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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The board (the "**Board**") of directors (the "**Directors**") of Xinji Shaxi Group Co., Ltd (the "**Company**") is pleased to announce the audited annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2020 (the "**FY2020**") together with the comparative figures for the year ended 31 December 2019 (the "**FY2019**"). These annual results have been reviewed by the Company's audit committee.

FINANCIAL HIGHLIGHTS

	For the year ended 31 December	
	2020	2019
	(RMB'000)	*(RMB'000)*
Revenue	**287,938**	303,083
Profit for the year	**31,911**	101,450
Core net profit[(i)]	**88,741**	109,800
Core net profit margin[(ii)]	**31%**	36%
Earnings per share (expressed in RMB per share)	**0.02**	0.08

Notes:

(i) Core net profit for FY2019 and FY2020 is a non-HKFRS measure, which is used for investors to evaluate the performance results of the underlying business of the Group, by excluding losses/gains from changes in fair value of the investment properties, government grants and adding back the listing expenses and further adjusted for income tax effects for the aforementioned items.

(ii) Core net profit margin is arrived at by dividing core net profit by revenue of the Group for the respective years.

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2020	2019
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**287,938**	303,083
Cost of sales		**(26,820)**	(28,180)
Fair value (losses)/gains on investment properties		**(79,274)**	10,051
Selling and marketing expenses		**(24,625)**	(32,777)
Administrative expenses		**(40,713)**	(50,501)
Net impairment losses on financial assets and operating lease receivables		**(4,177)**	(432)
Other income	*4*	**13,548**	4,280
Other (losses)/gains - net		**(6,989)**	2,053
Operating profit		**118,888**	207,577
Finance income	*5*	**1,625**	1,107
Finance expenses	*5*	**(51,858)**	(53,265)
Finance expenses – net	*5*	**(50,233)**	(52,158)
Profit before income tax		**68,655**	155,419
Income tax expenses	*6*	**(36,744)**	(53,969)
Profit for the year		**31,911**	101,450
Profit attributable to:			
– Owners of the Company		**32,967**	102,905
– Non-controlling interests		**(1,056)**	(1,455)
		31,911	101,450
Earnings per share for profit attributable to owners of the Company during the year *(expressed in RMB per share)*	*7*		
Basic and diluted earnings per share		**0.02**	0.08

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Profit for the year	**31,911**	101,450
Other comprehensive income for the year net of tax	**–**	–
Total comprehensive income for the year	**31,911**	101,450
Attributable to:		
– Owners of the Company	**32,967**	102,905
– Non-controlling interests	**(1,056)**	(1,455)
	31,911	101,450

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December **2020** *RMB'000*	**2019** *RMB'000*
ASSETS			
Non-current assets			
Property and equipment		**3,160**	1,405
Investment properties	*13*	**2,991,240**	2,971,870
Intangible assets		**890**	817
Deferred income tax assets	*12*	**1,592**	4,304
		2,996,882	2,978,396
Current assets			
Inventories		**5,231**	1,450
Operating lease and trade receivables and other receivables	*9*	**100,572**	37,697
Amounts due from related parties		**–**	26
Restricted cash		**3,300**	–
Cash and cash equivalents		**182,497**	272,400
		291,600	311,573
Total assets		**3,288,482**	3,289,969
EQUITY			
Share capital and premium		**285,178**	304,494
Other reserves		**242,243**	232,422
Retained earnings		**1,370,286**	1,347,140
		1,897,707	1,884,056
Non-controlling interests		**(3,343)**	(2,287)
Total equity		**1,894,364**	1,881,769

	Note	As at 31 December 2020 RMB'000	2019 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	*11*	**454,621**	466,220
Deferred revenue		**2,210**	2,637
Trade and other payables	*10*	**22,105**	29,454
Lease liabilities	*10*	**147,913**	131,006
Deferred income tax liabilities	*12*	**407,208**	414,945
		1,034,057	1,044,262
Current liabilities			
Borrowings	*11*	**175,784**	143,889
Trade and other payables	*10*	**87,049**	86,141
Lease liabilities	*10*	**24,066**	21,141
Advance from customers		**38,109**	65,159
Contract liabilities		**7,947**	7,516
Current income tax liabilities		**27,106**	40,092
		360,061	363,938
Total liabilities		**1,394,118**	1,408,200
Total equity and liabilities		**3,288,482**	3,289,969

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL INFORMATION

Xinji Shaxi Group Co., Ltd (the "**Company**") was incorporated in the Cayman Islands on 27 July 2018 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is 71 Fort Street, PO Box 500, George Town, Grand Cayman KY1–1106, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the "**Group**") are principally engaged in operating and managing hospitality supplies and home furnishing shopping malls, exhibition management services and online shopping mall in the People's Republic of China (the "**PRC**").

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 8 November 2019.

These consolidated financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000), unless otherwise stated.

1 BASIS OF PREPARATION

(i) Compliance with HKFRS and HKCO

The consolidated financial statements of the Group have been prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRS**") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

(ii) Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(iii) Going concern

As at 31 December 2020, the Group's current liabilities exceeded its current assets by RMB68,461,000, which included borrowings of RMB175,784,000 that were repayable within the next twelve months from 31 December 2020. The Company's directors have reviewed the Group's cash flow projections prepared by the management which cover a period of not less than twelve months from 31 December 2020. Based on these cash flow projections, the Group will have sufficient financial resources to meet its financial obligations as and when they fall due in the coming twelve months from 31 December 2020. The directors, after making due enquiries and considering the basis of management's projections and after taking into account the operating cash flows and continued availability of the Group's bank facilities, consider that there will be sufficient financial resources to meet the Group's financial obligations as and when they fall due in the coming twelve months from 31 December 2020. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

(iv) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

HKAS 1 and HKAS 8 (Amendments)	Definition of material
HKFRS 3 (Amendments)	Definition of a business
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest rate benchmark reform
Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Revised Conceptual Framework for Financial Reporting	

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods, except for the Amendment to HKFRS 16 set out above.

(v) New standards and interpretations not yet adopted

		Effective for annual periods beginning on or after
HKFRS 3 (Amendments)	Business combinations – reference to conceptual framework	1 January 2022
HKAS 16 (Amendments)	Property, plant and equipment – proceeds before intended use	1 January 2022
HKAS 37 (Amendments)	Provisions, contingent liabilities and contingent assets – onerous contracts	1 January 2022
Annual improvements to HKFRS 1	First-time adoption of HKFRS	1 January 2022
Annual improvements to HKFRS 9	Financial instruments	1 January 2022
Annual improvements to HKFRS 16	Leases	1 January 2022
Annual improvements to HKAS 41	Agriculture	1 January 2022
HKAS 1 (Amendments)	Presentation of financial statements – classification of liabilities	1 January 2023
HKFRS 17	Insurance contract	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards, interpretation and amendments, certain of which are relevant to the Group's operations. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2 SEGMENT INFORMATION

The Executive Directors of the Company have been identified as the chief operating decision maker. Management has determined the operating segments based on the reports reviewed by the Executive Directors, which are used to allocate resources and assess performance.

The Group is principally engaged in managing owned/leased portfolio shopping mall which derives revenue from leasing floor areas to the tenants and providing comprehensive and continuous operation and management support to them in the PRC. Management reviews the operating results of the business as one segment to make decisions about resources to be allocated. Therefore, the Executive Directors of the Company regards that there is only one segment which is used to make strategic decisions.

The major operating entities of the Group are domiciled in the PRC. All of the Group's revenue are derived in the PRC during the year ended 31 December 2020 (2019: same).

As at 31 December 2020, all non-current assets of the Group were located in the PRC (31 December 2019: same).

There was no revenue derived from a single external customer that accounted for 10% or more of the Group's revenues during the year ended 31 December 2020 (2019: same).

3 REVENUE

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Rental income:		
– Property lease income	**242,406**	254,691
Revenue from contracts with customers:		
– Sales of goods (a)	**19,322**	15,057
– Exhibition management service (b) & (c)	**–**	4,991
– Property management service (b) & (c)	**26,210**	28,344
	45,532	48,392
	287,938	303,083

(a) Revenue generated from sales of goods is recognised at a point in time when the customer obtains control of the asset.

(b) Revenue generated from exhibition management and properties management service are recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation.

(c) The following table shows unsatisfied performance obligations resulting from fixed-price long-term property management services contracts:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Aggregate amount of the transaction price allocated to long-term property management service contracts that the performance obligations of which are partially or fully unsatisfied as at 31 December		
Expected to be recognised over one year	**31,893**	24,783
Expected to be recognised within one year	**20,469**	21,753
	52,362	46,536

The amount disclosed above does not include any variable consideration.

For exhibition management service, they are rendered in short period of time and there is no unsatisfied performance obligation as at 31 December 2020 (31 December 2019: same).

(d) By the year ended 31 December 2020, no assets recognised from incremental costs to obtain a contract.

4 OTHER INCOME

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Forfeiture of advances received from customers	**4,051**	499
Commission income due to amendment of rental contracts	**328**	324
Government grants *(Note (a))*	**4,197**	–
Others	**4,972**	3,457
	13,548	4,280

(a) Government grants

Government grants mainly represent the reward of being successfully listed on Hong Kong Main Board from Panyu District Government. There are no unfulfilled conditions or other contingencies attaching to these grants. The Group did not benefit directly from any other forms of government assistance.

5 FINANCE EXPENSES – NET

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Finance income:		
– Interest income from bank deposits	**(1,625)**	(1,107)
Finance expenses:		
– Leasing finance expenses	**7,871**	8,952
– Interest expenses	**43,987**	44,502
– Less: capitalised interest	**–**	(189)
	51,858	53,265
Finance expenses – net	**50,233**	52,158

6 INCOME TAX EXPENSE

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Current income tax		
– PRC corporate income tax	**41,769**	40,885
Deferred income tax *(Note 12)*	**(5,025)**	13,084
Income tax expenses	**36,744**	53,969

(a) PRC corporate income tax

The Group's subsidiaries in the PRC are subject to corporate income tax at tax rate of 25% during the year ended 31 December 2020 (2019: same).

(b) PRC withholding income tax

PRC withholding income tax of 10% shall be levied on the dividends declared by companies established in the PRC to their foreign investors out of their profits earned after 1 January 2008. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

(c) Cayman Islands income tax

The Company is incorporated in Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

(d) British Virgin Islands income tax

The Group's subsidiaries in the British Virgin Islands were incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, exempted from British Virgin Islands income tax.

(e) Hong Kong profits tax

Hong Kong profits tax has not been provided as the Group's subsidiaries incorporated in Hong Kong did not have any assessable profits during the year (2019: same).

(f) The tax on the Group's profit before tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the group entities as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Profit before income tax	**68,655**	155,419
Tax calculated at applicable PRC corporate income tax rate of 25%	**17,164**	38,855
Tax effects of:		
Expenses not deductible for tax purposes	**8,482**	4,033
Tax losses for which no deferred income tax asset was recognised	**11,098**	11,081
Income tax expense	**36,744**	53,969

7 EARNINGS PER SHARE

(a) Basic

	Year ended 31 December	
	2020	2019
Profit attributable to owners of the Company *(RMB'000)*	**32,967**	102,905
Weighted average number of ordinary shares in issue *(thousands)*	**1,500,000**	1,239,616
Basic earnings per share *(RMB)*	**0.02**	0.08

(b) Diluted

The Company did not have any potential dilutive ordinary shares outstanding during the years ended 31 December 2020 and 2019. Diluted earnings per share are the same as the basic earnings per share.

8 DIVIDEND

A final dividend of RMB0.013 per ordinary share for the year ended 31 December 2019, totaling RMB19,316,000 was approved by the shareholders at the annual general meeting held on 26 May 2020. The dividends in aggregate amount of RMB19,316,000 has been distributed out of the Company's share premium.

9 OPERATING LEASE AND TRADE RECEIVABLES AND OTHER RECEIVABLES

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Operating lease receivables	**24,639**	20,111
Less: allowance for impairment of operating lease receivables	**(2,590)**	(2,342)
Operating lease receivables – net	**22,049**	17,769
Trade receivables	**8,204**	6,125
Less: allowance for impairment of trade receivables	**(806)**	(629)
Trade receivables – net	**7,398**	5,496
Other receivables	**64,633**	7,993
Less: allowance for impairment of other receivables	**(3,144)**	(202)
Other receivables – net	**61,489**	7,791
Prepaid tax and other levies	**435**	738
Prepayments	**5,477**	2,805
Input VAT available for future deduction	**3,724**	3,098
	100,572	37,697

The aging analysis of trade receivables based on recognition date at the respective balance sheet date is as follows:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Less than 1 year	**8,204**	6,125

(i) Transferred receivables

The carrying amounts of the trade receivables include receivables which are subject to a factoring arrangement. Under this arrangement, the Group has transferred the relevant receivables to the factor in exchange for cash and is prevented from selling or pledging the receivables. However, the Group has retained late payment and credit risk. The Group therefore continues to recognise the transferred assets in their entirety in its balance sheet. The amount repayable under the factoring agreement is presented as secured borrowing. The Group considers that the held to collect business model remains appropriate for these receivables and hence continues measuring them at amortised cost.

The relevant carrying amounts are as follows:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Transferred receivables	**5,694**	–
Associated secured other borrowing *(Note 11)*	**3,000**	–

As at 31 December 2020, trade and other receivables were denominated in RMB and the fair values of trade and other receivables approximated their carrying amounts.

10 TRADE AND OTHER PAYABLES AND LEASE LIABILITIES

(i) Trade and other payables

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Trade payables	**4,482**	3,634
Construction contract payables	**37,503**	42,912
Salary payables	**15,192**	15,529
Other tax liabilities	**805**	748
Deposits from tenants	**42,662**	43,674
Other payables	**8,510**	9,098
	109,154	115,595
Less: non-current portion		
Deposits from tenants	**(22,105)**	(29,454)
Current portion	**87,049**	86,141

At 31 December 2020, the aging analysis of the trade and construction contract payables based on invoice date is as follows:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Less than 1 year	**21,281**	15,644
Over 1 year	**20,704**	30,902
	41,985	46,546

As at 31 December 2020 and 2019, trade and other payables were denominated in RMB and their fair values approximated their carrying amounts.

(ii) Lease liabilities

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Balance at beginning of the year	**152,147**	160,502
Lease modifications *(Note (b))*	**31,262**	-
Additions	**-**	1,028
Leasing finance expenses recognised *(Note 5)*	**7,871**	8,952
Settlement of lease liabilities	**(19,301)**	(18,335)
	171,979	152,147
Less: non-current portion	**(147,913)**	(131,006)
Current portion of lease liabilities	**24,066**	21,141

(a) The Group mainly leases land use right and properties. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. The right-of-use assets are presented as investment properties (Note 13) and property and equipment.

(b) Lease modification is a change in the scope of a lease or the consideration for a lease, that was not part of the original terms and conditions of the lease. As at 31 December 2020, lease modifications of the Group consist of scenarios including extending the contractual lease term, modifying the consideration and amending the discount rate on the basis of original leased assets.

11 BORROWINGS

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Bank borrowings – Secured *(Note(a))*	**627,405**	610,109
Other borrowings – Secured *(Note(b))*	**3,000**	–
Total borrowings	**630,405**	610,109
Less: non-current portion		
– Bank borrowings - Secured	**(454,621)**	(466,220)
Current portion	**175,784**	143,889

(a) As at 31 December 2020, bank borrowings of RMB627,405,000 (31 December 2019: RMB610,109,000) bore interest ranging from 5.66% to 7.36% per annum and were secured by investment properties of the Group (Note 13).

(b) As at 31 December 2020, other borrowings of RMB3,000,000 (2019: nil) from a factoring institution with an interest of 14.5% per annum were guaranteed by the Group's trade receivables (Note 9(i)) and would mature in April 2021.

(c) The exposure of bank borrowings to interest-rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
6 months or less	**597,705**	610,109

The maturity of the bank borrowings is as follows:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Less than 1 year	**172,784**	143,889
1–2 years	**69,473**	124,066
2–5 years	**224,284**	172,092
Over 5 years	**160,864**	170,062
	627,405	610,109

The maturity of the other borrowings is as follows:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Less than 1 year	**3,000**	–

The weighted average effective interest rates of borrowings are as follows:

	For the year ended	
	2020	2019
Bank borrowings	**7.19%**	6.85%
Other borrowings	**11.41%**	Not applicable
Total borrowings	**7.20%**	6.85%

(d) The carrying amounts of current borrowings approximate their fair values due to their short-term maturities.

The fair values of non-current borrowings are estimated based on discounted cash flow using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the balance sheet date, which are categorised as level 2 fair value measurement. As at 31 December 2020, the carrying amounts of borrowings are primarily denominated in RMB and approximate their fair values (31 December 2019: same).

12 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts of deferred tax assets and liabilities of the Group after offsetting are as follows:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Deferred income tax assets:		
– to be recovered after 12 months	**(1,592)**	(4,304)
Deferred income tax liabilities:		
– to be settled within 12 months	**–**	5,285
– to be settled after 12 months	**407,208**	409,660
	407,208	414,945
Deferred income tax liabilities, net	**405,616**	410,641

The net movements on deferred taxation are as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Balance at beginning of the year	**410,641**	397,557
(Credited)/charged to profit or loss *(Note 6)*	**(5,025)**	13,084
Balance at end of the year	**405,616**	410,641

The movement in deferred income tax assets before offsetting during the year is as follows:

Deferred income tax assets	**Temporary difference on recognition of cost of sales and expenses**	**Allowance on doubtful receivables**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2019	9,648	1,844	11,492
(Charged)/credited to profit or loss	(558)	108	(450)
At 31 December 2019	9,090	1,952	11,042
Charged to profit or loss	(1,139)	(317)	(1,456)
At 31 December 2020	**7,951**	**1,635**	**9,586**

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB50,760,000 (31 December 2019: RMB49,971,000) in respect of losses amounting to RMB203,039,000 (31 December 2019: RMB199,882,000) of certain subsidiaries that can be carried forward against future taxable income as at 31 December 2020. These tax losses will expire up to years 2021 to 2025.

The movement in deferred income tax liabilities before offsetting during the year is as follows:

Deferred income tax liabilities	**Temporary difference of investment properties**	**Deferred Revenue**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2019	397,419	11,630	409,049
Charged/(credited) to profit or loss	18,978	(6,344)	12,634
At 31 December 2019	416,397	5,286	421,683
Credited to profit or loss	(1,195)	(5,286)	(6,481)
At 31 December 2020	415,202	–	415,202

As at 31 December 2020, deferred income tax liabilities amounting to RMB36,756,000 (31 December 2019: RMB32,300,000), have not been recognised for withholding tax and other taxes that would be payable on the unremitted earnings of the Group's subsidiaries in the PRC. Such amounts are permanently reinvested.

13 INVESTMENT PROPERTIES

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Opening net book amount	**2,971,870**	2,890,230
Lease modification *(Note 10(b))*	**31,998**	-
Additions	**66,646**	71,400
Capitalised interests *(Note 5)*	**–**	189
Fair value changes	**(79,274)**	10,051
Closing net book amount	**2,991,240**	2,971,870
Analysis of investment properties:		
– properties on land use right certificates owned by the Group	**1,498,180**	1,496,670
– properties on right of use assets	**1,493,060**	1,475,200
	2,991,240	2,971,870

Amounts recognised in profit or loss for investment properties

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Rental income	**242,406**	254,691

As at 31 December 2020, investment properties of RMB1,469,250,000 were pledged as collateral for the Group's borrowings (31 December 2019: RMB 1,468,300,000).

The total cash outflow for leases in the year ended 31 December 2020 was RMB19,614,000 (2019: RMB18,486,000).

14 CONTINGENCIES

On 30 December 2020, Shanghai Red Star Macalline Commercial Property Investment Co., Ltd. ("**Shanghai Red Star**") lodged a claim of arbitration against several respondents, including Shenyang Xinji Industrial Centre Company Limited. According to the claim, Shanghai Red Star requested Shenyang Xinji Industrial, among other respondents, to make compensation for the breach of a cooperative development agreement. As at 31 December 2020, the case has not been heard by the Shanghai International Arbitration Center. The Group assessed this claim with assistance of external lawyer and considered that the judgment will be in its favour and therefore has not recognised a provision in relation to this claim. The potential maximum compensation that the Group could be required to make if there was an adverse decision related to the arbitration is estimated to be approximately RMB20 million.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020. No interim dividend was paid or declared during the year (2019: RMB0.013 per share).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the FY2020, the revenue recorded a decrease of 5% to approximately RMB287.9 million compared with approximately RMB303.1 million for the FY2019. Such decrease was mainly driven by the decrease in revenue from our rental income and the properties management service.

The table below sets forth the breakdown of the Group's revenue by business lines as indicated:

	For the year ended 31 December			
	2020		2019	
	RMB'000	*%*	*RMB'000*	*%*
Rental Income	**242,406**	**84**	254,691	84
Property Management Service	**26,210**	**9**	28,344	9
Sales of Goods	**19,322**	**7**	15,057	5
Exhibition Management Service	**–**	**–**	4,991	2
Total	**287,938**	**100**	303,083	100

Rental Income

Rental income is revenue received by the Group from the tenants who signed lease contracts with us to run business at the Group's owned/leased portfolio shopping malls, which accounted for approximately 84% of our total revenue in FY2020. For the FY2020, revenue from our rental income decreased by RMB12.3 million or 5% to approximately RMB242.4 million (FY2019: RMB254.7 million) due to the rental exemption and concession policies launched by the Group as a result of the outbreak of the Novel Coronavirus ("**COVID-19**").

Property Management Service

Revenue from our property management services is the management fees paid by the tenants under the property management agreements. For the FY2020, income from property management services decreased by RMB2.1 million or 7% to approximately RMB26.2 million (FY2019: RMB28.3 million). The decrease in property management service income was mainly attributable to the decrease in areas under the management of the Group as affected by the outbreak of COVID-19.

Exhibition Management Service

Revenue from our exhibition management service income includes fees received from exhibitors. Due to the impact of COVID-19, the Company has suspended the organisation of exhibitions in the FY2020 and no exhibition revenue was generated (FY2019: RMB5.0 million).

Sales of Goods

Revenue from sales of goods is the revenue generated from sales of hospitality products and home furnishings through our online shopping mall. For the FY2020, revenue from sales of goods increased by RMB4.2 million or approximately 28% to approximately RMB19.3 million (FY2019: RMB15.1 million). Such increase in revenue from sales of goods was mainly due to the increase in business-to-business ("**B2B**") operations of the Group.

Cost of Sales

Our cost of sales slightly decreased by approximately RMB1.4 million or 5% from approximately RMB28.2 million for the FY2019 to approximately RMB26.8 million for the FY2020. Such decrease was mainly due to the impact of COVID-19, the Company has suspended the organisation of exhibitions in the FY2020 and no exhibition cost was generated (FY2019: RMB2.2 million).

Fair Value Losses/Gains on Investment Properties

Our fair value changes on investment properties decreased substantially by RMB89.4 million to fair value losses of approximately RMB79.3 million for the FY2020 (FY2019: fair value gains of RMB10.1 million), which was mainly due to the adjustment made in the valuation of Xinji Hotelex Hospitality Supplies Center as it is temporarily unavailable for revenue at this stage due to partial property alterations in FY2020 and adjustment in the values of two shopping malls in Shenyang, the People's Republic of China (the "**PRC**") in view of the general decrease in macro market demand caused by the outbreak of COVID-19.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by RMB8.2 million or 25% from approximately RMB32.8 million for the FY2019 to approximately RMB24.6 million for the FY2020. Such decrease was mainly due to the cost tightening measures implemented in view of the difficult operating environment as a result of the outbreak of COVID-19.

Administrative Expenses

Our administrative expenses decreased by RMB9.8 million or 19% from approximately RMB50.5 million for the FY2019 to approximately RMB40.7 million for the FY2020, which was mainly due to the cost tightening measures implemented in view of the difficult operating environment as a result of the outbreak of COVID-19.

Other Income

Our other income increased by RMB9.2 million or 214% from approximately RMB4.3 million for the FY2019 to approximately RMB13.5 million for the FY2020. Such increase was mainly due to the fact that in the FY2020, we received the reward of being successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") from Panyu District Government of RMB3.0 million, and the increase in recognised default income of approximately RMB4.1 million, as a result of the tenants terminating their leases prior to the expiration date of such leases due to the impact of COVID-19 during the year.

Operating Profit and Operating Profit Margin

As a result of the foregoing, our operating profit decreased by RMB88.7 million or 43% from approximately RMB207.6 million for the FY2019 to approximately RMB118.9 million for the FY2020. Our operating profit margin decreased from 68% for the FY2019 to 41% for the FY2020.

Finance Income

Our finance income increased by RMB0.5 million or 45% from approximately RMB1.1 million for the FY2019 to approximately RMB1.6 million for the FY2020. This was primarily due to the interest income from the funds raised from the global offering of the Company on 8 November 2019.

Finance Expenses

Our finance expenses decreased by RMB1.4 million or 3% from approximately RMB53.3 million for the FY2019 to approximately RMB51.9 million for the FY2020. This was mainly due to the decrease in relevant expenses of the banking facilities.

Net Finance Expenses

As a result of the foregoing, our net finance expenses decreased by RMB2.0 million or 4% from approximately RMB52.2 million for the FY2019 to approximately RMB50.2 million for the FY2020.

Profit for the Year and Net Profit Margin

As a result of the foregoing, profit for the FY2020 decreased by RMB69.6 million or 69% from approximately RMB101.5 million for the FY2019 to approximately RMB31.9 million for the FY2020. Our net profit margin decreased from approximately 33% for the FY2019 to approximately 11% for the FY2020, which was mainly due to the decrease of RMB89.4 million in fair value gains on investment properties.

Core Net Profit

Our management believes core net profit will be useful for investors in evaluating the performance results of our underlying business across accounting periods by eliminating the effects of certain non-recurring items including the fair value changes on investment properties which are considered not indicative for evaluation of the actual performance of our business.

Our core net profit decreased by RMB21.1 million or 19% from approximately RMB109.8 million for the FY2019 to approximately RMB88.7 million for the FY2020. This was mainly due to the decrease of RMB15.2 million in the revenue of the Group for the FY2020 as a result of the outbreak of COVID-19.

The following table sets forth the profit and the core net profit of the Group for the years indicated:

	For the year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Profit for the year	**31,911**	101,450
Add:		
Fair value losses/(gains) on investment properties	**79,274**	(10,051)
Listing expenses	**–**	17,340
Government grants	**(3,500)**	–
Income tax expenses in relation to above reconciled items	**(18,944)**	1,061
Core net profit for the year	**88,741**	109,800
– Owners of the Company	**89,797**	111,255
– Non-controlling interests	**(1,056)**	(1,455)

CHANGE IN USE OF NET PROCEEDS

During the FY2020, due to the continued outbreak of COVID-19, countries worldwide have imposed various lockdown measures to curb the spread of COVID-19, including travel restrictions, quarantine measures and/or compulsory suspension of work. As a result, the global hospitality and tourism industries have severely suffered, which has adversely affected the profitability of the tenants, and thus has hampered the financial performance of the Group. In order to strengthen the Group's liquidity to cope with the impacts and challenges brought by the outbreak of COVID-19 and to enhance the efficiency and effectiveness of capital use of the Group, the use of net proceeds from the global offering of the Company (the "**Net Proceeds**") has been appropriately adjusted as disclosed in the announcement of the Company dated 6 July 2020 in relation to the change in the use of Net Proceeds (the "**Reallocations**") and business update of the Group. Hereunder are the details on the change in the use of the unutilised Net Proceeds:

(i) reallocating approximately 12.5% of the Net Proceeds in an amount of approximately RMB27.2 million, which were originally allocated for the project development of a new shopping mall located in each of Chengdu (the "**Chengdu Project**"), Zhengzhou (the "**Zhengzhou Project**") and Fuzhou (the "**Fuzhou Project**", together with the Chengdu Project and the Zhengzhou Project, the "**New Projects**") in the PRC, to supplement the general working capital of the Group; and

(ii) reallocating approximately 36.8% of the Net Proceeds in an amount of approximately RMB80.0 million, which were originally allocated for the New Projects, to develop a new shopping mall located in Guangzhou, the PRC (the "**Guangzhou Project**").

The utilisation of the Net Proceeds and the unutilised Net Proceeds after the Reallocations as of 31 December 2020 are set out below:

	Original Intended Amount *RMB million*	Unutilised Amount after Reallocations *RMB million*	Utilised Amount as of 31 December 2020 *RMB million*	Unutilised Amount as of 31 December 2020 *RMB million*	Timeframe for Full Utilisation of the Reallocated Unutilised Amount
(i) Repayment of the Group's bank borrowings for the construction cost and sales and marketing cost of its shopping malls	56.7	31.2	31.2	–	
(ii) Development of New Projects					
a) Chengdu Project	63.8	–	–	–	–
b) Zhengzhou Project	40.8	22.5	–	22.5	till 2023
c) Fuzhou Project	55.9	30.8	–	30.8	till 2023
d) Guangzhou Project	–	80.0	57.8	22.2*	till 2023
(iii) General working capital	–	27.2	27.2	–	
Total	217.2	191.7	116.2	75.5	

Note: Any discrepancies in the above table between totals and sums of amounts listed herein are due to rounding. Save for the aforesaid Reallocations, there are no other changes in the use of the Net Proceeds.

* *On 29 December 2020 (after trading hours), Guangzhou Shaxi entered into a supplemental agreement with Guangzhou Chaoying to unwind the acquisition of 60% of the equity interest in Guangzhou Zhicheng Commercial Operation Limited. The Board intends to apply the returned payment of RMB57.8 million to other shopping mall development project(s) in the future.*

The Board is of the view that the aforementioned change in the use of the Net Proceeds is fair and reasonable as it allows the Group to meet its financial needs more efficiently and flexibly. As such, the Board considers that the Reallocations are in the interests of the Company and the shareholders of the Company (the "**Shareholders**") as a whole. The Directors will continuously assess the plans for the use of the Net Proceeds and may revise or amend such plans where necessary, to diminish the impacts of the outbreak of COVID-19 and strive for better business performance of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

Cash and Cash Equivalents

As at 31 December 2020, the Group's cash and cash equivalents amounted to approximately RMB182.5 million (31 December 2019: RMB272.4 million). Cash and cash equivalents are mainly denominated in Renminbi.

Borrowing and Charges on the Group's Assets

As at 31 December 2020, the Group's bank borrowings of approximately RMB627.4 million (31 December 2019: RMB610.1 million) bore interest ranging from 5.66% to 7.36% per annum and were secured by investment properties of the Group. The value of investment properties pledged as collateral for the Group's borrowings was approximately RMB1,469.3 million (31 December 2019: RMB1,468.3 million).

Acquisition and Disposal of Subsidiaries and Associated Companies

Save for the below operation right of the Guangzhou Shopping Mall, the Group had no material acquisitions and disposals of subsidiaries, associated companies and joint ventures during the FY2020.

Operation Right of Guangzhou Shopping Mall

As disclosed in the discloseable transaction announcements of the Company dated 24 July 2020, 4 September 2020 and 29 December 2020, Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司) ("**Guangzhou Shaxi**"), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Guangzhou Chaoying Trade Limited* (廣州朝盈貿易有限公司) ("**Guangzhou Chaoying**") for the acquisition of the 60% equity interest in Guangzhou Zhicheng Commercial Operation Limited* (廣州智誠商業運營有限公司) (the "**Target Company**") at a consideration of RMB78.0 million by Guangzhou Shaxi (the "**Acquisition**"). Pursuant to a cooperation agreement, the Target Company holds the operation right of operation and management of Bohuang International Hospitality Supplies Procurement Centre* (博皇國際酒店用品採購中心) ("**Guangzhou Shopping Mall**") which is located at Baiyun District, Guangzhou, the PRC for a term of 18 years from 1 May 2020 to 30 April 2038.

However, on 12 August 2020, a notice issued by the Guangzhou Baiyun District Baiyunhu Street Office* (廣州市白雲區人民政府白雲湖街道辦事處) was posted outside the Guangzhou Shopping Mall stating that the land, including the Guangzhou Shopping Mall, shall be expropriated and reconstructed. Notwithstanding the effort made by the Group to communicate with the relevant government authorities for its request to preserve the Guangzhou Shopping Mall from the land expropriation, as at 29 December 2020, the Group has yet to receive any notice from any relevant government authorities regarding such request. As a result, in order to safeguard the interest of the Company and the Shareholders as a whole, on 29 December 2020, the Group entered into a supplemental agreement with Guangzhou Chaoying to unwind the Acquisition.

BUSINESS REVIEW

The Group is principally engaged in the operation of the shopping malls for hospitality supplies and home furnishings which generated rental revenue in the PRC. Our business operations comprise four main business segments:

(i) our shopping malls, including three shopping malls for hospitality supplies and two shopping malls for home furnishings;

(ii) our managed shopping mall;

(iii) our online shopping mall for sales of hospitality supplies and home furnishings; and

(iv) our exhibition management business.

The Group's revenue is mainly derived from the operating lease rental income of our Group's owned/leased portfolio shopping malls.

Business Segment Review

Shopping Malls

We have five shopping malls, including three shopping malls for hospitality supplies and two shopping malls for home furnishings.

Shopping Malls for Hospitality Supplies

(1) Xinji Shaxi Hospitality Supplies Expo Center (信基沙溪酒店用品博覽城)

(2) Xinji Hotelex Hospitality Supplies Center (信基豪泰酒店用品城)

(3) Xinji Shaxi Hospitality Supplies Expo Center (Shenyang) (瀋陽信基沙溪酒店用品博覽城)

Shopping Malls for Home Furnishings

(4) Xinji Dashi Home Furnishings Center (信基大石傢俬城)

(5) Xinji Shaxi Home Furnishings Expo Center (Shenyang) (瀋陽信基沙溪國際家居用品博覽中心)

The table below sets out the total revenue generated by our shopping malls for the FY2020:

Shopping Malls	Total Revenue For the year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Xinji Shaxi Hospitality Supplies Expo Center (信基沙溪酒店用品博覽城)	**150,269**	153,245
Xinji Hotelex Hospitality Supplies Center (信基豪泰酒店用品城)	**63,170**	66,480
Xinji Shaxi Hospitality Supplies Expo Center (Shenyang) (瀋陽信基沙溪酒店用品博覽城)	**13,566**	18,119
Xinji Dashi Home Furnishings Center (信基大石傢俬城)	**11,534**	12,174
Xinji Shaxi Home Furnishings Expo Center (Shenyang) (瀋陽信基沙溪國際家居用品博覽中心)	**30,077**	33,017

As a result of the outbreak of COVID-19 during FY2020, some of the tenants terminated their leases prior to expiration of such leases due to the negative impacts of COVID-19 on their businesses as mentioned above. As of 31 December 2020, the occupancy rate of the shopping malls of the Group in total has decreased by approximately 4% when compared to the figure as of 31 December 2019, which resulted in a decrease in revenue of approximately RMB14.4 million.

Managed Shopping Mall

In this segment, we provide shopping mall operation services to other shopping mall owners. Under this business model, we would be responsible for managing the shopping mall marketing and daily operation, and grant to them the right to use and market with our brand name while the shopping mall owners would be responsible for bearing all the operating expenses of the shopping mall and pay us brand licencing fee and operation management fee. Our operation management fee would be determined with reference to the length of operation and the rental income of relevant shopping mall.

In October 2018, we entered into a cooperation agreement with Hunan Hongyue Commercial Management Company Limited* (湖南省泓岳商業管理有限公司), an independent third party. Pursuant to the cooperation agreement, we agreed to act as the shopping mall manager of a planned hospitality supplies shopping mall located in Yuetang International Trade City (岳塘國際商貿城), a commercial complex developed by Hunan Hongyue Commercial Management Company Limited at No. 88 Hetang Section, Furong Avenue, Yuetang District, Xiangtan City, Hunan Province, the PRC. It is expected that this shopping mall would have a total operating area of approximately 120,000 sq.m. and could accommodate a maximum of 400 tenants. It is the first managed hospitality supplies shopping mall of the Group.

We are still negotiating with the landlord in relation to the specific opening hours of the shopping mall and there is no concrete schedule due to the business environment under the impact of COVID-19 pandemic in the PRC.

Online Shopping Mall

During the FY2020, our online shopping mall generated revenue of approximately RMB19.3 million for the sales of goods (FY2019: RMB15.1 million). The goods sold by the Group were entirely hospitality goods and home furnishings. The operating profit margin of online shopping mall improved slightly to approximately 0% in the FY2020 (FY2019: -9%) as we have implemented additional controls on various costs.

Exhibition Management Business

We provide exhibition management services for the China Hospitality Expo (華南酒店業博覽會) ("**CHE**") (formerly known as China (Guangzhou) International Hospitality Supplies Fair (中國(廣州)國際酒店用品展覽會)), in the PRC annually. The major managed exhibition of the Group was the annual CHE. CHE provides a one-stop trade platform for global hospitality supplies providers and purchasers to broaden their sale and purchase channels. In October 2018, Guangdong Xinji International Exhibition Company Limited* (廣東信基國際展覽有限公司) ("**Guangdong Xinji Exhibition**"), an indirectly wholly-owned subsidiary of the Company, entered into a cooperation agreement (the "**Cooperation Agreement**") with Reed Exhibitions (China) Ltd. (北京勵德展覽有限公司) ("**Reed**"), pursuant to which, among others, the parties agreed to jointly organise CHE in the PRC for a term of 20 years.

Due to the ongoing global outbreak of COVID-19, together with the social distancing measures and travel restrictions implemented by various countries, a majority of the exhibitors of CHE have adopted a wait-and-see attitude and only a few overseas exhibitors and purchasers were willing to confirm their participation in CHE this year. Therefore, the Group has suspended the organisation of CHE in FY2020 and no revenue was generated from CHE (FY2019: RMB5.0 million). Furthermore, as it is uncertain when and whether the COVID-19 epidemic could be contained, the Guangdong Xinji Exhibition and Reed considered that it would be difficult to estimate the time when the organisation of CHE can be resumed and, after negotiation, mutually agreed to enter into a termination agreement to terminate the Cooperation Agreement. For further details, please refer to the Company's announcement dated 28 December 2020 in relation to the termination of the Cooperation Agreement.

CORPORATE GOVERNANCE

The Company's corporate governance practices are based on the principles and the code provisions as set out in the Corporate Governance Code ("**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

During the FY2020, the Company has complied with the applicable code provisions of the CG Code as set out in Appendix 14 to the Listing Rules other than code provision A.2.1 of the CG Code, which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Cheung Hon Chuen ("**Mr. Cheung**") is one of our founders, chairman of the Board and chief executive officer. Being as the industry leader and industry development vane for China hospitality supplies industry, Mr. Cheung has extensive experience in hospitality supplies industry. Mr. Cheung is responsible for formulating strategic direction and overseeing the management and business operation of our Group. As Mr. Cheung is key to the Group's development and he will not undermine our Group's interests in any way under any circumstances, our Board considers that vesting the roles of chairman and chief executive officer in the same person, being Mr. Cheung, would not create any potential harm to the interest of our Group and it is, on the contrary, beneficial to the management of the Group. In addition, the operation of the senior management and our Board, which are comprised of experienced individuals, effectively oversees and balances the power and authority of Mr. Cheung, as both the chairman and chief executive officer of our Group. In addition, the balance of power is further ensured by the following reasons:

- the audit committee of the Company is comprised of all independent non-executive Directors; and

- the independent non-executive Directors have free and direct access to the Company's external auditor and independent professional advisers when considered necessary.

The Board believes that the present structure is considered to be appropriate under the current size of operation, enabling the Company to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. Cheung, and believes that his appointment to the posts of chairman and chief executive officer is beneficial to the business prospects of the Company.

The Company has an internal audit function which primarily carries out the analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems, and reports their findings to the Board on, at least, an annual basis.

The Group's internal control system includes a well-established organisational structure with clearly defined lines of responsibility and authority. The day-to-day departmental operations are entrusted to individual department which is accountable for its own conduct and performance and is required to operate its own department's business within the scope of the delegated authority and to implement and strictly adhere to the strategies and policies set by the Company from time to time. Each department is also required to keep the Board informed of material developments of the department's business and implementation of the policies and strategies set by the Board on a regular basis so as to identify, evaluate and manage significant risks in a timely manner.

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding dealings in the securities of the Company by the Directors, the Group's senior management, and employees who, because of his/her office or employment, is likely to possess inside information in relation to the Group or the Company's securities. Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the FY2020. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the year under review.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2020, neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

Arbitration

On 30 December 2020, upon an application made by Shanghai Red Star Macalline Commercial Property Investment Co., Ltd.* (上海紅星美凱龍商用物業投資有限公司) ("**Shanghai Red Star**") the Shanghai International Economic and Trade Arbitration Commission (the "**SHIAC**") issued the "Arbitration notice on the dispute in relation to the cooperative development agreement, the first supplemental cooperative development agreement and the second supplemental cooperative development agreement* (《合作開發協議》、《合作開發協議(補充協議一)》、《合作開發協議補充協議二》爭議仲裁案仲裁通知)" after the respondents (the "**Respondents**") failed to procure the specified land change of the two parcels of land by 30 June 2018, which rendered Shanghai Red Star impossible to complete the project.

The Respondents are (i) Shenyang Xinji Industrial Company Limited* (瀋陽信基實業有限公司) ("**Shenyang Xinji Industrial**"), an indirect wholly-owned subsidiary of the Company; (ii) Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司); (iii) Mr. Cheung, the chairman, an executive Director and a controlling shareholder of the Company; (iv) Mr. Mei Zuoting ("**Mr. Mei**"), an executive Director and a controlling shareholder of the Company; (v) Xinji Group Company Limited* (信基集團有限公司); (vi) Guangdong Yingbin Investment Management Company Limited* (廣東迎賓投資管理有限公司), a company co-owned by Mr. Cheung, Mr. Mei and Mr. Zhang Weixin, an executive Director and controlling shareholder of the Company; (vii) Liaoning Xinji Hongxing Commercial Real Estate Development Company Limited* (遼寧信基紅星商業地產開發有限公司), a company owned as to 51% by Shanghai Red Star and 49% by Guangdong Yingbin; (viii) Shunwell International Group Limited (信和國際控股有限公司), a company co-owned by Mr. Cheung, Mr. Mei and Mr. Zhang; and (ix) Mr. Mei Yingpei, a director and general manager of Shenyang Xinji Industrial.

As of the date of this announcement, the case has not been heard by the SHIAC. The Company is in the course of seeking legal advice in respect of the aforesaid arbitration and will actively take various measures to safeguard the legitimate rights and interests of the Company and its Shareholders. The Company will make further disclosures in due course should the arbitration progresses. For further details, please refer to the Company's announcement dated 8 January 2021 in relation to the arbitration.

Save as disclosed above, there is no other significant event which has an impact on the Group during the year ended 31 December 2020 and up to the date of this announcement.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this announcement, according to the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the public float as required under the Listing Rules with more than 25% of the issued shares of the Company being held by the public.

AUDIT COMMITTEE

The Company established the audit committee with written terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules. The audit committee comprises three members, namely Dr. Liu Eping, Mr. Zheng Decheng and Mr. Tan Michael Zhen Shan. Dr. Liu Eping currently serves as the chairman of the audit committee.

The audit committee has considered and reviewed the Group's annual results for the FY2020, the accounting principles and practices adopted by the Company and the Group and discussed matters in relation to internal control and financial reporting with the management. The audit committee considers that the annual financial results for the FY2020 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

SCOPE OF WORK OF THE COMPANY'S AUDITOR

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for FY2020 as set out in this annual results announcement have been agreed by the Company's auditors to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by the Company's auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditors on this annual results announcement.

CLOSURE OF REGISTER OF MEMBERS

The Company will hold the annual general meeting (the "**AGM**") on Wednesday, 26 May 2021.

For the purpose of ascertaining the Shareholders' entitlement to attend and vote at the AGM, the Registers of Members will be closed from Friday, 21 May 2021 to Wednesday, 26 May 2021, both days inclusive, and during these periods, no transfer of Shares will be registered.

In order to be eligible to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 20 May 2021.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.xjsx.net.cn. The 2020 annual report of the Company containing all the information required by the Listing Rules will be despatched to the Shareholders in April 2021 and will be published on the above websites.

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

Guangzhou, the PRC, 26 March 2021

As at the date of this announcement, the Board comprises Mr. Cheung Hon Chuen as chairman and executive Director; Mr. Mei Zuoting, Mr. Zhang Weixin and Ms. Jin Chunyan as executive Directors; Mr. Yu Xuecong, Mr. Lin Lie and Ms. Wang Yixue as non-executive Directors; and Dr. Liu Eping, Mr. Chen Tusheng, Mr. Tan Michael Zhen Shan and Mr. Zheng Decheng as independent non-executive Directors.

* *For identification purpose only*