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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3603)

**FURTHER CHANGE IN USE OF PROCEEDS FROM
THE GLOBAL OFFERING**

References are made to (i) the prospectus of Xinji Shaxi Group Co., Ltd (the “**Company**”, and together with its subsidiaries, the “**Group**”) dated 25 October 2019 (the “**Prospectus**”) in relation to the proposed use of the net proceeds from the Global Offering (the “**Net Proceeds**”); (ii) the announcement of the Company dated 6 July 2020 (the “**First Change of Proceeds Use Announcement**”) in relation to the change in use of the Net Proceeds; (iii) the announcements of the Company dated 24 July 2020, 4 September 2020 and 29 December 2020 in relation to the Guangzhou Project (the “**Guangzhou Project Announcements**”); and (iv) the interim report of the Company for the six months ended 30 June 2021 published on 20 September 2021 (the “**Interim Report**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Prospectus, the First Change of Proceeds Use Announcement, the Guangzhou Project Announcements and the Interim Report.

**USE OF PROCEEDS DISCLOSED IN THE PROSPECTUS AS REVISED PURSUANT
TO THE FIRST CHANGE OF PROCEEDS USE ANNOUNCEMENT**

The original intended use of the Net Proceeds, which amounted to approximately RMB217.2 million (after deducting the underwriting commissions and expenses payable by the Company in relation to the Global Offering), was disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

In the First Change of Proceeds Use Announcement, the Company announced certain changes in the use of the Net Proceeds which remained unutilised as at 30 June 2020 amounting to approximately RMB191.7 million as follows:

- (i) approximately RMB31.2 million for repayment of the Group’s bank borrowings for the construction cost and sales and marketing cost of their shopping malls;
- (ii) approximately RMB22.5 million for the development of the Zhengzhou Project;
- (iii) approximately RMB30.8 million for the development of the Fuzhou Project;

- (iv) approximately RMB80.0 million for the development of the Guangzhou Project; and
- (v) approximately RMB27.2 million for general working capital.

FURTHER CHANGE IN USE OF PROCEEDS

As at the date of this announcement, the unutilised Net Proceeds amounted to approximately RMB133.3 million (including the outstanding Part Payment of RMB5.0 million to be returned by Guangzhou Chaoying to Guangzhou Shaxi Hotel under the Guangzhou Project) (the “**Unutilised Net Proceeds**”). For reasons set out in the paragraph headed “Reasons for and Benefits of the Further Change in Use of Proceeds” in this announcement, the Board has resolved to further change the use of the Unutilised Net Proceeds as follows:

- (i) **Expansion of Property Management Business**
reallocating approximately 30.0% of the Unutilised Net Proceeds in the amount of approximately RMB40.0 million, which was originally allocated for the development of new projects, namely the Zhengzhou Project, Fuzhou Project and Guangzhou Project (the “**Specific Projects**”), to expand the depth and breadth of property management services in China;
- (ii) **Establishment of Vertical e-Commerce Platform for the Hospitality Supplies Industry**
reallocating approximately 22.5% of the Unutilised Net Proceeds in the amount of approximately RMB30.0 million, which was originally allocated for the Specific Projects, to establish a vertical e-commerce platform for the hospitality supplies industry; and
- (iii) **Reallocation for General New Project Development**
reallocating approximately 47.5% of the Unutilised Net Proceeds in the amount of approximately RMB63.3 million, which was originally allocated for the Specific Projects, to general development of new projects in relation to the hospitality supplies and home furnishing industries.

Details of the original allocation, the revised allocation as disclosed in the First Change of Proceeds Use Announcement, the further revised allocation of the Net Proceeds and the expected timeline for utilising the Unutilised Net Proceeds are as follows:

	Original Intended Amount (RMB million)	Revised allocation of the Net Proceeds as disclosed in the First Change of Proceeds Use Announcement (RMB million)	Utilised amount as at the date of this announcement (RMB million)	Unutilised amount as at the date of this announcement (RMB million)	Further revised allocation of the Net Proceeds (RMB million)	Timeframe for full utilisation of the Unutilised Net Proceeds
(i) Repayment of the Group's bank borrowings for the construction cost and sales and marketing cost of its shopping malls	56.7	31.2	31.2	–	–	–
(ii) Development of new projects					63.3 ^{Note 2 and 3}	till 2023
a) Chengdu Project	63.8	–	–	–	–	
b) Zhengzhou Project	40.8	22.5	–	22.5	N/A	
c) Fuzhou Project	55.9	30.8	–	30.8	N/A	
d) Guangzhou Project	–	80.0	5.0 ^{Note 1}	75.0	–	
e) Other projects	–	–	–	–	N/A	
(iii) Expansion of Property Management Business	–	–	–	–	40.0	till 2022
(iv) Establishment of Vertical e-Commerce Platform for the Hospitality Supplies Industry	–	–	–	–	30.0	till 2023
(v) General working capital	–	27.2	27.2	–	–	–
Total:	217.2	191.7	63.4	128.3	133.3	

Note:

- Being the outstanding Part Payment to be returned by Guangzhou Chaoying to Guangzhou Shaxi Hotel. For details, please refer to the paragraph headed “Reasons for and Benefits of the Further Change in Use of Proceeds – Unwinding of the Guangzhou Project” in this announcement.
- Including the outstanding Part Payment of RMB5.0 million to be returned by Guangzhou Chaoying to Guangzhou Shaxi Hotel under the Guangzhou Project. For details, please refer to the paragraph headed “Reasons for and Benefits of the Further Change in Use of Proceeds – Unwinding of the Guangzhou Project” in this announcement.
- This amount represents the portion of the Unutilised Net Proceeds which shall be used for the general development of new projects in relation to the hospitality supplies and home furnishing industries, and will not be earmarked for and allocated to any of the Zhengzhou Project, Fuzhou Project or other projects specifically.

REASONS FOR AND BENEFITS OF THE FURTHER CHANGE IN USE OF PROCEEDS

Unwinding of the Guangzhou Project

As disclosed in the Guangzhou Project Announcements, on 24 July 2020, Guangzhou Shaxi Hotel (an indirect wholly-owned subsidiary of the Company) entered into the Equity Transfer Agreement with Guangzhou Chaoying for the Acquisition at the Original Consideration of RMB78.0 million. Since the Land was to be expropriated by the government and the Group did not receive any positive official feedback or notice from any relevant government authorities, on 29 December 2020 (after trading hours), Guangzhou Shaxi Hotel entered into the Supplemental Agreement with Guangzhou Chaoying to unwind the Acquisition. Pursuant to the Supplemental Agreement, Guangzhou Shaxi Hotel agreed to transfer back, and Guangzhou Chaoying agreed to accept the transfer of, the Equity Interest (representing 60% of the equity interest in the Target Company) at the Original Consideration, being RMB78.0 million.

As Guangzhou Shaxi Hotel had only made a Part Payment of RMB57.8 million to Guangzhou Chaoying for the settlement of the Original Consideration, Guangzhou Chaoying shall return the Part Payment to Guangzhou Shaxi Hotel as full settlement of the consideration for the Unwinding. As at the date of this announcement, Guangzhou Shaxi Hotel has received the returned Part Payment of RMB52.8 million from Guangzhou Chaoying. Guangzhou Shaxi Hotel will closely monitor the return of the outstanding Part Payment of RMB5.0 million and, if necessary, explore other available remedies or legal means to recover the outstanding Part Payment.

Current status of the Zhengzhou Project and the Fuzhou Project

Since the issue of the First Change of Proceeds Use Announcement, the Group has continued to pay close attention to the shopping malls under the Zhengzhou and Fuzhou projects. In response to the declined occupancy rate as a result of the impact of the COVID-19 outbreak on the businesses of the two shopping malls, the shopping mall operators of the two shopping malls continued to offer rent exemption and reduction to their tenants, and therefore suffered liquidity shortage. As a result of the uncertain business environment, there is also no specific timeline for the delivery of possession of the properties under the Zhengzhou Project and the Fuzhou Project at present. In addition, the Tenants continued to suffer heavy losses as a result of the significant drop in number of orders from overseas market. The Group has confirmed that tenants who originally expressed interests in expanding their businesses via renting the shopping malls to be developed under the Zhengzhou Project and the Fuzhou Project could no longer commit to such expansions.

As the impact of the COVID-19 outbreak is expected to continue to bring uncertainties in the near term which could impact negatively on the Group's business, the Directors considered it more financially prudent to further postpone these projects until the impact of COVID-19 outbreak has further lessened or not to proceed with the further development of these projects, where appropriate. While waiting for recovery and to enable the Group to better utilise the Net Proceeds, the Group will reduce the portion of the Unutilised Net Proceeds for developing new projects from 100% to approximately 47.5%. In addition, the Group will not earmark specific

amount of the Unutilised Net Proceeds to any projects of the Group until it has identified projects with growth potential. The Directors will continue to closely monitor and scrutinise the development of the COVID-19 outbreak and proactively identify suitable projects, and will allocate the relevant Unutilised Net Proceeds to the Specific Projects or any other new projects of the Group as the Directors see fit.

Benefits of the Expansion of Property Management Business

The Group has been offering quality property management services to the Tenants under the property management agreements, focusing on hospitality supplies and home furnishing shopping malls. As disclosed in the Interim Report, the revenue from the Group's property management services increased from approximately RMB11.4 million for the six months ended 30 June 2020 to approximately RMB13.9 million for the six months ended 30 June 2021, representing an increase of approximately RMB2.5 million or 21.9%. Accordingly, the Directors consider that the property management business is relatively less affected by the impact of the COVID-19 outbreak and is able to bring in a steady stream of income. As disclosed in the Interim Report, the Group has plans to further expand the property management business, through further investment of resources or acquisition of suitable targets. Leveraging on the Group's property management services to the Tenants and with a view to improving the efficiency and effectiveness in the use of the Company's idle raised proceeds, the Board has resolved to allocate approximately RMB40.0 million to expand the depth and breadth of its property management business through acquisition of property management companies which have a comprehensive property management portfolio, covering commercial buildings (including but not limited to shopping malls) and/or residential properties. The Directors believe that the Expansion of Property Management Business will allow the Group to diversify its current scope of property management services to encompass residential and commercial complex in addition to shopping malls or hotel buildings, which will in turn increase the Group's source of income, reinforce its financial position, increase its brand awareness and further strengthen its overall market position.

As at the date of this announcement, the Group had identified a potential acquisition target and has been negotiating with the vendor which is a connected person of the Company in relation to the proposed acquisition. The Company will make further announcement in accordance with the Listing Rules when definitive agreements have been entered into.

Benefits of the Establishment of Vertical e-Commerce Platform for the Hospitality Supplies Industry

The Group has expanded and diversified its operation into the Online Shopping Mall business to capture the business opportunities in the e-commerce industry since April 2018. As disclosed in the Interim Report, the revenue from sales of goods, which is generated from sales of hospitality products through its Online Shopping Mall, increased from approximately RMB6.5 million for the six months ended 30 June 2020 to approximately RMB11.8 million for the six months ended 30 June 2021, representing an increase of approximately RMB5.3 million or 81.5%. The Directors believe that online shopping has offered an alternative mode of purchase for hospitality supplies which is favoured by the purchasers amidst the COVID-19 outbreak and is expected to continue to play an important role in the hospitality supplies

industry going forward. Leveraging on the Group's experience in e-commerce and to align the Group with the market trend, the Board has resolved to allocate approximately RMB30.0 million to establish a vertical e-commerce platform, such as a mobile phone and personal computer application, which is specifically catered for the hospitality supplies industry. In line with the Group's current business model, the vertical e-commerce platform for the hospitality supplies industry will allow hospitality suppliers to line up with purchasers in the hospitality supplies industry, including the provision of online services such as product sales, project design, after-sales services, logistics and distribution, and supply chain finance. Since, to the best knowledge of the Directors, there is currently a lack of vertical e-commerce platform specifically for the hospitality supplies industry in the PRC, the Directors believe that the establishment of the vertical e-commerce platform for the hospitality supplies industry will not only generate additional income but also reinforce the Group's leading market position in the hospitality supplies industry in the PRC. The Directors further believe that the vertical e-commerce platform for the hospitality supplies industry will generate synergy with its physical shopping malls.

The Board considers that the business development directions for the Expansion of Property Management Business, the Establishment of Vertical e-Commerce Platform for the Hospitality Supplies Industry and the Reallocation for General New Project Development are in the interest of the Company and the Shareholders as a whole. The Directors consider that the above changes in the use of proceeds and the treatment of the Unutilised Net Proceeds are fair and reasonable. In view of the above, the Board considers that the development direction of the Company is still in line with the disclosure in the Prospectus despite the change in use of Net Proceeds as stated above. The aforementioned change in use of Net Proceeds will not have any material adverse effect on the existing business and operations of the Group. The Directors will continuously assess the plans for use of the Net Proceeds, and may revise or amend such plans where necessary to cope with the changing market conditions and strive for better business performance of the Group. The Board confirms that, save as disclosed in this announcement, there are no other changes to the use of Net Proceeds.

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

Guangzhou, the PRC, 24 November 2021

As at the date of this announcement, the Board comprises Mr. Cheung Hon Chuen as chairman and executive Director; Mr. Mei Zuoting and Mr. Zhang Weixin as executive Directors; Mr. Yu Xuecong, Mr. Lin Lie and Ms. Wang Yixue as non-executive Directors; and Dr. Zeng Zhaowu, Mr. Tan Michael Zhen Shan and Mr. Zheng Decheng as independent non-executive Directors.