

TARGET

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XINMING CHINA HOLDINGS LTD: THE WALLS ARE CLOSING IN ON THIS CHINESE PROPERTY DEVELOPMENT COMPANY

Is It Possible To Find Solutions In Order To Extricate The Company Out Of Its Massive Financial Problems ?

The walls appear to be fast closing in on Xinming China Holdings Ltd (新明中國控股有限公司), Code 2699, Main Board, The Stock Exchange of Hongkong Ltd, with the Company's Interim Report, in respect of the six months, ended June 30, 2021, announcing that Revenue had fallen by 67.32 percent, compared with the like period in the 2020 Financial Year, while the Net Loss Attributable to Shareholders had increased by 300.29 percent with regard to the comparable period of the 2020 Financial Year, to 286,529,000 renminbi (about \$HK349,149,913.00).

The Unaudited Condensed Consolidated Statement of Profit or Loss in respect of the 2021 Interim Report was published and disseminated in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) on Monday, September 27, 2021.

At Page 37 of this Report, it was stated that Shareholders' Funds (Total Equity) had dropped to 568,468,000 renminbi (about \$HK692,706,681.00), a fall of about 34.21 percent, compared with the figure, as at December 31, 2020, of 864,050,000 renminbi (about \$HK1,052,888,128.00).

About two months and three days after the 2021 Interim Report had been published and disseminated, Management of Xinming China Holdings Ltd caused to be published an Announcement, headlined: '**VOLUNTARY ANNOUNCEMENT LITIGATION PROCEEDINGS**'.

The following is a verbatim copy of this Announcement:

'The directors of Xinming China Holdings Limited (the "Company," together with its subsidiaries, the "Group") wish to inform the shareholders of the Company and the public of the latest litigation proceedings of Hangzhou Xinming Property Investment Limited (杭州新明置業投資有限公司) ("Hangzhou Xinming," an

indirect wholly-owned subsidiary of the Company) and disclose its update to the shareholders of the Company and the public.

‘On 8 September 2020, pursuant to the first-instance judgment (the “Judgment”) handed down by the People’s Court of Gongshu District, Hangzhou City, Zhejiang Province (浙江省杭州市拱墅區人民法院) (the “Court”), Hangzhou Xinming shall pay outstanding entrusted management service fee, employee salary and benefit in the sum of RMB24,688,136 and penalty of RMB13,187,500 as of 31 March 2020 to Bluetown Property Construction Management Group Company Limited (藍城房產建設管理集團有限公司) (the “Plaintiff”) within ten days from the effective date of the Judgment, together with penalty calculated at 0.03% per day from 1 April 2020 to the date of repayment of amount aforementioned. In addition, Hangzhou Xinming shall bear the court case acceptance fee and other fees in the total of RMB217,429. The Group disagrees with the Judgment and has applied for an appeal against it...’.

‘This announcement is made by the Company on a voluntary basis, under the disclosure requirement imposed on the Company by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

‘According to the real estate project entrustment management contract (《房地產項目委託管理合同書》) signed in September 2016, the Plaintiff was entrusted to conduct development and construction management in Hangzhou and would receive the entrusted management service fee and employee salary and benefit based on the certain percentage of property sales at the payment time stipulated in the contract after the parties’ confirmation of services provided by the Plaintiff.

‘The Plaintiff initiated litigation proceedings against Hangzhou Xinming during this year, demanding Hangzhou Xinming to pay outstanding entrusted management service fee, employee salary and benefit and penalty as of 31 March 2020 in the sum of RMB68,652,422 to the Plaintiff, together with penalty which shall accrue up to the date of actual payment of amount aforementioned by Hangzhou Xinming, and all litigation costs relating to the case shall be borne by Hangzhou Xinming. Pursuant to the relevant laws in the People’s Republic of China, the case was registered by the Court on 17 April 2020, and public trial was conducted on 6 August 2020.

‘On 8 September 2020, Hangzhou Xinming officially received the Judgment and its contents. After seeking advice from legal advisers, the Group disagrees with the Judgment and has applied to the Intermediate People’s Court of Hangzhou City (杭州市中級人民法院) for an appeal. The Company believes that the outcome of the appeal is uncertain as it depends on how objective facts are viewed and interpretation of the relevant legal provisions.

‘Based on the analysis of the Company, the Judgment will not have any material adverse effect on the daily operation of Hangzhou Xinming. The Company will pay close attention to the status and make further announcements on the progress of the litigation proceedings to the shareholders of the Company and the public.’

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