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# THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed security dealer or other registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Xinming China Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or the transferee or to the bank, licensed security dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular appears for information only and does not constitute an invitation or offer to Shareholders or any other persons to acquire, purchase, or subscribe for securities of the Company.

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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)**

**(1) PROPOSED CAPITAL REORGANISATION;  
(2) PROPOSED RIGHTS ISSUE ON THE BASIS OF FOUR (4)  
RIGHTS SHARE FOR EVERY ONE (1) ADJUSTED SHARE HELD  
AT THE CLOSE OF BUSINESS ON THE RECORD DATE  
ON A NON-UNDERWRITTEN BASIS;  
AND  
(3) NOTICE OF EGM**

**Financial Adviser to the Company**

**ADVENT**  
**宏智融資**  
Advent Corporate Finance Limited

**Placing Agent**

**ADVENT**  
**宏智證券(香港)**  
Advent Securities (Hong Kong) Limited

**Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders**

**AmCap**  
**Ample Capital Limited**  
**豐盛融資有限公司**

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Capitalised terms used in the lower portion of this cover page shall have the same respective meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 8 to 37 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 38 to 39 of this circular. A letter from the Independent Financial Adviser, containing its recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 40 to 62 of this circular.

It should be noted that the Shares will be dealt in on an ex-rights basis from Tuesday, 15 April 2025. Dealings in the Rights Shares in nil paid form are expected to take place from Wednesday, 30 April 2025 to Friday, 9 May 2025 (both days inclusive). If the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed. Any person contemplating dealing in the nil-paid Rights Shares during the period from Wednesday, 30 April 2025 to Friday, 9 May 2025 (both days inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Any person contemplating dealing in the Shares, the Adjusted Shares and/or the Rights Shares in their nil-paid form are recommended to consult his/her/its own professional advisers.

A notice convening the EGM to be held at Unit D, 7/F, Kee Shing Centre, 74-76 Kimberley Road, Tsim Sha Tsui, Kowloon, Hong Kong on Thursday, 13 March 2025 at 11:00 a.m. is set out on pages EGM-1 to EGM-5 of this circular. A form of proxy for use at the EGM is also enclosed. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Registrar as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or the adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares and is subject to the fulfilment of conditions. Please refer to the section headed "Letter from the Board – Conditions of the Rights Issue" in this circular. In the event that the Rights Issue is not fully subscribed, any Unsubscribed Rights Shares together with the NQS Unsold Rights Shares will be placed to independent placees on a best effort basis under the Placing. Any Unsubscribed Rights Shares or NQS Unsold Rights Shares which are not placed under the Placing will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. There is no minimum amount to be raised under the Rights Issue. The Cayman Islands legal adviser of the Company has confirmed that there is no minimum subscription amount required to be raised from the Rights Issue under the laws of the Cayman Islands. Shareholders and potential investors are advised to exercise caution when dealing in the Shares, the Adjusted Shares and/or the nil-paid Rights Shares up to the date when all the conditions to which the Rights Issue is subject are fulfilled.

25 February 2025

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## CONTENTS

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|   | <i>Page</i> |
|---|-------------|
| <b>EXPECTED TIMETABLE</b> .....   | ii          |
| <b>DEFINITIONS</b> .....  | 1           |
| <b>LETTER FROM THE BOARD</b> .....  | 8           |
| <b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE</b> .....                              | 38          |
| <b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER</b> .....                            | 40          |
| <b>APPENDIX I — FINANCIAL INFORMATION OF THE GROUP</b> .....                          | I-1         |
| <b>APPENDIX II — UNAUDITED PRO FORMA FINANCIAL<br/>INFORMATION OF THE GROUP</b> ..... | II-1        |
| <b>APPENDIX III — GENERAL INFORMATION</b> .....                                       | III-1       |
| <b>NOTICE OF EGM</b> .....  | EGM-1       |

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## EXPECTED TIMETABLE

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*The expected timetable for the Capital Reorganisation and the Rights Issue is set out below which is indicative only and has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled. The expected timetable is subject to change and further announcement(s) will be made by the Company should there be any changes to the expected timetable.*

| Event  | Date  |
|--|---|
| Despatch date of this circular together with the notice of EGM and proxy form for EGM .....  | Tuesday, 25 February 2025                       |
| Latest time for lodging transfer documents of the Shares to qualify for attendance and voting at the EGM. ....   | 4:30 p.m. on Thursday, 6 March 2025             |
| Closure of register of members of the Company for determining the identity of the Shareholders entitled to attend and vote at the EGM (both dates inclusive). .... | Friday, 7 March 2025 to Thursday, 13 March 2025 |
| Latest time for lodging proxy forms for the EGM .....  | 11:00 a.m. on Wednesday, 12 March 2025          |
| Record date for attendance and voting at the EGM .....   | Thursday, 13 March 2025                         |
| Expected date and time of the EGM to approve the proposed Capital Reorganisation and Rights Issue .....  | 11:00 a.m. on Thursday, 13 March 2025           |
| Announcement of the poll results of the EGM .....  | Thursday, 13 March 2025                         |
| Register of members of the Company re-opens. ....  | Friday, 14 March 2025                           |

The following events are conditional upon the results of the EGM and on the fulfilment of the conditions relating to the implementation of the Capital Reorganisation and therefore the dates are tentative only:

| Event   | Date                               |
|---|------------------------------------|
| Effective date of the Capital Reorganisation .....    | Monday, 14 April 2025              |
| Commencement of dealings in the Adjusted Shares ..... | 9:00 a.m. on Monday, 14 April 2025 |

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## EXPECTED TIMETABLE

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| <b>Event</b> | <b>Date</b> |
|--------------|-------------|
|--------------|-------------|

|   |                                       |
|---|---------------------------------------|
| Original counter for trading in Existing Shares in board lot of 2,000 Existing Shares (in the form of existing share certificates) temporarily closes ..... | 9:00 a.m. on<br>Monday, 14 April 2025 |
|---|---------------------------------------|

|   |                                       |
|---|---------------------------------------|
| Temporary counter for trading in the Adjusted Shares in board lot of 20 Adjusted Shares (in the form of existing share certificates) open. .... | 9:00 a.m. on<br>Monday, 14 April 2025 |
|---|---------------------------------------|

The following events are conditional upon the results of the EGM and on the fulfilment of the conditions relating to the implementation of the Capital Reorganisation and the Rights Issue and therefore the dates are tentative only:

| <b>Event</b> | <b>Date</b> |
|--------------|-------------|
|--------------|-------------|

|  |                       |
|--|-----------------------|
| First day of free exchange of existing share certificates for the Existing Shares for new share certificates for the Adjusted Shares ..... | Monday, 14 April 2025 |
|--|-----------------------|

|  |                       |
|--|-----------------------|
| Last day of dealings in the Adjusted Shares on a cum-rights basis relating to the Rights Issue ..... | Monday, 14 April 2025 |
|--|-----------------------|

|   |                        |
|---|------------------------|
| First day of dealings in the Adjusted Shares on an ex-rights basis relating to the Rights Issue ..... | Tuesday, 15 April 2025 |
|---|------------------------|

|   |  |
|---|--|
| Latest time for the Shareholders to lodge transfer documents of Adjusted Shares in order to be qualified for the Rights Issue ..... | 4:30 p.m. on<br>Wednesday, 16 April 2025 |
|---|--|

|   |   |
|---|---|
| Closure of register of members to determine the entitlements to the Rights Issue (both dates inclusive) ..... | Thursday, 17 April 2025 to<br>Friday, 25 April 2025 |
|---|---|

|  |                       |
|--|-----------------------|
| Record date for the Rights Issue ..... | Friday, 25 April 2025 |
|--|-----------------------|

|  |                       |
|--|-----------------------|
| Expected despatch date of the Prospectus Documents to Qualifying Shareholders, and in the case of the Non-Qualifying Shareholders, the Prospectus only ..... | Monday, 28 April 2025 |
|--|-----------------------|

|   |                       |
|---|-----------------------|
| Register of members of the Company re-opens ..... | Monday, 28 April 2025 |
|---|-----------------------|

|   |                          |
|---|--------------------------|
| First day of dealings in nil-paid Rights Shares ..... | Wednesday, 30 April 2025 |
|---|--------------------------|

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## EXPECTED TIMETABLE

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| Event   | Date                                     |
|---|--|
| Original counter for trading in the Adjusted Shares in board lot of 2,000 Adjusted Shares (in the form of new share certificates) re-opens .....  | Wednesday, 30 April 2025                 |
| Parallel trading in the Adjusted Shares (in the form of both existing share certificates in board lots of 20 Adjusted Shares and new share certificates in board lots of 2,000 Adjusted Shares) commences. .... | Wednesday, 30 April 2025                 |
| Designated broker starts to stand in the market to provide matching services for odd lot of the Adjusted Shares .....   | 9:00 a.m. on<br>Wednesday, 30 April 2025 |
| Latest time for splitting the PAL. ....   | 4:30 p.m. on<br>Tuesday, 6 May 2025      |
| Last day of dealings in nil-paid Rights Shares. ....  | Friday, 9 May 2025                       |
| Latest Time for Acceptance of and payment for the Rights Shares. ....   | 4:00 p.m. on<br>Wednesday, 14 May 2025   |
| Announcement of the number of the Unsubscribed Rights Shares and NQS Unsold Rights Shares subject to the Compensatory Arrangements. ....  | Wednesday, 21 May 2025                   |
| Commencement of the Placing Period (if there are any Unsubscribed Rights Shares and NQS Unsold Rights Shares available) .....   | Thursday, 22 May 2025                    |
| Designated broker ceases to provide matching services for odd lot of the Adjusted Shares .....  | 4:00 p.m. on<br>Thursday, 22 May 2025    |
| Temporary counter for trading in the Adjusted Shares in board lot of 20 Adjusted Shares (in the form of existing share certificates) closes .....   | 4:10 p.m. on<br>Thursday, 22 May 2025    |
| Parallel trading in the Adjusted Shares (in the form of both existing share certificates in board lots of 20 Adjusted Shares and new share certificates in board lots of 2,000 Adjusted Shares) ends. ....      | 4:10 p.m. on<br>Thursday, 22 May 2025    |

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## EXPECTED TIMETABLE

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| Event  | Date                                |
|--|-------------------------------------|
| Last day for free exchange of existing share certificates for new share certificates for the Adjusted Shares . . . . .               | Monday, 26 May 2025                 |
| Latest time of placing of Unsubscribed Rights Shares and NQS Unsold Rights Shares subject to the Compensatory Arrangements . . . . . | Thursday, 29 May 2025               |
| Latest Time for the Rights Issue to become unconditional and the Placing Long Stop Date. . . . .                                     | 4:10 p.m. on<br>Monday, 2 June 2025 |
| Announcement of results of the Rights Issue (including the results of the Placing and the Net Gain) . . . . .                        | Thursday, 5 June 2025               |
| Rights Issue settlement and Placing completion date. . . . .   | Friday, 6 June 2025                 |
| Despatch of share certificates for fully-paid Rights Shares and/or refund cheques if terminated . . . . .                            | Friday, 6 June 2025                 |
| Commencement of dealings in fully-paid Rights Shares . . . . .   | Monday, 9 June 2025                 |
| Payment of Net Gain to relevant No Action Shareholders (if any) or Non-Qualifying Shareholders (if any) . . . . .                    | Friday, 13 June 2025                |

All times and dates stated above refer to Hong Kong local times and dates. The expected timetable for the Capital Reorganisation and the Rights Issue set out above and all dates and deadlines specified in this circular are indicative only and may be varied. Any changes to the expected timetable will be announced in a separate announcement by the Company as and when appropriate.

### EFFECT OF BAD WEATHER OR EXTREME CONDITIONS ON THE LATEST TIME FOR ACCEPTANCE

The Latest Time for Acceptance will not take place as scheduled if there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning or “extreme conditions” caused by super typhoons issued by the Hong Kong Observatory:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Latest Time for Acceptance falls. Instead, the Latest Time for Acceptance will be extended to 5:00 p.m. on the same Business Day; or

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## EXPECTED TIMETABLE

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- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the date of the Latest Time for Acceptance. Instead the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warning in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m..

If the Latest Time for Acceptance does not take place on the currently scheduled date, the dates mentioned in the section headed “EXPECTED TIMETABLE” in this circular may be affected. The Company will notify the Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following terms shall have the following meanings:*

|                          |   |
|--------------------------|---|
| “Accumulated Losses”     | the accumulated losses of the Company   |
| “Adjusted Share(s)”      | the ordinary share(s) of par value HK\$0.01 each in the share capital of the Company immediately upon the Capital Reorganisation becoming effective   |
| “Announcement”           | the announcement of the Company dated 6 December 2024 in relation to, among other matters, the Capital Reorganisation, the Rights Issue, the Placing Agreement and the transactions contemplated thereunder   |
| “associate(s)”           | has the same meaning ascribed thereto under the Listing Rules   |
| “Board”                  | the board of Directors  |
| “Business Day(s)”        | a day(s) (excluding Saturday, Sunday and any day on which a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for general business |
| “Capital Reduction”      | the proposed reduction of the issued share capital of the Company whereby the issued share capital of the Company will be reduced by cancelling the paid-up capital of the Company to the extent of HK\$0.99 on each of the issued Consolidated Shares of the Company of par value HK\$1.00 each, such that the par value of each issued Consolidated Share will be reduced from HK\$1.00 to HK\$0.01   |
| “Capital Reorganisation” | the proposed capital reorganisation involving the Share Consolidation, the Capital Reduction and the Share Subdivision  |
| “CCASS”                  | the Central Clearing and Settlement System established and operated by HKSCC  |



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## DEFINITIONS

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|--------------------------------|---|
| “CCASS Operational Procedures” | the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as amended from time to time  |
| “Companies Act”                | the Companies Act (as revised) of the Cayman Islands, as amended or supplemented from time to time  |
| “Company”                      | Xinming China Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange   |
| “Compensatory Arrangements”    | placing of the Placing Shares by the Placing Agent on a best-effort basis pursuant to the Placing Agreement in accordance with Rule 7.21(1)(b) of the Listing Rules   |
| “connected person(s)”          | has the same meaning ascribed thereto under the Listing Rules   |
| “Consolidated Share(s)”        | ordinary share(s) of par value HK\$1.00 each in the share capital of the Company immediately upon the Share Consolidation becoming effective but prior to the Capital Reduction and the Share Subdivision becoming effective                            |
| “controlling shareholder”      | has the same meaning ascribed thereto under the Listing Rules   |
| “Court”                        | the Grand Court of the Cayman Islands   |
| “Director(s)”                  | the director(s) of the Company  |
| “EGM”                          | the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve, among other things, the Capital Reorganisation, the Rights Issue, the Placing Agreement and the transactions contemplated thereunder |
| “Existing Share(s)”            | ordinary share(s) of par value HK\$0.01 each in the share capital of the Company, prior to the Capital Reorganisation becoming effective  |

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## DEFINITIONS

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|                                 |  |
|---------------------------------|--|
| “General Rules of CCASS”        | the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures   |
| “Group”                         | the Company and its subsidiaries   |
| “HK\$”                          | Hong Kong dollar, the lawful currency of Hong Kong   |
| “HKSCC”                         | the Hong Kong Securities Clearing Company Limited  |
| “Hong Kong”                     | Hong Kong Special Administrative Region of the People’s Republic of China  |
| “Independent Board Committee”   | an independent committee of the Board comprising all the independent non-executive Directors, which has been established to advise the Independent Shareholders in respect of the Rights Issue and the Placing Agreement   |
| “Independent Financial Adviser” | Ample Capital Limited, a corporation licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activities and the independent financial adviser appointed by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Placing Agreement and the transactions contemplated thereunder                                    |
| “Independent Shareholder(s)”    | Shareholder(s) excluding (i) the controlling shareholder and their associates; (ii) all Directors (excluding the independent non-executive Directors) and their respective associates (as defined under the Listing Rules); (iii) those who are involved in or interested in the Rights Issue and the Placing Agreement (as the case may be); and (iv) those that are required under the Listing Rules to abstain from voting at the EGM |
| “Independent Third Party(ies)”  | any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of and not connected with the Company and the connected persons of the Company in accordance with the Listing Rules  |

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## DEFINITIONS

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|  |   |
|--|---|
| “Last Trading Day”                                       | 6 December 2024, being the last full trading of the Shares on the Stock Exchange immediately prior to the publication of the Announcement   |
| “Latest Practicable Date” or<br>“Latest Practicable Day” | 20 February 2025, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein  |
| “Latest Time for Acceptance”                             | 4:00 p.m. on Wednesday, 14 May 2025, or such other time and date as the Company may determine, being the latest time and date for acceptance of and payment for the Rights Shares   |
| “Listing Committee”                                      | the listing committee of the Stock Exchange for considering application for listing and the granting of listing   |
| “Listing Rules”  | the Rules Governing the Listing of Securities on the Stock Exchange   |
| “Memorandum and Articles”                                | the memorandum and articles of association of the Company, as amended, restated or supplemented from time to time   |
| “Mr. Chen”   | Mr. Chen Chengshou, an executive Director, Chairman and Chief Executive Officer of the Company and the spouse of Ms. Gao  |
| “Ms. Gao”  | Ms. Gao Qiaoqin, a non-executive Director and the spouse of Mr. Chen  |
| “Net Gain”   | the aggregate of any premiums (being the aggregate amount paid by the placees) after deducting the aggregate amount of the Subscription Price for the Placing Shares placed by the Placing Agent under the Placing Agreement  |
| “No Action Shareholder(s)”                               | Qualifying Shareholder(s) or renouncee(s) or transferee(s) of nil-paid rights under the PAL(s) during the Rights Issue who do not subscribe for the Rights Shares (whether partially or fully) under the PAL(s), or such persons who hold any nil-paid rights at the time such nil-paid rights are lapse, or Non-Qualifying Shareholders (as the case may be) |

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## DEFINITIONS

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|---------------------------------|--|
| “Non-Qualifying Shareholder(s)” | those Overseas Shareholder(s) to whom the Directors, based on legal opinions provided by the Company’s legal advisers, consider it necessary or expedient not to offer the Rights Shares to such Shareholders on account either of restrictions under the laws of the relevant place or the requirements of a relevant regulatory body or stock exchange in that place |
| “NQS Unsold Rights Share(s)”    | the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders in nil-paid form that have not been sold by the Company  |
| “Overseas Shareholder(s)”       | Shareholder(s) with registered address(es) (as shown in the register of members of the Company on the Record Date) which is/are outside Hong Kong  |
| “PAL(s)”                        | the provisional allotment letter(s) in respect of the Rights Issue proposed to be issued to the Qualifying Shareholders  |
| “Placee(s)”                     | professional, individuals, corporate, institutional or other investor(s), who and whose ultimate beneficial owner(s) shall not be a Shareholder and shall be Independent Third Party(ies), procured by the Placing Agent and/or its sub-placing agents to subscribe for the Placing Shares pursuant to the Placing Agreement   |
| “Placing”                       | the placing of the Placing Shares on a best-effort basis by the Placing Agent and/or its sub-placing agent(s) to the Placees on the terms and conditions of the Placing Agreement  |
| “Placing Agent”                 | Advent Securities (Hong Kong) Limited, a corporation licensed under the SFO to carry out Type 1 (dealing in securities) regulated activities as defined under the SFO  |
| “Placing Agreement”             | the placing agreement dated 6 December 2024 entered into between the Company and the Placing Agent in relation to the placing of the Placing Shares  |
| “Placing Long Stop Date”        | 4:10 p.m. on Monday, 2 June 2025 or such later date as the Company and the Placing Agent may agree in writing  |

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## DEFINITIONS

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|                             |   |
|-----------------------------|---|
| “Placing Period”            | the period from Thursday, 22 May 2025 up to 4:10 p.m. on Monday, 2 June 2025, or such other dates as the Company may announce, being the period during which the Placing Agent will seek to effect the Compensatory Arrangements  |
| “Placing Share(s)”          | the Unsubscribed Rights Share(s) and the NQS Unsold Rights Share(s)   |
| “PRC”                       | the People’s Republic of China, and for the purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan  |
| “Prospectus”                | the prospectus to be despatched to the Shareholders by the Company containing details of the proposed Rights Issue  |
| “Prospectus Documents”      | the Prospectus and the PAL to be issued by the Company  |
| “Prospectus Posting Date”   | Monday, 28 April 2025, or such other date as the Company may determine, for the despatch of the Prospectus Documents  |
| “Qualifying Shareholder(s)” | Shareholder(s) who(se) name(s) appear(s) on the register of members of the Company on the Record Date, other than the Non-Qualifying Shareholder(s)   |
| “Record Date”               | Friday, 25 April 2025, or such other date as the Company may determine, being the date by reference to which entitlements of the Shareholders to participate in the Rights Issue will be determined   |
| “Registrar”                 | the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong   |
| “Rights Issue”              | the proposed issue by way of rights on the basis of four (4) Rights Shares for every one (1) Adjusted Share held by the Qualifying Shareholders on the Record Date at the Subscription Price on the terms and subject to the conditions set out in the Prospectus Documents |
| “Rights Share(s)”           | up to 75,144,880 Adjusted Shares to be allotted and issued pursuant to the Rights Issue (assuming no change in the number of Shares in issue on or before Record Date)  |

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## DEFINITIONS

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|                              |  |
|------------------------------|--|
| “RMB”                        | Renminbi, the lawful currency of the PRC   |
| “SFC”                        | the Securities and Futures Commission of Hong Kong   |
| “SFO”                        | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)  |
| “Share(s)”                   | the Existing Share(s), the Consolidated Share(s) and/or the Adjusted Share(s), as the case may be  |
| “Share Consolidation”        | the proposed consolidation of every one hundred (100) issued and unissued Existing Shares of par value of HK\$0.01 each into one (1) Consolidated Share of par value of HK\$1.00 each  |
| “Share Subdivision”          | the proposed subdivision of each of the authorised but unissued Consolidated Shares of par value of HK\$1.00 each into one hundred (100) Adjusted Shares of par value of HK\$0.01 each |
| “Shareholder(s)”             | the holder(s) of the Share(s)  |
| “Stock Exchange”             | The Stock Exchange of Hong Kong Limited  |
| “Subscription Price”         | HK\$1.12 per Rights Share  |
| “substantial shareholder(s)” | has the meaning ascribed thereto under the Listing Rules   |
| “Takeovers Code”             | The Code on Takeovers and Mergers and Share Buy-backs issued by the SFC  |
| “Unsubscribed Rights Shares” | the Rights Shares that are not subscribed by the Qualifying Shareholders   |
| “%”                          | per cent.  |

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LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. Chen Chengshou

*(Chairman and Chief Executive Officer)*

Mr. Feng Cizhao

Mr. Cao Zhiqiang

Mr. Zhou Fenli

*Non-executive Directors:*

Ms. Gao Qiaoqin

Mr. Choi Clifford Wai Hong

Mr. Zhou Zhencun

*Independent Non-executive Directors:*

Mr. Khor Khie Liem Alex

Mr. Chiu Kung Chak

Ms. Huang Chunlian

Ms. Lee Yin Man

*Registered Office:*

Windward 3, Regatta Office Park

PO Box 1350

Grand Cayman KY1-1108

Cayman Islands

*Headquarters in the PRC:*

Block I, 5th Floor, Hengli Building

No. 5 Huang Long Road, Hangzhou

Zhejiang Province, the PRC

*Principal Place of Business  
in Hong Kong:*

Unit D, 7/F

Kee Shing Centre

74-76 Kimberley Road

Tsim Sha Tsui, Kowloon

Hong Kong

25 February 2025

*To the Shareholders*

Dear Sir or Madam,

**(1) PROPOSED CAPITAL REORGANISATION;  
(2) PROPOSED RIGHTS ISSUE ON THE BASIS OF FOUR (4)  
RIGHTS SHARE FOR EVERY ONE (1) ADJUSTED SHARE HELD  
AT THE CLOSE OF BUSINESS ON THE RECORD DATE  
ON A NON-UNDERWRITTEN BASIS;  
AND  
(3) NOTICE OF EGM**

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## LETTER FROM THE BOARD

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### INTRODUCTION

Reference is made to the Announcement of the Company dated 6 December 2024, in relation to, among other matters, the Capital Reorganisation, the Rights Issue, the Placing Agreement and the transactions contemplated thereunder. The purpose of this circular is to provide you with, among other things, (i) details of the Capital Reorganisation, the Rights Issue, the Placing Agreement and the transactions contemplated thereunder; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue and the Placing Agreement; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Placing Agreement and the transaction contemplated thereunder; (iv) other information required under the Listing Rules; and (v) the notice of the EGM.

### (I) PROPOSED CAPITAL REORGANISATION

The Board proposes the Capital Reorganisation to be implemented in the following manner:

- (i) the Share Consolidation whereby every one hundred (100) issued and unissued Existing Shares of par value of HK\$0.01 each will be consolidated into one (1) Consolidated Share of par value of HK\$1.00 each;
- (ii) the Capital Reduction whereby the issued share capital of the Company will be reduced by cancelling the paid-up capital of the Company to the extent of HK\$0.99 on each of the issued Consolidated Shares of the Company of par value HK\$1.00 each, such that the par value of each issued Consolidated Share will be reduced from HK\$1.00 to HK\$0.01;
- (iii) the Share Subdivision whereby immediately following the Capital Reduction, each of the authorised but unissued Consolidated Shares of par value of HK\$1.00 each will be subdivided into 100 Adjusted Shares of par value of HK\$0.01 each; and
- (iv) the credit arising from the Capital Reduction will be transferred to a distributable reserve account of the Company which may be utilised by the Board in accordance with the Memorandum and Articles and all applicable laws, including, without limitation, eliminating or setting off any Accumulated Losses from time to time.

### Effect of the Capital Reorganisation

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$100,000,000 comprising 10,000,000,000 Existing Shares of par value of HK\$0.01 each, of which 1,878,622,000 Existing Shares have been issued and fully paid or credited as fully paid. Immediately following the Capital Reorganisation, the authorised share capital of the Company will be HK\$100,000,000 divided into 10,000,000,000 Adjusted Shares of par value of HK\$0.01 each, and the aggregate nominal value of the issued share capital of the



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## LETTER FROM THE BOARD

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Company will be approximately HK\$187,862.20 (assuming that no further Existing Shares are issued or repurchased from the Latest Practicable Date until the effective date of the Capital Reorganisation). Based on the number of the Existing Shares in issue as at the Latest Practicable Date, a credit of approximately HK\$18,598,357.80 will arise as a result of the Capital Reduction, which will be applied towards offsetting the Accumulated Loss as at the effective date of the Capital Reorganisation.

Assuming no Existing Shares are issued or repurchased from the Latest Practicable Date until the effective date of the Capital Reorganisation, the share capital structure of the Company will be as follows:

|                                  | <b>As at the Latest<br/>Practicable Date</b> | <b>Immediately after<br/>the Capital<br/>Reorganisation<br/>becoming effective</b> |
|----------------------------------|--|--|
| Authorised share capital         | HK\$100,000,000                              | HK\$100,000,000  |
| Par value per share              | HK\$0.01                                     | HK\$0.01   |
| Number of authorised shares      | 10,000,000,000                               | 10,000,000,000   |
| Amount of issued share capital   | HK\$18,786,220                               | HK\$187,862.20   |
| Number of issued shares          | 1,878,622,000                                | 18,786,220   |
| Amount of unissued share capital | HK\$81,213,780                               | HK\$99,812,137.80  |
| Number of unissued shares        | 8,121,378,000                                | 9,981,213,780  |

*Note:* The above share capital structure of the Company is for illustration purpose only.

The Adjusted Shares in issue immediately following the Capital Reorganisation becoming effective will rank *pari passu* in all respects with each other and the Capital Reorganisation will not result in any change in the relative rights of the Shareholders.

Currently, the Shares are traded on the Stock Exchange in the board lot size of 2,000 Shares. Upon the Capital Reorganisation becoming effective, the board lot size for trading in the Adjusted Shares will remain as 2,000 Adjusted Shares.

Other than the expenses to be incurred in relation to the Capital Reorganisation, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Group or the interests or rights of the Shareholders, save for any fractional Adjusted Shares which may arise.

### **Fractional entitlement to Consolidated Shares**

Any fractional Consolidated Share arising from the Share Consolidation, if any, will be disregarded and will not be issued to the Shareholders but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefit of the Company. Fractional Consolidated Shares will only arise in respect of the entire

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## LETTER FROM THE BOARD

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shareholding of a holder of the Existing Shares regardless of the number of share certificates held by such holder.

### **Conditions of the Capital Reorganisation**

The Capital Reorganisation is conditional upon:

- (i) the passing of the necessary resolution(s) by the Shareholders approving the Capital Reorganisation at the EGM;
- (ii) an order being made by the Court confirming the Capital Reduction (if applicable);
- (iii) compliance with any terms and conditions which the Court may impose in relation to the Capital Reduction (if applicable);
- (iv) registration by the Registrar of Companies in the Cayman Islands of a copy of the order of the Court confirming the Capital Reduction (if applicable) and the minute containing the particulars required by the Companies Act with respect to the Capital Reduction; and
- (v) the Stock Exchange granting the listing of, and permission to deal in, the Adjusted Shares in issue and to be issued upon the Capital Reorganisation becoming effective.

None of the above conditions can be waived. The Capital Reorganisation will become effective when the conditions mentioned above are fulfilled. Upon the approval by the Shareholders of the Capital Reorganisation at the EGM, the legal advisers to the Company (as to the Cayman Islands law) will apply to the Court for hearing date(s) to confirm the Capital Reduction (if applicable) and further announcement(s) will be made by the Company as soon as practicable after the Court hearing date(s) is confirmed (if applicable).

As at the Latest Practicable Date, none of the above conditions have been fulfilled.

### **Odd lots arrangements and matching services**

In order to alleviate the difficulties arising from the existence of odd lots of the Adjusted Shares arising from the Capital Reorganisation, the Company has appointed Advent Securities (Hong Kong) Limited as an agent to stand in the market to provide matching services for sale and purchase of odd lots of the Adjusted Shares on a best effort basis. Shareholders who wish to take advantage of this facility either to dispose of their odd lots of the Shares or to top up their odd lots to a full new board lot should directly or through their brokers contact Mr. Cho Pak Keung of Advent Securities (Hong Kong) Limited at Unit A-C, 11/F, Kee Shing Centre, 74-76 Kimberley Road, Kowloon, Hong

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## LETTER FROM THE BOARD

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Kong or at telephone number (852) 2510 0603 from 9:00 a.m. on Wednesday, 30 April 2025 to 4:00 p.m. on Thursday, 22 May 2025 (both days inclusive).

Holders of odd lots of the Adjusted Shares should note that successful matching of the sale and purchase of odd lots of the Adjusted Shares is not guaranteed. Any Shareholder who is in any doubt about the odd lots arrangements is recommended to consult his/her/its own professional advisers.

### **Exchange of share certificates for the Adjusted Shares**

Subject to the Capital Reorganisation having become effective, Shareholders may, on or after Monday, 14 April 2025 and until Monday, 26 May 2025 (both days inclusive), submit the existing share certificates for the Existing Shares (in grey colour) to the Registrar in Hong Kong, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, in exchange, at the expense of the Company, for new share certificates for the Adjusted Shares (in yellow colour). Thereafter, existing share certificates for Existing Shares will continue to be good evidence of legal title and may be exchanged for new share certificates for Adjusted Shares at the expense of the Shareholders on payment of a fee of HK\$2.50 (or such higher amount as may be allowed by the Stock Exchange from time to time) for each existing share certificate cancelled or each new share certificate issued for Adjusted Shares (whichever is higher) but are not acceptable for trading, settlement and registration.

The new share certificates for the Adjusted Shares will be issued in yellow colour in order to distinguish them from the existing grey colour share certificates.

### **Application for listing and dealings**

Application will be made to the Stock Exchange for the granting of the listing of, and permission to deal in, the Adjusted Shares arising from the Capital Reorganisation and all necessary arrangements will be made for the Adjusted Shares to be admitted into CCASS.

Subject to the granting of the listing of, and permission to deal in, the Adjusted Shares on the Stock Exchange upon the Capital Reorganisation becoming effective, as well as compliance with the stock admission requirements of the HKSCC, the Adjusted Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made for the Consolidated Shares to be admitted into CCASS established and operated by HKSCC.

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## LETTER FROM THE BOARD

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None of the Existing Shares or debt securities of the Company are listed or dealt in on any other stock exchange other than the Stock Exchange, and at the time the Capital Reorganisation becomes effective, the Adjusted Shares in issue will not be listed or dealt in on any stock exchange other than the Stock Exchange, and no such listing or permission to deal is being or is proposed to be sought.

### **Closure of register of members**

The register of members of the Company will be closed from Friday, 7 March 2025 to Thursday, 13 March 2025 (both dates inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM. No transfer of Shares will be registered during this period.

### **Reasons for the Capital Reorganisation**

Under Rule 13.64 of the Listing Rules, where the market price of the securities of an issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the issuer may be required either to change the trading method or to proceed with a consolidation or splitting of its securities. Further, the “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and updated in September 2024 has further stated that (i) market price of the shares at a level less than HK\$0.1 each will be considered as trading at extremity as referred to under Rule 13.64 of the Listing Rules; and (ii) taking into account the minimum transaction costs for a securities trade, the expected board lot value should be greater than HK\$2,000.

In view of the share price of the Company has been trading at a price below HK\$0.049 continuously since the resumption of trading of the Shares on the Stock Exchange on 28 October 2024, and the closing price of the Existing Shares as at the Latest Practicable Date was HK\$0.017 per Share. The values of each existing board lot of 2,000 Existing Shares ranged from HK\$22 to HK\$98 during the period from 28 October 2024, being date of resumption of trading of the Shares on the Stock Exchange, to the Latest Practicable Date, which were less than HK\$2,000. Based on the above, the Board proposed to implement the Capital Reorganisation. Upon the completion of the Capital Reorganisation, the theoretical price of each Adjusted Share, based on the closing price of HK\$0.017 per Share on the Latest Practicable Date, would be HK\$1.70 per Adjusted Share and HK\$3,400 per board lot of 2,000 Adjusted Shares with the view to complying with the trading requirements under the Listing Rules.

Under the Companies Act and the Memorandum and Articles, the Company may not issue Shares at a discount to the nominal value of such Shares. In order to facilitate possible fund-raising activities in the future, it is necessary to implement the Capital Reorganisation to lower the par value of the Shares, giving greater flexibility to the Company to issue new Shares in the future. Immediately after completion of the Share Consolidation but before implementation of the Capital Reduction and the Share Subdivision, the nominal or par value of the Consolidated Shares will be HK\$1.00 per

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## LETTER FROM THE BOARD

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Consolidated Share. The Capital Reduction and the Share Subdivision will keep the nominal or par value of the Adjusted Shares at a lower level of HK\$0.01 per Adjusted Share, which allows greater flexibility in the pricing for any issue of new Shares in the future.

The credit arising from the Capital Reduction will enable the Company to set off its Accumulated Losses. The balance of the credit (if any) after offsetting the Accumulated Losses will be transferred to a distributable reserve account of the Company which may be applied by the Company in any manner as permitted by all applicable laws and the Memorandum and Articles and as the Board considers appropriate. It will give greater flexibility to the Company to declare dividends and/or to undertake any corporate exercise which requires the use of distributable reserves in the future, subject to the Company's performance and when the Board considers that it is appropriate to do so in the future.

The Board is of the opinion that the proposed Capital Reorganisation will give greater flexibility to the Company to (i) conduct fundraising exercise to raise capital; (ii) declare dividends; and/or (iii) undertake any corporate exercise which requires the use of distributable reserves in the future, subject to the Company's performance and when the Board considers that it is appropriate to do so in the future.

Save for the Rights Issue, the Group has no other fundraising plan as of the Latest Practicable Date. However, the Board cannot rule out the possibility that the Company will conduct debt and/or equity fund raising exercises when suitable fund-raising opportunities arise in order to support future development of the Group. The Company will make further announcements in this regard in accordance with the Listing Rules as and when appropriate.

In view of the above reasons, the Directors are of the view that the Capital Reorganisation is fair and reasonable and in the best interests of the Company and its Shareholders as a whole.

**Shareholders and potential investors of the Company should note that the Capital Reorganisation is conditional upon satisfaction of conditions set out in the paragraph headed "Conditions of the Capital Reorganisation" in this circular. Therefore, the Capital Reorganisation may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities, the Adjusted Shares and/or nil-paid Rights Shares of the Company. If they are in doubt, they should consult their professional advisers.**

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## LETTER FROM THE BOARD

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### (II) PROPOSED RIGHTS ISSUE

The Board proposes, subject to the Capital Reorganisation becoming effective, to conduct the Rights Issue on the basis of four (4) Rights Shares for every one (1) Adjusted Share held by the Qualifying Shareholders as at the Record Date. Details of the Rights Issue are set out below:

#### **Rights Issue statistics**

|  |   |  |
|--|---|--|
| Basis of the Rights Issue  | : | Four (4) Rights Shares for every one (1) Adjusted Share held by the Qualifying Shareholders at the close of business on the Record Date  |
| Subscription Price   | : | HK\$1.12 per Rights Share  |
| Net price per Rights Shares<br>(i.e. Subscription Price less<br>cost and expenses incurred<br>in the Rights Issue) | : | Approximately HK\$1.05 per Rights Share (on the basis that all the Rights Shares will be taken up)   |
| Number of Shares in issue as<br>at the Latest Practicable<br>Date  | : | 1,878,622,000 Existing Shares  |
| Number of Adjusted Shares in<br>issue upon the Capital<br>Reorganisation becoming<br>effective                     | : | 18,786,220 Adjusted Shares (assuming there is no change in number of Shares in issue up to the effective date of the Capital Reorganisation)   |
| Number of Rights Shares<br>(Shares to be issued<br>pursuant to the Rights<br>Issue)                                | : | Up to 75,144,880 Rights Shares (assuming there is no change in the number of Shares in issue on or before the Record Date other than the Capital Reorganisation) with an aggregate nominal value of HK\$751,448.80 |
| Total number of Adjusted<br>Shares in issue upon<br>completion of the Rights<br>Issue                              | : | Up to 93,931,100 Adjusted Shares (assuming no change in the number of Shares in issue on or before the Record Date other than the Capital Reorganisation)  |
| Gross proceeds from the<br>Rights Issue  | : | Up to approximately HK\$84.2 million before expenses (assuming no change in the number of Shares in issue on or before the Record Date other than the Capital Reorganisation)                                      |

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, the Company has no outstanding warrants, options or convertible securities in issue or other similar rights entitling holders thereof to convert into or exchange into or subscribe for new Shares as at the Latest Practicable Date. The Company has no intention to issue or grant any Shares, convertible securities, warranties and/or options on or before the Record Date.

Assuming no change in the number of Shares in issue on or before the Record Date, other than the Capital Reorganisation becoming effective, the aggregate 75,144,880 Rights Shares to be issued pursuant to the terms of the Rights Issue represent 400% of the total number of issued Adjusted Shares upon the Capital Reorganisation becoming effective and approximately 80% of the total number of issued Adjusted Shares as enlarged by the issue of the Rights Shares (assuming full acceptance by the Qualifying Shareholders).

As at the Latest Practicable Date, the Board has not received any information from any Shareholders of their intention to take up the Rights Shares to be provisionally allotted to them under the Rights Issue.

**Shareholders and potential investors are advised to exercise caution when dealing in the Shares and the nil-paid Right Shares.**

### **Subscription Price**

The Subscription Price of HK\$1.12 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue, or where a transferee of the nil-paid Rights applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 34.1% to the closing price of HK\$1.70 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the closing price of HK\$0.017 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 13.8% to the closing price of HK\$1.50 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the closing price of HK\$0.013 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 18.8% to the adjusted average closing price of approximately HK\$1.38 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the average closing price of HK\$0.0138 per Existing Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;



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## LETTER FROM THE BOARD

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- (iv) a discount of approximately 20.6% to the adjusted average closing price of approximately HK\$1.41 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the average closing price of HK\$0.0141 per Existing Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day; and
- (v) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of a discount of approximately 16.9%, represented by the theoretical diluted price of approximately HK\$1.18 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) to the theoretical benchmarked price of HK\$1.42 per Adjusted Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of (i) the closing price of the Adjusted Share as quoted on the Stock Exchange on the Last Trading Day; and (ii) the average closing price of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days prior to the date of the Announcement and adjusted for the effect of the Capital Reorganisation).

The Subscription Price was determined with reference to, among other things, (i) the market price of the Shares under the prevailing market conditions; (ii) the current business performance and financial position of the Group; and (iii) the reasons for and benefits of proposed Rights Issue as discussed in the section head “REASONS FOR THE RIGHTS ISSUE AND THE USE OF PROCEEDS”, and the amount of funds the Company intends to raise under the Rights Issue.

Under the Rights Issue, each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the same price in proportion to his/her/its existing shareholding in the Company. The Company considers that the discount of the Subscription Price to the current market price (taking into account the effect of the Capital Reorganisation) will encourage them to participate in the Rights Issue, minimising dilution impact.

The Directors (excluding the members of the Independent Board Committee, whose opinion will be provided after taking into account the advice of the Independent Financial Adviser) consider that the terms of the Rights Issue, including the Subscription Price, are fair, reasonable and in the best interests of the Company and the Shareholders as a whole.

### **Non-underwritten basis**

Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event of an undersubscription of the Rights Issue, any Unsubscribed Rights Shares together with the NQS Unsold Rights Shares will be placed on a best effort basis by the Placing Agent to independent Placees under the Placing. Any Unsubscribed Rights Shares or NQS Unsold Rights Shares remain not placed under the Placing will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.



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## LETTER FROM THE BOARD

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There is no minimum amount to be raised under the Rights Issue. There are no applicable statutory requirements under the laws of the Cayman Islands regarding minimum subscription levels in respect of the Rights Issue.

As the Rights Issue will proceed on a non-underwritten basis, Shareholder who applies to take up all or part of his/her/its entitlement under the PAL may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code or cause the public float of the Company to decrease to below 25%. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders (other than HKSCC Nominees Limited) to apply on the basis that if the Rights Shares are not fully taken up, the application of any Shareholder for his/her/its assured entitlement under the Rights Issue will be scaled down to a level which does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance to the note to Rule 7.19(5)(b) of the Listing Rules and does not cause the Company's public float to decrease to below 25%.

### **Conditions of the Rights Issue**

The Rights Issue is conditional upon the following conditions being fulfilled:

- (i) the Capital Reorganisation having become effective;
- (ii) the passing by more than 50% of the votes cast by the Independent Shareholders by way of poll of all necessary resolutions to be proposed at the EGM for the transactions contemplated under the Rights Issue to be effective in compliance with the Listing Rules, including but not limited to approving, confirming and/or ratifying the Rights Issue, including the allotment and issue of the Rights Shares in their nil-paid and fully-paid forms;
- (iii) the delivery of the Prospectus Documents to the Stock Exchange and the issue by the Stock Exchange on or before the Prospectus Posting Date of a certificate authorising registration of the Prospectus Documents with the Registrar of Companies in Hong Kong;
- (iv) the filing and registration of all the Prospectus Documents (together with any other documents required by applicable law or regulation to be annexed thereto) with the Registrar of Companies in Hong Kong by no later than the Prospectus Posting Date;
- (v) the posting of the Prospectus Documents to the Qualifying Shareholders and the publication of the Prospectus on the website of the Stock Exchange on or before the Prospectus Posting Date;

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## LETTER FROM THE BOARD

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- (vi) the grant of listing of the Rights Shares (in both nil-paid and fully paid forms) by the Stock Exchange (either unconditionally or subject only to the allotment and dispatch of the share certificates in respect thereof) and the grant of permission to deal in the nil-paid Rights Shares and the fully-paid Rights Shares by the Stock Exchange (and such permission and listing not subsequently having been withdrawn or revoked); and
- (vii) all other necessary waivers, consent and approvals (if required) from the relevant governmental or regulatory authorities for the Rights Issue and the transaction contemplated thereunder having been obtained and fulfilled.

None of the above conditions precedent is capable of being waived. If any of the above conditions are not satisfied at or before 4:10 p.m. on Monday, 2 June 2025 (or such later date as the Company may determine), the Rights Issue shall terminate and no party will have any claim against any other party for costs, damages, compensations or otherwise. As at the Latest Practicable Date, none of the conditions have been fulfilled.

**As the proposed Rights Issue is subject to the above conditions, it may or may not proceed.**

### **Status of the Rights Shares**

The Rights Shares (when allotted, fully-paid or credited as fully paid and issued) will rank *pari passu* in all respects among themselves and with the Adjusted Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment and issue of the fully paid Rights Shares. Dealings in the Rights Shares in both their nil-paid and fully-paid forms will be subject to payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

### **Qualifying Shareholders**

The Rights Issue is only available to the Qualifying Shareholders. To qualify for the Rights Issue, Shareholder must be registered as a member of the Company on the Record Date and not be a Non-Qualifying Shareholder.

Shareholders with their Shares held by a nominee (or held in CCASS) should note that the Board will consider the said nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company and are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to the Record Date.

In order to be registered as members of the Company prior to the closing of business on the Record Date, all transfers of Adjusted Shares (together with the relevant share

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## LETTER FROM THE BOARD

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certificates and instruments of transfer) must be lodged with the Company's branch share registrar, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, by 4:30 p.m. on Wednesday, 16 April 2025.

Subject to the Capital Reorganisation becoming effective and the registration of the Prospectus Documents in accordance with the applicable laws and regulations, the Company will dispatch the Prospectus Documents to the Qualifying Shareholders on the Prospectus Posting Date.

**Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Non-Qualifying Shareholders should note that their shareholdings in the Company will be diluted.**

**It is expected that the last day of dealings in the Adjusted Shares on a cum-rights basis is Monday, 14 April 2025, and the Adjusted Shares will be dealt with on an ex-rights basis from Tuesday, 15 April 2025.**

### **Rights of the Overseas Shareholders (if any)**

Based on the register of members of the Company as at the Latest Practicable Date, there were two (2) Overseas Shareholders, details of which are as follows:

| Address                    | Number of Shareholder(s) | Number of Shares held | Approximate percentage of the issued share capital of the Company |
|----------------------------|--------------------------|-----------------------|---|
|                            |                          |                       | of the Company  |
| People's Republic of China | 2                        | 51,842,000            | 2.76%   |
| Total                      | 2                        | 51,842,000            | 2.76%   |

Save for the two (2) Overseas Shareholders with registered addresses located in the PRC, there were no other Overseas Shareholders based on the register of members of the Company as at the Latest Practicable Date.

The Directors, in accordance with the Listing Rules 13.36(2)(a), have made inquiries with the legal adviser in the PRC on the feasibility of extending the offer of the Rights Issue to such Overseas Shareholders.

On the basis of the results of such enquiries obtained, the Directors are of view that there are no legal restrictions under the laws of or the requirements of the relevant regulatory bodies or stock exchange in the PRC with respect to the offer of the Rights Shares to the Overseas Shareholders with registered addresses in such jurisdictions as at the Latest Practicable Date. Accordingly, the Directors have decided to extend the Rights Issue

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## LETTER FROM THE BOARD

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to the Overseas Shareholders having registered addresses in the PRC and such Overseas Shareholders are considered as Qualifying Shareholders.

The Prospectus Documents are not intended to be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong.

In the event additional Overseas Shareholder(s), other than the Overseas Shareholder with registered address located in the PRC as mentioned above, is/are identified as at the Record Date, the Company will comply with Rule 13.36(2)(a) of the Listing Rules to make enquiries regarding the feasibility of extending the offer of the Rights Issue to Overseas Shareholders, if any, under the laws of the relevant overseas jurisdictions and the requirements of the relevant regulatory bodies or stock exchanges. If, based on the legal advice to be provided by the legal advisor of the Company, the Board considers that it would be necessary or expedient not to offer the Rights Shares to the Overseas Shareholders on account of either the legal restrictions under the laws of the relevant jurisdiction or the requirements of the relevant regulatory body or stock exchange in such relevant jurisdiction, the Rights Issue will not be extended to such Overseas Shareholders. In such circumstances, the Rights Issue will not be extended to the Non-Qualifying Shareholders. The basis for excluding the Non-Qualifying Shareholders, if any, from the Rights Issue will be set out in the Prospectus to be issued.

The Company reserves the right to treat as invalid any acceptance of or application for Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction.

The Rights Issue does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, nil-paid Rights Shares or fully-paid Rights Shares or to take up any entitlements to nil-paid Rights Shares or fully-paid Rights Shares in any jurisdiction in which such an offer or solicitation is unlawful.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders, to be sold in the market in their nil-paid form as soon as practicable after dealings in the Rights Shares in their nil-paid form commence and before dealings in the Rights Shares in their nil-paid form end, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses and stamp duty, of more than HK\$100 will be paid to the Non-Qualifying Shareholders pro rata to their shareholdings held on the Record Date. In light of administrative costs, the Company will retain individual amounts of HK\$100 or less for its own benefit.

Subject to the advice of the Company's legal advisers in the relevant jurisdictions and to the extent reasonably practicable, the Company may send copies of the Prospectus to the Non-Qualifying Shareholders for their information only on the Prospectus Posting Date, but will not send any PAL to them.

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## LETTER FROM THE BOARD

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**Overseas Shareholders should note that they may or may not be entitled to the Rights Issue, subject to the results of enquiries made by the Directors pursuant to Rule 13.36(2)(a) of the Listing Rules. The Company reserves the right to treat as invalid any acceptance of or applications for Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, the Overseas Shareholders should exercise caution when dealing in the Shares.**

### **Closure of register of members**

The register of members of the Company will be closed from Friday, 7 March 2025 to Thursday, 13 March 2025 (both dates inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM.

The register of members of the Company will be closed from Thursday, 17 April 2025 to Friday, 25 April 2025 (both dates inclusive) for determining the Shareholders' entitlements to the Rights Issue. No transfer of Shares will be registered during this period.

### **Basis of provisional allotments**

The basis of the provisional allotment shall be four (4) Rights Shares (in nil-paid form) for every one (1) Adjusted Share held by the Qualifying Shareholders as at close of business on the Record Date. There will be no excess application arrangements in relation to the Rights Issue.

Acceptance for all or any part of a Qualifying Shareholder's provisional allotment should be made only by lodging a duly completed PAL with a remittance for the Rights Shares being accepted with the Registrar by the Latest Time for Acceptance.

### **Arrangement on odd lot trading**

In order to facilitate the trading of odd lots (if any) of the Shares as a result of the Rights Issue, the Company will appoint a securities firm to provide matching services, on a best effort basis, to those Shareholders who wish to top up or sell their holdings of odd lots of the Shares. Further details in respect of the arrangement of odd lot trading will be set out in the Prospectus.

Shareholders should note that the matching of the sale and purchase of odd lots of Shares is not guaranteed. Shareholders who are in any doubt about the odd lot matching arrangement are recommended to consult their own professional advisers.

To alleviate the difficulties in trading odd lots of the Shares arising from the Rights Issue, the Company will appoint an agent to provide matching services to the Shareholders who wish to top up or sell their holdings of odd lots of the Shares during the period from 9:00 a.m. on Wednesday, 30 April 2025 to 4:00 p.m. on Thursday, 22 May 2025 (both dates

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## LETTER FROM THE BOARD

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inclusive). Holders of the Shares in odd who wish to take advantage of this facility either to dispose of their odd lots of the Shares or to top up their odd lots to a full new board lot may directly or through their broker during such period. The Shareholders are recommended to consult their professional advisers if they are in doubt about the above facility.

### **Procedures in respect of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares and the Compensatory Arrangements**

The Company will make arrangements described in Rule 7.21(1)(b) of the Listing Rule to dispose of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by offering the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to independent placees for the benefit of Shareholders to whom they were offered by way of the Rights Issue. There will be no excess application arrangements in relation to the Rights Issue. On 6 December 2024, the Company entered into the Placing Agreement with the Placing Agent in relation to the placing of Unsubscribed Rights Shares and the NQS Unsold Rights Shares to independent placees on a best effort basis.

Pursuant to the Placing Agreement, the Company appointed the Placing Agent to place the Placing Shares during the Placing Period to independent placees on a best effort basis, any premium over the Subscription Price for those Rights Shares that is realised will be paid to those No Action Shareholders and Non-Qualifying Shareholders on a pro rata basis. The Placing Agent will on a best effort basis, procure, by not later than Thursday, 29 May 2025, placees to subscribe for all (or as many as possible) of those Unsubscribed Rights Shares and the NQS Unsold Rights Shares. Any Unsubscribed Rights Shares and the NQS Unsold Rights Shares remain not placed after completion of the Placing will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

Net Gain (if any) will be paid (without interest) to the No Action Shareholders as set out below on a pro rata basis (but rounded down to the nearest cent):

- (i) the relevant Qualifying Shareholders (or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed) whose nil-paid rights are not validly applied for in full, by reference to the extent that Shares in his/her/its nil-paid rights are not validly applied for; and
- (ii) the relevant Non-Qualifying Shareholders with reference to their shareholdings in the Company on the Record Date.

If and to the extent in respect of any Net Gain, any No Action Shareholders or Non-Qualifying Shareholders become entitled on the basis described above to an amount of HK\$100 or more, such amount will be paid to the relevant No Action Shareholders and Non-Qualifying Shareholders in Hong Kong Dollars only and the Company will retain individual amounts of less than HK\$100 for its own benefit.

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## LETTER FROM THE BOARD

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### Placing Agreement for Unsubscribed Rights Shares and the NQS Unsold Rights Shares

On 6 December 2024 (after trading hours of the Stock Exchange), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has agreed to procure Placee(s), on a best-effort basis, to subscribe for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares. Details of the Placing Agreement are summarised below:

|                         |   |  |
|-------------------------|---|--|
| Date                    | : | 6 December 2024 (after trading hours)  |
| Issuer                  | : | The Company  |
| Placing Agent           | : | Advent Securities (Hong Kong) Limited, a licensed corporation to carry out Type 1 (dealing in securities) regulated activities under the SFO, was appointed as the Placing Agent to procure, on the best effort basis, placees to subscribe for the Unsubscribed Rights Shares and NQS Unsold Rights Shares during the Placing Period.<br><br>The Placing Agent confirmed that it and its ultimate beneficial owner(s) (i) are not the Shareholder; and (ii) they are Independent Third Parties. |
| Placing Period          | : | The period commencing from Thursday, 22 May 2025 and end at 4:10 p.m. on Monday, 2 June 2025.  |
| Commission and expenses | : | The Placing Agent shall be entitled to a commission fee equal to 3% of the amount which is equal to the Placing price multiplied by the Placing Shares that have been successfully placed by the Placing Agent.  |
| Placing price           | : | The placing price of each of the Placing Shares shall be not less than the Subscription Price. The final price determination will be dependent on the demand and market conditions of the Placing Shares during the process of placement.  |
| Placees                 | : | The Placing Shares are expected to be placed to placee(s), who and whose ultimate beneficial owner(s) shall not be a Shareholder and shall be Independent Third Party(ies).  |

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## LETTER FROM THE BOARD

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Ranking of the Placing Shares : The Placing Shares (when placed, allotted, issued and fully paid), shall rank *pari passu* in all respects among themselves and with the Adjusted Shares in issue at the date of completion of the Placing.

Conditions Precedent : The obligations of the Placing Agent and the Company under the Placing Agreement are conditional upon, among others, the following conditions being fulfilled or being waived by the Placing Agent in writing, if applicable):

- (i) the Listing Committee of the Stock Exchange having granted the listing of, and the permission to deal in, the Rights Shares;
- (ii) none of the representations, warranties or undertakings contained in the Placing Agreement being or having become untrue, inaccurate or misleading in any material respect at any time before the completion, and no fact or circumstance having arisen and nothing having been done or omitted to be done which would render any of such undertakings, representations or warranties untrue or inaccurate in any material respect if it was repeated as at the time of completion; and
- (iii) the Placing Agreement not having been terminated in accordance with the provisions thereof.

The Placing Agent may, in its absolute discretion, waive the fulfilment of all or any part of the conditions precedent to the Placing Agreement (other than those set out in paragraph (i) above) by notice in writing to the Company.

Termination : The Placing Agreement shall end on Monday, 2 June 2025 or any other date by mutual written agreement between the Placing Agent and the Company.



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## LETTER FROM THE BOARD

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The engagement of the Placing Agent may also be terminated by the Placing Agent in case of force majeure resulting in the Company and the Placing Agent being unable to fulfil its duties and responsibilities under the engagement. However, if during the course of the engagement it has come to the Placing Agent's knowledge that there is any material adverse change in the business and operational environment in the Company which, in the sole opinion of the Placing Agent, may make it inadvisable to continue the engagement, the Placing Agent shall have the right to terminate the engagement by written notice to the Company with immediate effect.

Placing Completion : Completion is expected to take place within eleven (11) Business Days after publication of an announcement by the Company of the number of the Unsubscribed Rights Shares and NQS Unsold Rights Shares under the Compensatory Arrangements and upon fulfilment or waiver (as the case may be) of the conditions precedent to the Placing Agreement or such other date as the Company and the Placing Agent may agree in writing.

The Company shall use its best endeavours to procure the fulfilment of such conditions precedent to the Placing Agreement by the Placing Long Stop Date. If any of the conditions precedent to the Placing Agreement have not been fulfilled by the Placing Long Stop Date or become incapable of being fulfilled (subject to the Placing Agent not exercising its rights to waive or extend the time for fulfilment of such conditions), then the Placing will lapse and all rights, obligations and liabilities of the Company and the Placing Agent in relation to the Placing shall cease and determine, save in respect of any accrued rights or obligations under the Placing Agreement or antecedent breach thereof.

The engagement between the Company and the Placing Agent in respect of the Placing Shares (including the commission and expenses payable) was determined after arm's length negotiation between the Placing Agent and the Company and is on normal commercial terms with reference to the market comparables, the existing financial position of the Group, the size of the Rights Issue, and the current and expected market conditions. The Board considers that the terms of Placing Agreement in respect of the Placing Shares (including the commission and expenses payable) are on normal commercial terms.

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## LETTER FROM THE BOARD

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As explained above, the Unsubscribed Rights Shares and NQS Unsold Rights Shares will be placed by the Placing Agent to Independent Third Parties on a best effort basis for the benefits of the No Action Shareholders. If all or any of the Unsubscribed Rights Shares and NQS Unsold Rights Shares are successfully placed, any premium over the Subscription Price will be distributed to the relevant No Action Shareholders.

The Company will ensure that it will continue to comply at all times with the public float requirement under Rule 8.08 after the Placing and the Rights Issue. After the Placing Period, it is expected that none of the Placees will become a substantial Shareholder. If any of the Placees will become a substantial Shareholder after completion of the Placing and Rights Issue, further announcement(s) will be made by the Company.

The Board considered that the Compensatory Arrangements are fair and reasonable and provide adequate safeguard to protect the interests of the Company's minority Shareholders since:

- (i) the arrangements are in compliance with the requirements under Rule 7.21(1)(b) of the Listing Rules under which the No Action Shareholders may be compensated even if they do nothing (i.e. neither subscribe for Rights Shares nor sell their nil-paid rights) because under the arrangements, the Unsubscribed Rights Shares and NQS Unsold Rights Shares will be first offered to Independent Third Parties and any premium over the Subscription Price will be paid to the No Action Shareholders. The commission payable to the Placing Agent and the related fees and expenses in relation to such placing will be borne by the Company;
- (ii) the Compensatory Arrangements (including the determination of the placing price) will be managed by the licensed placing agent which is subject to the stringent code of conduct over, among others, pricing and allocation of the placing Shares. The terms and the conditions of the Placing Agreement (including the placing commission) are normal commercial terms or better, are in the best interest of the Company and the Shareholders as a whole; and
- (iii) the Compensatory Arrangements would provide (i) a distribution channel of the Placing Shares to the Company; (ii) an additional channel of participation in the Rights Issue for the Qualifying Shareholders and the Non-Qualifying Shareholders; and (iii) a compensatory mechanism for the No Action Shareholders and the Non-Qualifying Shareholders. Besides, the Rights Issue will give the Qualifying Shareholders an equal and fair opportunity to maintain their respective pro rata shareholding interests in the Company. As such, the Board considered that the absence of excess application arrangement is acceptable.

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## LETTER FROM THE BOARD

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### **Share certificates and refund cheques for the Rights Issue**

Subject to fulfilment of the conditions of the Rights Issue, share certificates for the fully paid Rights Shares are expected to be posted on or before Friday, 6 June 2025 to those entitled thereto at their registered addresses by ordinary post at their own risk. If the Rights Issue does not become unconditional, refund cheques without interest are expected to be posted on or before Friday, 6 June 2025 by ordinary post to the respective applicants, at their own risk, to their registered addresses.

### **No fractional entitlement to the Rights Shares**

The Company will not provisionally allot fractions of Rights Shares. All fractions of the Rights Shares will be aggregated (and rounded down to the nearest whole number) and sold by the Company in the open market if a premium (net of expense) can be obtained. Any of these Rights Shares remain not sold in the market will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

### **Application for listing of the Rights Shares**

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms to be issued and allotted pursuant to the Rights Issue. No part of the equity or debt securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges.

The nil-paid and fully-paid Rights Shares will be traded in board lots of 2,000 Shares.

### **RIGHTS SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests.

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## LETTER FROM THE BOARD

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### REASONS FOR THE RIGHTS ISSUE AND THE USE OF PROCEEDS

The Group is principally engaged in the property development, property investment and property leasing in the PRC.

Assuming full subscription under the Rights Issue, the maximum gross and net proceeds (after deducting related expenses) from the Rights Issue are estimated to be approximately HK\$84.2 million and HK\$78.3 million, respectively.

As disclosed in the interim results announcement of the Company dated 20 September 2024 for the six months ended 30 June 2024, cash and cash equivalents amounted to approximately RMB0.6 million, whereas interest-bearing bank and other borrowings amounted to approximately RMB1,279.5 million, convertible bonds outstanding amounted to approximately RMB279.2 million and other payables and accruals of approximately RMB2,127.1 million as at 30 June 2024. Therefore, the Group has an immediate need for financial resources to settle the overdue liabilities and replenish its working capital.

The Company intends to apply the net proceeds from the Rights issue in the following manner:

- (i) approximately 92% (being approximately HK\$72.0 million) for settlement of convertible bonds, repayment of interest-bearing bank loans and other borrowings and other payables and accruals of the Group; and
- (ii) approximately 8% (being approximately HK\$6.3 million) as general working capital of the Group, including but not limited to its daily operational expenses of the Group for the forthcoming six months upon completion of the Rights Issue.

In the event that there is an under subscription of the Rights Issue, the net proceeds will be utilised on a pro rata basis as set out above.

Having considered the low level of bank balance and cash for daily operations as well as the finance costs associated with bank loans and overdrafts, the Directors consider that the Rights Issue represents an opportunity for the Company to partially settle outstanding liabilities and negotiate the repayment terms for the remaining balance with the lender(s) and bondholder(s), strengthen the Group's financial position and raise additional funding for the business operations of the Group without any interest burden.

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## LETTER FROM THE BOARD

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Set out below are the details of the Group's indebtedness as at 30 June 2024:

|  | <b>Effective<br/>interest rate</b> | <b>Maturity</b>                      | <b>RMB'000<br/>(unaudited)</b> |
|--|------------------------------------|--------------------------------------|--------------------------------|
| Current portion of long term bank and other borrowings | 6.8–11.5                           | On demand or payable within one year | 1,279,465                      |
| Convertible bonds                                      | 7.5                                | On demand or payable within one year | 256,155                        |

The management of the Company has been in continuous discussions with the major lenders of the Group in relation to the outstanding amounts and reducing the accumulated bank interest and penalty interest. The offer of partial repayment will aid in the said negotiation of the terms of the borrowings.

The Directors had considered other fund-raising alternatives available to the Group, including debt financing such as bank borrowings, and other equity financing such as placing or subscription of new Shares. The Directors are of the view that debt financing will result in additional interest burden and the interest rate is expected to be further increased in prevailing borrowing market. Besides, the debt financing will further increase the gearing ratio of the Group which is not beneficial to the Group.

The Directors consider that financing the funding needs of the Group in the form of equity is a better alternative. Amongst the equity financing methods, placing or subscription of new Shares would dilute the shareholding of the existing Shareholders without giving the chance to the existing Shareholders to participate the subscription of new Shares. Instead of the placing or subscription of new Shares, the Rights Issue enables the Group to improve its financial position without increasing its debt or finance costs.

Since the Rights Issue will allow the Qualifying Shareholders to maintain their proportional shareholdings in the Company and allow the Group fulfil its aforementioned needs for financial resources to partially settle the overdue liabilities and replenish its working capital, the Directors consider that raising capital through the Rights Issue is in the best interest of the Company and the Shareholders as a whole. However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Non-Qualifying Shareholders (if any) should note that their shareholdings in the Company will be diluted.

In view of the above, the Board considers that it is fair and reasonable and in the best interests of the Company and the Shareholders as a whole to proceed with the Rights Issue to provide existing Shareholders the opportunity to participate in the enlarged capital base of the Company.

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## LETTER FROM THE BOARD

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### **EQUITY FUNDRAISING ACTIVITIES IN THE PAST TWELVE MONTHS**

The Company has not conducted any equity fundraising activities in the past twelve months immediately preceding the Latest Practicable Date.

### **INFORMATION ON THE PARTIES**

#### **Information on the Group**

The Company is an exempted company incorporated under the laws of the Cayman Islands with limited liability whose shares are listed on the Stock Exchange. The Group is principally engaged in the property development, property investment and property leasing in the PRC.

#### **Information on the Placing Agent**

Advent Securities (Hong Kong) Limited, a corporation licensed under the SFO to carry out Type 1 (dealing in securities) regulated activities as defined under the SFO.

### **TAXATION**

Shareholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the fully-paid Rights Shares and, regarding Non-Qualifying Shareholders, their receipt of the net proceeds, if any, from sales of the nil-paid Rights Shares on their behalf.

It is emphasised that none of the Company, the Directors or any other parties involved in the Rights Issue accepts responsibility for any tax effects or liabilities of, any person resulting from subscribing for, purchasing, holding, exercising, disposing of or dealings in any rights in relation to the Rights Shares in both their nil-paid and fully-paid form.

### **WARNING OF THE RISKS OF DEALING IN THE EXISTING SHARES, THE ADJUSTED SHARES AND/OR THE NIL-PAID RIGHTS SHARES**

Shareholders and potential investors of the Company should note that the Capital Reorganisation are conditional upon satisfaction of conditions set out in the paragraph headed “Conditions of the Capital Reorganisation” in this circular. Therefore, the Capital Reorganisation may or may not proceed.

The Rights Issue is subject to the fulfilment of conditions including, among other things, the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid Rights Shares. Please refer to the section headed “Proposed Rights Issue – Conditions of the Rights Issue” in this circular.

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## LETTER FROM THE BOARD

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Shareholders and potential investors of the Company should note that each of the Rights Issue and the Placing is subject to the fulfilment of certain conditions. If any of the conditions of the Rights Issue and/or the Placing are not fulfilled, the Rights Issue and/or the Placing will not proceed.

Any Shareholder or other person contemplating transferring, selling, or purchasing Shares is advised to exercise caution when dealing in the Existing Shares, the Adjusted Shares and/or the nil-paid Rights Shares. Any person who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).

Any Shareholder or other person dealing in the Existing Shares, the Adjusted Shares and/or the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled or the Placing Long Stop Date, which is expected to be 4:10 p.m. on Monday, 2 June 2025, will accordingly bear the risk that the Rights Issue and/or the Placing may not proceed.

## LETTER FROM THE BOARD

### EFFECTS ON SHAREHOLDING STRUCTURE

To the best knowledge of the Directors, set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the Capital Reorganisation becoming effective; (iii) immediately after the Capital Reorganisation becoming effective and the completion of the Rights Issue (assuming full acceptance by all Qualifying Shareholders under the Rights Issue); and (iv) immediately after the Capital Reorganisation becoming effective and the completion of the Rights Issue (assuming (a) no subscription by the Qualifying Shareholders; and (b) all the Placing Shares are placed to Independent Third Parties under the Placing), assuming there is no change in the issued share capital of the Company, other than as a result of the Capital Reorganisation, from the Latest Practicable Date up to and including the Record Date:

| Shareholders                                 | As at the Latest Practicable Date |               | Immediately after the Capital Reorganisation becoming effective |               | Immediately after the Capital Reorganisation becoming effective and completion of the Rights Issue (assuming full acceptance by the Qualifying Shareholders under the Rights Issue) |               | Immediately after the Capital Reorganisation becoming effective and completion of the Rights Issue (assuming (a) no subscription by the Qualifying Shareholders; and (b) all the Placing Shares are placed to Independent Third Parties under the Placing) |               |
|--|-----------------------------------|---------------|---|---------------|---|---------------|--|---------------|
|  | Number of Shares                  | %             | Number of Shares  | %             | Number of Shares  | %             | Number of Shares   | %             |
| Proyan Consultancy Limited ( <i>Note 1</i> ) | 187,862,200                       | 10.0%         | 1,878,622   | 10.0%         | 9,393,110   | 10.0%         | 1,878,622  | 2.0%          |
| Xinxing Company Limited ( <i>Note 2</i> )    | 24,330,000                        | 1.3%          | 243,300   | 1.3%          | 1,216,500   | 1.3%          | 243,300  | 0.3%          |
| Placees                                      | –                                 | –             | –   | –             | –   | –             | 75,144,880   | 80.0%         |
| Other public Shareholders                    | 1,666,429,800                     | 88.7%         | 16,664,298  | 88.7%         | 83,321,490  | 88.7%         | 16,664,298   | 17.7%         |
| Total  | <u>1,878,622,000</u>              | <u>100.0%</u> | <u>18,786,220</u>   | <u>100.0%</u> | <u>93,931,100</u>   | <u>100.0%</u> | <u>93,931,100</u>  | <u>100.0%</u> |



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## LETTER FROM THE BOARD

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*Notes:*

1. Proyan Consultancy Limited is a company incorporated in Hong Kong with limited liability. Mr. Yau Yan Yuen held the entire issued share capital of Proyan Consultancy Limited and was deemed to be interested in the 187,862,200 Shares in which Proyan Consultancy Limited was interested pursuant to the SFO.
2. Xinxing Company Limited is a company wholly owned by Mr. Chen. Accordingly, Mr. Chen and Ms. Gao (the spouse of Mr. Chen) are deemed to be interested in the same number of Shares in which Xinxing Company Limited is interested by virtue of the SFO.
3. The percentage figures have been subject to rounding adjustments. Any discrepancies between totals and sums of amounts listed herein are due to rounding adjustments.
4. If any of the placees subscribes for 10% or more of the Shares under the Placing, he/she/it will become a substantial Shareholder after completion of the Placing. The Company will at all time and continue to comply with the public float requirements under Rule 8.08 of the Listing Rules before and after completion of the Rights Issue.
5. Shareholders and public investors should note that the above shareholding scenarios are for illustration purposes only and the actual changes in the shareholding structure of the Company upon completion of the Rights Issue are subject to various factors, including the results of acceptance of the Rights Issue.

If a Qualifying Shareholder does not accept the Rights Shares provisionally allotted to him/her/it in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.

### LISTING RULES IMPLICATIONS

#### Capital Reorganisation

The Share Consolidation is conditional upon, among other things, the approval by the Shareholders by way of special resolution at the EGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as none of the Shareholders or their associates would have any interest in the Share Consolidation, no Shareholder would be required to abstain from voting in favour of the resolution(s) relating to the Share Consolidation at the EGM.

The Capital Reduction and Share Subdivision are conditional upon, among other things, the approval by the Shareholders by way of special resolution at the EGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as none of the Shareholders or their associates would have any interest in the Capital Reduction and Share Subdivision, no Shareholder would be required to abstain from voting in favour of the resolution(s) relating to the Capital Reduction and Share Subdivision at the EGM.

#### Rights Issue

In accordance with Rule 7.19A(1) and Rule 7.27A(1) of the Listing Rules, as the Rights Issue will increase the total number of issued Shares of the Company by more than 50% within 12 months period immediately preceding the date of this announcement, the Rights Issue is

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## LETTER FROM THE BOARD

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conditional upon the Shareholders' approval at the EGM, and any controlling shareholders of the Company and their associates, or where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) in relation to the Rights Issue at the EGM.

As at the Latest Practicable Date, the Company does not have any controlling shareholders. Mr. Chen, an executive Director, Chairman and the Chief Executive Officer of the Company, is interested in the 24,330,000 Shares beneficially owned by Xinxing Company Limited, a company wholly owned by Mr. Chen, representing approximately 1.3% of the total issued Shares. Ms. Gao (the spouse of Mr. Chen), a non-executive Director, is also deemed to be interested in the 24,330,000 Shares beneficially owned by Xinxing Company Limited by virtue of the SFO. Therefore, Mr. Chen and Ms. Gao shall abstain from voting in favour of the resolutions approving the Rights Issue and the transactions contemplated thereunder in accordance with Rule 7.27A(1) of the Listing Rules at the EGM. As at the Latest Practicable Date, save for Mr. Chen and Ms. Gao, none of the Directors or chief executives of the Company had any interest in the Shares.

The Rights Issue does not result in a theoretical dilution effect of 25% or more on its own. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

### **THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER**

The Company has established the Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Khor Khie Liem Alex, Mr. Chiu Kung Chak, Ms. Huang Chunlian and Ms. Lee Yin Man, to advise the Independent Shareholders in respect of the Rights Issue, the Placing Agreement and the transactions contemplated thereunder and as to the voting action therefor.

Ample Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue, the Placing Agreement and the transactions contemplated thereunder are on normal commercial term, fair and reasonable, in the interests of the Independent Shareholders as a whole, and to advise the Independent Shareholders on how to vote.

### **EGM**

The register of members of the Company will be closed from Friday, 7 March 2025 to Thursday, 13 March 2025 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM.

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## LETTER FROM THE BOARD

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The EGM will be convened and held to consider and, if thought fit, approve, the Capital Reorganisation, the Rights Issue, the Placing Agreement and the transactions contemplated thereunder. The notice convening the EGM to be held at Unit D, 7/F, Kee Shing Centre, 74–76 Kimberley Road, Tsim Sha Tsui, Kowloon, Hong Kong on Thursday, 13 March 2025 at 11:00 a.m. is set out on pages EGM-1 to EGM-5 of this circular.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the meeting in person, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Hong Kong branch share registrar and transfer office of the Company, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed (i.e. by 11:00 a.m. on Wednesday, 12 March 2025) for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

In compliance with the Listing Rules, all the resolutions to be proposed at the EGM will be voted on by way of poll at the EGM.

Saved as disclosed in this circular, no other Shareholder is required to abstain from voting on the resolution(s) to approve the Capital Reorganisation, the Rights Issue, the Placing Agreement and the transactions contemplated thereunder at the EGM.

### DESPATCH OF PROSPECTUS DOCUMENTS

Subject to the approval of the Rights Issue by the Independent Shareholders at the EGM and the Capital Reorganisation becoming effective, the Prospectus containing further information in relation to the Rights Issue and financial and other information relating to the Group is expected to be despatched by the Company together with the PAL on or before Monday, 28 April 2025. A copy of the Prospectus will also be made available on the websites of the Company ([www.xinm.net.cn](http://www.xinm.net.cn)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). To the extent reasonably practicable and subject to the advice of legal advisers in the relevant jurisdictions in respect of applicable local laws and regulations, the Company may send copies of the Prospectus to Non-Qualifying Shareholders for their information only but will not send the PAL to them.

### RECOMMENDATION

The Independent Board Committee, which comprises all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue, the Placing Agreement and the transactions contemplated thereunder are fair and reasonable and in the best interests of the Company and the Shareholders as a whole and to make recommendations to the Independent Shareholders on how to vote at the EGM on the relevant resolutions. Ample Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Your attention is drawn to the letter from the Independent Board Committee set out on pages 38 to 39 of this circular which contains its recommendation to the Independent

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## LETTER FROM THE BOARD

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Shareholders in relation to the Rights Issue, and the letter from the Independent Financial Adviser set out on pages 40 to 62 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

The Directors consider that the terms of the Capital Reorganisation are fair and reasonable and in the best interests of the Company and the Shareholders as a whole. Further, the Directors (including the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) consider that the terms of the Rights Issue, the Placing Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) recommend the Shareholders and the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM.

### ADDITIONAL INFORMATION

Your attention is drawn to the Letter from the Independent Board Committee set out on pages 38 to 39 of this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM and the Letter from the Independent Financial Adviser set out on pages 40 to 62 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Capital Reorganisation, the Rights Issue, the Placing Agreement and the transactions contemplated thereunder.

Your attention is also drawn to the additional information set out in the appendix to this circular.

Yours faithfully,  
By order of the Board  
**Xinming China Holdings Limited**  
**Cao Zhiqiang**  
*Executive Director*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Rights Issue and the transactions contemplated thereunder.*



25 February 2025

*To the Independent Shareholders,*

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF FOUR (4)  
RIGHTS SHARE FOR EVERY ONE (1) ADJUSTED SHARE HELD  
AT THE CLOSE OF BUSINESS ON THE RECORD DATE  
ON A NON-UNDERWRITTEN BASIS**

We refer to the circular of the Company dated 25 February 2025 (the “**Circular**”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Rights Issue, the Placing Agreement and the transactions contemplated thereunder are on normal commercial terms, in the interests of the Company and the Shareholders as a whole, and the terms of which are fair and reasonable insofar as the Independent Shareholders are concerned. Ample Capital Limited has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect.

We wish to draw your attention to (i) the Letter of advice from the Independent Financial Adviser as set out on pages 40 to 62 of the Circular; and (ii) the Letter from the Board as set out on pages 8 to 37 of the Circular and the additional information set out in the appendices to the Circular.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having taken into account the terms of the Rights Issue, the Placing Agreement and the advice from the Independent Financial Adviser, we are of the opinion that the terms of the Rights Issue and the Placing Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend you to vote in favour of the resolutions to be proposed at the EGM to approve the Rights Issue, the Placing Agreement and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of the  
**Independent Board Committee of**  
**Xinming China Holdings Limited**

**Mr. Khor Khie Liem Alex**  
*Independent*  
*Non-executive Director*

**Mr. Chiu Kung Chak**  
*Independent*  
*Non-executive Director*

**Ms. Huang Chunlian**  
*Independent*  
*Non-executive Director*

**Ms. Lee Yin Man**  
*Independent*  
*Non-executive Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue and the transactions contemplated thereunder for the purpose of incorporation into this Circular.*

**AmCap**

*Ample Capital Limited*

豐盛融資有限公司

Ample Capital Limited  
Room 903, Far East Consortium Building  
121 Des Voeux Road Central  
Hong Kong

25 February 2025

*To the Independent Board Committee and the Independent Shareholders of  
Xinming China Holdings Limited*

Dear Sirs,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF FOUR (4)  
RIGHTS SHARES FOR EVERY ONE (1) ADJUSTED SHARE HELD  
AT THE CLOSE OF BUSINESS ON THE RECORD DATE  
ON A NON-UNDERWRITTEN BASIS**

### INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to (i) advise the Independent Board Committee and the Independent Shareholders in respect of whether the terms of the Rights Issue and the Placing Agreement are fair and reasonable as far as the Independent Shareholders are concerned; (ii) give our recommendation as to whether the Rights Issue and Placing Agreement is in the interest of the Company and the Shareholders as a whole; and (iii) advise the Independent Shareholders on how to vote at the EGM. Details of the Rights Issue are set out in the section headed “Letter from the Board” (the “**Letter from the Board**”) contained in the circular (the “**Circular**”) of the Company to the Shareholders dated 25 February 2025, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular, unless the context requires otherwise.

Reference is made to the Announcement, in relation to, among other things, the Rights Issue. The Company proposes to raise gross proceeds of up to approximately HK\$84.2 million by way of the issue of up to 75,144,880 Rights Shares at the Subscription Price of HK\$1.12 per Rights Share on the basis of four (4) Rights Shares for every one (1) Adjusted Share held on the Record Date. The Rights Issue is not underwritten and is only available to the Qualifying Shareholders and will not be extended to the Non-Qualifying Shareholders.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### LISTING RULES IMPLICATION

In accordance with Rule 7.19A(1) and Rule 7.27A(1) of the Listing Rules, as the Rights Issue will increase the total number of issued Shares of the Company by more than 50% within 12 months period immediately preceding the date of the Announcement, the Rights Issue is conditional upon the Shareholders' approval at the EGM, and any controlling shareholders of the Company and their associates, or where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) in relation to the Rights Issue at the EGM.

As at the Latest Practicable Date, the Company does not have any controlling shareholders. Mr. Chen, an executive Director, Chairman and the Chief Executive Officer of the Company, is interested in the 24,330,000 Shares beneficially owned by Xinxing Company Limited, a company wholly owned by Mr. Chen, representing approximately 1.3% of the total issued Shares. Ms. Gao (the spouse of Mr. Chen), a non-executive Director, is also deemed to be interested in the 24,330,000 Shares beneficially owned by Xinxing Company Limited by virtue of the SFO. Therefore, Mr. Chen and Ms. Gao shall abstain from voting in favour of the resolutions approving the Rights Issue and the transactions contemplated thereunder in accordance with Rule 7.27A(1) of the Listing Rules at the EGM. As at the Latest Practicable Date, save for Mr. Chen and Ms. Gao, none of the Directors or chief executives of the Company had any interest in the Shares.

The Rights Issue does not result in a theoretical dilution effect of 25% or more on its own. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

### THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all of the independent non-executive Directors, namely Mr. Khor Khie Liem Alex, Mr. Chiu Kung Chak, and Ms. Huang Chunlian and Ms. Lee Yin Man, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue and the Placing Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole and to make recommendations to the Independent Shareholders on how to vote at the EGM.

### OUR INDEPENDENCE

As at the Latest Practicable Date, we were not connected with the Company or any of its respective substantial shareholders, directors or chief executives, or any of their respective associates and accordingly, are considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue. In the last two years, we have not acted in any financial adviser role to the Company.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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With regards to our independence from the Company, it is noted that (i) apart from the normal professional fees paid to us in relation to the current appointment as the Independent Financial Adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Company or other parties that could reasonably be regarded as relevant to our independence; and (ii) the aggregate professional fees paid/to be paid to us do not make up a significant portion of our revenue during the relevant period which would affect our independence. Accordingly, we consider that we are independent to act as the Independent Financial Adviser in respect of the Rights Issue pursuant to Rule 13.84 of the Listing Rules.

### BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the Company's annual result announcement for the financial year ended 31 December 2023 (the **"2023 Annual Results"**); (iii) the unaudited interim results of the Company for the six months ended 30 June 2024 (the **"2024 Interim Results"**); (iv) other information provided by the Directors and/or the senior management of the Company (the **"Management"**); (v) the opinions expressed by and the representations of the Directors and the Management; and (vi) our review of the relevant public information. We have assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or the Directors, which have been provided to us.

We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter. We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made, or opinion expressed by the Directors and the Management, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group, or any of its respective substantial shareholders, subsidiaries or associates.

We have assumed that the Rights Issue will be consummated in accordance with the terms and conditions set forth in the Circular without any waiver, amendment, addition or delay of any terms or conditions. We have assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents as required for the Rights Issue, no delay, limitation, condition or restriction will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived from the Rights Issue. In addition, our opinion is necessarily based on the financial, market, economic, industry-specific and other

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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conditions as they existed on, and the information made available to us as at the Latest Practicable Date.

In the event of inconsistency, the English text of this letter shall prevail over the Chinese translation of this letter.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in relation to the Rights Issue, we have taken into account the following principal factors and reasons:

#### 1. Background information of the parties

##### *1.1 Background information and financial overview of the Group*

As stated in the Letter from the Board, the Group is principally engaged in the property development, property investment and property leasing in the PRC. Certain summary financial information of the Group as extracted from the 2023 Annual Results and the 2024 Interim Results is set out below:

|  | For the six months<br>ended 30 June |             | For the year ended<br>31 December |             |
|--|-------------------------------------|-------------|-----------------------------------|-------------|
|  | 2024                                | 2023        | 2023                              | 2022        |
|  | RMB'000                             | RMB'000     | RMB'000                           | RMB'000     |
|  | (unaudited)                         | (unaudited) | (audited)                         | (audited)   |
| Revenue  | 78,696                              | 233,001     | 422,580                           | 35,198      |
| Gross profit                                     | 15,734                              | 35,920      | 53,440                            | 20,011      |
| Loss attributable to<br>owners of the<br>Company | (342,809)                           | (281,601)   | (592,631)                         | (2,389,604) |

##### *For the six months ended 30 June 2024*

The Group's condensed consolidated revenue decreased from approximately RMB233.0 million for the six months ended 30 June 2023 to approximately RMB78.7 million for the six months ended 30 June 2024, representing a decrease of approximately RMB154.3 million or 66.2%. Such decrease in revenue is also due to the sales of Shandong Phases 2 and 3 residential projects mainly recognised as revenue for the corresponding period of last year. The Group recorded a loss attributable to owners of the Company of approximately RMB334.9 million as compared to a loss attributable to owners of the Company of approximately RMB 281.6 million for the six months ended 30 June 2023. The loss during the period was mainly attributed to the decrease in property sales compared to the corresponding period of last year.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*For the year ended 31 December 2023*

The Group's consolidated revenue increased from approximately RMB35.2 million for the year ended 31 December 2022 to approximately RMB422.6 million for the year ended 31 December 2023, representing an increase of approximately RMB387.4 million mainly due to the completion of phases 2 and 3 of the Shandong residential project. The Group recorded the loss attributable to the shareholders approximately RMB526.1 million, representing a decrease of loss of approximately RMB1,724.3 million or approximately 76.6% as compared to the loss of approximately RMB2,250.4 million for the year ended 31 December 2022. The decrease of loss was mainly attributed to (i) the increase in property sales as mentioned above; and (ii) the substantially decrease in the change in fair value of investment properties diminished.

|  | <b>As at<br/>30 June<br/>2024<br/>RMB'000<br/>(unaudited)</b> | <b>As at<br/>31 December<br/>2023<br/>RMB'000<br/>(audited)</b> |
|--|---|---|
| Cash and cash equivalents                  | 623   | 1,335   |
| Interest-bearing bank and other borrowings | 1,279,465   | 1,279,465   |
| Convertible bonds                          | 279,221   | 272,662   |
| Current assets                             | 946,873   | 1,086,700   |
| Current liabilities                        | 5,201,134   | 5,006,871   |
| Net current liabilities                    | (4,254,261)   | (3,920,171)   |
| Total asset                                | 2,068,121   | 2,215,677   |
| Total liabilities                          | 5,370,446   | 5,175,193   |

As at 30 June 2024, the Group recorded cash and cash equivalents amounting to approximately RMB0.6 million (31 December 2023: approximately RMB1.3 million) and the net current liabilities was approximately RMB4,254.3 million (31 December 2023: approximately RMB3,920.2 million).

As at 30 June 2024, the Group has interest-bearing bank and other borrowings of approximately RMB 1,279.5 million which is same level as at 31 December 2023. The Group's gearing ratio, which is calculated as a ratio of total bank borrowings to shareholders' equity, was approximately 89.3% (31 December 2023: approximately 110.0%). As at 30 June 2024, the Group's current ratio was approximately 0.18:1 (31 December 2023: approximately 0.27:1).

### **2. Reasons for the proposed Rights Issue and use of proceeds**

#### ***2.1 Funding needs***

With reference to the Letter from the Board, the Group has an immediate need for financial resources to settle the overdue liabilities and replenish its working capital according to the 2024 Interim Results, cash and cash equivalents amounted to approximately RMB0.6 million, whereas interest-bearing bank and other borrowings amounted to approximately RMB1,279.5 million, convertible bonds outstanding amounted to approximately RMB279.2 million and other payables and accruals of approximately RMB2,127.1 million as at 30 June 2024. We noted that the Board consider the Rights Issue represents an opportunity for the Company to partially settle outstanding liabilities and negotiate the repayment terms for the remaining balance with the lender(s) and bondholder(s), strengthen the Group's financial position and raise additional funding for the business operations of the Group without any interest burden.

Further, with reference to the Letter from the Board, assuming full subscription under the Rights Issue, the Company intends to use the net proceeds of approximately HK\$78.3 million as follows:

- approximately 92% of the net proceeds (approximately HK\$72.0 million) for settlement of convertible bonds, repayment of interest-bearing bank loans and other borrowings and other payables and accruals of the Group within around three months upon completion of the Rights Issue; and
- approximately 8% of the net proceeds (approximately HK\$6.3 million) as general working capital of the Group, including but not limited to its daily operational expenses of the Group for the forthcoming 6 months upon completion of the Rights Issue.

In the event of an undersubscription of the Rights Issue, the net proceeds will be utilised on a pro-rata basis as set out above.

#### ***2.2 Our view on the reason for the Rights Issue and the intended use of proceeds***

We understand from the Letter from the Board that, apart from the Rights Issue, the Board have considered fund-raising alternatives available to the Group, including debt financing such as bank borrowings, and other equity financing such as placing or subscription of new Shares. The Directors are of the view that debt financing will result in additional interest burden and the interest rate is expected to be further increased in prevailing borrowing market. Besides, the debt financing will further increase the gearing ratio of the Group which is not beneficial to the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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According to the statement of indebtedness set out in Appendix I, the Company recorded carrying amount of the unsecured and guaranteed other borrowing of approximately RMB1,209.0 million and the convertible bonds bear interest at the rate of 6.5% plus 1.0% handling fee per annum and are payable in arrears every six months in the principal amount of RMB282.0 million. Moreover, in the prevailing high-interest-rate environment, combined with the Company's elevated gearing ratio, we are of the view that the Company may struggle to secure favourable terms for debt financing during negotiations with banks and financial institutions. The Directors are of the view, and we concur, that any further debt financing may not be achievable on favourable terms in a timely manner and not be beneficial to the Company and the Shareholders as a whole.

In respect of equity financing, as opposed to the Rights Issue, the Directors considered that both the placing of new shares under general mandate and open offer do not offer options to the existing Shareholders, including (i) allowing Shareholders to maintain their shareholdings; and (ii) increasing their shareholding interests by acquiring additional rights entitlements or reducing their shareholding interests in the Company by disposing of their rights entitlements in the open market. As rights issues offer shareholders an option of maintaining their shareholdings of a company, while equity financing such as placing does not have such element and instead would immediately dilute existing shareholders' shareholding in a company, we are of the view that the Rights Issue is in the interest of Shareholders, as compared to placing. In addition, while equity financing through an open offer allows qualifying shareholders to participate, it does not allow free trading of rights entitlement in the open market. Therefore, we are also of the view that the Rights Issue is in the interest of Shareholders, as compared to open offers.

Considering (i) the feasibility of the fund raising methods above; (ii) that the Rights Issue offers all the Qualifying Shareholders an equal opportunity to subscribe for their pro-rata provisional allotments of the Rights Shares without diluting their shareholding interests and allows the Qualifying Shareholders to participate in the future development of the Company; (iii) the additional flexibility provided from the nil-paid rights options in the Rights Issue to the existing Shareholders, (iv) that the Rights Issue will strengthen the Company's capital base and liquidity without incurring interest costs and also enables the Company to reduce its gearing ratio; and (v) the low cash level of the Company as at 30 June 2024; the Directors are of the view, and we concur, that the Rights Issue is an appropriate fund raising option under the current circumstances compared to the abovementioned alternative fund raising methods and it is in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 3. The proposed Rights Issue

#### 3.1 Issue statistics

|   |   |   |
|---|---|---|
| Basis of the Rights Issue   | : | Four (4) Rights Shares for every one (1) Adjusted Share held by the Qualifying Shareholders at the close of business on the Record Date   |
| Subscription Price  | : | HK\$1.12 per Rights Share   |
| Net price per Rights Shares (i.e. Subscription Price less cost and expenses incurred in the Rights Issue) | : | Approximately HK\$1.05 per Rights Share (on the basis that all the Rights Shares will be taken up)  |
| Number of the Shares in issue as at the Latest Practicable Date   | : | 1,878,622,000 Existing Shares   |
| Number of Adjusted Shares in issue upon the Capital Reorganisation becoming effective                     | : | 18,786,220 Adjusted Shares (assuming there is no change in number of Shares in issue up to the effective date of the Capital Reorganisation)  |
| Number of Rights Shares (Shares to be issued pursuant to the Rights Issue)                                | : | Up to 75,144,880 Rights Shares (assuming there is no change in the number of Shares in issue on or before the Record Date other than the Capital Reorganisation) with an aggregate nominal value of HK\$751,448.80; |
| Total number of Adjusted Shares in issue upon completion of the Rights Issue                              | : | Up to 93,931,100 Adjusted Shares (assuming no change in the number of Shares in issue on or before the Record Date other than the Capital Reorganisation);  |
| Gross proceeds from the Rights Issue  | : | Up to approximately HK\$84.2 million before expenses (assuming no change in the number of Shares in issue on or before the Record Date other than the Capital Reorganisation)                                       |

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As at the Latest Practicable Date, the Company does not have any outstanding share options granted under any of its share option scheme or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into the Shares.

Assuming no change in the number of Shares in issue on or before the Record Date, other than the Capital Reorganisation becoming effective, the aggregate 75,144,880 Rights Shares to be issued pursuant to the terms of the Rights Issue represent 400% of the total number of issued Adjusted Shares upon the Capital Reorganisation becoming effective and approximately 80% of the total number of issued Adjusted Shares as enlarged by the issue of the Rights Shares (assuming full acceptance by the Qualifying Shareholders).

### ***3.2 The Subscription Price***

The Subscription Price of HK\$1.12 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue, or where a transferee of the nil-paid Rights applies for the Rights Shares. The Subscription Price represents:

- (i) a discount of approximately 34.1% to the closing price of HK\$1.70 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the closing price of HK\$0.017 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 13.8% to the closing price of HK\$1.30 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the closing price of HK\$0.013 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 18.8% to the adjusted average closing price of approximately HK\$1.38 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the average closing price of HK\$0.0138 per Existing Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 20.6% to the adjusted average closing price of approximately HK\$1.41 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the average closing price of HK\$0.0141 per Existing Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day; and
- (v) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of a discount of approximately 16.9%, represented by the theoretical diluted price of approximately HK\$1.18 per Adjusted Share (after taking



into account the effect of the Capital Reorganisation) to the theoretical benchmarked price of HK\$1.42 per Adjusted Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of (i) the closing price of the Adjusted Share as quoted on the Stock Exchange on the Last Trading Day; and (ii) the average closing price of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days prior to the date of this Circular and adjusted for the effect of the Capital Reorganisation).

According to the Letter from the Board, the Subscription Price was determined with reference to (i) the market price of the Shares under the prevailing market conditions; (ii) the current business performance and financial position of the Group; and (iii) the reasons for and benefits of proposed Rights Issue as discussed in the section head “Reasons for the Rights Issue and Use of Proceeds”, and the amount of funds the Company intends to raise under the Rights Issue.

### ***3.3 Non-Underwriting Basis***

Given that the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of provisionally allotted Rights Shares. In the event of an undersubscription of the Rights Issue, any Unsubscribed Rights Shares together with the NQS Unsold Rights Shares will be placed on a best effort basis by the Placing Agent to independent Placees under the Placing. Any Unsubscribed Rights Shares or NQS Unsold Rights Shares remain not placed under the Placing will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. There is no minimum amount to be raised under the Rights Issue. There are no applicable statutory requirements under the laws of the Cayman Islands regarding minimum subscription levels in respect of the Rights Issue. It is noted that 23 of the 26 Comparable Transactions were conducted on a non-underwritten basis. Further analysis is set out in the below section.

## **4. Historical price and trading volume of the Shares**

In order to assess the fairness and reasonableness of the Subscription Price, considering that trading in the shares of the Company on the Stock Exchange was suspended from 3 April 2023 to 27 October 2024, we have performed a review on the theoretical closing price (the “**Adjusted Closing Price**”) of Consolidated Shares (after taking into account the effect of the Share Consolidation) and trading volume of the Shares from 28 October 2024 up to and including the Last Trading Day (the “**Review Period**”) (being the period since the resumption of trading of the Shares on 28 October 2024 and including the Last Trading Day) and compared with the Subscription Price.

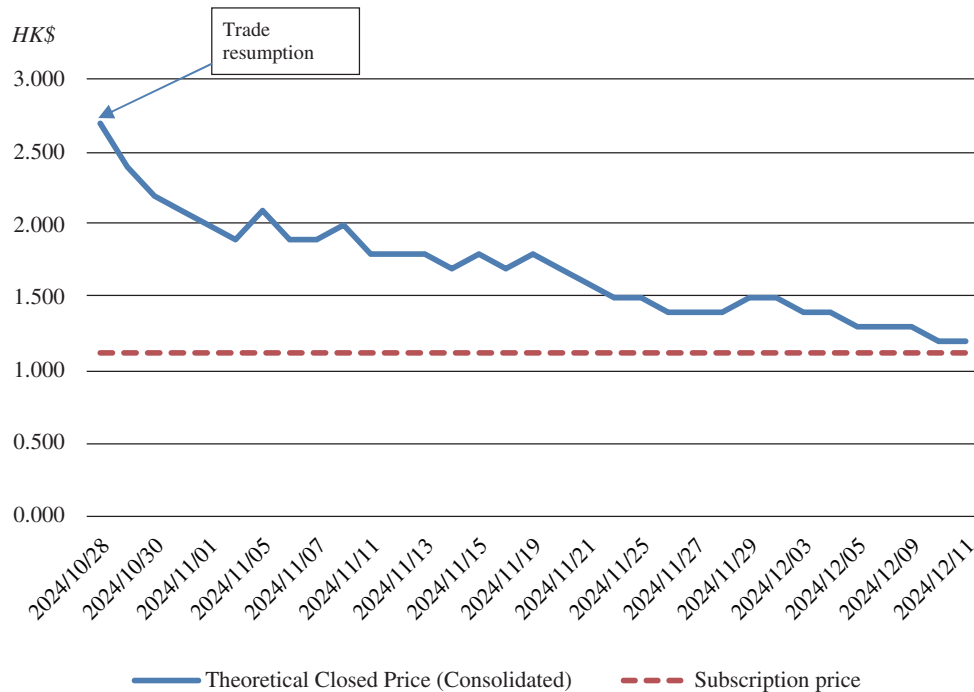


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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 4.1 Theoretical Closing price movement of the Consolidated Share during the Review Period



Source: the website of the Stock Exchange

As shown in the chart above, the Company's Adjusted Closing price of the Consolidated Shares was above the Subscription Price at all times during the Review Period, ranging from HK\$1.2 recorded on 10 December 2024 to HK\$2.7 recorded on 28 October 2024. Since trading resumed on 28 October 2024, the Adjusted Closing Price of the Consolidated Shares has exhibited a downward trend.

The Subscription Price of HK\$1.12 represents a discount ranging from approximately 6.67% to 58.52% compared to the Adjusted Closing Prices during the Review Period. Furthermore, the Subscription Price also represented a discount of approximately 34.23% to the average Adjusted Closing Prices per Consolidated Share during the Review Period, which was HK\$1.70. With reference to section headed "Comparative analysis on the proposed terms of the Rights Issue" below, we note that it is a normal market practice for companies to set subscription prices at discounts to trading prices to enhance the attractiveness of a rights issue and encourage qualifying shareholders to take part in the rights issue, we are of the view that the Subscription Price, being set at a discount to the historical trading prices, is on normal commercial terms.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 4.2 Average daily trading volume for each month during the Review Period

The table below sets out the average daily trading volume of the Shares for each month during the Review Period.

| Month                                 | Number of trading days | Average daily trading volume of the Shares during the month/period | Average daily trading volume of the Shares during the month/period to the total number of issued Shares |
|---------------------------------------|------------------------|--|---|
| <b>2024</b>                           |                        |  |   |
| October                               | 4                      | 24,373,686   | 6.81%   |
| November                              | 21                     | 7,974,857  | 0.42%   |
| December (up to the Last Trading Day) | 8                      | 8,525,000  | 0.45%   |
| Max                                   |                        | 127,961,850  | 6.81%   |
| Min                                   |                        | 7,974,857  | 0.42%   |
| Average                               |                        | 48,153,902   | 2.56%   |

*Source: website of the Stock Exchange*

The above table indicates that liquidity for the Shares was generally thin during the Review Period. The average daily trading volume of the Consolidated Shares in each month ranged from a low of approximately 0.42% and up to a maximum of 6.81% to the total number of issued Shares as at the Latest Practicable Date. The average daily trading volumes were 48,153,902 Consolidated Shares, accounting for approximately 2.56% of the total issued Shares during the Review Period.

Given the low trading volume, the Company would likely face difficulty in raising equity funds from third parties without offering a substantial discount to the prevailing Share price. Considering the low trading liquidity and the prevailing weak market sentiment in Hong Kong, as well as the Company's high gearing ratio, we are of the view that the Rights Issue is an appropriate equity financing method for the Group allowing existing Shareholders to participate, and the Subscription Price thereunder is fair and reasonable.

**5. Comparative analysis on the proposed terms of the Rights Issue**

***5.1 The Comparables***

In order to assess the fairness and reasonableness of the proposed terms of the Rights Issue, we have identified an exhaustive list of 26 companies (the “**Comparable(s)**”) listed on the Main Board and GEM of the Stock Exchange which announced a rights issue or an open offer during three-month period prior to the date of the Announcement, i.e. 6 December 2024.

Although the Comparables include rights issues and open offer in different scale or engaged in different business from the Company, having considered (i) all of the Comparables and the Group are listed on the Stock Exchange; (ii) our analysis is mainly concerned with the principal terms of the rights issues and open offer and we are not aware of any established evidence showing any correlation between the principal business and the fund-raising exercise’s underlying principal terms; (iii) a 3-month period for the selection of the Comparables has generated a reasonable and meaningful number of samples size of 26 Hong Kong listed issuers to reflect the market practice regarding recent rights issue or open offer, the Comparables were included without any artificial selection or filtering on our part so the Comparables represent a true and fair view of the recent market trends for similar transactions conducted by other Hong Kong listed issuers, we consider that the Comparables are fair and representative samples.

It should be noted that all the subject companies constituting the Comparables may have different principal activities, market capitalisation, profitability and financial position as compared with those of the Company, and the circumstances leading to the subject companies to proceed with the rights issues or open offer may also be different from that of the Company.

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following table sets forth the relevant details of the Comparables:

| Announcement date | Company name<br>(Stock code)                                   | Basis of entitlement | Maximum amount of fund rising | Closing price<br>(%)<br>(Note 1) | 5-day average<br>(%)<br>(Note 1) | Theoretical ex-rights entitlement price<br>(%)<br>(Note 1) | Consolidated net asset value per share<br>(%)<br>(Note 1) | Potential maximum dilution of shareholding<br>(%)<br>(Note 1) | Theoretical dilution effect<br>(%)<br>(Note 1) | Excess Application/Compensatory Arrangement<br>(EA/CA) | Underwriting Arrangement | Placing Commission |
|-------------------|--|----------------------|-------------------------------|----------------------------------|----------------------------------|--|---|---|--|--|--------------------------|--------------------|
| 02/09/2024        | Guangdong – Hong Kong Greater Bay Area Holdings Limited (1396) | 2 for 1              | HK\$62.41 million             | (22.30)                          | (21.70)                          | (15.85)  | (94.87)   | 33.30   | (8.28)   | EA   | No                       | No                 |
| 04/09/2024        | China New Consumption Group Limited (8275)                     | 1 for 2              | HK\$24.0 million              | (5.66)                           | (7.41)                           | (4.76)   | (61.09)   | 33.30   | (2.47)   | CA   | No                       | 3.5%               |
| 09/09/2024        | Crown International Corporation Limited (727)                  | 1 for 2              | HK\$159.0 million             | 2.27 <sup>(3)</sup>              | 14.80 <sup>(4)</sup>             | 1.50 <sup>(5)</sup>  | 162.35 <sup>(6)</sup>                                     | 33.33   | Premium  | EA   | No                       | No                 |
| 13/09/2024        | Shougang Century Holdings Limited (103)                        | 1 for 5              | HK\$129.2 million             | 10.00 <sup>(3)</sup>             | 8.20 <sup>(4)</sup>              | 8.20 <sup>(5)</sup>  | (62.50)   | 16.67   | Premium  | EA   | No                       | No                 |
| 13/09/2024        | Dragon Rise Group Holdings Limited (6829)                      | 1 for 1              | HK\$28.8 million              | (48.70)                          | (48.20)                          | (33.10)  | (89.20)   | 50.00   | (24.90)  | CA   | 2.0%                     | 1.0%               |
| 23/09/2024        | Shougang Fusan Resources Group Limited (639)                   | 1 for 30             | HK\$427.0 million             | 1.96 <sup>(3)</sup>              | 2.52 <sup>(4)</sup>              | 1.90 <sup>(5)</sup>  | (21.21)   | 3.20  | Premium  | EA   | No                       | No                 |
| 23/09/2024        | Hatcher Group Limited (8365)                                   | 3 for 1              | HK\$33.0 million              | (31.50)                          | (24.00)                          | (10.40)  | (94.10)   | 75.00   | (23.60)  | CA   | No                       | No                 |
| 26/09/2024        | Innovax Holdings Limited (2680)                                | 1 for 2              | HK\$12.0 million              | (67.93)                          | (68.35)                          | (59.02)  | (88.59)   | 33.30   | (22.78)  | CA   | No                       | No                 |
| 02/10/2024        | China National Culture Group Limited (745)                     | 2 for 1              | HK\$15.6 million              | (31.97)                          | (31.51)                          | (0.14)   | N/A <sup>(2)</sup>  | 66.70   | (21.31)  | CA   | No                       | 2.0%               |
| 04/10/2024        | Palinda Group Holdings Limited (8179)                          | 1 for 2              | HK\$71.6 million              | (18.70)                          | (9.42)                           | (13.29)  | (60.86)   | 33.33   | (6.23)   | EA   | No                       | N/A                |
| 07/10/2024        | China Water Industry Group Limited (1129)                      | 1 for 1              | HK\$129.31 million            | (49.44)                          | (49.21)                          | (32.84)  | (91.65)   | 50.00   | (21.72)  | CA   | No                       | 2.0%               |
| 08/10/2024        | V & V Technology Holdings Limited (8113)                       | 1 for 2              | HK\$24.2 million              | (31.50)                          | (26.40)                          | (23.47)  | (32.23)   | 33.30   | (10.50)  | EA   | No                       | No                 |

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

| Announcement date | Company name<br>(Stock code)  | Basis of entitlement | Maximum amount of fund raising | Closing price<br>(%)<br>(Note 1) | 5-day average<br>(%)<br>(Note 1) | Theoretical ex-rights entitlement<br>price<br>(%)<br>(Note 1) | Consolidated net asset value per share<br>(%)<br>(Note 1) | Potential maximum dilution of shareholding<br>(%)<br>(Note 1) | Theoretical dilution effect<br>(%)<br>(Note 1) | Excess Application/<br>Compensatory Arrangement<br>(EA/CA) | Underwriting Arrangement | Placing Commission |
|-------------------|---|----------------------|--------------------------------|----------------------------------|----------------------------------|---|---|---|--|--|--------------------------|--------------------|
| 15/10/2024        | Eminence Enterprise Limited (616)                                   | 2 for 1              | HK\$62.2 million               | (8.00)                           | (24.34)                          | (2.85)  | (98.98)   | 66.67   | (21.30)  | EA   | No                       | No                 |
| 18/10/2024        | Gaodi Holdings Limited (1676)                                       | 1 for 2              | HK\$30.8 million               | 37.90 <sup>(3)</sup>             | 38.90 <sup>(4)</sup>             | 12.10   | (65.50)   | 33.30   | Premium  | CA   | No                       | 1.0%               |
| 18/10/2024        | Kingkey Financial International (Holdings) Limited (1468)           | 1 for 2              | HK\$542.59 million             | 0.00 <sup>(3)</sup>              | 8.59 <sup>(4)</sup>              | N/A <sup>(2)</sup>  | 124.60 <sup>(6)</sup>                                     | 35.20   | N/A  | EA   | No                       | No                 |
| 21/10/2024        | China 33 Media Group Limited (8087)                                 | 3 for 2              | HK\$19.4 million               | (7.41)                           | (8.54)                           | (3.23)  | (65.75)   | 60.00   | (5.12)   | CA   | No                       | 1.5%               |
| 22/10/2024        | IRC Limited (1029)  | 1 for 2              | HK\$362.1 million              | (15.00)                          | (17.20)                          | (10.50)   | (67.30)   | 33.30   | (4.90)   | EA   | No                       | No                 |
| 11/11/2024        | Far East Holdings International Limited (36)                        | 2 for 1              | HK\$72.75 million              | (35.77)                          | (35.27)                          | (15.66)   | (80.59)   | 66.67   | (23.85)  | CA   | No                       | 2.5%               |
| 12/11/2024        | HG Semiconductor Limited (6908)                                     | 1 for 4              | HK\$90.1 million               | (36.00)                          | (41.50)                          | (31.00)   | (44.20)   | 20.00   | (8.30)   | CA   | No                       | 1.0%               |
| 15/11/2024        | Global Strategic Group Limited (8007)                               | 4 for 1              | HK\$51.1 million               | (12.50)                          | (14.10)                          | (3.20)  | (92.40)   | 80.00   | (11.30)  | EA   | 3.0%                     | No                 |
| 19/11/2024        | China Wood International Holding Co., Limited (1822)                | 1 for 1              | HK\$45.6 million               | (45.00)                          | (48.60)                          | (29.10)   | Net liabilities <sup>(7)</sup>                            | 50.00   | (24.90)  | EA   | No                       | No                 |
| 19/11/2024        | Rare Earth Magnesium Technology Group Holdings Limited (601)        | 1 for 2              | HK\$29.18 million              | (43.88)                          | (39.63)                          | (34.26)   | (86.91)   | 33.33   | (14.63)  | EA   | 7.07%                    | No                 |
| 21/11/2024        | Elife Holdings Limited (223)  | 1 for 5              | HK\$27.12 million              | (6.54)                           | (9.91)                           | (9.09)  | 96.10 <sup>(6)</sup>                                      | 16.67   | (0.61)   | EA   | No                       | No                 |
| 21/11/2024        | Legend Strategy International Holdings Group Company Limited (1355) | 1 for 1              | HK\$47.3 million               | (49.71)                          | (49.60)                          | (33.08)   | Net liabilities <sup>(7)</sup>                            | 50.00   | (24.86)  | EA   | No                       | No                 |
| 02/12/2024        | Luxxu Group Limited (1327)  | 1 for 1              | HK\$16.2 million               | (44.44)                          | (44.44)                          | N/A <sup>(2)</sup>  | (82.10)   | 50.00   | (22.22)  | CA   | No                       | 1.5%               |

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

| Announcement date | Company name<br>(Stock code) | Basis of entitlement | Maximum amount of fund raising | Closing price<br>(%)<br>(Note 1) | 5-day average<br>(%)<br>(Note 1) | Theoretical ex-rights entitlement price<br>(%)<br>(Note 1) | Consolidated net asset value per share<br>(%)<br>(Note 1) | Potential maximum dilution of shareholding<br>(%)<br>(Note 1) | Theoretical dilution effect<br>(%)<br>(Note 1) | Excess Application/<br>Compensatory Arrangement<br>(EA/CA) | Underwriting Arrangement | Placing Commission |
|-------------------|------------------------------|----------------------|--------------------------------|----------------------------------|----------------------------------|--|---|---|--|--|--------------------------|--------------------|
| 03/12/2024        | Graphex Group Limited (6128) | 3 for 1              | HK\$119.7 million              | (32.00)                          | (28.27)                          | (10.53)  | (51.51)   | 75.00   | (24.00)  | EA   | No                       | 1.5%               |
|                   |                              |                      | Maximum discount               | (67.9)                           | (68.4)                           | (59.0)   | (99.0)  |   | (24.9)   |  | Maximum                  | 3.50%              |
|                   |                              |                      | Minimum discount               | (5.7)                            | (7.4)                            | (0.1)  | (21.2)  |   | (0.6)  |  | Minimum                  | 1.00%              |
|                   |                              |                      | Average discount               | (30.7)                           | (30.8)                           | (18.8)   | (71.6)  |   | (15.6)   |  | Average                  | 1.75%              |
|                   |                              |                      | Median discount                | (32.0)                           | (28.3)                           | (14.5)   | (73.9)  |   | (21.3)   |  | Median                   | 1.50%              |
|                   |                              |                      | Maximum premium                | 37.9                             | 38.9                             | 12.1   | 162.4   |   |  |  |                          |                    |
|                   |                              |                      | Minimum premium                | –                                | 2.5                              | 1.5  | (65.5)  |   |  |  |                          |                    |
|                   |                              |                      | Average premium                | 10.4                             | 14.6                             | 5.9  | 27.5  |   |  |  |                          |                    |
|                   |                              |                      | Median premium                 | 2.3                              | 8.6                              | 5.0  | (21.2)  |   |  |  |                          |                    |
| 06/12/2024        | The Company (2699)           | 4 for 1              | HK\$93.8 million               | (13.8)                           | (18.8)                           |  | Net liabilities   | 80.0  | (16.9)   | CA   | No                       | 3.0%               |

*Source: website of the Stock Exchange*

*Notes:*

- Information has been extracted from the relevant announcements or circulars of the rights issue of the respective Comparables.
- “N/A” denotes that the announcement did not disclose such information.
- Denotes that premium of the subscription price over the closing price was excluded from the analysis because the Company recorded a discount on the subscription price compared to the closing price. Consequently, the analysis focused on the maximum discount, minimum discount, average discount, and median discount, which are relevant to our evaluation of the reasonableness of the discount applied to the Subscription Price. It allows for a more accurate comparison with the Comparables, aligning our analysis with the actual market conditions faced by the Company.
- Denotes that premium of subscription price over the five-day average is not applicable due to the Company recorded a discount of subscription price to the closing price, and has been excluded from the analysis or calculation for the maximum discount, minimum discount, average discount and median discount.
- Denotes that premium of subscription price over the theoretical ex-rights entitlement price is not applicable due to the Company recorded a discount of subscription price to the closing price, and has been excluded from the analysis or calculation for the maximum discount, minimum discount, average discount and median discount.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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6. Denotes that premium of subscription price over the consolidated net asset value per share is not applicable due to the Company recorded a discount of subscription price to the closing price, and has been excluded from the analysis or calculation for the maximum discount, minimum discount, average discount and median discount.
7. Denotes that comparison to net asset value is not applicable due to the net liabilities position of the respective Comparable, and has been excluded from the analysis.

As set out in the table above, we noted that:

- (a) the discount of subscription price to the closing price on the last trading day of the Comparables ranged from approximately 67.9% to approximately 5.7%, with the average of discounts being approximately 30.7% and the median of discounts being approximately 32.0%. The Subscription Price represents a discount of approximately 13.8% to the closing price on the Last Trading Day, which is within the range and close to the lowest discount of the Comparables. Out of the 26 Comparables, 5 had a subscription price higher than the closing price on the last trading day. In contrast, the Company set its subscription price at a discount to the closing price. We believe this approach aligns with market practice, as the majority of Comparables also recorded subscription prices at a discount;
- (b) the theoretical dilution effect of the Rights Issue Comparables ranged from 0.6% to approximately 24.9%, with the average of discounts being approximately 15.6% and the median of discounts being approximately 21.3%. The theoretical dilution effect of the Rights Issue of approximately 16.9% is within the theoretical dilution range and close to the average and median of the Comparables;
- (c) 11 out of 26 Comparables have facilitated compensatory arrangements. Despite that the arrangement of compensatory arrangements is less popular among the Comparables, such arrangement is permissible under Rule 7.21(1)(b) of the Listing Rules. Further analysis is set out in the section “5.2 The Placing Agreement”; and
- (d) the Rights Issue is on a non-underwritten basis, which is considered to be in line with market practice, given that 23 out of 26 Comparables were also conducted on a non-underwritten basis. Furthermore, under the Compensatory Arrangements, the Company entered into the Placing Agreement with the Placing Agent to procure Placees, on a best effort basis, to subscribe for the placing shares during the placing period pursuant to the Placing Agreement.

As the Company recorded consolidated net liabilities as at 30 June 2024, the comparison of the Subscription Price with the net asset value of the Company is not applicable.

In view of (i) the recent general downward trend of the closing price of the Shares and the trading volume of the Shares during the Review Period was generally thin as discussed in the section headed “4. Historical price and the trading volume of the Shares” above; (ii) the discounts represented by the Subscription Price all fall within the range and close to the lowest discounts of the Comparables; (iii) the Rights Issue is available to all Qualifying Shareholders; and (iv) the theoretical dilution effect of the Rights Issue is close to the average of that of the Comparables, we consider that the principal terms of the Rights Issue (including the Subscription Price) fair and reasonable to the Shareholders and in the interests of the Company and the Shareholders as a whole.

### ***5.2 The Placing Agreement***

As stated in the Board Letter, on 6 December 2024 (after trading hours of the Stock Exchange), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has agreed, as an agent of the Company, to procure Placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares during the Placing Period.

Details of the Placing Agreement are summarised as follows:

|               |   |  |
|---------------|---|--|
| Date          | : | 6 December 2024 (after trading hours)  |
| Issuer        | : | the Company  |
| Placing Agent | : | Advent Securities (Hong Kong) Limited, a licensed corporation to carry out Type 1 (dealing in securities) regulated activities under the SFO, was appointed as the Placing Agent to procure, on the best effort basis, placees to subscribe for the Unsubscribed Rights Shares and NQS Unsold Rights Shares during the Placing Period. |

The Placing Agent confirmed that it and its ultimate beneficial owner(s) (i) are not the Shareholder; and (ii) they are Independent Third Parties.

|                         |   |   |
|-------------------------|---|---|
| Commission and expenses | : | The Placing Agent shall be entitled to a commission fee equal to 3% of the amount which is equal to the Placing price multiplied by the Placing Shares that have been successfully placed by the Placing Agent. |
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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- Placing price : The placing price of each of the Placing Shares shall be not less than the Subscription Price. The final price determination will be dependent on the demand and market conditions of the Placing Shares during the process of placement.
- Placees : The Placing Shares are expected to be placed to placee(s), who and whose ultimate beneficial owner(s) shall not be a Shareholder and shall be Independent Third Party(ies).
- Ranking of the Placing Shares : The Placing Shares (when placed, allotted, issued and fully paid), shall rank *pari passu* in all respects among themselves and with the Adjusted Shares in issue at the date of completion of the Placing.
- Conditions Precedent : The obligations of the Placing Agent and the Company under the Placing Agreement are conditional upon, among others, the following conditions being fulfilled or being waived by the Placing Agent in writing, if applicable):
- (i) the Listing Committee of the Stock Exchange having granted the listing of, and the permission to deal in, the Rights Shares;
  - (ii) none of the representations, warranties or undertakings contained in the Placing Agreement being or having become untrue, inaccurate or misleading in any material respect at any time before the completion, and no fact or circumstance having arisen and nothing having been done or omitted to be done which would render any of such undertakings, representations or warranties untrue or inaccurate in any material respect if it was repeated as at the time of completion; and
  - (iii) the Placing Agreement not having been terminated in accordance with the provisions thereof.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Placing Agent may, in its absolute discretion, waive the fulfilment of all or any part of the conditions precedent to the Placing Agreement (other than those set out in paragraph (i) above) by notice in writing to the Company.

Termination : The Placing Agreement shall end on Monday, 2 June 2025 or any other date by mutual written agreement between the Placing Agent and the Company.

The engagement of the Placing Agent may also be terminated by the Placing Agent in case of force majeure resulting in the Company and the Placing Agent being unable to fulfil its duties and responsibilities under the engagement. However, if during the course of the engagement it has come to the Placing Agent's knowledge that there is any material adverse change in the business and operational environment in the Company which, in the sole opinion of the Placing Agent, may make it inadvisable to continue the engagement, the Placing Agent shall have the right to terminate the engagement by written notice to the Company with immediate effect.

Placing Completion : Completion is expected to take place within eleven (11) Business Days after publication of an announcement by the Company of the number of the Unsubscribed Rights Shares and NQS Unsold Rights Shares under the Compensatory Arrangements and upon fulfilment or waiver (as the case may be) of the conditions precedent to the Placing Agreement or such other date as the Company and the Placing Agent may agree in writing.

The Company shall use its best endeavours to procure the fulfilment of such conditions precedent to the Placing Agreement by the Placing Long Stop Date. If any of the conditions precedent to the Placing Agreement have not been fulfilled by the Placing Long Stop Date or become incapable of being fulfilled (subject to the Placing Agent not exercising its rights to waive or extend the time for fulfilment of such conditions), then the Placing will lapse and all rights, obligations and liabilities of the Company and the Placing Agent in relation to the Placing shall cease and determine, save in respect of any accrued rights or obligations under the Placing Agreement or antecedent breach thereof.

### ***5.3 Our view on the Placing Agreement***

Pursuant to the Placing Agreement, the placing price (the “**Placing Price**”) of the Unsubscribed Rights Shares shall be at least equal to the Subscription Price. The final price determination depends on the demand and market conditions of the Unsubscribed Rights Shares during the process of the Placing.

Given that (i) the Placing Price shall be at least equal to the Subscription Price, which is not prejudicial to the interests of the Qualifying Shareholders; and (ii) the Subscription Price is fair and reasonable as discussed in the paragraph headed “5.1 The Comparables” above, we consider that the Placing Price is fair and reasonable so far as the Independent Shareholders are concerned. Pursuant to the Placing Agreement, the Company shall pay the Placing Agent a placing commission (the “**Placing Commission**”) of 3.0% of the amount which is equal to the Placing Price multiplied by the total number of the Unsubscribed Rights Shares which are successfully placed by the Placing Agent. As advised by the Company, the Placing Commission was determined after arm’s length negotiation between the Company and the Placing Agent with reference to the prevailing market rate and is on normal commercial terms, and the Placing Agent confirms that it is an Independent Third Party.

As illustrated in the comparable table above, our analysis of Comparables show that the placing commission rates ranged from 1% to 3.5%. It is noted that the Placing Commission is within the range of the Comparable Transactions. Given the long suspension of trading in the shares of the Company on the Stock Exchange, the Company’s high gearing ratio as at 30 June 2024 and the net loss position for the year ended 31 December 2023, we consider that the Placing Commission is fair and reasonable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have also reviewed other major terms of the Placing Agreement, including but not limited to the conditions and termination clause of the Placing Agreement (details of which are set out in the Board Letter and above table) and we are not aware of any term which is unusual. As such, we are of the view that the terms of the Placing Agreement are fair and reasonable so far as the Shareholders are concerned.

In view of the above, we consider that the implementation of the Compensatory Arrangements is in the interests of the Company and the Shareholders as a whole.

### **6. Possible dilution effect on interests of other public Shareholders**

All the Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their full provisional allotments under the Rights Issue, their shareholding interests in the Company will remain unchanged after the Rights Issue. Referring to the section headed “SHAREHOLDING STRUCTURES” in the Board Letter, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and the Excluded Shareholders should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue and their aggregate shareholding interests in the Company may be reduced by a maximum of approximately 80.0%. It should be noted that the actual changes in the shareholding structure of the Company upon completion of the Rights Issue are subject to various factors, including but not limited to the results of acceptance of the Rights Issue.

We are aware of the potential dilution effect as a result of the Rights Issue. However, after taking into consideration that (i) the theoretical dilution effect of the Rights Issue falls within range of those of the Comparables; (ii) the Rights Issue would strengthen the capital structure and financial position of the Group; (iii) all Qualifying Shareholders are offered an equal opportunity to maintain their shareholding interests in the Company and allowed to participate in the development of the Company; (iv) the inherent dilutive nature of rights issues in general if the existing shareholders do not take up their entitlements thereunder in full; and (vi) Qualifying Shareholders who are not taking up their entitlements are given the flexibility to dispose of the nil-paid Rights Shares in open market, we consider that the potential dilution effect of the Rights Issue is justifiable.

### **7. Financial effects of the Rights Issue**

It should be noted that the Rights Issue is subject to the conditions as set out in the Letter from the Board and on a non-underwritten basis, the analysis below is for illustrative purpose only and does not purport to represent how the financial position of the Group will be upon completion of the Rights Issue.

#### ***7.1 Net tangible liabilities***

Based on the unaudited pro forma financial information of the Group set out in Appendix II to the Circular, the unaudited consolidated net tangible liabilities of the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Group attributable to owners of the Company as at 30 June 2024 was approximately RMB3,288.7 million. Upon completion of the Rights Issue, the Group will have unaudited pro forma adjusted consolidated net tangible liabilities of the Group attributable to owners of the Company being approximately RMB3,210.4 million.

### 7.2 Liquidity

The estimated net proceeds from the Rights Issue are expected to enhance the Group's current assets by approximately RMB78.3 million (assuming full acceptance by Qualifying Shareholders) and the Rights Issue is expected to improve the Group's liquidity position immediately after its completion.

### RECOMMENDATION

We are of the opinion that the terms of the Rights Issue (including the Subscription Price and the potential dilution effect) are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned and the Rights Issue is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Rights Issue.

Yours faithfully,  
for and on behalf of  
**Ample Capital Limited**

**Tommy Mak**  
*Vice President*

**Jenny Law**  
*Vice President*

*Mr. Tommy Mak is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Ample Capital Limited, which is licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activity. Mr. Mak has over 9 years' experience in the corporate finance industry.*

*Ms. Jenny Law is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Ample Capital Limited, which is licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activity. Ms. Law has over 10 years' experience in the corporate finance industry.*

**1. SUMMARY OF FINANCIAL INFORMATION**

The audited consolidated financial statements of the Group for the year ended 31 December 2021 have been set out on pages 121 to 220 in the annual report 2021 of the Company which was published on 20 June 2022 on the Stock Exchange's website (<http://www.hkexnews.hk>) and the Company's website (<http://www.xinm.net.cn>). Please also see below the link to the annual report 2021 of the Company:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0620/2022062000366.pdf>

The audited consolidated results of the Group for the year ended 31 December 2022 have been set out on pages 2 to 20 in the annual results announcement for the year ended 31 December 2022 of the Company which was published on 20 September 2024 on the Stock Exchange's website (<http://www.hkexnews.hk>) and the Company's website (<http://www.xinm.net.cn>). Please also see below the link to the annual results announcement for the year ended 31 December 2022 of the Company:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0922/2024092200105.pdf>

The audited consolidated results of the Group for the year ended 31 December 2023 have been set out on pages 2 to 20 in the annual results announcement for the year ended 31 December 2023 of the Company which was published on 20 September 2024 on the Stock Exchange's website (<http://www.hkexnews.hk>) and the Company's website (<http://www.xinm.net.cn>). Please also see below the link to the annual results announcement for the year ended 31 December 2023 of the Company:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0922/2024092200107.pdf>

The unaudited consolidated interim results of the Group for the six months ended 30 June 2024 have been set out on pages 2 to 18 in the interim results announcement for the six months ended 30 June 2024 of the Company which was published on 20 September 2024 on the Stock Exchange's website (<http://www.hkexnews.hk>) and the Company's website (<http://www.xinm.net.cn>). Please also see below the link to the interim results announcement for the six months ended 30 June 2024 of the Company:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0923/2024092300152.pdf>

## 2. INDEBTEDNESS STATEMENT

As at the close of business on 31 December 2024, being the latest practicable date for the purpose of ascertaining information contained in this statement of indebtedness prior to the printing of this circular, the details of the Group's indebtedness are as follows:

### Other borrowings

|   | <i>Note</i> | <b>As at<br/>31 December<br/>2024<br/>RMB'000</b> |
|---|-------------|---|
| Other borrowings – unsecured and guaranteed | (a)         | 1,208,999   |

*Note:*

- (a) As at 31 December 2024, other borrowings of approximately RMB1,208,999 were guaranteed by the director of the Company.

### Convertible bonds

|                   | <i>Note</i> | <b>As at<br/>31 December<br/>2024<br/>RMB'000</b> |
|-------------------|-------------|---|
| Convertible bonds | (a)         | 282,000   |

*Note:*

- (a) The convertible bonds were jointly guaranteed by an executive Director, Mr. Chen Chengshou, and the non-executive director, Ms. Gao Qiaoqin, pursuant to a deed of guarantee, and secured by Xinxing Company Limited by 940,000,000 shares of the Company held by Xinxing Company Limited, a company controlled by Mr. Chen Chengshou. The increment of the amount as compared to 30 June 2024 (RMB279 million) represent exchange realignment.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have at the close of business on 31 December 2024 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, debt securities, term loans and other borrowings, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other contingent liabilities.

### 3. SUFFICIENCY OF WORKING CAPITAL

The Directors are of the opinion that, taking into consideration the Group's present financial resources and the estimated net proceeds from the Rights Issue, the Group has sufficient working capital for its present requirements for at least the twelve (12) months from the date of this circular in the absence of any unforeseen circumstances.

### 4. NO MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2023, being the date to which the latest published audited accounts of the Group were made up, up to and including the Latest Practicable Date.

### 5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in the property development, property investment and property leasing in the PRC.

The Group generated revenue of approximately RMB35.2 million during the year ended 31 December 2022 (“FY2022”), the decrease in revenue compared to the year ended 31 December 2021 is mainly due to the negative impact of COVID-19 and the outbreaks of property developers' credit crises, which dampened market sentiment in the property sector. The Group generated revenue of approximately RMB422.6 million during the year ended 31 December 2023 (“FY2023”), despite the market sentiments in the property sector remaining unchanged, the increase in revenue is due to completion of the second and third phases of the residential development of Shandong Tengzhou Xingmeng International Commercial City (山東滕州興盟國際商城) (the “Shandong Project”), and delivery of the properties to the customers during the year. The Group generated revenue of approximately RMB78.7 million during the six months ended 30 June 2024 (“1H2024”), this is mainly attributable to the completion of sale of commercial properties in the second and third phases of the Shandong Project.

The Group recorded gross profit of approximately RMB20.0 million during FY2022, representing a gross profit margin of approximately 56.9%. The Group generated gross profit of approximately RMB53.4 million and RMB15.7 million for FY2023 and 1H2024, respectively, representing a gross profit margin of approximately 12.6% and 20.0%, respectively. The decrease in gross profit margin for FY2023 and 1H2024 is mainly due to the sale of Shandong residential properties held for sale at a lower price due to the negative market sentiments, which had stabilised and improved slightly in 1H2024.

The Group recorded loss for the year of approximately RMB2,389.6 million during FY2022, this is mainly attributable to (i) a change in fair value of investment properties of approximately RMB(1,082.9) million; (ii) loss on disposal of investment property of approximately RMB686.6 million; (iii) other expenses of approximately RMB623.7 million, which is mainly liquidated damages on borrowings and impairment loss on properties; and (iv) net loss on court-ordered sale of properties of approximately RMB280.8 million. The Group



recorded loss for the year of approximately RMB592.6 million during FY2023. This is mainly attributable to other expenses of approximately RMB444.1 million, which is mainly liquidated damages on borrowings. The Group recorded loss for the period of approximately RMB342.8 million during 1H2024. This is mainly attributable to other expenses of approximately RMB294.2 million, which is mainly liquidated damages on borrowings.

Looking ahead to 2025, with the impact of the epidemic dissipated, it is expected that China's macro-economy will see a gradual turnaround. Economic activities will then return to normal order, with various cities relaxing restrictions on purchases and loans, followed by the introduction of "three-arrow" measures such as guaranteeing the delivery of properties, credit, debt issuance and equity financing, which are all favourable to real estate enterprises. The property market is expected to gradually stabilise and recover, and investment sentiment is expected to rebound with confidence. In the National Economic Programme of the 20th National Congress of the PRC government, the PRC government stated that it is required to maintain stable and healthy development of the real estate market, and adhere to the principle of "housing is for living in and not for speculation". As China's demographic structure gradually increases the rate of urbanisation and the economies of third and fourth tier cities are expected to grow, the development of real estate investment is expected to become the focus of the market. The Group will actively accelerate its de-stocking of completed properties while exploring feasibility of assets revitalisation, including but not limited to changing of property use and sale of properties in its entirety. Furthermore, the Group will negotiate with different financial institutions in respect of its outstanding borrowings, with a view to improving its liability and financial gearing conditions.

*For illustrative purpose only, set out below is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group after completion of the Rights Issue. Although reasonable care has been exercised in preparing the unaudited pro forma financial information, Shareholders who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of the Group's financial results and positions for the financial periods concerned.*

**(A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET  
TANGIBLE LIABILITIES**

The following is the unaudited pro forma statement of adjusted consolidated net tangible liabilities of the Group attributable to the owners of the Company (the “Unaudited Pro forma Financial Information”) which has been prepared by the Directors in accordance with Rule 4.29 of the Listing Rules to illustrate the effect of the Rights Issue on the consolidated net tangible liabilities of the Group attributable to equity holders of the Company as if the Rights Issue had been completed on 30 June 2024. As it is prepared for illustrative purpose only, and because of its hypothetical nature, it may not reflect a true picture of the consolidated net tangible liabilities of the Group attributable to equity holders of the Company had of the Rights Issue been completed as at 30 June 2024 or at any future date.

The Unaudited Pro Forma Information is prepared based on the unaudited consolidated net tangible liabilities of the Group attributable to equity holders of the Company as at 30 June 2024 as derived from the Group's published interim results announcement for the six months ended 30 June 2024 and is adjusted for the effect of the Rights Issue as if the Rights Issue had been completed as at 30 June 2024.

|   | Unaudited<br>consolidated net<br>tangible liabilities<br>of the Group<br>attributable to<br>equity holders of<br>the Company as<br>at 30 June 2024<br>(Note 1)<br>HK\$'000 | Estimated net<br>proceeds from the<br>Rights Issue<br>(Note 2)<br>HK\$'000 | Unaudited pro<br>forma adjusted<br>consolidated net<br>tangible liabilities<br>of the Group<br>attributable to<br>equity holders of<br>the Company as<br>at 30 June 2024<br>immediately after<br>completion of the<br>Rights Issue<br>HK\$'000 | Unaudited pro<br>forma adjusted<br>consolidated net<br>tangible liabilities<br>of the Group<br>attributable to<br>equity holders of<br>the Company as<br>at 30 June 2024<br>per Share<br>immediately after<br>the Completion of<br>the Rights Issue<br>(Note 3)<br>HK\$ |
|---|--|--|--|---|
| Based on 75,144,880<br>Consolidated Shares to be<br>issued at the Subscription<br>Price of HK\$1.12 per<br>Consolidated Share | (3,288,728)  | 78,302   | (3,210,426)  | (34.18)   |

*Notes:*

1. The unaudited consolidated net tangible liabilities of the Group attributable to equity holders of the Company of HK\$3,288,728,000 as at 30 June 2024 is extracted from the interim results announcement of the Company for the six months ended 30 June 2024. The amount is based on deducting non-controlling interests of approximately HK\$224,946,000 from the total deficit of approximately HK\$3,513,674,000. Based on an exchange rate of RMB1 to HK\$1.064 as at 31 December 2024.
2. The estimated net proceeds from the Rights Issue are based on 75,144,880 Rights Shares (calculated on the basis of four Rights Shares for every one consolidated share held on record date, details as disclosed in note 3) to be issued at the subscription price of HK\$1.12 per Consolidated Share, after deducting the estimated related expenses of HK\$5,860,000 to be incurred by the Group.
3. The unaudited pro forma adjusted consolidated net tangible liabilities of the Group attributable to equity holders of the Company as at 30 June 2024 per Share immediately after the completion of the Rights Issue is calculated based on the unaudited pro forma adjusted consolidated net tangible liabilities of the Group attributable to equity holders of the Company as at 30 June 2024 of HK\$3,210,426,000 divided by 93,931,100 shares in issue upon completion of the Rights Issue, which comprises 18,786,220 Consolidated shares in issue before the Rights Issue and 75,144,880 Consolidated Shares to be issued under the Rights Issue.  
  
The 18,786,220 Consolidated shares in issue is calculated based on the shares in issue of 1,878,622,000 as at 30 June 2024 which are adjusted for share consolidation whereby every one hundred issued and unissued existing shares would be consolidated into one consolidated share as stipulated in the section "Proposed Capital Reorganization" in the Letter from the Board of this prospectus.
4. No adjustments have been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2024.

**(B) REPORTING ACCOUNTANTS' REPORT ON PRO FORMA FINANCIAL  
INFORMATION**

*The following is the text of the independent reporting accountants' assurance report received from Global Link CPA Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.*



Unit 21A, 15/F, Star House,  
3 Salisbury Road, TST, Kowloon, Hong Kong  
General Line: (852) 3580 0885  
Fax: (852) 3580 0772  
Website: <https://globallinkcpa.com/>

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****The Board of Directors of Xinming China Holdings Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Xinming China Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible liabilities of the Group attributable to equity holders of the Company as at 30 June 2024 and related notes as set out on in appendix II of the circular issued by the Company dated 25 February 2025 (the "Circular") issued in connection with the proposed rights issue of the Company. The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described in appendix II of the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the proposed rights issue of the Company on the basis of four rights shares for every one consolidated share held on the record date on a non-underwritten basis (the "Rights Issue") on the Group's financial position as at 30 June 2024 as if the Rights Issue had taken place at 30 June 2024. As part of this process, information about the Group's financial position has been extracted by the directors of the Company from the Group's condensed consolidated financial statements for the six months ended 30 June 2024, on which no audit or review report has been published.

**Directors' Responsibility for the Unaudited pro forma Financial Information**

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

**Our Independence and Quality Management**

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Management ("HKSQM") 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants' Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in the Prospectus is solely to illustrate the impact of the Rights Issue on unadjusted financial information of the Group as if the Rights Issue had occurred at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Rights Issue at 30 June 2024 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

**Global Link CPA Limited**  
*Certified Public Accountants*  
Hong Kong  
25 February 2025

**1. RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

**2. SHARE CAPITAL**

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; (ii) immediately following the completion of the Capital Reorganisation but before the completion of the Rights Issue; and (iii) immediately following the completion of the Rights Issue (assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to and including the Record Date other than as a result of the Capital Reorganisation) will be, as follows:

**(i) As at the Latest Practicable Date**

|                       | <b>Number of<br/>Shares</b> | <b>Nominal value<br/>of Shares<br/>HK\$</b> |
|-----------------------|-----------------------------|---|
| Authorised            | 10,000,000,000              | 100,000,000                                 |
| Issued and fully paid | <u>1,878,622,000</u>        | <u>18,786,220</u>                           |

**(ii) Immediately after the Capital Reorganisation becomes effective**

|                       | <b>Number of<br/>Shares</b> | <b>Nominal value<br/>of Shares<br/>HK\$</b> |
|-----------------------|-----------------------------|---|
| Authorised            | 10,000,000,000              | 100,000,000                                 |
| Issued and fully paid | <u>18,786,220</u>           | <u>187,862.20</u>                           |



## (iii) Immediately after completion of the Rights Issue

|   | Number of<br>Shares   | Nominal value<br>of Shares<br>HK\$ |
|---|-----------------------|------------------------------------|
| Authorised  | <u>10,000,000,000</u> | <u>100,000,000</u>                 |
| Issued and fully paid                                 | 18,786,220            | 187,862.20                         |
| Rights Shares to be issued                            | <u>75,144,880</u>     | <u>751,448.80</u>                  |
| Shares in issue immediately after the<br>Rights Issue | <u>93,931,100</u>     | <u>939,311</u>                     |

The Rights Shares (when allotted, fully-paid or credited as fully paid and issued) will rank *pari passu* in all respects among themselves and with the Adjusted Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment and issue of the fully paid Rights Shares. Dealings in the Rights Shares in both their nil-paid and fully-paid forms will be subject to payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

As at the Latest Practicable Date, the Group had no options outstanding under the Share Option Scheme or outstanding debt securities, derivatives, options, warrants, convertible securities or other similar securities which are convertible or exchangeable into Shares.

The Company will apply to the Listing Committee for the listing of and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms. No part of the equity or debt securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

### 3. DISCLOSURE OF INTERESTS

#### (a) Directors' and chief executive's interests and short positions in Shares, underlying Shares and debentures

As at the Latest Practicable Date, the interests or short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions in

which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers contained in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

| <b>Name of Director/<br/>Chief Executive</b> | <b>Capacity</b>                                      | <b>Number of<br/>Shares held –<br/>long position</b> | <b>Approximate<br/>percentage of<br/>the issued<br/>share capital<br/>of the<br/>Company</b> |
|--|--|--|--|
| Mr. Chen                                     | Interest of controlled corporation ( <i>Note 1</i> ) | 24,330,000   | 1.3%   |
| Ms. Gao                                      | Interest of spouse ( <i>Note 2</i> )                 | 24,330,000   | 1.3%   |

*Notes:*

1. 24,330,000 Shares are registered in the name of Xinxing Company Limited which is wholly-owned by Mr. Chen.
2. Ms. Gao is the spouse of Mr. Chen. Under the SFO, Ms. Gao is taken to be interested in the same number of shares in which Mr. Chen is interested.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company and their associates had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions in which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers contained in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange.

**(b) Substantial Shareholders' and other persons' interests and short positions in Shares and underlying Shares**

As at the Latest Practicable Date, so far as is known to the Directors, the persons or companies (other than the Directors and the chief executives of the Company) who/which had an interest or short position in the shares or underlying shares of the Company, which would fall to be disclosed under the provision of Divisions 2 and 3 of Part XV of the SFO, or which would be required, to be entered in the register required to be kept by the Company pursuant to section 336 of the SFO, are set out below:

| <b>Name of Shareholder</b>                 | <b>Capacity</b>                    | <b>Number of Shares held – long position</b> | <b>Approximate percentage of the issued share capital of the Company</b> |
|--|------------------------------------|--|--|
| Proyan Consultancy Limited ( <i>Note</i> ) | Beneficial owner                   | 187,862,200                                  | 10.0%  |
| Yau Yan Yuen ( <i>Note</i> )               | Interest of controlled corporation | 187,862,200                                  | 10.0%  |
| Li Man Wai                                 | Beneficial owner                   | 121,000,000                                  | 6.4%   |

*Note:* Proyan Consultancy Limited is a company incorporated in Hong Kong with limited liability. Mr. Yau Yan Yuen held the entire issued share capital of Proyan Consultancy Limited and was deemed to be interested in the 187,862,200 Shares in which Proyan Consultancy Limited was interested.

Save as disclosed above, the Directors are not aware of any other persons or companies (other than the Directors and the chief executive of the Company) or any director or proposed director is a director or employee of a company who/which, as at the Latest Practicable Date, had interests or short positions in the Shares or underlying Shares of the Company, which would fall to be disclosed under the provision of Divisions 2 and 3 of Part XV of the SFO or were required to be entered in the register required to be kept by the Company under section 336 of the SFO.

#### 4. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors were interested in any business which competed or was likely to compete directly or indirectly with the businesses of the Group.

#### 5. DIRECTORS' INTERESTS IN ASSETS, CONTRACTS AND ARRANGEMENTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2023, the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the date of this circular and which was significant in relation to the business of the Group.

#### 6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any member of the Group which will not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

#### 7. LITIGATION

On 31 October 2023, there was a litigation initiated by a lender of the Group in the PRC requesting a subsidiary of the Group to settle the borrowing along with the defaulted interest in the sum of RMB117.28 million (the “**Legal Proceedings**”). As of the date of these consolidated financial statements and up to the approval date of these consolidated financial statements, the Legal Proceedings have not been concluded and the likely outcome of these contingent liabilities, litigations or other legal proceedings cannot be ascertained with reasonable certainty at present, but the management of the Group believes that any possible legal liability which may be incurred from the aforesaid case will not have any material impact on the financial position or results of the Group.

As at the Latest Practicable Date, save as disclosed above, neither the Company nor any member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any member of the Group.

**8. QUALIFICATIONS AND CONSENTS OF EXPERTS**

The following is the qualification of the expert who has given opinion or advice, which are contained or referred to in this circular:

| <b>Name</b>             | <b>Qualification</b>  |
|-------------------------|---|
| Global Link CPA Limited | Certified Public Accountant   |
| Ample Capital Limited   | a corporation licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activity |

As at the Latest Practicable Date, the above experts had given and had not withdrawn their written consent to the issue of this circular, with the inclusion of the references to their name and/or their opinion or report in the form and context in which they are included.

As at the Latest Practicable Date, the above experts did not have any shareholding, directly or indirectly, in the Company or any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of the Group, nor did it have any interest, direct or indirect, in any assets which had, since 31 December 2023 (being the date to which the latest published audited consolidated financial statements of the Group were made up), been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

**9. MATERIAL CONTRACTS**

Save for the Placing Agreement, no material contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or any other its subsidiaries within two years immediately preceding the date of this circular and up to the Latest Practicable Date.

**10. CORPORATE INFORMATION**

|  |   |
|--|---|
| <b>Executive Directors</b>   | Mr. Chen Chengshou<br><i>(Chairman and Chief Executive Officer)</i><br>Mr. Feng Cizhao<br>Mr. Cao Zhiqiang<br>Mr. Zhou Fenli  |
| <b>Non-executive Directors</b>   | Ms. Gao Qiaoqin<br>Mr. Choi Clifford Wai Hong<br>Mr. Zhou Zhencun   |
| <b>Independent Non-executive Directors</b>                             | Mr. Khor Khie Liem Alex<br>Mr. Chiu Kung Chak<br>Ms. Huang Chunlian<br>Ms. Lee Yin Man  |
| <b>Authorised representatives</b>                                      | Mr. Kam Chun Ying Francis<br>Mr. Choi Clifford Wai Hong   |
| <b>Company Secretary</b>   | Mr. Kam Chun Ying Francis<br><i>(certified public accountant of the<br/>Hong Kong Institute of Certified Public<br/>Accountants and the Association of<br/>Chartered Certified Accountants)</i> |
| <b>Business address of all the Directors<br/>and senior management</b> | Unit D, 7/F<br>Kee Shing Centre<br>74–76 Kimberley Road<br>Tsim Sha Tsui, Kowloon<br>Hong Kong  |
| <b>Registered office</b>   | Windward 3, Regatta Office Park<br>PO Box 1350<br>Grand Cayman KY1-1108<br>Cayman Islands   |
| <b>Principal place of business in<br/>Hong Kong</b>                    | Unit D, 7/F<br>Kee Shing Centre<br>74–76 Kimberley Road<br>Tsim Sha Tsui, Kowloon<br>Hong Kong  |

|  |  |
|--|--|
| <b>Headquarters in the PRC</b>                                 | Block I, 5th Floor, Hengli Building<br>No. 5 Huang Long Road, Hangzhou<br>Zhejiang Province, the PRC   |
| <b>Branch share registrar and transfer office in Hong Kong</b> | Tricor Tengis Limited<br>17th Floor, Far East Finance Centre<br>16 Harcourt Road<br>Hong Kong  |
| <b>Principal banker</b>  | Industrial and Commercial Bank of China,<br>Tengzhou Branch<br>1/F, Zhongwan International<br>Jinghe Middle Road<br>Tengzhou City, Shandong Province, PRC<br><br>Agricultural Bank of China, Branch of<br>Datong Road, Tengzhou<br>1/F, Minzu Building<br>Tengzhou Railway Station Square<br>Tengzhou City, Shandong Province, PRC<br><br>China Construction Bank, Branch of<br>Datong Road, Tengzhou<br>1 Datong Road<br>Tengzhou City, Shandong Province, PRC<br><br>Agricultural Bank of China,<br>Taizhou Jiazhi Branch<br>No. 101–108, Building 1<br>No. 8 North Section of Taizhou Avenue<br>Jiazhi Street<br>Taizhou City, Zhejiang Province, PRC<br><br>Taizhou Bank, Hongjia Branch<br>No. 399 Hongzhou Avenue<br>Hongjia Street, Jiaojiang District<br>Taizhou City, PRC |
| <b>Auditor</b>   | Global Link CPA Limited<br><i>Certified Public Accountants</i><br>Unit 21A, 15/F, Star House<br>3 Salisbury Road<br>Tsim Sha Tsui, Kowloon<br>Hong Kong  |

## 11. PARTIES INVOLVED IN THE RIGHTS ISSUE

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| <b>Company</b>                             | Xinming China Holdings Limited<br>Unit D, 7/F<br>Kee Shing Centre<br>74–76 Kimberley Road<br>Tsim Sha Tsui, Kowloon<br>Hong Kong                        |
| <b>Reporting accountant of the Company</b> | Global Link CPA Limited<br><i>Certified Public Accountants</i><br>Unit 21A, 15/F, Star House<br>3 Salisbury Road<br>Tsim Sha Tsui, Kowloon<br>Hong Kong |
| <b>Financial adviser to the Company</b>    | Advent Corporate Finance Limited<br>Unit A–C, 11/F<br>Kee Shing Centre<br>74–76 Kimberley Road<br>Kowloon, Hong Kong                                    |
| <b>Independent Financial Adviser</b>       | Ample Capital Limited<br>Room 903<br>Far East Consortium Building<br>121 Des Voeux Road Central<br>Central, Hong Kong                                   |
| <b>Placing Agent</b>                       | Advent Securities (Hong Kong) Limited<br>Unit A–C, 11/F<br>Kee Shing Centre<br>74–76 Kimberley Road<br>Kowloon, Hong Kong                               |



## 12. DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

### Executive Directors

**Mr. Chen Chengshou**, aged 58, was appointed as an executive Director, the chairman, chief executive officer, chairman of the Nomination Committee and an authorized representative of the Company on 16 January 2014. Mr. Chen ceased to be an authorized representative of the Company as a result of his intention to concentrate on his other role on the Board on 5 February 2020. He is the founder of the Group and primarily responsible for corporate strategic planning and overall business development of the Group. Mr. Chen had over 30 years of experience in the real estate industry. He has been the chairman of the board of Taizhou City Xinming Real Estate Development Company Limited\* (台州市新明房地產開發有限公司) since February 2007 and a director of certain subsidiaries of the Group. Mr. Chen has been first participated in the management of the property development business in the PRC since June 2001 when he was appointed as the chairman of Hangzhou Taoyuan Shanzhuang Property Development Limited\* (杭州桃源山莊房地產開發有限公司) (“**Taoyuan Property**”).

Mr. Chen is the chairman of Hangzhou City Chamber of Commerce for Enterprises Invested in Hangzhou\* (杭州市來杭投資企業(商會)聯合會), a member of the standing committee of Federation of Industry & Commerce of Zhejiang Province\* (浙江省工商聯), the vice-chairman of Hangzhou Public Diplomacy Association\* (杭州公共外交協會), a member of the Eleventh Hangzhou City Committee of the Chinese People’s Political Consultative Conference\* (中國人民政治協商會議第十一屆杭州市委員會), the honorary chairman of the Hangzhou City Wenzhou Chamber of Commerce\* (杭州市溫州商會), the chairman of the Nationwide Taishun Entrepreneurs Fellowship Association\* (全國泰順企業家聯誼會) and the vice chairman of Hangzhou City Chamber of Commerce\* (杭州市總商會). He was appointed as the deputy director of the market committee of Chinese General Chamber of Commerce\* (中國商業聯合會) in March 2013. He has also been a director of Wenzhou Bank since November 2012 and a part-time tutor of master degree in international business of Zhejiang University (浙江大學) since February 2014.

Mr. Chen was awarded “Excellent Entrepreneur of Hangzhou\* (傑出杭商)” in October 2016, “Outstanding Contribution of Entrepreneurs of Wenzhou for years 2013 to 2015\* (2013–2015年度溫商回歸突出貢獻人物)” in September 2016, “Top ten in Zhejiang Real Estate Industry in the “12th Five-Year Plan”” (「十二五」浙江房地產十大風雲人物)” in June 2016, “2016 Worldwide Outstanding 30 People of Entrepreneur of Wenzhou (External)\* (二零一六年世界溫商百名風雲人物—在外傑出溫商三十人)” in February 2016; “Wenzhou People of the Year\* (世界溫州人年度人物)” and “One Hundred Excellent Entrepreneur of Wenzhou\* (世界溫商百名風雲人物)” in December 2014; “Entrepreneur with Good Character of Hangzhou\* (品質杭商)” jointly by Hangzhou Municipal Committee of the Communist Party of China\* (中共杭州市委) and The People’s Government of Hangzhou\* (杭州市人民政府) in October 2013, “Outstanding Representative of Credible Entrepreneurs of Wenzhou\* (誠信溫商傑出代表)” jointly by Promotion Department of Wenzhou Municipal Committee of the Communist Party of China\* (溫州市委宣傳部) and

Wenzhou Credibility Office\* (溫州市信用辦公室) in August 2011, “Outstanding Builder of Socialist Undertaking\* (優秀社會主義事業建設者)” jointly by Hangzhou Municipal Committee of the Communist Party of China\* (中共杭州市委) and The People’s Government of Hangzhou\* (杭州市人民政府) in September 2010 and “Staff Caring Excellent Entrepreneur\* (關愛員工優秀企業家)” jointly by Federation of Trade Union of Hangzhou\* (杭州市總工會) and Hangzhou Federation of Industry and Commerce (杭州市工商聯合會) in December 2009.

Mr. Chen obtained a graduation certificate in administrative management (through online courses) from Huazhong University of Science and Technology (華科技大學) in the PRC in July 2013. Mr. Chen obtained an executive master’s degree in business administration from Cheung Kong Graduate School of Business (長江商學院) in the PRC in September 2015. Mr. Chen obtained a master’s degree in business administration from Tsinghua University in April 2018.

Mr. Chen is the spouse of Ms. Gao, who is a non-executive Director.

**Mr. Feng Cizhao**, aged 49, was appointed as an executive Director with effect from 31 October 2015.

Mr. Feng graduated from Zhejiang University of Finance & Economics (浙江財經學院) and obtained his college degree in accounting in 2005, and then obtained an MBA degree from Zhejiang Gongshang University (浙江工商大學) in 2013.

Mr. Feng has extensive experiences in financing and management. He served as a deputy chief financial officer of Taidi Holdings Group Co. Ltd.\* (泰地控股集團有限公司) from August 2011 to September 2015. He worked with the finance department of Shaoxing Wantong Real Estate\* (紹興萬通房產) and Margaret Business Management Company\* (瑪格麗特商業管理公司) (both subsidiaries of Taidi Group (泰地集團)) as the chief financial officer from September 2006 to July 2011. Mr. Feng acted as the head of office for Hangzhou Qingcheng Real Estate Development Co., Ltd.\* (杭州青城房地產開發有限公司) from October 2002 to September 2006. He held several positions in Zhejiang Quzhou Transportation Group Co., Ltd.\* (浙江衢州汽車運輸集團有限公司) from July 1996 to September 2002, including accountant with the planning and finance department of Zhejiang Quzhou Transportation Group Co., Ltd.\* (浙江衢州汽車運輸集團有限公司), finance manager with the cargo container company and the automobile repair company under Zhejiang Quzhou Transportation Group Co., Ltd.\* (浙江衢州汽車運輸集團有限公司).

**Mr. Zhou Fenli**, aged 55, was appointed as an executive Director on 9 August 2024. He served as the senior management of various companies in China since 2006 and has accumulated over 18 years of experience in finance and corporate management. Mr. Zhou is currently the general manager and executive director of Shenzhen Qianhai Zhongmao Commercial Factoring Co., Ltd.\* (深圳市前海中茂商業保理有限公司), Asia Pacific Kunpeng Financial Leasing (Shenzhen) Co., Ltd.\* (亞太鯤鵬融資租賃(深圳)有限公司) and Zhunxing International Holdings (Shenzhen) Co., Ltd.\* (准興國際控股(深圳)有限公司).

which provide financial services in China. Mr. Zhou also currently serves as the independent non-executive director of Millennium Pacific Group Holdings Limited, a company whose shares are listed on GEM of the Stock Exchange (stock code: 8147).

**Mr. Cao Zhiqiang**, aged 40, was appointed as an executive Director on 9 August 2024. He has 15 years of experience in financial audit, bank compliance risk control and government credit financing. Mr. Cao has served as senior management positions in various Chinese enterprises, including RSM China Accounting Firm (Special General Partnership) and China Everbright Bank Co., Ltd. Hefei Branch. Mr. Cao obtained a Bachelor's Degree in Accounting from Anhui University of Finance and Economics (安徽財經大學) in China in July 2008.

#### **Non-executive Directors**

**Ms. Gao Qiaoqin**, aged 56, was appointed as a non-executive Director on 10 June 2014. She is responsible for advising on overall strategic planning of our Group, but she doesn't participate in the day-to-day management of our Group's business operation. She has over 10 years of experience in the real estate industry. Ms. Gao obtained a graduation certificate in computer information management (through online courses) from Huazhong University of Science and Technology (華中科技大學) in the PRC in June 2005.

**Mr. Zhou Zhencun**, aged 63, was appointed as a non-executive Director on 17 November 2021. Mr. Zhou has accumulated more than 41 years of experience in trading and energy fields. He has been a deputy general manager of Central Century Energy Investment Co., Ltd.\* (中部世紀能源投資有限公司) in Henan Province since August 2016. He served as the deputy general manager of China National Offshore Gas & Power (Guangdong) New Energy Co., Ltd.\* (中海氣電(廣東)新能源有限公司) (formerly known as CNOOC Meizhou New Energy Co., Ltd\* (中海油梅州新能源有限公司)) from July 2015 to August 2016. From August 1980 to June 2015, Mr. Zhou worked in the foreign trade department of Shantou Special Economic Zone Light Industry Material Development Company\* (汕頭經濟特區輕工物資發展公司) and his last position was an operation manager. Mr. Zhou finished his high school education in Chaonan District, Shantou, Guangdong Province in July 1980.

**Mr. Choi Clifford Wai Hong**, aged 66, was appointed as a non-executive Director and a member of the Remuneration Committee on 16 April 2021. On 25 November 2021, he was appointed as an authorized representative of the Company. Mr. Choi has extensive experience in finance, accounting and management. Mr. Choi joined Pricewaterhouse (currently known as PricewaterhouseCoopers) in Hong Kong in January 1983 and departed in July 1992 with his last position as manager. He was subsequently a general manager in DCH MSC (China) Limited, NHK Distribution Company Limited and Porsche Centre Hangzhou from July 1992 to June 1999, July 1999 to December 2003 and January 2004 to August 2012, respectively. He then joined Princess Yacht Southern China Limited as a chief executive officer from September 2012 to November 2012 and later on as a director in the NHK Yacht Services division of NHK Distribution Company Limited from December 2012

to August 2017. Mr. Choi then joined Beijing Glory Star Centre Automotive Sales and Service Company Limited (北京極光星徽汽車銷售服務有限公司) as its general manager from September 2017 to January 2018. He has rejoined NHK Distribution Company Limited since 2018 and is currently serving as its director.

Mr. Choi has also been an independent non-executive director of C&D Newin Paper & Pulp Corporation Limited (formerly known as Samson Paper Holdings Limited) (a company listed on the main board of the Stock Exchange, stock code: 731) since July 2020, and was re-designated as an executive director in May 2021 and re-designated as a non-executive director on 26 January 2022, respectively. Mr. Choi was an executive director and an authorised representative of Arta TechFin Corporation Limited (formerly known as Freeman FinTech Corporation Limited) (a company listed on the main board of the Stock Exchange (stock code: 279)) from 19 November 2020 to 29 October 2021, and a non-executive director of Silk Road Logistics Holdings Limited (a company listed on the main board of the Stock Exchange) from 4 June 2021 to 14 December 2021, and a non-executive director of Silk Road Logistics Holdings Limited (a company listed on the main board of the Stock Exchange and delisted in April 2024 (former stock code: 988)) from 4 June 2021 to 14 December 2021. Mr. Choi was an independent non-executive director of Bolina Holding Co., Ltd. (former stock code: 1190) from 29 January 2021 to 10 March 2021, a company incorporated in the Cayman Islands with limited liability and delisted from the Main Board of the Stock Exchange on 10 March 2021. From December 2021 to 15 January 2024, Mr. Choi also served as an independent non-executive director of Dreameast Group Limited (stock code: 593). Mr. Choi was an independent non-executive director of South Shore Holdings Limited (in liquidation) (a company listed on the main board of the Stock Exchange and delisted in February 2023) (former stock code: 577) from 18 May 2021 to 30 June 2023 and an independent non-executive director of EcoGreen International Group Limited (in liquidation) (a company listed on the Main Board of the Stock Exchange and delisted in July 2024, former stock code: 2341) from 8 November 2022 to 7 January 2024, respectively. Mr. Choi was also an independent non-executive director of Jiayuan International Group Limited (in liquidation) (a company listed on the main board of the Stock Exchange, stock code: 2768) from 4 June 2024 to 6 December 2024 and has been an executive director of China Evergrande New Energy Vehicle Group Limited (a company listed on the main board of the Stock Exchange, stock code: 708) since 6 August 2024.

Mr. Choi obtained a degree of Bachelor of Arts in Economic and Social Studies from The Victoria University of Manchester, United Kingdom (currently known as The University of Manchester), in July 1982. Mr. Choi is a member of (i) The Hong Kong Institute of Certified Public Accountants; (ii) The Institute of Chartered Accountants in England and Wales; (iii) The Association of Chartered Certified Accountants; and (iv) The Taxation Institute of Hong Kong; and is an accredited ESG planner of the International Council for Sustainable Development.

**Independent Non-executive Directors**

**Mr. Khor Khie Liem Alex** (formerly known as Mr. Khor Kee Lin), aged 56, was appointed as an independent non-executive Director, chairman of the Audit Committee and the Remuneration Committee, and a member of the Nomination Committee of the Company on 16 August 2021. He has accumulated more than 30 years of experience in the field of finance, capital market, financial reporting and financial compliance services. Mr. Khor has held CFO equivalent positions in several SGX-listed companies, including Regional Finance Director of Showpla Asia Limited (1997–2000), Group Finance Director of TEE International Limited (2000–2002) and Group Finance Director of CFM Holdings Limited (2002–2004).

Since July 2004, Mr. Khor has founded KBS Capital Partners (Singapore) Pte. Ltd. a strategy consulting company. Mr. Khor is currently the Managing Director of KBS Capital Partners (Singapore) Pte. Ltd. (“**KBS Capital**”). Mr. Khor has been involved in a wide range of capital projects including IPOs, mergers and acquisitions and project financing, as well as accounting, tax, company secretarial compliance and corporate advisory services. Under Mr. Khor’s leadership, KBS Capital has successfully completed numerous initial public offerings, mergers and acquisitions and project financing projects for its clients in Singapore, Malaysia and China.

Mr. Khor has been an independent non-executive director and the chairman of the audit committee of Sanai Health Industry Group Company Limited (SEHK: 01889) since February 2021. Since March 2023, he has been the chairman of the nomination committee of Pa Shun International Holdings Limited (SEHK: 00574). Mr. Khor has been an Independent Non-Executive Director and Chairman of the Audit Committee of Davis Communities Ltd (NASDAQ: DTCK) since November 2023 and has been a member of the Audit Committee of JLOGO Holdings Limited (SEHK: 8527) since April 2024.

**Mr. Chiu Kung Chak**, aged 43, was appointed as an independent non-executive Director, a member of Audit Committee, Remuneration Committee and Nomination Committee of the Company on 1 November 2021. He has accumulated 13 years of experience in finance and real estate market in the People’s Republic of China (the “**PRC**”). Mr. Chiu co-founded Vision Capital Group Limited in 2014 and currently serves as its director and principal. From April 2012 to June 2014, Mr. Chiu worked as a business manager for the construction of Henderson Centre, Guangzhou. From July 2008 to February 2012, he served as a regional manager of Jiangsu Zhongli Group Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 002309.SZ), and was responsible for overseeing business in the PRC. Mr. Chiu obtained a bachelor of arts (honours) in social policy and administration from the University of Nottingham in 2007. Mr. Chiu obtained a master degree of science in international business from the Business School of the University of Nottingham in 2008.



**Ms. Lee Yin Man**, aged 41, was appointed as an independent executive Director on 9 August 2024. She has 15 years of experience in human resources management, administration, company secretarial services and corporate communications of various companies listed on the Stock Exchange. From August 2016 to January 2018, Ms. Lee served as the human resources director of China Innovation Investment Limited (stock code: 1217). From February 2018 to December 2019, Ms. Lee served as the administration and human resources manager of Hope Life International Holdings Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 1683). From January 2020 to March 2023, Ms. Lee served as the administration and human resources director of Greater Bay Convergence Services Limited. Ms. Lee holds a Bachelor of Arts Degree from the City University of Hong Kong and a Master Degree in Human Resources Management from Hong Kong Baptist University.

**Ms. Huang Chun Lian**, aged 29, was appointed as an independent executive Director on 9 August 2024. She has over 7 years of experience in finance and corporate management. Ms. Huang has served as the financial director of Shenzhen Guangyi Xiangtong Trading Company Limited.\* (深圳市廣翔通貿易有限公司) since 2020. Ms. Huang obtained a Bachelor's Degree in Accounting from South China Normal University (華南師範大學) in China in 2020. Since July 2024, Ms. Huang Chunlian has served as an independent non-executive director of Kidztech Holdings Limited, a company whose shares are listed on the Stock Exchange (Stock code: 6918). Since October 2024, Ms. Huang Chunlian has also served as an independent non-executive director of China Resources and Transportation Group Limited, a company whose shares are listed on the Stock Exchange (Stock code: 269). From April 2024 to June 2024, Ms. Huang Chunlian was also an independent non-executive director of Momentum Financial Holdings Limited, a company whose shares are listed on the Stock Exchange (Stock code: 1152). Ms. Huang Chunlian obtained a Bachelor's Degree in Accounting from South China Normal University (華南師範大學) in China in 2020.

#### **Business address of the Directors and senior management**

The business address of the Directors and the senior management is the same as the Company's head office and principal place of business in Hong Kong at Unit D, 7/F Kee Shing Centre, 74-76 Kimberley Road, Tsim Sha Tsui, Kowloon, Hong Kong.

### **13. EXPENSES**

The expenses in connection with the Rights Issue, including financial advisory fees, placing commission (assuming nil acceptance of the Rights Shares by the Qualifying Shareholders and the placing of all Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent), printing, registration, translation, legal and accountancy charges are estimated to be approximately HK\$5.9 million, which are payable by the Company.

**14. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.xinm.net.cn>) for not less than 14 days from the date of this circular:

- (a) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 38 to 39 of this circular;
- (b) the letter from the Independent Financial Adviser, the text of which is set out on page 40 to 62 of this circular;
- (c) the letter issued by the reporting accountants regarding the unaudited pro forma financial information as set out in appendix II to this circular;
- (d) the material contracts, referred in the paragraph headed “9. MATERIAL CONTRACTS” in this appendix;
- (e) the written consents of each of the experts as referred to in the section headed “8. QUALIFICATIONS AND CONSENTS OF EXPERTS” in this appendix; and
- (f) the annual report of the Company for the year ended 31 December 2021, the annual results announcements of the Company for each of the two years ended 31 December 2022 and 2023 and the interim results announcement of the Company for the six months ended 30 June 2024.

**15. MISCELLANEOUS**

- (a) As at the Latest Practicable Date, to the best knowledge of the Directors, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- (b) In the event of any inconsistency, the English texts of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts.

\* *For identification purpose only*



**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)**

## **NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**EGM**”) of Xinming China Holdings Limited (the “**Company**”) will be held at Unit D, 7/F, Kee Shing Centre, 74–76 Kimberley Road, Tsim Sha Tsui, Kowloon, Hong Kong on Thursday, 13 March 2025 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions. Unless otherwise indicated, capitalised terms used herein shall have the same meaning as those defined in the circular of the Company dated 25 February 2025 (the “**Circular**”):

### **SPECIAL RESOLUTION**

1. “**THAT** subject to and conditional upon (i) an order being made by the Grand Court of the Cayman Islands (“**Court**”) confirming the Capital Reduction (as defined below) (if applicable); (ii) compliance with any condition which the Court may impose in relation to the Capital Reduction (if applicable); (iii) registration by the Registrar of Companies of the Cayman Islands of a copy of the order of the Court confirming the Capital Reduction and the minute approved by the Court containing the particulars required under the Companies Act (as revised) of the Cayman Islands in respect of the Capital Reduction (if applicable); (iv) compliance with all relevant procedures and requirements under the applicable laws of the Cayman Islands and the Listing Rules to effect the Capital Reorganisation; and (v) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Adjusted Shares (as defined below), with effect from the date on which these conditions are fulfilled (the “**Effective Date**”):
  - (a) every one hundred (100) issued and unissued ordinary shares of par value of HK\$0.01 each in the share capital of the Company be consolidated into one (1) ordinary share of par value of HK\$1.00 (each a “**Consolidated Share**”) in the share capital of the Company (the “**Share Consolidation**”);



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## NOTICE OF EGM

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- (b) all fractional Consolidated Shares resulting from the Share Consolidation will be disregarded and will not be issued to holders of the same but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefit of the Company in such manner and on such terms as the board of Directors may think fit;
- (c) immediately following the Share Consolidation, the issued share capital of the Company be reduced by cancelling the paid-up capital of the Company to the extent of HK\$0.99 on each of the issued Consolidated Shares of the Company of par value HK\$1.00 each, such that the par value of each issued Consolidated Share be reduced from HK\$1.00 to HK\$0.01 (such Consolidated Shares as reduced by the paid-up capital pursuant to the Capital Reduction, the “**Adjusted Shares**”) (the “**Capital Reduction**”);
- (d) immediately following the Capital Reduction, each of the authorised but unissued Consolidated Shares of par value of HK\$1.00 each be sub-divided into one hundred (100) authorised but unissued shares of par value of HK\$0.01 each in the share capital of the Company (the “**Share Subdivision**”, together with the Share Consolidation and the Capital Reduction, the “**Capital Reorganisation**”), such that after the Capital Reorganisation, the authorised share capital of the Company remain as HK\$100,000,000 divided into 10,000,000,000 shares of par value HK\$0.01 each;
- (e) the credit arising from the Capital Reduction be transferred to a distributable reserve account of the Company which may be utilised by the board (the “**Board**”) of directors (the “**Director(s)**”) in accordance with the memorandum and articles of association of the Company and all applicable laws, including, without limitation, eliminating or setting off any accumulated losses of the Company from time to time;
- (f) each of the Adjusted Shares of par value HK\$0.01 each arising from the Capital Reorganisation shall rank *pari passu* in all respects with each other and have the rights and privileges and be subject to the restrictions as contained in the memorandum and articles of association of the Company; and
- (g) any one of the Directors, the registered office provider and/or the Cayman Islands counsel of the Company be and are hereby authorised to do all such acts and things (including without limitation arranging for the requisite filings and applications with the Registrar of Companies in the Cayman Islands and the Court) and execute and deliver all such documents, which are ancillary to the Share Consolidation, the Capital Reduction and the Share Subdivision, on behalf of the Company, including under seal where applicable, as they may consider necessary or expedient to give effect to, implement and complete the Share Consolidation, the Capital Reduction and the Share Subdivision.”

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## NOTICE OF EGM

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### ORDINARY RESOLUTION

2. **“THAT** subject to the passing of special resolution number 1 above and the satisfaction of the conditions set out in the letter from Letter from the Board under the heading “Conditions of the Rights Issue” in the circular of the Company dated 25 February 2025 (the **“Circular”**) (including The Stock Exchange of Hong Kong Limited granting and not having revoked the listing of and permission to deal in the Rights Shares (as defined below)):
- (a) the allotment and issue by the Company by way of rights (the **“Rights Issue”**) of a maximum of 83,777,972 Adjusted Shares of par value HK\$0.01 each (the **“Rights Shares”** and each a **“Rights Share”**) at a subscription price of HK\$1.12 per Rights Share to the qualifying shareholders of the Company (the **“Qualifying Shareholders”**) whose names appear on the register of members of the Company on 25 April 2025 or such other date as may be determined by the Company for the determination of the entitlements under the Rights Issue (the **“Record Date”**) (other than those shareholders (the **“Non-Qualifying Shareholders”**) with registered addresses outside Hong Kong whom the Board, after making reasonable enquiries, considers it necessary or expedient not to offer the Rights Shares to them on account either of legal restrictions or prohibitions under the laws of the relevant jurisdictions or the requirements of the relevant regulatory body or stock exchange in such jurisdictions) on the basis of four (4) Rights Shares for every one (1) Adjusted Share of the Company then held on the Record Date and pursuant to the terms and conditions as set out in the Circular (a copy of which marked “A” is produced to the EGM and initialed by the chairman of the EGM for the purpose of identification) of which this notice convening the EGM forms part, be and is hereby approved;
  - (b) the terms of, and the Company’s entry into and performance of the placing agreement dated 6 December 2024 entered into between the Company and Advent Securities (Hong Kong) Limited (a copy of which has been produced to the EGM marked “B” and signed by the chairman of the EGM for the purpose of identification), in relation to the placing of the Rights Shares not subscribed by the Qualifying Shareholders and/or the Rights Share(s) which would otherwise has/have been provisionally allotted to the Non-Qualifying Shareholder(s) in nil-paid form that has/have not been sold by the Company at the placing price of not less than the Subscription Price on a best effort basis, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
  - (c) any one of the Directors be and is hereby authorised to allot and issue the Rights Shares (in their nil-paid form and fully-paid form) pursuant to and in connection with the Rights Issue notwithstanding the Rights Shares may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, any Director be and is hereby authorised to make such exclusions or other arrangements in relation to fractional entitlements and/or the

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## NOTICE OF EGM

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Non-Qualifying Shareholders as he/she deems necessary, desirable or expedient having regard to any restrictions or obligations under the memorandum and articles of association of the Company or the laws of, or the rules and regulations of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong; and

- (d) any one of the Directors be and is hereby authorised to do all such acts and things, as he/she may in his/her discretion consider necessary, desirable or expedient, for the purposes of or in connection with the implementation of the Rights Issue and the transactions contemplated thereunder, including but not limited to executing and delivering, and (where required) to affix the common seal of the Company to, all such documents, as he/she considers necessary or expedient in his/her opinion to implement and/or give effect to the Rights Issue and the implementation of all transactions contemplated thereunder, including but not limited to the issue and allotment of Rights Shares and to agree with such variation, amendment or waiver as, in his opinion, appropriate and in the interests of the Company and its shareholders as a whole.”

By order of the Board  
**Xinming China Holdings Limited**  
**Cao Zhiqiang**  
*Executive Director*

Hong Kong, 25 February 2025

*Notes:*

1. Any Shareholder entitled to attend, speak and vote at the EGM will be entitled to appoint a proxy or, if such Shareholder is a holder of two or more shares, proxies to attend, speak and vote in such Shareholder's stead. A proxy need not be a Shareholder of the Company but must attend the EGM in person to represent the appointing Shareholder.
2. To be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, at the Hong Kong branch share registrar and transfer office of the Company, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.
3. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the EGM convened or any adjournment thereof (as the case may be) and in such event the instrument appointing the proxy shall be deemed to be revoked.
4. Where there are joint holders of any share, any one of such joint holders may vote at the EGM, either in person or by proxy, in respect of such share as if he/she/it were solely entitled thereto, but if more than one of such joint holders be present at the EGM, whether in person or by proxy, the one of the said joint holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

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## NOTICE OF EGM

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5. To ascertain Shareholders' eligibility to attend, speak and vote at the EGM, the register of members of the Company will be closed from Friday, 7 March 2025 to Thursday, 13 March 2025, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify to attend, speak and vote at the EGM, all transfers of share ownership, accompanied by the relevant share certificates, must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Thursday, 6 March 2025.
6. References to time and dates in this notice are to Hong Kong time and dates.
7. Any voting at the EGM shall be taken by poll.
8. As at the date hereof, the Board comprises four executive directors, namely Mr. Chen Chengshou, Mr. Feng Cizhao, Mr. Cao Zhiqiang and Mr. Zhou Fenli, three non-executive directors, namely Ms. Gao Qiaoqin, Mr. Choi Clifford Wai Hong and Mr. Zhou Zhencun and four independent non-executive directors, namely Mr. Khor Khie Liem Alex, Mr. Chiu Kung Chak, Ms. Huang Chunlian and Ms. Lee Yin Man.