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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)

CONNECTED TRANSACTION IN RELATION TO TRANSFER OF OPERATING RIGHTS OF SIX CLUBHOUSES

THE AGREEMENT

Reference is made to the announcement of the Company dated 16 October 2023. As disclosed in the aforesaid announcement, on 13 October 2023, the Hong Kong International Arbitration Centre issued a final and legally binding arbitral award whereby Xinyuan (China), among others, was liable to pay Xinyuan Science and Technology and the Company the loss suffered and costs and expenses incurred. As at the date of this announcement, the total outstanding amount payable by Xinyuan (China) under the Arbitral Award is RMB30,484,855.

In satisfaction of the outstanding amount under the Arbitral Award, on 3 January 2024, Xinyuan Science and Technology (an indirect wholly-owned subsidiary of the Company) as transferee and Henan Xinyuan (an indirect wholly-owned subsidiary of Xinyuan Real Estate) as transferor entered into the Agreement, pursuant to which Henan Xinyuan shall transfer the Operating Rights (representing the exclusive rights to operate and receive income derived from six clubhouses in the PRC) to Xinyuan Science and Technology for a term of 30 years commencing on 3 January 2024 and expiring on 2 January 2054.

LISTING RULES IMPLICATIONS

Since Henan Xinyuan is an indirect wholly-owned subsidiary of Xinyuan Real Estate, the controlling shareholder of the Company indirectly holding 52.86% of the issued share capital of the Company, Henan Xinyuan is an associate of a connected person of the Company and is also a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. Since the highest applicable percentage ratio (as defined in the Listing Rules) exceeds 0.1% but is less than 5%, the Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements but exempted from the independent shareholders' approval requirements pursuant to Rule 14A.76(2)(a) of the Listing Rules.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

THE AGREEMENT

In satisfaction of the outstanding amount under the Arbitral Award, on 3 January 2024, Xinyuan Science and Technology (an indirect wholly-owned subsidiary of the Company) as transferee and Henan Xinyuan (an indirect wholly-owned subsidiary of Xinyuan Real Estate) as transferor entered into the Agreement in respect of the Transaction. A summary of the principal terms of the Agreement is set out below.

Subject matter

Pursuant to the Agreement, Henan Xinyuan shall transfer the Operating Rights (representing the exclusive rights to operate and receive income derived from the Clubhouses) to Xinyuan Science and Technology for a term of 30 years commencing on 3 January 2024 and expiring on 2 January 2054.

Valuation of the Operating Rights

Based on the valuation conducted by an independent valuer, 河南興源資產評估事務所有限責任公司 (Henan Xingyuan Asset Appraisal Firm Co., Ltd.*) (the “**Valuer**”) as at 30 November 2023 using the income approach, the value of the Operating Rights was determined to be RMB43,881,100.

The Valuer is a qualified asset appraisal firm authorised by the Ministry of Finance of the PRC to perform valuation works in the PRC. The responsible appraisers are accredited by the China Appraisal Society, and they possess the requisite qualifications and relevant experience for conducting valuation of the Operating Rights.

According to the relevant asset valuation standards, valuation laws and regulations in the PRC, there are in general three valuation approaches for assets appraisal, namely the market approach, the income approach and the cost approach. The applicability of the three approaches would be analysed according to the object, type of valuation, data collection and other relevant conditions, and one or more approaches would be selected.

Taking into account the purpose of the valuation and the characteristics of the Operating Rights, the Valuer adopted the income approach to appraise the market value of the Operating Rights. The income approach is a valuation approach that capitalises or discounts expected income in arriving at the value of the object. In applying the income approach, the Valuer conducted the valuation in accordance with the requirements of relevant PRC laws, regulations and asset appraisal standards, with reference to the characteristics of the Operating Rights.

The formula for calculating the value of the Operating Rights is:

$$P = \left[\sum_{i=1}^n Ri(1+r)^{-i} \right]$$

where:

P = asset value on the valuation benchmark date

Ri = expected net cash flow in the i -th year in the future

r = discount rate

i = year of income calculation

n = discount period

The discount rate adopted by the Valuer was 5.25%. In selecting the discount rate, the risk accumulation method was used, and the formula is:

Discount rate = risk-free return rate + risk return rate

The risk-free return rate was determined using the bank's long-term deposit interest rate on the valuation benchmark date. The risk return rate has taken into account industry risks, operating risks, financial risks, other risks, etc.

The key assumptions adopted by the Valuer in conducting the valuations include (but are not limited to):

1. there have been no material changes in (i) the relevant prevailing PRC laws, regulations and policies, the macroeconomic situation in the PRC and the socio-economic environment of the region where the assets being appraised are located; (ii) the industry policies, laws and regulations, management systems, tax policies, credit interest rates, etc.; and (iii) the key management personnel, workforce, management level, principal business, operation model, etc. of the enterprise, since the benchmark date;
2. the impact of inflation was not considered;
3. during the life of the enterprise, there are no significant contingent liabilities caused by external guarantees;
4. the enterprise has complete management rights, disposal rights and income rights for the subject assets of the valuation;
5. the information required for valuation provided by the client and relevant parties is true, legal, complete and valid; and

6. there are no other force majeure factors which have a significant adverse impact on the valuation object and the assets involved.

To the Directors' best information and knowledge, having discussed with the Valuer, the above key assumptions are consistent with market practice, and are fair and appropriate.

Taking into account (i) the qualifications and experience of the Valuer; (ii) the reasons for adopting the income approach in the valuation of the Operating Rights; and (iii) the assumptions adopted by the Valuer in conducting the valuation, the Company considers that the valuation of the Operating Rights conducted by the Valuer is fair and reasonable.

Consideration

As the appraised value of the Operating Rights in the amount of RMB43,881,100 is higher than the total outstanding amount of RMB30,484,855 payable by Xinyuan (China) under the Arbitral Award, it was agreed that the difference in the amount of RMB13,396,245 will be payable in cash by Xinyuan Science and Technology to Henan Xinyuan at completion of the Transaction. The Group intends to fund the cash portion of the consideration by its internal resources.

Taking into account the appraised value of the Operating Rights, the Directors (including the independent non-executive Directors) are of the view that the consideration for the Transaction is fair and reasonable and in the interests of the Company and its shareholders as a whole.

Conditions precedent

Completion of the Transaction is subject to the satisfaction of the following conditions:

- (a) the parties to the Agreement having obtained all necessary legal authorisation, internal approval and government approval to sign and perform the Agreement;
- (b) Henan Xinyuan having obtained the fire safety certificate issued by the PRC fire safety authority in respect of the Clubhouses;
- (c) Henan Xinyuan having obtained the license certificates for the design and construction of the Clubhouses;
- (d) Henan Xinyuan being the owner of the Operating Rights with disposal rights under the PRC laws, and the Operating Rights not having any mortgage, lien or other encumbrance under the PRC laws;
- (e) the due execution of the Agreement; and

- (f) the parties to the Agreement having confirmed that they have completed the registration procedures for the transfer of the Operating Rights as prescribed by the PRC government (if applicable).

As at the date of this announcement, all of the above conditions have been satisfied and completion has taken place accordingly.

INFORMATION ON THE CLUBHOUSES

The Operating Rights are in respect of six clubhouses (the “Clubhouses”) of six residential projects in Zhengzhou City, Henan Province, the PRC, developed and owned by Henan Xinyuan. The Clubhouses have a total gross floor area of 10,726.18 square metres. Details of the Clubhouses are set out as follows:

- (i) Clubhouse of Xinyuan Central Garden* 鑫苑中央花園 with a total gross floor area of 1,800 square metres;
- (ii) Clubhouse of Xinyuan Yipin Xiangshan* 鑫苑逸品香山 with a total gross floor area of 1,890.83 square metres;
- (iii) Clubhouse of Xinyuan Modern City* 鑫苑現代城 with a total gross floor area of 729.36 square metres;
- (iv) Clubhouse of Xinyuan Landscape Garden* 鑫苑景園 with a total gross floor area of 839 square metres;
- (v) Clubhouse of Xinyuan International City Garden* 鑫苑國際城市花園 with a total gross floor area of 2,300 square metres; and
- (vi) Clubhouse of Xinyuan Xincheng* 鑫苑鑫城 non-property-rights with a total gross floor area of 3,166.99 square metres.

The key financial information in respect of the Clubhouses, prepared in accordance with the generally accepted accounting principles of the PRC, for the two years ended 31 December 2023 are set out below:

	For the year ended 31 December	
	2023	2022
	<i>RMB</i>	<i>RMB</i>
	(Unaudited)	(Unaudited)
Revenue	3,638,600	3,710,600
Profit (before taxation)	3,612,400	3,683,900
Profit (after taxation)	2,709,300	2,762,900

REASONS FOR AND BENEFITS OF ENTERING INTO THE TRANSACTION

Reference is made to the announcement of the Company dated 16 October 2023. As disclosed in the aforesaid announcement, on 13 October 2023, the Hong Kong International Arbitration Centre issued a final and legally binding arbitral award whereby Xinyuan (China), among other, was liable to pay Xinyuan Science and Technology and the Company the loss suffered and costs and expenses incurred. As at the date of this announcement, the total outstanding amount payable by Xinyuan (China) under the Arbitral Award is RMB30,484,855. In view of the liquidity issues faced by Xinyuan (China), it was agreed that Xinyuan (China) would transfer to Xinyuan Science and Technology the Operating Rights to satisfy the obligations of Xinyuan (China) under the Arbitral Award.

In addition, the Directors believe that Xinyuan Science and Technology will be able to further offer a wide range of services to property occupants in their community life with the right to manage and operate the Clubhouses.

The Directors (including the independent non-executive Directors) considered that the Agreement and the transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Group, and the terms of which are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

Since Henan Xinyuan is an indirect wholly-owned subsidiary of Xinyuan Real Estate, the controlling shareholder of the Company indirectly holding 52.86% of the issued share capital of the Company, Henan Xinyuan is an associate of a connected person of the Company and is also a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. Since the highest applicable percentage ratio (as defined in the Listing Rules) exceeds 0.1% but is less than 5%, the Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements but exempted from the independent shareholders' approval requirements pursuant to Rule 14A.76(2)(a) of the Listing Rules.

Since Mr. LI Yifan, an independent non-executive Director, is also an independent non-executive director of Xinyuan (China) (the direct holding company of Henan Xinyuan), he had abstained from voting on the Board resolutions approving the Agreement and the transactions contemplated thereunder. Save as disclosed above, none of the Directors had a material interest in the Agreement and the transactions contemplated thereunder and no Director was required under the Listing Rules to abstain from voting on the relevant Board resolutions.

INFORMATION ON THE GROUP

As one of the comprehensive property management services providers in the PRC, the Group offers a wide range of services covering pre-delivery and post-delivery phases to property developers, property owners and property occupants for their enjoyment of community life, which can be categorised in three main business lines, namely, (i) property management services; (ii) value-added services; and (iii) pre-delivery and consulting services.

INFORMATION ON PARTIES TO THE AGREEMENT

Xinyuan Science and Technology is a company established in the PRC with limited liability and an indirect wholly owned subsidiary of the Company, principally engaged in the provision of services covering the pre-delivery and post-delivery phases to property developers, property owners and property occupants for their enjoyment of community life.

Henan Xinyuan is a company established in the PRC with limited liability and principally engaged in real estate development and operation. As at the date of this announcement, Henan Xinyuan is an indirect wholly-owned subsidiary of Xinyuan Real Estate. Xinyuan Real Estate is a company incorporated with limited liability in the Cayman Islands and the shares of which are listed on the New York Stock Exchange (stock code: XIN). It is principally engaged in real estate development.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended since 9:00 a.m. on 16 November 2022 and will remain suspended, pending fulfilment of the resumption guidance issued by the Stock Exchange.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“Agreement”	the agreement dated 3 January 2024 made between Xinyuan Science and Technology as transferee and Henan Xinyuan as transferor in respect of the Transaction
“Arbitral Award”	a final and legally binding arbitral award issued by the Hong Kong International Arbitration Centre on 13 October 2023, whereby Xinyuan (China) was liable to pay Xinyuan Science and Technology and the Company the loss suffered and costs and expenses incurred and Xinyuan (China) was required to transfer to the Group certain non-cash assets in satisfaction of such liability
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors

“Clubhouses”	has the meaning ascribed to it under section headed “Information on the Clubhouses” in this announcement
“Company”	Xinyuan Property Management Service (Cayman) Ltd. (鑫苑物業服務集團有限公司), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1895)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Henan Xinyuan”	河南鑫苑置業有限公司 (Henan Xinyuan Real Estate Co., Ltd.*), a limited liability company established in the PRC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Operating Rights”	the exclusive rights to operate the Clubhouses and to receive all income derived from the Clubhouses for a term of 30 years
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the transfer of the Operating Rights by Henan Xinyuan to Xinyuan Science and Technology pursuant to the Agreement
“Xinyuan (China)”	鑫苑(中國)置業有限公司 (Xinyuan (China) Real Estate Co., Ltd*), a limited liability company established in the PRC
“Xinyuan Real Estate”	Xinyuan Real Estate Co., Ltd. (鑫苑地產控股有限公司), a company incorporated with limited liability in the Cayman Islands on 26 March 2007, the shares of which are listed on the New York Stock Exchange (Stock Code: XIN), and a controlling shareholder of the Company

“Xinyuan Science and Technology”

鑫苑科技服務集團有限公司 (Xinyuan Science and Technology Service Group Co., Ltd.*), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company

“%”

per cent.

By order of the Board
Xinyuan Property Management Service (Cayman) Ltd.
SHEN Yuan-Ching
Chairman, Executive Director and Chief Executive Officer

Hong Kong, 3 January 2024

As at the date of this announcement, the Board comprises Mr. SHEN Yuan-Ching, Mr. FENG Bo and Mr. WANG Yong as executive directors; Mr. TIAN Wenzhi as non-executive director; and Mr. LI Yifan, Mr. LAN Ye, and Mr. LING Chenkai as independent non-executive directors.

* *English translations in this announcement, where indicated, are included for identification purposes only*