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信基沙溪集團股份有限公司
XINJI SHAXI GROUP CO., LTD

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3603)

**UPDATE ANNOUNCEMENT ON DISCLOSEABLE TRANSACTION
IN RELATION TO THE ACQUISITION OF
60% EQUITY INTEREST IN THE TARGET COMPANY**

Reference is made to the announcement of Xinji Shaxi Group Co., Ltd (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 24 July 2020 (the “**Announcement**”) in relation to the acquisition of 60% equity interest in Guangzhou Zhicheng Commercial Operation Limited* (廣州智誠商業運營有限公司) (the “**Target Company**”) by Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司) (the “**Purchaser**”, an indirect wholly-owned subsidiary of the Company) at the consideration of RMB78.0 million (the “**Acquisition**”). Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

Completion of the Acquisition took place on 31 July 2020. As at the date of this announcement, (i) the Target Company is held as to 60% and 40% by the Purchaser and Mr. Huang Liming* (黃利明) (an Independent Third Party), respectively; and (ii) approximately 70% of the Consideration has been paid by the Purchaser to the Vendor.

As disclosed in the Announcement, the Target Company has obtained the Operation Right to manage and operate the Guangzhou Shopping Mall, which is located on the land at No.2 Xiahua Road, Baiyun District, Guangzhou, the PRC (the “**Land**”), for a term of 18 years from 1 May 2020 to 30 April 2038 pursuant to the Cooperation Agreement.

On 12 August 2020, a notice issued by the Guangzhou Baiyun District Baiyunhu Street Office* (廣州市白雲區人民政府白雲湖街道辦事處) was posted outside the Guangzhou Shopping Mall stating that the Land, including the Guangzhou Shopping Mall, shall be expropriated and reconstructed (the “**Land Expropriation**”) for the development of the Hong Kong and Macau Youths Innovation Entrepreneurship Base* (港澳青年創新創業基地) (the “**Entrepreneurship Base**”). Upon becoming aware of the Land Expropriation, the board (the “**Board**”) of directors (the “**Directors**”) of the Company, having considered the strategic value of the Guangzhou Project to the Group, immediately established a special working group to actively communicate with the relevant government authorities, including the Guangzhou Baiyun District Baiyunhu Street Office* (廣州白雲區白雲湖街道辦) and the Guangzhou Planning Authority* (廣州市規劃局), so as to (i) ascertain the status and gather further information regarding the Land Expropriation; (ii) reflect the feedback of the Group and the tenants of the Guangzhou Shopping Mall to such government authorities; and (iii) strive for the preservation of the Guangzhou Shopping Mall.

As at the date of this announcement, the Group has not yet received any official feedback or official notice from the relevant government authorities regarding the preservation of the Guangzhou Shopping Mall (the “**Government Feedback**”). In the meantime, the Purchaser has been communicating with Guangzhou Bohuang International Hospitality Supplies Expo Centre Limited* (廣州博皇國際酒店用品博覽中心有限公司), being the previous entity operating the Guangzhou Shopping Mall and a party to the Cooperation Agreement, and has been told that there is a relatively high possibility that the Guangzhou Shopping Mall would be preserved as part of the Entrepreneurship Base. Nevertheless, the Purchaser will remain prudent in taking any action in relation to the Land Expropriation pending the Government Feedback.

If the Government Feedback confirms that the Guangzhou Shopping Mall cannot be preserved under the Land Expropriation, the Purchaser will (i) negotiate with the Vendor to unwind the Acquisition; and (ii) explore other legal means and other available remedies to unwind the Acquisition.

The Company will closely monitor the development of the Land Expropriation and assess its impact on the business operations and financial performance of the Group. The Company will make further announcement(s) as and when appropriate.

Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.

By order of the Board
Xinji Shaxi Group Co., Ltd
Cheung Hon Chuen
Chairman

Guangzhou, the PRC, 4 September 2020

As at the date of this announcement, the Board comprises Mr. Cheung Hon Chuen as chairman and executive Director; Mr. Mei Zuoting, Mr. Zhang Weixin and Ms. Jin Chunyan as executive Directors; Mr. Yu Xuecong, Mr. Wu Jianxun and Mr. Lin Lie as non-executive Directors; and Dr. Liu Eping, Mr. Chen Tusheng, Mr. Tan Michael Zhen Shan and Mr. Zheng Decheng as independent non-executive Directors.

* For identification purpose only