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 2021

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 2021 (the "**FY2021**") together with the comparative figures for the year ended 31 December 2020 (the "**FY2020**"). These annual results have been reviewed by the Company's audit committee.

FINANCIAL HIGHLIGHTS

	For the year ended 31 December	
	2021	2020
	(RMB'000)	*(RMB'000)*
Revenue	**267,536**	287,938
(Loss)/Profit for the year	**(214,925)**	31,911
Core net profit[(i)]	**86,213**	88,741
Core net profit margin[(ii)]	**32%**	31%
(Loss)/Earnings per share (expressed in RMB per share)	**(0.14)**	0.02

Notes:

(i) Core net profit for FY2020 and FY2021 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 from changes in fair value of the investment properties, government grants 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	
		2021	2020
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**267,536**	287,938
Cost of sales		**(26,773)**	(26,820)
Fair value losses on investment properties		**(401,518)**	(79,274)
Selling and marketing expenses		**(26,369)**	(24,625)
Administrative expenses		**(33,032)**	(40,713)
Net impairment losses on financial assets and operating lease receivables		**(7,425)**	(4,177)
Other income	*4*	**6,940**	13,548
Other losses – net		**(417)**	(6,989)
Operating (loss)/profit		**(221,058)**	118,888
Finance income	*5*	**344**	1,625
Finance expenses	*5*	**(47,729)**	(51,858)
Finance expenses – net	*5*	**(47,385)**	(50,233)
(Loss)/profit before income tax		**(268,443)**	68,655
Income tax expense	*6*	**53,518**	(36,744)
(Loss)/profit for the year		**(214,925)**	31,911
(Loss)/profit attributable to:			
– Owners of the Company		**(215,108)**	32,967
– Non-controlling interests		**183**	(1,056)
		(214,925)	31,911
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company during the year *(expressed in RMB per share)*	*7*		
Basic and diluted (loss)/earnings per share		**(0.14)**	0.02

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
(Loss)/profit for the year	**(214,925)**	31,911
Other comprehensive income for the year net of tax	**–**	–
Total comprehensive (loss)/income for the year	**(214,925)**	31,911
Attributable to:		
– Owners of the Company	**(215,108)**	32,967
– Non-controlling interests	**183**	(1,056)
	(214,925)	31,911

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2021	2020
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property and equipment		**3,757**	3,160
Investment properties	*13*	**2,641,030**	2,991,240
Intangible assets		**765**	890
Deferred income tax assets	*12*	**753**	1,592
Operating lease and trade receivables and other receivables	*9*	**146,468**	–
		2,792,773	2,996,882
Current assets			
Inventories		**2,905**	5,231
Operating lease and trade receivables and other receivables	*9*	**52,346**	100,572
Restricted cash		**3,300**	3,300
Cash and cash equivalents		**249,332**	182,497
		307,883	291,600
Total assets		**3,100,656**	3,288,482
EQUITY			
Share capital and premium		**285,178**	285,178
Other reserves		**243,498**	242,243
Retained earnings		**1,153,923**	1,370,286
		1,682,599	1,897,707
Non-controlling interests		**(2,860)**	(3,343)
Total equity		**1,679,739**	1,894,364

	Note	As at 31 December 2021 RMB'000	2020 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	*11*	**632,072**	454,621
Deferred revenue		**–**	2,210
Trade and other payables	*10*	**29,467**	22,105
Lease liabilities	*10*	**130,227**	147,913
Deferred income tax liabilities	*12*	**325,473**	407,208
		1,117,239	1,034,057
Current liabilities			
Borrowings	*11*	**114,337**	175,784
Trade and other payables	*10*	**85,224**	87,049
Lease liabilities	*10*	**24,814**	24,066
Advance from customers		**45,782**	38,109
Contract liabilities		**11,899**	7,947
Current income tax liabilities		**21,622**	27,106
		303,678	360,061
Total liabilities		**1,420,917**	1,394,118
Total equity and liabilities		**3,100,656**	3,288,482

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) 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 2021:

HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest rate benchmark reform (phase 2)

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.

(v) New standards, amendments to standards, interpretation and annual improvements that have been issued but are not effective

		Effective for annual periods beginning on or after
HKFRS 3 (Amendments)	Business combinations – reference to the conceptual framework	1 January 2022
HKAS 16 (Amendments)	Property, plant and equipment – proceeds before intended use	1 January 2022
HKAS 37 (Amendments)	Onerous contracts – cost of fulfilling a contract	1 January 2022
Revised Accounting Guideline 5	Merger accounting for common control combinations	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)	Classification of liabilities as current or non-current	1 January 2023
HKFRS 17	Insurance contract	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of accounting policies	1 January 2023
HKAS 8 (Amendments)	Definition of accounting estimates	1 January 2023
HKAS 12 (Amendments)	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause	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 standards, amendments to standards, interpretation and annual improvements, 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 2021 (2020: same).

As at 31 December 2021, all non-current assets of the Group were located in the PRC (31 December 2020: 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 2021 (2020: same).

3 REVENUE

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Rental income:		
– Property lease income	**217,278**	242,406
Revenue from contracts with customers:		
– Property management service (a)&(c)	**30,248**	26,210
– Sales of goods (b)	**18,949**	19,322
– Shopping mall management service (a)&(c)	**1,061**	–
	50,258	45,532
	267,536	287,938

(a) Revenue generated from property management service and shopping mall management service are recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation.

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

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

	As at 31 December	
	2021	2020
	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	**27,272**	31,893
Expected to be recognised within one year	**22,519**	20,469
	49,791	52,362

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Aggregate amount of the transaction price allocated to long-term shopping mall 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	**58,373**	–
Expected to be recognised within one year	**4,245**	–
	62,618	–

The amount disclosed above does not include any variable consideration.

(d) By the year ended 31 December 2021, no assets recognised from incremental costs to obtain a contract.

(e) Contract liabilities

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Business management service	**8,840**	5,506
Property management service	**2,662**	2,437
Sales of goods	**397**	4
	11,899	7,947

4 OTHER INCOME

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Forfeiture of advances received from customers	**2,573**	4,051
Commission income due to amendment of rental contracts	**148**	328
Government grants	**610**	4,197
Others	**3,609**	4,972
	6,940	13,548

5 FINANCE EXPENSES – NET

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Finance income:		
– Interest income	**(344)**	(1,625)
Finance expenses:		
– Leasing finance expenses	**8,399**	7,871
– Interest expenses	**39,330**	43,987
	47,729	51,858
Finance expenses – net	**47,385**	50,233

6 INCOME TAX EXPENSE

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Current income tax		
– PRC corporate income tax	**27,378**	41,769
Deferred income tax *(Note 12)*	**(80,896)**	(5,025)
	(53,518)	36,744

(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 2021 (2020: 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 (2020: 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	
	2021	2020
	RMB'000	*RMB'000*
(Loss)/profit before income tax	**(268,443)**	68,655
Tax calculated at applicable PRC corporate income tax rate of 25%	**(67,111)**	17,164
Tax effects of:		
Expenses not deductible for tax purposes	**2,150**	8,482
Tax losses for which no deferred income tax asset was recognised	**11,443**	11,098
Income tax expense	**(53,518)**	36,744

7 (LOSS)/EARNINGS PER SHARE

(a) Basic

	Year ended 31 December	
	2021	2020
(Loss)/profit attributable to owners of the Company *(RMB'000)*	**(215,108)**	32,967
Weighted average number of ordinary shares in issue *(thousands)*	**1,500,000**	1,500,000
Basic (loss)/earnings per share *(RMB)*	**(0.14)**	0.02

(b) Diluted

The Company did not have any potential dilutive ordinary shares outstanding during the years ended 31 December 2021 and 2020. Diluted (loss)/earnings per share are the same as the basic (loss)/earnings per share.

8 DIVIDEND

No dividends have been paid or declared by the Company during the year ended 31 December 2021 (2020: Nil).

9 OPERATING LEASE AND TRADE RECEIVABLES AND OTHER RECEIVABLES

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Operating lease receivables	**27,700**	24,639
Less: allowance for impairment of operating lease receivables	**(1,990)**	(2,590)
Operating lease receivables – net	**25,710**	22,049
Trade receivables *(Note (c))*	**6,822**	8,204
Less: allowance for impairment of trade receivables	**(616)**	(806)
Trade receivables – net	**6,206**	7,398
Other receivables *(Note (a))*	**24,870**	64,633
Less: allowance for impairment of other receivables	**(10,218)**	(3,144)
Other receivables – net	**14,652**	61,489
Prepaid tax and other levies	**345**	435
Prepayments for lease *(Note (b))*	**146,468**	–
Other Prepayments	**2,249**	5,477
Input VAT available for future deduction	**3,184**	3,724
	198,814	100,572
Less: non-current portion		
Prepayment for lease *(Note (b))*	**(146,468)**	–
Current portion	**52,346**	100,572

(a) The balance as at 31 December 2021 mainly represented the amount due from Beijing Chengwaicheng Home Furnishing Market Co., Ltd ("**Beijing Chengwaicheng**") of RMB10,000,000.

On May 19, 2021, Guangzhou Shaxi International Hospitality Supplies City Company Limited ("**Guangzhou Shaxi Hotel**") entered into the lease intention agreement with Beijing Chengwaicheng for the lease of home furnishing expo center in Chaoyang District, Beijing ("**Beijing Shopping Mall**"). The Group paid the intention deposits of RMB10,000,000 to Beijing Chengwaicheng in May. Due to the disagreement of some business terms, the Group decided to terminate the cooperation. As the intention deposits has not been returned in time according to the lease intention agreement, in order to safeguard the interest of the Company and its shareholders as a whole, the Group initiated a legal proceeding against Beijing Chengwaicheng and filed the case to Beijing Chaoyang People's Court ("**Beijing Court**"). Beijing Court sentenced to frozen the bank balance of Beijing Chengwaicheng with the value of RMB10,000,000 on 30 November 2021. The intention deposit of RMB10,000,000 was classified as other receivables as at 31 December 2021.

(b) The balance as at 31 December 2021 mainly represented the prepayment for lease to Guangzhou Longmei Dongman Technology Co., Ltd ("Longmei Dongman") of RMB146,467,619.

On 23 December 2021, Guangzhou Xinji Yuzheng Commercial Operation Co., Ltd ("**Xinji Yuzheng**") entered into a sublease agreement with Longmei Dongman for the lease of Building C1 and C2, which are located at Zone C, Xinji Longmei International Animation Industrial Park, Longmei Village, Panyu Avenue, Panyu District, Guangzhou, together with 237 underground car parking spaces ("**the properties**"). Lease term of the properties is approximately 14.4 years commencing from 11 January 2022 and expiring on 31 May 2036, with total consideration of RMB153,791,000. RMB146,467,619 shall be payable by Xinji Yuzheng to Longmei Dongman within 5 business days upon fulfilment or satisfaction of the conditions precedent under the sublease agreement. RMB146,467,619 has been paid by Xinji Yuzheng on 24 December 2021 which was classified as prepayment for leases as at 31 December 2021.

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

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Less than 1 year	**6,822**	8,204

(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	
	2021	2020
	RMB'000	*RMB'000*
Transferred receivables	–	5,694
Associated secured other borrowing	–	3,000

(d) As at 31 December 2021, operating lease and trade receivables and other receivables were denominated in RMB and the fair values of operating lease and trade receivables and other receivables approximated their carrying amounts.

10 TRADE AND OTHER PAYABLES AND LEASE LIABILITIES

(i) Trade and other payables

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Trade payables	**2,319**	4,482
Construction contract payables	**39,974**	37,503
Salary payables	**12,513**	15,192
Other tax liabilities	**896**	805
Deposits from tenants	**50,383**	42,662
Other payables	**8,606**	8,510
	114,691	109,154
Less: non-current portion		
Deposits from tenants	**(29,467)**	(22,105)
Current portion	**85,224**	87,049

At 31 December 2021, the aging analysis of the trade and construction contract payables based on invoice date is as follows:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Less than 1 year	**35,790**	21,281
Over 1 year	**6,503**	20,704
	42,293	41,985

As at 31 December 2021 and 2020, trade and other payables were denominated in RMB and their fair values approximated their carrying amounts.

(ii) Lease liabilities

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Balance at beginning of the year	**171,979**	152,147
Lease modifications *(Note (b))*	**(2,446)**	31,262
Leasing finance expenses recognised *(Note 5)*	**8,399**	7,871
Settlement of lease liabilities	**(22,891)**	(19,301)
	155,041	171,979
Less: non-current portion	**(130,227)**	(147,913)
Current portion	**24,814**	24,066

(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 2021 and 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	
	2021	2020
	RMB'000	*RMB'000*
Bank borrowings – Secured *(Note(a))*	**746,409**	627,405
Other borrowings – Secured	**–**	3,000
Total borrowings	**746,409**	630,405
Less: non-current portion		
– Bank borrowings – Secured	**(632,072)**	(454,621)
Current portion	**114,337**	175,784

(a) As at 31 December 2021, bank borrowings of RMB746,409,000 (31 December 2020: RMB627,405,000) bore interest ranging from 4.90% to 6.86% per annum and were secured by investment properties of the Group (Note 13).

(b) 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	
	2021	2020
	RMB'000	*RMB'000*
6 months or less	**726,409**	597,705

The maturity of the bank borrowings is as follows:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Less than 1 year	**114,337**	172,784
1-2 years	**96,339**	69,473
2-5 years	**331,756**	224,284
Over 5 years	**203,977**	160,864
	746,409	627,405

The maturity of the other borrowings is as follows:

	As at 31 December	
	2021	2020
	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	
	2021	2020
Bank borrowings	**6.61%**	7.19%
Other borrowings	**14.61%**	11.41%
Total borrowings	**6.62%**	7.20%

(c) 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 2021, the carrying amounts of borrowings are primarily denominated in RMB and approximate their fair values (31 December 2020: 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	
	2021	2020
	RMB'000	*RMB'000*
Deferred income tax assets:		
– to be recovered after 12 months	**(753)**	(1,592)
Deferred income tax liabilities:		
– to be settled after 12 months	**325,473**	407,208
	325,473	407,208
Deferred income tax liabilities, net	**324,720**	405,616

The net movements on deferred taxation are as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Balance at beginning of the year	**405,616**	410,641
Credited to profit or loss *(Note 6)*	**(80,896)**	(5,025)
Balance at end of the year	**324,720**	405,616

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 2020	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
Charged to profit or loss	(1,323)	1,571	248
At 31 December 2021	6,628	3,206	9,834

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 RMB55,385,000 (31 December 2020: RMB50,760,000) in respect of losses amounting to RMB221,541,000 (31 December 2020: RMB203,039,000) of certain subsidiaries that can be carried forward against future taxable income as at 31 December 2021. These tax losses will expire up to years 2022 to 2026.

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 2020	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
Credited to profit or loss	(80,648)	–	(80,648)
At 31 December 2021	334,554	–	334,554

As at 31 December 2021, deferred income tax liabilities amounting to RMB35,492,000 (31 December 2020: RMB36,756,000), 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	
	2021	2020
	RMB'000	*RMB'000*
Opening net book amount	**2,991,240**	2,971,870
Lease modification	**(2,446)**	31,998
Additions	**53,754**	66,646
Fair value changes	**(401,518)**	(79,274)
Closing net book amount	**2,641,030**	2,991,240
Analysis of investment properties:		
– properties on land use right certificates owned by the Group	**1,202,940**	1,498,180
– properties on right of use assets	**1,438,090**	1,493,060
	2,641,030	2,991,240

Amounts recognised in profit or loss for investment properties

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Rental income	**217,278**	242,406

As at 31 December 2021, investment properties of RMB419,630,000 were pledged as collateral for the Group's borrowings (31 December 2020: RMB1,469,250,000).

The total cash outflow for leases in the year ended 31 December 2021 was RMB23,254,000 (2020: RMB19,614,000).

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 ("**Shenyang Xinji Industrial**"). 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 2021, 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 2021. No interim dividend was paid or declared during the year (2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The revenue decreased by 7% to approximately RMB267.5 million for the FY2021 compared with approximately RMB287.9 million for the FY2020. Such decrease was mainly driven by the decrease in our rental income.

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

	For the year ended 31 December			
	2021		2020	
	RMB'000	***%***	*RMB'000*	*%*
Rental Income	**217,278**	**81**	242,406	84
Property Management Service	**30,248**	**11**	26,210	9
Sales of Goods	**18,949**	**7**	19,322	7
Shopping Mall Management Service	**1,061**	**1**	–	–
Total	**267,536**	**100**	287,938	100

Rental Income

During the FY2021, rental income is the 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 81% of our total revenue. During the FY2021, our rental income decreased by approximately RMB25.1 million or approximately 10% to approximately RMB217.3 million (FY2020: RMB242.4 million) due to the rental concession policies provided by the Group for the affected tenants, in (i) the east side of Xinji Shaxi Hospitality Supplies Expo Center (信基沙溪酒店用品博覽城) as a result of the construction enclosure of a subway entrance; (ii) Xinji Dashi Home Furnishings Center (信基大石傢俬城) as a result of the construction enclosure of the expansion works of National Highway G105; and (iii) due to the impact of COVID-19 pandemic.

Property Management Service

Revenue from our property management services is the management fees paid by the tenants under the property management agreements. During the FY2021, income from property management services increased by RMB4.0 million or 15% to approximately RMB30.2 million (FY2020: RMB26.2 million). The increase in property management service income was mainly attributable to the absence of any concession policies regarding the property management fees in the FY2021. Such concession policies were offered by the Group to tenants in FY2020 due to the impact of COVID-19.

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. During the FY2021, revenue from sales of goods slightly decreased by RMB0.4 million or approximately 2% to approximately RMB18.9 million (FY2020: RMB19.3 million). Such decrease in revenue from sales of goods was mainly due to the termination of certain business to consumers ("**B2C**") operations during the year.

Cost of Sales

In FY2021, there were no substantial change in the cost of sales as compared to FY2020.

Fair Value Gains/Losses on Investment Properties

Our fair value changes on investment properties decreased by approximately RMB322.2 million to fair value losses of approximately RMB401.5 million for the FY2021 (FY2020: fair value losses of RMB79.3 million), which was mainly because the valuation of the two shopping malls in Shenyang, China was affected by the continuous impacts of the pandemic in many places caused by the new coronavirus variant Omicron and the impacts of the tightening real estate policy in the PRC in the second half of 2021 led to an overall decrease in market demand.

Selling and Marketing Expenses

Our selling and marketing expenses increased by RMB1.8 million or 7% from approximately RMB24.6 million for the FY2020 to approximately RMB26.4 million for the FY2021. Such increase was mainly due to the increase in advertising and business promotion expenses as a result of the market expansion for the FY2021.

Administrative Expenses

Our administrative expenses decreased by RMB7.7 million or 19% from approximately RMB40.7 million for the FY2020 to approximately RMB33.0 million for the FY2021. Such decrease was mainly due to the cancellation of staff bonus in the FY2021.

Other Income

Our other income decreased by RMB6.6 million or 49% from approximately RMB13.5 million for the FY2020 to approximately RMB6.9 million for the FY2021. The decrease was mainly because in 2020, the Group received a listing reward of RMB3.0 million granted by the Panyu Government and there was no such reward in 2021, and the compensation for the borrowed land used for the subway entrance project granted by the Luopu Street Association (洛浦街道協) in 2018 was fully amortized by the end of FY2020.

Operating Loss/Profit

As a result of the foregoing, the Group recorded operating loss of approximately RMB221.1 million for the FY2021 as compared with operating profit of approximately RMB118.9 million for the FY2020.

Finance Income

Our finance income decreased by RMB1.3 million or 79% from approximately RMB1.6 million for the FY2020 to approximately RMB0.3 million for the FY2021. This was primarily because bank deposits was not managed for any investment in FY2021.

Finance Expenses

Our finance expenses decreased by RMB4.2 million or 8% from approximately RMB51.9 million for the FY2020 to approximately RMB47.7 million for the FY2021. 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 RMB2.8 million or 6% from approximately RMB50.2 million for the FY2020 to approximately RMB47.4 million for the FY2021.

Loss/Profit for the Year

As a result of the foregoing, the Group recorded loss of approximately RMB214.9 million for the FY2021 as compared with profit of approximately RMB31.9 million for the FY2020.

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 RMB2.5 million or 3% from approximately RMB88.7 million for the FY2020 to approximately RMB86.2 million for the FY2021, which was mainly due to the rental concession policies provided by the Group for the affected tenants in (i) the east side of Xinji Shaxi Hospitality Supplies Expo Center (信基沙溪酒店用品博覽城) as a result of the construction enclosure of a subway entrance; (ii) Xinji Dashi Home Furnishings Center (信基大石傢俬城) as a result of the construction enclosure of the expansion works of National Highway G105; and (iii) due to the impact of COVID-19 pandemic.

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	
	2021	2020
	RMB'000	*RMB'000*
Profit for the year	**(214,925)**	31,911
Add:		
Fair value losses on investment properties	**401,518**	79,274
Government grants	–	(3,500)
Income tax expenses in relation to above reconciled items	**(100,380)**	(18,944)
Core net profit for the year	**86,213**	88,741
– Owners of the Company	**86,030**	89,797
– Non-controlling interests	**183**	(1,056)

CHANGE IN USE OF NET PROCEEDS

References are made to (i) the prospectus of the Company dated 25 October 2019 in relation to the proposed use of the net proceeds (the "**Net Proceeds**") from the global offering of the Company; (ii) the announcement (the "**First Change in UOP Announcement**'") of the Company dated 6 July 2020 in relation to the change in use of the Net Proceeds and business update of the Group; (iii) the announcement (the "**Acquisition Announcement**") of the Company dated 24 July 2020 in relation to the acquisition (the "**Acquisition**") of 60% of the equity interest in Guangzhou Zhicheng Commercial Operation Limited* (廣州智誠商業運營有限公司) by Guangzhou Shaxi Hotel, being an indirect wholly-owned subsidiary of the Company, at the consideration of RMB78.0 million; (iv) the announcement (the "**Unwinding Acquisition Announcement**") of the Company dated 29 December 2020 in relation to the unwinding of the Acquisition; (v) the announcement (the "**Second Change in UOP Announcement**", together with the First Change in UOP Announcement, the Acquisition Announcement and the Unwinding Acquisition Announcement, the "**Announcements**") of the Company dated 24 November 2021 in relation to the further change in the use of the Net Proceeds; and (vi) the annual report (the "**2020 Annual Report**") of the Company for FY2020. Unless otherwise defined, capitalised terms used herein shall bear the same meanings as those defined in the Announcements.

As set out in the 2020 Annual Report, during the FY2020, due to the continued outbreak of COVID-19 epidemic, 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 has been appropriately adjusted as disclosed in the First Change in UOP Announcement.

Further, subsequent to the completion of the Acquisition, 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 for the development of the Hong Kong and Macau Youths Innovation Entrepreneurship Base* (港澳青年創新創業基地). 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, the Group did not receive any positive official feedback or notice from any relevant government authorities regarding such request. In order to safeguard the interest of the Company and its Shareholders as a whole, on 29 December 2020, Guangzhou Shaxi Hotel entered into the Supplemental Agreement with Guangzhou Chaoying to unwind the Acquisition. As a result, the original allocation of the portion of Net Proceeds in the amount of RMB80.0 million for development of the Guangzhou Project would no longer be required.

In addition, during the FY2021, as the Group expected that the impact of the COVID-19 outbreak would continue to bring uncertainties in the near term, and the Group has also continued to pay attention to the declined occupancy rate of the shopping malls under the Zhengzhou and Fuzhou projects as a result of the COVID-19 outbreak, thus, the Group disclosed the further change in use of proceeds in the Second Change in UOP Announcement. As at the date of the Second Change in UOP Announcement, the unutilised Net Proceeds amounted to approximately RMB133.3 million (including the outstanding Part Payment of RMB5.0 million to be returned by Guangzhou Chaoying to Guangzhou Shaxi Hotel under the Guangzhou Project) (the "**Unutilised Net Proceeds**"). To enable the Group to better utilise the Net Proceeds, the Group decided to reduce the portion of the Unutilised Net Proceeds for developing new projects from 100% to approximately 47.5%. Accordingly, the Board resolved to further change the use of the Unutilised Net Proceeds as follows:

(i) reallocating approximately 30.0% of the Unutilised Net Proceeds in the amount of approximately RMB40.0 million, which was originally allocated for the development of new projects, namely the Zhengzhou Project, Fuzhou Project and Guangzhou Project (the "**Specific Projects**"), to expand the depth and breadth of property management services in China;

(ii) reallocating approximately 22.5% of the Unutilised Net Proceeds in the amount of approximately RMB30.0 million, which was originally allocated for the Specific Projects, to establish a vertical e-commerce platform for the hospitality supplies industry; and

(iii) reallocating approximately 47.5% of the Unutilised Net Proceeds in the amount of approximately RMB63.3 million, which was originally allocated for the Specific Projects, to general development of new projects in relation to the hospitality supplies and home furnishing industries.

Details of the original allocation, the revised allocation as disclosed in the First Change in UOP Announcement, the further revised allocation of the Net Proceeds as disclosed in the Second Change in UOP Announcement and the expected timeline for utilising the Unutilised Net Proceeds are as follows:

		Original Intended Amount *(RMB million)*	Revised allocation of the Net Proceeds as disclosed in the First Change in UOP Announcement *(RMB million)*	Further revised allocation of the Net Proceeds as disclosed in the Second Change in UOP Announcement *(RMB million)*	Utilised amount as of 31 December 2021 *(RMB million)*	Unutilised amount as of 31 December 2021 *(RMB million)*	Timeframe for full utilisation of the Unutilised Net Proceeds
(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			63.3 [Note2 and 3]		63.3 [Note2 and 3]	till 2023
	a) Chengdu Project	63.8	–	–	–	–	
	b) Zhengzhou Project	40.8	22.5	N/A	–	N/A	
	c) Fuzhou Project	55.9	30.8	N/A	–	N/A	
	d) Guangzhou Project	–	80.0	–	5.0 [Note1]	–	
	e) Other projects	–	–	N/A	–	N/A	
(iii)	Expansion of Property Management Business	–	–	40.0	–	40.0	till 2022
(iv)	Establishment of Vertical e-Commerce Platform for the Hospitality Supplies Industry	–	–	30.0	–	30.0	till 2023
(v)	General working capital	–	27.2	–	27.2	–	–
	Total:	217.2	191.7	133.3	63.4	133.3	

Notes:

(1) Being the outstanding Part Payment to be returned by Guangzhou Chaoying to Guangzhou Shaxi Hotel. For details, please refer to the paragraph headed "Reasons for and Benefits of the Further Change in Use of Proceeds – Unwinding of the Guangzhou Project" in the Second Change in UOP Announcement.

(2) Including the outstanding Part Payment of RMB5.0 million to be returned by Guangzhou Chaoying to Guangzhou Shaxi Hotel under the Guangzhou Project. For details, please refer to the paragraph headed "Reasons for and Benefits of the Further Change in Use of Proceeds – Unwinding of the Guangzhou Project" in the Second Change in UOP Announcement.

(3) This amount represents the portion of the Unutilised Net Proceeds which shall be used for the general development of new projects in relation to the hospitality supplies and home furnishing industries, and will not be earmarked for and allocated to any of the Zhengzhou Project, Fuzhou Project or other projects specifically.

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 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 2021, the Group's cash and cash equivalents amounted to approximately RMB249.3 million (31 December 2020: RMB182.5 million). Cash and cash equivalents are mainly denominated in Renminbi.

Borrowing and Charges on the Group's Assets

As at 31 December 2021, the Group's bank borrowings of approximately RMB746.4 million (31 December 2020: RMB627.4 million) bore interest ranging from 4.90% to 6.86% 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 RMB419.6 million (31 December 2020: RMB1,469.3 million).

Gearing Ratio

The gearing ratio as at 31 December 2021, calculated on the basis of net debt over total capital, was 29% as compared with 23% as at 31 December 2020.

Net Current Liabilities and Current Ratio

As at 31 December 2021, the Group had net current assets of RMB4.2 million as compared with net current liabilities of RMB68.5 million as at 31 December 2020. The current ratio was 1.01 as at 31 December 2021 (31 December 2020: 0.81).

Acquisition and Disposal of Subsidiaries and Associated Companies

The Group had no material acquisitions and disposals of subsidiaries, associated companies and joint ventures during the FY2021.

BUSINESS REVIEW

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

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

(ii) 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 FY2021:

Shopping Malls	Total Revenue For the year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Xinji Shaxi Hospitality Supplies Expo Center (信基沙溪酒店用品博覽城)	**132,088**	150,269
Xinji Hotelex Hospitality Supplies Center (信基豪泰酒店用品城)	**66,749**	63,170
Xinji Shaxi Hospitality Supplies Expo Center (Shenyang) (瀋陽信基沙溪酒店用品博覽城)	**10,670**	13,566
Xinji Dashi Home Furnishings Center (信基大石傢俬城)	**9,529**	11,534
Xinji Shaxi Home Furnishings Expo Center (Shenyang) (瀋陽信基沙溪國際家居用品博覽中心)	**28,488**	30,077

During the FY2021, the revenue generated by our shopping malls decreased by approximately RMB21.1 million, which is mainly due to the effect of (i) the rental concession policies provided by the Group for the affected Tenants in the east side of Xinji Shaxi Hospitality Supplies Expo Center (信基沙溪酒店用品博覽城) as a result of the construction enclosure of a subway entrance and Xinji Dashi Home Furnishings Center (信基大石傢俬城) as a result of the construction enclosure of the expansion works of National Highway G105; and (ii) the rental concession policies provided by the Group for the affected tenants in two shopping malls at Shenyang due to the impact of COVID-19 pandemic.

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 marketing and daily operations of the shopping malls, while the shopping mall owners would be responsible for bearing all the operating expenses of the shopping malls and paying us a 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 the relevant shopping malls.

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, the Group 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 square metres 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 time of the shopping mall. As at the date of this announcement, there is no concrete schedule due to the business environment under the impact of COVID-19 pandemic.

On 25 September 2021, we entered into a cooperation agreement with Henan Zhengzhou Henghao Iron and Steel Co., Ltd (河南省鄭州市恒昊鋼鐵有限公司), an independent third party. Pursuant to the cooperation agreement, the Group agreed to act as the manager of a planned hospitality supplies shopping mall located in a commercial complex developed by Zhengzhou Henghao Iron and Steel Co., Ltd at Buildings 1-6, West Zone A1, the intersection between East Hanghai Road and Qiancheng Road, No. 2022 Hanghai East Road, Economic and Technological Development Zone, Zhengzhou City, Henan Province. It is expected that this shopping mall would have a total operating area of approximately 150,000 sq.m. and could accommodate a maximum of 500 tenants. It is the second managed hospitality supplies shopping mall of the Group.

Regarding the specific business hours of the shopping mall, it is agreed with the owner that Buildings 1-6 will open in stages. Due to the impacts of the COVID-19 pandemic (especially the recurrent pandemic in Zhengzhou) on the business environment, there is no concrete schedule yet.

Online Shopping Mall

During the FY2021, our online shopping mall generated revenue of approximately RMB18.9 million for the sales of goods (FY2020: RMB19.3 million). The goods sold by the Group were entirely hospitality goods and home furnishings. Due to the termination of certain B2C operations by the Group during the year, and a credit loss provision of RMB1.8 million for certain trade receivables was made during the year, the Group recorded operating loss for the business of online shopping mall in FY 2021.

Exhibition Management Business

We provide exhibition management services for the China Hospitality Expo (華南酒店業博覽會) ("**CHE**") in the PRC annually. CHE is considered as the major managed exhibition of the Group. CHE provides a one-stop trade platform for global hospitality supplies providers and purchasers to broaden their sale and purchase channels.

Due to the ongoing global outbreak of COVID-19 since 2020, with the COVID-19 epidemic sweeping across other parts of the world as of the date of this announcement, and together with various countries strictly complying with their respective government's prevention and control policies and regulations, 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. As it was uncertain when and whether the COVID-19 epidemic could be contained, the Company has decided to suspend the organisation of CHE since 2020 and no revenue was generated from CHE.

FUTURE PROSPECTS

It has been two years since the outbreak of COVID-19 in early 2020. Although the world is committed to accelerating vaccination, it is not fast enough to address the COVID-19 variants as it swept around the world; there is still a long way to go before activities return to the pre-pandemic levels. In the face of the recurrent pandemic, the Group has become more financially prudent. While waiting for the recovery, the Group will further revise the use of the proceeds from the global offering, where it will be used for (1) expanding the high-quality property management business; (2) establishing a vertical e-commerce platform for the hospitality supplies industry; and (3) developing general new projects. Not only will it bring stability to the Group and enhance its streams of income and financial position, but it will also boost its brand awareness and influence, thereby further strengthening its market leadership position. Regardless of the new challenges in the future, the Group will forge ahead and continue to bring sustainable values and returns to all the stakeholders.

Looking ahead, the pandemic will continue to change the business models for different industries. In order to keep thriving, the Group is actively adjusting and making changes in this new normal era. We will maintain a model of rapid development of light asset projects featured by "Brand Export, Management Export, and Cooperative Operation", while establishing a vertical e-commerce platform for the hospitality supplies industry and expanding the online shopping mall business, thereby further expanding the market share and brand influence of the Group. We insist on the platform sharing concept of "Industrial Alliance and Collective Development", enhancing the brand stickiness along with the development of the industry.

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 FY2021, 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 C.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 of the Company. As the industry leader of the China hospitality supplies industry, Mr. Cheung has extensive experience in hospitality supplies of the industry and 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, the Board considers that vesting the roles of chairman and chief executive officer in 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 the Company. 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 FY2021. 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 2021, 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

Reference is made to the announcement (the "**2022 Acquisition Announcement**") of the Company dated 15 March 2022 in relation to the acquisitions (the "**Acquisitions**") of the entire equity interests in Guangzhou Xinji Youxiang Property Co., Ltd.* (廣州信基優享物業有限公司) ("**Target Company I**") and Foshan Xinji Youxiang Commercial Service Co., Ltd.* (佛山信基優享商業服務有限公司) ("**Target Company II**", together with Target Company I, the "**Target Companies**") by Guangzhou Xinji Jiuxing Service Co., Ltd.* (廣州信基玖星服務有限公司) (the "**Purchaser**'). Unless otherwise defined, capitalised terms used herein shall bear the same meanings as those defined in the 2022 Acquisition Announcement.

On 15 March 2022, 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 the entire equity interests in Target Company I at the total consideration of RMB75.0 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.

On 15 March 2022, 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 the entire equity interests in Target Company II at the total consideration of RMB24.0 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.

The Target Companies are principally engaged in the provision of property management services encompassing the management of commercial complex. Upon completion of the Acquisitions, the Target Companies will become indirect wholly-own subsidiaries of the Company.

As at the date of this announcement, the Acquisitions have not been completed. For details of the Acquisitions, please refer to the 2022 Acquisition Announcement.

Save as disclosed in this announcement, there is no other significant event which has an impact on the Group during the year ended 31 December 2021 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 (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. Zeng Zhaowu, Dr. Zheng Decheng and Mr. Tan Michael Zhen Shan. Dr. Zeng Zhaowu currently serves as the chairman of the Audit Committee.

The Audit Committee has considered and reviewed the Group's annual results for the FY2021, 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 FY2021 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 FY2021 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 Friday, 27 May 2022.

For the purpose of ascertaining the Shareholders' entitlement to attend and vote at the AGM, the Registers of Members will be closed from Tuesday, 24 May 2022 to Friday, 27 May 2022, 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 Monday, 23 May 2022.

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 2021 annual report of the Company containing all the information required by the Listing Rules will be despatched to the Shareholders in April 2022 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, 25 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 Dr. Zheng Decheng as independent non-executive Directors.