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XINDA INVESTMENT HOLDINGS LIMITED

鑫達投資控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1281)

NON-FULFILMENT OF PROFIT GUARANTEE

This announcement is made by Xinda Investment Holdings Limited (the “**Company**”) pursuant to Rules 14.36B and 14A.63 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Reference is made to the announcements of the Company dated 21 May 2019 and 26 June 2019 as well as the circular of the Company dated 11 June 2019 (the “**Circular**”) in relation to, among other things, the capital injection by Beijing Longguang, an indirect wholly-owned subsidiary of the Company, to the Target Company for the acquisition of 40% equity interest in the Target Company. Unless otherwise defined, terms used in this announcement shall have the same meanings as those defined in the Circular.

Pursuant to the Capital Increase Agreement, Hebei Julin provided a profit guarantee to Beijing Longguang and agreed to compensate Beijing Longguang for the shortfall between the guaranteed profit and the actual net profit of the Target Company every three years (commencing from 1 January 2020) if the annual net profit set out in the Target Company’s annual financial statements (as verified by Beijing Longguang) is lower than the agreed amount during the Guarantee Period. The formula for calculating the compensation is (Guaranteed accumulated net profit — Actual accumulated net profit)×40%.

The guaranteed accumulated net profit and the actual accumulated net profit of the Target Company for the years 2020, 2021 and 2022, respectively, were as follows,

Year	Guaranteed accumulated net profit (RMB’000)	Actual accumulated net profit (RMB’000)
Year 2020	12,000	8,967
Year 2021	29,000	24,952
Year 2022	54,000	-1,255,868

According to the Capital Increase Agreement, if the Target Company recorded a net loss prior to 31 December 2031, such net loss shall be borne by Hebei Julin alone. Accordingly, the shortfall between the guaranteed accumulated net profit and the actual accumulated net profit for the above three years is RMB54,000,000 and the profit compensation payable by Hebei Julin to Beijing Longguang is: $RMB54,000,000 \times 40\% = RMB21,600,000$.

Pursuant to the Capital Increase Agreement, Beijing Longguang will be entitled to claim compensation from Hebei Julin in one or both of the following manners: (i) direct deduction from the distributable profits of the Target Company entitled to Hebei Julin for the year; or (ii) cash compensation from Hebei Julin. Such compensation shall be paid by Hebei Julin on or before 31 March of the year immediately following the relevant three-year period.

As far as the Company is aware, the Target Company has recorded a substantial loss in the year 2022 and therefore Beijing Longguang has already requested Hebei Julin and its Guarantor to pay compensation of RMB21,600,000 in cash to Beijing Longguang by 5:00 p.m. on 31 March 2023, but as at the date of this announcement, the Company and Beijing Longguang have not received the compensation from Hebei Julin and the Guarantor.

The Board of the Company (including the independent non-executive directors) is of the view that: (i) Hebei Julin has failed to fulfil the profit guarantee under the aforesaid Capital Increase Agreement and has not paid the compensation in accordance with the Capital Increase Agreement as at the date of this announcement; and (ii) the demand by Beijing Longguang for compensation in cash from Hebei Julin is fair and reasonable and in the interests of the shareholders of the Company as a whole after taking into account of the current financial position of the Target Company. The Company will subsequently take further appropriate actions (including but not limited to legal actions) to recover the above-mentioned compensation to safeguard the legitimate interests of the Company as appropriate.

Further announcements will be made by the Company in due course to provide updates on progress in respect thereof.

By order of the Board
Xinda Investment Holdings Limited
Wei Qiang
Chairman

Hebei, 31 March 2023

As at the date of this announcement, the executive Director is Mr. Wei Qiang, and the independent non-executive Directors are Dr. Han Qin Chun, Mr. Wong Yik Chung, John and Mr. Feng Zhidong.