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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)

CHANGE IN USE OF PROCEEDS

Reference is made to (i) the prospectus (the “**Prospectus**”) issued by Xinyuan Property Management Service (Cayman) Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 25 September 2019 in relation to the global offering (the “**Global Offering**”) from which the shares of the Company were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited; (ii) the announcements of the Company dated 3 July 2020 and 15 July 2020 (collectively, the “**2020 Placing Announcements**”) in relation to the placing of 50,000,000 ordinary shares of the Company at the placing price of HK\$2.60 per share (the “**2020 Placing**”); (iii) the announcements of the Company dated 25 January 2021 and 8 February 2021 (collectively, the “**2021 Placing and Subscription Announcements**”) in relation to, among others, the appointment of placing agent by Xinyuan Real Estate, Ltd. (the “**Vendor**”) to procure not less than six (6) placees, on a best effort basis, to purchase up to 18,000,000 ordinary shares of the Company (the “**2021 Placing**”) and the subscription of up to 18,000,000 ordinary shares of the Company by the Vendor (the “**Subscription**”); and (iv) the section of “Management Discussion and Analysis – Financial Review” under the annual report of the Company for the year ended 31 December 2021 (the “**Annual Report**”) in relation to the use of proceeds from the Global Offering, the 2020 Placing and the Subscription. Unless otherwise defined, terms used in this announcement shall have the same meanings as those defined in the Annual Report.

USE OF PROCEEDS AS AT THE DATE OF THIS ANNOUNCEMENT

Use of Proceeds from the Global Offering

As disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus, the Company intended to use the net proceeds from the Global Offering in the following manner:

- (1) Approximately 60% of which to expand the Group’s property management services, seek strategic acquisition and investment opportunities;
- (2) Approximately 15% of which to expand the types of services offered in the Group’s value-added services business line;

- (3) Approximately 15% of which to upgrade and develop the Group's own information technology and smart systems; and
- (4) Approximately 10% of which to be used in funding the Group's working capital needs and other general corporate purposes.

The net proceeds from the Global Offering amounted to approximately RMB197.2 million, of which, as at the date of this announcement, (i) approximately RMB117.9 million remained unutilized (the “**Unutilized IPO Net Proceeds**”); and (ii) approximately RMB79.3 million has been utilized in the following manner which are in line with that were set out in the Prospectus:

Original Use of Net Proceeds of Global Offering		Original Allocated Percentage of Net Proceed pursuant to the Prospectus %	Original Allocation of Net Proceeds pursuant to the Prospectus RMB million	Utilized Net Proceeds as at the date of this Announcement RMB million	Unutilized Net Proceeds at the date of this Announcement RMB million	Original Expected Timeline for the use of the Unutilized Net Proceeds
(1)	To expand the Group's property management services, seek strategic acquisition and investment opportunities:	60	118.3	23.0	95.3	Expected to be fully utilized on or before 30 September 2023
(i)	Acquiring or investing in other property management companies	45	88.7	14.9	73.8	
(ii)	Sourcing, installing and upgrading current equipment and facilities used by property owners and occupants	8	15.8	–	15.8	
(iii)	Expanding the scale of the Group's property management services	7	13.8	8.1	5.7	
(2)	To expand the types of services offered in the Group's value-added services business line	15	29.6	24.8	4.8	Expected to be fully utilized on or before 30 September 2022
(i)	Acquiring specialized companies	5	9.87	5.05	4.82	
(ii)	Engaging additional subcontractors	5	9.87	9.87	0.00	
(iii)	Developing a complimentary information technology system that complements the “Xinyuan-E-Jia” mobile applicable	5	9.87	9.87	0.00	
(3)	To upgrade and develop the Group's own information technology and smart systems	15	29.6	11.8	17.8	Expected to be fully utilized on or before 30 September 2022
(i)	Upgrading and further developing the software end	4.3%	8.5	6.7	1.8	
(ii)	Upgrading the hardware end	5.7%	11.2	4.7	6.5	
(iii)	Introducing and upgrading facilities	5%	9.9	0.4	9.5	
(4)	Funding the Group's working capital needs and other general corporate purposes	10	19.7	19.7	–	–
Total			197.2	79.3	117.9	

Use of Proceeds from the 2020 Placing

As disclosed in the 2020 Placing Announcements, the Company intended to use the net proceeds from the 2020 Placing in the following manner:

- (1) approximately 60% of which for 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;
- (2) approximately 30% of which for strategic investment in businesses or targets that are related to the Group's principal businesses; and
- (3) approximately 10% of which for general working capital of the Group.

The net proceeds from the 2020 Placing amounted to approximately RMB115.0 million, of which, as at the date of this announcement, (i) approximately RMB103.5 million remained unutilized (the “**Unutilized 2020 Placing Net Proceeds**”); and (ii) approximately RMB11.5 million has been utilized in the following manner which are in line with that were set out in the 2020 Placing Announcements:

Original Use of Net Proceeds of the 2020 Placing	Original Allocation of Net Proceeds pursuant to the 2020 Placing Announcements	Utilized Net Proceeds as at the date of this Announcement	Unutilized Net Proceeds at the date of this Announcement	Original Expected Timeline for the use of the Unutilized Net Proceeds
	RMB million	RMB million	RMB million	
(1) 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	Expected to be fully utilized on or before 30 June 2024
(2) Strategic investment in businesses or targets that are related to the Group's principal businesses	34.5	–	34.5	Expected to be fully utilized on or before 30 June 2024
(3) General working capital	11.5	11.5	–	–
Total	115.0	11.5	103.5	

Use of Proceeds from the Subscription

As disclosed in the 2021 Placing and Subscription Announcements and the Annual Report, as the Capital Injection did not proceed to completion, the Company intended to use the net proceeds from the Subscription in the following manner:

- (1) approximately 75% of which for strategic investment in businesses or targets that are related to property management services; and
- (2) approximately 25% of which for general working capital of the Group.

The net proceeds from the Subscription amounted to approximately RMB31.2 million, of which, as at the date of this announcement, (i) approximately RMB23.4 million remained unutilized (the “**Unutilized Subscription Net Proceeds**”); and (ii) approximately RMB7.8 million had been utilized in the following manner which are in line with that were set out in the 2021 Placing and Subscription Announcements:

Original Use of Net Proceeds of the Subscription	Original Allocation of Net Proceeds pursuant to the 2021 Placing and Subscription Announcements	Utilized Net Proceeds as at the date of this Announcement	Unutilized Net Proceeds at the date of this Announcement	Original Expected Timeline for the use of the Unutilized Net Proceeds
	RMB million	RMB million	RMB million	
(1) Strategic investment in businesses or targets that are related to property management services	23.4	–	23.4	Expected to be fully utilized on or before 30 June 2025
(2) General working capital of the Group	7.8	7.8	–	Expected to be fully utilized on or before 30 June 2024
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Total	<u>31.2</u>	<u>7.8</u>	<u>23.4</u>	

CHANGE OF USE OF PROCEEDS

As at the date of this announcement, the Unutilized IPO Net Proceeds, the Unutilized 2020 Placing Net Proceeds and the Unutilized Subscription Net Proceeds in aggregate amounted to approximately RMB244.8 million (the “**Total Unutilized Proceeds**”). The Board has resolved to combine the Unutilized IPO Net Proceeds, the Unutilized 2020 Placing Net Proceeds and the Unutilized Subscription Net Proceeds, and revise the intended use and allocation of the remaining Total Unutilized Proceeds in the following manner:

Revised Use of Total Unutilized Proceeds	Allocated	Allocated	Original
	Percentage of Total Unutilized Proceeds %	Total Unutilized Proceeds RMB million	Expected Timeline for the Use of the Total Unutilized Proceeds
(1) 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	30 September 2024
(2) 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	30 September 2024

Revised Use of Total Unutilized Proceeds		Allocated Percentage of Total Unutilized Proceeds %	Allocated Total Unutilized Proceeds RMB million	Original Expected Timeline for the Use of the Total Unutilized Proceeds
(3)	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	30 September 2024
(4)	Working capital and general corporate purpose	20	49.0	
Total		100	244.8	

REASONS FOR AND BENEFITS OF THE CHANGES IN THE USE OF PROCEEDS

The Company has been expending with a market-oriented approach to enhance and optimize its business scale, to further extend the boundaries, depth and breadth of its property management service offering and to further enhance and expand its value-added services. The Group also actively keeps a close eye of any potential market opportunities and trials and reasonably arranges innovative businesses so that the Company can develop value-added products and services related to service scenarios such as communities, commercial offices and urban management, as well as assets.

In order to enhance the efficiency of the use of the Total Unutilized Proceeds, to timely capture market opportunities for business development, to better align the use of Total Unutilized Proceeds with the Company's business development needs and to take into account the change in external environmental factors, the Board resolved to combine the Unutilized IPO Net Proceeds, the Unutilized 2020 Placing Net Proceeds and the Unutilized Subscription Net Proceeds, and adjust the original scope and allocation for the use of Total Unutilized Proceeds in the following manners:

1. Expanding the depth and quality of value-added services

Pursuant to the original use of the Unutilized IPO Net Proceeds and the Unutilized 2020 Placing Net Proceeds as disclosed above, approximately RMB4.8 million of the Total Unutilized Proceeds was allocated to “expand the types of services offered in the Group's value-added services business line” and part (but not all) of approximately RMB69.0 million of the Total Unutilized Proceeds was allocated for “diversifying the types of services offered to the customers”, respectively. In order to enhance the depth and quality of value-added services of the Company's value-added services and to better create value for the shareholders, the Company decided to revised the use of the Total Unutilized Proceeds so as to allocate 20% of the Total Unutilized Proceeds, which amounts to approximately RMB49.0 million, 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”. The Company will maintain its strategic stability and further give play to its strength from its capital scale and branding as well as its service management capabilities.

2. Capturing better investment opportunities

Pursuant to the original use of the Unutilized IPO Net Proceeds, the Unutilized 2020 Placing Net Proceeds and the Unutilized Subscription Net Proceeds as disclosed above, approximately RMB95.3 million of the Total Unutilized Proceeds was allocated to “expand the Group's property management services, seek strategic acquisition and investment opportunities”, approximately RMB34.5 million of the Total Unutilized Proceeds was allocated to “strategic investment in businesses or targets that are related to the Group's principal businesses”, and approximately RMB23.4 million was allocated to “strategic investment in businesses or targets that are related to property management services”, respectively. In view of the current changes in the market situation of the industry and the deployment needs of the Company's pan-property industry business development and in order to focus on capturing better investment opportunities, the Company decided to revise the use of the Unutilized Net Proceeds so as to allocate 30% of the Total Unutilized Proceeds, which amounts to approximately RMB73.4 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 or value-added services or property engineering, or forming joint ventures with such companies, and investing in related industrial funds with business collaborative partners”. The Company will continue to actively identify suitable investment and acquisition targets. If the Company is to enter into any agreement or arrangement on relevant investments or acquisitions, the Company will comply with the applicable requirements under the Listing Rules.

3. Accelerating the upgrading of digital and smart management systems

Pursuant to the original use of the Unutilized IPO Net Proceeds and the Unutilized 2020 Placing Net Proceeds as disclosed above, approximately RMB17.8 million of the Total Unutilized Proceeds was allocated to “To upgrade and develop the Group’s own information technology and smart systems” and part (but not all) of approximately RMB69.0 million of the Total Unutilized Proceeds was allocated for “upgrading and developing the Group’s smart systems”, respectively. In view of the rapid development and iterative update of information technology, the Company decided to revise the use of the Unutilized Net Proceeds so as to allocate 30% of the Total Unutilized Proceeds, which amounts to approximately RMB73.4 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 internal 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”.

The Board considers that the aforementioned change of use of net proceeds is fair and reasonable and will enable the Group to meet its needs of utilising proceeds in a more efficient and flexible manner. The Board is also of the opinion that there is no material change in the nature of the Group’s business, and the proposed change of use of net proceeds shall not have any material adverse impact on the operations of the Group and is in the best interests of the Company and its shareholders as a whole.

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

Hong Kong, 23 June 2022

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