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SHENZHOU INTERNATIONAL GROUP HOLDINGS LIMITED

(申 洲 國 際 集 團 控 股 有 限 公 司 *)

(incorporated in the Cayman Islands with limited liability)

(Stock code: 2313)

CONNECTED TRANSACTION IN RELATION TO LEASE AGREEMENT

Reference is made to the announcement of the Company dated 24 December 2019 in relation to the renewal of lease agreements. The agreements referred to in the said announcement will expire on 31 December 2022.

The Board announces that, on 29 December 2022, Shenzhou Knitting, a wholly-owned subsidiary of the Company, entered into the Lease Agreement with Shenzhou Properties, pursuant to which Shenzhou Properties agreed to lease the Properties to Shenzhou Knitting. The Lease Agreement is for a term of three years commencing on 1 January 2023 and expiring on 31 December 2025.

Shenzhou Properties is a connected person of the Company. Accordingly, the transaction contemplated under the Lease Agreement constitute a connected transaction of the Company under Chapter 14 of the Listing Rules.

In accordance with HKFRS 16, the Group is required to recognise the value of the right-of-use asset in connection with the Lease Agreement and this transaction will be regarded as an acquisition of asset by the Group pursuant to the Listing Rules.

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the value of the right-of-use assets to be recognised by the Group under the Lease Agreement exceed 0.1% but are less than 5%, the transaction contemplated thereunder is exempt under Rule 14A.76(2) of the Listing Rules and is subject to 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.

INTRODUCTION

Reference is made to the announcement of the Company dated 24 December 2019, in relation to the renewal of lease agreements. The agreements referred to in the said announcement will expire on 31 December 2022.

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CONNECTED TRANSACTION IN RELATION TO LEASE AGREEMENT

The principal terms of the Lease Agreement are set out below.

Date	:	29 December 2022
Parties	:	(1) Shenzhou Knitting (2) Shenzhou Properties
Subject	:	Pursuant to the Lease Agreement, Shenzhou Properties agreed to lease the Properties to the Group.
Term	:	Three years commencing on 1 January 2023 and expiring on 31 December 2025 with a right of renewal exercisable by Shenzhou Knitting for a further term of three years at or below the then market rate, subject to compliance with the then applicable Listing Rules by the Company.

Rent and total floor area	: Properties leased under the Lease Agreement (the “Properties”)	Total floor area <i>square meters</i>	Monthly Rent <i>RMB</i>
	(i) one premises at industrial tower C situated at No. 26 Fengyang Road Two, Xinqi, Beilun District, Ningbo, the PRC and one premises at industrial tower D situated at No. 28 Fengyang Road Two, Xinqi, Beilun District, Ningbo, the PRC	12,982.44	245,368
	(ii) three premises at industrial towers A and B situated at No. 38 Fengyang Road Two, Xinqi, Beilun District, Ningbo, the PRC	11,510.00	217,539
	(iii) one premises situated at No. 38 Fengyang Road Two, Xinqi, Beilun District, Ningbo, the PRC	8,065.32	169,372
	(iv) one premises at the new industrial building constructed at the original site of industrial steel structure next to industrial towers A and B situated at No. 38 Fengyang Road Two, Xinqi, Beilun District, Ningbo, the PRC	16,607.12	348,750
	(v) one premises at industrial tower G situated at No. 46 Fengyang Road Three, Xinqi, Beilun District, Ningbo, the PRC	17,982.68	339,873
	(vi) two premises at the new industrial building constructed at the original site of industrial steel structure next to industrial towers C and D situated at No. 45 Huangshan West Road, Xinqi, Beilun District, Ningbo, the PRC	16,941.55	355,773
	(vii) staff quarters constructed at the original sites of industrial towers E and F situated at No. 51 Dagang Middle Road, Xinqi, Beilun District, Ningbo, the PRC	64,317.93	1,556,494
	Total	<u>148,407.04</u>	<u>3,233,169</u>

The monthly rent is determined after arm's length negotiation with reference to market rates for leasing similar properties from independent third parties under normal commercial terms in the ordinary course of their businesses in Ningbo, the PRC, and with reference to the Valuation Report. The Valuer has also confirmed in the Valuation Report that the rent is fair and reasonable. The aforesaid rents included value-added tax.

Payment terms : The quarterly rent shall be paid within five business days before the beginning of the first month in each quarter.

Payment for the rent will be satisfied by the internal resources of the Group.

Termination : The Lease Agreement is terminable by Shenzhou Knitting during the three-year contract period by giving no less than three months' notice to Shenzhou Properties.

REASONS FOR AND BENEFIT OF ENTERING INTO THE LEASE AGREEMENT

The reason for entering into the Lease Agreement is to enable the Group to continue to carry out its apparel production and provide staff accommodation at the above properties, which is currently owned by Shenzhou Properties, at a fair market price and to avoid unnecessary cost, time and effort and interruption of the Group's business caused by relocation.

The Directors, including the independent non-executive Directors, consider that the Lease Agreement has been entered into on normal commercial terms and in the ordinary course of business of the Company and the terms of the Lease Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Apart from Mr. Ma Jianrong, Mr. Ma Renhe and Mr. Huang Guanlin, who are considered to have a material interest in the transaction contemplated under the Lease Agreement and have abstained from voting on the relevant Board resolutions of the Company for approving the above transaction, none of the Directors has any material interest in such transaction or is otherwise required to abstain from voting on the Board resolutions of the Company approving such transaction.

INFORMATION ON THE COMPANY AND SHENZHOU PROPERTIES

The Company is one of the largest vertically integrated knitwear manufacturers in the world. Shenzhou Knitting is a principal subsidiary of the Company engaged in fabric knitting and weaving, dyeing and finishing, embroidery and cutting and sewing of knitwear products.

Shenzhou Properties is a property developer based in Ningbo, the PRC, whose principal business involves property development and property leasing and management. Shenzhou Properties is owned as to 80% by Mr. Ma Jianrong, the Chairman and an executive Director, and as to 20% by Rongrong

Industrial. Rongrong Industrial is owned as to 90% by Mr. Ma Jianrong and as to 10% by Mr. Huang Guanlin, an executive Director. Mr. Ma Renhe is a cousin of Mr. Ma Jianrong (his father and Mr. Ma Jianrong's father are brothers) and Mr. Ma Jianrong is the brother-in-law of Mr. Huang Guanlin.

LISTING RULES IMPLICATIONS

Shenzhou Properties is owned as to 80% by Mr. Ma Jianrong, the Chairman and an executive Director, and as to 20% by Rongrong Industrial, an associate of Mr. Ma Jianrong under the Listing Rules. As such, Shenzhou Properties is a connected person pursuant to Rule 14A.07 of the Listing Rules by virtue of being an associate of Mr. Ma Jianrong.

In accordance with HKFRS 16, the Group is required to recognise the value of the right-of-use asset in connection with the Lease Agreement and this transaction will be regarded as an acquisition of asset by the Group pursuant to the Listing Rules. The estimated value of the right-of-use assets to be recognised by the Group under the Lease Agreement is approximately RMB106,176,720 (unaudited) which is calculated with reference to the present value of the aggregated lease payments to be made under the Lease Agreement.

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the value of the right-of-use assets to be recognised by the Group under the Lease Agreement exceed 0.1% but are less than 5%, the transaction contemplated thereunder is exempt under Rule 14A.76(2) of the Listing Rules and is subject to 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.

DEFINITIONS

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

“associates”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Company”	Shenzhou International Group Holdings Limited (申洲國際集團控股有限公司*), a company incorporated in the Cayman Islands with limited liability whose securities are listed on the Main Board of the Stock Exchange
“connected persons”	has the meaning ascribed thereto in the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Lease Agreement”	a lease agreement dated 29 December 2022 entered into between Shenzhou Knitting and Shenzhou Properties
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China and for the purposes of this announcement shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Rongrong Industrial”	寧波榮榮實業投資有限公司 (Ningbo Rongrong Industrial Investment Co., Ltd*), a limited liability company established in the PRC on 19 December 2000 which is owned as to 90% by Mr. Ma Jianrong, the Chairman and an executive Director and as to 10% by Mr. Huang Guanlin, an executive Director
“Shareholders”	holders of the Shares
“Shares”	shares at par value of HK\$0.10 each in the share capital of the Company
“Shenzhou Knitting”	寧波申洲針織有限公司 (Ningbo Shenzhou Knitting Co., Ltd.*), a wholly foreign-owned enterprise established in the PRC and a wholly-owned subsidiary of the Company
“Shenzhou Properties”	寧波申洲置業有限公司 (Ningbo Shenzhou Properties Co., Ltd.*), a limited liability company established in the PRC on 10 February 2004 which is owned as to 80% by Mr. Ma Jianrong, the Chairman and an executive Director, and as to 20% by Rongrong Industrial
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed thereto under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)

“Valuation Report” the valuation report prepared and issued by the Valuer dated 20 December 2022

“Valuer” RHL Appraisal Limited, an independent valuer

By Order of the Board
Shenzhou International Group Holdings Limited
Ma Jianrong
Chairman

Ningbo, the PRC, 29 December 2022

As at the date of this announcement, the five executive Directors are Mr. Ma Jianrong, Mr. Huang Guanlin, Mr. Ma Renhe, Mr. Wang Cunbo and Ms. Chen Zhifen; and the four independent non-executive Directors are Mr. Jiang Xianpin, Mr. Zhang Bingsheng, Ms. Liu Chunhong and Mr. Liu Xinggao.

** for identification purposes only*