

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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**

2024 HEADQUARTERS TENANCY AGREEMENT

On 21 November 2023, Guangzhou Shaxi Hotel, an indirect wholly-owned subsidiary of the Company, as tenant, entered into the 2024 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 2024 and ending on 31 December 2025 (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 2024 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 2024 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 2024 Headquarters Tenancy Agreement are more than 0.1% but less than 5%, the entering into of the 2024 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 announcement of the Company dated 15 March 2022 in relation to, among others, the 2022 Headquarters Tenancy Agreement.

On 21 November 2023, Guangzhou Shaxi Hotel, an indirect wholly-owned subsidiary of the Company, as tenant, entered into the 2024 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 2024 and ending on 31 December 2025 (both days inclusive). The principal terms of the 2024 Headquarters Tenancy Agreement are set out below:

2024 HEADQUARTERS TENANCY AGREEMENT

Date	:	21 November 2023
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* (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 2024 and ending on 31 December 2025 (both days inclusive)
Use of Premises	:	Office and headquarters
Total rental	:	A one-time prepayment of RMB8,477,038 (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 on or before 31 December 2023
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 RMB8,477,038 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 2024 Headquarters Tenancy Agreement shall be approximately RMB8,073,370. 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 ENTERING INTO THE 2024 HEADQUARTERS TENANCY AGREEMENT

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 lines, 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 malls; (v) online shopping mall for sales of hospitality supplies and home furnishings; and (vi) exhibition management business.

The Premises are currently used by the Group as its office and headquarters. As the 2022 Headquarters Tenancy Agreement will expire on 31 December 2023, Guangzhou Shaxi Hotel and Guangzhou Real Estate have agreed to renew the tenancy of the Premises 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 2024 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 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 in advance; and (iii) 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 2024 Headquarters Tenancy Agreement is fair and reasonable, and on normal commercial terms.

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 2024 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 2024 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 2024 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 2024 Headquarters Tenancy Agreement are more than 0.1% but less than 5%, the entering into of the 2024 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 2024 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 2024 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
“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), a company established in the PRC with limited liability, and an indirect wholly-owned subsidiary of the Company
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“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)
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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)

“2024 Headquarters
Tenancy Agreement”

the tenancy agreement dated 21 November 2023 entered into between Guangzhou Real Estate and Guangzhou Shaxi Hotel in respect of the lease of the Premises during the period from 1 January 2024 to 31 December 2025 (both days inclusive)

“%”

per cent.

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

Guangzhou, the PRC, 21 November 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*