

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, 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 announcement.*

*This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company*



## **Virtual Mind Holding Company Limited**

**天機控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1520)**

### **DISCLOSEABLE TRANSACTION DISPOSAL OF TARGET LAND AND PROPERTIES IN RELATION TO LAND RESUMPTION**

#### **THE COMPENSATION AGREEMENT**

On 24 August 2022 (after trading hours), Jiaxing Runway, an indirect wholly owned subsidiary of the Company, entered into the Compensation Agreement with Jiaxing Xiubei, a state-owned enterprise appointed by the Local Authority to execute the Land Resumption, pursuant to which, among other things, Jiaxing Xiubei agrees to resume, and Jiaxing Runway agrees to surrender the Target Land together with the Properties with the Compensation of approximately RMB58.1 million (equivalent to approximately HK\$66.8 million) payable by Jiaxing Xiubei, according to the relevant land resumption policy of the Xiuzhou Government for the purpose of urban area redevelopment.

#### **IMPLICATIONS UNDER THE LISTING RULES**

As one or more of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules in respect of the Land Resumption exceeds 5% but less than 25%, the Land Resumption constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements thereunder.

On 24 August 2022 (after trading hours), Jiaxing Runway, an indirect wholly owned subsidiary of the Company, entered into the Compensation Agreement with Jiaxing Xiubei, a state-owned enterprise appointed by the Local Authority to execute the Land Resumption, pursuant to which, among other things, Jiaxing Xiubei agrees to resume, and Jiaxing Runway agrees to surrender the Target Land together with the Properties with the Compensation of approximately RMB58.1 million (equivalent to approximately HK\$66.8 million) payable by Jiaxing Xiubei, according to the relevant land resumption policy of the Xiuzhou Government for the purpose of urban area redevelopment.

The principal terms of the Compensation Agreement are set out as follows:

## **THE COMPENSATION AGREEMENT**

### **Date**

24 August 2022 (after trading hours)

### **Parties**

- (i) Jiaxing Xiubei
- (ii) Jiaxing Runway

To the best knowledge, information and belief of the Directors, having made all reasonable enquires, Jiaxing Xiubei is a state-owned enterprise affiliated to Xiuzhou District, Jiaxing City, Zhejiang Province, the PRC, and is an Independent Third Party.

### **Subject Matter**

Pursuant to the Compensation Agreement, among other things, Jiaxing Xiubei agrees to compensate Jiaxing Runway for resuming the Target Land together with the Properties.

### **Compensation and Payment Terms**

The Compensation in relation to the Land Resumption is approximately RMB58.1 million (equivalent to approximately HK\$66.8 million), comprising the aggregate amount of (i) approximately RMB50.8 million (equivalent to approximately HK\$58.4 million) for the compensation in respect of the Target Land and the Properties; (ii) approximately RMB3.0 million (equivalent to approximately HK\$3.5 million) for the compensation in respect of the relocation of equipment and machinery in the Properties; and (iii) approximately RMB4.3 million (equivalent to approximately HK\$4.9 million) for the compensation in respect of the suspension of operation of the Group's manufacturing plant in the Properties.

The Compensation shall be paid in cash in the following manners:

- (i) 50% of the Compensation (the “**First Payment**”) shall be payable by Jiaxing Xiubei within 30 days after signing of the Compensation Agreement and Jiaxing Xiubei shall receive the relevant certificates of title of the Target Land and the Properties (the “**Certificates**”) from Jiaxing Runway on the date when the First Payment is made;
- (ii) 30% of the Compensation shall be payable by Jiaxing Xiubei within 15 days after the completion of the procedures for the resumption of the Target Land and the cancellation of the ownership of the Properties (the “**Resumption Procedures**”); and
- (iii) 20% of the Compensation shall be payable by Jiaxing Xiubei within 15 days after Jiaxing Runway has vacated the Target Land and the Properties and delivered to Jiaxing Xiubei (the “**Delivery Procedures**”).

The Compensation for the Land Resumption was agreed between Jiaxing Xiubei and Jiaxing Runway after arm’s length negotiation with reference to the appraised market value of the Target Land and the Properties together with the compensation in respect of the relocation of equipment and machinery in the Properties of approximately RMB53.8 million (equivalent to approximately HK\$61.9 million) according to a valuation report prepared by an independent valuer engaged by Jiaxing Xiubei using cost approach.

In addition to the Compensation, Jiaxing Runway is entitled to a transitional fee of approximately RMB3.5 million (equivalent to approximately HK\$4.0 million) (the “**Transitional Fee**”) to compensate Jiaxing Runway for the relocation of the manufacturing plant of the apparel products of the Group. The Transitional Fee shall be payable by Jiaxing Xiubei within 15 days after the completion of the Delivery Procedures.

Furthermore, pursuant to the Compensation Agreement, additional fee shall be payable by Jiaxing Xiubei to Jiaxing Runway under the following circumstances:

- (i) if the Delivery Procedures are completed in advance to the agreed delivery date (i.e. 28 February 2023), Jiaxing Runway will be entitled to an incentive fee of 0.1% of the Compensation for each day in advance (the “**Incentive Fee**”), payable by Jiaxing Xiubei to Jiaxing Runway within 15 days after Jiaxing Runway has vacated the Target Land and the Properties. The maximum incentive fee should be 5% of the Compensation (i.e. 50 days being the maximum number of days in advance to 28 February 2023 which Jiaxing Runway will be entitled to the Incentive Fee) which is amounted to be approximately RMB2.9 million (equivalent to approximately HK\$3.4 million); and

- (ii) 80% of the corporate income tax in relation to the Land Resumption which is determined as the lower of (a) the corporate income tax of Jiaxing Runway for the financial year in which the Land Resumption is completed; and (b) the corporate income tax in respect of the Compensation, the Transitional Fee and the Incentive Fee (the “**Tax Compensation Fee**”). The Tax Compensation Fee shall be payable by Jiaxing Xiubei within 60 days after Jiaxing Runway has obtained the settlement and payment record of corporate income tax from the tax authority of the PRC.

Based on the notice jointly provided by the Local Authority and Jiaxing Xiubei to Jiaxing Runway, the Local Authority and Jiaxing Xiubei jointly undertake the payment obligation of the Compensation and all other obligations stipulated in the Compensation Agreement.

### **Penalty due to delay in delivery**

Pursuant to the Compensation Agreement, if Jiaxing Runway fails to vacate the Target Land and the Properties before the agreed delivery date of 28 February 2023, Jiaxing Runway shall pay a daily penalty amounting to 0.02% of the Compensation to Jiaxing Xiubei until the Target Land and the Properties are delivered to Jiaxing Xiubei.

### **Termination**

If Jiaxing Xiubei fails to complete the Resumption Procedures within 60 days upon receipt of the Certificates except such failure is due to any fault of Jiaxing Runway, Jiaxing Runway shall have the right to terminate the Compensation Agreement and return the First Payment to Jiaxing Xiubei while Jiaxing Xiubei shall return the Certificates to Jiaxing Runway.

If Jiaxing Xiubei fails to pay any amount of the Compensation, the Transitional Fee and the Incentive Fee according to the payment schedule pursuant to the Compensation Agreement, Jiaxing Xiubei shall pay to Jiaxing Runway a daily penalty amounting to 0.02% of any outstanding sum. If such delay exceeds 90 days, Jiaxing Runway shall have the right to terminate the Compensation Agreement.

## **INFORMATION ABOUT THE TARGET LAND AND THE PROPERTIES**

The Target Land is for industrial use and is situated at No. 493, Dade Road, Xincheng Street, Xiuzhou District, Jiaxing City, Zhejiang Province, the PRC (中國浙江省嘉興市秀洲區新城街道大德路493號), which has a site area of approximately 13,068.3 square meters. The Properties included three buildings with an aggregate gross floor area of approximately 19,261.8 square meters and is the manufacturing plant of the apparel products of the Group.

## INFORMATION ABOUT JIAXING XIUBEI

Jiaxing Xiubei is a state-owned enterprise and is ultimately and effectively owned as to approximately 99.94% by the SASAC and approximately 0.06% by Zhejiang Provincial Department of Finance. Jiaxing Xiubei is principally engaged in park development, construction and operation management, infrastructure and public facilities construction and self-owned properties leasing. Jiaxing Xiubei was appointed by the Local Authority to execute the Land Resumption.

## REASONS AND BENEFITS OF THE LAND RESUMPTION

The Group is principally engaged in design, manufacturing and trading of apparel, provision of money lending business, as well as research and development, operation and promotion of trendy cultural products. Jiaxing Runway is an indirect wholly owned subsidiary of the Company and is principally engaged in manufacturing and trading of apparels.

The Local Authority has commenced the land resumption project in 2019 to resume certain parcels of land from the relevant owners of the land use right according to the relevant land resumption policy of the Xiuzhou Government for the purpose of urban area redevelopment. According to a notice received by Jiaxing Runway from the Xiuzhou Government, the Target Land and the Properties are situated within the parcels of land to be resumed under the land resumption project.

The Properties located at the Target Land is the existing manufacturing plant owned by the Group for the production of apparel products. Pursuant to the Compensation Agreement, the Target Land and the Properties are expected to be resumed by Jiaxing Xiubei on or before 28 February 2023. In order to maintain the operation of the Group's apparel business, the Group has identified a suitable location and has entered into a lease agreement with a landlord who is an Independent Third Party to relocate the existing manufacturing plant of the apparel products of the Group to a new factory (the "**Relocation**"). The new factory is located at Xiuzhou District, Jiaxing City, Zhejiang Province, the PRC with a gross floor area of approximately 1,000 square meters and is expected to commence operation by November 2022. In addition to the Relocation, with reference to the announcement of the Company dated 10 January 2022, the Company entered into the cooperation agreement with Qingdao Weiding Sports Supplies Company Limited<sup>#</sup> (青島威鼎體育用品有限公司) ("**Qingdao Weiding**"), pursuant to which, Qingdao Weiding will give priority to the production of the Company's orders. Such cooperation has commenced since May 2022 and it is expected that Qingdao Weiding would continue to provide production capacity to the Group. Furthermore, the Company has also been cooperating with different apparels production contractors for the sake of production flexibility and efficiency.

Having considered the above, the Directors are of the view that the terms of the Compensation Agreement has offered a fair compensation to unlock the value of its investment in the Target Land and the Properties at a reasonable price and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

## **FINANCIAL EFFECTS OF THE DISPOSAL AND USE OF PROCEEDS**

As at 31 December 2021, the audited carrying value of the Target Land and the Properties was approximately HK\$7.9 million. The Land Resumption is expected to recognize an unaudited gain of approximately HK\$50.5 million, being the difference between the compensation in respect of the Target Land and the Properties over the above-mentioned carrying value of the Target Land and the Properties before any expenses and tax. The compensation in respect of the relocation of equipment and machinery and the suspension of operation of the Group's manufacturing plant in the Properties, the Transitional Fee and the Incentive Fee (if any) will be recognised as other income when received, the maximum amount is estimated to be approximately HK\$15.8 million (excluding the Tax Compensation Fee which is yet to be determined). Actual gain and other income in relation to the Land Resumption is subject to assessment and audit upon completion of the Land Resumption.

Upon completion of the Land Resumption, the maximum gross proceeds from the Land Resumption (after taking into account the Compensation, the Transitional Fee and the Incentive Fee but excluding the Tax Compensation Fee which is yet to be determined) are estimated to be approximately RMB64.5 million (equivalent to approximately HK\$74.2 million), and the net proceeds from the Land Resumption after deducting the relevant costs and expenses (before tax) are estimated to be approximately RMB64.2 million (equivalent to approximately HK\$73.8 million). The net proceeds are intended to be applied as to (i) approximately RMB1.8 million (equivalent to approximately HK\$2.1 million) for the Relocation; and (ii) approximately RMB62.4 million (equivalent to approximately HK\$71.7 million) for the Group's general working capital.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules in respect of the Land Resumption exceeds 5% but less than 25%, the Land Resumption constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements thereunder.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the meanings set out below:

“Board”	the board of Directors
“Company”	Virtual Mind Holding Company Limited, a company incorporated in the Cayman Island with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1520)
“Compensation”	the compensation in a sum of approximately RMB58.1 million (equivalent to approximately HK\$66.8 million) under the Compensation Agreement payable by Jiaxing Xiubei to Jiaxing Runway
“Compensation Agreement”	the compensation agreement entered into between Jiaxing Runway and Jiaxing Xiubei on 24 August 2022 in relation to, among other things, the Land Resumption
“Directors”	the directors of the Company
“Independent Third Part(ies)”	independent third part(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with any of the directors, chief executive or substantial shareholders of the Company or any of their respective subsidiaries or their respective associates
“Jiaxing Runway”	Jiaxing Runway Global Garment Limited (時尚環球服飾(嘉興)有限公司), a company incorporated in the PRC with limited liability, and an indirect wholly owned subsidiary of the Company
“Jiaxing Xiubei”	Jiaxing Xiubei Development and Construction Co., Ltd. <sup>#</sup> (嘉興市秀北開發建設有限公司), a company incorporated in the PRC with limited liability, and a state owned enterprise affiliated to Xiuzhou District, Jiaxing City, Zhejiang Province, the PRC

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Land Resumption”	the resumption of the Target Land and the Properties by Jiaxing Xiubei under the Compensation Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Local Authority”	the Jiaxing Xiuzhou High-tech Industrial Development Zone Management Committee <sup>#</sup> (嘉興秀洲高新技術產業開發區管理委員會) which is authorised by the Xiuzhou Government to execute the land resumption, and is an Independent Third Party
“PRC”	The People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Properties”	Three properties and their ancillary facilities located at the Target Land with an aggregate gross floor area of approximately 19,261.8 square meters and are the manufacturing plant of the apparel products of the Group
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	the Stock Exchange of Hong Kong Limited

“Target Land”

the land situated at No. 493, Dade Road, Xincheng Street, Xiuzhou District, Jiaxing City, Zhejiang Province, the PRC (中國浙江省嘉興市秀洲區新城街道大德路493號) with a site area of approximately 13,068.3 square meters

“Xiuzhou Government”

the government authority in Xiuzhou District, Jiaxing City, Zhejiang Province, the PRC (嘉興市秀洲區人民政府)

By order of the Board  
**Virtual Mind Holding Company Limited**  
**Li Yang**  
*Chairman and Executive Director*

Hong Kong, 24 August 2022

*As at the date of this announcement, the executive Directors are Mr. Li Yang, Ms. Tin Yat Yu Carol, Mr. Cheung Ka Lung, Mr. Chan Ming Leung Terence and Mr. Gong Xiaohan; and the independent non-executive Directors are Mr. Tang Shu Pui Simon, Mr. Hon Ming Sang and Ms. Lo Wing Sze BBS, JP.*

<sup>#</sup> *The English transliteration of the Chinese name(s) in this announcement, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).*