

# TARGET

## Intelligence Report

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**XINYUAN PROPERTY MANAGEMENT SERVICE (CAYMAN) LTD:**

**THERE IS GOOD NEWS; AND, THERE IS NOT-SO-GOOD NEWS**

On the application of forensic tests of the '**COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**', located at Appendix I-5 of the Global Offering Prospectus of Xinyuan Property Management Service (Cayman) Ltd () (Code: 1895, Main Board, The Stock Exchange of Hongkong Ltd), it would appear that everything is not exactly that which one may have thought at first blush.

In short, it has come to the attention of this medium that Management has been, in essence, '*gambling*', often relatively heavily, in fact, on stocks and shares, listed on one or more of the two equity markets of the People's Republic of China (PRC).

This took place during the three Financial Years (and, most likely, before the 2016 Financial Year), ended December 31, 2018.

As a result of '*playing*' the equity markets, during the track-record period, Management bundled the financial gains, derived therefrom, as being part of the Net Profit Attributable to Shareholders.

The amount of money, invested in purchasing equities, listed on one or more of the PRC's equity markets, in some cases, was greater than the Annual Revenue of the Company, during a respective Financial Year with

regard to the Company's principal activity.

Having, now, depleted the Company of its financial assets, completely, henceforth there shall be no financial gains from disposals of such gambles.

And the Company shall, no doubt, have to bite the proverbial bullet, as a direct result.

Shareholders will, without question, note the different complexions of Bottom Lines in Financial Years to come.

(More about the above-mentioned matters, later on in this analysis.)

### **The Business Of Xinyuan Property Management Service (Cayman) Ltd**

Xinyuan Property Management Service (Cayman) Ltd is principally engaged in property management in the PRC, proper, being separate and distinct from the **Hongkong Special Administrative Region (HKSAR)** of the PRC.

At Pages 125 and 126 of the Global Offering Prospectus, dated Wednesday, September 25, 2019, prospective investors were given a business '**OVERVIEW**' of the Company as follows:

*'We are one of the fast growing property management companies among the Top 100 property management companies in terms of revenue growth rate in the PRC during the Track Record Period (the 39 months, ended March 31, 2019). As at 31 March 2019, properties we have contracted to manage are located in over 35 cities in the PRC, including Zhengzhou, Jinan, Xi'an, Chengdu, Suzhou, Beijing and Shanghai. We believe our business growth is mainly attributable to our wide range of quality services covering the pre-delivery stage (being our pre-delivery and consulting services) and the post-delivery stage (being our property management services and value-added services) provided to property developers, property owners and property occupants. According to F&S (Frost and Sullivan [Beijing] Incorporated, Shanghai Branch Company [()]), we were ranked 33rd among property management companies in the PRC in terms of total revenue in 2018. According to the China Property Management Institute, the E-house China R&D Institute and the China Real Estate Appraisal, we were ranked 12th among property management companies in the PRC in 2018, based on the comprehensive index rating that is determined based on, among other things, the GFA (Gross Floor Area) under management, the financial performance, property owners' satisfaction and number of accredited projects of property management companies. Our major customers include property developers (both the Xinyuan Real Estate Group [Xinyuan Real Estate Company Ltd (), a company whose shares are listed on The New York Stock Exchange (Stock Code: XIN), being the largest, single shareholder of Xinyuan Property Management Service (Cayman) Ltd] and third party developers), property owners and property occupants. As at 31 March 2019, the total GFA under our management amounted to approximately 15.8 million sq.m. (square metres) Further, the total GFA under our management as at 31 December 2018 amounted to approximately 15.7 million sq.m., representing a CAGR of approximately 20.7% from 2016 to 2018 that is higher than that of the Top 100 property management companies, being 10.8%, during the same period, according to F&S.*

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

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

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