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## **Zhong Jia Guo Xin Holdings Company Limited**

**中加國信控股股份有限公司**

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 899)**

### **BUSINESS UPDATE**

### **ACQUISITION OF BEIJING PROPERTIES**

Reference is made to the annual report of the Company for the year ended 31 March 2024 (the “**Annual Report**”). Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as those defined in the Annual Report.

#### **BACKGROUND**

The Group entered into an acquisition agreement on 28 February 2017 (the “**Acquisition Agreement**”) to purchase certain office premises and underground car park located at Phase III of Beijing Convention and Exhibition International Port (Exhibition Centre Ancillary Facilities) Project (北京會展國際港展館配套設施項目第三期) (the “**Beijing Properties**”). The Group has paid a sum of RMB200 million (the “**Deposit**”) as deposit. It was originally expected that the Beijing Properties would be completed in December 2023 and delivered to the Group in June 2024. However, during the year ended 31 March 2024, the Group observed that the development pace of the Beijing Properties has become slower and slower. Due to the financial difficulties faced by various property developers in the PRC during the year, the Group also concerned that the vendor of the Beijing Properties (the “**Vendor**”) may be unable to complete the construction of the Beijing Properties. In order to protect the interests of the Company and its shareholders as far as possible, the Group has promptly met and negotiated with the Vendor. The Vendor indicated that there may be difficulties in completing and delivering the Beijing Properties in accordance with the previously agreed schedule.

As disclosed in the paragraph headed “Beijing Properties” under the section headed “Board of Directors’ Statement, Management Discussion and Analysis” of the Annual Report, with respect to the Beijing Properties, the Vendor has undertaken to (i) refund the Deposit by transferring certain properties in Beijing held by the Vendor (the “**Refund Properties**”) and (ii) pay an additional cash compensation of RMB8 million to the Group.

## **UPDATED STATUS ON THE REFUND PROPERTIES**

The Group has engaged the PRC lawyer to liaise with the Vendor on the transfer of the Refund Properties.

The Vendor has offered to transfer a total of 10 properties and 106 car parking spaces to the Group (the “**Proposal**”) as refund of the Deposit. Those properties and car parking spaces are commercial properties located at Longxing Yujing Garden, Yufeng Road, Shunyi District, Beijing (北京順義區裕豐路龍祥譽景花園), each with gross floor area between 177–793 square metres. Up to the date of this announcement, the Group has received 4 properties, and the other 6 properties and 106 car parking spaces (the “**Remaining Refund Properties**”) were still pending to be delivered to the Group.

There has been delay in the transfer of the Remaining Refund Properties. The Group has already instructed the PRC lawyers to:

- (i) take legal action for specific performance against the Vendor for the transfer of 4 of the properties and payment of damages and compensation. According to the PRC lawyers, it is expected that it will usually take around 3 months to 6 months for obtaining the order of specific performance under normal circumstances, provided that it may take longer time in case of any special circumstances; and
- (ii) issue legal demands against the Vendor for the transfer of 2 of the properties and 106 car parking spaces and payment of damages and compensation. According to the PRC lawyers, it is expected that it will usually take around 3 months to 12 months for mediation and settlement, provided that it may take longer time in case of any litigation arise.

Under the current adverse market environment, in particular the property market in the PRC, the first priority of the Company is to protect its assets as far as possible. For the Beijing Properties, the Group has paid the Deposit of RMB200 million and securing the refund of the Deposit is of utmost importance for the Group. While the Group has considered to insist on its contractual rights under the Acquisition Agreement and take legal actions against the Vendor at the beginning, it will inevitably incur substantial legal costs and time and there is also no assurance that, even the Group is successful in the litigations against the Vendor, it will eventually be able to recover the Deposit and other compensation in full. From a commercial and practical point of view, as the first step, the Group has adopted the strategy to mitigate its loss and recover from the Vendor as far as possible and as soon as possible through negotiations. Indeed, this strategy has proved to be effective and the Group has already quickly recovered from the Vendor a cash compensation of RMB8 million and 4 properties with aggregate value of approximately RMB44.4 million, totalling approximately RMB52.4 million. The Group could immediately proceed with its other business plans as far as the refund and those compensations already received are concerned and reduce its opportunity costs in this regard. It could also minimize the legal costs and time in the recovery of the loss and compensation and the need to compete with other creditors of the Vendor. Even there are differences in the portfolio of the Refund Properties and the Beijing Properties, the Refund Properties are also properties designated for commercial use, located in the same area of Beijing as that of the Beijing Properties and are still of substantial value based on the experiences and expertise possessed by the management of the Group. The Group does not intend to hold the Refund Properties for a long term but is prepared to realize the same in the near future when the market conditions allow and suitable buyers are located.

Since there were subsisting tenants in those Refund Properties which have been delivered to the Group and are currently generating rental income for the Group, those Refund Properties were classified as investment properties in the financial statements of the Company.

Regarding the defaults of the Acquisition Agreement by the Vendor, the Group has engaged the PRC lawyer to closely liaise with the Vendor, follow up the same and the progress of the transfer of the Refund Properties. The Company will, with the consultation with the PRC lawyer, formulate the appropriate strategy and take appropriate actions to protect the rights of the Group under the Acquisition Agreement, taking into account the updated status of transfer of the Refund Properties, refund of Deposit and payment of compensation.

Considering all the risks and uncertainties involved, as far as the purpose of recovering the Deposit and compensation from the Vendor is concerned, the Company considered that, as the first step, the Proposal is a more feasible way to proceed as compared with taking legal actions against the Vendor for its contractual rights under the Acquisition Agreement.

In light of the above, the Board considered the Proposal was fair and reasonable and in the interest of the Company and its shareholders as a whole.

By order of the Board  
**Zhong Jia Guo Xin Holdings Company Limited**  
**Ouyang Yanling**  
*Chairman*

Hong Kong, 23 August 2024

*As at the date of this announcement, the Board consists of five executive directors, Ms. Ouyang Yanling, Mr. Li Yuguo, Mr. Liu Yan Chee James, Mr. Li Xiaoming and Ms. Wen Junyi; three non-executive directors, Mr. Chen Dong Yao, Mr. Yang Xiaoqiang and Mr. Huang Yilin; and four independent non-executive directors, Mr. Ba Junyu, Mr. So Ting Kong, Mr. Wong Sung and Mr. Xu Xingge.*