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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)**

**MAJOR AND CONNECTED TRANSACTION  
IN RELATION TO RENEWAL OF TENANCY AGREEMENT**

**TERMINATION OF THE 2021 HOUSEHOLD MARKET TENANCY AGREEMENT**

On 28 October 2022, Guangdong Xinji Household, an indirect wholly-owned subsidiary of the Company, as tenant, entered into the Termination Agreement with Panyu Real Estate, as landlord, pursuant to which Guangdong Xinji Household and Panyu Real Estate agreed to revise the expiry date of the lease term under the 2021 Household Market Tenancy Agreement from 30 November 2026 to the 2021 Household Market Tenancy Agreement Expiry Date.

**2022 HOUSEHOLD MARKET TENANCY AGREEMENT**

On 28 October 2022, Guangdong Xinji Household, as tenant, entered into the 2022 Household Market Tenancy Agreement with Panyu Real Estate, as landlord, to renew the lease of the Premises for the period from the Effective Date to 14 June 2038 (both days inclusive).

**IMPLICATIONS UNDER THE LISTING RULES**

In accordance with HKFRS 16 “Leases”, the Group is required to recognise the tenancy of the Premises as right-of-use assets. Hence, the entering into of the 2022 Household Market Tenancy Agreement and the transaction contemplated thereunder will be regarded as an acquisition of assets by the Group.

As one or more of the applicable percentage ratios in respect of the estimated value of the right-of-use assets to be recognised by the Group under the 2022 Household Market Tenancy Agreement is more than 25% and less than 100%, the entering into of the 2022 Household Market Tenancy Agreement constitutes a major transaction on the part of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement, circular and Shareholders’ approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Panyu Real Estate is co-owned by (i) Mr. Cheung, being the chairman of the Board, an executive Director and one of the controlling shareholders; (ii) Mr. Mei, being an executive Director and one of the controlling shareholders; and (iii) Mr. Zhang, being an executive Director and one of the controlling shareholders. Accordingly, Panyu Real Estate is an associate of Mr. Cheung, Mr. Mei and Mr. Zhang and a connected person of the Company, and the entering into of the 2022 Household Market Tenancy Agreement 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 2022 Household Market Tenancy Agreement 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 2022 Household Market Tenancy Agreement and the transactions contemplated thereunder. As Mr. Cheung, Mr. Mei and Mr. Zhang and their associates, including Honchuen Investment, Zuoting Investment and Weixin Development, have material interests in the 2022 Household Market Tenancy Agreement, 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 2022 Household Market Tenancy Agreement and is required to abstain from voting on the resolution(s) approving the 2022 Household Market Tenancy Agreement and the transactions contemplated thereunder at the EGM.

## **DESPATCH OF CIRCULAR**

A circular, containing, among other things, (i) details of the 2022 Household Market Tenancy Agreement; (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 2022 Household Market Tenancy Agreement; and (iv) a notice to convene the EGM, will be despatched to the Shareholders on or before 18 November 2022.

Reference is made to the announcement of the Company dated 18 November 2020 in relation to the 2021 Household Market Tenancy Agreement. On 18 November 2020, Guangdong Xinji Household, an indirect wholly-owned subsidiary of the Company, as tenant, entered into the 2021 Household Market Tenancy Agreement with Panyu Real Estate, as landlord, to renew the lease of the Premises for a term of five years commencing from 1 December 2021 and ending on 30 November 2026 (both days inclusive).

On 28 October 2022, Guangdong Xinji Household, as tenant, entered into the Termination Agreement with Panyu Real Estate, as landlord, pursuant to which Guangdong Xinji Household and Panyu Real Estate agreed to revise the expiry date of the lease term under the 2021 Household Market Tenancy Agreement from 30 November 2026 to the 2021 Household Market Tenancy Agreement Expiry Date.

On 28 October 2022, Guangdong Xinji Household, as tenant, entered into the 2022 Household Market Tenancy Agreement with Panyu Real Estate, as landlord, to renew the lease of the Premises for the period from the Effective Date to 14 June 2038 (both days inclusive).

#### **TERMINATION AGREEMENT**

Date : 28 October 2022

Landlord : Panyu Real Estate

Tenant : Guangdong Xinji Household

Premises : Ground Floor and mezzanine of Building 3-5, Fuli Plaza, 105 National Road, Panyu District, Guangzhou, the PRC.

Principal terms : Guangdong Xinji Household and Panyu Real Estate agreed to revise the expiry date of the lease term under the 2021 Household Market Tenancy Agreement from 30 November 2026 to the 2021 Household Market Tenancy Agreement Expiry Date.

#### **2022 HOUSEHOLD MARKET TENANCY AGREEMENT**

Date : 28 October 2022

Landlord : Panyu Real Estate

Tenant : Guangdong Xinji Household

Premises : Ground Floor and mezzanine of Building 3-5, Fuli Plaza, 105 National Road, Panyu District, Guangzhou, the PRC with a total lettable area of approximately 21,832 square meters.

Lease term : The period commencing from the Effective Date, being (i) 1 December 2022; or (ii) the date on which all the conditions precedent under the 2022 Household Market Tenancy Agreement have been fulfilled (or as the case may be, waived), whichever is later, to 14 June 2038 (both days inclusive).

Rental fee : RMB9,054,924 for the first year with an annual increase of 5% from the second year onwards. The total rental fee payable throughout the lease term under the 2022 Household Market Tenancy Agreement shall be RMB205,588,741, details of which are set out below:

Rental period	Total rental fee for the period	Total rental fee after the Offset Arrangement
1. From 1 December 2022 to 30 November 2023	RMB9,054,924	RMB6,791,193
2. From 1 December 2023 to 30 November 2024	RMB9,507,660	RMB7,130,745
3. From 1 December 2024 to 30 November 2025	RMB9,983,052	RMB7,487,289
4. From 1 December 2025 to 30 November 2026	RMB10,482,204	RMB7,861,653
5. From 1 December 2026 to 30 November 2027	RMB11,006,316	RMB8,254,737
6. From 1 December 2027 to 30 November 2028	RMB11,556,624	RMB8,667,468
7. From 1 December 2028 to 30 November 2029	RMB12,134,460	RMB9,100,845
8. From 1 December 2029 to 30 November 2030	RMB12,741,180	RMB9,555,885
9. From 1 December 2030 to 30 November 2031	RMB13,378,236	RMB10,033,677
10. From 1 December 2031 to 30 November 2032	RMB14,047,140	RMB10,535,355
11. From 1 December 2032 to 30 November 2033	RMB14,749,500	RMB11,062,125
12. From 1 December 2033 to 30 November 2034	RMB15,486,972	RMB11,615,229
13. From 1 December 2034 to 30 November 2035	RMB16,261,332	RMB12,195,999
14. From 1 December 2035 to 30 November 2036	RMB17,074,404	RMB12,805,803
15. From 1 December 2036 to 30 November 2037	RMB17,928,120	RMB13,446,090
16. From 1 December 2037 to 14 June 2038	RMB10,196,617	RMB7,647,463

The rental fee payable under the 2022 Household Market Tenancy Agreement shall be inclusive of taxes.

A daily default interest rate of 0.01% on the outstanding amount payable will be accrued in the event that Guangdong Xinji Household fails to pay the outstanding amount of rental fee on the due date.

For the avoidance of doubt, if the Effective Date falls on a date after 1 December 2022, the rental fee payable for the period from the Effective Date to 30 November 2023 shall be calculated on a pro-rata basis based on the actual number of days for which the 2022 Household Market Tenancy Agreement is subsisting during the relevant period.

Payment terms : During the lease term, the rental fee shall be payable on an annual basis and is subject to the Offset Arrangement as set out below.

Guangdong Xinji Household shall prepay to Panyu Real Estate rental fee in the amount of RMB51,397,185, representing approximately 25% of the total amount of rental fee payable under the 2022 Household Market Tenancy Agreement, within five business days after the Effective Date. During the lease term, the amount of annual rental fee payable for each rental period shall be offset by part of the Prepaid Rental Fee that is equivalent to 25% of the total rental fee payable for the relevant rental period, and the balance of the rental fee payable for each rental period after the set-off shall be paid by Guangdong Xinji Household to Panyu Real Estate on an annual basis within 30 days after the commencement of the relevant rental period.

Conditions precedent : The 2022 Household Market Tenancy Agreement shall be conditional upon fulfilment or waiver (as the case may be) of the following conditions precedent:

- (a) Panyu Real Estate having provided all necessary support and assistance to Guangdong Xinji Household during the due diligence exercise on the Premises, including but not limited to the provision of relevant information and documents relating to the Premises, and Guangdong Xinji Household being satisfied with the due diligence results;
- (b) the 2022 Household Market Tenancy Agreement and the transactions contemplated thereunder having been approved by the shareholders of Panyu Real Estate in accordance with the relevant laws and regulations and its articles of association;
- (c) all necessary consents, approvals or authorisations required to be obtained by the Company in respect of the 2022 Household Market Tenancy Agreement (including but not limited to the approvals of the Board and the Independent Shareholders), having been obtained and remains valid;
- (d) there being no obligations and undertakings under the 2022 Household Market Tenancy Agreement or the transaction documents thereunder having been violated by Panyu Real Estate; and
- (e) the warranties and representations given by Panyu Real Estate in the 2022 Household Market Tenancy Agreement 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 Panyu Real Estate and Guangdong Xinji Household shall use its best endeavours to procure the fulfilment of the conditions above. Guangdong Xinji Household may at any time prior to the Effective Date waive any of the conditions above (except for condition (c)) in writing. In the event any of the conditions above are not fulfilled (or as the case may be, waived) by 31 January 2023 (or such later date as Panyu Real Estate and Guangdong Xinji Household may agree in writing), all rights, obligations and liabilities of Panyu Real Estate and Guangdong Xinji Household shall cease and terminate and neither Panyu Real Estate nor Guangdong Xinji Household shall have any claim against the other in respect of the 2022 Household Market Tenancy Agreement save for any antecedent breach and/or any rights or obligations which may have accrued under the 2022 Household Market Tenancy Agreement prior to such termination.

Termination : The Premises is currently subject to a legal charge/mortgage. If Guangdong Xinji Household cannot continue to use, occupy or sub-lease the Premises (in whole or in part) during the term of the 2022 Household Market Tenancy Agreement due to (i) realisation of the legal charge/mortgage rights over the Premises; or (ii) the default of Panyu Real Estate, Guangdong Xinji Household shall have the right to terminate the 2022 Household Market Tenancy Agreement. Panyu Real Estate shall within 10 business days after receiving the written notice from Guangdong Xinji Household refund to Guangdong Xinji Household the unused Prepaid Rental Fee together with interest on such unused Prepaid Rental Fee calculated at four times the prevailing loan prime rate of the People's Bank of China from the date of payment of such Prepaid Rental Fee.

If (a) any event of force majeure occurs, including but not limited to earthquake, war, fire or flood; or (b) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) resulting in any of the parties unable to perform its respective obligations under the 2022 Household Market Tenancy Agreement, Panyu Real Estate shall within 10 business days after receiving the written notice from Guangdong Xinji Household refund to Guangdong Xinji Household the unused Prepaid Rental Fee together with interest on such unused Prepaid Rental Fee calculated at the prevailing loan prime rate of the People's Bank of China from the date of payment of such Prepaid Rental Fee. In these circumstances, all rights, obligations and liabilities of Panyu Real Estate and Guangdong Xinji Household under the 2022 Household Market Tenancy Agreement shall cease and terminate and neither Panyu Real Estate nor Guangdong Xinji Household shall have any claim against the other in respect of the 2022 Household Market Tenancy Agreement.

A daily default interest rate of 0.05% on the outstanding amount payable will be accrued in the event that Panyu Real Estate fails to refund the unused Prepaid Rental Fee and/or pay the interest accrued thereon to Guangdong Xinji Household on the due date.

## **THE RIGHT-OF-USE ASSET**

The unaudited value of the right-of-use asset to be recognised by the Company under the terms of the 2022 Household Market Tenancy Agreement amounted to approximately RMB154,615,330, which is the present value of total consideration payable throughout the lease term under the 2022 Household Market Tenancy Agreement in accordance with HKFRS 16. Incremental borrowing rate of 4.30% is applied to compute the present value of total consideration payable under the 2022 Household Market Tenancy Agreement.

## **INFORMATION ON THE PARTIES**

### **Guangdong Xinji Household**

Guangdong Xinji Household is a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company. It is principally engaged in the operation of the shopping mall for home furnishings which is located on the Premises.

### **Panyu Real Estate**

Panyu Real Estate is a limited liability company established in the PRC which is co-owned by Mr. Cheung, Mr. Mei and Mr. Zhang. It is principally engaged in the property development business.

## **REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE TERMINATION AGREEMENT AND THE 2022 HOUSEHOLD MARKET TENANCY AGREEMENT**

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

The Premises are currently operated by Guangdong Xinji Household as a home furnishings shopping mall and Guangdong Xinji Household receives rental income from the sub-tenants of the Premises. In recent months, certain existing and prospective sub-tenants have indicated to Guangdong Xinji Household during the process of renewal or entering into of sub-leasing arrangements for the Premises that the respective lease term should ideally be ranging from approximately three to five years. As the 2021 Household Market Tenancy Agreement was originally going to be expired on 30 November 2026, Guangdong Xinji Household approached Panyu Real Estate in advance to explore the possibility of extending the lease term for the Premises until 14 June 2038 when the land use right of the Premises held by Panyu Real Estate would expire. Panyu Real Estate subsequently informed Guangdong Xinji Household that it was willing to consider extending the lease term for the Premises to Guangdong Xinji Household until 14 June 2038 on the basis that the rental fee for the Premises in respect of the new tenancy agreement should reflect the current and expected future market conditions.

During the process of negotiating the terms of the 2021 Household Market Tenancy Agreement in or around November 2020, the businesses of the sub-tenants of the Premises were adversely impacted by the continued outbreak of COVID-19 epidemic following the various lockdown measures, including travel restrictions, quarantine measures and/or compulsory suspension of work, imposed in the PRC to curb the spread of COVID-19 epidemic. Further, the customer flow to the Premises since 2020 had been affected by the ongoing road construction work carried out in the vicinity of the Premises leading to lower visibility of the shopping mall and causing inconvenience to customers visiting the shopping mall. Hence, Guangdong Xinji Household and Panyu Real Estate agreed on a lower rental fee for the Premises under the 2021 Household Market Tenancy Agreement.

On the other hand, the PRC Government has recently imposed more precise lockdown measures in response to COVID-19 epidemic in comparison with the large-scale lockdown measures initially imposed in the PRC. These new lockdown measures have the objectives of minimising the risk of contracting and spreading the COVID-19 epidemic while reducing the adverse impact of epidemic prevention and control measures on the economy and society. Therefore, the shopping mall which is located on the Premises will likely benefit from the new lockdown measures and gradually resume to normal operations. Further, based on the latest information available to the Company, the road construction work currently being carried out in the vicinity of the Premises is expected to be completed in or around December 2023, which will further increase the customer flow to the shopping mall. Hence, the prevailing market rental fee for the Premises and similar premises in comparable locations in the PRC is expected to increase gradually in the foreseeable future. In light of the above, Guangdong Xinji Household and Panyu Real Estate agreed to terminate the 2021 Household Market Tenancy Agreement before its original expiry date and to renew the tenancy of the Premises for a longer lease term until 14 June 2038 at rental fees that reflect the current and expected future market conditions. The Group will continue its present usage of the Premises as shopping mall for its usual and ordinary course of business. As Guangdong Xinji Household is entitled to receive rental income from the sub-tenants of the Premises during the term of the 2022 Household Market Tenancy Agreement, the Directors are of the view that the renewal of the tenancy of the Premises will provide a stable source of income for the Group.

Taking into account the above, the Directors (excluding the Directors who are required to abstain from voting, but including the independent non-executive Directors) are of the view that the Termination Agreement is entered into on normal commercial terms, in the ordinary and usual course of business of the Group and that the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The terms of the 2022 Household Market Tenancy Agreement were determined after arm's length negotiation between the parties and the rental fee was determined with reference to (i) the prevailing market rental fee for similar premises in comparable locations in the PRC of approximately RMB1,030,000 per month (i.e. equivalent to approximately RMB12,360,000 per year) based on the preliminary valuation prepared by the Valuer; (ii) the annual rental increment of 5% for each rental period throughout the lease term under the 2022 Household Market Tenancy Agreement with reference to the combined effect of the expected annual inflation rate and the projected annual growth rate in the market rental for similar premises in comparable locations throughout the lease term; and (iii) the long tenure under the 2022 Household Market Tenancy Agreement. The total rental fee of RMB9,054,924 for the first year under the 2022 Household Market Tenancy Agreement represents a discount of approximately 26.74% to the prevailing market rental fee of approximately RMB12,360,000 per year based on the preliminary valuation prepared by the Valuer. In light of the above, 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) are of the view that the 2022 Household Market Tenancy Agreement is entered into on normal commercial terms, in the ordinary and usual course of business of the Group, and that the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

In accordance with HKFRS 16 "Leases", the Group is required to recognise the tenancy of the Premises as right-of-use assets. Hence, the entering into of the 2022 Household Market Tenancy Agreement and the transaction contemplated thereunder will be regarded as an acquisition of assets by the Group.

As one or more of the applicable percentage ratios in respect of the estimated value of the right-of-use assets to be recognised by the Group under the 2022 Household Market Tenancy Agreement is more than 25% and less than 100%, the entering into of the 2022 Household Market Tenancy Agreement constitutes a major transaction on the part of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Panyu Real Estate is co-owned by (i) Mr. Cheung, being the chairman of the Board, an executive Director and one of the controlling shareholders; (ii) Mr. Mei, being an executive Director and one of the controlling shareholders; and (iii) Mr. Zhang, being an executive Director and one of the controlling shareholders. Accordingly, Panyu Real Estate is an associate of Mr. Cheung, Mr. Mei and Mr. Zhang and a connected person of the Company, and the entering into of the 2022 Household Market Tenancy Agreement 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.

Mr. Cheung, Mr. Mei and Mr. Zhang have abstained from voting on the relevant board resolutions of the Company for approving the 2022 Household Market Tenancy Agreement. To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, other than Mr. Cheung, Mr. Mei and Mr. Zhang, none of the Directors has material interest in the transaction contemplated under the 2022 Household Market Tenancy Agreement and none of them is required to abstain from voting on the relevant board resolutions.

## **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 2022 Household Market Tenancy Agreement 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 2022 Household Market Tenancy Agreement and the transactions contemplated thereunder. As Mr. Cheung, Mr. Mei and Mr. Zhang and their associates, including Honchuen Investment, Zuoting Investment and Weixin Development, have material interests in the 2022 Household Market Tenancy Agreement, 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 2022 Household Market Tenancy Agreement and is required to abstain from voting on the resolution(s) approving the 2022 Household Market Tenancy Agreement and the transactions contemplated thereunder at the EGM.

## **DESPATCH OF CIRCULAR**

A circular, containing, among other things, (i) details of the 2022 Household Market Tenancy Agreement; (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 2022 Household Market Tenancy Agreement; and (iv) a notice to convene the EGM, will be despatched to the Shareholders on or before 18 November 2022.

## **DEFINITIONS**

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors

“Company”	Xinji Shaxi Group Co., Ltd (信基沙溪集团股份有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 3603)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules and, unless the context requires otherwise, 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
“Effective Date”	the date on which the 2022 Household Market Tenancy Agreement becomes effective pursuant to the terms thereof, being (i) 1 December 2022; or (ii) the date on which all the conditions precedent under the 2022 Household Market Tenancy Agreement have been fulfilled (or as the case may be, waived), whichever is later
“EGM”	the extraordinary general meeting of the Company to be held for the Independent Shareholders to consider and, if thought fit, approve the 2022 Household Market Tenancy Agreement and the transactions contemplated thereunder
“Guangdong Xinji Household”	Guangdong Xinji Household Company Limited* (廣東信基家居有限公司), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company
“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
“Honchuen Investment”	Honchuen Investment Limited, a company incorporated in the British Virgin Islands with limited liability, which is one of the controlling shareholders and wholly-owned by Mr. Cheung
“2021 Household Market Tenancy Agreement”	the tenancy agreement dated 18 November 2020 and entered into between Guangdong Xinji Household and Panyu Real Estate in respect of the renewal of the lease of the Premises for the period from 1 December 2021 to 30 November 2026 (both days inclusive)

“2021 Household Market Tenancy Agreement Expiry Date”	the date on which the 2021 Household Market Tenancy Agreement expires pursuant to the terms of the Termination Agreement, being (i) 30 November 2022; or (ii) the date immediately prior to the Effective Date, whichever is later
“2022 Household Market Tenancy Agreement”	the tenancy agreement dated 28 October 2022 and entered into between Guangdong Xinji Household and Panyu Real Estate in respect of the renewal of the lease of the Premises for the period from the Effective Date to 14 June 2038 (both days inclusive)
“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 2022 Household Market Tenancy Agreement 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 SFO, which has been appointed to make recommendations to the Independent Board Committee and the Independent Shareholders in respect of the 2022 Household Market Tenancy Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than those who have a material interest in the 2022 Household Market Tenancy Agreement and the transactions contemplated thereunder
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Cheung”	Mr. Cheung Hon Chuen (張漢泉), the chairman of the Board, an executive Director and one of the controlling shareholders
“Mr. Mei”	Mr. Mei Zuoting (梅佐挺), an executive Director and one of the controlling shareholders
“Mr. Zhang”	Mr. Zhang Weixin (張偉新), an executive Director and one of the controlling shareholders

“Offset Arrangement”	the offset arrangement under which the amount of annual rental fee payable by Guangdong Xinji Household for each rental period under the 2022 Household Market Tenancy Agreement shall be offset by part of the Prepaid Rental Fee that is equivalent to 25% of the total rental fee payable for the relevant rental period
“Panyu Real Estate”	Guangzhou Panyu Xinji Real Estate Development Co., Ltd.* (廣州市番禺信基房產發展有限公司), a limited liability company established in the PRC which is co-owned by Mr. Cheung, Mr. Mei and Mr. Zhang
“PRC”	the People’s Republic of China, which for the sole purpose of this announcement, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region of the PRC and Taiwan
“Prepaid Rental Fee”	the prepaid rental fee in the amount of RMB51,397,185 payable by Guangdong Xinji Household to Panyu Real Estate under the 2022 Household Market Tenancy Agreement
“Premises”	Ground Floor and mezzanine of Building 3-5, Fuli Plaza, 105 National Road, Panyu District, Guangzhou, the PRC with a total lettable area of approximately 21,832 square metres
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Termination Agreement”	the agreement dated 28 October 2022 and entered into between Guangdong Xinji Household and Panyu Real Estate in respect of the termination of the 2021 Household Market Tenancy Agreement
“Valuer”	Masterpiece Valuation Advisory Limited, an independent valuer
“Weixin Development”	Weixin Development Overseas Limited, a company incorporated in the British Virgin Islands with limited liability, which is one of the controlling shareholders and wholly-owned by Mr. Zhang

“Zuoting Investment”

Zuoting Investment Limited, a company incorporated in the British Virgin Islands with limited liability, which is one of the controlling shareholders and wholly-owned by Mr. Mei

“%”

per cent.

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

Guangzhou, the PRC, 28 October 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 Dr. Zheng Decheng as independent non-executive Directors.*

*\* For identification purposes only*