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

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1895)

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www.fsc.org

2023
INTERIM REPORT

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. SHEN Yuan-Ching *(Chairman of the Board)*
Mr. FENG Bo
Mr. WANG Yong *(Chief Financial Officer)*

NON-EXECUTIVE DIRECTOR

Mr. TIAN Wenzhi

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LI Yifan
Mr. LING Chenkai
Mr. LAN Ye
Ms. ZHAO Xia

AUDIT COMMITTEE

Mr. LI Yifan *(Chairman)*
Mr. LAN Ye
Mr. LING Chenkai (resigned on 8 April 2024)
Ms. ZHAO Xia (appointed on 8 April 2024)

REMUNERATION COMMITTEE

Mr. LING Chenkai *(Chairman)*
Mr. LI Yifan
Mr. SHEN Yuan-Ching

NOMINATION COMMITTEE

Mr. SHEN Yuan-Ching *(Chairman)*
Mr. LAN Ye
Mr. LING Chenkai

COMPANY SECRETARY

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

AUTHORIZED REPRESENTATIVES

Mr. SHEN Yuan-Ching
Mr. TSO Ping Cheong Brian
FCPA, FCCA, FCG (CS, CGP), HKFCG (CS, CGP)

AUDITOR

Moore CPA Limited
Registered Public Interest Entity Auditor
801–806 Silvercord, Tower 1
30 Canton Road
Tsimshatsui, Kowloon
Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

P.O. Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit B, 17/F., United Centre
95 Queensway, Admiralty
Hong Kong

CORPORATE HEADQUARTER

3/F., International Living Clubhouse
18 Xiuyuan Road
Jinshui District
Zhengzhou City
Henan Province, PRC

Note: Ms. ZHAO Xia was appointed as an independent non-executive Director and a member of the Audit Committee of the Company with effect from 8 April 2024. Following the appointment of Ms. ZHAO Xia as a member of the Audit Committee, Mr. LING Chenkai has ceased to be a member of the Audit Committee with effect from 8 April 2024.

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Services (Cayman Islands) Limited
Third Floor, Century Yard
Cricket Square, P.O. Box 902
Grand Cayman, KY1-1103
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKERS

China Everbright Bank
(Zhengzhou Dongfeng Branch)
58 Jingsan Road, Jinshui District
Zhengzhou City
Henan Province, PRC

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

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

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

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

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

OVERSEAS BANKER

Industrial and Commercial Bank of China
(Asia) Limited (Queen's Road Central Branch)
Basement, G/F and 1/F
Nos. 122–126 Queen's Road Central
Hong Kong

LEGAL ADVISERS

As to Hong Kong law:

Sidley Austin LLP
39/F, Two Int'l Finance Centre
Central, Hong Kong

STOCK CODE

1895

COMPANY WEBSITE ADDRESS

www.xypm.hk

MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL PERFORMANCE

Total revenue for the six months ended 30 June 2023 decreased by 6.0% to approximately RMB334.8 million from approximately RMB356.3 million for the six months ended 30 June 2022.

Net profit for the six months ended 30 June 2023 was approximately RMB41.9 million, representing a decrease of 35.8% as compared to approximately RMB65.3 million for the six months ended 30 June 2022.

OVERVIEW

The Group is a comprehensive property management service provider with extensive influence and robust operations. We are committed to offering a pleasant lifestyle as a metaverse-augmented service provider within the larger property management sector. The Group focuses on deep cultivation of the Central China, YRD, Southwest China, PRD and BER regions. During the first half of 2023, the Group implemented a comprehensive upgrade of strategy and organisation. We devoted efforts to focus on driving growth through three lines of management services, scenario services and scenario technology.

In terms of management services, the focus during the first half of the year was on quality of basic business development of property services. The Group implemented stringent risk control over projects, optimised business type structure, maintained deep cultivation in focus regions, and strengthened our position of projects across regions and business types. For the first half of 2023, the Group's contracted GFA increased by 2.56 million sq.m., and GFA under management increased by 1.36 million sq.m. As at 30 June 2023, the Group offered property management services across 40 cities in the PRC to over 200,000 families, with contracted GFA of 52.8 million sq.m. and GFA under management of 32.6 million sq.m..

Our work on scenario services was to build on traditional community value-added businesses such as spatial resource management, lifestyle services and asset operations, and focus on the development of high-frequency, robust-demand businesses spanning the entire term of ownership and all lifestyle scenarios of the community, thereby creating a new operating model with a gradual transformation from being driven by traditional businesses to being data-driven in order to drive business growth. New models developed by the Group include 車位寶 for asset operations and 存多億 distilled water delivery business for lifestyle services, together forming a 千萬寶貝 project focused on offering services right to the doorstep. The development of such models facilitates the change from traditional operating models to becoming data-driven, and creates a strong foundation for the rapid growth of various businesses.

In terms of scenario technology, the Group is working on empowering internal operations, and at the same time, devoting efforts to develop external output and industrial service capabilities. Internally, the Group further optimised our HR system infrastructure with a systematic risk alert mechanism to mitigate human resource management risks, and upgraded our property management ERP system by upgrading underlying architecture to achieve integration of different systems, improve operational speed and maintain system stability. Externally, the Group developed broad-spectrum products and services including real estate ERP, real estate marketing, real estate digitalisation services and smart elderly care services, as well as the IoT platform 雲燕 for smart community services. We completed upgrading and remodeling of both software and hardware in 84 of our car parks, and conducted a comprehensive upgrade of our 鑫物雲 management platform to establish a systematic smart IoT system. Meanwhile, the Group developed an innovative zero-code community metaverse platform, which provides small and medium-sized property enterprises and government community administration with metaverse technology support for community management.

In the first half of 2023, the Group completed an organisational upgrade from a singular centralised management model to a multi-centred self-driven model with the establishment of three major business divisions of property management, diversified businesses and technology and four major functional systems to better support the Group in our drive for growth through three lines of management services, scenario services and scenario technology.

In the first half of 2023, the Group remained driven by party-building and continued to optimise the red property construction model with a focus building together, managing together and sharing together. The Group devoted efforts to create a party-building brand 鑫火 based on six major red heartwarming projects to strengthen cohesion, unity and dedication among everyone involved in community governance. Leveraging our community metaverse platform, the Group created a unique smart party-building model which is widely recognised by both regulators and across society. In the first half of 2023, we established 7 new party branches and received 6 honours, with our party-building model receiving major media coverage 19 times.

In the first half of 2023, the Group's brand influence continued to increase. Our honours include "Top 100 Chinese Property Service Companies for Customer Satisfaction in 2023" awarded by Leju Caijing, "Top 15 Chinese Property Service Companies in 2023" awarded by the China Index Academy, "2023 Leading Chinese Property City Service Enterprise" and "2023 China Property Management Excellence Benchmark Project" jointly awarded by CRIC Property Management and China Property Management Research Institute, and "Innovative Chinese Public Company" awarded by CPM Think Tank and China Property Management Institute.

PROPERTY MANAGEMENT SERVICES

Commitment to quality development

The Group is committed to a strategy of robust and quality growth. During the first half of 2023, the Group further optimised our regional and business type structure. While mainly based upon property management of residential types, we have extended our services to a broad spectrum of business types and business services.

As at 30 June 2023, we provided property management services and value-added services in 50 cities in the PRC. Contracted GFA was approximately 52.81 million sq.m. from a total of 264 contracted properties, while GFA under management amounted to approximately 32.56 million sq.m. from a total of 201 properties under management.

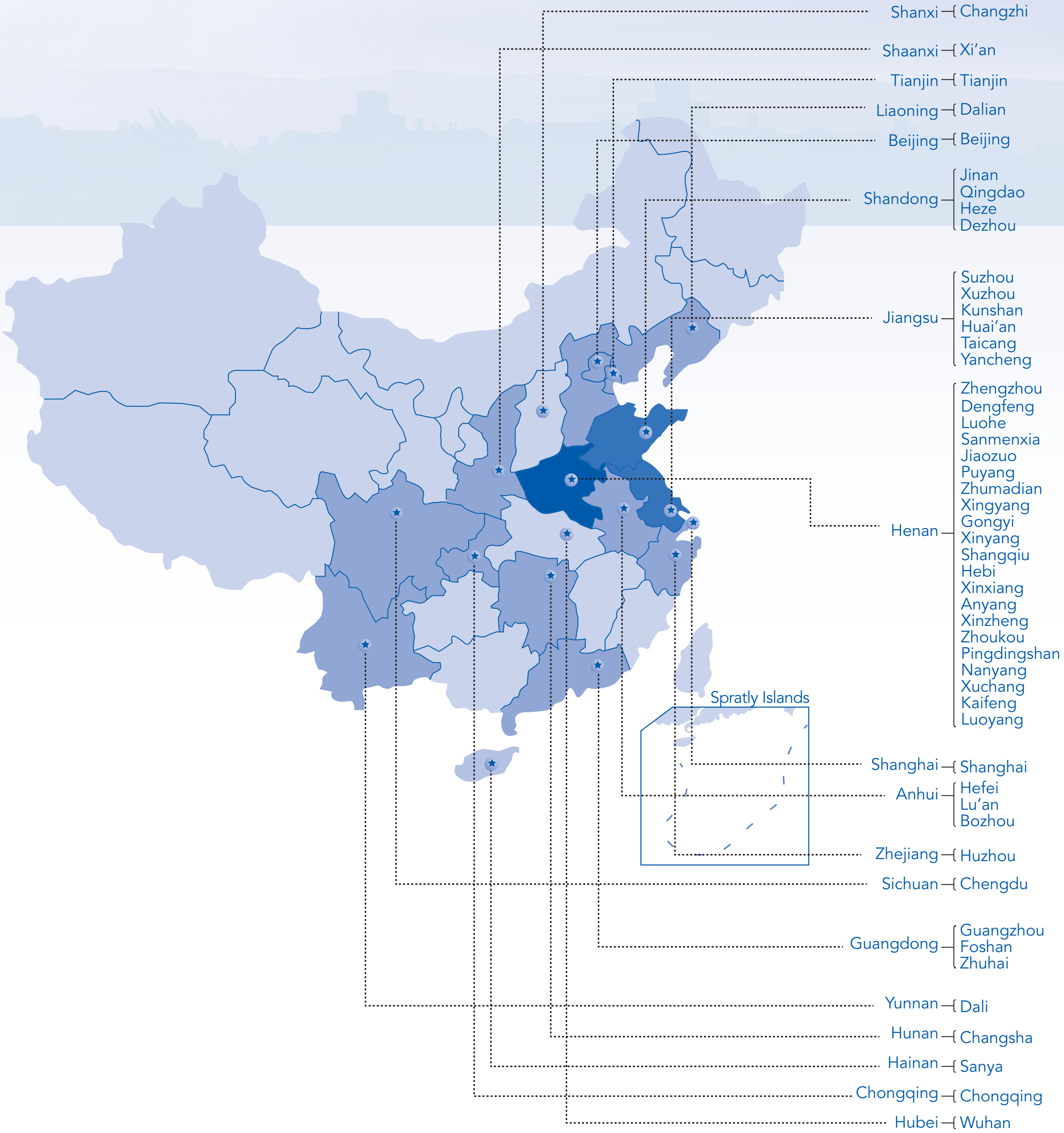
The following table sets out our contracted GFA, GFA under management and number of properties as at the dates indicated:

	As at 30 June	
	2023	2022
GFA under contract (sq.m. '000)	**52,805**	64,220
No. of contracted properties	**264**	280
GFA under management (sq.m. '000)	**32,558**	38,795
No. of properties under management	**201**	207

Note: The decrease year-on-year is mainly due to optimisation of projects with low GFA performance in 2022.

Our geographical coverage

During the first half of 2023, the Group conducted deep cultivation of the Central China, BER, YRD, PRD and Southwest China regions. As at 30 June 2023, our geographical coverage has expanded from Zhengzhou to 50 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			
	2023		2022	
	GFA (sq.m.'000)	**No. of properties under management**	GFA (sq.m.'000)	No. of properties under management
Central China(1)	**18,083**	**121**	18,079	121
Eastern China(2)	**6,146**	**37**	6,843	39
Western China(3)	**7,526**	**36**	11,978	33
Northern China(4)	**494**	**4**	1,638	11
Southern China(5)	**309**	**3**	257	3
Total	**32,558**	**201**	38,795	207

Notes:

(1) Includes cities located in Henan province.

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

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

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

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

Robust growth of scale

The Group has always been committed to a strategy of robust and quality growth. We have developed a model for achieving robust growth of scale which focuses on comprehensive engagement, complemented by a diverse range of cooperation models. During the first half of 2023, the Group further expanded comprehensive engagement in Loyang and Anyang while also finding new opportunities in business types related to aviation and tourism. For the first half of the year, non-residential types accounted for an increasingly larger share of contracted GFA at 51.2%.

As at 30 June 2023, the Group's GFA under management for properties developed by third parties was 53.77%.

The Group's GFA under management and share of revenue from property management services by developer type in the first half of 2023 is as follows:

	For the six months ended 30 June/As at 30 June									
	2023					2022				
	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
Xinyuan Real Estate Group[1]	192,769	76.5	15,051	46.23	90	182,318	71.1	14,336	37.0	80
Independent third parties[2]	59,365	23.5	17,507	53.77	111	74,068	28.9	24,459	63.0	127
Total	252,134	100.0	32,558	100.00	201	256,386	100.0	38,795	100.0	207

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.

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.

During the first half of 2023, the Group's non-residential types further expanded to aviation, tourism and commercial related types as we secured the China Southern Airlines Company Limited Nanyang Base service project, the Shanxi Jinshan Shengjing tourism and scenic area service project, the Zhengzhou University of Light Industry apartment management project, and the Shangqiu/Zhoukou Taigeli commercial centre project.

A breakdown of our revenue generated from property management services of developed properties by property type as at 30 June 2022 and 2023 is as follows:

	For the six months ended 30 June/As at 30 June									
	2023					2022				
	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	194,680	77.2	22,818	70.08	142	203,922	79.5	25,093	64.7	151
Non-residential properties	57,454	22.8	9,740	29.92	59	52,464	20.5	13,702	35.3	56
Total	252,134	100.0	32,558	100.00	201	256,386	100.0	38,795	100.0	207

Value-added services

During the first half of 2023, the Group focused on a development concept integrating demand for household essentials with external businesses, and leveraged our own management expertise to build a data-driven operations platform for space management, asset management and lifestyle services, thereby achieving data-driven value-added services and a gradual transformation from having customers search for products they need, to products being offered to customers who need them.

Despite facing strong downward pressure on community value-added services due to the general market environment, the Group developed innovative business models to strengthen the foundation for future development, including 存多億 which supplies purified water and facilitates a transformation from resource tendering to joint or self operations and 車位寶 which enables effective interaction between sales of car park spaces, stock and rental. Through innovative business concepts, the Group is able to tap into internal demand.

The following table sets out a breakdown of revenue from community value-added services for the six months ended 30 June 2023 and 2022:

Value-added services	For the six months ended 30 June			
	2023		2022	
	RMB'000	%	RMB'000	%
Third party services revenue	**10,441**	**19.7**	13,481	25.3
Space resources management	**24,588**	**46.3**	21,796	40.8
Domestic living services	**18,039**	**34.0**	18,090	33.9
Total	**53,068**	**100.0**	53,367	100.0

Notes:

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

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

(3) Profit is derived from the sales of daily necessities, provision of household living services and provision of customised services (such as floor heating maintenance services and application and installation of electric vehicle charging station services) which are conducted through our Xiaoxin Best Choice mobile application.

Pre-delivery and consulting services

Leveraging on the Group's professional property management experience of 25 years, we offer tailored pre-delivery and consulting services to property developers to help enhance the competitiveness of the property development.

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

For the first half of 2023, under the impact of the general decline in real estate development, the segment recorded an overall revenue of RMB10,980,000, a decline of 69.8% as compared to the previous period.

Pre-delivery and consulting services	**For the six months ended 30 June**			
	2023		2022	
	RMB'000	**%**	RMB'000	%
Xinyuan Real Estate Group	**4,208**	**38.3**	31,589	87.0
Third party property developers	**6,772**	**61.7**	4,730	13.0
Total	**10,980**	**100.0**	36,319	100.0

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.

For the first half of 2023, the Group's overall revenue from engineering services increased 83.1% as compared to the previous period.

	For the six months ended 30 June			
Property engineering services	**2023**		2022	
	RMB'000	**%**	RMB'000	%
Xinyuan Real Estate Group	**14,587**	**78.2**	9,586	94.1
Other partners	**4,067**	**21.8**	601	5.9
Total	**18,654**	**100.0**	10,187	100.0

PROSPECTS

The Group is committed to offering a pleasant lifestyle as a metaverse-augmented service provider within the larger property management sector. In developing our businesses, we will continue to focus on the larger property management sector. Data driven operations will enable deep integration of technology and business, while the use of digital twins will allow the creation of new scenarios for digitally empowered properties. We will continue to focus on growth and upgrade through three lines of management services, scenario services and scenario technology, enhance features that we have developed, in order to achieve sustained growth in both operation efficiency and business scale.

I. Management services

Our management services are grounded in scalability. In terms of property services, we aim to extend from residential types to non-residential types and urban services, gradually expanding from property services to commercial management and asset management services, thus systematically building a comprehensive property management service system.

In terms of basic services, we will focus on the real needs of our customers to strengthen services as our foundation. We will continue to improve service experience and strengthen service and brand recognition. At the same time, we will enrich and expand our service offerings, optimise service standards across a broad spectrum of business types and sectors, strengthen and refine management and service capabilities, in order to improve operational and management efficiency.

Regarding scalability and expansion capabilities, we will optimise our expansion model and strengthen our expansion team. Building on our existing comprehensive engagement expansion model, we will innovate a wide range of cooperations, expanding from new projects to stock management, from residential types to non-residential types, and from partnerships with developers to cooperations for urban redevelopment, state-owned enterprise stock management, public institution projects and industrial parks. By expanding our cooperative channels, we will be able to develop a multi-engine driven model of expansion.

II. Scenario services

For scenario services, we will progressively build a community services ecosystem. Our focus will be on empowerment based on community lifestyle services scenarios. We will develop a comprehensive strategy to offer a vertical chain of community services based on three aspects of "assets + space + people". The transformation from being driven by traditional business models to being data-driven, particularly for lifestyle services, will facilitate a transformation from the classical "customers searching for products they need" to "products being offered to customers who need them".

In terms of asset management, our focus will be on managing stock assets and destocking capabilities. We will innovate business models to consolidate internal and external resources to allow assets to maintain their premium and realise their value.

In terms of space management, we will leverage digital technology empowerment to strengthen spatial asset revitalisation, consolidation and utilisation efficiency. Further, we will continue to build on traditional space management and innovate business models, so as to raise resource utilisation efficiency.

In terms of services for people, we will focus on the demand for community services spanning the entire term of ownership to offer private customised services targeted at different customer groups. We will focus on areas such as community elderly care, household services, lifestyle services, retail, dining, and vehicle charging with a goal to establish an ecosystem of community services.

III. Scenario technology

We will expand from internal empowerment to external empowerment as we look to explore a new tech + larger property management business integration model. As we conduct empowerment of internal businesses, we will rapidly build our industry empowerment capabilities and transition from an internal solution provider to an industry solution provider.

Building on the traditional task of cost reduction and efficiency improvement, we will focus on combining specific community scenarios with technology and leveraging technology empowerment to desensitise and refine complex data for analysis to uncover new demand and scenarios. Further, technology empowerment will enable us to satisfy the diverse demands of owners and enhance both basic services and community lifestyle services.

In the process of conducting empowerment, we will also develop our own unique approach to industrial development. We will develop a comprehensive business strategy focusing on a broad spectrum of real estate products, a metaverse for the community services industry, IoT equipment, urban services and industrial services. As we consolidate our own resources and capabilities, we will also actively collaborate with leading companies in segmented fields to expand into new business markets together.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2023, the Group recorded revenue of approximately RMB334.8 million (the corresponding period in 2022: approximately RMB356.3 million) representing a decrease of approximately 6.0% as compared to the corresponding period in 2022.

The Group's revenue was derived from four major 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			
	2023		2022	
	Revenue	**Percentage**	Revenue	Percentage
	RMB'000	**%**	RMB'000	%
Property management services	**252,134**	**75.3**	256,386	72.0
Value-added services	**53,068**	**15.8**	53,367	15.0
Pre-delivery and consulting services	**10,980**	**3.3**	36,319	10.1
Property engineering services	**18,654**	**5.6**	10,187	2.9
Total	**334,836**	**100.0**	356,259	100.0

Gross profit and gross profit margin

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

	For the six months ended 30 June			
Business line	**2023**		2022	
	RMB'000	**%**	RMB'000	%
Property management services	**89,439**	**35.5**	81,688	31.9
Value-added services	**32,509**	**61.3**	34,307	64.3
Pre-delivery and consulting services	**1,444**	**13.2**	18,718	51.5
Property engineering services	**2,899**	**15.5**	1,382	13.6
Total	**126,291**	**37.7**	136,095	38.2

The Group's gross profit for the six months ended 30 June 2023 amounted to RMB126.3 million, representing a decrease of 7.2% over RMB136.1 million in 2022. Gross profit margin decreased to 37.7% from approximately 38.2% in 2022.

Gross profit margin of property management services was 35.5%, representing an increase of 3.6 percentage points as compared to 31.9% in 2022. The increase in gross profit margin for property management services was mainly due to the increased economies of scale, the improvement of cost-saving measures, and the enhancement of operational efficiency.

Gross profit margin of value-added services was 61.3%, representing a decrease of approximately 3.0 percentage points as compared to 64.3% in 2022, mainly due the promotion of home living services and the increase of staff cost inputs.

Gross profit margin for pre-delivery and consulting services was 13.2%, representing a decrease of approximately 38.3 percentage points as compared to 51.5% in 2022. Such decrease in gross profit margin for pre-delivery and consulting services was due to the reduction in the co-selling of car parking spaces and other assets, which had a relatively high profit margin.

Gross profit margin for property engineering services was 15.5%, representing an increase of approximately 1.9 percentage points as compared to approximately 13.6% for the six months ended 30 June 2022. Such increase in gross profit margin for property engineering services was mainly due to the effective control of construction costs.

Administrative expenses

The Group's administrative expenses for the six months ended 30 June 2023 amounted to RMB42.3 million, representing an increase of 52.2% as compared to RMB27.8 million in 2022, also representing 12.6% of revenue (2022: representing 7.8% of revenue). The increase was mainly due to the increase in listing and resumption fees.

Other income and gains

The Group's other income and gains for the six months ended 30 June 2023 amounted to RMB3.2 million, representing a decrease of 68.0% as compared to RMB10.0 million in 2022.

Income tax expense

The Group's income tax expense for the six months ended 30 June 2023 amounted to RMB20.9 million, representing a decrease of RMB3.9 million as compared to RMB24.8 million for the previous period. The income tax rate was 33.3%(the corresponding period in 2022: 27.5%). The increase in income tax rate was mainly due to an increase in deferred tax assets recognised in the current period.

Profit

For the six months ended 30 June 2023, the Group's net profit for the six months ended 30 June 2023 amounted to RMB41.9 million.

Profit attributable to the Company's shareholders for the six months ended 30 June 2023 amounted to RMB40.7 million, representing a decrease of RMB24.2 million or 37.3% as compared to RMB64.9 million in the corresponding period last year. Basic earnings per share was RMB7.18 cents.

Current assets, reserves and capital structure

The Group maintained a sound financial position during the six months ended 30 June 2023. As at 30 June 2023, current assets amounted to RMB960.1 million, representing a growth of 6.5% as compared to RMB901.2 million as at 31 December 2022.

As at 30 June 2023, the Group's total equity was RMB555.2 million, representing a growth of RMB41.9 million or 8.2% as compared to RMB513.3 million as at 31 December 2022.

Property, plant and equipment

As at 30 June 2023, the Group's net property, plant and equipment amounted to RMB10.1 million, representing a growth of 16.1% as compared to RMB8.7 million as at 31 December 2022, mainly due to additions of office equipment machinery equipment to cope with the Group's expansion of scale in 2023.

Other intangible assets

As at 30 June 2023, the book value of the Group's other intangible assets was RMB3.2 million, representing a decrease of 3.0% as compared to RMB3.3 million as at 31 December 2022. The Group's intangible assets mainly comprise (i) the Xinyuan Property Integrated Management Platform System; (ii) the Xinyuan Property Call Centre System; (iii) the electronic invoice tax control invoicing system; (iv) FineReport software and (v) cost management system.

Trade and bills receivables

As at 30 June 2023, trade and bills receivables amounted to RMB240.4 million, representing a growth of RMB41.8 million or 21.0% as compared to RMB198.6 million as at 31 December 2022, mainly due to a decrease in provision for impairment.

Prepayments, deposit and other receivables/prepayments to a related party/loan to a related party/payments to related parties

It mainly comprised (i) prepayments to related parties; (ii) loan to related parties; and (iii) deposits, other receivables and payments to related parties. As of 30 June 2023, the Group's prepayments and other receivables was approximately RMB501.6 million, representing an increase of approximately RMB44.7 million as compared to approximately RMB456.9 million as at 31 December 2022. The increase was mainly due to reversal of impairment provision on the loan to a related party.

Trade payables

As at 30 June 2023, trade payables amounted to RMB109.2 million, representing a decrease of 2.9% as compared to RMB112.5 million as at 31 December 2022. The decrease was mainly attributable to the decrease in the amount of outstanding payables for goods during the current period.

Other payables and accruals

The Group's other payables and accruals mainly comprised (i) non-trade payables to related parties; (ii) deposits and temporary receipts from property owners; and (iii) payroll payables and other taxes payable. As of 30 June 2023, the Group's other payables and accruals (other than contract liabilities) amounted to approximately RMB216.0 million, representing an increase of approximately 1.5% as compared to approximately RMB212.8 million as at 31 December 2022. Such increase was mainly attributable to the Group's business growth during the six months ended 30 June 2023.

Contract liabilities

The Group's contract liabilities mainly resulted from the advance payments received from customers while the underlying services are yet to be provided. As of 30 June 2023, our contract liabilities was approximately RMB129.7 million, representing an increase of 18.6% as compared to approximately RMB109.4 million as at 31 December 2022, mainly due to the increase in the Group's GFA under management and the number of customers during the Year.

Borrowings

As of 30 June 2023, 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 2023, gearing ratio was nil.

Pledged assets

As at 30 June 2023, except the four enforced time deposits set out in note 1 to the financial statements in this report, another twenty deposits were pledged to certain banks in favour of third parties outside the Group during the period from 1 October 2019 to 31 December 2022, the Group had no other pledged assets.

Material acquisition

The Group had no material acquisition during the six months ended 30 June 2023.

Material disposal

The Group had no material disposal of subsidiaries and associates during the six months ended 30 June 2023.

Significant investment

During the six months ended 30 June 2023, the Company did not make any material investments.

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

Contingent liabilities

As at 30 June 2023, the Group had no significant contingent liabilities.

Exchange rate risk

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

Employment and remuneration policy

As of 30 June 2023, the Group had approximately 2,603 employees (30 June 2022: approximately 1,543 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 six months ended 30 June 2023.

Use of Proceeds from the Listing

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

Up to 23 June 2022, the Group utilised approximately RMB79.3 million of the Listing Net Proceeds, with approximately RMB117.9 million of which remained unutilised (the "**Unutilised Listing Net Proceeds**"). Details of the use of the Listing Net Proceeds are as follows:

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

Notes:

1. Approximately RMB8.2 million and RMB14.8 million were used, respectively, for the payment for (i) the fees in relation to the development of the scale of our property management services and marketing and promotion of our property management services; and (ii) the acquisition of 100% equity interest in Chongqing Heavy Truck Group Hongqi Property Co. Ltd.* (重慶重型汽車集團鴻企物業有限公司). As disclosed in the Prospectus (as defined below), the Group intends to actively expand our property management services by strategically acquiring or investing in quality property management companies who have a regional scale of business operations. Since 2022, the Group has still selected for appropriate property management service providers with value for purchase or investment in a cautious manner, so as to bring maximum returns to the Company and shareholders.

2. Approximately RMB24.8 million was used for operating on-site software and hardware, space decoration, investment in intelligent operation equipment, investment in new business cultivation, promotion, product and business incubation and others. The Group is still on the lookout for value-added services business providers and contractors to expand the types of value-added services that can be provided by the Group, and has repeatedly carried out research on the relevant market and discussions with potential partners of our value-added services business line.

3. Approximately RMB11.8 million was used for the construction of our hardware end (i.e. servers, real time monitoring equipment and management center). The Group has completed the overall planning for digital development, and 2022 is the key year for the Group's digital upgrading. Core system construction such as internal ERP upgrade, HER construction and comprehensive business-financial integration will be completed, and the 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.

* *For identification purposes only*

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, approximately RMB11.5 million of the 2020 Placing Net Proceeds had been utilised by the Group. Details of the use of the 2020 Placing Net Proceeds were as follows:

Use of 2020 Placing Net Proceeds	Planned amount of 2020 Placing Net Proceeds to be used RMB million	Actual use of 2020 Placing Net Proceeds from the Listing Date up to 31 December 2021 RMB million	Unutilised amount of 2020 Placing Net Proceeds up to 31 December 2021 RMB million	Actual use of 2020 Placing Net Proceeds from 1 January 2022 to 23 June 2022 RMB million	Unutilised amount of 2020 Placing Net Proceeds up to 23 June 2022 RMB million	Expected timeline for the use of the Unutilised 2020 Placing Net Proceeds
Business development, which mainly relates to (a) diversifying the types of services offered to the customers and (b) upgrading and developing the Group's smart systems	69.0	–	69.0	–	69.0	Expected to be fully utilised on or before 30 June 2024
Strategic investment in businesses or targets that are related to the Group's principal businesses	34.5	–	34.5	–	34.5	Expected to be fully utilised on or before 30 June 2024
General working capital	11.5	11.5	–	–	–	
Total	115.0	11.5	103.5	–	103.5	

Use of Proceeds from the Subscription

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

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

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

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

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

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

Change of Use of Proceeds

Reference is made to the announcement of the Company dated 23 June 2022. On 23 June 2022, the Board resolved to revise the use of the Unutilised Listing 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 2023, the Group utilised approximately RMB59.9 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 Percentage of Total Unutilised Proceeds	Allocated Total Unutilised Proceeds as at 23 June 2022	Allocated Total Unutilised Proceeds as at 31 December 2022	Actual use of Total Unutilised Proceeds from 1 January 2023 to 30 June 2023	Unused amount of Total Unutilised Proceeds up to 30 June 2023	Expected timeline for the Use of Total Unutilised Proceeds
	%	RMB million	RMB million	RMB million	RMB million	
To pursue selective strategic investment and acquisition opportunities and to further develop strategic alliances and expand the scale of the Group's property management, value-added services and property engineering businesses, which include acquiring or investing in companies engaged in businesses related to property management, value-added services or property engineering, or forming joint ventures with such companies, and investing in related industrial funds with business collaborative partners	30	73.4	73.4	–	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	46.5	1.4	45.1	30 September 2024

Revised Use of Total Unutilised Proceeds	Allocated Percentage of Total Unutilised Proceeds	Allocated Total Unutilised Proceeds as at 23 June 2022	Allocated Total Unutilised Proceeds as at 31 December 2022	Actual use of Total Unutilised Proceeds from 1 January 2023 to 30 June 2023	Unused amount of Total Unutilised Proceeds up to 30 June 2023	Expected timeline for the Use of Total Unutilised Proceeds
	%	RMB million	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	70.2	3.8	66.4	30 September 2024
Working capital and general corporate purpose	20	49.0	–	–	–	
Total	100.0	244.8	190.1	5.2	184.9	

As at 30 June 2023, the unused portion of the Total Unutilised Proceeds are placed at a licensed bank in the PRC. The Directors are not aware of, and do not anticipate any material delay or change in the use of proceeds from the Revised Use of Total Unutilised Proceeds, and will continue to assess the plans in relation to the planned allocation of the unused portion of the Total Unutilised Proceeds. The Directors may modify or amend the relevant plans as necessary in order to address the changing market conditions, and strive for the Group to achieve better business performance.

EVENTS AFTER THE REPORTING PERIOD

Tripartite Agreement and Car Parking Space Exclusive Sales Cooperation Agreement

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

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

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

Compensation Agreements in Respect of Arbitration

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

OTHER INFORMATION

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

As at 30 June 2023, none of the Directors and chief executives of the Company has any interests and short positions in the shares (the "**Shares**"), underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or (b) to be and were entered in the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this interim report, no rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company were granted to any Director or their respective spouse or children under 18 years of age, or were such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate during the six months ended 30 June 2023.

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

As at 30 June 2023, to the best of the Directors' knowledge, the following persons (other than the Directors and chief executives of the Company) had or deemed or taken to have an interest and/or a short position in the Shares or the underlying Shares which fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept pursuant to Section 336 of the SFO:

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

Notes:

1. All interests stated are long position.

2. Xinyuan Real Estate, Ltd. is wholly owned by Xinyuan Real Estate Co., Ltd.. By virtue of the SFO, Xinyuan Real Estate Co., Ltd. is therefore deemed to be interested in 300,000,000 Shares which are interested by Xinyuan Real Estate, Ltd.

3. Xinyuan Real Estate Co., Ltd., the shares in which are listed on the New York Stock Exchange (stock code: XIN), is owned as to 30.20% by Mr. ZHANG Yong, 26.36% by Spectacular Stage Limited and 43.44% by public shareholders.

4. Galaxy Team Holdings Limited is owned as to 30%, 15%, 15%, 10%, 10%, 5%, 5%, 5% and 5% by Ms. WANG Yanbo, Mr. HUANG Bo, Mr. WANG Yantao, Ms. DU Xiangyan, Ms. ZHANG Rong, Mr. HUANG Jinfu, Mr. AN Guangfu, Mr. LYU Shaohui and Mr. ZHANG Xiaofei, respectively.

5. The percentage of shareholding is calculated on the basis of the number of issued Shares as at 30 June 2023 of 567,500,000.

Save as disclosed above, as at 30 June 2023, according to the register kept by the Company under Section 336 of the SFO and so far as was known to the Directors, there was no other person (other than Directors or chief executives of the Company) who had an interest and/or a short position in the Shares or the underlying Shares which fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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 2023 to 30 June 2023.

SPECIAL DIVIDEND

The Board recommends that payment of a special dividend of HK3.8 cents per share for the six months ended 30 June 2023. The special dividend will be payable to Shareholders whose names appear on the Register of Members of the Company on Thursday, 28 March 2024 on Friday, 5 April 2024.

PRE-IPO SHARE AWARD SCHEME

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

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

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

Name of the Grantee	Consideration RMB	Number of awarded Shares	Percentage of shareholding *(Note 1)*
Senior Management			
Mr. WANG Yantao	840,000	5,625,000	0.99%
Ms. DU Xiangyan	560,000	3,750,000	0.66%
Ms. ZHANG Rong	560,000	3,750,000	0.66%
Other Grantees			
Ms. WANG Yanbo *(Note 4)*	1,680,000	11,250,000	1.98%
Mr. HUANG Bo *(Note 3)*	840,000	5,625,000	0.99%
Mr. HUANG Jinfu	280,000	1,875,000	0.33%
Mr. LYU Shaohui	280,000	1,875,000	0.33%
Mr. ZHANG Xiaofei	280,000	1,875,000	0.33%
Mr. AN Guangfu	280,000	1,875,000	0.33%
Mr. ZHANG Lizhou *(Note 2)*	2,800,000	18,750,000	3.30%
Total		56,250,000	9.91%

Notes:

1. These percentages are calculated on the basis of 567,500,000 Shares in issue as at 30 June 2023.

2. Mr. ZHANG Lizhou was appointed as a Director on 13 December 2018 and was re-designated as an executive Director on 19 April 2019. Mr. ZHANG Lizhou resigned as a Director on 30 June 2019 in order to devote more time to other personal businesses. Pursuant to the Pre-IPO Share Award Scheme, the resignation of Mr. ZHANG Lizhou constituted a triggering event for forfeiture of awarded Shares and the Company was entitled to request Mr. ZHANG Lizhou to transfer, or procure his nominee (i.e. Glory Eternity Holdings Limited) to transfer the legal and equitable ownership in all the Shares allotted and issued to him or his nominee vehicle under the Pre-IPO Share Award Scheme (the "**Subject Shares**") to the Company or its nominee. On 14 August 2019, the Company, Xinyuan Real Estate, Ltd., Mr. ZHANG Lizhou and Glory Eternity Holdings Limited entered into an arrangement agreement, pursuant to which (i) Glory Eternity Holdings Limited shall transfer all of the Subject Shares to Xinyuan Real Estate, Ltd. in consideration of the Company's refund of RMB2,800,000 paid by Mr. ZHANG Lizhou pursuant to the Pre-IPO Share Award Scheme and (ii) Xinyuan Real Estate, Ltd. shall apply a portion of the shareholder's loan it advanced to the Company in the amount of RMB2,800,000 as settlement of the consideration for the Subject Shares. Upon completion of the transfer of the Subject Shares on 20 August 2019, Mr. ZHANG Lizhou ceased to be a shareholder of the Company.

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

4. On 29 August 2022, Ms. WANG Yanbo resigned as executive Director and chief executive officer of the Company.

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

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

The Pre-IPO Share Award Scheme has expired on 31 December 2021.

POST-IPO SHARE OPTION SCHEME

The Post-IPO Share Option Scheme (the "**Post-IPO Share Option Scheme**") was adopted by a resolution in writing passed by the Shareholders on 16 September 2019 for the purpose of enabling the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The Post-IPO Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Post-IPO Share Option Scheme is adopted. The terms of the Post-IPO Share Option Scheme are disclosed in the Prospectus.

No share options were granted, exercised, expired or lapsed under the Post-IPO Share Option Scheme during the six months ended 30 June 2023. The Company did not have any outstanding share options, warrants, and convertible instruments into Shares as at 30 June 2023 and up to the date of this interim report.

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 C1 to the Listing Rules as its own code of corporate governance. Throughout the period from 1 January 2023 to 30 June 2023, the Company complied with all the code provisions as set out in the CG Code save for the following:

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and the chief executive officer should be segregated and should not be performed by the same individual. Notwithstanding the deviation from the relevant code provision of the CG Code, the Board is of the view that Mr. Shen Yuan-Ching is familiar with the Company's business operation, thus vesting the roles of both the chairman and the chief executive officer in the same person has the benefit of ensuring the execution of the Group's business strategies, improving the efficiency of its operations, and enhancing the effectiveness of the Company's overall strategic planning. Under the supervision of the Board, it ensures that the Board is appropriately structured with balance of power to provide sufficient checks to protect the interests of the Company and its shareholders.

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 contained in Appendix C3 to the Listing Rules.

Specific enquiries have been made to all Directors and all Directors have confirmed that they have complied with the Model Code throughout the period from 1 January 2023 to 30 June 2023.

UPDATE ON DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

There are no changes in information of Directors since the date of 2022 Annual Report which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

REVIEW OF UNAUDITED FINANCIAL STATEMENTS

The audit committee has reviewed the accounting principles and practices adopted by the Group and the unaudited interim results of the Group for the six months ended 30 June 2023 together with management of the Company.

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

For the six months ended 30 June 2023

	Notes	Six months ended 30 June 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	*4*	**334,836**	356,259
Cost of sales		**(208,545)**	(220,164)
Gross profit		**126,291**	136,095
Other income and gains	*5*	**3,202**	10,022
Administrative expenses		**(42,331)**	(27,753)
Impairment losses on financial assets and contract assets (other than related parties)	*6*	**(18,687)**	(2,508)
Reversal/impairment profits/(losses) on financial assets and contract assets (related parties)	*6*	**17,030**	(25,135)
Other operating (expenses)/income, net		**(1,776)**	2,844
Interest on lease liabilities	*10*	**(93)**	(103)
Change of fair value of financial assets through profit or loss ("**FVTPL**")	*15*	**(20,830)**	(3,523)
Share of (losses)/profits of:			
Joint venture		**–**	–
Associates		**(56)**	107
Profit before income tax	*6*	**62,750**	90,046
Income tax expense	*7*	**(20,868)**	(24,757)
Profit and total comprehensive income for the period		**41,882**	65,289
Attributable to:			
Equity holders of the Company		**40,725**	64,880
Non-controlling interests		**1,157**	409
		41,882	65,289
		RMB	RMB
Earnings per share attributable to equity holders of the Company			
Basic	*9*	**7.18 cents**	11.43 cents
Diluted		**7.18 cents**	11.43 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	Notes	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		**10,120**	8,742
Goodwill		**3,090**	3,090
Right-of-use assets	*10*	**5,338**	3,893
Other intangible assets		**3,189**	3,327
Investment in a joint venture	*11*	**–**	–
Investments in associates	*12*	**346**	402
Prepayments to a related party	*14*	**89,073**	89,073
Deferred tax assets		**26,626**	21,954
Total non-current assets		**137,782**	130,481
Current assets			
Payments to related parties	*14*	**115,231**	117,445
Loan to a related party	*14*	**51,385**	24,465
Trade and bill receivables	*13*	**240,395**	198,637
Contract assets		**39,094**	45,551
Prepayments, deposits and other receivables	*14*	**245,926**	225,895
Financial assets at FVTPL	*15*	**14,162**	30,992
Cash and cash equivalents	*16*	**253,873**	258,237
Total current assets		**960,066**	901,222
Current liabilities			
Trade payables	*17*	**109,226**	112,485
Other payables and accruals	*18*	**215,980**	212,805
Contract liabilities	*18*	**129,688**	109,359
Lease liabilities	*10*	**2,265**	1,868
Tax payable		**73,054**	72,211
Total current liabilities		**530,213**	508,728
Net current assets		**429,853**	392,494
Total assets less current liabilities		**567,635**	522,975

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	Notes	**As at 30 June 2023 RMB'000 (Unaudited)**	As at 31 December 2022 RMB'000 (Audited)
Non-current liabilities			
Lease liabilities	*10*	**3,100**	2,115
Deferred tax liabilities		**9,340**	7,547
Total non-current liabilities		**12,440**	9,662
Net assets		**555,195**	513,313
Equity			
Share capital	*19*	**5**	5
Reserves		**551,226**	510,501
Equity attributable to owners of the Company		**551,231**	510,506
Non-controlling interests		**3,964**	2,807
Total equity		**555,195**	513,313

SHEN Yuan-Ching
Director

Wang Yong
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to equity holders of the Company							
	PRC Share RMB'000 *(Note 18)*	Share premium* RMB'000	Other reserve* RMB'000	PRC reserve funds* RMB'000	Retained earnings* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2021 (Audited)	5	594,403	(122,925)	25,197	414,858	911,538	3,354	914,892
Profit and total comprehensive income for the period	–	–	–	–	64,880	64,880	409	65,289
Equity-settled share-based payment *(Note 6)*	–	–	57	–	–	57	–	57
Dividends distributed *(Note 8)*	–	–	–	–	(66,767)	(66,767)	–	(66,767)
Appropriation to PRC statutory reserves	–	–	–	3,883	(3,883)	–	–	–
At 30 June 2022 (Unaudited)	5	594,403	(122,868)	29,080	409,088	909,708	3,763	913,471
At 31 December 2022 (Audited)	**5**	**628,803**	**(157,325)**	**25,197**	**13,826**	**510,506**	**2,807**	**513,313**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**–**	**40,725**	**40,725**	**1,157**	**41,882**
At 30 June 2023 (Unaudited)	**5**	**628,803**	**(157,325)**	**25,197**	**54,551**	**551,231**	**3,964**	**555,195**

* These reserve accounts comprise the consolidated other reserves of approximately RMB551,226,000 (31 December 2022: RMB510,501,000) in the interim condensed consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Notes	Six months ended 30 June 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cash flows from operating activities			
Profit before income tax		**62,750**	90,046
Adjustments for:			
Interest income	*5*	**(2,275)**	(4,740)
Share of loss/(profit) of associates	*12*	**56**	(107)
Loss on disposal of items of property, plant and equipment	*6*	**28**	–
Depreciation and amortisation	*6*	**2,556**	1,455
Impairment losses on financial assets and contract assets, net	*6*	**1,657**	27,643
Finance costs	*10*	**93**	103
Change in fair value of financial assets at FVTPL	*21*	**20,830**	3,523
Equity-settled share-based payments	*6*	**–**	57
Foreign exchange differences, net		**838**	(67)
		86,533	117,913
Increase in trade receivables and contract assets		**(48,080)**	(72,929)
Decrease/(increase) in prepayments, deposits and other receivables		**(31,645)**	29,034
Increase in contract liabilities		**20,328**	21,434
Decrease in trade payables		**(3,259)**	(1,460)
Increase/(decrease) in other payables and accruals		**3,176**	(78,765)
Cash generated from operations		**27,053**	15,227
Income tax paid		**(22,904)**	(29,329)
Net cash flows generated from/(used in) operating activities		**4,149**	(14,102)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Notes	Six months ended 30 June 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cash flows from investing activities			
Interest received		**305**	4,740
Purchases of items of property, plant and equipment		**(2,620)**	–
Purchases of items of intangible assets		**–**	(57)
Placement of bank time deposits		**(4,000)**	(2,131)
Net cash flows (used in)/generated from investing activities		**(6,315)**	2,552
Cash flows from financing activities			
Payment of lease liabilities	*10*	**(1,356)**	(774)
Dividend paid by the Company	*8*	**–**	(66,767)
Net cash flows used in financing activities		**(1,356)**	(67,541)
Net decrease in cash and cash equivalents		**(3,522)**	(79,091)
Cash and cash equivalents at beginning of period		**258,233**	321,719
Effect of exchange rate changes		**(838)**	67
Cash and cash equivalents at end of period		**253,873**	242,695
Analysis of balances of cash and cash equivalents			
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position		**257,873**	642,156
Less: Time deposits with original maturity of over three months		**–**	(399,461)
Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows		**257,873**	242,695

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated on 13 December 2018 in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The trading in shares of the Company has been suspended since 16 November 2022. The registered office of the Company is located at the offices of P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The principal place of business is located at Unit B, 17/F., United Centre, 95 Queensway, Admiralty, Hong Kong.

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

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

Suspension of trading of shares of the Company

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

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

* *For identification purposes only*

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Investigation

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

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

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

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

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

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Financial impact of the Incident Transaction I and Incident Transaction II

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

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

Meanwhile, Xinyuan (China) has confirmed the use of banking facilities related to Incident Transaction I for its own operation and committed to compensate the Group with their assets, including but not limited to cash, at their written response to the Company on 30 November 2022. The directors of the Company, taking into consideration of this written response, recognised the "recovery from the loss on the Pledges" under "Loss related to Pledges" (Note 6) in the profit or loss and "Other receivables – receivables related to Pledges" (Note 14) accordingly.

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

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2023 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 2022.

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 2022 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.

2.1 BASIS OF PREPARATION (CONTINUED)

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 2022 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.

IFRS 17	Insurance Contracts
Amendments to IAS 1, Presentation of financial statements and IFRS Practice Statement 2	Making materiality judgements: disclosure of accounting policies
Amendments to IAS 8	Accounting policies, changes in accounting estimates and errors – Definitions of Accounting Estimates
Amendments to IAS 12	Income Taxes – Deferred Tax related Assets and Liabilities arising from a single Transaction
Amendments to IAS 12	International tax reform – Pillar Two Model Rules

The adoption of these new or amendments to IFRSs has had no significant financial effect on the Group's interim condensed consolidated financial statements and/or the disclosures set out in 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, pre-delivery and consulting services and property engineering 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 2023, 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	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contract with customers within the scope of IFRS 15, types of goods or services		
Property management services	**252,134**	256,386
Value-added services	**53,068**	53,367
Pre-delivery and consulting services	**10,980**	36,319
Property engineering services	**18,654**	10,187
	334,836	356,259

4. REVENUE (CONTINUED)

For the six months ended 30 June 2023, revenue from entities controlled by the Ultimate Holding Company accounted for RMB22,495,000 and 7% (six months ended 30 June 2022: RMB51,525,000 and 14%) 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 (six months ended 30 June 2022 (unaudited): same).

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue recognised that was included in the contract liabilities balance at the beginning of the period	**106,251**	105,008

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. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income	**2,275**	4,740
Government grants *(Note)*	**927**	5,278
Others	**–**	4
	3,202	10,022

Note: Government grants mainly represented the subsidies received from the local government in support of the business operation. There was no condition to be fulfilled by the Group in relation to the subsidies.

6. PROFIT BEFORE INCOME TAX

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

		Six months ended 30 June	
		2023	2022
	Notes	**RMB'000**	RMB'000
		(Unaudited)	(Unaudited)
Cost of services provided		**208,545**	220,164
Employee benefit expense (including director's and chief executive's remuneration):			
– Wages and salaries		**80,190**	73,763
– Equity-settled share-based payment expense		**–**	57
– Pension scheme contributions		**8,733**	6,091
		88,923	79,911
Depreciation and amortisation:			
Depreciation of property, plant and equipment		**1,218**	596
Depreciation of right-of-use assets	*10*	**1,200**	725
Amortisation of intangible assets		**138**	134
		2,556	1,455
Written off of disposal of property, plant and equipment		**28**	–
Lease payments not included in the measurement of lease liabilities	*10*	**458**	58
Fair value loss of financial assets at FVTPL		**20,830**	3,523

6. PROFIT BEFORE INCOME TAX (CONTINUED)

	Notes	Six months ended 30 June 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Impairment of financial assets and contract assets, net:			
– Third parties			
Provision for impairment of trade receivables	*13*	**13,145**	3,369
Reversal of impairment of contract assets		**(1,654)**	–
Provision for/(reversal of) impairment of financial assets included in other receivables	*14*	**7,196**	(861)
		18,687	2,508
– Related parties			
Provision for impairment of trade receivables	*13*	**1,768**	27,917
(Reversal of)/provision for impairment of contract assets		**(481)**	14,337
Reversal of impairment of financial assets included in payments	*14*	**(1,141)**	–
Provision for/(reversal of) impairment of other receivables	*14*	**7,824**	(9,250)
Reversal of impairment of loan to a related party	*14*	**(25,000)**	(7,869)
		(17,030)	25,135
Total impairment of financial assets and contract assets, net		**1,657**	27,643

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax expense-PRC	**23,747**	30,493
Deferred tax expense-PRC	**(2,879)**	(5,736)
Total tax charge for the year	**20,868**	24,757

(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 2022 (unaudited): 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 2022 (unaudited): 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 2023 (six months ended 30 June 2022 (unaudited): 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 2022 (unaudited): Same).

8. DIVIDENDS

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Final declared and paid – HK13.8 cents per ordinary share	**–**	66,767

A special dividend in respect of the six months ended 30 June 2023 of HK13.8 cents per ordinary share, amounting to approximately HK$21,565,000 (equivalent to RMB20,000,000 based on the exchange rate as at dividend proposal date) has been approved by the board of directors on the reporting date in March 2024.

A dividend in respect of the year ended 31 December 2021 of HK$13.8 cents per ordinary share, amounting to approximately HK$78,315,000 (equivalent to RMB63,660,000 based on the exchange rate as at dividend proposal date) has been approved by the board of directors after the reporting date and it had also been approved at the annual general meeting of the Company held in October 2022. The relevant dividend amount of RMB66,767,000 is charged to the consolidated statement of changes in equity based on the payment date exchange rate during last year.

The dividend of approximately RMB Nil is charged to the consolidated statement of changes in equity based on the payment date exchange rate (six months ended 30 June 2022 (unaudited): RMB66,767,000).

9. 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 2023 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 2022 (unaudited): 567,500,000) 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 2023 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 on the deemed conversion of all dilutive potential ordinary shares into ordinary shares.

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

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to equity holders of the parent, used in the diluted earnings per share calculation	**40,725**	64,880
Adjustment of the proposed dividends for unvested shares under the restricted share award scheme	**–**	–
Adjusted profit attributable to equity holders of the parent, used in the basic earnings per share calculation	**40,725**	64,880

	Six months ended 30 June	
	2023	2022
	Thousand shares	Thousand shares
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**567,500**	567,500
Effect of dilution		
– weighted average number of ordinary shares: Restricted share award scheme	**–**	–
Weighted average number of ordinary shares for diluted earnings per share	**567,500**	567,500
Basic earnings per share (RMB cents)	**7.18**	11.43
Diluted earnings per share (RMB cents)	**7.18**	11.43

10. LEASES

The Group has lease contracts for its offices in PRC and Hong Kong used in operations. Lease terms varies between 3 and 5 years (30 June 2022 (unaudited): 3 and 5 years) and lease payments are paid monthly or yearly. Apartments and cleaning machines have lease terms of 12 months or less, which are not recognised as right-of-use assets and lease liabilities. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. No extension or termination options, nor variable lease payments were contained in above lease contracts.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the period/year are as follows:

	Offices RMB'000
As at 1 January 2022 (Audited)	1,859
Additions	3,528
Depreciation charged *(Note 6)*	(1,495)
As at 31 December 2022 (audited) and 1 January 2023	**3,892**
Additions	**2,646**
Depreciation charged *(Note 6)*	**(1,200)**
As at 30 June 2023 (Unaudited)	**5,338**

10. LEASES (CONTINUED)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the period/year are as follows:

	Offices RMB'000 (Audited)
Carrying amount at 1 January 2022	2,085
Additions	3,527
Accretion of interest during the year	112
Payments	(1,741)
Carrying amount at 31 December 2022 (Audited)	3,983
Analysed into:	
Current portion	1,868
Non-current portion	2,115
Carrying amount at 1 January 2023	**3,983**
Additions	**2,645**
Accretion of interest during the period	**93**
Payments	**(1,356)**
Carrying amount at 30 June 2023 (Unaudited)	**5,365**
Analysed into:	
Current portion	**2,265**
Non-current portion	**3,100**

10. LEASES (CONTINUED)

(b) Lease liabilities (Continued)

The maturity analysis of lease liabilities is as follows:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Within one year	**2,335**	2,014
Over one year but within two years	**2,160**	1,266
Over two years but within five years	**1,423**	949
Total lease payments	**5,918**	4,229
Less: Finance charges	**(553)**	(246)
	5,365	3,983

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	Six months ended 30 June 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Interest on lease liabilities	**93**	103
Depreciation charge of right-of-use assets *(Note 6)*	**1,200**	725
Expense relating to short-term leases (included in cost of sales and administrative expenses) *(Note 6)*	**458**	58
Total amount recognised in profit or loss	**1,751**	886

11. INVESTMENT IN A JOINT VENTURE

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Share of net assets	**10,406**	10,406
Impairment of investment in a joint venture	**(10,406)**	(10,406)
	–	–

Particulars of the Group's joint venture are as follows:

	Paid-up capital	**Place of registration and operation**	**Principal activity**	**Percentage of ownership interest attributable to the Group**
Henan Qingning Apartment Management Co. Ltd. 河南青檸公寓管理有限公司 ("**Qingning Apartment**")	RMB10,000,000	PRC	Property leasing	51%

According to the Articles of Association of Qingning Apartment, all significant and relevant matters of the entity require approval by two-thirds of shareholders' votes such that the Group is unable to control the relevant activities of Qingning Apartment, and Qingning Apartment is therefore accounted for as a joint venture of the Group.

11. INVESTMENT IN A JOINT VENTURE (CONTINUED)

The investment agreement required the joint venture partner compensation of up to RMB24,460,000 depending on whether Qingning Apartment's audited revenue meets specified target. The Group is entitled to request the joint venture partner to settle the compensation either in cash or by his entire equity interests in Qingning Apartment. During the year ended 31 December 2022, based on the market condition, the Group and joint venture partner reached the consensus that such term of profit guarantee was waived and the joint venture partner no longer was required to make any compensation.

Management reassessed the ECL of amounts due from Qingning Apartment at the reporting date and no provision for impairment on amounts due from Qingning Apartment was recognised as the amounts due from Qingning Apartment are insignificant (30 June 2022 (unaudited): Nil).).

As at 30 June 2023, there were no significant contingent liabilities relating to the Group's interest in the joint venture (30 June 2022 (unaudited): Nil).

In view of indication of impairment arising from operating losses of Qingning Apartment, the directors of the Company determined the recoverable amount of investment as of 30 June 2023 in Qingning Apartment for impairment test purposes. The recoverable amount of the investment in Qingning Apartment has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by the management. The investment in Qingning Apartment had been fully impaired as at 31 December 2021 and no reversal of impairment is considered for the six months ended 30 June 2023.

The Group has not incurred any legal or constructive obligations, nor made payments on behalf of the joint venture. Accordingly, the Group did not recognise its share of the joint venture's losses (six months ended 30 June 2022 (unaudited): Nil) once the carrying amount of its net investment in joint venture is reduced to zero.

As at 30 June 2023, the amount of the Group's unrecognized share of losses of this joint venture for the current year was approximately RMB646,000 (six months ended 30 June 2022 (unaudited): RMB4,468,000).

On 16 August 2023, the Group and Beijing Ruizhuo Xichuang Technology Development Co., Ltd (an 33.3% associate of the Ultimate Holding Company) entered into an equity transfer agreement (the "**Equity Transfer**"), pursuant to which the Group agreed to transfer its entire equity interests in Qingning Apartment, representing 51% equity interests in Qingning Apartment at Nil consideration, as the Qingning Apartment is in net liability status at the transferred date.

Such transaction was completed on 17 August 2023, immediately upon the completion of the Equity Transfer, the Group ceased to hold any interest in Qingning Apartment and Qingning Apartment ceased to be a joint venture of the Group.

12. INVESTMENTS IN ASSOCIATES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Share of net assets	**346**	402
Impairment of investment in associates	**–**	–
	346	402

Particulars of the Group's main associate are as follows:

	Paid-up capital	**Place of registration and operation**	**Principal activity**	**Percentage of ownership interest attributable to the Group**
Henan Yicheng Xinyuan Property Services Co. Ltd. 河南頤城鑫苑物業服務有限公司	RMB5,000,000	PRC	Property management and related services	49%

On 17 April 2020, the Group acquired a 49% equity interest of Henan Yicheng Xinyuan Property Services Co. Ltd ("**Yicheng**") at a consideration of approximately RMB2,450,000. The Group has two seats in the board of directors of Yicheng, as well as the 49% equity voting rights, therefore the Group has the ability to exercise significant influence over Yicheng. Thus, Yicheng was accounted for as an associate using the equity method.

13. TRADE AND BILL RECEIVABLES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Trade receivables *(Note (a))*		
– Related parties *(Note 20(e))*	**238,037**	234,523
– Third parties	**176,333**	123,230
	414,370	357,753
Less: allowance for impairment of trade receivables	**(177,158)**	(162,245)
	237,212	195,508
Bills receivable *(Note (b))*	**3,183**	3,129
	240,395	198,637

Notes:

(a) For trade receivables from property management services, the Group charges property management fees on a monthly or quarterly basis and the payment is generally due upon the issuance of demand notes. No credit period is granted (31 December 2022: 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 2022: 30 to 90 days) from the issue of demand note.

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

(b) The balance represented certain bank acceptance bills totaling RMB3,183,000 (31 December 2022: RMB3,129,000). 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.

13. TRADE AND BILL RECEIVABLES (CONTINUED)

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

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Within 1 year	**115,108**	91,721
1 to 2 years	**57,644**	87,848
2 to 3 years	**63,532**	14,811
3 to 4 years	**4,111**	4,257
Total	**240,395**	198,637

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

	Six months ended 30 June			
	2023		2022	
	Third parties RMB'000 (Unaudited)	**Related parties RMB'000 (Unaudited)**	Third parties RMB'000 (Unaudited)	Related parties RMB'000 (Unaudited)
At the beginning of the period	**44,314**	**117,931**	15,657	4,107
Charge for the period *(Note 6)*	**13,145**	**1,768**	3,369	27,917
At the end of the period	**57,459**	**119,699**	19,026	32,024

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

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Non-current		
Prepayment		
– Related party *(Note 20(e) and Note (i))*	**89,073**	89,073
Current		
– Related parties *(Note 20(e) and Note (ii))*	**197,019**	200,374
Less: allowance for impairment of payments	**(81,788)**	(82,929)
	115,231	117,445
Loan to a related party *(Note 20(e) and Note (iv))*	**53,760**	51,840
Less: allowance for impairment of loan receivables	**(2,375)**	(27,375)
	51,385	24,465
Prepayments		
– Related parties *(Note 20(e))*	**735**	868
– Third parties	**5,836**	11,654
	6,571	12,522
Deposits		
– Third parties	**25,380**	12,887
Other receivables		
– Related parties *(Note 20(e))*	**14,676**	5,504
– Related parties – receivables related to Pledges *(Note 20(e) and Note (iii))*	**398,847**	398,847
– Third parties	**24,928**	5,591
	438,451	409,942
Less: allowance for impairment of other receivables		
– other receivables on related party	**(12,521)**	(4,697)
– receivables related to Pledges	**(200,565)**	(200,565)
– other receivables on third party	**(11,390)**	(4,194)
	213,975	200,486
	245,926	225,895

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES/PREPAYMENTS TO A RELATED PARTY/LOAN TO A RELATED PARTY/PAYMENTS TO RELATED PARTIES (CONTINUED)

Notes:

(i) Balance represented the payment of entire consideration in advance in accordance with the sale and purchase contract entered into with a subsidiary of the Ultimate Holding Company in 2018, for the purchase of 342 units of Xinyuan Mingcheng, the property development project located in Henan Province. As at 30 June 2022, the construction of investment properties was substantially completed. It was expected that the investment properties are ready for handover in late 2022. The directors of the Company considered that there was no impairment as the recoverable amount of the prepayment (i.e. fair value of properties less costs of disposal) was assessed to be higher than its carrying amount.

(ii) Balance represented payments to the subsidiaries of Ultimate Holding Company of RMB205,461,000 for exclusive sales right of car parking spaces. In September 2020, the Group and Ultimate Holding Company entered into the Car Parking Space Exclusive Sales Cooperation Agreement (the "**Agreement**") pursuant to which, certain subsidiaries of Ultimate Holding Company agreed to designate the Group as the exclusive sales partner of a total 4,066 car parking spaces ("**Designated Car Parking Spaces**") and the Group agreed to pay the refundable payments in cash of approximately RMB206,783,000, representing the total car parking spaces reserve price as the deposits for being such exclusive sales partner. The Agreement is effective upon the fulfillment of conditions and the approval by extraordinary general meeting.

The payments would be refunded to the Group by instalments in accordance with the agreed sales milestones of car parking spaces.

Instalments	Sales milestone	Amounts to be refunded
First instalment	40% of total car parking spaces	40% of payments for exclusive sales right
Second instalment	70% of total car parking spaces	30% of payments for exclusive sales right
Third instalment	90% of total car parking spaces	30% of payments for exclusive sales right

On 23 December 2021, the Group and certain subsidiaries of Ultimate Holding Company entered into the supplemental agreement (the "**Supplemental Agreement**") pursuant to which, both parties agreed to extend the cooperation period to 31 December 2023. Such Supplemental Agreement is effective upon approval by extraordinary general meeting held on 7 June 2023.

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

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES/PREPAYMENTS TO A RELATED PARTY/LOAN TO A RELATED PARTY/PAYMENTS TO RELATED PARTIES (CONTINUED)

Notes: (Continued)

(ii) *(Continued)*

During the six months ended 30 June 2023, the Group has conducted certain sales activities under the Agreement but as at 30 June 2023, the Group did not achieve the first sales milestones, and none of the payments were refunded by the Ultimate Holding Company. During the six months ended 30 June 2023, the Group generated the corresponding Pre-delivery and consulting service fee income of approximately RMB982,000 (six months ended 30 June 2022: RMB1,739,000), which were included in Pre-delivery and consulting service fee income (Note 4). Pursuant to the Agreement, if the Ultimate Holding Company fails to duly refund the payments, interest shall be payable to the Group at the 1-year loan prime rate announced by the People's Bank of China for the same period (from the date on which the Group actually pays the relevant payments up to the date on which the deposit is actually refunded by the Ultimate Holding Company).

The directors of the Company assess the expected credit loss of the payments and a reversal of impairment of approximately RMB1,091,000 was recognised for the six months ended 30 June 2023 (six months ended 30 June 2022: RMB60,006,000).

Further details of the arrangement is set out in the annual consolidated financial statements for the year ended 31 December 2022.

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

The directors of the Company assessed the expected credit loss of the receivables related to unauthorised Pledges of approximately RMB200,565,000 was provided for the year ended 31 December 2022.

(iv) The loan receivable is guaranteed by the Ultimate Holding Company, bearing interest at 8% per annum, repayable on 16 August 2023. The directors of the Company assessed the expected credit loss and approximately RMB(25,000,000) (Note 6) was provided for the year ended 31 December 2022 (six months ended 30 June 2023: RMB7,869,000).

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

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES/PREPAYMENTS TO A RELATED PARTY/LOAN TO A RELATED PARTY/PAYMENTS TO RELATED PARTIES (CONTINUED)

The movement in provision for impairment of prepayments and other receivables are as follows:

	Six months ended 30 June			
	2023		2022	
	Third parties RMB'000 (Unaudited)	**Related parties RMB'000 (Unaudited)**	Third parties RMB'000 (Unaudited)	Related parties RMB'000 (Unaudited)
At the beginning of the period	**4,194**	**288,191**	1,191	15,813
Charge for the period *(Note 6)*	**7,196**	**6,683**	(861)	(9,250)
At the end of the period	**11,390**	**294,874**	330	6,563

15. FINANCIAL ASSETS AT FVTPL

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Unlisted fund-linked note *(Note (a))*	**10,162**	30,992
Other unlisted investments *(Note (b))*	**4,000**	–
	14,162	30,992

15. FINANCIAL ASSETS AT FVTPL (CONTINUED)

Notes:

(a) During the year ended 31 December 2021, the Group purchased an unlisted fund-linked note with nominal amount of USD6,305,000 (equivalent to approximately RMB41,453,000) issued by a financial institution (the "**Issuer**"). The fund-linked note is linked to a segregated portfolio of Yue Xiu Investment Fund Series Segregated Portfolio Company, which is an unlisted third-party investment fund registered with Cayman Islands Monetary Authority. The segregated portfolio including but not limited to listed equity and debt securities, structured products and other private investment fund.

The directors of the Company consider the credit risk of the financial institution is minimal as it is a subsidiary of a state-owned corporation with its holding company listed in stock exchange of Shenzhen.

The fund-linked note is unconditionally redeemable within 1 year after the date of acquisition at the fair value at the date of redemption.

The fair value of the unlisted fund-linked note as at the end of the reporting period was estimated by the management of the Company by reference to the performance report provided by the fund manager. In August 2023, the Group reassessed the prevailing economy environment and submitted a redemption notice to the Issuer in accordance with the relevant terms to subscription agreements. The Issuer advised that, due to the fair value of the underlying investment assets were dropped to zero, the redemption value of the fund-linked is considered as nil.

(b) In May of 2023, the Group invested in other unlisted investments with total nominal amount of RMB4,000,000, which represent wealth management products issued by China Merchants Bank in the PRC, the segregated portfolio mainly includes fixed income assets including but not limited to state bonds and time deposits.

The other unlisted investments are unconditionally redeemable at any time after the date of acquisition over 7 days.

The fair value of the other unlisted investments as at the end of the reporting period was estimated by the management of the Company by reference to the performance report provided by the bank wealth manager.

During the six months ended 30 June 2023, fair value loss on financial assets at FVTPL of approximately RMB20,830,000 (six months ended 30 June 2022 (unaudited): RMB3,523,000) was recognised in the profit or loss as "Change of fair value of financial assets through profit or loss".

Details of fair value estimation are set out in Note 21.

16. CASH AND CASH EQUIVALENTS

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Pledged deposits		
– Time deposits pledged as security for bank financings to the Borrowers		
– Matured within 3 months	**–**	135,050
Less: Pledged deposits deducted by banks *(Note)*	**–**	(135,046)
	–	4
Cash and bank balances	**253,873**	258,233
	253,873	258,237

Note: The former directors of the Company provided deposit pledges in aggregate of RMB172,800,000, RMB94,530,000 and RMB135,050,000 to ZZ Bank WE, HX Bank NY and ZZ Bank WL (the "**Bankers**") respectively, as security for bank financing offered to the Borrowers. The bank financing was fully utilised by the Borrowers. However, as they failed to repay the amounts due to the Bankers, the Bankers deducted the Group's pledged term deposits of (i) RMB263,801,000 in November 2022 and RMB135,046,000 in early 2023 for the defaulted bank financing.

16. CASH AND CASH EQUIVALENTS (CONTINUED)

As at 30 June 2023, the term deposits are deposits at bank with a maturity of 7 days (2022: 3 to 12 months) and carried interest at prevailing deposit rates 1.5% (2022: 1.54% to 2.10%) per annum.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between seven days and a year depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates.

At 30 June 2023, the time deposits and cash and bank balances of the Group denominated in RMB amounted to RMB181,749,000 (31 December 2022: RMB175,320,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. The remaining cash and cash equivalents denominated in Hong Kong dollars and United States dollars amounted to approximately RMB76,124,000 (31 December 2022: RMB82,467,000 and RMB447,000) respectively.

17. TRADE PAYABLES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Trade payables		
– Related parties *(Note 20(e))*	**5,336**	673
– Third parties	**103,890**	111,812
	109,226	112,485

The trade payables are non-interest-bearing and have a normal credit terms of 30 to 90 (31 December 2022: 30 to 90) days.

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

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Within 1 year	**22,354**	48,462
1 to 2 years	**33,793**	62,245
2 to 3 years	**51,525**	885
Over 3 years	**1,554**	893
	109,226	112,485

18. CONTRACT LIABILITIES, OTHER PAYABLES AND ACCRUALS

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Contract liabilities		
– Related parties *(Note 20(e))*	**–**	90
– Third parties	**129,688**	109,269
	129,688	109,359
Other payables		
– Related parties *(Note 20(e))*	**25,847**	19,037
– Deposits and temporary receipts from third parties	**117,806**	108,321
– Others	**35,068**	44,889
	178,721	172,247
Payroll payables	**24,465**	38,300
Other taxes payable	**12,794**	2,258
	215,980	212,805

19. SHARE CAPITAL

There was no changes of share capital of the Group during the six months ended 30 June 2023.

20. RELATED PARTY TRANSACTIONS

(a) Name and relationship with related party

The Ultimate Holding Company is Xinyuan Real Estate Co., Ltd..

(b) Material transactions with related parties

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Property management service fee		
– Subsidiaries of the Ultimate Holding Company	**356**	12,233
– Associate of the Ultimate Holding Company	**995**	266
– Joint venture of the Group	**–**	9,175
	1,351	21,674
Value-added service fee		
– Subsidiaries of the Ultimate Holding Company	**1,458**	4,587
– Joint ventures of the Ultimate Holding Company	**4**	–
– Associates of the Ultimate Holding Company	**84**	–
	1,546	4,587
Pre-delivery and consulting services fee		
– Subsidiaries of the Ultimate Holding Company	**5,820**	19,417
– Joint ventures of the Ultimate Holding Company	**943**	266
– Associates of the Group	**184**	699
	6,947	20,382
Property engineering services		
– Subsidiaries of the Ultimate Holding Company	**11,844**	2,290
– Joint ventures of the Ultimate Holding Company	**807**	2,592
	12,651	4,882

20. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Material transactions with related parties (Continued)

Except for property management service fee income of RMB Nil from a joint venture of the Group and the pre-delivery and consulting service fee income and property engineering services income of RMB184,000 (six months ended 30 June 2022 (unaudited): RMB699,000) and RMB807,000 (six months ended 30 June 2022 (unaudited): RMB2,592,000), respectively, from associates of the Group, the related party transactions above also constitute continuing connected transactions as defined in Chapter 14A of the Rules Governing of the Listing of Securities on the Stock Exchange.

The prices for the above service fees and other transactions were determined in accordance with the terms mutually agreed by the contract parties.

(c) Material related party transfers

There is no material related party transfers during the six months ended 30 June 2022 and 2023.

(d) Key management compensation

Compensations for key management including directors and chief executive is set out below:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries, allowances and benefits	**1,522**	1,965
Pension scheme contributions	**220**	65
	1,742	2,030

20. RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Balances with related parties

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Receivables from related parties, net of impairment		
Loans receivables *(Note 14)*		
– Subsidiaries of the Ultimate Holding Company	**51,385**	24,465
Trade receivables *(Note 13)*		
– Subsidiaries of the Ultimate Holding Company	**107,819**	100,719
– Associates of the Ultimate Holding Company	**7,572**	11,216
– A joint venture of the Ultimate Holding Company	**2,910**	4,653
– A joint venture of the Group	**37**	4
Contract assets		
– Subsidiaries of the Ultimate Holding Company	**29,317**	25,120
– An associate of the Ultimate Holding Company	**4,541**	2,434
– Joint venture of the Ultimate Holding Company	**3,378**	1,770
– An associate of the Group	**–**	92
Other receivables *(Note 14)*		
– Subsidiaries of the Ultimate Holding Company	**115,231**	117,445
– Receivables related to Pledges	**198,282**	198,282
– Associates of the Group	**2,155**	807
Prepayments (non-current) *(Note 14)*		
– A subsidiary of the Ultimate Holding Company	**89,073**	89,073
Prepayments (current) *(Note 14)*		
– Subsidiaries of the Ultimate Holding Company	**735**	868

20. RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Balances with related parties (Continued)

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Payables to related parties		
Trade payables *(Note 17)*		
– Subsidiaries of the Ultimate Holding Company	**5,336**	673
Other payables *(Note)*		
– Subsidiaries of the Ultimate Holding Company	**25,335**	18,801
– An associate of the Group	**512**	236
Contract liabilities *(Note 18)*		
– Subsidiaries of the Ultimate Holding Company	**–**	90

Note:

(i) Other payables due to subsidiaries and an associate of the Ultimate Holding Company and an associate of the Group were unsecured, interest-free and repayable on demand.

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Except for the below, the management has assessed that the fair values of cash and cash equivalents, financial assets included in prepayments, payments to related parties, deposits and other receivables, trade receivables, trade payables, lease liabilities and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these financial instruments.

Fair value hierarchy

The following table presents the carrying value of the Group's financial instruments measured at fair value across the three levels of the fair value hierarchy defined in IFRS 13 "Fair Value Measurement" with fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement.

	As at 30 June 2023			
	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Financial assets at FVTPL	**–**	**–**	**14,162**	**14,162**

	As at 31 December 2022			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVTPL	–	–	30,992	30,992

The fair value of fund linked note and other unlisted investments are determined by use adjusted net assets value approach. Under adjusted net assets value approach, total value of the fund was based on the sum of the value of underlying investment. The fair value measurement is negatively correlated to the credit risk of issuer.

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (Continued)

The movements during the years in the balance of level 3 fair value measurement is as follows:

	Unlisted fund-linked note RMB'000
At 1 January 2022	40,904
Fair value loss – included in profit or loss	(9,912)
At 31 December 2022 and 1 January 2023	**30,992**
Purchase of other unlisted investments	**4,000**
Fair value loss – included in profit or loss	**(20,830)**
30 June 2023	**14,162**

During the six months ended 30 June 2023, there were no transfers of fair value measurements between Level 1 and Level 2 and RMB20,830,000 transfers out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2022: RMB3,523,000). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

22. EVENTS AFTER THE REPORTING PERIOD

Tripartite Agreement and Car Parking Space Exclusive Sales Cooperation Agreement

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

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

22. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

Tripartite Agreement and Car Parking Space Exclusive Sales Cooperation Agreement (Continued)

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

Compensation Agreements in Respect of Arbitration

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

23. APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 12 March 2024.