

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 TO ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2022 AND ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

References are made to the annual report for the year ended 31 December 2022 (the “**2022 Annual Report**”) and the annual report for the year ended 31 December 2023 (the “**2023 Annual Report**”) of Xinyuan Property Management Service (Cayman) Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”). Unless otherwise specified, capitalised terms used herein have the same meanings defined in the 2022 Annual Report and the 2023 Annual Report.

The Board would like to provide the following additional information in respect of the impairment of receivables from related parties and receivables related to the Pledges in the 2022 Annual Report and the 2023 Annual Report.

THE 2022 ANNUAL REPORT

Impairment of receivables from related parties

A breakdown of the balance of receivables from related parties as at 31 December 2022 and the expected credit loss (“**ECL**”) for such receivables for the year ended 31 December 2022 (“**FY2022**”) is set out below:

Receivables from related parties	Balance as at 31 December 2022 (RMB’000)	ECL (RMB’000)
Loan to a related party (<i>Note 1</i>)	51,840	27,375
Trade receivables (<i>Note 2</i>)	234,523	117,931
Contract assets (<i>Note 2</i>)	59,171	29,755
Other receivables – related to the unauthorised Pledges (<i>Note 3</i>)	398,847	200,565
Payments for car parking space exclusive sales cooperation agreement (<i>Note 4</i>)	200,374	82,929
	<hr/>	<hr/>
Total	944,755	458,555
	<hr/> <hr/>	<hr/> <hr/>

Notes:

1. The relevant related party was Henan Xinyuan, a subsidiary of Xinyuan Real Estate Co., Ltd., the ultimate holding company of the Company (“**Xinyuan Real Estate**”, together with its subsidiaries, collectively the “**Xinyuan Real Estate Group**”).
2. The relevant related parties for trade receivables and contract assets include (i) entities under the common control of the Xinyuan Real Estate Group; (ii) a joint venture and an associate with Xinyuan Real Estate Group; and (iii) an joint venture and an associate with independent third party(ies) of the Company.
3. As at 31 December 2022, the Company has recognised the time deposits amounting to approximately RMB398,847,000 which had been enforced by the relevant banks, as other receivables from Xinyuan (China). Further, the Company and the Auditor considered that no specific arrangements to address such receivables had been determined as at 31 December 2022. Accordingly, based on the circumstances in FY2022, it was necessary to recognise corresponding ECL of approximately RMB200,565,000 based on the estimation of the loss given default of Xinyuan (China).

The relevant related parties for the other receivables include (i) entities under the common control of Xinyuan Real Estate; (ii) a joint venture with Xinyuan Real Estate Group; and (iii) a joint venture and an associate with independent third party(ies) of the Company.

4. The relevant related parties for the exclusive sales cooperation agreement were entities under the common control of Xinyuan Real Estate.

ECL Assessment

The Group applied the general approach in FY2022 for calculating ECL to assess the ECL on receivables from related parties. ECL was calculated using the following formula:

$$\text{ECL} = \text{Exposure at default} \times \text{Probability of default} \times \text{Loss given default}$$

Key assumptions

Taking into account that Incident I and Incident II as well as observations on public information and negative coverage of Xinyuan (China)'s debt, the Company applied recovery rates for subordinated debts and Ca-c default ratings to estimate the provisions for ECL on all receivables from related parties and other receivables.

The default rate, the forward-looking factor and the recovery rate applied in the impairment review were 63.56%, 101.83% and 22.30% respectively. The default rate and recovery rate were extracted from the Annual Default Study published by Moody’s Investors Services, with reference to the Ca-c default ratings. The forward factor was estimated with reference to actual and forecast default rate, also extracted from the Annual Default Study published by Moody’s Investors Services.

For details on the calculation of ECL, please refer to Note 35(a) to the financial statements to the 2022 Annual Report.

Particulars of the calculation process of each of the ECL are as follows:

(a) *Loan to a related party*

Carrying balance (taking into account the interest etc.) (Exposure at default) (RMB'000)	Default rate	Forward- looking factor	Adjusted default rate (Probability of default)	Recovery rate (Loss given default)	ECL (RMB'000)
a	b	c	d=b x c	f	h=a x d x (1-f)
54,437	63.56%	101.83%	64.72%	22.30%	27,375

(b) *Trade receivables*

Carrying balance (Exposure at default) (RMB'000)	Default rate	Forward- looking factor	Adjusted default rate (Probability of default)	Recovery rate (Loss given default)	ECL (RMB'000)
a	b	c	d=b x c	f	h=a x d x (1-f)
234,523	63.56%	101.83%	64.72%	22.30%	117,931

(c) *Contract assets*

Carrying balance (Exposure at default) (RMB'000)	Default rate	Forward- looking factor	Adjusted default rate (Probability of default)	Recovery rate (Loss given default)	ECL (RMB'000)
a	b	c	d=b x c	f	h=a x d x (1-f)
59,171	63.56%	101.83%	64.72%	22.30%	29,755

(d) *Other receivables related to the Pledges*

Carrying balance (Exposure at default) (RMB'000)	Within one year (RMB'000)	Default rate	Forward- looking factors	Adjusted default rate (Probability of default)	Recovery rate (Loss given default)	ECL (RMB'000)
	a	b	c	d=b x c	f	h=a x d x (1-f)
398,851	398,851	63.56%	101.83%	64.72%	22.30%	200,565

(e) *Payments for car parking space exclusive sales cooperation agreement*

Carrying balance (Exposure at default) (RMB'000)	One to two years (RMB'000)	Default rate	Forward- looking factor	Adjusted default rate (Probability of default)	Recovery rate (Loss given default)	Scenario probability (Note)	ECL (RMB'000)
	a	b	c	d=b x c	f	g	h=a x d x (1-f) x g
200,374	200,374	63.56%	101.83%	64.72%	22.30%	82.30%	82,929

Note: As the payments are based on the sales of car parking spaces which is highly uncertain, the calculation of ECL is based on scenario analysis of the estimated sales of parking spaces. The scenario probability that 0% to 40% of the car parking spaces would be sold in 2023 was 82.3%.

THE 2023 ANNUAL REPORT

Recovery Amounts

The Company has adopted various arrangements to recover receivables from related parties, including:

- (a) filing an international arbitration claim against the related party and actively pursuing the enforcement of the Arbitral Award and the transfer of non-cash assets thereunder (see the section headed “Transfer of assets under the Arbitral Award and impairment of receivables related to the Pledges” below for further details); and
- (b) entering into offsetting debt agreements with the related parties, whereby the Group would be entitled to receive the sales proceeds of certain car parking spaces and storerooms held by related parties to set-off against the receivables from the related parties (see the section headed “Offsetting Debt Agreements” below for further details).

The above arrangements were all implemented with the approval and support of the Board. The Company will continue to actively adopt various measures to recover the receivables to safeguard the Company's assets and shareholders' interests.

Details of the recovery amounts as at the date of this announcement are set out as follows:

Type	Total recovery amount (RMB'000)	Subsequent cash recovery amount (RMB'000)	Amount offset/ to be offset by non-cash means (RMB'000)
(a) Trade receivables	40,387	7,782	32,605
(b) Contract assets	60,956	60,956	–
(c) Payments for car parking space exclusive sales cooperation agreement	197,600	–	197,600
(d) Other receivables from related parties	614	569	45
(e) Loan to a related party	52,392	–	52,392
(f) Other receivables – related to Pledges	446,435	–	446,435
Total	<u>798,384</u>	<u>69,307</u>	<u>729,077</u>

Offsetting Debt Agreement

The offsetting debt agreements entered into by the Group with relevant related parties include the following:

- (a) It was disclosed in note 22 to the consolidated financial statements that an offsetting debt agreement was entered into on 31 October 2023 between the Group and Henan Xinyuan (a subsidiary of Xinyuan Real Estate), pursuant to which it was agreed that the sales proceeds in respect of 611 parking spaces located in Qingdao, the PRC, with an appraised value of RMB60,733,400, would be used to set off (i) the loan receivable of approximately RMB52.4 million owing by Henan Xinyuan to the Group; and (ii) other balances between the Group and some subsidiaries of Xinyuan Real Estate amounting to approximately RMB8.3 million.

Despite the fact that the Group did not acquire ownership of the parking spaces under the said offsetting debt agreement, the Group is entitled to receive the sales proceeds in respect of the parking spaces. By possessing the right to hold and sell these parking spaces, 546 of such parking spaces, which were in ready-for-sale condition as at 31 December 2023, were recognised as inventories in the Company's consolidated financial statement for the year ended 31 December 2023 ("FY2023"). The other 65 parking spaces will be recognised as inventories in the Group's accounts when construction of the relevant properties is completed and ready-for-sale condition is satisfied, which is expected to take place in 2024. The costs for construction of the relevant properties will be borne solely by the Xinyuan Real Estate Group.

- (b) In June 2023 and December 2023, members of the Group and members of the Xinyuan Real Estate Group entered into certain offsetting debt agreements, pursuant to which it was agreed that all the sales proceeds in respect of (i) parking spaces located in Suzhou and Beijing, the PRC and (ii) storerooms located in Ji'nan, Xuzhou and Beijing, the PRC would be used to set off the trade receivables amounting to RMB24.3 million in aggregate.

In March 2024, the Company and Xinyuan Real Estate Holdings further entered into an agreement pursuant to which the parties agreed that all the cash sales proceeds of 2,181 car parking spaces owned by Xinyuan Real Estate Group which are located in Zhengzhou, the PRC and several other cities in the PRC, with an appraised value of RMB197.6 million, will be retained by the Group and applied to settle an equivalent amount of the outstanding earnest money due to be refunded by Xinyuan Real Estate to the Company.

As advised by the auditors of the Company, such car parking spaces and storerooms will not be recognised as inventories in the Company's consolidated financial statements. Upon receipt of any proceeds arising from the sales of the car parking spaces and storerooms, the balance of trade receivables or receivables relating to payments for car parking space exclusive sales cooperation agreement (as the case may be) will be reduced by an amount equivalent to the amount of sales proceeds received by the Group.

Transfer of assets under the Arbitral Award and impairment of receivables related to the Pledges

Pursuant to the Arbitral Award, Xinyuan (China) as respondent was required to pay cash and transfer certain non-cash assets to the Group. Details of the non-cash assets transferred are as follows:

- (a) 100% equity interest of Beijing Xinyuan Hongsheng Business Management Co., Ltd. (北京鑫苑弘晟商業管理有限公司) ("**Beijing Xinyuan**") and its six subsidiaries (collectively the "**Beijing Xinyuan Group**");
- (b) parking spaces of properties developed by Foshan subsidiaries and Chengdu subsidiaries of Xinyuan Real Estate (collectively, the "**Car Parking Spaces**"); and
- (c) 30 years' operating rights and the corresponding income right of six clubhouses (the "**Clubhouses Operating Rights**").

As at 31 December 2023, the transfer of the above non-cash assets (save for the Clubhouses Operating Rights which were transferred to the Group on 3 January 2024) pursuant to the Arbitral Award had been completed and the Group had become legal and beneficial owner of such non-cash assets. However, as at 31 December 2023, the receivables owing by Xinyuan Real Estate relating to the Pledges remained to be RMB398,847,000 and the allowance for impairment of such receivables amounted to RMB201,355,000 for FY2023 for the following reasons:

1. While the Group has become the legal and beneficial owner of 100% equity interest of Beijing Xinyuan upon completion of the relevant business registration since November 2023, the Beijing Xinyuan Group had some material business contracts which expired on 31 December 2023 and were pending for renewal, which are expected to constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The Company discussed with the auditor and took the view that a valuation of Beijing Xinyuan as at 31 December 2023 would not represent its true and fair value, as the equity value of Beijing Xinyuan was based on the projected income of the Beijing Xinyuan Group and was largely contributed by the income derived from such expired business contracts. Therefore, the Company and the auditor agreed not to recognise the equity value of Beijing Xinyuan in the Group's accounts for FY2023 and such value is expected to be recognised in the Group's results for the year ending 31 December 2024 upon successful renewal of such business contracts in 2024.
2. The legal and beneficial titles to the ownership of the Car Parking Spaces were transferred to the Group pursuant to the terms of the agreements dated 31 October 2023 entered into by Xinyuan (China) and its subsidiaries and Xinyuan Science and Technology and its subsidiaries. However, as at 31 December 2023, the construction of the properties at which such Car Parking Spaces are located had not been completed and/or in the ready-for-sale condition. Therefore, the value of such Car Parking Spaces was not recognised in the Group's accounts for FY2023. Upon completing construction of the real estate projects (currently expected to be in 2024), and once the relevant Car Parking Spaces are ready for sale, the Company expects to recognise their economic value in its consolidated financial results for the year ended 31 December 2024. The costs for construction of the Car Parking Spaces will be borne solely by the Xinyuan Real Estate Group.
3. The transfer of the Clubhouses Operating Rights took place in January 2024 and will therefore be reflected in the Group's 2024 interim results.

Save as disclosed in this announcement, the contents of the 2022 Annual Report and the 2023 Annual Report remain unchanged.

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

Hong Kong, 11 June 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.