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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)**

**(1) INSIDE INFORMATION IN RELATION TO POSSIBLE EARLY  
TERMINATION OF THE XINJI SHAXI HOSPITALITY SUPPLIES  
EXPO CENTER TENANCY AGREEMENT;  
AND  
(2) RESUMPTION OF TRADING**

This announcement is made by Xinji Shaxi Group Co., Ltd (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”).

**BACKGROUND**

On 25 October 2001, Guangzhou City Panyu District Luopu Street Shaxi Village Shareholding Cooperative Economic Society\* (廣州市番禺區洛浦街沙溪村股份合作經濟社) (the “**Landlord**”), as landlord, and Guangzhou Panyu Xinji Real Estate Development Co., Ltd.\* (廣州市番禺信基房產發展有限公司) (the “**Former Tenant**”), as tenant, entered into a tenancy agreement (the “**Previous Tenancy Agreement**”) in respect of the lease of a parcel of land (the “**Land**”) located at Shaxi Village, Dashi Town, Panyu District, Guangzhou City, the People’s Republic of China (the “**PRC**”) for a period commenced from 1 January 2002 and ending on 31 December 2031.

On 4 November 2003, the Landlord, the Former Tenant and Guangzhou Shaxi International Hospitality Supplies City Company Limited\* (廣州沙溪國際酒店用品城有限公司) (the “**Tenant**”), being an indirect wholly-owned subsidiary of the Company, entered into a supplemental tenancy agreement (the “**Supplemental Tenancy Agreement**”) to the Previous Tenancy Agreement pursuant to which all the rights and obligations of the Former Tenant under the Previous Tenancy Agreement were assigned to the Tenant.

Since becoming the new tenant of the Land, the Tenant constructed the Xinji Shaxi Hospitality Supplies Expo Center (信基沙溪酒店用品博覽城) (the “**Shopping Mall**”) on the Land. The Shopping Mall has been managed by the Tenant as a hospitality supplies shopping mall with the Tenant receiving rental income from the sub-tenants of the Shopping Mall.

In or around June 2023, the Tenant was informed by Guangzhou Shenglong Fangyuan Real Estate Co., Ltd.\* (廣州升龍方圓置業有限公司) (the “**Property Developer**”), a property developer, about a proposed redevelopment plan of Shaxi Village (the “**Shaxi Village Redevelopment Plan**”), which would cover the Land and the Shopping Mall erected thereon. The Property Developer subsequently proposed to enter into an agreement (the “**Proposed Compensation Agreement**”) with the Landlord, the Former Tenant and the Tenant pursuant to which the Property Developer intends to pay a compensation amount of approximately RMB845 million (the “**Proposed Compensation Amount**”) to the Tenant in consideration of an early termination of the Previous Tenancy Agreement (as amended by the Supplemental Tenancy Agreement) (the “**Tenancy Agreement**”) (the “**Possible Transaction**”).

As at the date of this announcement, each of the Former Tenant, the Tenant and the Property Developer has executed the Proposed Compensation Agreement. The Landlord has confirmed that it agrees with the principal terms of the Proposed Compensation Agreement but the Landlord will only execute the Proposed Compensation Agreement after the Shaxi Village Redevelopment Plan have been approved by at least 80% of the landowners of Shaxi Village. The Proposed Compensation Agreement will be effective upon the Shaxi Village Redevelopment Plan having been approved by the landowners of Shaxi Village and all parties to the Proposed Compensation Agreement having completed all formalities required for executing the Proposed Compensation Agreement.

As at the date of this announcement, the Property Developer has already paid a deposit in the amount of RMB50 million to the Tenant in connection with the Possible Transaction.

## **PRINCIPAL TERMS OF THE PROPOSED COMPENSATION AGREEMENT**

- Parties : (1) Guangzhou City Panyu District Luopu Street Shaxi Village Shareholding Cooperative Economic Society\* (廣州市番禺區洛浦街沙溪村股份合作經濟社), as landlord;
- (2) Guangzhou Panyu Xinji Real Estate Development Co., Ltd.\* (廣州市番禺信基房產發展有限公司), as former tenant;
- (3) Guangzhou Shaxi International Hospitality Supplies City Company Limited\* (廣州沙溪國際酒店用品城有限公司), as tenant; and
- (4) Guangzhou Shenglong Fangyuan Real Estate Co., Ltd.\* (廣州升龍方圓置業有限公司), as property developer
- Premises : The Shopping Mall located at Shaxi Village, Dashi Town, Panyu District, Guangzhou City managed by the Tenant
- Original lease term : 1 January 2002 to 31 December 2031 (both days inclusive)

- Subject : (1) The Property Developer shall pay to the Tenant a compensation in the amount of approximately RMB845 million (including but not limited to the loss from suspension of business, relocation costs and compensation for the construction costs and renovation costs of the Shopping Mall and auxiliary facilities) in consideration of an early termination of the Tenancy Agreement; and
- (2) The parties to the Proposed Compensation Agreement agree that the Tenancy Agreement shall be terminated on the day that the Shaxi Village Redevelopment Plan becomes effective (the “**Termination Date**”). The rent payable by the Tenant to the Landlord under the Tenancy Agreement shall be calculated up to the Termination Date. The Tenant undertakes to return the Shopping Mall and the Land to the Landlord by the date as stipulated in the Proposed Compensation Agreement.

## **INFORMATION ON THE PARTIES**

### **Landlord**

The Landlord is an entity established in the PRC with limited liability and is formed by certain individual landowners of Shaxi Village for management of the land and properties of Shaxi Village.

To the best knowledge, information and belief of the directors (the “**Director(s)**”) of the Company after having made all reasonable enquiries, the Landlord and its ultimate beneficial owner(s) are independent third parties.

### **Former Tenant**

The Former Tenant is a limited liability company established in the PRC which is co-owned by Mr. Cheung Hon Chuen (“**Mr. Cheung**”), Mr. Mei Zuoting (“**Mr. Mei**”) and Mr. Zhang Weixin (“**Mr. Zhang**”). It is principally engaged in the property development business.

### **Tenant**

The Tenant 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.

### **Property Developer**

The Property Developer is a company established in the PRC with limited liability. It is principally engaged in property development.

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, the Property Developer and its ultimate beneficial owner(s) are independent third parties.

## **REASONS FOR AND BENEFITS OF THE POSSIBLE TRANSACTION**

The Group is principally engaged in the operation of shopping malls for hospitality supplies and home furnishings which generated rental revenue in the PRC, with six main business segments, namely (i) shopping malls including three shopping malls for hospitality supplies and two shopping malls for home furnishings; (ii) subleasing apartments; (iii) property management projects; (iv) managed shopping mall; (v) online shopping mall for sales of hospitality supplies and home furnishings; and (vi) exhibition management business.

The terms of the Proposed Compensation Agreement were determined after arm's length negotiation between the parties with reference to (i) the estimated loss from suspension of business, relocation costs and compensation for the construction costs and renovation costs of the Shopping Mall and auxiliary facilities; and (ii) the valuation of the Shopping Mall of approximately RMB991 million as at 31 December 2022 as prepared by an independent valuer.

If the Possible Transaction materialises, the Group will receive the Proposed Compensation Amount, which can be used to expand the existing business of the Group.

## **IMPLICATIONS UNDER THE LISTING RULES**

The Group recognises the Shopping Mall as an investment property. If the Possible Transaction materialises, the Possible Transaction will be regarded as a disposal of investment property by the Group under the Listing Rules.

If the Possible Transaction materialises, as one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Possible Transaction exceed 75%, the Possible Transaction will constitute a very substantial disposal for the Company and will be subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Former Tenant is co-owned by (i) Mr. Cheung, being the chairman of the board of Directors, an executive Director and one of the controlling shareholders; (ii) Mr. Mei, being an executive Director and one of the controlling shareholders; and (iii) Mr. Zhang, being an executive Director and one of the controlling shareholders. Accordingly, the Former Tenant is an associate of Mr. Cheung, Mr. Mei and Mr. Zhang and a connected person of the Company, and the Possible Transaction, if materialises, will constitute a connected transaction on the part of the Company under Chapter 14A of the Listing Rules and will be subject to the reporting, announcement, circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Further announcement(s) will be made by the Company as and when appropriate in accordance with the Listing Rules and the SFO.

## **RESUMPTION OF TRADING**

At the request of the Company, trading of the shares of the Company on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") was halted with effect from 1:00 p.m. on 20 June 2023 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading of the shares of the Company on the Stock Exchange with effect from 9:00 a.m. on 23 June 2023.

**Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.**

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

Guangzhou, the PRC, 21 June 2023

*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 Dr. Zheng Decheng as independent non-executive Directors.*

\* *For identification purposes only*