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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)

CONTINUING CONNECTED TRANSACTIONS – THE SKY CINEMA LEASE SERVICES AGREEMENT

THE SKY CINEMA LEASE SERVICES AGREEMENT

On 30 August 2024, the Company and Beijing Xinyuan Sky entered into the Sky Cinema Lease Services Agreement, pursuant to which the Group will provide lease services in respect of the Commercial Properties to Beijing Xinyuan Sky in relation to its operation of cinema cities for a fixed term commencing from 30 August 2024 until 31 December 2037 (both dates inclusive).

LISTING RULES IMPLICATIONS

As at the date of this announcement, Beijing Xinyuan Sky is a subsidiary of Xinyuan Real Estate, the controlling shareholder of the Company indirectly holding approximately 50.59% of the issued share capital of the Company. Therefore, Beijing Xinyuan Sky is a connected person of the Company. As a result, the Sky Cinema Lease Services Agreement and the transactions contemplated thereunder constitute continuing connected transactions 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% and the annual aggregate transaction amount exceeds HK\$3 million, the Sky Cinema Lease Services Agreement and the transactions contemplated thereunder are subject to the annual reporting and announcement requirements but exempt from the independent shareholders' approval under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.52 of the Listing Rules, as the term of the Sky Cinema Lease Services Agreement exceeds three years, the Company has appointed the Independent Financial Adviser to explain why a term longer than three years is required and to confirm that it is a normal business practice for agreements of this type to be of such duration.

THE SKY CINEMA LEASE SERVICES AGREEMENT

On 30 August 2024, the Company entered into the Sky Cinema Lease Services Agreement with Beijing Xinyuan Sky, the principal terms of which are set out below.

Subject matter

Pursuant to the Sky Cinema Lease Services Agreement, the Group agreed to lease the following properties (the “**Commercial Properties**”) owned by Xinyuan Real Estate Group and managed by the Group to Beijing Xinyuan Sky and provide management services in relation to its operation of cinema cities (the “**Lease Services**”):

- (i) the third floor of the Xingyang Xinduhui Project (滎陽鑫都匯項目) located at Building No. 2 at the southwest corner of the first phase of Zhengxi Xinyuan Mingjia Commercial Building on the northwest side of the intersection of Guangwu Road and Wangcun Road, the PRC, with a total GFA of 2,911.13 sq.m. (the “**Xingyang Xinduhui Property**”);
- (ii) part of the fourth floor of the Chengdu Xinduhui Project (成都鑫都匯) located at No. 150, Huayang Ruixiang Road, Tianfu New District, Chengdu, the PRC, with a total GFA of 4,880.99 sq.m. (the “**Chengdu Xinduhui Property**”); and
- (iii) part of the fifth floor of the Xi’an Xinyuan Commercial Project (西安鑫苑商業項目) located at No. 251 Fenghe Road, Xi’an, the PRC, with a total GFA of 5,979.86 sq.m. (the “**Xi’an Xinyuan Property**”).

Term

The term commences from 30 August 2024 until 31 December 2037 (both dates inclusive).

Lease fees

The lease fees, comprising rent, management fee and utilities, payable by Beijing Xinyuan Sky to the Group for the Lease Services provided are set out as follows:

The Commercial

Properties	Term	Lease fees
The Xinyang Xinduhui Property	Up to 31 October 2037	<p>Monthly rent will be charged at (i) 13% of the monthly net box office revenue from 1 April 2024 to 31 October 2026; (ii) 14% of the monthly net box office revenue from 1 November 2026 to 31 October 2029; and (iii) 15% of the monthly net box office revenue from 1 November 2029 to 31 October 2037.</p> <p>A management fee of RMB10/sq.m. per month will also be payable by Beijing Xinyuan Sky and the utilities will be calculated on a monthly basis based on actual usage.</p>
The Chengdu Xinduhui Property	Up to 26 October 2033	<p>Monthly rent will be charged at (i) 12% of the monthly net box office revenue from 1 April 2024 to 26 October 2024; (ii) 13% of the monthly net box office revenue from 27 October 2024 to 26 October 2027; (iii) 14% of the monthly net box office revenue from 27 October 2027 to 26 October 2030; and (iv) 15% of the monthly net box office revenue from 27 October 2030 to 26 October 2033.</p> <p>A management fee of RMB6/sq.m. per month will also be payable by Beijing Xinyuan Sky and the utilities will be calculated on a monthly basis based on actual usage.</p>

The Commercial Properties

Term	Lease fees
Up to 15 December 2031	<p>Monthly rent will be charged at 15% of the monthly net box office revenue from 1 April 2024 to 15 December 2025, with a minimum guaranteed rent of RMB2,750,000 per year.</p> <p>Monthly rent will be charged at 16% of the monthly net box office revenue from 16 December 2025 to 15 December 2028, with a minimum guaranteed rent of RMB2,750,000 per year from 16 December 2025 to 15 December 2026 and a minimum guaranteed rent of RMB2,890,000 per year from 16 December 2026 to 15 December 2028.</p> <p>Monthly rent will be charged at 17% of the monthly net box office revenue from 16 December 2028 to 15 December 2031, with a minimum guaranteed rent of RMB2,890,000 per year.</p> <p>A management fee of RMB35,879.16 per month will also be payable by Beijing Xinyuan Sky and the utilities will be calculated on a monthly basis based on actual usage.</p>

The lease fees payable by Beijing Xinyuan Sky was determined after arm's length negotiations by the parties with reference to the ranking of the cities where the Commercial Properties are located, project location, floor location, project structure, the cinema's operating costs, depreciation and amortisation expenses, and the rental sharing models of similar developments in the market.

As the Commercial Properties are managed by the Group for Xinyuan Real Estate Group, the rent collected by the Company will be allocated to Xinyuan Real Estate Group in accordance with the rental allocation percentage and period as separately agreed between the Company and Xinyuan Real Estate Group pursuant to the Commercial Assets Entrusted Operation Framework Agreement.

Historical transaction amounts

The historical transaction amounts of lease fees paid by Beijing Xinyuan Sky for the Commercial Properties for the three years ended 31 December 2023 are as follows:

For the year ended 31 December		
2021	2022	2023
RMB5,042,561	RMB4,318,403	RMB4,871,390

Proposed annual caps

The proposed annual caps for the lease fees payable by Beijing Xinyuan Sky to the Group under the Sky Cinema Lease Services Agreement for each of the 14 years ending 31 December 2037 are as follows:

For the year ending 31 December	Annual caps (RMB)
2024	3,900,000
2025	5,210,000
2026	5,230,000
2027	5,390,000
2028	5,430,000
2029	5,440,000
2030	5,480,000
2031	5,370,000
2032	2,210,000
2033	2,100,000
2034	940,000
2035	940,000
2036	940,000
2037	870,000

The above proposed annual caps were determined based on arms' length negotiations between the parties taking into account the following:

- (i) the historical amount of lease fees paid by Beijing Xinyuan Sky for the Commercial Properties for each of the three years ended 31 December 2023;

- (ii) the estimated future development trend of Beijing Xinyuan Sky. With growing maturity of the locations of the cinemas as well as gradually increasing footfall, rental per sq.m. is expected to increase by tiers and in stages each ranging from 3 to 5 years, depending on the locations of different properties, with an increment of 1% of shared revenue for each tier, subject to a cap of 15%; and
- (iii) the amount of lease fees expected to be payable by Beijing Xinyuan Sky to the Group under the Sky Cinema Lease Services Agreement.

Considering the factors set out above, the Directors (including the independent non-executive Directors) are of the view that the proposed annual caps of the Sky Cinema Lease Services Agreement are fair and reasonable.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SKY CINEMA LEASE SERVICES AGREEMENT

On 21 June 2024, the Company and Xinyuan Real Estate entered into a framework agreement, pursuant to which the Group is entrusted by Xinyuan Real Estate Group to provide operation services in respect of the latter's commercial assets in the PRC and the rent collected by the Group will be allocated to Xinyuan Real Estate Group regularly in accordance with the rental allocation percentage and period as agreed in the relevant individual agreements. The Commercial Properties are part of the commercial assets operated by the Group for Xinyuan Real Estate Group. Therefore, the entering into of the Sky Cinema Lease Services Agreement will enable the Group to generate income through providing lease services in respect of the Commercial Properties and contribute to the Group's business growth.

The Directors (including the independent non-executive Directors) are of the view that the Sky Cinema Lease Services Agreement was entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

OPINION FROM THE INDEPENDENT FINANCIAL ADVISER

Since the term of the Sky Cinema Lease Services Agreement exceeds three years, pursuant to Rule 14A.52 of the Listing Rules, the Company has to appoint an independent financial adviser to explain the reason for the long period of the Sky Cinema Lease Services Agreement and to confirm that it is normal business practice for agreements of this type to be of such duration. For this purpose, the Company has appointed Rainbow Capital as the independent financial adviser.

In assessing the reasons why the duration of the Sky Cinema Lease Services Agreement should be longer than three years, Rainbow Capital has considered the following factors based on the information provided by the management of the Group as well as the publicly available information:

- (i) the entering into of the Sky Cinema Lease Services Agreement with a longer duration ensures stability of the operation of cinema contemplated in the Commercial Properties (the “**Business**”), which is expected to generally minimise the risks and costs associated with the frequent switch of operator of the Business;
- (ii) Beijing Xinyuan Sky has to devote significant management effort to develop the Business over a number of years, which makes it commercially desirable for Beijing Xinyuan Sky to have a sufficiently long management term to capture the benefits arising from its effort in the initial years; and
- (iii) a comparatively long duration will facilitate the sales and marketing initiatives of Beijing Xinyuan Sky and extend the period of income to be generated from the Sky Cinema Lease Services Agreement (which is based on a fixed percentage of the monthly net box office revenue of the subject cinema).

In considering whether it is normal business practice for contracts of a similar nature to the Sky Cinema Lease Services Agreement to have a term of such duration, Rainbow Capital has:

- (i) referred to the duration of the existing sky cinema lease services agreements (the “**Existing Agreements**”) entered into between (a) the Company and/or its subsidiaries on one hand; and (b) members of the Xinyuan Real Estate Group on the other hand for the provision of cinema lease and management services. Rainbow Capital notes that the duration of the Sky Cinema Lease Services Agreement of approximately 13 years falls in the range of the duration of the Existing Agreements of approximately 7 to 13 years;
- (ii) reviewed the principal terms of comparable transactions (the “**Cinema Comparable Transactions**”) involving provision of cinema operation, lease and management services up to the date of this announcement. The Cinema Comparable Transactions have been selected by Rainbow Capital based on the following criteria: (a) one of the parties (or its direct or indirect holding companies) to such transactions is listed in Hong Kong or a listing applicant of the Stock Exchange, and is principally engaged in provision of operation, lease and management services for cinemas; and (b) the principal terms of such transactions are publicly disclosed on the website of the Stock Exchange. Rainbow Capital notes that the duration of the Sky Cinema Lease Services Agreement of approximately 13 years is close to the upper end of the range of the duration of the Cinema Comparable Transactions of 4 to 10 years; and

- (iii) further reviewed the principal terms of comparable transactions (the “**Commercial Properties Comparable Transactions**”) involving provision of commercial operation and management services up to the date of this announcement, which Rainbow Capital considers that the duration of the provision of the Lease Services is broadly derived from and correlated to the duration of the provision of similar operating and management services on commercial properties. The Commercial Properties Comparable Transactions have been selected by Rainbow Capital based on the following criteria: (a) one of the parties (or its direct or indirect holding companies) to such transactions is listed in Hong Kong or a listing applicant of the Stock Exchange, and is principally engaged in provision of operation and management services for commercial projects; and (b) the principal terms of such transactions are publicly disclosed on the website of the Stock Exchange. Rainbow Capital notes that the duration of the Sky Cinema Lease Services Agreement of approximately 13 years falls in the range of the duration of the Commercial Properties Comparable Transactions of 5 to 20 years.

Based on the above considerations, Rainbow Capital is of the opinion that (i) a term of longer than three years is required for the Sky Cinema Lease Services Agreement; and (ii) it is normal business practice of contracts of this type to be of up to approximately 13 years.

INTERNAL CONTROL

To ensure the continuing connected transactions will be conducted in accordance with the terms of the Sky Cinema Lease Services Agreement, the Group has adopted the following internal control measures:

- (i) the finance department of the Group will closely monitor each payment made or received under the Sky Cinema Lease Services Agreement, and timely report monitoring data to the compliance department designated by the Company. The compliance department will continue to summarise and monitor the total transaction amount under the Sky Cinema Lease Services Agreement to ensure that the annual caps will not be exceeded;
- (ii) the auditors of the Company shall conduct annual reviews on the payments made and the annual caps to ensure that the total transaction amounts are within the annual caps and that the transactions are conducted in accordance with the terms of the Sky Cinema Lease Services Agreement; and
- (iii) the Directors (including the independent non-executive Directors) will continue to review the quarterly monitoring reports on the transactions conducted under the Sky Cinema Lease Services Agreement issued by the management to ensure that the transactions are entered into in the ordinary and usual course of business of the Company and on normal commercial terms, 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

As at the date of this announcement, Beijing Xinyuan Sky is a subsidiary of Xinyuan Real Estate, the controlling shareholder of the Company indirectly holding approximately 50.59% of the issued share capital of the Company. Therefore, Beijing Xinyuan Sky is a connected person of the Company. As a result, the Sky Cinema Lease Services Agreement and the transactions contemplated thereunder constitute continuing 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% and the annual aggregate transaction amount exceeds HK\$3 million, the Sky Cinema Lease Services Agreement and the transactions contemplated thereunder are subject to the annual reporting and announcement requirements but exempt from the independent shareholders' approval under Chapter 14A of the Listing Rules.

For the avoidance of doubt, the lease fees for the Commercial Properties attributable to the Company for the period before the date of the Sky Cinema Lease Services Agreement was less than HK\$3,000,000 and the highest applicable percentage ratio (as defined in the Listing Rules) is less than 5%.

Since Mr. LI Yifan, an independent non-executive Director, is also an independent non-executive director of 鑫苑(中國)置業有限公司 (Xinyuan (China) Real Estate Co., Ltd*) (a wholly-owned subsidiary of Xinyuan Real Estate), he had abstained from voting on the Board resolutions approving the Sky Cinema Lease Services Agreement. Save as disclosed above, none of the Directors had a material interest in the Sky Cinema Lease Services 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 BEIJING XINYUAN SKY

Beijing Xinyuan Sky is a limited liability company established in the PRC and is principally engaged in film distribution, performance agency, cultural performance and film screening. As at the date of this announcement, it is owned as to approximately 70.77% by Xinyuan Real Estate and approximately 29.23% by Nanjing Sky Cinema Management Co., Ltd* (南京星空影城管理有限公司), a limited liability company established in the PRC which is ultimately owned by three PRC residents, namely Zhou Xiaodong, Zhou Xiaojuan and Zhu Chunling as to 40%, 39% and 21%, respectively.

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 and currently operates in 17 cities over the PRC. Xinyuan Real Estate Group focuses on developing large scale quality residential projects with the aim of providing middle-class consumers with a comfortable and convenient community life. In addition to the residential projects, Xinyuan Real Estate Group has also developed and is operating and managing several shopping malls in the PRC. In addition to the PRC market, Xinyuan Real Estate Group also keeps exploring opportunities globally to expand its operation to overseas markets (including several cities in the United States, the United Kingdom and Malaysia).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, each of Beijing Xinyuan Sky and its ultimate beneficial owners (save for Xinyuan Real Estate) is independent of the Company and its connected persons.

DEFINITIONS

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

“Beijing Xinyuan Sky”	北京鑫苑星空影視投資有限責任公司 (Beijing Xinyuan Sky Film and Television Investment Co., Ltd.*), a limited liability company established in the PRC
“Board”	the board of Directors
“Commercial Assets Entrusted Operation Framework Agreement”	the framework agreement dated 21 June 2024 entered into between the Company and Xinyuan Real Estate in relation to the provision of entrusted operation services in respect of certain commercial assets by the Group to Xinyuan Real Estate Group, details of the which are set out in the Company's announcement dated 21 June 2024 and circular dated 22 July 2024
“Commercial Properties”	has the meaning ascribed to it under the section headed “The Sky Cinema Lease Services Agreement” 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
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Financial Adviser” or “Rainbow Capital”	Rainbow Capital (HK) Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed by the Company for the purpose of Rule 14A.52 of the Listing Rules in relation to the Sky Cinema Lease Services Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“Sky Cinema Lease Services Agreement”	the agreement dated 30 August 2024 entered into the Company and Beijing Xinyuan Sky in relation to the provision of lease services by the Group to Beijing Xinyuan Sky in respect of the Commercial Properties
“sq.m.”	square meter
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“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 Real Estate Group”	Xinyuan Real Estate and its subsidiaries (excluding the Group)
“%”	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, 30 August 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*