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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)**

**CONNECTED TRANSACTION  
IN RELATION TO RENEWAL OF TENANCY AGREEMENT**

**2022 HEADQUARTERS TENANCY AGREEMENT**

On 15 March 2022, Guangzhou Shaxi Hotel, an indirect wholly-owned subsidiary of the Company, as tenant, entered into the 2022 Headquarters Tenancy Agreement with Guangzhou Real Estate, as landlord, to renew the lease of the Premises for a term of two years commencing from 1 January 2022 and ending on 31 December 2023 (both days inclusive).

**IMPLICATIONS UNDER THE LISTING RULES**

In accordance with HKFRS 16 “Leases”, the Group is required to recognise the tenancy of the Premises as right-of-use assets. Hence, the entering into of the 2022 Headquarters Tenancy Agreement and the transaction contemplated thereunder will be regarded as an acquisition of assets by the Group.

As at the date of this announcement, Guangzhou Real Estate is co-owned by (i) Mr. Cheung, being an executive Director, the chairman of the Board and a controlling shareholder of the Company; (ii) Mr. Mei, being an executive Director and a controlling shareholder of the Company; and (iii) Mr. Zhang, being an executive Director and a controlling shareholder of the Company. Accordingly, Guangzhou Real Estate is an associate of Mr. Cheung, Mr. Mei and Mr. Zhang and a connected person of the Company, and the entering into of the 2022 Headquarters Tenancy Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the estimated value of the right-of-use assets to be recognised by the Group under the 2022 Headquarters Tenancy Agreement are more than 0.1% but less than 5%, the entering into of the 2022 Headquarters Tenancy Agreement falls within the ambit of Rule 14A.76(2) of the Listing Rules and is subject to the reporting and announcement requirements but is exempt from the circular (including independent financial advice) and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Reference is made to the section headed “Connected Transactions — B. One-off Connected Transactions — Tenancy Agreements — the Headquarters Tenancy Agreement” of the Prospectus in relation to, among others, the 2019 Headquarters Tenancy Agreement.

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## **2022 HEADQUARTERS TENANCY AGREEMENT**

Date	:	15 March 2022
Landlord	:	Guangzhou Xinji Real Estate Development Co., Ltd.* (廣州市信基置業房地產開發有限公司)
Tenant	:	Guangzhou Shaxi International Hospitality Supplies City Company Limited, the PRC* (中國廣州沙溪國際酒店用品城有限公司)
Premises	:	The premises located at South Intersection No. 250, Dashi Street, Panyu District, Guangzhou, the PRC* (中國廣州市番禺區大石街南大路口250號)
Gross floor area	:	Approximately 3,897.74 square meters.
Lease term	:	Two years commencing from 1 January 2022 and ending on 31 December 2023 (both days inclusive).
Use of Premises	:	Office and headquarters.
Total rental	:	A one-time prepayment of RMB7,947,223 (tax inclusive and after taking into account the 7% discount provided by Guangzhou Real Estate), which shall be payable in full by Guangzhou Shaxi Hotel in advance within five business days after the date of the 2022 Headquarters Tenancy Agreement.
Other terms	:	In the event that Guangzhou Shaxi Hotel is unable to continue the use of the Premises during the lease term due to the default of Guangzhou Real Estate, Guangzhou Real Estate shall forthwith return the one-time prepayment of RMB7,947,223 to Guangzhou Shaxi Hotel and pay an amount equivalent to 5% of the said prepayment as compensation.

The Group estimates that the value of the right-of-use assets to be recognised by the Group under the 2022 Headquarters Tenancy Agreement shall be approximately RMB7,568,784. The value of right-of-use assets is based on the preliminary assessment of the Board and subject to adjustment.

## **INFORMATION ON THE PARTIES**

### **Guangzhou Shaxi Hotel**

Guangzhou Shaxi Hotel is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in leasing services.

### **Guangzhou Real Estate**

Guangzhou Real Estate is a company established in the PRC with limited liability, which is co-owned by Mr. Cheung, Mr. Mei and Mr. Zhang. It is principally engaged in real estate development.

## **REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE 2022 HEADQUARTERS TENANCY AGREEMENT**

The Company is incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the operation of shopping malls for hospitality supplies and home furnishings and the subleasing business in the PRC.

The Premises are currently used by the Group as its office and headquarters. As the 2019 Headquarters Tenancy Agreement expired on 31 December 2021, Guangzhou Shaxi Hotel and Guangzhou Real Estate agreed to renew the tenancy of the Premises in 2022 to continue the Group's present usage of the Premises as the office and headquarters for its usual and ordinary course of business.

The terms of the 2022 Headquarters Tenancy Agreement, including the rental, were determined after arm's length negotiation between Guangzhou Shaxi Hotel and Guangzhou Real Estate taking into account: (i) the prevailing market rates for comparable premises in similar locations in the PRC; (ii) the increased gross floor area of the Premises as part of the Group's plan to consolidate its office space; (iii) the 7% discount on the total amount of rental provided by Guangzhou Real Estate in return for Guangzhou Shaxi Hotel agreeing to settle the total rental in full by one-time prepayment; and (iv) the annual rental increment of 3% with reference to the expected inflation rate in the future. Masterpiece Valuation Advisory Limited (睿力評估諮詢有限公司), an independent valuer, is of the view that the 2022 Headquarters Tenancy Agreement is fair and reasonable.

The Directors (excluding the Directors who are required to abstain from voting, but including the independent non-executive Directors) are of the view that the 2022 Headquarters Tenancy Agreement was entered into on normal commercial terms, in the ordinary and usual course of business of the Group, and that the terms are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## IMPLICATIONS UNDER THE LISTING RULES

In accordance with HKFRS 16 “Leases”, the Group is required to recognise the tenancy of the Premises as right-of-use assets. Hence, the entering into of the 2022 Headquarters Tenancy Agreement and the transaction contemplated thereunder will be regarded as an acquisition of assets by the Group.

As at the date of this announcement, Guangzhou Real Estate is co-owned by (i) Mr. Cheung, being an executive Director, the chairman of the Board and a controlling shareholder of the Company; (ii) Mr. Mei, being an executive Director and a controlling shareholder of the Company; and (iii) Mr. Zhang, being an executive Director and a controlling shareholder of the Company. Accordingly, Guangzhou Real Estate is an associate of Mr. Cheung, Mr. Mei and Mr. Zhang and a connected person of the Company, and the entering into of the 2022 Headquarters Tenancy Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the estimated value of the right-of-use assets to be recognised by the Group under the 2022 Headquarters Tenancy Agreement are more than 0.1% but less than 5%, the entering into of the 2022 Headquarters Tenancy Agreement falls within the ambit of Rule 14A.76(2) of the Listing Rules and is subject to the reporting and announcement requirements but is exempt from the circular (including independent financial advice) and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Mr. Cheung, Mr. Mei and Mr. Zhang have abstained from voting on the relevant board resolutions of the Company for approving the 2022 Headquarters Tenancy Agreement. To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, other than Mr. Cheung, Mr. Mei and Mr. Zhang, none of the Directors has material interest in the transaction contemplated under the 2022 Headquarters Tenancy Agreement and none of them is required to abstain from voting on the relevant board resolutions.

## DEFINITIONS

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

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Xinji Shaxi Group Co., Ltd (信基沙溪集团股份有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 3603)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules

“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Mr. Cheung”	Mr. Cheung Hon Chuen (張漢泉), the chairman of the Board, an executive Director and a controlling shareholder of the Company
“Mr. Mei”	Mr. Mei Zuoting (梅佐挺), an executive Director and a controlling shareholder of the Company
“Mr. Zhang”	Mr. Zhang Weixin (張偉新), an executive Director and a controlling shareholder of the Company
“Guangzhou Real Estate”	Guangzhou Xinji Real Estate Development Co., Ltd.* (廣州市信基置業房地產開發有限公司), a company established in the PRC with limited liability, which is co-owned by Mr. Cheung, Mr. Mei and Mr. Zhang
“Guangzhou Shaxi Hotel”	Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司) (formerly known as Guangzhou Panyu Shaxi Daily Industrial Products City Company Limited* (廣州市番禺沙溪日用工業品商業城有限公司)), a company established in the PRC with limited liability, and an indirect wholly-owned subsidiary of the Company
“2019 Headquarters Tenancy Agreement”	the tenancy agreement dated 1 January 2019 entered into between Guangzhou Real Estate and Guangzhou Shaxi Hotel in respect of the lease of the Premises during the period from 1 January 2019 to 31 December 2021 (both days inclusive)
“2022 Headquarters Tenancy Agreement”	the tenancy agreement dated 15 March 2022 entered into between Guangzhou Real Estate and Guangzhou Shaxi Hotel in respect of the lease of the Premises during the period from 1 January 2022 to 31 December 2023 (both days inclusive)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the People’s Republic of China, which for the sole purpose of this announcement, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region of the PRC and Taiwan
“Premises”	the premises located at South Intersection No. 250, Dashi Street, Panyu District, Guangzhou, the PRC* (中國廣州市番禺區大石街南大路口250號)
“Prospectus”	the prospectus of the Company dated 25 October 2019
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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

Guangzhou, the PRC, 15 March 2022

*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.*

*\* For identification purposes only*