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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)**

### **FULFILLMENT OF RESUMPTION GUIDANCE AND RESUMPTION OF TRADING**

This announcement is made by Xinyuan Property Management Service (Cayman) Ltd. (the “**Company**”) pursuant to Rule 13.24A of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong) (the “**SFO**”).

Reference is made to the announcements of the Company dated 31 March 2021, 28 May 2021, 30 June 2021, 27 July 2021, 31 August 2021, 23 September 2021, 30 September 2021, 31 December 2021, 11 January 2022, 12 January 2022, 15 February 2022, 29 March 2022, 31 March 2022, 13 April 2022, 16 May 2022, 27 May 2022, 2 June 2022, 7 June 2022, 23 June 2022, 30 June 2022 and 15 July 2022 (the “**Announcements**”). Unless the context otherwise requires, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

### **BACKGROUND OF SUSPENSION OF TRADING IN THE SHARES**

As disclosed in the Company’s announcement dated 31 March 2021, the Company was unable to publish its 2020 Annual Results by 31 March 2021, as the Company was in the process of ascertaining the affairs relating to certain connected transactions and considering the implications, if any, on its financial statements. Further information was requested by the Company’s former auditor, Ernst & Young (“**EY**”) for the purpose of completing its relevant audit procedures.

At the request of the Company, trading in the Company’s shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 1 April 2021 pending the publication of the Company’s audited 2020 Annual Results. Following the publication of the Company’s audited 2020 Annual Results on 31 August 2021, trading in the Company’s shares remained suspended, pending compliance with the other requirements set out in the Resumption Guidance as detailed below.

## **INITIAL RESUMPTION GUIDANCE AND ADDITIONAL RESUMPTION GUIDANCE**

As disclosed in the Company's announcement dated 28 May 2021, the Stock Exchange has set out the following Resumption Guidance for the Company. In accordance with the Resumption Guidance, the Company must fulfil the following requirements to the satisfaction of the Stock Exchange before it can resume trading in its Shares:

- (i) publish all outstanding financial results required under the Listing Rules and address any audit modifications;
- (ii) conduct an independent forensic investigation into the delay in publication of its audited annual results for the year ended 31 December 2020, assess the impact on the Company's business operation and financial position, announce the findings and take appropriate remedial actions;
- (iii) 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;
- (iv) 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;
- (v) demonstrate the Company's compliance with Rule 13.24; and
- (vi) inform the market of all material information for the Company's shareholders and investors to appraise the Company's position.

Further, as disclosed in the Company's announcement dated 27 July 2021, the Stock Exchange has set out the following Additional Resumption Guidance for the Company to:

- (i) re-comply with Rules 3.10(1) and 3.21 of the Listing Rules, in relation to having a minimum of three INEDs under Rule 3.10(1) and a minimum of three members of the Audit Committee under Rule 3.21.

## **FULFILLMENT 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 complete the Resumption Guidance to the satisfaction of the Stock Exchange, with a view to resuming trading in its Shares as quickly as possible.

The Board is pleased to announce that the Company has fulfilled the Resumption Guidance, details of which are set out below.

## **Resumption Guidance (i)**

As disclosed in the Company's announcement dated 30 September 2021: the Company's 2020 Annual Results were published on 31 August 2021, and its 2020 Annual Report was issued and dispatched on 23 September 2021; the Company's 2021 Interim Results were published on 30 September 2021 and its 2021 Interim Report was issued and dispatched on 22 October 2021. The Company's 2021 Annual Results were also published on 25 March 2022 and its 2021 Annual Report was issued and dispatched on 25 April 2022.

Nothing unusual has come to the attention of the Board and the Audit Committee in relation to the 2020 Annual Results, the 2020 Annual Report, the 2021 Interim Results, the 2021 Interim Report, the 2021 Annual Results or the 2021 Annual Report which need to be brought to the attention of the Stock Exchange and the shareholders of the Company. As at the date of this announcement, all outstanding financial results of the Company required under the Listing Rules have been published.

### ***Additional audit procedures performed by EY***

As set out in the auditors' opinion in the Company's 2020 Annual Report, additional audit procedures were performed by EY to address the key audit matters identified (which included, amongst others, the fund transfers with related parties during the year ended 31 December 2020), on the basis of which it issued an unqualified audit opinion on the accompanying Company's consolidated financial statements for the year ended 31 December 2020. EY's specific additional audit procedures, as extracted from EY's auditors' opinion were, in particular:

- (i) Checking the completeness of bank accounts of the Group entities by cross matching the bank accounts maintained in the ledgers of such entities with the respective lists of bank accounts of such entities obtained by us directly from banks;
- (ii) Checking the completeness of recorded cash transactions by cross matching of material fund transfers in the Group's ledgers with bank statements obtained by us directly from banks or internet banking systems;
- (iii) Checking the completeness of material related party fund transfers disclosed in the financial statements from the Group's ledgers and bank statements; and
- (iv) Checking the completeness of disclosure of borrowings used to provide financings to related parties and guarantees provided by the Group for financings of related parties, by reviewing credit reports of the Group entities obtained by us directly from banks or internet banking systems.

Accordingly, the Company and the Board confirm their belief that the Company has published all outstanding financial results required under the Listing Rules and addressed any audit modifications where required. The Board also confirms all the financial results published since the trading suspension of the Company's shares have been reviewed by the Audit Committee.

## Resumption Guidance (ii)

As disclosed in the Company's announcement dated 25 May 2021, the Audit Committee engaged independent professional advisors, QE and KPMG (the "**Independent Investigation Team**") to conduct an independent forensic investigation into matters relating to certain transactions, consider the implication, if any, on its financial statements, and provide EY with further information with respect to the foregoing matters. The Independent Investigation (as detailed therein) has since been completed, and the key factual findings of the Independent Investigation are as set out in the Company's announcement dated 23 September 2021.

In particular, the Independent Investigation Team's findings had revealed that:

- (a) Transactions 1 and 2 were principally conducted to settle the offshore indebtedness and other operating expenditures of Xinyuan Real Estate Holdings;
- (b) Transactions 3 and 4 were successive transfers initially intended as deposit payments for the sale and purchase of certain apartments from Xinyuan Real Estate Holdings;
- (c) Transactions 5, 6 and 11 were same-day transfers carried out to enhance the banking activity levels of relevant entities of Xinyuan Real Estate Group, so as to improve or maintain its customer status or credit rating with the relevant banks;
- (d) Transactions 7, 9 and 10 were prepayments made in the honest belief that they were made pursuant to the terms of, and fell within the scope of, pursuant to the Car Parking Space Exclusive Sales Cooperation Agreement (as defined in the Company's announcement dated 29 March 2022), notwithstanding the transactions were not conducted in strict compliance with its terms; and
- (e) Transactions 8 and 12 were transactions conducted via Qingning Apartment, which was at the relevant time(s), by its nature, a joint venture of the Company.

Save for Transaction 12, the underlying transactions have been terminated and/or the payments have been returned. As the Relevant Transactions offset one another in monetary terms (as reflected in the Company's 2020 Annual Report), the Relevant Transactions did not result in any impact to the Company's account balance at the end of the 2020 financial year. The Independent Investigation Team and the Audit Committee notably took into account the abovementioned termination and return of payments, along with the Company's explanations regarding the business rationale and commercial substance for entering into the Relevant Transactions (see further Resumption Guidance (iii) below), particularly the fact that those transactions were ultimately cancelled out by each other and/or other transactions, and would not have affected the Company's account balance for the relevant financial year, in forming the view that the Relevant Transactions did not give rise to any management integrity concerns.

The Company and the Board confirm their belief that the Company has fulfilled Resumption Guidance (ii) as follows:

- (a) As confirmed by the Audit Committee, the Independent Investigation’s scope and methodology were adequate and appropriate, having regard to the nature of the accounting and/or internal control issues identified. The Independent Investigation Team closely coordinated with EY throughout the review process, and EY confirmed that it had no further comments on the forensic investigation findings. It is on the foregoing basis that EY completed their audit for the relevant review period (namely, from 1 January 2020 to 31 March 2021) and issued an unqualified opinion in respect of the Company’s consolidated financial statements for the year ended 31 December 2020. In particular, in addition to the Relevant Transactions, in connection with which potential accounting and/or internal control issues were initially noted, the Independent Investigation also covered further transactions during the relevant review period which revealed patterns analogous to the Relevant Transactions, but did not otherwise involve related party transactions. The Independent Investigation Team’s findings led them to conclude that the root causes of the Relevant Transactions comprised of: (a) weaknesses in certain aspects of the Company’s internal controls; and (b) insufficient understanding and awareness of the importance of certain aspects of internal controls and regulatory compliance, on the part of the Company’s personnel, as confirmed by the Audit Committee. These accounting and/or internal control issues, along with the proposed enhancements to prevent similar issues from arising in the future, were summarised under the section titled “Assessment of the Relevant Transactions and Internal Controls Enhancements” in the Company’s announcement dated 23 September 2021.
  
- (b) The investigative steps taken by the Independent Investigation Team (under the close supervision of the Audit Committee) were forensic and comprehensive, and received the full support of the Company and the Board. Specifically, the steps taken involved the following:
  - (i) Independent verification of bank account lists and bank transaction records of the Company affiliates and subsidiaries. Based on the independent collection of the relevant bank accounts and bank transaction records during the review period, the Independent Investigation Team had exhaustively collected and analysed a total of 511 bank transactions that had an amount greater than or equal to RMB1 million from the Company’s 52 bank accounts, and had reviewed the relevant supporting documentation of a substantial number of these transactions.
  
  - (ii) Review of policies and procedures, accounting records, and supporting documentation relating to the transactions under review.
  
  - (iii) Forensic transaction testing on a risk-based basis.
  
  - (iv) Forensic collection and review of relevant employee documentation.
  
  - (v) Interviews with relevant Company personnel, as well as on-site field work in Mainland China.

- (c) As disclosed in the Company's announcement dated 23 September 2021, to the best knowledge of the Board, the issues identified in the Independent Investigation did not affect the business operations of the Company at the material time, and this remains the case as at the date of this announcement. Notably, the Relevant Transactions did not result in any impact to the Company's account balance at the end of the 2020 financial year, given they had offset one another in monetary terms, as reflected in the Company's 2020 Annual Report. Nevertheless, given the weaknesses in certain aspects of the Company's internal controls and issues identified from these transactions, the Independent Investigation Team and the Audit Committee recommended various enhancements to strengthen the Company's internal controls (including enhanced bookkeeping practices, OA processes and employee training, amongst others), which have since been taken on board by the Company, as detailed under Resumption Guidance (iv) below. The Audit Committee also confirmed their belief that the recommended enhancements over internal controls were appropriate for and commensurate with the issues identified.
- (d) The Board and the management have fully cooperated with the Independent Investigation and have rendered all necessary assistance as and when required.

In light of the above, the Company and the Board confirm their belief that the Independent Investigation is appropriate and effective in identifying, and substantially rectifying the accounting and/or internal control issues identified. The Board is further satisfied that the findings of the Independent Investigation have no material adverse impact on the Company's business operations and financial position.

### **Resumption Guidance (iii)**

The Company and the Board are satisfied that any reasonable regulatory concern about management integrity has been addressed, on the following basis.

#### ***Insufficient awareness of operational aspects of related party transactions***

The Board collectively was not aware of, and did not approve the Relevant Transactions at the time of entering into those transactions and/or their underlying agreements, notwithstanding Ms. WANG Yanbo and Mr. HUANG Bo, as the Company's senior management, were closely involved in the Relevant Transactions at the material time. Meanwhile, Mr. ZHANG Yong, by virtue of occupying dual roles and positions in both Xinyuan Real Estate Holdings and the Company, was aware of certain Relevant Transactions and was involved in the internal approval process of Transaction 3. As a result, Transactions 1 to 7 were only brought to the Board's attention in late March 2021, and Transactions 8 to 12 were only brought to the Board's attention at the conclusion of the Independent Investigation in or around August 2021.

The Company and its management recognise that they had not been sufficiently cognisant of, and attentive to, the various operational aspects of the Company's financial management and related party transactions, resulting in untimely disclosure and non-compliance with its corporate governance procedures. This is particularly so in relation to the Relevant Transactions (as detailed under Resumption Guidance (ii) above) which, at the material time they were entered into, were informed by the following business rationale and commercial substance:

- (a) Transactions 1 and 2 were conducted at the request of Xinyuan Real Estate Holdings, which at the material time required offshore cash funding to meet its liquidity needs and to settle its indebtedness. It was in this context that the Company at the material time extended the loans to Xinyuan Real Estate Holdings, its indirect parent, on the understanding that such funds would be subsequently repaid to the Company once its domestic capital could be transferred abroad (and they were repaid);
- (b) In respect of Transactions 3 and 4, which were initially intended as deposit payments for the sale and purchase of certain apartments from Xinyuan Real Estate Holdings, the Company at the material time considered the payments do not prejudice the Company's interest as a whole, in circumstances where the deposit payments were made in connection with proposed intra-group transactions and would ultimately be (and have been) returned;
- (c) With respect to Transactions 5, 6 and 11, as these were same-day transfers carried out to enhance the banking activity levels of relevant entities of Xinyuan Real Estate Group, the Company considered that the relevant entities maintaining a desirable customer status or credit rating with their banks would be beneficial to the Company, given the role that they played and would continue to play in the various projects involving the Company. This would in turn enable the Company to enjoy a better relationship and customer status with the banks;
- (d) In respect of Transactions 7, 9 and 10, the Company's operational approach at the material time was to ensure that the aggregate of payments pertaining to the sale of car parking spaces (ultimately, on behalf of Xinyuan Real Estate Holdings and its subsidiaries) did not exceed the total stipulated amount under the Car Parking Space Exclusive Sales Cooperation Agreement. It was on that basis that they were made in the honest belief that they were made pursuant to the terms of, and fell within the scope of, pursuant to the Car Parking Space Exclusive Sales Cooperation Agreement. As disclosed in the Company's announcement dated 29 March 2022, upon discovering the non-compliance with the terms of the said agreement, the Company, out of its own volition, arranged for the relevant refund/ return of payments;
- (e) In respect of Transactions 8 and 12, noting that Qingning Apartment was at the relevant time(s) a joint venture and not a subsidiary of the Company, these transactions were arranged by the Company to, respectively, reactivate a frozen bank account of Qingning Apartment (which was otherwise dormant due to a lack of activity) and in connection with a secured bank loan obtained in Qingning Apartment's name with Xinyuan Real Estate Holdings as guarantor. The transactions were consented to by Qingning Apartment's management.

As the Company has expressly acknowledged, on certain occasions (namely, in connection with the Relevant Transactions), there were inadequate steps taken to safeguard the Company's assets, or protect shareholders' interests as a whole to the fullest extent possible. This is notwithstanding the findings of the Independent Investigation and the Internal Controls review (the "**IC Review**") conducted by Moore Advisory Services Limited ("**Moore**") as independent internal controls reviewer did not indicate any intentional misconduct, deceit or dishonesty on the part of the Company, the Board or any of its members.

As a result, the Company has voluntarily admitted there were breaches of the Listing Rules, as disclosed in the Company's announcements dated 12 January 2022 and 29 March 2022. The Company and its management sincerely regret these shortcomings, and have willingly and openly acknowledged and taken steps accordingly: as noted in the Company's respective announcements dated 23 September 2021, 31 December 2021 and 11 January 2022, swift and serious remedial action and enhancements have been implemented to enhance the Company's internal reporting and controls and increase senior management oversight over transactions, to ensure ongoing and future compliance with the Company's obligations under the Listing Rules.

Whilst the Independent Investigation highlighted the lack of understanding and awareness of the Company and its management with respect to the various operational aspects of related party transactions (including the Relevant Transactions), the findings of the Independent Investigation did not implicate or suggest any intentional misconduct, deceit or dishonesty on the part of the Company, the Board or any of its members. Notably, the Independent Investigation did not uncover any evidence which suggested any motive of intentional misconduct, deceit or dishonesty on the part of the Company, the Board or any of its members.

#### ***Full cooperation with Independent Investigation and IC Review***

The Board has proactively commissioned, and the management has cooperated fully with the Independent Investigation (which was directed by the Audit Committee comprising only independent non-executive directors, and carried out independently by independent professional advisors) and the IC Review (which was carried out independently by Moore), and the Board and the management were cognisant of and fully respected the integrity and independence of both reviews. In this regard, there was specific emphasis from the Board to its management to fully co-operate with, and to avoid in any way improperly influencing, the two independent reviews.

Upon being informed of the findings of the Independent Investigation and the IC Review, the Company and its management fully and openly accepted the findings of the two independent reviews. Subsequently, the Company and its management have used their best endeavours to assist in remedying the issues identified, and have proactively assisted in the implementation of the enhanced internal control measures recommended by the Independent Investigation Team and Moore, as set out in further detail under Resumption Guidance (ii) and (iv). In so doing, the Company's senior management have demonstrated full transparency and accountability.



### *Updates on Board Composition*

Furthermore, Ms. WANG Yanbo, Mr. ZHANG Yong and Ms. YANG Yuyan have tendered their resignation as directors of the Company and have ceased to hold any executive or management positions in the Company and its subsidiaries with effect from 29 August 2022.

Mr. ZHANG Yong and Ms. YANG Yuyan also respectively undertake to the Stock Exchange and to the Company that they will not use:

- (a) the shares they hold (directly or indirectly) in the Company and its subsidiaries, including their voting power in such shares;
- (b) the shares they hold in the Company's majority shareholder, Xinyuan Real Estate Holdings, including their voting power in such shares; or
- (c) their position as a director of Xinyuan Real Estate Holdings,

to influence the business and operations of the Company and its subsidiaries, in particular: (1) the nomination of any director of the Company; (2) the appointment, re-election or removal of any director of the Company in general meetings; or (3) any decision by the Company to enter into any transactions with, or make any payment to, Xinyuan Real Estate Holdings or the wider Xinyuan Group. Mr. Zhang and Ms. Yang each further undertake to the Stock Exchange and to the Company that they will not influence the business and operations of the Company and its subsidiaries under all circumstances.

In order to ensure the smooth running of daily affairs of the Board and maintain continuity and good governance of the Company, Mr. SHEN Yuan-Ching has been appointed as the Vice Chairman of the Board with effect from 29 August 2022 and shall perform the duties and responsibilities as the Chairman of the Board during the vacancy of the position of Chairman of the Board.

Mr. FENG Bo (“**Mr. Feng**”) has been appointed as an executive Director with effect from 29 August 2022.

The biographical details of Mr. Feng are set out below:

Mr. FENG Bo, aged 44, has extensive experience in corporate governance, the real estate industry and technology industry. From July 2000 to December 2006, Mr. Feng served as assistant engineer of property management department of Wuhan Plaza Management Co., Ltd. From December 2006 to August 2008, Mr. Feng successively served as the assistant to general manager and manager of the administrative personnel department of Henan Xinyuan Property Management Service Co., Ltd. From August 2008 to October 2015, Mr. Feng successively served as the administrative manager of the human resources center, secretary to the chairman, manager of the office of secretaries and manager of the office of the board of directors of Xinyuan Real Estate Co., Ltd. From October 2015 to November 2017, Mr. Feng served as vice president of human resources of Beijing I-Journey Science and Technology Development Co., Ltd. From November 2017 to May 2022, Mr. Feng successively served as manager of the office of the board of directors, assistant to the chairman of Xinyuan Real Estate Co., Ltd. and vice president of Xinyuan Science and Technology Service Group Co., Ltd. From May 2022 to present, Mr. Feng served as vice president of the Company.

Mr. Feng obtained a bachelor's degree in mechanical engineering automation and a master's degree in business administration both from Huazhong University of Science and Technology.

Mr. Feng has entered into a letter of appointment with the Company for an initial term of three years commencing from 29 August 2022, which can be terminated by either party giving to the other not less than three months' prior notice in writing. In accordance with the Company's articles of association, Mr. Feng will hold office until the next following general meeting of the Company after his appointment and shall be subject to re-election at such general meeting. Mr. Feng is entitled to an annual director's fee of RMB2 million, which was determined by the Board on the recommendation of the Remuneration Committee of the Company with reference to his background, experience, qualifications, duties and responsibilities in the Company as an executive Director.

Save as disclosed above, as at the date of this announcement, Mr. Feng (i) does not hold other positions with the Company or its subsidiaries; (ii) does not hold any directorships in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years; (iii) does not have any relationships with any Directors, senior management, substantial or controlling Shareholders (as defined in the Listing Rules) of the Company; (iv) does not have any interests in any shares in the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong); and (v) does not hold any other major appointment and professional qualification.

Save as disclosed above, there is no other information that needs to be disclosed pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules and there is no other matter relating to Mr. Feng's appointment that needs to be brought to the attention of the Shareholders.

### *Consultancy agreements to enhance operational continuity*

Ms. WANG Yanbo and Mr. HUANG Bo shall be engaged by the Company, for a period of 6 months, to advise the Company as external consultants, but would not have any executive or decision-making role in the Company. In consideration of the consultancy services rendered, Ms. Wang and Mr. Huang will be paid a consultancy fee of RMB0.95 million and RMB0.5 million, respectively. The respective fees were determined by the Company's management following arm's length negotiations, having regard to (i) Ms. Wang and Mr. Huang's past experience; and (ii) the services to be provided by Ms. Wang and Mr. Huang under the consultancy agreements. Taking into consideration of Ms. WANG Yanbo and Mr. HUANG Bo's years of experience and familiarity with the Company's business and operation, the Board is of the view that the consultancy agreements (including the consultancy fees thereunder) are on normal commercial terms and fair and reasonable, and that entering into the consultancy agreements would be in the best interests of the Company and its shareholders as a whole and would serve to safeguard the stability of the fundamental operational health enjoyed by the Company for the past several years.

As Ms. Wang and Mr. Huang are considered connected persons of the Company under Rule 14A.07(2) of the Listing Rules, the consultancy agreements constitute connected transactions of the Company. However, as none of the applicable percentage ratios in relation to the respective consultancy agreements exceed 0.1%, the agreements are accordingly fully exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### *Adherence to enhanced systems and controls*

The Company and its senior management have impressed upon all its employees the importance of closely adhering to established systems and controls and general regulatory compliance. This includes, amongst others, training offered to all its directors, senior management and working-level staff members, with a particular focus on the Listing Rules compliance and enhanced systems and controls for connected/disclosable transactions, to militate against any risks of non-compliance in the future. Continuous training on an ongoing basis will be conducted to keep the Company's key management and financial personnel of the Company abreast of compliance requirements pursuant to the Listing Rules, as and when required.

In particular, whilst the Independent Investigation highlighted the lack of understanding and awareness of the Company and its management with respect to the various operational aspects of related party transactions (as set out in Resumption Guidance (ii)), the Independent Investigation Team and the Audit Committee confirm their relief that any management integrity concerns with respect to those directors or senior management who were aware of or involved in the Relevant Transactions have been addressed, notwithstanding there was no indication of any prejudice to the interests of the Company's shareholders, or that the said directors or senior management were against the Company's interest. Furthermore, the Audit Committee does not consider that the Relevant Transactions give rise to any concerns about management integrity in respect of the majority of the directors who were at the time of those transactions not aware of or involved in them.

In light of the foregoing, the Company and the Board confirm their belief that any reasonable regulatory concern about management integrity has been addressed.

### **Resumption Guidance (iv)**

As disclosed in the Company's announcement dated 23 September 2021, in response to the internal control issues identified in the course of the Independent Investigation and to assist the Company in fulfilling the Resumption Guidance (iv), the Audit Committee engaged Moore as independent internal controls reviewer, to review and validate the Company's systems and controls with reference to the Company's compliance with the Listing Rules requirements (specifically, its obligations under Appendix 14 and Chapters 14 and 14A of the Listing Rules). Moore completed its review into the relevant matters during the period from 8 to 18 September 2021, including a follow-up review conducted on 20 October 2021. The key factual findings of the IC Review are as set out in the Company's announcement dated 31 December 2021. Since the completion of the IC Review, the Company has carried out various enhancements and remedial measures, to address the findings and recommendations of Moore – these are detailed in the Company's announcement dated 31 December 2021 and supplemented in the announcement dated 11 January 2022.

The Company and the Board confirm their belief that the Company has fulfilled Resumption Guidance (iv) on the following basis:

- (a) As confirmed by Moore and the Audit Committee, the review period, scope and methodology were adequate and appropriate, and was otherwise commensurate with the issues identified in the course of the Independent Investigation.
- (b) Certain weaknesses were identified in the Company's internal controls, with respect to its compliance with the Corporate Governance Code (Appendix 14 of the Listing Rules) and Chapters 14 and 14A of the Listing Rules, including, amongst others, the lack of a sufficient management system regarding connected/disclosable transactions. Accordingly, Moore made recommendations to the Company to address each of its findings, and also continuously reviewed the internal controls of the Company's connected transactions after its follow-up review. This includes the internal controls with respect to the continuing connected transaction announced by the Company on 9 November 2021, which were implemented pursuant to Moore's recommendations. Having conducted this further review, Moore confirmed that the current internal control system of the Company is adequate and effective in addressing the issues Moore had previously identified.
- (c) Notwithstanding the issues identified by Moore as set out in (b) above, Moore did not identify any material internal control deficiencies in the course of its review, or any other material non-compliance. Moore has also confirmed to the Company that its internal controls and procedures (as enhanced above) have no material control deficiency with respect to the obligations under the Corporate Governance Code (Appendix 14 of the Listing Rules) and Chapters 14 and 14A of the Listing Rules.

- (d) Since completing the IC Review, Moore has continuously reviewed the internal controls of the Company's connected transaction, for the purposes of testing and assessing its enhanced systems. This included a further review which specifically covered the controls with respect to the continuing connected transaction announced by the Company on 9 November 2021, which were implemented pursuant to Moore's recommendations. To ensure continuous improvement and accountability, the Company has also voluntarily engaged Moore to conduct an additional review of the Company's systems and controls the period from November 2021 to December 2022 as an annual review to verify and assess the implementation status of the remedial actions. As of the date of this announcement, Moore continues to assist the Company in reviewing the relevant information and records regarding its connected transactions and related processes.
- (e) Taking into account Moore's findings and recommendations, the Company has implemented a suite of frontline preventive/detective measures as well as additional checks and protections to prevent potential non-compliance with the Listing Rules in the future, as detailed in the Company's announcements dated 31 December 2021 and 11 January 2022.

The Company and the Board therefore confirm their belief that the Company: (a) has addressed the recommendations of Moore in respect of the internal controls deficiencies identified in the IC Review (particularly, arising from the lack of supporting documentation/potential non-compliance with underlying agreements); and (b) currently has sufficient and reliable corporate governance, internal controls and financial reporting systems to fulfil its obligations under the Listing Rules.

#### **Resumption Guidance (v)**

The Company's existing three principal business lines, comprising property management services, value-added services, and pre-delivery and consulting services, remain unchanged and continue with normal operations in all material respects. The Company has been carrying out its business with a sufficient level of operations and has assets of sufficient value in accordance with Rule 13.24 of the Listing Rules. As disclosed in the Company's 2021 Annual Results issued on 25 March 2022:

- (a) the Company's audited revenue and net profit for the year ended 31 December 2021 were RMB770.2 million and RMB124.1 million, respectively; and
- (b) the Company's audited current assets and total equity as at 31 December 2021 were RMB1,141.8 million and RMB914.9 million, respectively.

The Company has been actively advancing the steady development of various businesses in the second half of 2021, including its property management services and community value-added services covering residential properties, integrated properties, commercial and office buildings, business parks, industrial parks, etc.. The Company continued to optimise its business structure and achieved robust growth in scale, through a proactive development of the stock market and nonresidential market, and expansion of owner's committee projects, business parks, complexes and industrial parks. As disclosed in the Company's 2021 Annual Report, as at 31 December 2021, the Group's property management services spanned 52 cities across China and were provided to over 220,000 households. Contracted gross floor area ("GFA") amounted to 63.04 million square metres from a total of 275 contracted properties, of which GFA under management amounted to 37.41 million square metres from a total of 196 properties under management.

The Company's substantial scale of operations is also reflected by the Company's net property, plant and equipment, which amounted to RMB9.6 million as at 31 December 2021. Meanwhile, at 31 December 2021, the Company had time deposits and cash and cash equivalents amounting to approximately RMB595,451,000.

Based on the Company's business operations, available liquid funds, possible sources of financing, and future operational plans, the Board confirms its belief that the Company can carry out its business with a sufficient level of operations and assets of sufficient value to support its operations to warrant the continued listing of its securities, in full compliance with Rule 13.24 of the Listing Rules.

### **Resumption Guidance (vi)**

The Company has included all material information on its business, financial performance and operation management during 2020 and 2021 (the "**Relevant Reporting Periods**") in the 2020 Annual Report, the 2021 Interim Report, the 2021 Annual Results and other disclosure documents published in accordance with the Listing Rules and other applicable regulatory requirements, and has published all material information in relation to all Resumption Guidance imposed on the Company. To the best of the knowledge of the Board, there is no other information required to be disclosed under Part XIVA of the SFO and no other undisclosed information (including in respect of the Resumption Guidance) that is material for the Company's shareholders and other investors to appraise the Company's position. The Company will continue to comply with Resumption Guidance (vi), to ensure that the market is informed of all material information and that 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.

## **Additional Resumption Guidance**

As disclosed in the Company's announcement dated 13 April 2022, Mr. SHEN Yuan-Ching has been appointed as an independent non-executive Director and a member of the Audit Committee with effect from 13 April 2022. Further, as at the date of this Announcement:

- (a) Mr. SHEN Yuan-Ching has been appointed as the Vice Chairman of the Board with effect from 29 August 2022; and
- (b) Mr. FENG Bo has been appointed as an executive Director with effect from 29 August 2022.

Following the appointments as set out above, the Company's Board comprises one executive Director and three independent non-executive Directors. As a result, the Company has re-complied with Rules 3.10(1) and 3.21 of the Listing Rules and is in compliance with the Additional Resumption Guidance.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Company's shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 1 April 2021. As the Resumption Guidance has been fulfilled, 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 2 September 2022.

**Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.**

By order of the Board  
**Xinyuan Property Management Service (Cayman) Ltd.**  
**FENG Bo**  
*Executive Director*

Hong Kong, 1 September 2022

*As at the date of this announcement, the Board comprises Mr. FENG Bo as executive Director; and Mr. LUO Ji, Mr. LI Yifan and Mr. SHEN Yuan-Ching as independent non-executive Directors.*