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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)

VOLUNTARY ANNOUNCEMENT TERMINATION OF COOPERATION AGREEMENT

This announcement is made by Xinji Shaxi Group Co., Ltd (the “**Company**”, together with its subsidiaries, the “**Group**”) on a voluntary basis for the purpose of keeping the shareholders and potential investors of the Company abreast of the latest business development of the Group.

Background

References are made to the prospectus of the Company dated 25 October 2019 (the “**Prospectus**”), the annual report of the Company for the financial year ended 31 December 2019 (the “**Annual Report 2019**”) and the interim report of the Company for the six months ended 30 June 2020 (the “**Interim Report 2020**”). As disclosed in the Prospectus and the Annual Report 2019, the Group has been providing exhibition management services for the China Hospitality Expo (華南酒店業博覽會) (“**CHE**”) (formerly known as China (Guangzhou) International Hospitality Supplies Fair (中國 (廣州) 國際酒店用品展覽會)) in the People’s Republic of China (the “**PRC**”) annually since 2015.

On 30 October 2018, Guangdong Xinji International Exhibition Company Limited* (廣東信基國際展覽有限公司) (“**Guangdong Xinji Exhibition**”), an indirectly wholly-owned subsidiary of the Company, entered into a cooperation agreement (the “**Cooperation Agreement**”) with Reed Exhibitions (China) Ltd. (北京勵德展覽有限公司) (“**Reed**”), pursuant to which (i) the parties agreed to jointly organise CHE in the PRC for a term of 20 years; and (ii) Guangdong Xinji Exhibition agreed to pay an annual management fee (equivalent to 20% of the gross revenue generated by the organisation of CHE for the relevant year, which is subject to adjustment after five years from the date of the Cooperation Agreement) (the “**Management Fee**”) to Reed.

Termination of the Cooperation Agreement

On 28 December 2020 (after trading hours), Guangdong Xinji Exhibition entered into a termination agreement (the “**Termination Agreement**”) with Reed, pursuant to which the parties agreed on the following:

- (i) the Cooperation Agreement shall be terminated with immediate effect;

- (ii) the cooperation plan and arrangement of organising CHE under the Cooperation Agreement shall not proceed; and
- (iii) the obligations of Guangdong Xinji Exhibition to pay the Management Fee, including the Management Fee payable for the year 2019, shall cease.

Reasons for the entering into of the Termination Agreement

As disclosed in the Interim Report 2020, due to the ongoing global outbreak of the Coronavirus Disease 2019 (“**COVID-19**”), the persistent social distancing measures and travel restrictions, a majority of the exhibitors of CHE have adopted a wait-and-see attitude and only a few overseas exhibitors and purchasers were willing to confirm their participation in CHE this year. Therefore, the Group encountered obstacles in organising CHE and had decided to suspend the organisation of CHE in the second half of 2020. As it is uncertain when and whether the COVID-19 epidemic could be contained, the parties consider that it would be difficult to estimate the time when the organisation of CHE can be resumed and, after negotiation, mutually agreed to enter into the Termination Agreement.

Effect of termination on the business and operations of the Group

Having considered that,

- (i) as disclosed in the Annual Report 2019, for the financial year ended 31 December 2019, the revenue generated from the organisation of the annual CHE amounted to approximately RMB5.0 million, which accounted for approximately 1.6% of the total revenue of the Group for the financial year ended 31 December 2019; and
- (ii) the entering into of the Termination Agreement has a positive effect in preserving the Group’s cash flow as Guangdong Xinji Exhibition has been released from its obligation to pay the Management Fee for the year 2019,

the board of directors of the Company (the “**Board**”) is of the view that the Termination Agreement will not have any material adverse impact on the business operations or financial position of the Group.

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

Guangzhou, the PRC, 28 December 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*