability-based, continued to develop from incrementing to stocking assets, and continued to seek out new paths for business development. In terms of owners’ living services, we commenced the door and window renovation property 4S business, created a new community front warehouse operation model, carried out group buying activities for daily necessities, which resulted in a 46% year-on-year increase of community value-added income for the owners. In terms of stock renewal, we developed a stock integration business model. With elevator retrofitting business in old neighborhoods as its core, we built a front-to-back integration business model, a profit model consisting of construction revenue + derivative revenue and an implementation plan. In the first half of the year, we completed 16 stock assets renewal projects and elevator retrofitting projects.

In the first half of 2022, Xin-technology continued to enhance the construction of an Internet-of-Things (IoT) platform, the establishment of a five-in-one enterprise WeChat ecology, the continued expansion of business-finance integration and other focuses. IoT platform has completed the construction of 7 digital platforms including smart parking and smart meter. The business-finance integration system has completed the upgrading of 10 income and expenditure systems etc., continuously empowering internal management, reducing costs and increase efficiency. We have accomplished systematic planning, encapsulation of standardized business operation systems and other informatization construction, realizing our standardization capabilities throughout the business process from planning, design and promotion. Through the implementation of digitalization, intelligence and other quality control means, the inspection cost was reduced by 66.7%; with the implementation of intelligent access system, the personnel input was reduced by 28.7%, and the parking revenue after renovation was increased by 13.7% period-on-period; by the implementation of energy saving and consumption reduction measures such as smart meter renovation, the unit energy consumption was reduced by 7% period-on-period; by means of the implementation of sharing center supported by digitalization, the middle-level personnel control range was increased by 20% period-on-period; with the overall construction of digital system, property service per square meter revenue increased by 15.8% and customer information processing efficiency increased by 17.8%. During the first half of the year, XinzhiXiang Technology completed the accreditation process for technology enterprises and was awarded 14 soft patent rights, realizing the export of information services, and gradually developing and upgrading its technology business from the inside out.

The Group’s existing four major business lines consist of property management services, value-added services, pre-delivery and consulting services, and property engineering services.

PROPERTY MANAGEMENT SERVICES

We focused on the market expansion pattern of “1+4+N”, cultivated regional presence in depth, expanded our business scope to realize a continued steady growth of scale. In the first half of 2022, we continued to optimize our business structure. Based on the continued expansion of our residential property spaces, we also made more efforts to expand the operations of non-residential spaces. During the first half of the year, we realized the expansion of projects relating to schools, public infrastructure and banks, including the campus management service of Henan Vocational Institute of Arts, banking service of Kaifeng Xindong Fangcunzhen Bank and the Industrial Bank Co., Ltd.(Xinyang branch), Xinyang City bookstore services. Non-residential spaces accounted for 27% of the contracted GFA.

In the first half of 2022, in terms of property management services, the Group carried out organizational and service upgrade works and established the three major spaces: residential, non-residential and urban. Under the Xin-service 4.0 system, our services covered eight major areas, namely: property sales venue services, livable residences, high-end residences, commercial offices, public infrastructure, industrial parks, urban services and rural services, which allowed us to enhance the quality of core services and customer experience. We also carried out organizational upgrading work on the basis of technological empowerment, established a job function sharing center and a business sharing center to comprehensively improve the efficiency of core services. In the first half of the year, our per capita efficiency recorded a year-on-year increase of 10%.

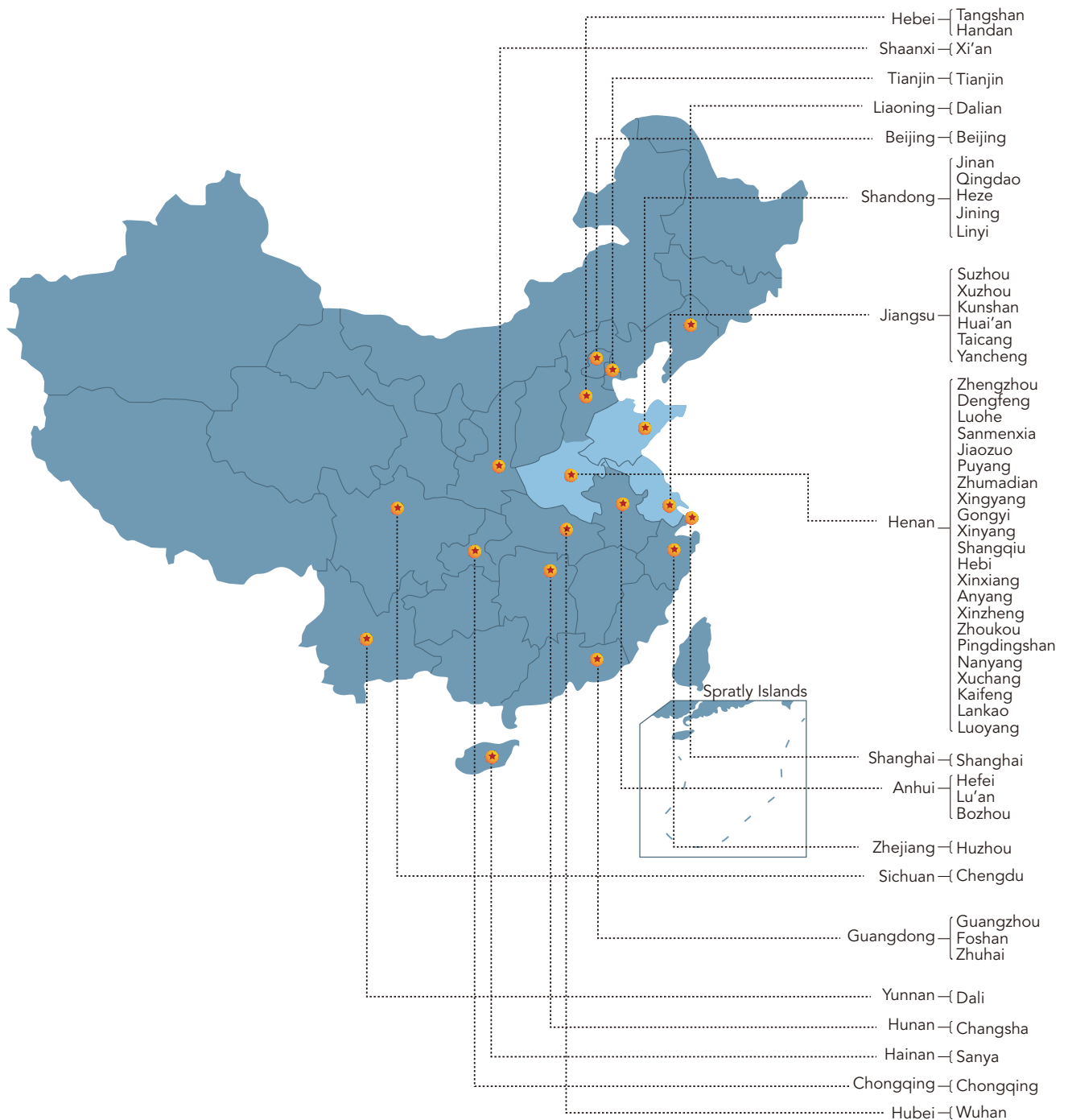
As of 30 June 2022, we provided property management service and value-added service in 53 cities in the PRC. Contracted GFA was approximately 64.2 million sq.m., of which, third party contracted GFA represented 66.1%, from a total of 280 contracted properties, representing a year-on-year growth of 12.7% and 10.2% respectively. GFA under management amounted to approximately 38.8 million sq.m., of which, third party GFA under management represented 63.1%, from a total of 207 properties under management, representing a year-on-year growth of 7.1% and 10.7% respectively.

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

	As at 30 June	
	2022	2021
GFA under contract (<i>sq.m. '000</i>)	64,220	56,961
No. of contracted properties	280	254
GFA under management (<i>sq.m. '000</i>)	38,795	36,227
No. of properties under management	207	187

Our geographical coverage:

Since the establishment of the Group, as at 30 June 2022, our geographical coverage has expanded from Zhengzhou to a total of 53 cities across the PRC.



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

	As at 30 June			
	2022		2021	
	GFA	No. of	GFA	No. of
	(sq.m.'000)	properties	(sq.m.'000)	properties
		under		under
		management		management
Central China ⁽¹⁾	18,079	121	15,946	106
Eastern China ⁽²⁾	6,843	39	6,267	35
Western China ⁽³⁾	11,978	33	12,153	33
Northern China ⁽⁴⁾	1,638	11	1,638	11
Southern China ⁽⁵⁾	257	3	223	2
Total	38,795	207	36,227	187

Notes:

- (1) Includes cities located in Henan and Hunan provinces.
- (2) Includes cities located in Jiangsu, Anhui, Shandong and Zhejiang provinces and Shanghai municipality.
- (3) Includes cities located in Sichuan, Yunnan and Shaanxi provinces and Chongqing municipality.
- (4) Includes cities located in Liaoning and Hebei provinces, Beijing and Tianjin municipalities.
- (5) Includes cities located in Hainan and Guangdong provinces.

Diversified property management portfolio

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

A breakdown of our revenue generated from property management services of developed properties by property type as of 30 June 2022 is as follows:

	For the six months ended 30 June/As at 30 June									
	2022					2021				
	Revenue (RMB'000)	%	GFA under management (sq.m.'000)	%	No. of properties under management	Revenue (RMB'000)	%	GFA under management (sq.m.'000)	%	No. of properties under management
Residential properties	203,922	79.5	25,093	64.7	151	167,135	80.8	23,489	64.8	139
Non-residential properties	52,464	20.5	13,702	35.3	56	39,637	19.2	12,738	35.2	48
Total	<u>256,386</u>	<u>100.0</u>	<u>38,795</u>	<u>100.0</u>	<u>207</u>	<u>206,772</u>	<u>100.0</u>	<u>36,227</u>	<u>100.0</u>	<u>187</u>

Business expansion strategy

While undertaking the real estate development business of Xinyuan Real Estate Co., Ltd. and its subsidiaries (collectively, “**Xinyuan Real Estate Group**”), the Group is also actively expanding towards the independent third parties market. We continue to implement our “1+4+N” market development map to broaden our business coverage.

For our expansion strategy, we will establish a multi-pronged approach to expansion based on comprehensive engagement, merger and acquisition of quality targets as main strategies, joint venture and cooperation, state-owned enterprise reform, stock asset conversion as auxiliary strategies. With efforts in certain aspects by headquarters + region company, we will develop expansion channels and innovate expansion models, in order to ensure a steady and rapid growth of business scale.

As for the selection of business types for expansion, the Group will build on its strength of delivering “high cost-performance ratio, high satisfaction, high service experience” and solid residential portfolio to actively expand into businesses including office buildings, business parks, industrial parks, schools and public buildings in order to optimise business type structure.

As at 30 June 2022, the Group's GFA under management for properties developed by third parties increased by 10.5% as compared to 30 June 2021, and number of third party properties increased by approximately 14.4% as compared to the previous period.

The Group's third party GFA under management and share of revenue from property management services in the first half of 2022 is as follows:

	For the six months ended 30 June/As at 30 June									
	2022					2021				
	Revenue (RMB'000)	% management	GFA under management (sq.m.'000)	% management	No. of properties under management	Revenue (RMB'000)	% management	GFA under management (sq.m.'000)	% management	No. of properties under management
Xinyuan Real Estate Group ⁽¹⁾	182,318	71.1	14,336	37.0	80	143,318	69.3	14,101	38.9	76
Independent third parties ⁽²⁾	74,068	28.9	24,459	63.0	127	63,454	30.7	22,126	61.1	111
Total	256,386	100.0	38,795	100.0	207	206,772	100.0	36,227	100.0	187

Notes:

- (1) Xinyuan Real Estate Co., Ltd. (ultimate holding company) and its subsidiaries are collectively known as Xinyuan Real Estate Group. Includes properties solely developed by Xinyuan Real Estate Group.
- (2) Refers to properties developed by independent third parties independent of Xinyuan Real Estate Group.

Value-added services

In the first half of 2022, the Group established a community value-added services department. We focused on our strengths in internal and external resources and capabilities and conducted in-depth integration of resources. Despite the impact of factors such as the pandemic, the Group achieved robust growth in our value-added services segment in the first half of the year.

In terms of value-added services for property owners, we have developed a 4S home services business model based on home renewal, home maintenance and home value-adding, innovated a neighbourhood pre-warehouse operating model, commenced group-buy activities for daily necessities. Based on the actual needs of property owners living in their communities, we introduced innovative measures in offering interior furnishing, delivery and charging services to conduct in-depth layout. During the first half of 2022, revenue from consumption of property owners increased by 46% as compared to the previous period.

In terms of household services, we rely on Xinyi Better Life Professional Company* (鑫怡美好生活專業公司). We combined online and offline and integrated internal and external professional service resources to focus on two major aspects of household living services and professional maintenance services. Through organising seasonal activities and themed events, household services have increasingly gained a high level of recognition from property owners. Revenue from household services increased by 18.1% as compared to the previous period.

Value-added services	For the six months ended 30 June			
	2022		2021	
	RMB'000	%	RMB'000	%
Third party services revenue	13,481	25.3	12,087	23.7
Space resources management	21,796	40.8	26,536	52.0
Domestic living services	18,090	33.9	12,388	24.3
Total	<u>53,367</u>	<u>100.0</u>	<u>51,011</u>	<u>100.0</u>

Pre-delivery and consulting services

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

Under the impact of the overall real estate development trend, in 2022 the Group has been prudent in commencing any pre-delivery and consulting services process, the segment's overall revenue has declined 30% as compared to the previous period.

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

	For the six months ended 30 June			
	2022		2021	
	Revenue <i>RMB'000</i>	%	Revenue <i>RMB'000</i>	%
Xinyuan Real Estate Group	31,589	87.0	44,808	86.3
Third party property developers	4,730	13.0	7,107	13.7
Total	<u>36,319</u>	<u>100.0</u>	<u>51,915</u>	<u>100.0</u>

Property engineering services

Property engineering services include the provision of firefighting, intelligent engineering, landscaping engineering and preliminary smart neighbourhood planning engineering and construction services, as well as additional installation of elevators, remaking facade and other renewal and remaking engineering services for stock properties. At the same time, the Group also participates in government old district rebuilding projects.

In terms of provision of engineering services to developers, the Group has established an “EPC + CDI” smart neighbourhood construction model and has developed our own services capability to offer a comprehensive process covering design planning to engineering organisation as well as post-construction operation management.

In terms of renewal and remaking of stock properties, the Group focuses on flaws and weak points around the installation of elevators and the renovation of public facilities in old projects. We have innovated an integrated business model for stock properties, developed a preliminary and post project integrated business model, engineering revenue + derivative revenue profit model and implementation plan, and completed 16 public area remaking and renewal and additional elevator installation projects.

While the Group has expanded new business in renewal and remaking of stock properties, under the impact of the overall real estate development trend, the Group’s overall revenue from the property engineering business in the first half of 2022 has been significantly affected as revenue declined 63% over the previous period.

	For the six months ended 30 June			
	2022		2021	
	Revenue <i>RMB'000</i>	%	Revenue <i>RMB'000</i>	%
Xinyuan Real Estate Group	9,586	94.1	19,472	70.1
Other partners	601	5.9	8,313	29.9
Total	10,187	100.0	27,785	100.0

Prospects

Based on our position as a leading intelligent operator of pan-property industry, the Group will focus on three major development directions of “Xin-property”, “Xin-industry” and “Xin-technology” as set out in our strategy plan to create an innovative business model layout and continue to optimise our property + industry + technology triple engine model.

Xin-property

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

In terms of basic services, we will focus on improving quality and enhancing efficiency:

On improving quality, the implementation of Xin Service 4.0 is our starting point. We will improve service quality, enhance customer perception and experience by exploring the real needs of customers, focusing on the actual issues of business, stimulating the motivation of employees, giving full play to the real effectiveness of data and building the capability of the team, and continuously enriching the connotation and extension of services. We will focus on strengthening the implementation and benchmarking of standards, establish a differentiated brand matrix, strengthen refined management and the ability of precise service and consolidate the foundation of property services.

On enhancing efficiency, we will focus on enhancing operating efficiency. By implementing measures such as organisation upgrade and technology empowerment, we will enhance the management scope, management efficiency and work efficiency of our staff across different levels. We will continue to optimise and streamline our cost control model, and through wide application of smart tools and information systems, continue to enhance and optimise unit-area efficiency ratio and staff efficiency ratio, and enhanced our core competitiveness of “high cost-performance ratio, high satisfaction and high levels of service experience”.

In terms of scale development, we will continue to focus on the development layout of “1+4+N” and cultivate regional presence. We will innovate expansion models and expansion paths while gradually optimising property type structure and region structure. Further, we will establish different expansion strategies based on different regions of development, and build different niche brands based on different business types, in order to construct a diversified brand matrix.

In terms of expansion strategy, we will focus on the principle of “low cost and steady growth” and rely on the creation of diversified service capabilities, the construction of a full industry chain service ecology, and the creation of a red property brand, to innovate diversified cooperation models on the basis of comprehensive engagement with developers, property enterprises, government and property owners committees.

In terms of expanding business types, from the residential sector, we will expand towards non-residential, municipal services, government, military logistics and services, upstream and downstream industry chain. We will also expand from new properties to stock properties as we continue to explore new models and paths for scale expansion.

Xin-industry

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

Xin-industry will focus on three major aspects of “asset + space + people” for in-depth layout:

In terms of asset management, we will expand from new properties to stock properties and focus our efforts on remaking and upgrading stock properties, renovation work of stock properties and 4S home services. There will be in-depth integration and expansion of operations as we continue to promote and deepen our model of preliminary and post project integration stock properties renovation and upgrading construction work, in order to build scale.

In terms of operating spaces, we will enhance our operating space capabilities and improve the usage efficiency of spaces through taking stock, exploring and remaking existing spaces. We will strengthen synergy with other operating segments to improve the integration ability of resources.

In terms of community value-added services, we will continue to focus on full-cycle service demands of property owners and full-scenario living services needs of the community for in-depth layout. Horizontally, we will establish an industry chain; vertically, we will conduct in-depth, frequent interaction with property owners, carefully selecting product quality and types and focus on highlighted products to create scale.

Xin-technology

Xin-technology extends from internal development to external development, and supports scale increment through science and technology. Xin-technology will progressively transform from internal construction to an internet of industries, and change its role from internal solution provider to industrial solution provider. Based on internal business empowerment, Xin-technology continues to form external output capacity, industrial service capacity, achieving steady industrialization of its technology business. By virtue of the effective integration of property resources and elements through informatisation, digitalisation and intelligence, we will improve the efficiency of the use of property resources and elements, forming a new business model and business model through innovative combination and use of resources and elements, producing greater value, and realising the digital transformation of the enterprise itself.

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

In respect of external growth, we will rely on technology companies to create standardised packages for technical standards, data solutions and operation models through the model of combining our own property management service scenarios with information technology application, in order to achieve breakthrough in marketisation, and further continue to expand the scope of our services, so as to build an edge in our external empowerment capability.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2022, the Group recorded revenue of approximately RMB356.3 million (the corresponding period in 2021: approximately RMB337.5 million) representing an increase of approximately 5.6% as compared to the corresponding period in 2021.

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

The table below sets forth the respective revenue of each of the Group's business sectors for the period indicated:

	For the six months ended 30 June					
	2022		2021		Change	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Property management services	256,386	72.0	206,772	61.3	49,614	24.0
Value-added services	53,367	15.0	51,011	15.1	2,356	4.6
Pre-delivery and consulting services	36,319	10.2	51,915	15.4	(15,596)	(30.0)
Property engineering services	10,187	2.8	27,785	8.2	(17,598)	(63.3)
Total	<u>356,259</u>	<u>100.0</u>	<u>337,483</u>	<u>100.0</u>	<u>18,776</u>	<u>5.6</u>

Gross profit and gross profit margin

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

	For the six months ended 30 June					
	2022		2021		Change	
	<i>Gross profit RMB'000</i>	<i>Gross profit margin %</i>	<i>Gross profit RMB'000</i>	<i>Gross profit margin %</i>	<i>Amount RMB'000</i>	<i>%</i>
Property management services	81,688	31.9	56,001	27.1	25,687	45.9
Value-added services	34,307	64.3	33,626	65.9	681	2.0
Pre-delivery and consulting services	18,718	51.5	28,183	54.3	(9,465)	(33.6)
Property engineering services	1,382	13.6	2,777	10.0	(1,395)	(50.2)
Total	<u>136,095</u>	<u>38.2</u>	<u>120,587</u>	<u>35.7</u>	<u>15,508</u>	<u>12.9</u>

For the six months ended 30 June 2022, the Group's overall gross profit was approximately RMB136.1 million, representing a growth of approximately 12.9% as compared to approximately RMB120.6 million for the six months ended 30 June 2021. The Group's overall gross profit margin for the six months ended 30 June 2022 increased to approximately 38.2% from approximately 35.7% for the six months ended 30 June 2021.

Gross profit margin of property management services was approximately 31.9%, representing an increase of approximately 4.8 percentage points as compared to approximately 27.1% for the six months ended 30 June 2021. The increase in gross profit margin for property management services was mainly due to the improvement in economy of scale, cost saving measures and operational efficiency.

Gross profit margin of value-added services was approximately 64.3%, representing a decrease of approximately 1.6 percentage points as compared to approximately 65.9% for the six months ended 30 June 2021. The decrease in gross profit margin for value-added services was mainly due to the increase in promotion of domestic living services and personnel costs.

Gross profit margin for pre-delivery and consulting services was approximately 51.5%, representing a decrease of approximately 2.8 percentage points as compared to approximately 54.3% for the six months ended 30 June 2021. The decrease in gross profit margin for pre-delivery and consulting services was mainly due to the decrease of the project number of preliminary planning and design consulting services with a relatively high gross profit margin.

Gross profit margin for property engineering services was approximately 13.6%, representing an increase of approximately 3.6 percentage points as compared to approximately 10.0% for the six months ended 30 June 2021. The increase in gross profit margin for property engineering services was mainly due to the effective control of engineering construction costs.

Administrative expenses

For the six months ended 30 June 2022, the Group's administrative expenses was approximately RMB27.8 million, representing a decrease of approximately 5.7% as compared to approximately RMB29.4 million for the six months ended 30 June 2021, also representing approximately 7.8% of the Group's revenue (representing approximately 8.7% of the Group's revenue the corresponding period in 2021). The decrease was mainly due to (i) effective expenses control; and (ii) the decrease of share-based payment expenses during the current period.

Other income

For the six months ended 30 June 2022, the Group's other income and gains was approximately RMB10.0 million, representing an increase of approximately RMB4.8 million as compared to approximately RMB5.2 million for the six months ended 30 June 2021. The increase was mainly attributable to the receipt of government subsidies of approximately RMB 4.4 million, such as listing awards.

Income tax

For the six months ended 30 June 2022, the Group's income tax expense was approximately RMB24.8 million, representing a decrease of 1.3% as compared to RMB25.1 million for the six months ended 30 June 2021. The decrease in income tax expense was attributable to the increase of the deferred tax expense.

Profit

The Group's profit for the six months ended 30 June 2022 was approximately RMB65.3 million, representing an increase of approximately 1.4% as compared to RMB64.4 million for the corresponding period last year, mainly due to the Group's business growth and effective measures on cost control.

Current assets, reserves and capital structure

The Group maintained a sound financial position during the six months ended 30 June 2022. As at 30 June 2022, the Group's net current assets amounted to approximately RMB546.2 million, representing a decrease of approximately 5.0% as compared to approximately RMB574.7 million as at 31 December 2021.

As at 30 June 2022, the Group's total equity was approximately RMB913.5 million, representing a decrease of approximately 0.2% as compared to approximately RMB914.9 million as at 31 December 2021.

Property, plant and equipment

As at 30 June 2022, the Group's net property, plant and equipment was approximately RMB9.0 million, representing a decrease of approximately 6.2% as compared to approximately RMB9.6 million as at 31 December 2021, mainly due to the office equipment and machinery purchased to cope with the Group's business expansion partially offset by depreciation for the year.

Other intangible assets

As at 30 June 2022, the book value of the Group's intangible assets was approximately RMB2.1 million, representing a decrease of approximately 3.5% as compared to approximately RMB2.2 million as at 31 December 2021. The Group's intangible assets mainly comprised of (i) the Xinyuan Property Integrated Management Platform System; (ii) the Xinyuan Property Call Centre System; (iii) the electronic invoice tax control invoicing system; (iv) FineReport software; and (v) cost management system.

Trade receivables

As at 30 June 2022, the Group's trade receivables amounted to approximately RMB290.1 million, representing a growth of approximately 12.4% as compared to approximately RMB258.2 million as at 31 December 2021, mainly due to the increase in corresponding business resulting from the increase in the Group's GFA under management.

Prepayments and other receivables

Our prepayments and other receivables mainly comprised (i) prepayments to a related party; (ii) prepayments to third parties; and (iii) other receivables. As at 30 June 2022, the Group's prepayments and other receivables was approximately RMB323.2 million, representing a decrease of approximately 5.5% as compared to approximately RMB342.1 million as at 31 December 2021. The decrease was mainly due to the decrease of prepayments and the recovery of deposit.

Trade payables

As at 30 June 2022, trade and other payables amounted to approximately RMB101.4 million, representing a decrease of approximately 1.4% as compared to approximately RMB102.9 million as at 31 December 2021. The decrease was mainly attributable to the slight decrease of payables.

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 30 June 2022, the Group's other payables and accruals (other than contract liabilities) amounted to approximately RMB171.1 million, representing a decrease of approximately 31.5% as compared to approximately RMB249.9 million as at 31 December 2021. Such decrease was mainly attributable to the payment of business payables.

Contract liabilities

The Group's contract liabilities mainly resulted from the advance payments received from customers while the underlying services are yet to be provided. As at 30 June 2022, our contract liabilities was approximately RMB160.2 million, representing an increase of 15.4% as compared to approximately RMB138.8 million as at 31 December 2021, mainly due to the increase in the Group's GFA under management and number of customers during the current period.

Borrowings

As at 30 June 2022, the Group had no borrowings or bank loans.

Gearing ratio

Gearing ratio is calculated by dividing total borrowings by total equity, based on the sum of long-term and short-term interest-bearing bank loans and other borrowings as at the corresponding date divided by the total equity on the same date. As at 30 June 2022, gearing ratio is nil.

Pledged assets

As at 30 June 2022, the Group had no pledged assets.

Material acquisition and disposal of assets

As at 30 June 2022, the Group had no material acquisition or disposal of assets.

Significant investment

As at 30 June 2022, the Group did not hold any significant investment.

Contingent liabilities

As at 30 June 2022, the Group had no significant contingent liabilities.

Exchange rate risk

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

Employment and remuneration policy

As at 30 June 2022, the Group had approximately 1,665 employees (31 December 2021: approximately 1,741 employees).

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

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

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 six months ended 30 June 2022.

For the six months ended 30 June 2022, the Group did not experience any material labor disputes or strikes that may have a material and adverse effect on our business, financial condition or results of operations, or any difficulty in recruiting employees.

Use of Proceeds from the Listing

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

Up to 23 June 2022, (i) approximately RMB79.3 million of the Listing Net Proceeds had been utilised in line with the manner set out in the prospectus of the Group dated 25 September 2019 (the “**Prospectus**”); and (ii) approximately RMB117.9 million of the Listing Net Proceeds remained unutilised (the “**Unutilised IPO Net Proceeds**”). Details of the use of the Listing Net Proceeds were as follows:

Use of Listing Net Proceeds	Planned use of Listing Net Proceeds to be used	Actual use	Unutilised	Actual use	Unutilised
		of Listing Net Proceeds from the Listing Date to 31 December 2021	Listing Net Proceeds up to 31 December 2021	of Listing Net Proceeds from 1 January 2022 to 23 June 2022	Listing Net Proceeds up to 23 June 2022
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
To expand our property management services, seek strategic acquisition and investment opportunities	118.3	22.2 ⁽¹⁾	96.1	0.8 ⁽¹⁾	95.3
To expand the types of services offered in our value-added services business line	29.6	22.8 ⁽²⁾	6.8	2.0 ⁽²⁾	4.8
To upgrade and develop our information technology and smart systems	29.6	6.6 ⁽³⁾	23.0	5.2 ⁽³⁾	17.8
Funding our working capital needs and other general corporate purposes	19.7	19.7 ⁽⁴⁾	–	–	–
Total	<u>197.2</u>	<u>71.3</u>	<u>125.9</u>	<u>8</u>	<u>117.9</u>

Notes:

- Approximately RMB8.2 million and RMB14.8 million were used, respectively, for the payment for (i) the fees in relation to the development of the scale of our property management services and marketing and promotion of our property management services; and (ii) the consideration for the capital contribution to Handan Gangcheng Property Service Co., Ltd.* (邯鄲市鋼城物業有限公司) and the acquisition of 100% equity interest in Chongqing Heavy Truck Group Hongqi Property Co. Ltd.* (重慶重型汽車集團鴻企物業有限公司).
- Approximately RMB24.8 million was used for operating on-site software and hardware, space decoration, investment in intelligent operation equipment, investment in new business cultivation, promotion, product and business incubation and others.

3. Approximately RMB11.8 million was used for the construction of our hardware end (i.e. servers, real time monitoring equipment and management center). The Group has completed the overall planning for digital development, and 2022 is the key year for the Group's digital upgrading. Core system construction such as internal ERP upgrade, HER construction and comprehensive business-financial integration will be completed, and the middle-end data platform and union of things platform will be fully completed, which will further enhance the Company's internal operation and management efficiency and core competitiveness.
4. Approximately RMB19.7 million was fully utilised for the payment of the wages and salaries of the Group's employees.

Use of Proceeds from the 2020 Placing

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

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

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

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

The net proceeds from the 2020 Placing amounted to RMB115.0 million (the “**2020 Placing Net Proceeds**”). Up to 23 June 2022, (i) approximately RMB11.5 million of the 2020 Placing Net Proceeds had been utilised in the manner in line with that were set out in the 2020 Placing Announcements; and (ii) approximately RMB103.5 million of the 2020 Placing Net Proceeds remained unutilised (the “**Unutilised 2020 Placing Net Proceeds**”). Details of the use of the 2020 Placing Net Proceeds were as follows:

	Planned amount of 2020 Placing Net Proceeds to be used	Actual use of 2020 Placing Net Proceeds up to 31 December 2021	Unutilised amount of 2020 Placing Net Proceeds up to 31 December 2021	Actual use of 2020 Placing Net Proceeds from 1 January 2022 to 23 June 2022	Unutilised amount of 2020 Placing Net Proceeds up to 23 June 2022
Use of 2020 Placing Net Proceeds	RMB million	RMB million	RMB million	RMB million	RMB million
Business development, which mainly relates to (a) diversifying the types of services offered to the customers and (b) upgrading and developing the Group’s smart systems	69.0	–	69.0	–	69.0
Strategic investment in businesses or targets that are related to the Group’s principal businesses	34.5	–	34.5	–	34.5
General working capital	11.5	11.5	–	–	–
Total	115.0	11.5	103.5	–	103.5

Use of Proceeds from the Subscription

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

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

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

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

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

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

Change of Use of Proceeds

Reference is made to the announcement of the Company dated 23 June 2022. On 23 June 2022, the Board resolved to revise the use of the Unutilised IPO Net Proceeds, the Unutilised 2020 Placing Net Proceeds and the Unutilised Subscription Net Proceeds, which in aggregate amounted to approximately RMB244.8 million (the “**Total Unutilised Proceeds**”), in a combined manner as set out in the Company’s announcement dated 23 June 2022 (the “**Revised Use of Total Unutilised Proceeds**”). Up to 30 June 2022, the Group utilised approximately RMB1.8 million of the Total Unutilised Proceeds pursuant to the Revised Use of Total Unutilised Proceeds. Details of the use of Total Unutilised Proceeds pursuant to the Revised Use of Total Unutilised Proceeds up to 30 June 2022 were as follows:

Revised Use of Total Unutilised Proceeds	Allocated	Allocated	Actual use	Unused	
	Percentage of Total Unutilised Proceeds	Total Unutilised Proceeds as at 23 June 2022	of Total Unutilised Proceeds from 24 June 2022 to 30 June 2022	amount of Total Unutilised Proceeds up to 30 June 2022	Expected timeline for the Use of Total Unutilised Proceeds
	%	RMB million	RMB million	RMB million	
To pursue selective strategic investment and acquisition opportunities and to further develop strategic alliances and expand the scale of the Group’s property management, value-added services and property engineering businesses, which include acquiring or investing in companies engaged in businesses related to property management, value-added services or property engineering, or forming joint ventures with such companies, and investing in related industrial funds with business collaborative partners	30	73.4	0	73.4	30 September 2024
To further develop the Group’s value-added services, which include the development of value-added products and services related to service scenarios such as communities, commercial offices and urban management, as well as assets, the upgrading of software and hardware and the development of smart community and commercial facilities operation services, and the development of value-added services related to commercial operations such as office buildings and industrial parks	20	49.0	0.1	48.9	30 September 2024

Revised Use of Total Unutilised Proceeds	Allocated	Allocated	Actual use	Unused	Expected timeline for the Use of Total Unutilised Proceeds
	Percentage of Total Unutilised Proceeds	Total Unutilised Proceeds as at 23 June 2022	of Total Unutilised Proceeds from 24 June 2022 to 30 June 2022	amount of Total Unutilised Proceeds up to 30 June 2022	
	%	RMB million	RMB million	RMB million	
To upgrade the Group's systems of digitisation and smart management, which include the purchase, upgrade and research and development of software, hardware and related services for building smart terminals and Internet of Things platforms, the construction and development of information sharing platforms and databases, the recruitment and development of professional and technical staff and information management teams, the investment in companies engaged in businesses related to technological industries, and the commencement of research and development for innovative applications related to the Group's business	30	73.4	0.2	73.2	30 September 2024
Working capital and general corporate purpose	20	49.0	1.5	47.5	
Total	100	244.8	1.8	243.0	

As at 30 June 2022, the unused portion of the Total Unutilised Proceeds are placed at a licensed bank in the PRC. The Directors are not aware of, and do not anticipate any material delay or change in the use of proceeds from the Revised Use of Total Unutilised Proceeds, and will continue to assess the plans in relation to the planned allocation of the unused portion of the Total Unutilised Proceeds. The Directors may modify or amend the relevant plans as necessary in order to address the changing market conditions, and strive for the Group to achieve better business performance.

EVENTS AFTER THE REPORTING PERIOD

Up to the date of this announcement, the Group had no material event after the reporting period.

INTERIM DIVIDEND

The Board did not recommend the payment of interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: nil).

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

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

The Company adopted the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) as its own code of corporate governance. Throughout the period from 1 January 2022 to 30 June 2022, the Company complied with all the code provisions as set out in the CG Code.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company 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**”) contained in Appendix 10 to the Listing Rules.

Specific enquiries have been made to all Directors and all Directors have confirmed that they have complied with the Model Code throughout the period from 1 January 2022 to 30 June 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange throughout the period from 1 January 2022 to 30 June 2022.

REVIEW OF UNAUDITED FINANCIAL STATEMENTS

The audit committee has reviewed the accounting principles and policies adopted by the Group and the unaudited interim results of the Group for the six months ended 30 June 2022 together with the management.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Company at www.xypm.hk and the Stock Exchange at www.hkexnews.hk. The 2022 interim report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company 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, 25 August 2022

As at the date of this announcement, the Board comprises Ms. WANG Yanbo as executive Director, Mr. ZHANG Yong and Ms. YANG Yuyan as non-executive Directors, and Mr. LUO Ji, Mr. LI Yifan and Mr. SHEN Yuan-Ching as independent non-executive Directors.

* *For identification purposes only*