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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)

**(1) KEY FINDINGS OF THE EXTENDED INVESTIGATION; AND
(2) CONTINUED SUSPENSION OF TRADING**

This announcement is made by Xinyuan Property Management Service (Cayman) Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”) and Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Reference is made to the announcements of the Company dated 15 November 2022, 16 November 2022, 18 November 2022, 24 November 2022, 11 January 2023, 15 February 2023, 27 February 2023, 29 March 2023, 18 April 2023, 24 April 2023, 15 May 2023, 21 June 2023, 15 August 2023, 13 September 2023, 16 October 2023, 15 November 2023, 4 December 2023 and 15 February 2024, respectively (collectively, the “**Announcements**”). Unless otherwise stated, capitalised terms used in this announcement have the same meanings as defined in the Announcements.

UPDATE ON THE EXTENDED INVESTIGATION

As disclosed in the Company’s announcements dated 11 January 2023, 15 August 2023 and 15 February 2024, the Independent Investigation Committee engaged Deloitte Advisory (Hong Kong) Limited as the Independent Advisor, to conduct an independent forensic investigation (the “**Independent Investigation**”) into matters arising from the Pledges. To address certain matters raised by the Stock Exchange in respect of its compliance with the Resumption Guidance, the Company, on its own volition, instructed the Independent Advisor to conduct a further investigation into the Released Pledged Deposits (as defined and discussed below) identified in the course of the Independent Investigation, also to ascertain more fully the relevant facts and circumstances in respect of the Pledges (the “**Extended Investigation**”, together with the Independent Investigation, collectively the “**Independent Investigations**”).

The Independent Investigations are now complete. Further to the Company’s announcement dated 15 August 2023 (the “**Independent Investigation Announcement**”), the Company wishes to supplement with the information contained in this announcement.

KEY FINDINGS OF THE EXTENDED INVESTIGATION

An overview of the key factual findings of the Independent Investigation is set out in the section titled “Key Factual Findings of the Independent Investigation” of the Independent Investigation Announcement. The Company sets out below further information regarding the pledged Time Deposits on the basis of the findings of the Extended Investigation:

1. The Independent Advisor identified that, during the period from late September 2019 until the discovery of the Pledges, a total of 32 Time Deposits entered into by Xinyuan Science and Technology and Henan Xinyuan Property, 24 of which were entered into by Xinyuan Science and Technology and were pledged to secure the borrowing facilities of eight borrowers, being third parties outside the Group. These included the four time deposits which were the subject of the Pledges in the aggregate sum of RMB402,380,000 (which were subsequently enforced by the relevant banks), and 20 Time Deposits which had similarly been pledged but were not subject to any appropriation or enforcement by the relevant banks (“**Released Pledged Deposits**”, together with the Pledges, collectively the “**Pledged Deposits**”).
2. Based on the review of books and records available to, and the fund flow analysis conducted by the Independent Advisor, the funds obtained from the financing activities, which were secured by the Pledged Deposits, were channelled to the subsidiaries of Xinyuan China through various intermediary companies that appear to be related to the borrowers, and then mixed with the pool of operating funds in respective operating subsidiaries of Xinyuan China and utilised in ordinary business activities.
3. All the Time Deposits at the relevant time had been initiated by former cashiers of Xinyuan Science and Technology and were approved by certain relevant key process owners of Xinyuan Science and Technology and the Company respectively. The former legal representative of Xinyuan Science and Technology (who was also the former chief executive officer and a former executive director of the Company) was identified to have authorised the execution of the Pledged Deposits in the capacity of legal representative of Xinyuan Science and Technology; and the former chief financial officer (who was also a former executive director of the Company) was identified to have instructed the former finance director of Xinyuan Science and Technology to arrange for the internal application for the Time Deposits.
4. At the level of Xinyuan Real Estate, (i) at all relevant times, three former key personnel of Xinyuan China (including a former general manager of the fund and capital management department of Xinyuan China, a former finance manager of Xinyuan China, and a former vice president of Henan district of Xinyuan China) were identified to have been involved in the arrangement of the pledging of the Group’s Time Deposits; (ii) other than the personnel mentioned in paragraph 4(i) above, the Independent Advisor has not identified substantive evidence indicative of direct involvement or knowledge of other management personnel of Xinyuan China and Xinyuan Real Estate, nor any evidence indicating that the pledging of the Group’s Time Deposits to secure

the facilities of business partners of Xinyuan China was either discussed or approved internally; and (iii) the board members and other senior executives of Xinyuan Real Estate had confirmed that they did not know about the pledging arrangement, which also corroborated with the Independent Advisor’s observations from the electronic review.

5. Based on the interviews conducted and the documents reviewed by the Independent Advisor, the Independent Advisor noted that there was no evidence indicating that Mr. Zhang Yong (founder of the Company and Xinyuan Real Estate, former chairman and former non-executive director of the Company) (“**Mr. Zhang**”) was involved in or approved the pledging of any Pledged Deposits, even though he was one of the approvers of the internal applications for the Group’s Time Deposits.
6. Based on the Independent Advisor’s review of electronic data of certain current senior management personnel of Xinyuan Real Estate and Xinyuan China, including the assistant president of Xinyuan China, the president of Xinyuan China (who is also the executive director of Xinyuan Real Estate) and Mr. Zhang, the Independent Advisor did not identify any documentary evidence indicating that such personnel had knowledge of or were involved in directing and executing the Pledged Deposits.
7. A summary of the Released Pledged Deposits is set out below.

No.	Date of Pledge Agreement	Borrower	Amount Pledged (RMB)
1	27 September 2019	Xingyang Xinyuan Real Estate Co., Ltd. (滎陽鑫苑置業有限公司) (“ Xingyang Xinyuan ”), being a subsidiary of Xinyuan Real Estate	185,000,000
2	21 November 2019	Henan Xinyuan Guangsheng Real Estate Co., Ltd. (河南鑫苑廣晟置業有限公司) (“ Xinyuan Guangsheng ”), being a subsidiary of Xinyuan Real Estate	150,000,000
3	26 November 2019	Henan Kaizhuo Construction Engineering Co., Ltd. (河南凱卓建設工程有限公司) (“ Henan Kaizhuo ”), being a subsidiary of Xinyuan Real Estate	155,000,000
4	27 November 2019	Henan Kaizhuo	200,000,000
5	17 February 2020	Henan Kaizhuo	167,800,000
6	21 February 2020	Xinyuan Guangsheng	150,000,000

No.	Date of Pledge Agreement	Borrower	Amount Pledged (RMB)
7	28 February 2020	Henan Kaizhuo	120,000,000
8	19 May 2020	Henan Kaizhuo	30,000,000
9	27 May 2020	Henan Kaizhuo	120,000,000
10	22 June 2020	Henan Kaizhuo	70,000,000
11	17 August 2020	Jiyuan Ranhong Industrial Co., Ltd.* (濟源市冉弘實業有限公司) (“ Jiyuan Ranhong ”), being a business partner of Xinyuan China	167,800,000
12	21 August 2020	Jiyuan Teduan Industrial Co., Ltd.* (濟源市特端實業有限公司) (“ Jiyuan Teduan ”), being a business partner of Xinyuan China	150,000,000
13	7 January 2021	Jiyuan Senrui Industry Co., Ltd.* (濟源市森瑞實業有限公司) (“ Jiyuan Senrui ”), being a business partner of Xinyuan China	35,000,000
14	7 January 2021	Jiyuan Senrui	35,000,000
15	17 August 2021	Jiyuan Ranhong	167,800,000
16	23 August 2021	Jiyuan Senrui	90,000,000
17	23 August 2021	Jiyuan Senrui	60,000,000
18	24 November 2021	Jiyuan Senrui	60,000,000
19	7 January 2022	Zhengzhou Jiangniu Trading Company Limited (鄭州犇牛貿易有限公司) (“ Zhengzhou Jiangniu ”), being a business partner of Xinyuan China	71,150,000
20	23 February 2022	Zhengzhou Jiangniu	60,981,000

* The English names of the relevant entities are translations of their Chinese names and are included herein for identification purposes only. In the event of any inconsistency, the Chinese names shall prevail.

Assessment of the Pledged Deposits and Enhanced Internal Controls

To the best knowledge of the Board, as at the date of this announcement and save as disclosed above, the issues identified in the Independent Investigations do not have any material impact on the business operations and development of the Company. The Company's business operations continue as usual in all material respects, notwithstanding the suspension of its trading since 16 November 2022. In addition, as announced by the Company on 15 February 2024, the Company had been actively pursuing enforcement of the Arbitral Award against Xinyuan China to remediate the situation and to safeguard the best interests of the Company and its shareholders. As at the date of this announcement, the Arbitral Award has been satisfied in full.

Notwithstanding the foregoing, the Company and its Board acknowledge that, particularly with the benefit of the findings of the Extended Investigation, the Pledged Deposits have highlighted certain internal control issues on the part of the Company as summarized below:

- (a) weaknesses in certain aspects of the Company's systems and controls, particularly in relation to the Company's internal reporting and payment approval process, and the management and monitoring of chop/seal usage;
- (b) the lack of coherent and effective oversight from former senior executives and former senior finance personnel of the Company, hence non-compliant transactions were not promptly identified and escalated; and
- (c) insufficient awareness of and appreciation for certain aspects of regulatory compliance and lack of strict adherence to obligations under the Listing Rules, as a result of which such financial arrangements were not duly disclosed in a timely manner, and appropriate steps were not taken to safeguard the Company's assets or protect shareholders' interests to the fullest extent possible.

As set out in the Company's announcement dated 15 November 2023 (the "**Internal Control Announcement**"), the Company has implemented various enhancements and remedial measures, to ensure that its internal controls are appropriately strengthened and that any weaknesses and issues identified are comprehensively addressed. An overview of the Company's key internal controls enhancements is set out in the sections both titled "Recommendations on Enhanced Internal Controls" in the Independent Investigation Announcement and the Internal Control Announcement. Further, since completing the Internal Control Review, the Independent Advisor has, as part of its internal control follow-up review (the "**IC Follow-Up Review**"), reviewed the internal controls of the Company and related processes, for the purposes of testing and validating its enhanced systems which were implemented up to 15 October 2023 pursuant to the recommendations from the Internal Control Review.

On the basis of the findings set out in the Extended Investigation, the Company has not identified any suggestion that the irregularities associated with the Released Pledged Deposits have any implications on the findings and recommended remedial measures of the Internal Control Review and the IC Follow-Up Review, as summarised in the Internal Control Review Announcement. As at the date of this announcement, the Company confirms that it has fully adopted and implemented the recommended enhanced measures to address issues identified in the Internal Control Review and the IC Follow-Up Review.

In the meantime, the Company and its senior management have impressed upon all employees the utmost importance of adhering to established systems and controls, proper corporate governance and ongoing regulatory compliance, including: (i) organising training for the key management and financial personnel of the Company with respect to Listing Rules compliance and enhanced its systems and controls for connected/disclosable transactions; and (ii) promptly taking disciplinary and remedial action against the relevant handling personnel (including termination of employment). Further, relevant former personnel who played a key role in authorising the Pledged Deposits are no longer in the Group's or Xinyuan Real Estate's employ or have otherwise been removed.

OPINION OF THE INDEPENDENT INVESTIGATION COMMITTEE

Having considered the results of the Independent Investigations and the remedial measures adopted by the Company, the Independent Investigation Committee, the Audit Committee and the Board confirm their belief that the results of the Independent Investigations are comprehensive, appropriate and sufficient in ascertaining all material facts and circumstances concerning the unauthorised Pledged Deposits. Further, the enhanced internal control measures implemented by the Company, as described in the Internal Control Review Announcement, are effective and adequate in addressing the key findings of the Independent Investigations and the deficiencies identified.

The Company will continue to render all necessary efforts to fulfil the Resumption Guidance in a manner satisfactory to the Stock Exchange, with a view to resuming trading in its shares as soon as possible in full compliance with the Listing Rules.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the Shares 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. The Company will make further announcement(s) as and when appropriate.

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

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

Hong Kong, 10 May 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, Mr. LING Chenkai and Ms. ZHAO Xia as independent non-executive directors.