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新明中国控股

XINMING CHINA

Xinming China Holdings Limited

新明中國控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2699)

INSIDE INFORMATION

COURT-ORDERED SALE OR AUCTION BY THE WENZHOU COURT IN RESPECT OF THE TAIZHOU PROPERTIES HELD BY AN INDIRECT WHOLLY-OWNED SUBSIDIARY OF THE COMPANY

This announcement is made by Xinming China Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”).

COURT-ORDERED SALE OR AUCTION OF TAIZHOU PROPERTIES

Reference is made to the annual report of the Company dated 21 April 2021 for the year ended 31 December 2020, whereby it was disclosed that the Group’s borrowing of approximately RMB500,000,000 had been secured by, among other things, the investment properties held by Taizhou Wenshang Times Property Limited* (台州溫商時代置業有限公司) (“**Wenshang Times**”).

The Board wishes to update that on 31 May 2022, Wenshang Times has received an auction confirmation (the “**Auction Confirmation**”) issued by Zhejiang Wenzhou Intermediate People’s Court (浙江省溫州市中級人民法院) (the “**Wenzhou Court**”). Under the Auction Confirmation, the entire ownership of the land use right held by Wenshang Times in the immovable properties located at Wenshang Times Red Star Macalline Household Products Market, No. 1990 Donghuan Road, Jiaojiang District Taizhou City, Zhejiang Province, The PRC (the “**Taizhou Properties**”) has been auctioned off to Taizhou Taikong Shidai Trading Company Limited* (台州太空時代商貿有限公司) (the “**Bidder**”) at the auction price of RMB282,410,000 (the “**Court-Ordered Sale or Auction**”). The entire ownership of the land use right in respect of the Taizhou Properties shall be transferred from Wenshang Times to the Bidder in partial satisfaction of the outstanding sum owed to Zhejiang Zheshang Asset Management Company Limited* (浙江省浙商資產管理有限公司) (“**Zhejiang Zheshang**”).

BACKGROUND TO THE COURT-ORDERED SALE OR AUCTION OF TAIZHOU PROPERTIES

In December 2021, Zhejiang Zheshang had initiated to the Wenzhou Court for a civil mediation with Wenshang Times, Xinming Group Holdings Limited* (新明集團控股有限公司), Xinming Group Limited (新明集團有限公司), Shandong Xingmeng Property Limited Company* (山東興盟置業有限公司), Mr. Chen Chengshou (陳承守) and Ms. Gao Qiaoqin (高巧琴) (the “**Parties Concerned**”) in respect of the trust financing arrangement entered into in 2014. As concluded in the Civil Mediation Document (2021) Zhe 03 Min Chu No 892 ((2021)浙03民初892號) (the “**Civil Mediation Document**”), Wenzhou Court held that Zhejiang Zheshang and the Parties Concerned had entered into a compromise arrangement pursuant to which, Zhejiang Zheshang and the Parties Concerned agreed, among other things, that: (1) Wenshang Times shall repay the total outstanding principal of RMB493,000,000, together with the payable interest and default interest not less than approximately RMB95 million, to Zhejiang Zheshang (the “**Total Outstanding Sum**”); and (2) in the event that Wenshang Times is unable to return the said Total Outstanding Sum, Zhejiang Zheshang shall have the right to auction and sell the entire ownership of the land use right by Wenshang Times in the Taizhou Properties as repayment to the Total Outstanding Sum.

Since Wenshang Times was unable to repay the Total Outstanding Sum in accordance with the arrangement under the Civil Mediation Document, Zhejiang Zheshang filed an enforcement notice applying to the Wenzhou Court for an enforcement order for the Court-Ordered Sale or Auction and Wenzhou Court proceeded to hold an initial auction on 13 May 2022, however there were no bidders for such initial auction.

FINANCIAL IMPACT OF THE COURT-ORDERED SALE OR AUCTION ON THE GROUP

Immediately prior to the Court-Ordered Sale or Auction, Wenshang Times is the owner as to the land use right of the Taizhou Properties. Upon completion of the Court-Ordered Sale or Auction, Wenshang Times will no longer hold any interest in the Taizhou Properties. Based on the preliminary annual result for the year ended 31 December 2021 published in the announcement of the Company dated 30 March 2022, the Taizhou Properties are classified as investment properties and stated at fair value of approximately RMB969 million at 31 December 2021 in the Group's draft consolidated financial statements, which is subject to the final audit to be performed by the auditors of the Company.

The Directors are of the view that the Court-Ordered Sale or Auction through auction of Taizhou Properties was imposed by Wenzhou Court to pay off the Total Outstanding Sum and therefore it might not be conducted as an orderly transaction with limited market participants. In this regards, the final auction price of the Taizhou Properties does not reflect the fair value determined and stated in the consolidated financial statements of the Group under the relevant accounting standard.

The unaudited figures included in this announcement (the “**Unaudited Figures**”) constitute a profit forecast under Rule 10 of the Takeovers Code and should be reported on by the Company's financial adviser and auditors in accordance with Rule 10.4 of the Takeovers Code. In view of the requirements of timely disclosures of the inside information under Rule 13.09(2)(a) of the Listing Rules and pursuant to Part XIVA of the SFO, the Company is required to issue this announcement as soon as practicable and given the time constraints, the Company has encountered genuine practical difficulties (time-wise or otherwise) in meeting the reporting requirements set out in Rule 10.4 of the Takeovers Code. Under Rule 10.4 of the Takeovers Code, if a profit forecast is made by the Company during an offer period and the forecast is published first in an announcement, it must be repeated in full, together with the reports from the Company's financial adviser and auditors on the said profit forecast, in the next document to be sent to the Shareholders by the Company under the Takeovers Code (the “**Shareholders' Document**”). However, as the audited consolidated results of the Group for the year ended 31 December 2021 are expected to be published prior to the despatch of the Shareholders' Document, the requirements to report on the Unaudited Figures

under Rule 10.4 of the Takeovers Code will no longer apply in the event that the audited consolidated results of the Group for the year ended 31 December 2021 are published which fall within the ambit of Rule 10.9 of the Takeovers Code before the despatch of Shareholders' Document. Otherwise the said Unaudited Figures will be reported on in accordance with Rule 10 of the Takeovers Code and the relevant reports will be included in the Shareholders' Document.

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

By order of the Board
Xinming China Holdings Limited
Chen Chengshou
Chairman and Chief Executive Officer

Hong Kong, 31 May 2022

As at the date of this announcement, the executive Directors are Mr. Chen Chengshou, Mr. Feng Cizhao and Mr. Pu Wei; the non-executive Directors are Ms. Gao Qiaoqin, Mr. Choi Clifford Wai Hong and Mr. Zhou Zhencun; and the independent non-executive Directors are Mr. Khor Khie Liem Alex, Mr. Chiu Kung Chak and Mr. Lau Wai Leung, Alfred.