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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)**

### **FULFILMENT OF RESUMPTION GUIDANCE AND RESUMPTION OF TRADING**

This announcement is made by Xinyuan Property Management Service (Cayman) Ltd. (the “**Company**”) 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**”).

References are 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, 15 February 2024, 10 May 2024 and 14 May 2024, respectively (collectively, the “**Announcements**”). Unless otherwise stated, capitalised terms used in this announcement have the same meanings as defined in the Announcements.

#### **BACKGROUND OF SUSPENSION OF TRADING**

As disclosed in the Announcements, in the course of conducting the Company’s year-end assets checking and budgeting process, the Company noted that certain Time Deposits of the Group had been pledged to secure loan facilities for subsidiaries of Xinyuan Real Estate, the controlling shareholder of the Company, and certain other companies which were not part of the Group. Trading in the Company’s shares has been suspended from 9:00 a.m. on 16 November 2022 pending the Company’s fulfilment of the Resumption Guidance.

## **RESUMPTION GUIDANCE**

As disclosed in the Announcements, the Stock Exchange has set out the following Resumption Guidance, whereby the Company shall:

- (a) conduct an independent forensic investigation into the unauthorised Pledges, assess the impact on the Company's business operation and financial position, announce the findings and take appropriate remedial actions;
- (b) demonstrate that there is no reasonable regulatory concern about management integrity and/or the integrity of any persons with substantial influence over the Company's management and operations, which may pose a risk to investors and damage market confidence;
- (c) conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to meet obligations under the Listing Rules;
- (d) inform the market of all material information for the Company's shareholders and investors to appraise the Company's position;
- (e) publish all outstanding financial results and address any audit modifications;
- (f) demonstrate compliance with Rule 13.24 of the Listing Rules; and
- (g) re-comply with Rule 13.92 of the Listing Rules.

## **FULFILMENT OF RESUMPTION GUIDANCE**

Since the Company's suspension of trading, the Company has been working diligently with the assistance of its advisors to comply with and fulfil the Resumption Guidance to the satisfaction of the Stock Exchange, with a view to resuming trading in its Shares as swiftly as possible.

The Company is pleased to announce that, as at the date of this announcement, each of the Resumption Guidance has been fulfilled, details of which are set out below.

**1. Resumption Guidance (a) – conduct an independent forensic investigation into the unauthorised Pledges, assess the impact on the Company’s business operation and financial position, announce the findings and take appropriate remedial actions**

***1.1 Background of the Independent Investigations***

On 18 November 2022, the Board resolved to establish an independent investigation committee (the “**Independent Investigation Committee**”), comprising Mr. Li Yifan, Mr. Lan Ye, and Mr. Ling Chenkai, each being an independent non-executive director of the Company (the “**Directors(s)**”) and Mr. Shen Yuan-Ching and Mr. Wang Yong, each being an executive Director, with Mr. Li Yifan elected as chairman of the Independent Investigation Committee.

The Independent Investigation Committee appointed 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 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 key findings of the Independent Investigation and the Extended Investigation were published by the Company on 15 August 2023 and 10 May 2024, respectively.

***1.2 Steps taken in the Independent Investigation***

Steps taken by the Independent Advisor in the course of the Independent Investigations involved the following:

- (a) independent verification of bank account lists and transactional records obtained from the relevant subsidiaries of the Company and banks, and ascertaining information relating to the pledge arrangements and execution process;
- (b) on-site visits conducted in the PRC, including Zhengzhou, Henan Province and Beijing, and the respective branches of Zhengzhou Bank and Huaxia Bank;
- (c) review of records and documentation pertaining to the Pledged Deposits (as defined below), including copies of the pledge contracts, contemporaneous records of the pledge applications, internal policies, process manuals and accounting records at both the Company and Xinyuan Real Estate level, as

well as time deposit transaction records of Xinyuan Science and Technology obtained through the online banking systems of relevant banks (save for certain records which were not available to the Independent Advisor);

- (d) forensic electronic discovery procedures performed at both the Company and Xinyuan Real Estate level, including collection and review of electronic data from relevant personnel with applied targeted search terms, and reviewing the responsive documents; and
- (e) interviews/discussions with (i) current and former key personnel of the Group, Xinyuan Real Estate and Xinyuan China at different levels, from front-line finance personnel to senior executives, (ii) certain Borrowers (as defined below) to the extent practicable and (iii) certain personnel of Zhengzhou Bank and Huaxia Bank, to corroborate findings observed from the available documentary records.

The Independent Investigations were also subject to the supervision by the Independent Investigation Committee, who closely monitored the investigation process whilst respecting the independence, impartiality and objectivity of the enquiry.

Based on the above, the Company and the Board are of the view that the Independent Investigation and the Extended Investigation are forensic, appropriate and effective.

### ***1.3 Key findings of the Independent Investigations***

#### ***(a) The unauthorised Pledges***

The Independent Advisor identified that, during the period between 1 October 2019 and 31 December 2022, a total of 32 Time Deposits (in the nature of time deposits, call deposits, structured deposits and investments in financial products) were entered into by Xinyuan Science and Technology and its direct subsidiary, Henan Xinyuan Property. 24 of the Time Deposits 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 (the “**Borrower(s)**”). 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 historic in nature and have matured, and were not subject to any appropriation or enforcement by the relevant banks (“**Released Pledged Deposits**”, together with the Pledges, collectively the “**Pledged Deposits**”). Among the eight Borrowers, four were subsidiaries of Xinyuan Real Estate and four were business partners of Xinyuan Real Estate.

Particulars of the Pledged Deposits, including the respective dates of the pledge agreements, maturity dates, amounts pledged and identities of the Borrowers, are set out in the Company's announcements dated 15 August 2023 and 10 May 2024.

Based on the review of books and records available and the fund flow analysis conducted by the Independent Advisor, the funds borrowed by the Borrowers, which were secured by the Pledged Deposits, were channelled to the subsidiaries of Xinyuan China through various intermediary companies that appeared to be related to the Borrowers, and then mixed with the operating funds in the respective operating subsidiaries of Xinyuan China and utilised in their ordinary business activities.

The Independent Investigations also did not identify any internal discussion or approval of the Pledges by the respective boards of Xinyuan Real Estate and the Company. The current board members of the Company and Xinyuan Real Estate had confirmed that they had no knowledge about the pledging arrangement.

*(b) Personnel involved in the unauthorised Pledges*

At the level of the Company:

- (i) 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;
- (ii) a 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 as the legal representative of Xinyuan Science and Technology;
- (iii) the former chief financial officer of the Company (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; and
- (iv) another former legal representative of Xinyuan Science and Technology (who was also the former General Manager of Human Resources Center of Xinyuan Science and Technology) was involved in the application for usage of company chops of members of the Group, and such person's legal representative chop had also been affixed on certain pledge contracts.

At the level of Xinyuan Real Estate:

- (i) at the material time, the fund and capital management department of Xinyuan China had the requisite authority for planning, initiating and implementing financing activities for the Xinyuan Real Estate Group, including liaising with banks and discussing commercial terms, as well as the overall fund management;
- (ii) at all relevant times, three former key personnel of Xinyuan China (including a former general manager of its fund and capital management department, a former finance manager, and a former vice president of Henan district of Xinyuan China) (collectively, the “**Xinyuan China Former Personnel**”) were identified to have been involved in the arrangement of the pledging of the Group’s Time Deposits;
- (iii) the former legal representative of Xingyang Xinyuan and Xinyuan Guangsheng, each a subsidiary of Xinyuan Real Estate and a Borrower, had signed certain bank documents which indicated the pledging of the Group’s Time Deposits; and
- (iv) other than the three former key personnel aforementioned in (ii) above, the Independent Advisor has not identified substantive evidence indicative of any 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.

Notwithstanding that the Independent Advisor’s attempts to interview two of the Xinyuan China Former Personnel were unsuccessful, the above summarises the Independent Advisor’s understanding of the knowledge and involvement of such personnel at the level of the Group and the Xinyuan Real Estate Group, respectively.

All of the relevant individuals who were identified in the Independent Investigations to have been involved in the unauthorised Pledges at the level of the Company and Xinyuan Real Estate are no longer in the Group’s or Xinyuan Real Estate’s employ (as the case may be) and/or have had their employment terminated.

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**”) or Ms. Yang Yuyan (non-executive director

of Xinyuan Real Estate and former non-executive director of the Company) (“**Ms. Yang**”) was involved in or approved the pledging of any Pledged Deposits, although Mr. Zhang was one of the approvers of the internal applications for the Group’s Time Deposits. In particular, it is noted that:

- (i) Mr. Zhang’s role was high-level and strategic, and he was not involved in the operational aspects of initiating, obtaining or arranging funding, or communications with relevant bank personnel, which were under the purview of the fund and capital management department of Xinyuan China (who had sufficient authority to arrange the unauthorised Pledges without further authorisation from either Mr. Zhang or Ms. Yang);
- (ii) Ms. Yang had no involvement in the day-to-day management and operations of Xinyuan Real Estate since 2012; and
- (iii) both Mr. Zhang and Ms. Yang had already resigned as directors of the Company and ceased to hold any executive or management positions in the Company and its subsidiaries, with effect from 29 August 2022.

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 evidence indicating that such personnel had knowledge of or were involved in directing or approved the pledging of any Time Deposits.

Based on the findings of the Independent Investigations, the Board and the Independent Investigation Committee are satisfied that none of the current directors and senior management personnel of the Company and Xinyuan Real Estate was involved in the unauthorised Pledges.

(c) *Factors leading to the unauthorised Pledges*

The Independent Investigation Committee considers that factors leading to the unauthorised Pledges (notwithstanding the previous independent investigation (the “**Previous Investigation**”) and internal control review conducted during the Company’s first trading suspension) are as follows:

- (a) the inaccurate banking confirmation process undertaken by the regional banks failed to present an accurate and complete reflection of the Company’s cash position to the Company and its auditors, which rendered it difficult for the Company to detect any irregularities within the Company’s financial records. Consequently, the inaccurate audit confirmations issued contributed to mistakes being repeated by the relevant personnel involved in the unauthorised Pledged Deposits;

- (b) 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;
- (c) 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
- (d) 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.

In respect of the Previous Investigation, the Independent Investigation Committee is of the view that the other principal reasons that the Previous Investigation was unable to prevent and detect the unauthorised Pledges are as follows:

- (i) the scope and focus of the Previous Investigation, which focused on connected/related party transactions and fund flows, were significantly different from that of the current Independent Investigations, which have a broader scope covering fund management of the Group (including time deposits, call deposits, structured deposits and investment of its financial products), as well as both the Pledges and the Released Pledged Deposits; and
- (ii) there was insufficient evidence available to conclusively determine that certain Xinyuan China Former Personnel were the ultimate persons responsible for the transactions leading to the Company’s first trading suspension. Consequently, from the Company’s perspective, the findings of the Previous Investigation did not warrant disciplinary action being taken against them at the time.

Since the discovery of the Pledges, the Company has taken a “zero tolerance” approach to hold to account all wrongdoers identified to have been involved in the unauthorised Pledged Deposits by promptly taking disciplinary measures against them. As at the date of this announcement, all relevant personnel who had played a key role in authorising the Pledged Deposits are no longer in the Group’s or Xinyuan Real Estate’s employ (as the case may be) and/or have had their employment terminated.

#### **1.4 Remedial measures**

Upon recognising the Listing Rules implications of the unauthorised Pledges, the Company promptly prioritised remedying its non-compliance and safeguarding the interests of the Company and its shareholders. Remedial measures taken by the Company following discovery of the Pledges included, without limitation, the following:

- (a) self-reported the matter to the Stock Exchange (which was immediately followed by a request for the suspension of trading in the Company's shares) and made disclosure promptly;
- (b) established the Independent Investigation Committee and commissioned the Independent Investigations;
- (c) conducted the Internal Control Review and adopted all of the enhanced internal control measures as recommended by the Independent Advisor (details of which are set out in the section relating to Resumption Guidance (c) below);
- (d) worked closely with its legal advisors to take all necessary and appropriate steps to seek recovery for the loss and/or damage suffered by the Company as a result of the unauthorised Pledges, filed the notice of arbitration against Xinyuan (China) Real Estate Co., Ltd.\* (鑫苑(中國)置業有限公司) (“**Xinyuan China**”) and actively pursued the enforcement of the Arbitral Award; and
- (e) established banking relationships with reputable national banks with recognised processes and governance standards, as a measure to ensure the accuracy of banking confirmations received by the Company. Meanwhile, the Company notes that regional banks now centralise the handling of banking confirmations, and such improvement in the banking processes are expected to further enhance the accuracy of banking confirmations.

To ascertain whether any unauthorised financial assistance was provided by the Group to Xinyuan Real Estate, the Company:

- (a) conducted a review of all bankable assets of the Group that are readily pledgeable, including cash assets and the assets otherwise capable of being rendered as any form of security, on the basis of which the Company concluded there are no other assets of the Company that could be pledged in the same way as the Time Deposits; and

- (b) obtained a legal opinion from its PRC legal adviser in relation to the review and analysis of: (i) the PRC legal proceedings between 1 January 2022 and 7 February 2024 to which members of the Xinyuan Real Estate Group was party; and (ii) Xinyuan Real Estate Group’s loan and guarantee agreements (the “**PRC Legal Opinion**”). Pursuant to the PRC Legal Opinion, save for the civil proceedings identified<sup>1</sup> and subject to other qualifications<sup>2</sup> set out therein, the Group was not a party to any ongoing legal disputes with Xinyuan Real Estate and no unauthorised financial assistance by the Group to Xinyuan Real Estate were uncovered in the course of the PRC legal adviser’s review.

#### *Arbitration and settlement of the Arbitral Award*

As disclosed in the announcements dated 18 April 2023, 16 October 2023, 3 January 2024, 22 January 2024 and 15 February 2024, respectively:

- (a) Xinyuan Science and Technology and the Company filed a Notice of Arbitration with the Hong Kong International Arbitration Centre (“**HKIAC**”) against Xinyuan China, by which the Company sought recovery of any loss and/or damage suffered by the Company with respect to the Pledges (the “**Arbitration**”).
- (b) The final and legally binding Arbitral Award was issued on 13 October 2023. The amount of compensation awarded to the Group was approximately RMB433,033,855, the breakdown of which is set out in the Company’s announcement dated 22 January 2024. As at the date of this announcement, the Arbitral Award has been satisfied in full.

<sup>1</sup> Namely, the civil proceedings (the “**Dispute**”) between China Minsheng Bank Xi’an Branch, Xi’an Xinyuan Plaza Commercial Management Co., Ltd. (“**Xi’an Commercial Management**”), Xinyuan (China), Shaanxi Zhongmao Economic Development Co., Ltd. and Henan Xinyuan Real Estate Co., Ltd., which relate to the operation of a commercial property management project involving Xi’an Commercial Management, a property management agent and a subsidiary of Xinyuan Real Estate at the material time. Upon the transfer of Equity Assets on 13 November 2023, Xi’an Commercial Management became a wholly-owned subsidiary of the Company. To the best of the knowledge and belief of the Company, as at the date of this announcement, the Dispute has progressed to the enforcement stage and there has been no decision against Xi’an Commercial Management. The Company does not expect the Dispute to have any material adverse impact on the Company’s business operations or financial condition.

<sup>2</sup> The qualifications in the PRC Legal Opinion include the Dispute identified and other standard qualifications (including that the opinion is subject to bankruptcy and winding-up laws; no opinion is given as to tax and accuracy of representations; and no opinion is given as to non-PRC laws).

- (c) Details of the non-cash assets transferred to the Company for the purposes of the settlement of the Arbitral Award are set out below:

Non-cash Assets transferred	Status	Management's future plan for the transferred assets
<p><b>Equity Assets</b></p> <p>100% equity interest in Beijing Xinyuan Hongsheng Business Management Co., Ltd. (北京鑫苑弘晟商業管理有限公司) (“<b>Beijing Xinyuan</b>”) and its 6 subsidiaries (collectively the “<b>Beijing Xinyuan Group</b>”) (the “<b>Equity Assets</b>”)</p>	<ul style="list-style-type: none"> <li>• The relevant business registration in respect of the transfer of the Equity Assets was completed on 13 November 2023, upon which the Group became the legal and beneficial owner of 100% equity interest of Beijing Xinyuan and its subsidiaries and members of the Beijing Xinyuan Group have become wholly-owned subsidiaries of the Company.</li> <li>• The Beijing Xinyuan Group had some material business contracts which expired on 31 December 2023 and are pending renewal, which are expected to constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The renewal agreements are expected to be entered into by the end of June 2024, with the equity value of Beijing Xinyuan recognised in the consolidated financial results of the Company upon successful renewal of such business contracts.</li> </ul>	<p>The Group will operate the Beijing Xinyuan Group by providing services to attract tenants and tenant management and rent collection services, business operation and property management (which mainly include providing maintenance service for the public facilities, cleaning and upkeep, security etc.).</p>

Non-cash Assets transferred	Status	Management's future plan for the transferred assets
<p><b>Carparking Spaces</b></p> <p>1. parking spaces of properties developed by Foshan subsidiaries of Xinyuan Real Estate (the “<b>Foshan Car Parking Spaces</b>”)</p> <p>2. parking spaces of properties developed by Chengdu subsidiaries of Xinyuan Real Estate (the “<b>Chengdu Car Parking Spaces</b>”) (together with the Foshan Car Parking Spaces, collectively, the “<b>Car Parking Spaces</b>”)</p>	<ul style="list-style-type: none"> <li>• The legal and beneficial titles to the ownership of the Foshan Car Parking Spaces and the Chengdu 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.</li> <li>• Upon completing construction of the real estate projects 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 ending 31 December 2024.</li> </ul>	<p>The management of the Group considered Chengdu and Foshan are both large cities with a population of more than 10 million in mainland China, with prosperous economies and strong consumption power. As properties of the projects were recently completed and handed over to buyers, the management believes there is demand for car parking spaces.</p> <p>The Group will leverage its over 20 years of car parking space sales and operation experience to sell the Car Parking Spaces.</p>
<p><b>Clubhouses Operating Rights</b></p> <p>30 years' operating rights and the corresponding income right of 6 clubhouses (the “<b>Clubhouses Operating Rights</b>”)</p>	<ul style="list-style-type: none"> <li>• The relevant business registration in respect of the transfer of the Clubhouses Operating Rights was completed on 3 January 2024.</li> <li>• The value of the Clubhouses Operating Rights will be recognised in the financial statements of the Company for the period after 31 December 2023.</li> </ul>	<p>The Group plans to operate the clubhouses with a long-term business plan. For example, the Group could redecorate or remodel the clubhouses in order to increase the rental value and prices for value-added services.</p>

As at the date hereof, the Arbitral Award has been satisfied in full.

### ***1.5 Impact on the Company's business operation and financial position***

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 in all material respects, notwithstanding its suspension of trading since 16 November 2022.

The Board is satisfied that the findings of the Independent Investigations have no material adverse impact on the Company's business operations. The financial impact of the Pledges was set out in the sections headed "Financial Impact of the Incident Transaction I and Incident Transaction II" in Note 2.1 of the Company's consolidated financial statements for the year ended 31 December 2022 and "Financial Impact of the Incident Transactions I and II" in Note 2.1 of the Company's consolidated financial statements for the year ended 31 December 2023.

### ***1.6 Conclusion***

The Independent Investigation Committee has been working closely with the Independent Advisor, and reviewed the regular reports provided by the Independent Advisor in connection with the Independent Investigations, including the scope of the Independent Investigations, the procedures performed by the Independent Advisor (at both the Company and Xinyuan Real Estate level) and the findings as set out therein.

Having considered the scope and methodology of the Independent Investigations, the Independent Investigation Committee is of the view that the results of the Independent Investigations are comprehensive, complete and sufficient to ascertain all material facts and circumstances surrounding the unauthorised Pledges and have utilised every effort to identify all persons involved with the unauthorised Pledges.

Having considered the results of the Independent Investigations and the remedial measures adopted by the Company, the Independent Investigation 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 are effective and adequate in addressing the key findings of the Independent Investigations and the deficiencies identified.

Based on the above, the Board is of the view that the Company has adequately fulfilled Resumption Guidance (a).

**2. Resumption Guidance (b) – demonstrate that there is no reasonable regulatory concern about management integrity and/or the integrity of any persons with substantial influence over the Company’s management and operations, which may pose a risk to investors and damage market confidence**

***2.1 Identification of personnel involved in the unauthorised Pledges***

All of the relevant individuals involved in the unauthorised Pledges at the level of the Company and Xinyuan Real Estate, which were identified by the Independent Advisor in the Independent Investigations and as set out in the section headed “1.3 Key findings of the Independent Investigations – (b) Personnel involved in the unauthorised Pledges” above, are no longer in the Group’s or Xinyuan Real Estate’s employ (as the case may be) and/or have had their employment terminated.

***2.2 Measures undertaken by the Company to enhance management integrity and independence from Xinyuan Real Estate***

To ensure that no similar incident will happen going forward, the Company has implemented, among other things, the following measures/changes to further enhance its corporate governance and management integrity and to maintain its operational independence from Xinyuan Real Estate:

***(a) Separate management structure from Xinyuan Real Estate***

There is currently no overlap between members of management teams and executive directors of the boards of Xinyuan Real Estate and the Company. The Independent Advisor has not identified any evidence indicating the involvement of any current executive Directors in the unauthorised Pledges.

***(b) Segregation of the internal systems of the Company and Xinyuan Real Estate***

Upon completion of a comprehensive data migration with the full cooperation of Xinyuan Real Estate, the Company and Xinyuan Real Estate now operate entirely distinct and standalone: (i) email systems/domains; (ii) online approval (OA) and human resources systems; and (iii) seal/chop usage management systems, which militate against the risk of the Xinyuan Real Estate Group (or its employees) approving payments on behalf of the Company and provide a clear delineation and segregation between the Company and Xinyuan Real Estate’s respective businesses and management approval systems.

Details of the enhanced OA system are set out in the sub-section headed “(d) Strengthened internal approval requirements” below.

(c) *Enhanced oversight and control over use of funds and provision of guarantees by the Company's subsidiaries*

Following the Company's reorganisation in May 2023, the financial management department has been centralised and is now responsible for the Group's day-to-day financial management, including ensuring compliance with internal control policies relating to financial management, connected transactions and investments and financing. Meanwhile, at the operational level, the financial management team at the Company's Beijing headquarters is responsible for the centralised monitoring of the Group's funds. To maintain proper oversight and control over the funds, cashiers at the Company's Zhengzhou office regularly monitor the account balances of each subsidiary on a weekly basis and report directly to the chief financial officer of the Company (the "CFO"), with surplus funds periodically centralised each month in an account held by the relevant subsidiary.

(d) *Strengthened internal approval requirements*

The Company has implemented enhancements to its approval process for any payment, fund transfer and deposits, including without limitation: (i) requiring an application to be made and approved on the enhanced OA system, for all requests and applications for payment and/or fund transfer (whether originating from the Company, its subsidiaries, or any connected parties of the Company); (ii) subjecting all financing arrangements to a dual approval process from both (1) the CFO; and (2) the chief executive officer of the Company (the "CEO") or an executive Director (as the case may be), irrespective of whether it involves transacting with a third-party; and (iii) prohibiting any instructions or requests (in particular, from Xinyuan Real Estate) to transfer money to any connected party, which are now escalated and reviewed by the CEO and/or the CFO personally.

(e) *Enhanced systems on the application and management of the use of seals and chops*

The Company has enhanced its seal management policy covering seal engraving, usage, borrowing and transfer, particularly by: (i) mandating use of electronic seals unless physical stamping is required, and implementing a new seal using system to ensure independent record-keeping and enhanced risk controls regarding the application for and management of the use of seals/chops; (ii) securing physical custody and storage of the Company chop and legal representative chop; (iii) mandating an application to be made on the OA system to access and withdraw the chop/seal, with the reasons for use, stamping requirements and frequency of use specified; (iv) implementing mandatory physical security controls, including use of security cameras to record usage of the Company chop/seal, and close supervision and monitoring to guard against any unauthorised use.

(f) *Reinforced measures regarding financial activities with third-party entities and connected transactions*

The Company has refreshed its financial management policy, which now strictly prohibits external third-party guarantees and external pledges from extending to any business entities outside of the Company. The Company has also updated its connected party transaction management policy to improve the process of identifying, processing and disclosing connected/disclosable transactions, to ensure compliance with the relevant rules and regulations, including the Listing Rules.

(g) *Whistle-blowing policy*

The Company has established a whistle-blowing policy, where any potential non-compliance with the Listing Rules, the Company's regulatory obligations and/or violations with applicable rules and policies within the Group will be escalated directly to the independent non-executive Directors. Genuine complaints will be thoroughly investigated by the audit committee of the Company (or a designated committee comprising a majority of independent non-executive Directors), which will report to the Board their decisions and recommendations (subject to any legal or regulatory restrictions in doing so) and, if the complaint is founded, report to the relevant regulatory authorities in accordance with applicable laws and regulations.

(h) *Ongoing internal control review*

The Company will engage professional advisors to conduct a semi-annual review for a period of two years, for the purposes of testing and validating the Company's enhanced controls and systems, as well as continuously reviewing the Company's internal controls and related processes in accordance with the Listing Rules.

(i) *Emphasis on the importance of compliance with the Undertakings*

Members of the current Board and senior management of the Company have been reminded of the terms of undertakings from Mr. Zhang and Ms. Yang in August 2022 to the Stock Exchange and to the Company not to influence the business and operations of the Group (particulars of which are set out in the Company's announcement dated 1 September 2022) (the "**Undertakings**"), which remain valid and effective since their execution in August 2022. Members of the current Board have reaffirmed that they fully understand the terms and implications of the Undertakings, and will continue to maintain the Company's independence, ensure the Company's ongoing regulatory compliance, and guard against the controlling influence of any shareholder.

### ***2.3 Measures undertaken by Xinyuan Real Estate to enhance management integrity and independence of the Company***

In addition to the above (in particular, the full cooperation of the Xinyuan Real Estate Group in the data migration and segregation of the internal systems of the Group and the Xinyuan Real Estate Group), the Company understands that the following changes have also been brought about at the Xinyuan Real Estate Group level to properly safeguard the functional, operational and financial independence of the Company:

- (a) the Xinyuan Real Estate Group fully cooperated and gave effect to a comprehensive data migration, pursuant to which there is a clear delineation and segregation between the Company and Xinyuan Real Estate's respective businesses and management approval systems, namely, (i) email systems/domains, (ii) online approval (OA) and human resources systems and (iii) seal/chop usage management systems. See also section headed "2.2 Measures undertaken by the Company to enhance management integrity and independence from Xinyuan Real Estate" above;
- (b) the Xinyuan Real Estate Group has undergone significant managerial changes, with the appointment of a new chairman of Xinyuan China with professional industry background;
- (c) reinforced internal guidance and regular training was also conducted for the directors of the Xinyuan Real Estate Group and senior executives and finance personnel on directors' duties, corporate governance, and compliance with the regulatory requirements in Hong Kong, Mainland China and the United States (including the Listing Rules); and
- (d) members of the board and senior management of Xinyuan Real Estate have reaffirmed that they fully understand the terms and implications of the Undertakings, and will continue to respect and safeguard the independence of the Company, and will ensure Xinyuan Real Estate's and the Company's ongoing regulatory compliance.

### ***2.4 Conclusion***

The Board is of the view that the foregoing demonstrates both the Company and Xinyuan Real Estate's commitment in ensuring that the Company enjoys functional, operational and financial independence both from the perspective of the Company's management as well as its internal systems and controls. The Company believes that the Group and the Xinyuan Real Estate Group have the requisite infrastructure and expertise to conduct day-to-day operations independently.

Further, based on the findings of the Independent Investigations, the Board and the Independent Investigation Committee are satisfied that none of the current directors and senior management personnel of the Company and Xinyuan Real Estate was involved in the unauthorised Pledges.

Based on the above, in the view of the Board and the Independent Investigation Committee, the present circumstances do not give rise to any reasonable regulatory concern about management integrity, nor the integrity of any persons with substantial influence over the Company's management and operations, which may pose a risk to investors and damage market confidence. The Board is of the view that the Company has adequately fulfilled Resumption Guidance (b).

**3. Resumption Guidance (c) – conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to meet obligations under the Listing Rules**

As disclosed in the Company's announcement dated 15 August 2023, the Company has appointed Deloitte Advisory (Hong Kong) Limited as the Independent Advisor to conduct an independent internal control review; and the Independent Advisor has reviewed and validated the Company's systems and controls and has completed its review into the relevant matters during the period from 1 January 2022 up to 31 March 2023 (the "**Internal Control Review**"). Subsequently in October 2023, the Independent Advisor, 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.

The key findings of the Internal Control Review and details about the enhanced internal control measures as recommended by the Independent Advisor are set out in the Company's announcements dated 15 August 2023 and 15 November 2023, respectively.

During the Internal Control Review, the Independent Advisor recommended a number of measures to remedy the deficiencies identified and to enhance the internal control system and procedures of the Company. This includes recommended enhancements over the Company's internal policies and OA approval processes, company chop/seal storage, usage and management, senior management oversight, connected/disclosable transactions notification requirements, supervision and oversight, and record-keeping practices, as detailed in the Company's announcement dated 15 November 2023. All enhanced measures recommended by the Independent Advisor have been adopted and implemented by the Company.

In particular, the Company has enhanced its seal management policy covering seal engraving, usage, borrowing and transfer, and has implemented a new seal using system to enhance record keeping and risk control regarding the use of seals and chops. For instance, (i) unless physical stamping is required, the Company now mandates the use of electronic seals, which is controlled through the OA system with extensive application and approval requirements and supervision measures; and (ii) mandatory physical security controls, including the use of security cameras to record usage of chops and seals, are implemented to guard against any unauthorised use.

Having conducted the IC Follow-up Review, the Independent Advisor concluded that the Company has fully adopted and implemented the recommended remedial measures which are adequate and effective in addressing the deficiencies identified in the Internal Control Review. The Independent Advisor also recommended that the Company to adopt additional measures to further enhance its internal control environment and prevent potential non-compliance with the Listing Rules in the future, all of which have been fully adopted and implemented by the Company.

In light of the above, no follow-up internal control review in respect of the matters under the Extended Investigation has been performed. As an additional corporate governance measure, the Company will engage professional advisors to conduct a semi-annual review for a period of two years, details of which are set out in the section headed “2.2 Measures undertaken by the Company to enhance management integrity and independence from Xinyuan Real Estate – (h) Ongoing internal control review” above.

The Company and its senior management have also 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).

Based on the above, the Board and the Independent Investigation Committee are of the view that the Group has completed the implementation of the remedial measures as recommended by the Independent Advisor and the Group’s enhanced internal control system and procedures are sufficient to discharge the Company’s obligations under the Listing Rules.

In view of the above, the Board is of the view that the Company has adequately fulfilled Resumption Guidance (c).

**4. Resumption Guidance (d) – inform the market of all material information for the Company’s shareholders and investors to appraise the Company’s position**

Since the suspension of trading in the shares of the Company (the “**Shares**”), the Company has, in accordance with the Listing Rules and Part XIVA of the SFO, informed the market of all material information and the latest developments of the Company by way of publication of announcements in relation to, including without limitation: (i) quarterly update on resumption progress; (ii) inside information; (iii) key findings of Independent Investigations; (iv) internal control review findings; (v) financial results; and (vi) update on arbitration proceedings and enforcement of the Arbitral Award; as well as its annual reports for the years ended 31 December 2022 and 2023 and its interim report for the six months ended 30 June 2023.

In view of the above, the Board is of the view that the Company has adequately fulfilled Resumption Guidance (d). The Company will continue to comply with Resumption Guidance (d) to ensure that the market is informed of all material information, and that all of the Company’s shareholders and investors are fully apprised of the Company’s position and any significant developments as and when appropriate, in compliance with the requirements of the Listing Rules.

**5. Resumption Guidance (e) – publish all outstanding financial results and address any audit modifications**

As at the date of this announcement, all of the Company’s outstanding financial results have been published. The respective dates of publication of the Company’s financial results since the suspension of trading in the Shares are set out below:

<b>Financial year/period</b>	<b>Date of publication</b>
For the year ended 31 December 2022 (“ <b>Year 2022</b> ”)	
– Annual results announcement	13 March 2024
– Annual report	15 April 2024
For the six months ended 30 June 2023	
– Interim results announcement	13 March 2024
– Interim report	15 April 2024
For the year ended 31 December 2023 (“ <b>Year 2023</b> ”)	
– Annual results announcement	28 March 2024
– Annual report	29 April 2024

The Company’s external auditor, Moore CPA Limited (the “**Auditor**”), expressed a disclaimer of opinion (the “**2022 Disclaimer Opinion**”) on the consolidated financial statements of the Group for Year 2022 due to its inability to obtain sufficient appropriate audit evidence regarding the loss allowance for financial guarantee contracts and bank balances as at 31 December 2021 and relevant notes to the consolidated financial statements of the Group for Year 2022. Any adjustments that might have been found necessary to the Group’s consolidated statement of financial position as at 31 December 2021 and 1 January 2022 would have a consequential effect on the Group’s consolidated financial statements for the Year 2022 and the related disclosures. In the opinion of the Auditor, the consolidated financial statements of the Group for Year 2022 have been properly prepared in accordance with International Financial Reporting Standards (“**IFRS**”) and in compliance with the applicable disclosure requirements of the Hong Kong Companies Ordinance (the “**Companies Ordinance**”) in all other respects.

The Auditor also expressed a modified opinion in respect of the Group’s consolidated financial statements for Year 2023 (the “**2023 Financial Statements**”) because of the possible effect of the matter on the comparability of the figures for Year 2023 and the corresponding figures for Year 2022 (the “**Modifications**”). In the opinion of the Auditor, save for the Modifications, the consolidated financial statements of the Group for the Year 2023 give a true and fair view of the Group’s consolidated financial position as at 31 December 2023 and its financial performance and cash flows for Year 2023, and have been properly prepared in accordance with the disclosure requirements of the Companies Ordinance.

In respect of the Disclaimer of Opinion and the Modifications, the Group has taken a number of measures as disclosed in Note 2.1 to the 2023 Financial Statements, including commissioning the Independent Investigation, the Internal Control Review and measures to recover loss from the unauthorised Pledges by way of the Arbitration and enforcement of the Arbitral Award. The management of the Company understands that it is a technical requirement to carry forward matters attributable to the 2022 Disclaimer Opinion on the comparative figures of the 2023 Financial Statements. The Company understands from the Auditor that, given these comparative figures for Year 2022 will not be included in the annual results for the year ending 31 December 2024, it is expected that the Modifications will be removed in the audited consolidated financial statements of the Group for the year ending 31 December 2024.

Accordingly, as at the date of this announcement, all outstanding financial results of the Company required under the Listing Rules have been published, and the Board is of the view that the Company has adequately fulfilled Resumption Guidance (e).

## 6. Resumption Guidance (f) – demonstrate compliance with Rule 13.24 of the Listing Rules

As one of the comprehensive property management services providers in the PRC, the Group offers a wide range of services covering the 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. The business operations of the Group are continuing as usual in all material respects.

In 2023, the Group focused on driving three growth trajectories, namely, (i) expanding scale of management services, (ii) building ecosystems for scenario services (such as asset management, space management, retail services and delivery services) and (iii) creating value for scenario technology (including without limitation, building an innovative Xin Meta metaverse community platform). The Company will continue to focus on developing these growth trajectories, with a view to achieving a sustained growth in both operation efficiency and business scale.

As disclosed in the Company's 2023 Annual Results:

- (a) the Company's audited revenue for Year 2023 increased to RMB749.3 million, as compared to RMB686.5 million for Year 2022;
- (b) the Company recorded net profit of RMB28.4 million for Year 2023, as compared to net loss of RMB334.1 million for Year 2022;
- (c) the Company's audited current assets as at 31 December 2023 was RMB945.4 million, representing an increase of 4.9% as compared to RMB901.2 million as at 31 December 2022; and
- (d) the Company's total equity as at 31 December 2023 was RMB541.7 million, representing an increase of 5.5% as compared to RMB513.3 million as at 31 December 2022.

As disclosed in the Company's 2023 annual report, as at 31 December 2023, the Group's property management services spanned 50 cities across China and were provided to over 200,000 households, with contracted gross floor area ("GFA") of 55.3 million square metres ("sq.m."), representing an increase of 9.1% as compared to 50.7 million sq.m. as at 31 December 2022, and GFA under management of 34.4 million sq.m., representing an increase of 9.4% as compared to 31.4 million sq.m. 31 December 2022. The Company's substantial scale of operations is also reflected by the Company's net property, plant and equipment, which amounted to RMB10.1 million as at 31 December 2023, representing an increase of 16.1% as compared to RMB8.7 million as at 31 December 2022.

The Board is of the view that the Group has a sufficient level of business operations and has assets of sufficient value to support its operations to meet the requirements under Rule 13.24 of the Listing Rules and warrant the continued listing of the Shares on the Stock Exchange.

In view of the above, the Board is of the view that the Company has adequately fulfilled Resumption Guidance (f).

#### **7. Resumption Guidance (g) – re-comply with Rule 13.92 of the Listing Rules**

As disclosed in the Company’s announcement dated 8 April 2024, Ms. Zhao Xia has been appointed as an independent non-executive Director with effect from 8 April 2024. Following Ms. Zhao’s appointment, the Board comprises seven (7) male Directors and one (1) female Director.

In view of the above, the Company has fulfilled Resumption Guidance (g).

#### **RESUMPTION 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. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 12 June 2024.

**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, 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.*

\* For identification purpose only