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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)

MANDATE FOR POSSIBLE VERY SUBSTANTIAL ACQUISITION IN RESPECT OF POSSIBLE LEASE OF PROPERTIES

BACKGROUND

Xinji Hotelex Hospitality Supplies Center, being the second largest shopping mall of the Group, is one of the well-known hospitality supplies wholesale markets in Guangzhou, the PRC. The Existing Lease entered into with SVSEC in respect of the land on which Xinji Hotelex Hospitality Supplies Center is located will expire on 31 May 2026.

On 14 October 2025, the Bid Invitation Documents, which have been considered and approved at the Shangjiao Village shareholders' meeting, were issued by the Rural Collective Assets Trading Center. The Bid Invitation Documents set out details of the Bidding Process for the lease of the Properties. The Bidding Process is organised by the Rural Collective Assets Trading Center for and on behalf of the SVSEC.

PROPOSED MANDATE FOR POSSIBLE LEASE

In order to continue the operation of Xinji Hotelex Hospitality Supplies Center through the Properties, the Group intends to apply to participate in and bid at the Bidding Process in respect of a lease of the Properties for a term of 20 years. If the Group is the successful bidder, it will enter into the Lease Agreement shortly after the public announcement of the Bidding Process results and the Company would not have sufficient time to seek the approval of the Shareholders that is required under Chapter 14 of the Listing Rules. Accordingly, the Board proposes to seek prior approval of the Shareholders at the EGM for, *inter alia*, the mandate to be granted to the Directors to appoint a person to bid on behalf of any PRC subsidiary of the Company at the Bidding Process at or above the Reserve Price but not exceed the Maximum Bid Price and if successful to proceed with the Possible Lease and enter into the Lease Agreement.

LISTING RULES IMPLICATIONS

In accordance with HKFRS 16 "Leases", the entering into of the Lease Agreement as lessee will require the Group to recognise the Properties as a right-of-use asset on its consolidated statement of financial position, thus the Lease Agreement and the transactions contemplated thereunder will be regarded as an acquisition of asset by the Group under the Listing Rules.

Assuming that the unaudited value of the right-of-use asset to be recognised by the Group pursuant to HKFRS 16 in respect of the Possible Lease is approximately RMB840,544,000 as determined by the Valuer based on the Maximum Bid Price, as one or more of the applicable percentage ratio(s) (as defined under the Listing Rules) in respect of the Possible Lease will exceed 100%, the Possible Lease, if materialised, will constitute a very substantial acquisition on the part of the Company and is therefore subject to reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

If the Group is the successful bidder, it will enter into the Lease Agreement shortly after the public announcement of the Bidding Process results and would not have sufficient time to seek the approval of the Shareholders that is required under Chapter 14 of the Listing Rules. Accordingly, the Directors propose to seek the Shareholders' prior approval for the grant of the Proposed Mandate.

GENERAL

The EGM will be convened and held for the Shareholders to consider and, if thought fit, grant the Proposed Mandate. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the grant of the Proposed Mandate and the transactions contemplated thereunder. As such, no Shareholder is required to abstain from voting on the relevant resolution(s) at the EGM.

The Circular containing, among other things, (i) further details of the Proposed Mandate, (ii) financial information of the Group, (iii) unaudited profit and loss statement of the Properties, (iv) unaudited pro forma financial information of the enlarged Group, and (v) valuation report in respect of the Properties, together with the notice of the EGM, is expected to be despatched to the Shareholders on or before 17 November 2025 as additional time is required to prepare the information to be included in the Circular.

As the Possible Lease may or may not proceed, the Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

BACKGROUND

Xinji Hotelex Hospitality Supplies Center, being the second largest shopping mall of the Group, is one of the well-known hospitality supplies wholesale markets in Guangzhou, the PRC. The Existing Lease entered into with SVSEC in respect of the land on which Xinji Hotelex Hospitality Supplies Center is located will expire on 31 May 2026.

On 14 October 2025, the Bid Invitation Documents, which have been considered and approved at the Shangjiao Village shareholders' meeting, were issued by the Rural Collective Assets Trading Center. The Bid Invitation Documents set out details of the Bidding Process for the lease of the Properties.

Procedures of the Bidding Process

The Bidding Process is organised by the Rural Collective Assets Trading Center for and on behalf of the SVSEC. Pursuant to the Bid Invitation Documents, the Bidding Process is conducted in accordance with the provisions of Guangzhou Municipal Government Order No. 119, "Measures for the Management of Rural Collective Assets Trading in Guangzhou"* (《廣州市農村集體資產交易管理辦法》) and does not constitute a public tender.

The Bidding Process will be held on 17 December 2025. It is open for application from 15 October 2025 to 15 December 2025 during office hours (i.e. 9:30 a.m. to 11:30 a.m. and 2:30 p.m. to 5:00 p.m.) (except for Friday afternoons and public holidays).

During the Bidding Process, all bidders must first indicate their agreement to bid at or above the Reserve Price, and each bid will thereafter be increased by RMB10,000 or its integral multiple, but subject to a maximum amount of RMB100,000.

The Lease Agreement will be awarded to the bidder submitting the highest bid not less than the Reserve Price. If the successful bidder withdraws its winning bid, its security deposit paid for due compliance with the rules of the Bidding Process will be forfeited, and the SVSEC may offer the award successively to the second and then the third-highest bidders at their respective bid prices, provided that no price falls below the Reserve Price.

If the Group is the successful bidder, the SVSEC and the Group will enter into the Lease Agreement shortly after the public announcement of the Bidding Process results, with an expected execution date falling on a Business Day between 25 December 2025 to 31 December 2025.

If the Group is not the successful bidder and no written objection or complaint regarding the procedures or results of the Bidding Process is received during the five (5)-Business-Day public announcement period of the Bidding Process results, the security deposit paid by the Group shall be refunded in full without interest within five (5) Business Days after the end of the said public announcement period.

PROPOSED MANDATE

In order to continue the operation of Xinji Hotelex Hospitality Supplies Center through the Properties, the Group intends to apply to participate in and bid at the Bidding Process for the Possible Lease. If the Group is the successful bidder, it will enter into the Lease Agreement shortly after the public announcement of the Bidding Process results and the Company would not have sufficient time to seek the approval of the Shareholders that is required under Chapter 14 of the Listing Rules. Accordingly, the Board proposes to seek prior approval of the Shareholders at the EGM for, *inter alia*, the mandate to be granted to the Directors to appoint a person to bid on behalf of any PRC subsidiary of the Company at the Bidding Process at or above the Reserve Price but not exceed the Maximum Bid Price and if successful to proceed with the Possible Lease and enter into the Lease Agreement.

Pursuant to the Bid Invitation Documents, if an objection or complaint is raised regarding the procedures of the Bidding Process or the qualifications of the successful bidder, subject to the resolution of the matter, the Lease Agreement will be entered into within five (5) Business Days after the date of resolution. Without a set timeframe for resolving the matter, the expected execution date of the Lease Agreement would become uncertain in such circumstance. Such mandate is therefore proposed to be valid for 12 months from the date of the Shareholders' approval.

Conditions precedent for participating in the Bidding Process

The participation in the Bidding Process by the Group shall be subject to the following conditions:

(i) the approval of the Proposed Mandate by the Shareholders in accordance with the Listing Rules being obtained;

(ii) the full payment of a security deposit for due compliance with the rules of the Bidding Process of RMB20,000,000; and

(iii) the completion of the application for participating in the Bidding Process by producing the application form, payment record of the security deposit and other required documents (such as business licence) during the prescribed period.

If the Proposed Mandate is not granted by the Shareholders, the Group will not submit any application, nor pay the security deposit, for participating in the Bidding Process.

Principal terms of the Possible Lease

The principal terms of the Possible Lease pursuant to the Bid Invitation Documents are as follows:

Expected execution date of the Lease Agreement:	a date falling on a Business Day between 25 December 2025 and 31 December 2025 If an objection or complaint is raised regarding the procedures of the Bidding Process or the qualifications of the successful bidder, subject to the resolution of the matter, the Lease Agreement will be entered into within five (5) Business Days after the date of resolution.
Lessor:	Guangzhou City Panyu District Luopu Street Shangjiao Village Shareholding Economic Cooperatives* (廣州市番禺區洛浦街上漖村股份合作經濟社)

Properties:	Property I comprises the shops located on the land at 101 Yingbin Road, Shangjiao Village, Luopu Street, Panyu District, Guangzhou City, PRC, with land area of approximately 70,601.82 square metres, open space area of approximately 42,119.61 square meters and building area of approximately 60,107.89 square metres. Property II comprises the shops located on the land at 2 Shangjiao Street, Panyu District, Guangzhou City, PRC, with the land area of approximately 22,657.74 square metres, open space area of approximately 19,235.33 square metres and building area of approximately 7,288.07 square metres.
Lease term:	20 years
Usage:	For hotel supplies wholesale industry only The usage shall be in compliance with the laws and regulations as well as the terms of the Lease Agreement, and shall not be altered without prior consent from the SVSEC.
Rent:	Reserve Price of RMB3,621,840 per month Rent shall be increased by 6% every three (3) years and shall be charged monthly. The first monthly rent shall be payable within 10 days before the expiry of the rent-free period, and the remaining monthly rent shall be paid within 15 days of the beginning of each period. If there is any default in payment of rent during the lease term, the lessee shall pay damages, which is calculated at 0.03% of the outstanding rent per day. If the lessee defaults on rent for six (6) consecutive months, (i) the SVSEC may unilaterally terminate the Lease Agreement, forfeit the security deposit paid by the lessee, and repossess the Properties without compensation, and (ii) the lessee shall still be required to pay the outstanding rent together with the damages to the SVSEC.
Rent-free period:	six (6) months from the commencement date of the Lease Agreement

Security deposit: After winning the bid, the security deposit of RMB20,000,000 previously paid for participating in the Bidding Process shall become the security deposit for the due performance of the Lease Agreement.

Upon expiry of the lease term, if the lessee duly performs the terms of the Lease Agreement and returns the Properties to SVSEC in good condition, SVSEC will return the security deposit in full without interest to the lessee within 20 Business Days.

If the lessee terminates the Lease Agreement without reason or breaches the terms of the Lease Agreement, the SVSEC has the right to unilaterally terminate the Lease Agreement, forfeit the security deposit paid by the lessee and repossess the Properties without compensation.

Subletting: Without SVSEC's written consent, the lessee shall not sublease the Properties and its facilities in its entirety, but has the right to sublease in parts.

Bid price

The Reserve Price is RMB3,621,840 per month. The Maximum Bid Price for the Possible Lease under the Proposed Mandate shall be an amount equivalent to 5% above the valuation of the Properties as assessed by the Valuer, which is determined having taken into account, among other things, (i) the Reserve Price, (ii) the preliminary valuation of the Properties as at 30 September 2025, and (iii) the expected profitability arising from the Properties, which remains positive even if the winning bid is 5% above the valuation.

The Group will consider, among other things, the following factors in making a decision on whether to bid and its final bid price at the Bidding Process, which will in any event not be less than the Reserve Price and not exceed the Maximum Bid Price:

(i) the valuation report prepared by the Valuer in respect of the Properties in existing state as at 30 September 2025;

(ii) the availability of internal resources of the Group;

(iii) the property market conditions at the material time;

(iv) the bid(s) made by competitor(s) (if any) at the Bidding Process.

The Possible Lease will be financed by internal resources of the Group.

Based on the preliminary valuation of the Properties prepared by the Valuer as at 30 September 2025, the market rent of the Properties in existing state is approximately RMB4,930,000 per month (excluding management fees and other operative outgoings).

The net loss after taxation of the Group attributable to the Properties for the year ended 31 December 2023 was approximately RMB5,861,288. Such net loss was primarily attributable to the decrease in fair value of the Properties of approximately RMB24,156,519 (after taxation). Excluding the change in fair value of the Properties, the core profit attributable to the Properties was approximately RMB18,295,231 for the year ended 31 December 2023.

The net loss after taxation of the Group attributable to the Properties for the year ended 31 December 2024 was approximately RMB14,350,996. Such net loss was primarily attributable to the decrease in fair value of the Properties of approximately RMB36,932,149 (after taxation). Excluding the change in fair value of the Properties, the core profit attributable to the Properties was approximately RMB22,581,153 for the year ended 31 December 2024.

Having considered the Reserve Price and the mechanism of the Bidding Process, which awards the Possible Lease to the highest bidder at or above the Reserve Price following a transparent and competitive process, the Directors believe that the Possible Lease will be at least at fair current market value and not be detrimental to the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE GROUP AND SVSEC

The Group is principally engaged in the operation of shopping malls for hospitality supplies and home furnishings which generate rental revenue in the PRC.

SVSEC is a collective economic organisation established in the PRC. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, SVSEC is principally engaged in collective assets management, collective resource development and utilisation, agricultural production development and services and financial management. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, (i) SVSEC consists of approximately 4,700 individual members, and such members are joint stakeholders of the organisation, and (ii) each of SVSEC and its ultimate beneficial owner(s) is an Independent Third Party.

REASONS FOR AND BENEFITS OF THE PROPOSED MANDATE

Xinji Hotelex Hospitality Supplies Center, being the second largest shopping mall of the Group, commenced operation in 2007. The Group has leased the land use rights from SVSEC for the operation of Xinji Hotelex Hospitality Supplies Center since 2006. If the Group is the successful bidder, and the Possible Lease materialises, the Group will continue to operate Xinji Hotelex Hospitality Supplies Center through the Properties.

The Directors (including the independent non-executive Directors) are of the opinion that the terms of the Possible Lease (including the Maximum Bid Price) are fair and reasonable and on normal commercial terms and the Proposed Mandate is in the interests of the Company and the Shareholders as a whole.

RIGHT-OF-USE ASSET

Assuming that the Group is selected as the successful bidder and the winning bid is the Maximum Bid Price, the unaudited value of the right-of-use asset to be recognised by the Company under the terms of the Lease Agreement amounted to approximately RMB840,544,000, which is the present value of total consideration payable throughout the lease term under the Lease Agreement in accordance with HKFRS 16. Incremental borrowing rate of 5.58% is applied to compute the present value of total consideration payable under the Lease Agreement.

LISTING RULES IMPLICATIONS

In accordance with HKFRS 16 "Leases", the entering into of the Lease Agreement as lessee will require the Group to recognise the Properties as a right-of-use asset on its consolidated statement of financial position, thus the Lease Agreement and the transactions contemplated thereunder will be regarded as an acquisition of asset by the Group under the Listing Rules.

Assuming that the unaudited value of the right-of-use asset to be recognised by the Group pursuant to HKFRS 16 in respect of the Possible Lease is approximately RMB840,544,000 as determined by the Valuer based on the Maximum Bid Price, as one or more of the applicable percentage ratio(s) (as defined under the Listing Rules) in respect of the Possible Lease will exceed 100%, the Possible Lease, if materialised, will constitute a very substantial acquisition on the part of the Company and is therefore subject to reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

If the Group is the successful bidder, it will enter into the Lease Agreement shortly after the public announcement of the Bidding Process results and would not have sufficient time to seek the approval of the Shareholders that is required under Chapter 14 of the Listing Rules. Accordingly, the Directors propose to seek the Shareholders' prior approval for the grant of the Proposed Mandate.

GENERAL

The EGM will be convened and held for the Shareholders to consider and, if thought fit, grant the Proposed Mandate. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the grant of the Proposed Mandate and the transactions contemplated thereunder. As such, no Shareholder is required to abstain from voting on the relevant resolution(s) at the EGM.

The Circular containing, among other things, (i) further details of the Proposed Mandate, (ii) financial information of the Group, (iii) unaudited profit and loss statement of the Properties, (iv) unaudited pro forma financial information of the enlarged Group, and (v) valuation report in respect of the Properties, together with the notice of the EGM, is expected to be despatched to the Shareholders on or before 17 November 2025 as additional time is required to prepare the information to be included in the Circular.

As the Possible Lease may or may not proceed, the Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

DEFINITIONS

Unless the context otherwise requires, the following expressions used in this announcement shall have the following meaning:

"Bid Invitation Documents"	bid invitation announcement dated 14 October 2025 issued by the Rural Collective Assets Trading Center, together with the form of the Lease Agreement and other accompanying documents, in relation to the Bidding Process
"Bidding Process"	the open bidding process for the lease of the Properties organised by the Rural Collective Assets Trading Center for and on behalf of the SVSEC as set forth in the Bid Invitation Documents
"Board"	the board of Directors
"Business Day"	the business day in the PRC
"Circular"	the circular of the Company in respect of, among other things, the Proposed Mandate
"Company"	Xinji Shaxi Group Co., Ltd, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 3603)
"connected person"	has the meaning as ascribed thereto in the Listing Rules
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider, and if thought fit, grant the Proposed Mandate
"Existing Lease"	the land use rights lease agreement dated 11 November 2004 (as amended and supplemented by supplemental agreements dated 28 September 2007, 15 June 2010 and 26 August 2010) and entered into between SVSEC and Guangzhou Wanhua Hospitality Supplies City Company Limited* (廣州萬華酒店用品城有限公司), being an indirect wholly-owned subsidiary of the Company, in relation to the land on which Xinji Hotelex Hospitality Supplies Center is situated
"Group"	the Company and its subsidiaries
"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

"Independent Third Party"	any person or company and his/her/its respective ultimate beneficial owner(s) whom, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the Listing Rules
"Lease Agreement"	the lease agreement to be entered into between SVSEC (as lessor) and the successful bidder at the Bidding Process (as lessee) in respect of the Possible Lease, the form of which has been considered and approved at the Shangjiao Village shareholders' meeting
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Maximum Bid Price"	the maximum bid price for the Possible Lease under the Proposed Mandate, being an amount equivalent to 5% above the valuation of the Properties as assessed by the Valuer
"Possible Lease"	the possible lease of the Properties in the nature of collective ownership from SVSEC by the Group if the Group is the successful bidder at the Bidding Process
"PRC"	the People's Republic of China, which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Property I"	the shops situated on the land at 101 Yingbin Road, Shangjiao Village, Luopu Street, Panyu District, Guangzhou City, the PRC (中國廣州市番禺區洛浦街上漖村迎賓路101號)
"Property II"	the shops situated on the land at 2 Shangjiao Street, Panyu District, Guangzhou City, the PRC (中國廣州市番禺區上漖大街2號)
"Properties"	collectively, Property I and Property II
"Proposed Mandate"	the mandate proposed to be granted by the Shareholders at the EGM to the Directors, among other things, to appoint a person to bid on behalf of any PRC subsidiary of the Company at the Bidding Process at or above the Reserve Price but not exceed the Maximum Bid Price and if successful to proceed with the Possible Lease and enter into the Lease Agreement
"Reserve Price"	reserve price in the Bidding Process, being RMB3,621,840 per month

"RMB"	Renminbi, the lawful currency of the PRC
"Rural Collective Assets Trading Center"	the Guangzhou City Panyu District Rural Collective Assets Trading Management Center* (廣州市番禺區農村集體資產交易管理中心)
"Share(s)"	ordinary share(s) of HK$0.01 each in the capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"SVSEC"	the Guangzhou City Panyu District Luopu Street Shangjiao Village Shareholding Economic Cooperatives* (廣州市番禺區洛浦街上潨村股份合作經濟社)
"Valuer"	Masterpiece Valuation Advisory Limited, the independent valuer engaged by the Company for the valuation of the Properties

* The English translation of Chinese names or words in this announcement, where indicated, is included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.

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

Guangzhou, the PRC, 31 October 2025

As at the date of this announcement, the Board comprises Mr. Cheung Hon Chuen as chairman and executive Director (Mr. Zhang Weiquan as his alternate); Mr. Mei Zuoting (Mr. Mei Jiawei as his alternate) and Mr. Zhang Weixin (Mr. Zhang Jiajian as his alternate) as executive Directors; Mr. Lin Lie, Ms. Wang Yixue and Mr. Zhao Hui as non-executive Directors; and Dr. Zeng Zhaowu, Mr. Tan Michael Zhen Shan and Dr. Zheng Decheng as independent non-executive Directors.