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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)

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE EQUITY INTERESTS IN THE TARGET COMPANIES

SHARE TRANSFER AGREEMENT I

On 15 March 2022 (after trading hours of the Stock Exchange), the Purchaser, an indirect wholly-owned subsidiary of the Company, Vendor I, Target Company I and Guarantors I entered into the Share Transfer Agreement I pursuant to which the Purchaser conditionally agreed to acquire and Vendor I conditionally agreed to dispose of Sale Shares I, representing the entire equity interests in Target Company I, at the total consideration of RMB75 million. Guarantors I have irrevocably and unconditionally guaranteed on a joint and several basis to the Purchaser the due performance of the obligations and undertakings of Vendor I under the Share Transfer Agreement I during the Guaranteed Period. Upon completion of Share Transfer I, Target Company I will become an indirect wholly-own subsidiary of the Company.

SHARE TRANSFER AGREEMENT II

On 15 March 2022 (after trading hours of the Stock Exchange), the Purchaser, Vendor II, Target Company II and Guarantors II entered into the Share Transfer Agreement II pursuant to which the Purchaser conditionally agreed to acquire and Vendor II conditionally agreed to dispose of Sale Shares II, representing the entire equity interests in Target Company II, at the total consideration of RMB24 million. Guarantors II have irrevocably and unconditionally guaranteed on a joint and several basis to the Purchaser the due performance of the obligations and undertakings of Vendor II under the Share Transfer Agreement II during the Guaranteed Period. Upon completion of Share Transfer II, Target Company II will become an indirect wholly-own subsidiary of the Company.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of Share Transfer I, on a standalone basis, and the applicable percentage ratios of Share Transfer II when aggregated with Share Transfer I in accordance with Rule 14.22 of the Listing Rules, are more than 5% but less than 25%, the Acquisitions constitute discloseable transactions on the part of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Vendor I is ultimately beneficially owned as to 95.00% in aggregate 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, Vendor I is an associate of Mr. Cheung, Mr. Mei and Mr. Zhang and a connected person of the Company. Share Transfer I constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular, independent financial advice and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As at the date of this announcement, Vendor II is ultimately beneficially owned as to 52.50% in aggregate by Mr. Cheung, Mr. Mei and Mr. Zhang. Accordingly, Vendor II is an associate of Mr. Cheung, Mr. Mei and Mr. Zhang and a connected person of the Company. Share Transfer II constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular, independent financial advice and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders on the terms of the Share Transfer Agreements and the transactions contemplated thereunder. Red Solar Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve by way of poll, among other matters, the Share Transfer Agreements and the transactions contemplated thereunder. As Mr. Cheung, Mr. Mui and Mr. Zhang and their associates, including Honchuen Investment, Zuoting Investment and Weixin Development, have material interests in the Acquisitions, each of them is required to abstain from voting at the EGM on the resolutions approving the same. Save for the aforementioned and to the best knowledge, information and belief of the Directors, no other Shareholder has a material interest in the Acquisitions and is required to abstain from voting on the resolution(s) approving the Share Transfer Agreements and the transactions contemplated thereunder at the EGM.

DESPATCH OF CIRCULAR

A circular, containing, among other things, (i) details of the Share Transfer Agreements; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisitions; and (iv) a notice to convene the EGM, will be despatched to the Shareholders on or before 6 April 2022.

As completion of the Acquisitions is conditional upon fulfilment or, if applicable, waiver of the conditions precedent set out in the Share Transfer Agreements, the Acquisitions may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.

SHARE TRANSFER AGREEMENT I

On 15 March 2022 (after trading hours of the Stock Exchange), the Purchaser, an indirect wholly-owned subsidiary of the Company, Vendor I, Target Company I and Guarantors I entered into the Share Transfer Agreement I pursuant to which the Purchaser conditionally agreed to acquire and Vendor I conditionally agreed to dispose of Sale Shares I, representing the entire equity interests in Target Company I, at the total consideration of RMB75 million.

The principal terms of the Share Transfer Agreement I are summarised as follows:

- Date : 15 March 2022 (after trading hours of the Stock Exchange)
- Parties : (1) Guangzhou Xinji Jiuxing Service Co., Ltd.* (廣州信基玖星服務有限公司), as purchaser;
- (2) Guangzhou Xinji Property Management Co., Ltd.* (廣州市信基物業管理有限公司), as vendor;
- (3) Guangzhou Xinji Youxiang Property Co., Ltd.* (廣州信基優享物業有限公司), as target company;
- (4) Guangzhou Yishen Commercial Operation Co., Ltd* (廣州億燊商業營運有限公司), as guarantor;
- (5) Mr. Cheung Hon Chuen (張漢泉), as guarantor;
- (6) Mr. Mei Zuoting (梅佐挺), as guarantor; and
- (7) Mr. Zhang Weixin (張偉新), as guarantor

Assets to be acquired

The Purchaser has conditionally agreed to acquire and Vendor I has conditionally agreed to dispose of Sale Shares I, representing the entire equity interests in Target Company I.

Consideration I and payment terms

The total consideration for the sale and purchase of Sale Shares I is RMB75 million, which shall be payable by the Purchaser to Vendor I in the following manner:

- (a) RMB11.25 million, representing 15% of the consideration as the first instalment, shall be payable within five business days upon fulfilment or waiver of all the conditions precedent under the Share Transfer Agreement I;
- (b) RMB26.25 million, representing 35% of the consideration as the second instalment, shall be payable within thirty days upon transfer of the entire equity interests in Target Company I to the Purchaser;

- (c) RMB18.75 million, representing 25% of the consideration as the third instalment, shall be payable before 31 January 2023; and
- (d) RMB18.75 million, representing 25% of the consideration as the final instalment, shall be payable before 31 January 2024.

Vendor I and the Purchaser shall bear their respective costs and expenses, including but not limited to the fees and taxes charged by the relevant government authorities, incurred from the execution and performance of the Share Transfer Agreement I.

Basis of determining Consideration I

Consideration I was determined after arm's length negotiations between Vendor I and the Purchaser with reference to the valuation of the entire equity interests in Target Company I of approximately RMB75.06 million as at 31 December 2021 carried out by the Valuer using the market approach, which in turn was based on the historical net profit of approximately RMB6.2 million generated from Transferred Business I based on the pro-forma financial statements of Target Company I for the year ended 31 December 2021 and the median price-to-earnings ratio of approximately 12.1 derived from comparable transactions relating to acquisition of companies with majority of revenue generated from real estate property management and related businesses in the PRC.

The Company intends to satisfy Consideration I by utilising part of the IPO Net Proceeds as well as the internal resources of the Group.

Conditions Precedent I

Completion of Share Transfer I is conditional upon fulfilment or waiver (as the case may be) of the following conditions precedent ("**Conditions Precedent I**"):

- (a) Vendor I having provided all necessary support and assistance to the Purchaser upon the Purchaser's reasonable request during the due diligence exercise on Target Company I, including but not limited to the provision of all accounts, records, agreements, technical information, staff details, management arrangement and other documents as requested by the legal representative, accountants and other representatives of the Purchaser, and the Purchaser being satisfied with the due diligence results;
- (b) the Share Transfer Agreement I and the transactions contemplated thereunder having been approved by the shareholders of Vendor I and Target Company I in accordance with the relevant laws and regulations and their respective articles of association;
- (c) all necessary consents, approvals or authorisations required to be obtained by the Company in respect of Share Transfer I (including but not limited to the approvals of the Board and the Independent Shareholders), having been obtained and remains valid;

- (d) there being no material adverse change to the conditions (including but not limited to the financial position, employees, business, asset, property, results of operation, prospect etc.) of Target Company I from the date of the Share Transfer Agreement I up to a reasonable period of time, and there being no restrictions, court orders, claims, or pending or threatened claims, or instigations, that limits any relevant parties to consummate the transactions contemplated under the Share Transfer Agreement I;
- (e) there being no obligations and undertakings under the Share Transfer Agreement I or the transaction documents thereunder having been violated by Vendor I; and
- (f) the warranties and representations given by Vendor I in the Share Transfer Agreement I remaining true, accurate and not misleading and there being no fact, matter or circumstance which would render the warranties and representations untrue or inaccurate in any respect.

Each of Vendor I and the Purchaser shall use its best endeavours to procure the fulfilment of Conditions Precedent I. The Purchaser may at any time prior to completion of Share Transfer I waive any of Conditions Precedent I (except for condition (c)) in writing. In the event any of Conditions Precedent I are not fulfilled (or as the case may be, waived) by 30 September 2022 (or such later date as Vendor I and the Purchaser may agree in writing), all rights, obligations and liabilities of the parties to the Share Transfer Agreement I shall cease and terminate and none of the parties thereto shall have any claim against the others in respect of the Share Transfer Agreement I save for any antecedent breach and/ or any rights or obligations which may have accrued under the Share Transfer Agreement I prior to such termination.

Completion

Subject to the fulfilment or waiver (as the case may be) of Conditions Precedent I, the Purchaser shall confirm in writing to Vendor I that Share Transfer I can proceed and arrange to make the first instalment of Consideration I pursuant to the payment terms as detailed in the paragraph headed “Consideration I and payment terms” above. Vendor I shall within five business days after receipt of the first instalment make all necessary filing to the Administration for Industry and Commerce to complete the change of business registration in respect of Share Transfer I.

Profit Guarantee I

Vendor I irrevocably and unconditionally guaranteed to the Purchaser and Target Company I that the accumulated audited net profit after tax of Target Company I solely derived from Transferred Business I for the Guaranteed Period shall be not less than RMB31 million.

The amount of Guaranteed Profit I was determined after arm’s length negotiations between Vendor I and the Purchaser with reference to (i) the historical net profit of approximately RMB6.2 million generated from Transferred Business I based on the pro-forma financial statements of Target Company I for the year ended 31 December 2021; and (ii) the 5-year Guaranteed Period.

In the event that the actual accumulated audited net profit after tax solely derived from Transferred Business I for the Guaranteed Period is less than Guaranteed Profit I, Vendor I shall pay such shortfall to Target Company I within five business days upon receipt of notice in writing from the Purchaser.

In the event that Vendor I fail to settle such shortfall, the Purchaser shall have the right to withhold the payment of all or any part of Consideration I.

Other undertakings given by Vendor I

Vendor I irrevocably undertakes to the Purchaser the following:

- (a) in the event that the actual operating expenses on the date of completion of Share Transfer I is more than 5% over the estimated amount of operating expenses set out in the financial statements of Target Company I, Vendor I shall pay such discrepancy to Target Company I; and
- (b) in the event that Target Company I suffers from losses or incurred liabilities during the Guaranteed Period as a result of certain matters which took place prior to the execution of the Share Transfer Agreement I, Vendor I shall compensate all losses of Target Company I arising thereto in accordance with the relevant PRC laws.

Liabilities of the Purchaser for breach of the Share Transfer Agreement I

In the event that the Purchaser fails to pay Consideration I in accordance with the payment schedule of the Share Transfer Agreement I, the Purchaser shall be liable to a default payment which is calculated at the rate of 0.05% per day on the total amount of Consideration I. In the event that the Purchaser fails to pay overdue Consideration I within ten days, Vendor I shall be entitled to rescind the Share Transfer Agreement I and forfeit all Consideration I paid thereat.

Liabilities of Vendor I for breach of the Share Transfer Agreement I

In the event that Vendor I fails to pay the shortfall of the of the Guaranteed Profit I within the prescribed period, Vendor I shall be liable to a default payment which is calculated at the rate of 0.05% per day on such shortfall.

In the event that Vendor I fails to complete the change of business registration in respect of Share Transfer I within 10 days after the prescribed period, the Purchaser shall be entitled to rescind the Share Transfer Agreement I. Vendor I shall return to the Purchaser all Consideration I received and Vendor I shall be liable to a default payment which is equivalent to 30% of the total amount of Consideration I.

Guarantee

Guarantors I have irrevocably and unconditionally guaranteed on a joint and several basis to the Purchaser the due performance of the obligations and undertakings of Vendor I under the Share Transfer Agreement I during the Guaranteed Period.

SHARE TRANSFER AGREEMENT II

On 15 March 2022 (after trading hours of the Stock Exchange), the Purchaser, Vendor II, Target Company II and Guarantors II entered into the Share Transfer Agreement II pursuant to which the Purchaser conditionally agreed to acquire and Vendor II conditionally agreed to dispose of Sale Shares II, representing the entire equity interests in Target Company II, at the total consideration of RMB24 million.

The principal terms of the Share Transfer Agreement II are summarised as follows:

- Date : 15 March 2022 (after trading hours of the Stock Exchange)
- Parties : (1) Guangzhou Xinji Jiuxing Service Co., Ltd.* (廣州信基玖星服務有限公司), as purchaser;
- (2) Foshan Xinji Plaza Management Co., Ltd.* (佛山信基廣場經營管理有限公司), as vendor
- (3) Foshan Xinji Youxiang Commercial Service Co., Ltd.* (佛山信基優享商業服務有限公司), as target company;
- (4) Xinji Group Company Limited* (信基集團有限公司), as guarantor;
- (5) Mr. Cheung Hon Chuen (張漢泉), as guarantor;
- (6) Mr. Mei Zuoting (梅佐挺), as guarantor; and
- (7) Mr. Zhang Weixin (張偉新), as guarantor

Assets to be acquired

The Purchaser has conditionally agreed to acquire and Vendor II has conditionally agreed to dispose of Sale Shares II, representing the entire equity interests in Target Company II.

Consideration II and payment terms

The total consideration for the sale and purchase of Sale Shares II is RMB24 million, which shall be payable by the Purchaser to Vendor II in the following manner:

- (a) RMB3.6 million, representing 15% of the consideration as the first instalment, shall be payable within five business days upon fulfilment or waiver of all the conditions precedent under the Share Transfer Agreement II;
- (b) RMB8.4 million, representing 35% of the consideration as the second instalment, shall be payable within thirty days upon transfer of the entire equity interests in Target Company II to the Purchaser;

- (c) RMB6.0 million, representing 25% of the consideration as the third instalment, shall be payable before 31 January 2023; and
- (d) RMB6.0 million, representing 25% of consideration as the final instalment, shall be payable before 31 January 2024.

Vendor II and the Purchaser shall bear their respective costs and expenses, including but not limited to the fees and taxes charged by the relevant government authorities, incurred from the execution and performance of the Share Transfer Agreement II.

Basis of determining Consideration II

Consideration II was determined after arm's length negotiations between Vendor II and the Purchaser with reference to the valuation of the entire equity interests in Target Company II of approximately RMB24.69 million as at 31 December 2021 carried out by the Valuer using the discounted cash flow method of the income approach. Further details of the Valuation are set out in the section headed "Valuation" below.

The Company intends to satisfy Consideration II by utilising part of the IPO Net Proceeds as well as the internal resources of the Group.

Conditions Precedent II

Completion of Share Transfer II is conditional upon fulfilment or waiver (as the case may be) of the following conditions precedent ("**Conditions Precedent II**"):

- (a) Vendor II having provided all necessary support and assistance to the Purchaser upon the Purchaser's reasonable request during the due diligence exercise on Target Company II, including but not limited to the provision of all accounts, records, agreements, technical information, staff details, management arrangement and other documents as requested by the legal representative, accountants and other representatives of the Purchaser, and the Purchaser being satisfied with the due diligence results;
- (b) the Share Transfer Agreement II and the transactions contemplated thereunder having been approved by the shareholders of Vendor II and Target Company II in accordance with the relevant laws and regulations and their respective articles of association;
- (c) all necessary consents, approvals or authorisations required to be obtained by the Company in respect of Share Transfer II (including but not limited to the approvals of the Board and the Independent Shareholders), having been obtained and remains valid;
- (d) there being no material adverse change to the conditions (including but not limited to the financial position, employees, business, asset, property, results of operation, prospect etc.) of Target Company II from the date of the Share Transfer Agreement II up to a reasonable period of time, and there being no restrictions, court orders, claims, or pending or threatened claims, or instigations, that limits any relevant parties to consummate the transactions contemplated under the Share Transfer Agreement II;

- (e) there being no obligations and undertakings under the Share Transfer Agreement II or the transaction documents thereunder having been violated by Vendor II; and
- (f) the warranties and representations given by Vendor II in the Share Transfer Agreement II remaining true, accurate and not misleading and there being no fact, matter or circumstance which would render the warranties and representations untrue or inaccurate in any respect.

Each of Vendor II and the Purchaser shall use its best endeavours to procure the fulfilment of Conditions Precedent II. The Purchaser may at any time prior to completion of Share Transfer II waive any of Conditions Precedent II (except for condition (c)) in writing. In the event any of Conditions Precedent II are not fulfilled (or as the case may be, waived) by 30 September 2022 (or such later date as Vendor II and the Purchaser may agree in writing), all rights, obligations and liabilities of the parties to the Share Transfer Agreement II shall cease and terminate and none of the parties thereto shall have any claim against the others in respect of the Share Transfer Agreement II save for any antecedent breach and/ or any rights or obligations which may have accrued under the Share Transfer Agreement II prior to such termination.

Completion

Subject to the fulfilment or waiver (as the case may be) of Conditions Precedent II, the Purchaser shall confirm in writing to Vendor II that Share Transfer II can proceed and arrange to make the first instalment of Consideration II pursuant to the payment terms as detailed in the paragraph headed “Consideration II and payment terms” above. Vendor II shall within five business days after receipt of the first instalment make all necessary filing to the Administration for Industry and Commerce to complete the change of business registration in respect of Share Transfer II.

Profit Guarantee II

Vendor II irrevocably and unconditionally guaranteed to the Purchaser and Target Company II that the accumulated audited net profit after tax of Target Company II solely derived from Transferred Business II for the Guaranteed Period shall be not less than RMB17.29 million.

The amount of Guaranteed Profit II was determined after arm’s length negotiations between Vendor II and the Purchaser with reference to the forecasted net profit of approximately RMB17.29 million to be generated from Transferred Business II during the Guaranteed Period.

In the event that the actual audited accumulated net profit after tax solely derived from Transferred Business II for the Guaranteed Period is less than Guaranteed Profit II, Vendor II shall pay such shortfall to Target Company II within five business days upon receipt of notice in writing from the Purchaser.

In the event that Vendor II fails to settle such shortfall, the Purchaser shall have the right to withhold the payment of all or any part of Consideration II.

Other undertakings given by Vendor II

Vendor II irrevocably undertakes to the Purchaser the following:

- (a) in the event that the actual operating expenses on the date of completion of Share Transfer II is more than 5% over the estimated amount of operating expenses set out in the financial statements of Target Company II, Vendor II shall pay such discrepancy to Target Company II; and
- (b) in the event that Target Company II suffers from losses or incurred liabilities during the Guaranteed Period as a result of certain matters which took place prior to the execution of the Share Transfer Agreement II, Vendor II shall compensate all losses of Target Company II arising thereto in accordance with the relevant PRC laws.

Liabilities of the Purchaser for breach of the Share Transfer Agreement II

In the event that the Purchaser fails to pay Consideration II in accordance with the payment schedule of the Share Transfer Agreement II, the Purchaser shall be liable to a default payment which is calculated at the rate of 0.05% per day on the total amount of Consideration II. In the event that the Purchaser fails to pay overdue Consideration II within ten days, Vendor II shall be entitled to rescind the Share Transfer Agreement II and forfeit all Consideration II paid thereat.

Liabilities of Vendor II for breach of the Share Transfer Agreement II

In the event that Vendor II fails to pay the shortfall of the of the Guaranteed Profit II within the prescribed period, Vendor II shall be liable to a default payment which is calculated at the rate of 0.05% per day on such shortfall.

In the event that Vendor II fails to complete the change of business registration in respect of Share Transfer II within 10 days after the prescribed period, the Purchaser shall be entitled to rescind the Share Transfer Agreement II. Vendor II shall return to the Purchaser all Consideration II received and Vendor II shall be liable to a default payment which is equivalent to 30% of the total amount of Consideration II.

Guarantee

Guarantors II have irrevocably and unconditionally guaranteed on a joint and several basis to the Purchaser the due performance of the obligations and undertakings of Vendor II under the Share Transfer Agreement II during the Guaranteed Period.

NON-COMPETITION UNDERTAKING AND RIGHT OF FIRST REFUSAL

On 15 March 2022, Mr. Cheung, Mr. Mei and Mr. Zhang executed a letter of undertaking in favour of the Company pursuant to which Mr. Cheung, Mr. Mei and Mr. Zhang undertakes to the Company that upon completion of the Acquisitions, save for Mr. Cheung, Mr. Mei and Mr. Zhang's indirect interests in the equity interests of Guangzhou Xinji Property and Hubei Xinji Property (which are principally engaged in the provision of property management services for commercial complex), (i) he will not, without the written consent of the Company, either on his account or in conjunction with or on behalf of any person, firm or company, carry on or be engaged, concerned or interested directly or indirectly whether as shareholder, director, partner, agent or otherwise in carrying on any business that is carried on by the Group (including the Target Companies); and (ii) he will procure and cause that each of his associates will observe the restrictions contained in the foregoing provisions of this undertaking.

Each of Mr. Cheung, Mr. Mei and Mr. Zhang further undertakes to dispose of (i) his indirect interests in the equity interests of Guangzhou Xinji Property and Hubei Xinji Property; or (ii) the property management businesses of Guangzhou Xinji Property and Hubei Xinji Property to third party(ies) within one year after completion of the Acquisitions and grants the Company the right of first refusal for purchasing the said equity interests or property management businesses of Guangzhou Xinji Property and Hubei Xinji Property, subject to compliance with the relevant PRC laws.

Such non-competition undertaking does not apply to any interests in the shares of any member of the Group.

INFORMATION ON THE TARGET COMPANIES

Target Company I

Target Company I was established in the PRC with limited liability on 10 August 2021. Pursuant to a business transfer agreement dated 19 October 2021 and entered into between Vendor I and Target Company I, Transferred Business I, which comprised of the property management business encompassing the management of commercial complex, was transferred by Vendor I to Target Company I. Upon completion of such business transfer, Target Company I has been providing property management services to projects under Transferred Business I, which consist of the following projects:

(A) Xiajiao project (廈濤項目)

Xinji Plaza Hall A* (信基廣場A館) and Xiajiao Commercial Building* (廈濤商業大廈) are two premises located in Panyu District, Guangzhou, the PRC, which is under the property management of Target Company I. Xinji Plaza Hall A* (信基廣場A館) comprises offices and food and beverage stores with approximately 268 tenants whereas Xiajiao Commercial Building* (廈濤商業大廈) is a commercial complex with total gross floor area of approximately 51,710.40 square meters and approximately 617 tenants as at the date of this announcement.

On 1 November 2021, Target Company I and Yingbin Investment (i.e. the property developer of Xinji Plaza Hall A* (信基廣場A館)) entered into Xiajiao Property Management Services Entrustment Agreement I, pursuant to which Yingbin Investment shall entrust Target Company I to provide property management services in relation to the operation of Xinji Plaza Hall A* (信基廣場A館). Principal terms of the Xiajiao Property Management Services Entrustment Agreement are as follows:

Term:	From 1 November 2021 to 31 October 2024
Total gross floor area:	32,747 square meters
Scope of service:	Target Company I shall provide property management services in relation to the operation of Xinji Plaza Hall A* (信基廣場A館), including but not limited to (i) the repair and maintenance of facilities, equipment and machinery in the common area; (ii) gardening and landscaping services; (iii) cleaning services; (iv) security services; and (v) car parking management services.
Entrusted property management fee:	Nil as Target Company I shall enter into separate property management agreements with the owners and occupants of Xinji Plaza Hall A* (信基廣場A館) pursuant to which Target Company I shall charge them with property management fees calculated according to the relevant gross floor area and the established rates set by Target Company I, provided that the fees charged are in compliance with the relevant laws, rules and regulations in the PRC.
Liabilities for default:	In the event that Target Company I breach the agreement by failing to provide property management services with the required quality as stipulated under the agreement, Yingbin Investment shall have the right to terminate the agreement and request for compensation of all losses arising therefrom if Target Company I is still unable to rectify its failure within the rectification period.
Option to renew:	Subject to compliance with the Listing Rules, Target Company I shall have the right to renew Xiajiao Property Management Services Entrustment Agreement I on substantially the same terms and conditions for successive terms of three years each commencing from the day next after the expiry of the then current term.

On 1 November 2021, Target Company I and Lupiao Commercial (i.e. the property developer of Xiajiao Commercial Building* (廈滯商業大廈)) entered into Xiajiao Property Management Services Entrustment Agreement II pursuant to which Lupiao Commercial shall entrust Target Company I to provide property management services in relation to the operation of Xiajiao Commercial Building* (廈滯商業大廈). Principal terms of Xiajiao Property Management Services Entrustment Agreement II are substantially the same as Xiajiao Property Management Services Entrustment Agreement I.

In addition to the above, Target Company I and Lupiao Commercial also entered into Xiajiao Property Management Services Entrustment Agreement III on 1 November 2021 pursuant to which Lupiao Commercial shall entrust Target Company I to provide additional property management services in relation to the operation of Xiajiao Commercial Building* (廈滯商業大廈). Principal terms of Xiajiao Property Management Services Entrustment Agreement III are as follows:

Term:	From 1 November 2021 to 31 October 2024
Scope of service:	Target Company I shall (i) manage the car parking spaces of Xiajiao Commercial Building* (廈滯商業大廈) including the collection of parking fees; and (ii) provide operation and management services to Lupiao Commercial regarding shops in Xiajiao Commercial Building* (廈滯商業大廈) such as execution of lease agreements with tenants, collection of rental payment from tenants etc.
Entrusted property management fee:	Target Company I shall be entitled to (i) 30% of the total parking fees received after deducting the labour cost and daily repair and maintenance cost; and (ii) 3% of the total monthly rental payment received from tenants. Such fees shall be settled every quarter and before the fifteenth day of the last month of that quarter.
Adjustment of property management fee:	Target Company I shall adjust the property management fees charged to owners and occupants of shops in Xiajiao Commercial Building* (廈滯商業大廈) to a standard rate of RMB10 per square meter. Existing owners and occupants whose fees are lower than RMB10 per square meter shall pay according to the existing fees charged until expiry of the property management agreements. The shortfall of property management fees received by Target Company I shall be reimbursed by Lupiao Commercial every quarter and before the fifteenth day of the last month of that quarter.

Annual cap: RMB1,000,000 from 1 January 2022 to 31 December 2022, RMB1,000,000 from 1 January 2023 to 31 December 2023 and RMB1,000,000 from 1 January 2024 to 31 October 2024

In respect of the individual property management agreements entered into between Target Company I and the respective owners and occupants of Xinji Plaza Hall A* (信基廣場A館), one of the agreements was the Xiajiao Property Management Agreement entered into between Target Company I and Xinji Industry on 15 October 2021. Pursuant to the Xiajiao Property Management Agreement, Target Company I shall provide property management services for the shop rented by Xinji Industry. The principal terms of the Xiajiao Property Management Agreement are as follows:

Term:	From 1 November 2021 to 31 October 2024
Scope of service:	Substantially the same as those under Xiajiao Property Management Services Entrustment Agreement I
Gross floor area of the shop rented:	462.7 square meter
Property management fee:	RMB10 per square meter i.e. a total of RMB4,627 per month
Deposit:	Xinji Industry shall pay a deposit of RMB9,524 to Target Company I on the date of signing of the agreement. Such deposit shall be returned to Xinji Industry after three months upon expiry of the agreement.

(B) Shangjiao Comprehensive Building Project (上澱綜合樓項目)

Shangjiao Comprehensive Building* (上澱綜合樓) is a premises located in Panyu District, Guangzhou, the PRC which is under the property management of Target Company I. Shangjiao Comprehensive Building* (上澱綜合樓) is a commercial complex with approximately 483 tenants as at the date of this announcement.

On 1 November 2021, Target Company I and Maojia Trading (i.e. the property developer of Shangjiao Comprehensive Building* (上澱綜合樓)) entered into the Shangjiao Property Management Services Entrustment Agreement pursuant to which Maojia Trading shall entrust Target Company I to provide property management services in relation to the operation of Shangjiao Comprehensive Building* (上澱綜合樓). Principal terms of Shangjiao Property Management Services Entrustment Agreement are as follows:

Term:	From 1 November 2021 to 31 October 2024
Total gross floor area:	23,655.95 square meters
Scope of service:	Target Company I shall provide property management services in relation to the operation of Shangjiao Comprehensive Building* (上澱綜合樓), including but not limited to (i) the repair and maintenance of facilities, equipment and machinery in the common area; (ii) gardening and landscaping services; (iii) cleaning services; (iv) security services; and (v) car parking management services.
Entrusted property management fee:	Nil as Target Company I shall enter into separate property management agreements with the owners and occupants of Shangjiao Comprehensive Building* (上澱綜合樓) pursuant to which Target Company I shall charge them with property management fees calculated according to the relevant gross floor area and the standard rate set by Target Company I, provided that the fees charged are in compliance with the relevant laws, rules and regulations in the PRC.
Liabilities for default:	In the event that Target Company I breach the agreement by failing to provide property management services with the required quality as stipulated under the agreement, Maojia Trading shall have the right to terminate the agreement and request for compensation of all losses arising therefrom if Target Company I is still unable to rectify its failure within the rectification period.

Option to renew: Subject to compliance with the Listing Rules, Target Company I shall have the right to renew the Shangjiao Property Management Services Entrustment Agreement on substantially the same terms and conditions for successive terms of three years each commencing from the day next after the expiry of the then current term.

(C) Yuedao Project (玥島項目)

Yuedao Project (玥島項目) is a commercial complex located in Panyu District, Guangzhou, the PRC, which is currently under construction and expected to be completed on or before the third quarter of 2022. Zong Yuehui* (綜玥薈) is a premises under the Yuedao Project (玥島項目) and is expected to have a maximum capacity of up to approximately 1,207 tenants upon completion of the project and will be under the property management of Target Company I.

On 1 November 2021, Target Company I and Kuiran Commercial (i.e. the property developer of Zong Yuehui* (綜玥薈)) entered into the Yuedao Property Management Services Entrustment Agreement pursuant to which Kuiran Commercial shall entrust Target Company I to provide property management services in relation to the operation of Zong Yuehui* (綜玥薈). Principal terms of Yuedao Property Management Services Entrustment Agreement are as follows:

Term: From 1 November 2021 to 31 October 2024

Total gross floor area: 51,020 square meters

Scope of service: Target Company I shall provide property management services in relation to the operation of Zong Yuehui* (綜玥薈), including but not limited to (i) the repair and maintenance of facilities, equipment and machinery in the common area; (ii) gardening and landscaping services; (iii) cleaning services; (iv) security services; and (v) car parking management services.

Entrusted property management fee: Nil as Target Company I shall enter into separate property management agreements with the owners and occupants of Zong Yuehui* (綜玥薈) pursuant to which Target Company I shall charge them with property management fees calculated according to the relevant gross floor area and the standard rate set by Target Company I, provided that the fees charged are in compliance with the relevant laws, rules and regulations in the PRC.

Liabilities for default:	In the event that Target Company I breach the agreement by failing to provide property management services with the required quality as stipulated under the agreement, Kuiran Commercial shall have the right to terminate the agreement and request for compensation of all losses arising therefrom if Target Company I is still unable to rectify its failure within the rectification period.
Option to renew:	Subject to compliance with the Listing Rules, Target Company I shall have the right to renew the Yuedao Property Management Services Entrustment Agreement on substantially the same terms and conditions for successive terms of three years each commencing from the day next after the expiry of the then current term.

(D) Longmei Project (龍美項目)

Lingxiu Mansion* (領秀公館) is a premises located in Panyu District, Guangzhou, the PRC, which is under the property management of Target Company I. Lingxiu Mansion* (領秀公館) is a commercial complex with approximately 1,280 tenants as at the date of this announcement.

On 1 November 2021, Target Company I and Longmei Dongman (i.e. the property developer of Lingxiu Mansion* (領秀公館)) entered into the Longmei Property Management Services Entrustment Agreement pursuant to which Longmei Dongman shall entrust Target Company I to provide property management services in relation to the operation of Lingxiu Mansion* (領秀公館). Principal terms of Longmei Property Management Services Entrustment Agreement are as follows:

Term:	From 1 November 2021 to 31 October 2024
Total gross floor area:	62,638.86 square meters
Scope of service:	Target Company I shall provide property management services in relation to the operation of Lingxiu Mansion* (領秀公館), including but not limited to (i) the repair and maintenance of facilities, equipment and machinery in the common area; (ii) gardening and landscaping services; (iii) cleaning services; (iv) security services; and (v) car parking management services.
Entrusted property management fee:	Nil as Target Company I shall enter into separate property management agreements with the owners and occupants of Lingxiu Mansion* (領秀公館) pursuant to which Target Company I shall charge them with property management fees calculated according to the relevant gross floor area and the standard rate set by Target Company I, provided that the fees charged are in compliance with the relevant laws, rules and regulations in the PRC.

Liabilities for default:	In the event that Target Company I breach the agreement by failing to provide property management services with the required quality as stipulated under the agreement, Longmei Dongman shall have the right to terminate the agreement and request for compensation of all losses arising therefrom if Target Company I is still unable to rectify its failure within the rectification period.
Option to renew:	Subject to compliance with the Listing Rules, Target Company I shall have the right to renew the Longmei Property Management Services Entrustment Agreement on substantially the same terms and conditions for successive terms of three years each commencing from the day next after the expiry of the then current term.

Target Company II

Target Company II was established in the PRC with limited liability on 20 December 2021. Pursuant to a business transfer agreement dated 23 December 2021 and entered into between Vendor II and Target Company II, Transferred Business II, which comprised of its property management business encompassing the management of commercial complex, was transferred by Vendor II to Target Company II. Upon completion of such business transfer, Target Company II has been providing property management services to projects under Transferred Business II, which consist of the following project:

(A) *Xinji Plaza Project (信基廣場項目)*

Foshan Jiujiang Xinji Plaza* (佛山九江信基廣場) is a premises located in Nanhai District, Foshan, the PRC, which is under the property management of Target Company II. Foshan Jiujiang Xinji Plaza* (佛山九江信基廣場) is a commercial complex with approximately 90 tenants as at the date of this announcement.

On 1 January 2022, Target Company II and Xinji Century (i.e. the property developer of Foshan Jiujiang Xinji Plaza* (佛山九江信基廣場)) entered into the Xinji Plaza Property Management Services Entrustment Agreement pursuant to which Xinji Century shall entrust Target Company II to provide property management services in relation to the operation of Foshan Jiujiang Xinji Plaza* (佛山九江信基廣場). Principal terms of Xinji Century Property Management Services Entrustment Agreement are as follows:

Term:	From 1 January 2022 to 31 December 2024
Total gross floor area:	58,826.03 square meters

Scope of service:	Target Company II shall provide property management services in relation to the operation of Foshan Jiujiang Xinji Plaza* (佛山九江信基廣場), including but not limited to (i) the repair and maintenance of facilities, equipment and machinery in the common area; (ii) gardening and landscaping services; (iii) cleaning services; (iv) security services; and (v) car parking management services.
Entrusted property management fee:	Nil as Target Company II shall enter into separate property management agreements with the owners and occupants of Foshan Jiujiang Xinji Plaza* (佛山九江信基廣場) pursuant to which Target Company II shall charge them with property management fees calculated according to the relevant gross floor area and the standard rate set by Target Company II, provided that the fees charged are in compliance with the relevant laws, rules and regulations in the PRC.
Liabilities for default:	In the event that Target Company II breach the agreement by failing to provide property management services with the required quality as stipulated under the agreement, Xinji Century shall have the right to terminate the agreement and request for compensation of all losses arising therefrom if Target Company II is still unable to rectify its failure within the rectification period.
Option to renew:	Subject to compliance with the Listing Rules, Target Company II shall have the right to renew the Xinji Plaza Property Management Services Entrustment Agreement on substantially the same terms and conditions for successive terms of three years each commencing from the day next after the expiry of the then current term.

Financial information of the Target Companies

Based on the unaudited management account of Target Company I, from the period since its establishment on 10 August 2021 up to 31 December 2021, Target Company I recorded a net profit before tax of approximately RMB1,506,000 and net profit after tax of approximately RMB1,430,000. Its net asset value as at 31 December 2021 was approximately RMB1,460,000.

Based on the unaudited management account of Target Company II, from the period since its establishment on 20 December 2021 up to 31 December 2021, Target Company II recorded a net loss before and after tax of RMB164 and its net liabilities as at 31 December 2021 was RMB164.

To the best knowledge and belief of the Directors having made all reasonable enquiry, as the Target Companies were established by the Vendors, there is no original acquisition cost for the entire equity interests in the Target Companies.

Upon completion of the Acquisitions, the Target Companies will become indirect wholly-owned subsidiaries of the Company and the financial information of the Target Companies will be consolidated into the consolidated financial statements of the Group.

EXEMPTED CONTINUING CONNECTED TRANSACTIONS

Connected persons and connected relationship

As at the date of this announcement,

- (a) Yingbin Investment is beneficially owned as to 65.00% and 35.00% by Mr. Zhang, an executive Director and a controlling shareholder of the Company, and Mr. Mei, an executive Director and a controlling shareholder of the Company respectively. As such, Yingbin Investment is an associate of Mr. Zhang and Mr. Mei and a connected person of the Company under Chapter 14A of the Listing Rules;
- (b) Lupiao Commercial is ultimately beneficially owned as to in aggregate 50.00% by Mr. Cheung, the chairman, an executive Director and a controlling shareholder of the Company, Mr. Mei and Mr. Zhang. As such, Lupiao Commercial is an associate of Mr. Cheung, Mr. Mei and Mr. Zhang and a connected person of the Company under Chapter 14A of the Listing Rules;
- (c) Xinji Industry is ultimately beneficially owned as to 42.00% and 8.00% by Mr. Cheung and Mr. Zhang respectively. As such, Xinji Industry is an associate of Mr. Cheung and a connected person of the Company under Chapter 14A of the Listing Rules;
- (d) Maojia Trading is ultimately beneficially owned as to in aggregate 51.00% by Mr. Cheung, Mr. Mei and Mr. Zhang. As such, Maojia Trading is an associate of Mr. Cheung, Mr. Mei and Mr. Zhang and a connected person of the Company under Chapter 14A of the Listing Rules;
- (e) Kuiran Commercial is ultimately beneficially owned as to in aggregate 40.00% by Mr. Cheung, Mr. Mei and Mr. Zhang. As such, Kuiran Commercial is an associate of Mr. Cheung, Mr. Mei and Mr. Zhang and a connected person of the Company under Chapter 14A of the Listing Rules; and
- (f) Xinji Century is ultimately beneficially owned as to in aggregate 52.50% by Mr. Cheung, Mr. Mei and Mr. Zhang. As such, Xinji Century is an associate of Mr. Cheung, Mr. Mei and Mr. Zhang and a connected person of the Company under Chapter 14A of the Listing Rules.

Continuing connected transactions

As the Target Companies will become indirect wholly-owned subsidiaries of the Company upon completion of the Acquisitions, (i) the transactions between Target Company I and each of Yingbin Investment, Lupiao Commercial, Xinji Industry, Maojia Trading and Kuiran Commercial under the Xiajiao Property Management Services Entrustment Agreements, the Shangjiao Property Management Services Entrustment Agreement and the Yuedao Property Management Services Entrustment Agreement; and (ii) the transactions between Target Company II and Xinji Century under the Xinji Plaza Property Management Services Entrustment Agreement will become continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The Directors confirm that they are of the view that these continuing connected transactions will be conducted in the normal course of business of the Group and based on normal commercial terms.

Annual fees under the Property Management Services Entrustment Agreements and Xiajiao Property Management Agreement

Target Company I will not receive any fee under Xiajiao Property Management Services Entrustment Agreement I, Xiajiao Property Management Services Entrustment Agreement II, the Shangjiao Property Management Services Entrustment Agreement and the Yuedao Property Management Services Entrustment Agreement. Target Company II will not receive any fee under the Xinji Plaza Property Management Services Entrustment Agreement.

Further, based on the historical fees in the total amount of approximately RMB820,000 received by Vendor I for provision of additional property management services (including managing the car parking spaces) in relation to the operation of Xiajiao Commercial Building* and for provision of property management services for the shop at Xinji Plaza Hall A* (信基廣場A館) rented by Xinji Industry for the period from July 2020 to June 2021, it is estimated that the maximum aggregate amount, on an annual basis, to be received by Target Company I under Xiajiao Property Management Services Entrustment Agreement III and the Xiajiao Property Management Agreement shall be less than RMB2.46 million (equivalent to HK\$3 million).

Listing Rules implications

As all of the applicable percentage ratios with reference to the maximum aggregate amount, on an annual basis, to be received by the Target Companies under the Property Management Services Entrustment Agreements and Xiajiao Property Management Agreement are less than 5% with the total consideration being less than HK\$3 million, the transactions contemplated thereunder is exempt from the reporting, announcement, circular, independent financial advice and independent shareholders' approval requirements pursuant to Rule 14A.76(1) of the Listing Rules.

INFORMATION ON THE PARTIES

The Purchaser

The Purchaser is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in property management services.

Vendor I and Yishen Commercial

Vendor I is a company incorporated in the PRC with limited liability. As at the date of this announcement, Vendor I is beneficially owned as to approximately 90.25% by Yishen Commercial, 5.00% by Zhongying Shengda, 2.04% by Mr. Zhang, 2.04% by Mr. Mei and 0.67% by Mr. Cheung. Yishen Commercial is a company incorporated in the PRC with limited liability and is principally engaged in investment holding. Yishen Commercial is beneficially owned as to 42.86% by Mr. Cheung, 42.86% by Mr. Mei and 14.28% by Mr. Zhang. Accordingly, Mr. Cheung, Mr. Mei and Mr. Zhang are in aggregate beneficially interested in approximately 95.00% of the equity interests in Vendor I. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Zhongying Shengda and its ultimate beneficial owner(s) is an Independent Third Party.

Vendor I is principally engaged in provision of property management services to commercial properties developed by the Xinji Group, which excludes wholesale shopping malls. Services provided by Vendor I include repair and maintenance of properties and equipment, vehicle parking and care services, public order maintenance, public area and public facilities management, sanitation management, green area management, fire safety management and property management.

Vendor II, Xinji Company and Meisha Investment

Vendor II is a company incorporated in the PRC with limited liability. As at the date of this announcement, Xinji Company and Meisha Investment are holding in aggregate 42.50% and 10.00% respectively of the equity interests in Target Company II on trust for Mr. Cheung, Mr. Mei and Mr. Zhang respectively. Xinji Company is a company established in the PRC with limited liability and is principally engaged in investment holding. Xinji Company is beneficially owned as to approximately 42.86% by Mr. Cheung, 42.86% by Mr. Mei and 14.28% by Mr. Zhang. Meisha Investment is a company established in the PRC with limited liability and is principally engaged in investment holding. Meisha Investment is beneficially owned as to approximately 42.86% by Mr. Cheung, 42.86% by Mr. Mei and 14.28% by Mr. Zhang. Accordingly, Mr. Cheung, Mr. Mei and Mr. Zhang are in aggregate beneficially interested in 52.50% of the equity interests in Vendor II.

Target Company II is also beneficially owned as to approximately (i) 10% by each of Yingde Shilihe, Shunde Zhenkun and Shunde Yuxing; (ii) 5% by each of the three other minority shareholders; and (iii) 2.5% by another minority shareholder. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Yingde Shilihe, Shunde Zhenkun, Shunde Yuxing, the remaining minority shareholders of Vendor II and its ultimate beneficial owner(s) (where applicable) is an Independent Third Party.

Vendor II is principally engaged in provision of property management services to commercial properties developed by the Xinji Group, which excludes wholesale shopping malls. Services provided by Vendor II include repair and maintenance of properties and equipment, vehicle parking and care services, public order maintenance, public area and public facilities management, sanitation management, fire safety management and property management.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SHARE TRANSFER AGREEMENTS

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 which generated rental revenue in the PRC, with four main business segments, namely (i) shopping malls including three shopping malls for hospitality supplies and two shopping malls for home furnishings; (ii) managed shopping mall; (iii) online shopping mall for sales of hospitality supplies and home furnishings; and (iv) exhibition management business, and the subleasing business.

The Group has been offering property management services to tenants under the property management agreements, focusing on shopping malls, hotel buildings and serviced apartments. As disclosed in the interim report of the Company on 20 September 2021, the revenue from the Group's property management services increased from approximately RMB11.4 million for the six months ended 30 June 2020 to approximately RMB13.9 million for the six months ended 30 June 2021, representing an increase of approximately RMB2.5 million or 21.9%. Accordingly, the Directors consider that the property management business is relatively less affected by the impact of the COVID-19 outbreak and is able to bring in a steady stream of income for the Group. The Group has plans to further expand the property management business through further investment of resources or acquisition of suitable target. The Directors consider that the Acquisitions will enable the Group to leverage on the established business of the Target Companies to expand the depth and breadth of its property management business encompassing commercial complex in addition to shopping malls for hospitality supplies and home furnishings, which will in turn increase the Group's source of income, reinforce its financial position, increase its brand awareness and further strengthen its overall market position.

The Directors (other than (i) the independent non-executive Directors whose views will be provided after taking into account the opinion and advice from the Independent Financial Adviser; and (ii) Mr. Cheung, Mr. Mei and Mr. Zhang who are required to abstain from voting) consider that the Acquisitions are on normal commercial terms or better, and the terms of the Share Transfer Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

VALUATION

According to the Valuation Report, the market value of the entire equity interests of Target Company II as at 31 December 2021 using the discounted cash flow method of the income approach amounted to approximately RMB24.69 million. As the discounted cash flow method of the income approach was applied in the Valuation, the Valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules and accordingly, the requirements under Rules 14.60A and 14.62 of the Listing Rules are applicable.

Pursuant to Rule 14.62 of the Listing Rules, details of the principal assumptions upon which the Profit Forecast is based are as follows:

Principal assumptions

- (a) There will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target Companies;
- (b) There will be no major changes in the current taxation law in the country that the Target Companies are operating, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;
- (c) Exchange rates and interest rates will not differ materially from those presently prevailing;
- (d) The financial projections (the “**Projection**”) of Target Company II has been prepared on a reasonable basis, reflecting estimates (i.e. assumptions and parameters adopted in the Projection) which have been arrived at after due and careful consideration by the management of the Company;
- (e) The availability of finance will not be a constraint on the forecast growth of Target Company II’s operation in accordance with the Projection;
- (f) The Target Companies will retain and have competent management, key personnel, and technical staff to support their ongoing operation;
- (g) Industry trends and market conditions for related industries will not deviate significantly from economic forecasts including but not limit to market relative factors adopted in the discount rate; and
- (h) Target Company II would remain as the assigned property management company of Foshan Jiujiang Xinji Plaza* (佛山九江信基廣場).

The Board has reviewed the principal assumptions upon which the Profit Forecast was based on and are of the view that the Profit Forecast was made after due care and enquiry.

Linksfild CPA, the reporting accountant of the Company, has also reviewed the calculations of the discounted future estimated cash flows upon which the Valuation prepared by the Valuer was based on.

A letter from the Board and a letter from Linksfild CPA are included in the appendices to this announcement for the purpose of Rules 14.60A and 14.62 of the Listing Rules.

The following are the qualifications of the experts who have given their opinion and advice included in this announcement:

Name	Qualification
AVISTA Valuation Advisory Limited	Professional valuer
Linksfeld CPA	Certified Public Accountants

As at the date of this announcement, each of the Valuer and Linksfeld CPA does not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person(s) to subscribe for securities in any member of the Group.

Each of the Valuer and Linksfeld CPA has given and has not withdrawn its consent to the publication of this announcement with inclusion of its opinion and advice and all references to its name in the form and context in which it appears in this announcement.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of Share Transfer I, on a standalone basis, and the applicable percentage ratios of Share Transfer II when aggregated with Share Transfer I in accordance with Rule 14.22 of the Listing Rules, are more than 5% but less than 25%, the Acquisitions constitute discloseable transactions on the part of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Vendor I is ultimately beneficially owned as to 95.00% in aggregate 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, Vendor I is an associate of Mr. Cheung, Mr. Mei and Mr. Zhang and a connected person of the Company. Share Transfer I constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular, independent financial advice and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As at the date of this announcement, Vendor II is ultimately beneficially owned as to 52.50% in aggregate by Mr. Cheung, Mr. Mei and Mr. Zhang. Accordingly, Vendor II is an associate of Mr. Cheung, Mr. Mei and Mr. Zhang and a connected person of the Company. Share Transfer II constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular, independent financial advice and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders on the terms of the Share Transfer Agreements and the transactions contemplated thereunder. Red Solar Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve by way of poll, among other matters, the Share Transfer Agreements and the transactions contemplated thereunder. As Mr. Cheung, Mr. Mui and Mr. Zhang and their associates, including Honchuen Investment, Zuoting Investment and Weixin Development, have material interests in the Acquisitions, each of them is required to abstain from voting at the EGM on the resolutions approving the same. Save for the aforementioned and to the best knowledge, information and belief of the Directors, no other Shareholder has a material interest in the Acquisitions and is required to abstain from voting on the resolution(s) approving the Share Transfer Agreements and the transactions contemplated thereunder at the EGM.

DESPATCH OF CIRCULAR

A circular, containing, among other things, (i) details of the Share Transfer Agreements; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisitions; and (iv) a notice to convene the EGM, will be despatched to the Shareholders on or before 6 April 2022.

As completion of the Acquisitions is conditional upon fulfilment or, if applicable, waiver of the conditions precedent set out in the Share Transfer Agreements, the Acquisitions may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.

DEFINITIONS

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

“Acquisitions”	collectively, Share Transfer I and Share Transfer II
“associates”	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 with limited liability and the Shares of which 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
“Consideration I”	the consideration in the total amount of RMB75 million payable by the Purchaser for Share Transfer I
“Consideration II”	the consideration in the total amount of RMB24 million payable by the Purchaser for Share Transfer II
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules and, in the context of this announcement, refers to the group of controlling shareholders of the Company, namely Honchuen Investment, Zuoting Investment, Weixin Development, Mr. Cheung, Mr. Mei and Mr. Zhang
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held for the Independent Shareholders to consider and, if thought fit, approve the Share Transfer Agreements and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“Guangzhou Xinji Property”	Guangzhou Xinji Property Management Co., Ltd.* (廣州市信基物業管理有限公司), a company established in the PRC with limited liability
“Guaranteed Period”	five financial years from the date of signing of the Share Transfer Agreements, that is the period from 1 January 2022 to 31 December 2026
“Guaranteed Profit I”	the guaranteed accumulated net profit after tax of RMB31 million for the Guaranteed Period to be solely generated from Transferred Business I by Target Company I
“Guaranteed Profit II”	the guaranteed accumulated net profit after tax of RMB17.29 million for the Guaranteed Period to be solely generated from Transferred Business II by Target Company II
“Guarantors I”	collectively, Yishen Commercial, Mr. Cheung, Mr. Mei and Mr. Zhang
“Guarantors II”	collectively, Xinji Company, Mr. Cheung, Mr. Mei and Mr. Zhang

“Honchuen Investment”	Honchuen Investment Limited, a company incorporated in the British Virgin Islands with limited liability, which is one of the controlling shareholders of the Company and wholly-owned by Mr. Cheung
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hubei Xinji Property”	Hubei Xinji Property Management Co., Ltd.* (湖北信基物業管理有限公司), a company established in the PRC with limited liability
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors formed in accordance with Chapter 14A of the Listing Rules to advise the Independent Shareholders on the Share Transfer Agreements and the transactions contemplated thereunder
“Independent Financial Adviser”	Red Solar Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), which has been appointed to make recommendations to the Independent Board Committee and the Independent Shareholders in respect of the Share Transfer Agreements and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than those who have a material interest in the Share Transfer Agreements and the transactions contemplated thereunder
“Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons (as defined in the Listing Rules)
“IPO Net Proceeds”	the net proceeds received by the Company from its initial public offering on the Stock Exchange on 8 November 2019, the intended use of which was further amended and disclosed in the announcements of the Company dated 6 July 2020 and 24 November 2021
“Kuiran Commercial”	Guangzhou Kuiran Commercial Development Co., Ltd.* (廣州市葵然商業發展有限公司), a company established in the PRC with limited liability

“Linksfeld CPA”	Linksfeld CPA Limited, a professional firm of Certified Public Accountants
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Longmei Dongman”	Guangzhou Longmei Dongman Technology Co., Ltd* (廣州龍美動漫科技有限公司), a company established in the PRC with limited liability and an Independent Third Party
“Longmei Property Management Services Entrustment Agreement”	the property management services entrustment agreement dated 1 November 2021 and entered into between Longmei Dongman and Target Company I in relation to the provision of property management services to Lingxiu Mansion* (領秀公館)
“Lupiao Commercial”	Guangzhoushi Lupiao Commercial Development Co., Ltd.* (廣州市蘆飄商業發展有限公司), a company established in the PRC with limited liability
“Maojia Trading”	Guangzhou Maojia Trading Co., Ltd.* (廣州市茂佳商貿有限公司), a company established in the PRC with limited liability
“Meisha Investment”	Guangzhou Meisha Investment Co., Ltd.* (廣州美廈投資有限公司), a company established in the PRC with limited liability, which is co-owned by Mr. Cheung, Mr. Mei and Mr. Zhang
“Mr. Cheung”	Mr. Cheung Hon Chuen (張漢泉), an executive Director, the chairman of the Board and one of the founders and controlling shareholders of the Company
“Mr. Mei”	Mr. Mei Zuoting (梅佐挺), an executive Director and one of the founders and controlling shareholders of the Company
“Mr. Zhang”	Mr. Zhang Weixin (張偉新), an executive Director and one of the founders and controlling shareholders of the Company
“percentage ratio(s)”	has the meaning ascribed to it in the Listing Rules
“PRC”	the People’s Republic of China, which for the purposes of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Profit Forecast”	A profit forecast for the purpose of Rule 14.61 of the Listing Rules, which the Valuation constitutes

“Property Management Services Entrustment Agreement”	collectively, (i) the Xiajiao Property Management Services Entrustment Agreements; (ii) the Shangjiao Property Management Services Entrustment Agreement; (iii) the Yuedao Property Management Services Entrustment Agreement; and (iv) the Xinji Plaza Property Management Services Entrustment Agreement
“Purchaser”	Guangzhou Xinji Jiuxing Service Co., Ltd.* (廣州信基玖星服務有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares I”	the entire registered capital of Target Company I held by Vendor I as at the date of this announcement
“Sale Shares II”	the entire registered capital of Target Company II held by Vendor II as at the date of this announcement
“Shangjiao Property Management Services Entrustment Agreement”	the property management services entrustment agreement dated 1 November 2021 and entered into between Maojia Trading and Target Company I in relation to the provision of property management services to Shangjiao Comprehensive Building* (上濠綜合樓)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Share Transfer I”	the acquisition of Sale Shares I by the Purchaser pursuant to the terms and conditions of Share Transfer Agreement I
“Share Transfer II”	the acquisition of Sale Shares II by the Purchaser pursuant to the terms and conditions of the Share Transfer Agreement II
“Share Transfer Agreement I”	the share transfer agreement dated 15 March 2022 and entered into between the Purchaser, Vendor I, Target Company I and Guarantors I in relation to Share Transfer I
“Share Transfer Agreement II”	the share transfer agreement dated 15 March 2022 and entered into between the Purchaser, Vendor II, Target Company II and Guarantors II in relation to Share Transfer II
“Share Transfer Agreements”	collectively, Share Transfer Agreement I and Share Transfer Agreement II
“Shareholder(s)”	holder(s) of the Share(s)

“Shunde Yuxing”	Foshan Shunde Yuxing Trading Co., Ltd.* (佛山市順德區禹興貿易有限公司), a company established in the PRC with limited liability
“Shunde Zhenkun”	Foshan Shunde Zhenkun Investment Co., Ltd.* (佛山市順德區鎮坤投資有限公司), a company established in the PRC with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	collectively, Target Company I and Target Company II
“Target Company I”	Guangzhou Xinji Youxiang Property Co., Ltd.* (廣州信基優享物業有限公司), a company established in the PRC with limited liability
“Target Company II”	Foshan Xinji Youxiang Commercial Service Co., Ltd.* (佛山信基優享商業服務有限公司), a company established in the PRC with limited liability
“Transfer Business I”	the property management business transferred from Vendor I to Target Company I as described under the paragraph headed “Information on the Target Companies” in this announcement
“Transfer Business II”	the property management business transferred from Vendor II to Target Company II as described under the paragraph headed “Information on the Target Companies” in this announcement
“Valuation”	the valuation of the entire equity interests of Target Company II as at 31 December 2021 using the discounted cash flow method of the income approach prepared by the Valuer
“Valuation Report”	the valuation report dated 15 March 2022 prepared by the Valuer on (i) the valuation of the entire equity interests in Target Company I as at 31 December 2021 using the market approach; and (ii) the valuation of the entire equity interests in Target Company II as at 31 December 2021 using the discounted cash flow method of the income approach
“Valuer”	AVISTA Valuation Advisory Limited, an independent valuer
“Vendor I”	Guangzhou Xinji Property Management Co., Ltd.* (廣州市信基物業管理有限公司), a company established in the PRC with limited liability, which is ultimately beneficially owned as to 95.00% in aggregate by Mr. Cheung, Mr. Mei and Mr. Zhang as at the date of this announcement

“Vendor II”	Foshan Xinji Plaza Management Co., Ltd.* (佛山信基廣場經營管理有限公司), a company established in the PRC with limited liability, which is ultimately beneficially owned as to 52.50% in aggregate by Mr. Cheung, Mr. Mei and Mr. Zhang as at the date of this announcement
“Vendors”	collectively, Vendor I and Vendor II
“Weixin Development”	Weixin Development Overseas Limited, which is one of the controlling shareholders of the Company and wholly-owned by Mr. Zhang
“Xiajiao Property Management Agreement”	the property management agreement dated 15 October 2021 and entered into between Target Company I and Xinji Industry in relation to the provision of property management services to the shop rented by Xinji Industry at the Xinji Plaza Hall A* (信基廣場A館)
“Xiajiao Property Management Services Entrustment Agreement I”	the property management services entrustment agreement dated 1 November 2021 and entered into between Yingbin Investment and Target Company I in relation to the provision of property management services to Xiaji Plaza Hall A* (信基廣場A館)
“Xiajiao Property Management Services Entrustment Agreement II”	the property management services entrustment agreement dated 1 November 2021 and entered into between Lupiao Commercial and Target Company I in relation to the provision of property management services to Xiajiao Commercial Building* (廈滯商業大廈)
“Xiajiao Property Management Services Entrustment Agreement III”	the agreement dated 31 October 2021 and entered into between Lupiao Commercial and Target Company I in relation to management of car parking spaces of Xiajiao Commercial Building* (廈滯商業大廈) and the provision of operation and management services regarding shops in Xiajiao Commercial Building* (廈滯商業大廈)
“Xiajiao Property Management Services Entrustment Agreements”	collectively, Xiajiao Property Management Services Entrustment Agreement I, Xiajiao Property Management Services Entrustment Agreement II and Xiajiao Property Management Services Entrustment Agreement III
“Xinji Century”	Foshan Xinji Century Zhiye Co., Ltd.* (佛山信基百年置業有限公司), a company established in the PRC with limited liability

“Xinji Company”	Xinji Group Company Limited* (信基集團有限公司) (formerly known as Guangzhou Xinji Industrial Investment Company Limited* (廣州市信基實業投資有限公司)), a company established in the PRC with limited liability, which is co-owned by Mr. Cheung, Mr. Mei and Mr. Zhang
“Xinji Group”	the subsidiaries of Xinji Company and companies which are controlled by the controlling shareholders of the Company and operated under the brand name of “Xinji”, excluding the Group
“Xinji Industry”	Guangdong Xinji Industry Investment Holding Group Co., Ltd.* (廣東信基產業投資控股集團有限公司), a company established in the PRC with limited liability
“Xinji Plaza Property Management Services Entrustment Agreement”	the property management services entrustment agreement dated 1 January 2022 and entered into between Xinji Century and Target Company II in relation to the provision of property management services to Foshan Jiujiang Xinji Plaza* (佛山九江信基廣場)
“Yishen Commercial”	Guangzhou Yishen Commercial Operation Co., Ltd.* (廣州億燊商業營運有限公司), a company established in the PRC with limited liability
“Zhongying Shengda”	Guangdong Zhongying Shengda Capital Management Co., Ltd.* (廣東中盈盛達資本管理有限公司), a company established in the PRC with limited liability
“Yingbin Investment”	Guangdong Yingbin Investment Management Co., Ltd.* (廣東迎賓投資管理有限公司), a company established in the PRC with limited liability
“Yingde Shilihe”	Yingde Shilihe Trading Co., Ltd.* (英德市時利和貿易有限公司), a company established in the PRC with limited liability
“Yuedao Property Management Services Entrustment Agreement”	the property management services entrustment agreement dated 1 November 2021 and entered into between Kuiran Commercial and Target Company I in relation to the provision of property management services to Zong Yuehui* (綜玥薈)
“Zuoting Investment”	Zuoting Investment limited, a company incorporated in the British Virgin Islands with limited liability, which is one of the controlling shareholders of the Company and wholly-owned by Mr. Mei

“0%”

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 nonexecutive Directors.

** For identification purposes only*

APPENDIX I — LETTER FROM THE BOARD

15 March 2022

Listing Division
The Stock Exchange of Hong Kong Limited
12th Floor, Two Exchange Square
8 Connaught Place
Central
Hong Kong

Dear Sirs,

We refer to the announcement of Xinji Shaxi Group Co., Ltd (the “**Company**”) dated 15 March 2022 (the “**Announcement**”) of which this letter forms part. Unless the context otherwise requires, terms defined in the Announcement shall have the same meanings when used herein.

We refer to the valuation report dated 15 March 2022 (the “**Valuation Report**”) issued by AVISTA Valuation Advisory Limited (the “**Valuer**”) regarding (i) the valuation of the entire equity interests in Guangzhou Xinji Youxiang Property Co., Ltd.* (廣州信基優享物業有限公司) as at 31 December 2021 using the market approach; and (ii) the valuation (the “**Valuation**”) of the entire equity interests in Foshan Xinji Youxiang Commercial Service Co., Ltd.* (佛山信基優享商業服務有限公司) as at 31 December 2021 using the discounted cash flow method of the income approach, which constitutes a profit forecast (the “**Profit Forecast**”) as defined under Rule 14.61 of the Listing Rules.

We have discussed with the Valuer about different aspects including the bases and assumptions based upon which the Valuation has been prepared, and reviewed the Valuation for which the Valuer is responsible. We have also considered the report dated 15 March 2022 from Linkfield CPA Limited regarding whether the Profit Forecast, so far as the accounting policies and calculations are concerned, have been properly complied with the bases and assumptions as set out in the Valuation Report. We have noted that the Profit Forecast in the Valuation are mathematically accurate and is presented on a basis consistent in all material aspects with the accounting policies currently adopted by the Company.

We hereby confirm that pursuant to the Valuation Report, the Profit Forecast has been made after due and careful enquiry of the Board.

Yours faithfully,
For and on behalf of the Board
Xinji Shaxi Group Co., Ltd

Cheung Hon Chuen
Director

** For identification purposes only*

APPENDIX II — LETTER FROM LINKSFIELD CPA

INDEPENDENT REPORTING ACCOUNTANT’S ASSURANCE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF 佛山信基優享商業服務有限公司

TO THE BOARD OF DIRECTORS OF XINJI SHAXI GROUP CO., LTD.

We have completed our assurance engagement to report on the calculations of the discounted future estimated cash flows on which the business valuation (the “**Valuation**”) dated 15 March 2022 prepared by AVISTA Valuation Advisory Limited in respect of the appraisal of the fair value of the 100% equity interests in 佛山信基優享商業服務有限公司 (the “**Target Company**”) is based. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Directors’ Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and as set out in the Valuation. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

It is our responsibility to report, as required by paragraph 14.62(2) of the Listing Rules, on the calculations of the discounted future estimated cash flows on which the Valuation is based. We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work does not constitute any valuation of the Target Company.

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the HKICPA. This standard requires that we plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled in accordance with the bases and assumptions as set out in the Valuation. We reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions.

The discounted cash flows do not involve the adoption of accounting policies. The discounted cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

In our opinion, based on the foregoing, so far as the calculations are concerned, the discounted future estimated cash flows, has been properly compiled in all material respects in accordance with the bases and assumptions made by the directors of the Company as set out on in the Valuation.

LINKSFIELD CPA LIMITED

Certified Public Accountants

Engagement Director: KWOK CHI KAN

Practising Certificate Number: P06958

Hong Kong, 15 March 2022