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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1895)

SUPPLEMENTAL ANNOUNCEMENT ON INTERNAL CONTROL REVIEW REPORT

This announcement is made by Xinyuan Property Management Service (Cayman) Ltd. (the “**Company**”) at the request of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

References are made to the announcements of the Company dated 31 March 2021, 28 May 2021, 30 June 2021, 27 July 2021, 31 August 2021, 23 September 2021, 30 September 2021 and 31 December 2021, respectively (the “**Announcements**”). Unless the context otherwise requires, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

In relation to the matter of potential accounting and/or internal control issues identified in the announcement on 23 September 2021 and the internal control review as disclosed in the announcement on 31 December 2021 (the “**Internal Control Review Announcement**”), the Company would like to supplement with the information contained in this announcement, with respect to the adequacy of remedial measures undertaken by the Company in ensuring ongoing and future compliance with the Company’s obligations under the Listing Rules.

IMPLEMENTATION OF ENHANCEMENTS AND REMEDIAL MEASURES

As set out in the Internal Control Review Announcement, the Company has implemented various enhancements and remedial measures to address the internal control deficiencies identified in the internal control review report issued on 24 October 2021 by Moore Advisory Services Limited (“**Moore**”), the independent internal controls reviewer (the “**IC report**”).

An overview of the Company's key internal controls enhancements is set out in the section titled "Enhancements and Remedial Measures" of the Internal Control Review Announcement. To provide further detail and colour to the market, the Company sets out below further and more specific information regarding its enhanced systems to detect any potential notifiable, connected or related party transactions and to ensure that these transactions are assessed and analysed for compliance with the Listing Rules:

1. **Updated Connected Persons List:** The Company has compiled a complete, exhaustive list of all connected persons as defined in Rule 14A.07 to Rules 14A.11 of the Listing Rules of the Group (the "**Connected Persons List**"), to be updated on a quarterly basis. This list is shared with all financial officers of each of the Group's subsidiaries.
2. **Ongoing monitoring for connected or notifiable transactions:** The Company's finance department monitors any transactions (including fund transfers) with parties/entities on the Connected Persons List in real time; and the Company is implementing further enhancements which will allow the Company's computerised payment system (OA System) to assist in such monitoring. All transactions with any party/entity on the Connected Persons List must go through a systematic, tiered approval process as described in paragraph (iv) at page 8 of the Internal Control Review Announcement, which is reproduced below for ease of reference:
 - (iv) the Company will implement a systematic, tiered authorisation and approval system for connected and notifiable transactions, notably by distinguishing between transactions which: (i) are business-routine and (ii) do not arise in the ordinary course of the Company's day-to-day business, with reference to the nature of the business transaction and the amount involved. In the former case, such transactions will be approved in accordance with the existing review and approval system of the Company. In the latter case, any transaction which may either result in exceeding the cap of continuing connected transactions as approved by the independent shareholders or fall outside the scope of the approved continuing connected transactions, will be categorised as transactions which do not arise in the ordinary course of the Company's day-to-day business. For such transactions, more stringent internal requirements will apply, including a separate approval process involving review by multiple finance and senior management, and obtaining Board approval. Where necessary and appropriate, in determining whether any transactions are connected and notifiable transactions, the Company will also consult its financial advisors, legal advisors or other professional advisors, or otherwise enquire with the Stock Exchange, and on their advice, notify, publish announcements and obtain shareholders' approval as required.

3. **Further and additional checks and protections, and regular reporting and escalation to Senior Management and the Board.** In addition to the above frontline protection measures:

- (a) Relevant personnel in charge also compile monthly transaction reports setting out the relevant details of all connected or notifiable transactions, which are shared on a monthly basis with Senior Management and the Board, after approval by the Company's Chief Financial Officer, as noted in paragraph (ii) at page 8 of the Internal Control Review Announcement.
- (b) Regular independent verification is carried out by the relevant financial personnel with respect to each line entry in the bank transaction records as part of the reconciliation process, i.e. to check these against the Connected Persons List, among other things, to ensure the comprehensiveness and reliability of the Company's enhanced systems as described above.
- (c) As noted in the Internal Control Review Announcement, the Company will also engage auditors to conduct an audit every 6 months of the continuing connected/notifiable transactions at the material time, and set out their findings by way of a report, which will be provided to Senior Management, the Audit Committee and the Board for review and consideration.
- (d) To further enhance its internal control environment, the Company will also adopt the following preventative/detective measures to prevent potential non-compliance with the Listing Rules in the future, as set out at page 9 of the Internal Control Review Announcement, which are reproduced below for ease of reference:
 - (a) Ensuring the enhanced internal control system is strictly adhered to, the Company will appoint an independent internal control consultant to perform annual internal control review;
 - (b) Regular review of the key internal control points and regular internal audit;
 - (c) Ensuring the line of reporting for internal audit is addressed to the Audit Committee, with full transparency over the implementation of the internal control system and enhanced measures;
 - (d) Regular reminders to directors, senior management and relevant (financial) personnel of the Company, to alert them and increase awareness on the importance of observing the internal control procedures, in accordance with the Listing Rules; and
 - (e) Regular training and refreshers for all directors, senior management and relevant (financial) personnel of the Company.

Having considered the results of the internal control review, the Audit Committee of the Company is of the view that the enhancements and remedial measures implemented by the Company, as described in the Internal Control Review Announcement and above, are appropriate for the issues identified.

As disclosed in the Internal Control Review Announcement, an additional review conducted by Moore in November 2021 to verify and assess the implementation status of the remedial actions also confirmed that the current internal system of the Company is adequate and effective in addressing issues that Moore had previously identified. Having conducted this further review, Moore has expressed the view that the current internal control system of the Company is adequate and effective in addressing issues that Moore had previously identified.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the Company's shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 1 April 2021 pending compliance with other requirements set out in the Resumption Guidance and will remain suspended until further notice. The Company will make further announcement(s) as and when appropriate.

Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

By order of the Board
Xinyuan Property Management Service (Cayman) Ltd.
WANG Yanbo
Executive Director and Chief Executive Officer

Hong Kong, 11 January 2022

As at the date of this announcement, the board of the Company comprises Ms. WANG Yanbo and Mr. HUANG Bo as executive Directors; Mr. ZHANG Yong and Ms. YANG Yuyan as non-executive Directors; and Mr. LUO Ji, Mr. LI Yifan and Mr. FU Shaojun as independent non-executive Directors.