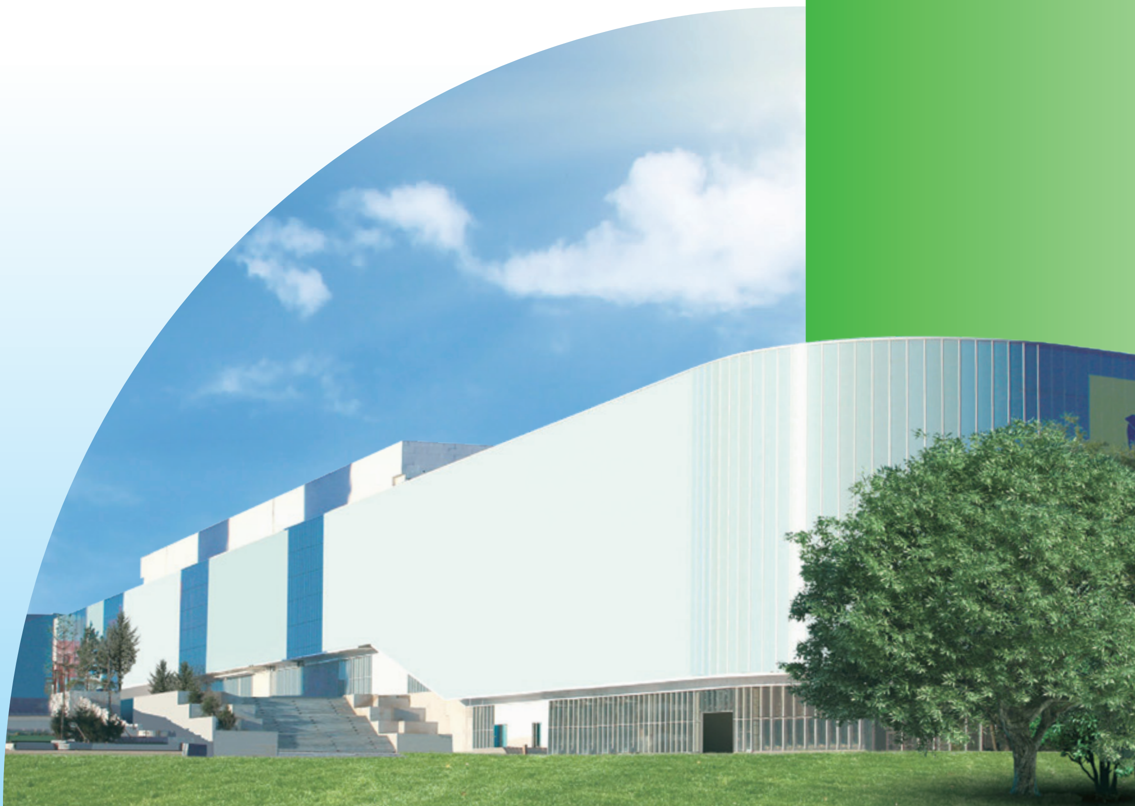
信基沙溪集团股份有限公司
XINJI SHAXI GROUP CO., LTD

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 3603



ANNUAL REPORT
2021

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Cheung Hon Chuen, *Chairman of the Board and Chief Executive Officer*
Mr. Mei Zuoting
Mr. Zhang Weixin
Ms. Jin Chunyan *(resigned on 28 April 2021)*

NON-EXECUTIVE DIRECTORS

Mr. Yu Xuecong
Mr. Lin Lie
Ms. Wang Yixue *(appointed on 26 March 2021)*
Mr. Wu Jianxun *(resigned on 26 March 2021)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Zeng Zhaowu *(appointed on 15 June 2021)*
Mr. Tan Michael Zhen Shan
Dr. Zheng Decheng
Mr. Chen Tusheng *(resigned on 26 May 2021)*
Dr. Liu Eping *(resigned on 15 June 2021)*

AUDIT COMMITTEE

Dr. Zeng Zhaowu *(Chairman) (appointed on 15 June 2021)*
Mr. Tan Michael Zhen Shan
Dr. Zheng Decheng
Dr. Liu Eping *(resigned on 15 June 2021)*

REMUNERATION COMMITTEE

Dr. Zeng Zhaowu *(Chairman) (appointed on 15 June 2021)*
Mr. Cheung Hon Chuen
Dr. Zheng Decheng *(appointed on 26 May 2021)*
Mr. Chen Tusheng *(resigned on 26 May 2021)*
Dr. Liu Eping *(resigned on 15 June 2021)*

NOMINATION COMMITTEE

Mr. Cheung Hon Chuen *(Chairman)*
Dr. Zheng Decheng *(appointed on 26 May 2021)*
Dr. Zeng Zhaowu *(appointed on 15 June 2021)*
Mr. Chen Tusheng *(resigned on 26 May 2021)*
Dr. Liu Eping *(resigned on 15 June 2021)*

COMPANY SECRETARY

Mr. Kam Chi Sing

AUTHORISED REPRESENTATIVES

Mr. Mei Zuoting *(appointed on 28 April 2021)*
Mr. Kam Chi Sing
Ms. Jin Chunyan *(resigned on 28 April 2021)*

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and Registered PIE Auditor

REGISTERED OFFICE

71 Fort Street
PO Box 500
George Town
Grand Cayman KY1–1106
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 301–303
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136–138 Austin Road
Tsim Sha Tsui
Kowloon, Hong Kong

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

1st Floor, Xinjicheng Club
No. 250, Intersection of Nanda Road
Panyu District, Guangzhou
PRC

Corporate Information

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Appleby Global Services (Cayman) Limited
71 Fort Street
PO Box 500
George Town
Grand Cayman KY1–1106
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Guangzhou Rural Commercial Bank
Panyu Branch
72 Chaoyang West Road
Panyu District, Guangzhou
PRC

Shengjing Bank
109 Beizhan Road
Shenyang
PRC

CMB Wing Lung Bank Limited
CMB Wing Lung Bank Building
45 Des Voeux Road Central
Hong Kong

LEGAL ADVISER

As to Hong Kong law
P. C. Woo & Co.
12/F, Prince's Building
10 Chater Road
Central, Hong Kong

SHARE LISTING

The Stock Exchange of Hong Kong Limited

STOCK CODE

SEHK: 3603

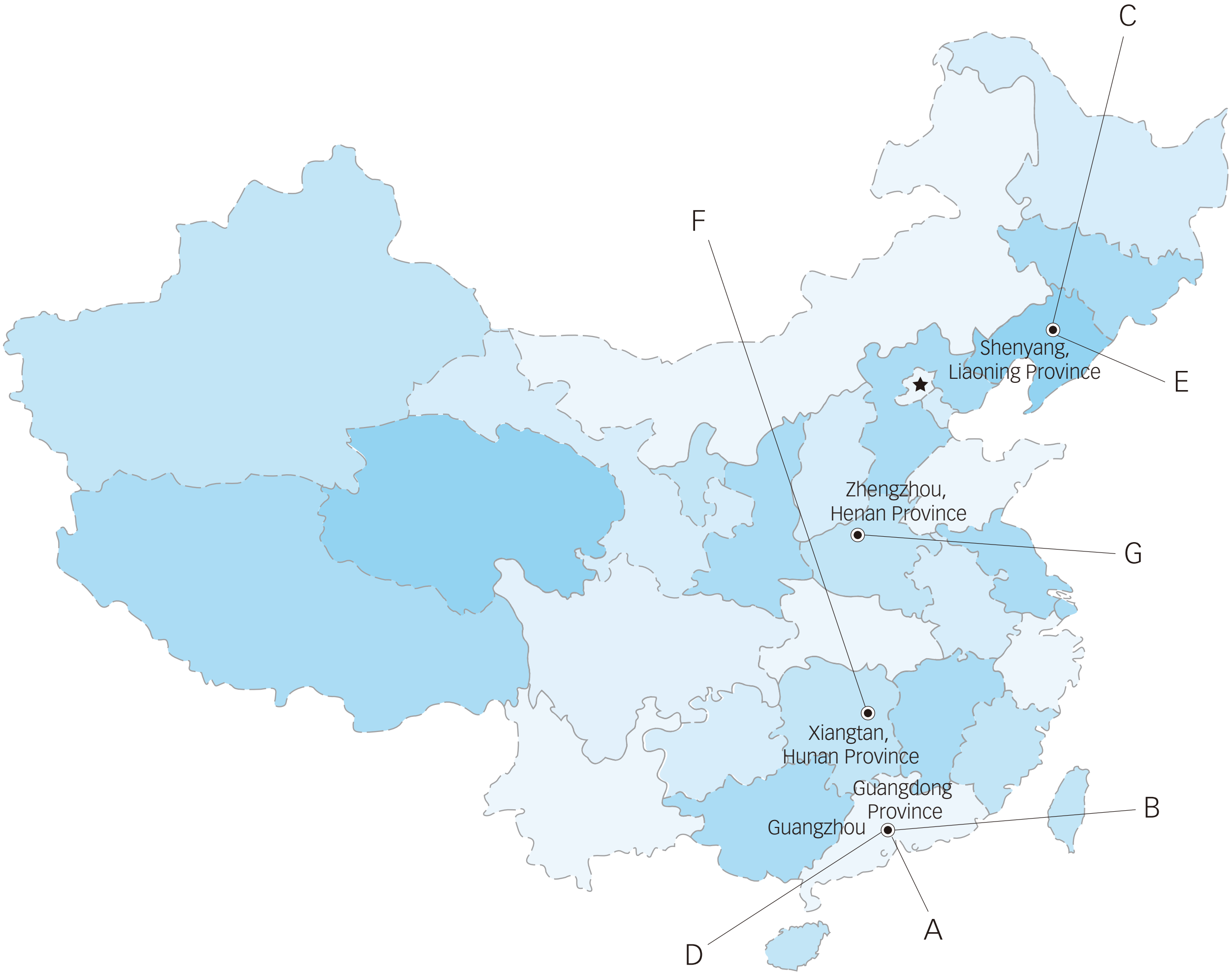
WEBSITE ADDRESS

www.xjsx.net.cn

LISTING DATE

8 November 2019

PORTFOLIO OF SHOPPING MALLS



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

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

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

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

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

F Xinji Shaxi Yuetang International Hotel Supplies Trading Exhibition Center (信基沙溪 • 岳塘國際酒店用品交易展示中心)

G Huafeng Xinji Shaxi Hospitality Supplies Center (華豐 • 信基沙溪酒店用品城)

(A) XINJI SHAXI HOSPITALITY SUPPLIES EXPO CENTER (信基沙溪酒店用品博覽城)

Xinji Shaxi Hospitality Supplies Expo Center (信基沙溪酒店用品博覽城) is located at No. 11 Shaxida Road, Luopu Street, Panyu District, Guangzhou City, Guangdong Province, PRC with a total GFA of approximately 62,222.59 sq.m.. This shopping mall commenced operation in December 2003.

We strive to maintain our Xinji Shaxi Hospitality Supplies Expo Center (信基沙溪酒店用品博覽城) as the nation's most well-known hospitality supplies wholesale market. It was awarded as the 2014 China's Hospitality Supplies Industry Leader Market (2014年度中國酒店用品行業領軍市場) by the CHSA in 2015 and the National Integrity Model Market (全國誠信示範市場) by the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局) in 2015. It was also recognised as the Guangdong Top Brand (廣東省(行業類)名牌產品) by the Guangdong Quality Brands Bureau* (廣東卓越質量品牌研究院) in 2018.

Our Xinji Shaxi Hospitality Supplies Expo Center (信基沙溪酒店用品博覽城) benefits from its close proximity to the Panyu Shaxi exit of the South China Highway (華南快速幹線) in Guangzhou which attracts tenants and customers in Guangdong Province.

As of 31 December 2021, it consisted of a total LFA of approximately 62,124.08 sq.m. of retail space, approximately 132 advertising spaces and 280 car park spaces, having 552 tenants selling various types of international and national hospitality supplies brands of different categories, including but not limited to glass and stainless-steel products, kitchen supplies, room supplies, bakery essentials, textiles, electrical appliances and utensils. With its large scale of operation providing all sorts of hospitality supplies, it has become a high-end one-stop shopping mall for consumers.

For the FY2021, Xinji Shaxi Hospitality Supplies Expo Center (信基沙溪酒店用品博覽城) recorded an occupancy rate of 89.0% (2020: 94.7%).

(B) XINJI HOTELEX HOSPITALITY SUPPLIES CENTER (信基豪泰酒店用品城)

Xinji Hotelex Hospitality Supplies Center is located at Northern side of Yingbin Road, Shangjiao Village, Luopo Street, Panyu District, Guangzhou City, Guangdong Province, PRC, near the Xiajiao Station of the Guangzhou Metro and the west exit of the Xinguang Highway (新光快速路) with a total GFA of approximately 72,636.09 sq.m..

Xinji Hotelex Hospitality Supplies Center（信基豪泰酒店用品城）(formerly known as Xinji Yingbin Hospitality Supplies Center（信基迎賓酒店用品城）) is one of the well-known hospitality supplies wholesale markets in Guangzhou.

As of 31 December 2021, this shopping mall had a total operating area of approximately 72,203.28 sq.m. and 424 tenants selling various types of international and national hospitality supplies brands of different categories, including but not limited to glass and stainless-steel products, beverage essentials, kitchen supplies, room supplies, bakery essentials, textiles, electrical appliances and utensils.

For the FY2021, our Xinji Hotelex Hospitality Supplies Center recorded an occupancy rate of 91.5% (2020: 93.9%).

(C) XINJI SHAXI HOSPITALITY SUPPLIES EXPO CENTER (SHENYANG) (瀋陽信基沙溪酒店用品博覽城)

Xinji Shaxi Hospitality Supplies Expo Center (Shenyang) (瀋陽信基沙溪酒店用品博覽城) is located at No. 59–1 Daoyibeida Street, Shenbeixin District, Shenyang City, Liaoning Province, PRC with a total GFA of approximately 88,416.03 sq.m.. It consists of five floors of retail space with a modern interior and is our first hospitality supplies shopping mall in Northeast China.

Xinji Shaxi Hospitality Supplies Expo Center (Shenyang) (瀋陽信基沙溪酒店用品博覽城) provides consumers and retailers a one-stop and high-end shopping experience for hospitality products in Northeast China. It was recognised as the Appointed Procurement Agency of Liaoning Hotel Association (遼寧省飯店協會指定採購單位) by the Liaoning Hotel Association (遼寧省飯店協會) and the Best Procurement Agency for hospitality supplies (中國酒店用品最佳的採購基地) by the CHSA in March 2015.

This shopping mall commenced operation in October 2014.

As of 31 December 2021, it consisted of a total LFA of approximately 48,933.43 sq.m. of retail space, approximately 74 advertising spaces and 261 car park spaces, having 73 tenants who were mostly engaged in the wholesale of hospitality supplies of stainless-steel products, kitchen supplies, room supplies, textiles, furniture, beverage and cleaning essentials and utensils.

For the FY2021, this shopping mall recorded an occupancy rate of 45.6% (2020: 40.9%).

(D) XINJI DASHI HOME FURNISHINGS CENTER (信基大石傢俬城)

Xinji Dashi Home Furnishings Center (信基大石傢俬城) is located at No. 105 Guo Road, Dashi Street, Panyu District, Guangzhou City, Guangdong Province, PRC with a total GFA of approximately 24,893.95 sq.m..

Xinji Dashi Home Furnishings Center (信基大石傢俬城) continues to provide a one-stop shopping experience to potential commercial and household consumers for office and home furnishings in Guangdong Province. Xinji Dashi Home Furnishings Center (信基大石傢俬城) was awarded as the Most Reliable Home Furnishings Mall (最受消費者信賴家居商場) by the Guangdong Construction Association* (廣東省建築材料行業協會) in December 2010 and the Favourite Mall 2016 for home furnishings (2016家居權力榜最受消費者喜愛賣場) recognised by the China Marketing Grand Ceremony (中國營銷盛典) organised by the Southern Metropolis Daily (南方都市報) in December 2016. Its marketing strategy focuses on providing consumers with cost-effective high quality home supplies products.

Notwithstanding the smaller scale of operation compared to our Xinji Shaxi Home Furnishings Expo Center (Shenyang) (瀋陽信基沙溪國際家居用品博覽中心), Xinji Dashi Home Furnishings Center (信基大石傢俬城) continues to provide a one-stop shopping experience to potential commercial and household consumers for office and home furnishings in Guangdong Province.

As of 31 December 2021, this shopping mall had a total operating area of approximately 24,576.16 sq.m., having 51 tenants selling various types of home supplies including office and home furniture and decorations, and approximately 38 advertising spaces.

For the FY2021, this shopping mall recorded an occupancy rate of 100% (2020: 100%).

(E) XINJI SHAXI HOME FURNISHINGS EXPO CENTER (SHENYANG) (瀋陽信基沙溪國際家居用品博覽中心)

Xinji Shaxi Home Furnishings Expo Center (Shenyang) (瀋陽信基沙溪國際家居用品博覽中心) is located at No. 57–1 Daoyibeida Street, Shenbeixin District, Shenyang City, Liaoning Province, PRC with a total GFA of approximately 114,911.16 sq.m.

Our Xinji Shaxi Home Furnishings Expo Center (Shenyang) (瀋陽信基沙溪國際家居用品博覽中心) is a mid-to-high-end well-known home furnishings wholesale market in the north of Shenyang City. The shopping mall commenced operation in October 2014. Benefit from the rapid commercial and residential development in the Shenbeixin District, this shopping mall targets potential commercial and household consumers by offering a one-stop shopping experience for office and home furnishings in Northeast China.

It was awarded as the Integrity Model Shopping Mall (誠信示範商場) by the Liaoning Home Supplies Association* (遼寧省家居裝飾業商會) in March 2016 and as the Outstanding Mall (優秀商場) by the Liaoning Furniture Association* (遼寧省家俱協會) in December 2017.

As of 31 December 2021, it consisted of a total LFA of approximately 63,362.36 sq.m. of retail spaces, and approximately 211 advertising spaces and 581 car park spaces coupled with 212 tenants selling various types of home supplies including office and home furniture, decorations and materials for construction and renovation.

For the FY2021, this shopping mall recorded an occupancy rate of 90.0% (2020: 85.9%).

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Xinji Shaxi Group Co., Ltd (together with its subsidiaries, collectively the "**Group**"), I am pleased to present the results of the Group for the year ended 31 December 2021 (the "**Year**"). In 2021, the continuous increase of the global COVID-19 vaccination rate restarted the world economy, but the outbreak of the COVID variant Omicron has repeatedly hindered the economic recovery. Despite the fluctuations caused by the economic stimulus measures launched by various countries, rising inflationary pressures, and the continuous tension between China and the United States, the Group delivered stable annual results for 2021.

RESULTS

Despite still being affected by the COVID-19 pandemic and mutated strains, we managed to deliver stable results during the year under review. Besides, we are honored to be awarded the "Greater Bay Area Outstanding Business Award" by China Financing Market at the end of 2021. For the FY2021, the Group's core net profit amounted to approximately RMB86.2 million (FY2020: RMB88.7 million), representing a decrease of RMB2.5 million or 3% as compared with the FY2020. The Group's revenue amounted to approximately RMB267.5 million (FY2020: RMB287.9 million), representing a decrease of RMB20.4 million or 7% as compared with the FY2020. Details of the Group's results and prospects will be discussed under the section of "Management Discussion and Analysis" in this annual report.

APPRECIATION

2021 was a challenging year full of adversity. We are truly grateful to the professional management team to ensure the smooth operation of the business. Judging from the continued recovery in China's economy, coupled with the launch of the COVID-19 vaccination programmes in China, Hong Kong, Macau SAR and countries around the globe, we hope that our lives will return to normal again by the end of 2022. In the meantime, the management will continue to manage resources prudently in preparation for the current challenges and keep abreast of the situation, so as to seize opportunities when the economy recovers.

On behalf of the Board, I would like to extend my sincere gratitude to all suppliers, business partners and our shareholders for their support and patience during the past year. May I also salute our managers and dedicated staff at all levels for their invaluable contributions and diligent efforts during the past year. In years to come, we will continue to demonstrate corporate value and improve our brand influence, so as to increase our market share in the international market and build Xinji Shaxi into a world-class brand.

Cheung Hon Chuen
Chairman and Chief Executive Officer
25 March 2022

FINANCIAL SUMMARY

FINANCIAL SUMMARY

	Year ended 31 December				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
Revenue	**267,536**	287,938	303,083	281,355	209,868
(Loss)/profit for the year	**(214,925)**	31,911	101,450	250,226	88,784
Attributable to:					
Owners of the Company	**(215,108)**	32,967	102,905	189,213	76,910
Non-controlling interests	**183**	(1,056)	(1,455)	61,013	11,874
Core net profit	**86,213**	88,741	109,800	87,289	29,677

ASSETS AND LIABILITIES

	As at 31 December				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**2,792,773**	2,996,882	2,978,396	2,897,686	2,901,649
Current assets	**307,883**	291,600	311,573	173,951	615,451
Total assets	**3,100,656**	3,288,482	3,289,969	3,071,637	3,517,100
Current liabilities	**303,678**	360,061	363,938	441,485	608,155
Non-current liabilities	**1,117,239**	1,034,057	1,044,262	1,154,327	1,391,503
Total liabilities	**1,420,917**	1,394,118	1,408,200	1,595,812	1,999,658
Equity attributable to owners of the Company	**1,682,599**	1,897,707	1,884,056	1,476,657	1,150,539
Non-controlling interests	**(2,860)**	(3,343)	(2,287)	(832)	366,903
Total equity	**1,679,739**	1,894,364	1,881,769	1,475,825	1,517,442

MANAGEMENT DISCUSSION AND ANALYSIS

The Board is pleased to announce the audited annual results of the Group for the year ended 31 December 2021 together with the comparative figures for the year ended 31 December 2020. These annual results have been reviewed by the Company's audit committee.

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).

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

FINANCIAL REVIEW *(cont'd)*

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.

FINANCIAL REVIEW *(cont'd)*

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.

FINANCIAL REVIEW *(cont'd)*

Core Net Profit *(cont'd)*

The following table sets forth the loss/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
(Loss)/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 expense 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.

CHANGE IN USE OF NET PROCEEDS *(cont'd)*

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.

CHANGE IN USE OF NET PROCEEDS *(cont'd)*

Details of the original allocation, the revised allocation of the Net Proceed, 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 (2&3)		63.3 (2&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 (1)	–	
	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.

CHANGE IN USE OF NET PROCEEDS *(cont'd)*

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).

Details of the bank borrowings are set out in note 27 to the consolidated financial statements.

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 Assets/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).

Capital Commitments, Operating Lease Commitments and Contingent Liabilities

Details of the contingent liabilities, capital commitments and operating lease commitments are set out in notes 30 and 31 to the consolidated financial statements.

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.

Foreign Exchange Risk

The Group operates mainly in the PRC with most of the transactions settled in Renminbi. The management considers that the business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities of the Group denominated in the currencies other than Renminbi, except that as at 31 December 2021, the Group has bank balance of RMB13.7 million denominated in Hong Kong dollars. If Renminbi had strengthened/weakened by 2% against Hong Kong dollars, the post-tax profit of the Group for the year ended 31 December 2021 would have been approximately RMB0.3 million lower/higher (FY2020: RMB0.6 million).

Currently, the Group does not have any foreign currency hedging policy, but the management will monitor the foreign exchange exposure of the Group continuously.

Treasury Management

Our treasury management functions undertake the responsibility of cash management, liquidity planning and control, cost-effective capital provided to the Group, liaison with banks and other related institutions, investment in financial products, as well as mitigation of all financial risks such as interest rates and foreign exchange. The design of our treasury management functions aims to coordinate with the Group's long-term and short-term demands and comply with the criteria of proper governance.

During the FY2021, there has been no material change in the Group's funding and treasury policies. The Group had a sufficient level of cash and banking facilities for the conduct of its trade in the normal course of business. To manage liquidity risk, we closely monitor the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

LIQUIDITY AND FINANCIAL RESOURCES *(cont'd)*

Economic, Commercial and Other Risks

The Group may be exposed to the risk of negative developments in national and regional economies, property and financial markets. It may result in reductions in the rental rates and occupancy rates of properties, and demand for ancillary services and facilities it provides. It may also result in recession, inflation, deflation and currency fluctuations as well as restrictions in the availability of credit, increases in financing and other operating costs.

The Group may also be subject to a number of regulatory environments in the territories in which it operates. Changes in the regulatory approach to such matters as ownership of assets and businesses, regulations related to development and operations, exchange controls, tax rules and employment legislation may impact the business of the Group.

Changes in the political environment in such territories may also affect the business of the Group. The management of the Group will keep abreast of the environment and policy changes and make the necessary adjustments in response to such changes, if any. Further steps taken by the Group to manage the financial risk will be set out in note 3 to the consolidated financial statement.

Human Resources

As at 31 December 2021, the total number of employees of the Group was approximately 204 (FY2020: 211) and the employee benefit expenses for FY2021 including Directors' emoluments were approximately RMB29.3 million (FY2020: RMB37.0 million). The Group offers a comprehensive remuneration package which is reviewed by management on a regular basis. The Group also invests in continuing education and training programs for its management staff and other employees with a view to constantly upgrading their skills and knowledge. The Group values employees as our most valuable assets and believes effective employee engagement is an integral part of business success. In this context, effective communication with employees at all levels is highly valued with the ultimate goal to enhance the efficiency in providing quality service to the customers.

BUSINESS REVIEW

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

BUSINESS REVIEW *(cont'd)*

Business Segment Review *(cont'd)*

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 RMB'000**	**2020 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.

BUSINESS REVIEW *(cont'd)*

Business Segment Review *(cont'd)*

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.

(1) Xinji Shaxi Yuetang International Hotel Supplies Trading Exhibition Center

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 report, there is no concrete schedule due to the business environment under the impact of COVID-19 pandemic.

(2) Huafeng Xinji Shaxi Hospitality Supplies Center

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.

BUSINESS REVIEW *(cont'd)*

Business Segment Review *(cont'd)*

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 annual report, 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) reallocation for 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.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Below are the brief profiles of the Directors and senior management of the Group in FY2021 and up to the Latest Practicable Date.

DIRECTORS

The Board currently comprises nine Directors, of which three are executive Directors, three are non-executive Directors and three are independent non-executive Directors. The following table sets forth information regarding the Directors:

Name	Age	Position	Date of Appointment as Director
Mr. Cheung Hon Chuen	56	Chairman of the Board, Executive Director, Chief Executive Officer	27 July 2018
Mr. Mei Zuoting	67	Executive Director	11 March 2019
Mr. Zhang Weixin	58	Executive Director	11 March 2019
Mr. Yu Xuecong	50	Non-executive Director	11 March 2019
Mr. Lin Lie	27	Non-executive Director	1 March 2020
Ms. Wang Yixue	36	Non-executive Director	26 March 2021
Dr. Zeng Zhaowu	58	Independent non-executive Director	15 June 2021
Mr. Tan Michael Zhen Shan	45	Independent non-executive Director	3 October 2019
Dr. Zheng Decheng	69	Independent non-executive Director	3 October 2019

EXECUTIVE DIRECTORS

Mr. Cheung Hon Chuen (張漢泉), aged 56, has been an executive Director since 2018, He is also the chairman of the Board and the chief executive officer of our Group. He is primarily responsible for formulating strategic direction and overseeing the management and business operation of our Group. He is one of the founders of our Group, one of our Controlling Shareholders, and the president of each of our operating subsidiaries in the PRC since their respective date of incorporation.

Mr. Cheung is the industry leader and industry development vane for China hospitality supplies industry. In 2006, he established the Guangdong Hotel Supplies Industry Association* (廣東省酒店用品行業協會) and was the chairman of the association from June 2006 to February 2013. He further established China Hotel Supplies Association ("**CHSA**") in June 2013 and has been the chairman of CHSA since then. CHSA is a state-level industrial association of companies in hospitality supplies industry authorised by the Ministry of Civil Affairs of the PRC (中華人民共和國民政部). Currently, it has over 2,000 members in China.

Mr. Mei Zuoting (梅佐挺), aged 67, has been an executive Director since 2019. He is primarily responsible for overseeing the management and business operation of our Group. He is one of the founders of our Group and one of our Controlling Shareholders. He was appointed as an authorised representative of the Company on 28 April 2021.

Mr. Mei obtained a diploma of Master of Business Administration (long distance course) from University of Northern Virginia (non-accredited) in the United States in June 2009.

Mr. Mei has served in several organisations in the PRC, including the positions being set forth in the following table:

Year	Name of Organisation	Position
2004	Chamber of Commerce of Members directly under the Guangdong Federation of Industry and Commerce* (廣東省工商聯直屬會員商會) and Guangdong Investment Chamber of Commerce* (廣東省工商聯投資商會)	Vice president of the 3rd council
2008	Guangdong Investment Chamber of Commerce of Private Enterprises* (廣東省民營企業投資商會) and Chamber of Commerce of Members directly under the Guangdong Federation of Industry and Commerce* (廣東省工商聯直屬會員商會)	Vice president of the 2nd council and vice president of 5th council
2012	United Chamber of Commerce (Main Chamber) in Guangdong* (廣東省工商業聯合會(總商會))	Committee member of the 11th Committee

EXECUTIVE DIRECTORS *(cont'd)*

Mr. Zhang Weixin (張偉新), aged 58, has been an executive Director. He is primarily responsible for overseeing the management and business operation of our Group. He is one of the founders of our Group and one of our Controlling Shareholders.

Mr. Zhang has been a director and a vice president of Xinji Company since November 1998, mainly responsible for assisting the president in managing the operation of the Xinji Shaxi Group.

Mr. Zhang has served in several organisations in the PRC, including the positions being set forth in the following table:

Year	Name of Organisation	Position
2012	Working Committee of the Standing Committee of the National People's Congress of Luopu Street of Panyu in Guangzhou* (廣州市番禺區人大常委會洛浦街道工作委員會)	Committee member
2013	Chamber of Commerce of Donghuan Street of Panyu in Guangzhou* (廣州市番禺區東環街商會)	Vice president of the 4th council
2013	Chamber of Commerce of Luopu Street of Panyu in Guangzhou* (廣州市番禺區洛浦街商會)	Vice president of the 3rd council

NON-EXECUTIVE DIRECTORS

Mr. Yu Xuecong (余學聰), aged 50, has been a non-executive Director since 2019. He is primarily responsible for formulating strategic direction and development plan of our Group.

Since 2005, Mr. Yu has been the president of Guangdong Hongtai Technology (holdings) Co., Ltd* (廣東鴻泰科技股份有限公司), which principally engaged in development of technology services and software and was mainly responsible for the strategic planning of the company.

Mr. Yu obtained a Master of Business Administration for Senior Management degree from Sun Yat-sen University in the PRC in 2008.

Mr. Lin Lie (林烈), aged 27, has served as a non-executive Director since 1 March 2020. He is primarily responsible for formulating strategic direction and development plan of our Group. He has solid experience in global investment management. Since 2017, Mr. Lin has been the president of Crescendo Greater China Limited, a company which he founded and is licensed by the Securities and Futures Commission to carry out type 9 (asset management) regulated activities, and the executive director of Avant Investment (HK) Limited, a global investment management company. He was the non-executive director of China Ocean Industry Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 00651), from 2018 to 2019.

Mr. Lin obtained his bachelor's degree in finance from the University of San Francisco in 2016.

NON-EXECUTIVE DIRECTORS *(cont'd)*

Ms. Wang Yixue (王藝雪), aged 36, was appointed as a non-executive Director on 26 March 2021. She is primarily responsible for formulating strategic direction and development plan of our Group. She has solid experience in corporate financing and management in the PRC. During the period from February 2005 to May 2017, Ms. Wang was a regional general manager at Zhongmin Weishi Tea Co., Ltd.* (中閩魏氏茶業股份公司), where she was primarily responsible for market development, staff recruitment and training and customer relations management. Since May 2017, she has been the senior investment and finance manager at Shanghai Shenglong Investment Group Co., Ltd.* (上海昇龍投資集團有限公司), where she has been primarily responsible for the day-to-day management of the financing division of the company.

In January 2019, she obtained a college diploma in human resources from the University of Electronic Science and Technology of China through an online course.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Zeng Zhaowu, aged 58, has been appointed as an independent non-executive director, the chairman of the Audit Committee and Remuneration Committee, and a member of the Nomination Committee with effect from 15 June 2021. Dr. Zeng was primarily responsible for overseeing and providing independent judgement to the Board and is currently retired. Dr. Zeng has approximately 30 years of experience in the finance and treasury industry. He graduated from Lingnan College of Sun Yat-sen University in the People's Republic of China (with an undergraduate degree and a master's degree, and obtained his PhD degree in finance and investment from the Business School of Sun Yat-sen University in 2003. Dr. Zeng was the deputy director of the Development Promotion Bureau of Guangdong Financial High-tech Service Zone* (廣東金融高新技術服務區發展促進局), a researcher at the Center for Financial and Industrial Development of Peking University, a researcher at the Financial Investment Research Center of Sun Yat-sen University, an MBA instructor at the Business School of Sun Yat-sen University, a visiting professor at the Foshan University and Guangdong University of Foreign Studies, and a member of the evaluation committee of the Guangzhou Returned Talents Entrepreneurship Project* (廣州歸國人才創業項目). He has solid theoretical background knowledge and extensive practical and management experience in the corporate management and financial markets such as securities, futures, foreign exchange, etc.

Dr. Zeng was a member of the National Futures Association (NFA), the business director of Guangdong International Trust and Investment Company* (廣東省國際信托投資公司), the vice president of Guangzhou Securities Company Limited, and the director of Foshan Finance Bureau* (佛山市金融局). He also served as the director of the office of the Foshan Postdoctoral Work Management Committee* (佛山市博士後工作管理委員會辦公室主任). He has written for the financial column in newspapers and magazines for years and published a number of books and articles, including a book on corporate financing titled Equity Refinancing of Listed Companies (《上市公司股權再融資》) (2004).

Mr. Tan Michael Zhen Shan (譚鎮山), aged 45, has been an independent non-executive Director since 2019. He is primarily responsible for supervising and providing independent judgment to our Board. He is also a member of our audit committee.

Mr. Tan has approximately 21 years of experience in finance and accounting. He has been an independent non-executive director of Zhicheng Technology Group Ltd., a smart manufacturing solutions provider focusing on precision 3D testing solutions and precision machining solutions in the PRC, whose shares are listed on the Stock Exchange (stock code: 8511), and resigned as an independent non-executive director on 7 January 2022.

Mr. Tan graduated with a Bachelor of International Accounting degree from Sun Yat-sen University in the PRC in 1998. He further obtained a Master of Commerce (Accounting with Commercial Law) degree from the University of Sydney in 2001. Mr. Tan has been a certified practicing accountant of CPA Australia since 2004, and is currently a member of the Hong Kong Institute of Certified Public Accountants.

* for identification purpose only

INDEPENDENT NON-EXECUTIVE DIRECTORS *(cont'd)*

Dr. Zheng Decheng (鄭德珵), aged 69, is an independent non-executive Director since 2019. He is primarily responsible for supervising and providing independent judgment to our Board. He is also a member of our audit committee. He was appointed as a member of our remuneration committee and nomination committee on 26 May 2021.

Dr. Zheng has approximately 23 years of experience in finance.

He is currently the independent director of Shenzhen Universe (Group) Co., Ltd.* (深圳市天地(集團)股份有限公司) (Shenzhen stock code: 000023), Guangdong Haomei New Materials Co., Ltd.* (廣東豪美新材股份有限公司) (Shenzhen stock code: 002988) and Yuekai Securities Co., Ltd.* (粵開證券股份有限公司), whose shares are listed on the NEEQ (stock code: 830899), respectively. In addition, in the past three years, he was the independent director of Shenzhen Infinova Limited* (深圳英飛拓科技股份有限公司) (Shenzhen stock code: 002528), Guangdong Tianan New Material Co., Ltd.* (廣東天安新材料股份有限公司) (Shenzhen stock code: 603725) and Urtrust Insurance Co., Ltd.* (眾誠汽車保險股份有限公司), whose shares are listed on the NEEQ (stock code: 835987), respectively.

Dr. Zheng obtained a Bachelor of Economics degree in 1982 and a Master of Economics degree in 1984 from Sun Yat-sen University in the PRC. He further obtained a Doctor degree of Philosophy from the George Washington University in the United States in 1994.

Dr. Zheng has been qualified as the senior economist accredited by the Ministry of Personnel of Guangzhou City since 2003. He obtained the qualification of being an independent non-executive director granted by the Shanghai Stock Exchange in 2018 and the qualification of being senior management of listed companies granted by the Shenzhen Stock Exchange in 2010.

SENIOR MANAGEMENT

Mr. Gu Weibin (古偉斌), aged 46, joined our Group in 2018 as the assistant of the president and the general manager of the investment development centre and the strategy operation centre of our Company. He is primarily responsible for managing the investment development centre and the strategy operation centre of our Company. Mr. Gu has approximately 17 years of experience in property development and management of shopping malls, hotels and properties.

Mr. Gu graduated from Shanghai University in the PRC with a Bachelor of Advertising degree in the PRC in 1998. In addition, Mr. Gu completed and obtained a certificate for an Chairman's Course of Equity Investment and Thinking Innovation* (股權投資與思維創新董事長班學習課程) at the Sun Yat-sen University in the PRC from 2017 to 2019.

Mr. Hong Zongwen (洪宗文), aged 47, joined our Group since 2016 as the general manager of Guangzhou Shaxi. He was appointed as the general manager of the commercial operation centre of our Company in 2018 and is primarily responsible for the general management of the commercial operation centre of our Company.

Mr. Hong has approximately 17 years of experience in property management.

Mr. Hong completed a MBA course from Sun Yat-sen University in the PRC in 2010.

Mr. Jiang Dezhi (江德志), aged 37, joined our Group since 2018 as the legal director of our Company. He is primarily responsible for managing the legal management centre of our Company. Mr. Jiang obtained a Master of International Law degree from Guangdong University of Foreign Studies (廣東外語外貿大學) in 2010. He was subsequently qualified as a lawyer in the PRC in 2012 and has 11 years of experience in the fields of civil and commercial cases, corporate governance and finance.

CORPORATE GOVERNANCE REPORT

The Company is committed to achieving and maintaining high standards of corporate governance by focusing on principles of integrity, accountability, transparency, independence, responsibility and fairness. The Company has developed and implemented sound corporate governance policies and measures, and the Board is responsible for performing such corporate governance duties. The Board will continue to review and monitor the corporate governance of the Company, as well as various internal policies and procedures, including but not limited to those applicable to employees and Directors, with reference to the CG Code set out in Appendix 14 to the Listing Rules and other applicable legal and regulatory requirements so as to maintain a high standard of corporate governance of the Company.

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 is one of our founders, chairman of the Board and chief executive officer of the Company. Being as the industry leader in the China hospitality supplies industry, Mr. Cheung has extensive experience in hospitality supplies industry and he 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 our 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 (the "**Audit Committee**") 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.

BOARD OF DIRECTORS

The Board is responsible for leadership and the internal control of the Company and overseeing the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board has general powers for the management and is conducting the Company's business. The day-to-day operations and management are delegated by the Board to the management of the Company, who will implement the strategy and direction as determined by the Board.

The Board currently consists of nine Directors, namely Mr. Cheung Hon Chuen (張漢泉) (chairman of the Board and Chief Executive Officer), Mr. Mei Zuoting (梅佐挺), Mr. Zhang Weixin (張偉新) as executive Directors, Mr. Yu Xuecong (余學聰), Mr. Lin Lie (林烈) and Ms. Wang Yixue (王藝雪) as non-executive Directors, Dr. Zeng Zhaowu (曾昭武), Mr. Tan Michael Zhen Shan (譚鎮山) and Dr. Zheng Decheng (鄭德珵) as independent non-executive Directors. None of the Directors has a relationship (including financial, family or other substantial or related relationship) with each other. The Board has a balanced composition of executive and non-executive Directors (currently include three executive Directors, three non-executive Directors and three independent non-executive Directors). The Board currently has one female Director and as such has achieved gender diversity in respect of the Board. We will continue to strive to enhance female representation and achieve an appropriate balance of gender diversity with reference to the shareholders' expectation and international and local recommended best practices.

BOARD OF DIRECTORS *(cont'd)*

The biographies of the Directors of the Company are set out on in the section of "Profile of Directors and Senior Management" of this annual report. The list of Directors and their roles and function is also disclosed on the websites of the Company and the Stock Exchange.

Each of the executive Directors has entered into a service contract with the Company. Each of the non-executive Directors and independent non-executive Directors has signed a letter of appointment with the Company for an initial term of three years and is subject to retirement by rotation at an annual general meeting at least once every three years.

These service contracts and letters of appointments are subject to termination in accordance with their respective terms. The term of the service contracts and the letters of appointment may be renewed in accordance with the Articles, the Listing Rules and other applicable laws.

In accordance with the Articles, all the directors are subject to retirement by rotation at least once every three years. Any new director appointed by the Board (i) to fill a casual vacancy in the Board shall hold office only until the first general meeting of the Company following his appointment and shall be subject to re-election at such meeting; and (ii) as an addition to the Board shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election.

The aggregate remuneration (including fees, salaries, contributions to pension schemes, share-based compensation expenses, discretionary bonuses, housing and other allowances and other benefits in kind) payable to the Directors for the FY2021 was approximately RMB2.9 million (FY2020: RMB3.8 million).

The remuneration of the Directors is determined with reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of the Group. Details of the remuneration of the Directors and senior management for the FY2021 are set out in note 34 to the consolidated financial statements.

The Company has arranged appropriate insurance cover in respect of legal proceedings against the Directors of the Company. As of the date of this annual report, no claim has been made since the policy came into effect.

The Board has agreed to the procedures as set out in the code provision C.5.6 of the CG Code to enable Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances at the Company's expense.

During the FY2021 and up to the Latest Practicable Date, the Board has at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors, representing one-third of the Board, of whom Dr. Zeng Zhaowu (曾昭武), Mr. Tan Michael Zhen Shan (譚鎮山) and Dr. Zheng Decheng (鄭德珵) are the Directors possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has also complied with Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board.

Confirmation of Independence

All independent non-executive Directors have met all the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules. Having considered that (i) the Company has received from each of them an annual written confirmation of his independence; (ii) they were not involved in the daily management of the business; and (iii) there is no indication of relationship or circumstances that will impact their independent judgment, the Board considers them to be independent. We have received from each of the independent non-executive Directors a confirmation of their independence in accordance with Rule 3.13 of the Listing Rules.

COMPANY SECRETARY

The company secretary of the Company is responsible for facilitating the Board processes, ensuring the Board procedures are followed and Board activities are effectively conducted, as well as ensuring good information flow among Board members with management and Shareholders.

All Directors have access to the advice and services of the company secretary to ensure that the Board procedures, and all applicable rules and regulations are followed.

All draft and final minutes of Board meetings and Board Committees meetings with records in sufficient details the matters considered and decisions made, are sent to Directors and Board Committees members for comments and approval. Minutes of the Board, Board Committees and general meetings are kept by the company secretary and are made available and circulated to all Directors periodically.

The company secretary sends updates on legislative, regulatory and corporate governance developments relevant to the Group on a regular basis and arranges inhouse seminars for the Directors.

The company secretary of the Company is Mr. Kam Chi Sing ("**Mr. Kam**"). In compliance with Rule 3.29 of the Listing Rules, Mr. Kam Chi Sing has undertaken no less than 15 hours of relevant professional training during the FY2021. Mr. Kam has over 25 years of experience in working in the field of accountancy, auditing and assurance, taxation, corporate services, management consulting and cross-border merger and acquisition consulting in Hong Kong and the PRC. Mr. Kam has the necessary qualifications and experience as required under Rule 3.28 and 8.17 of the Listing Rules. Mr. Kam is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants, the Institute of Financial Accountants (UK) and the Taxation the Institute of Hong Kong and the Hong Kong Institute of Directors. Mr. Kam is also a member of the Hong Kong Securities and Investment Institute and a registered trust and estate practitioner accredited by the Society of Trust and Estate Practitioners. He has over 14 years of CPA practising experience in Hong Kong. The main contact person of Mr. Kam in the Company is Mr. Mo Jingning (莫鏡寧), the dupty general manager of the Company's Financial Management Center.

TIME AND DIRECTORSHIP COMMITMENTS OF DIRECTORS

All Directors are expected to ensure that sufficient time and attention is allocated to the Company to discharge their responsibilities effectively and, where possible, attend all Board/committee meetings and annual general meetings, and that other commitments do not affect the effectiveness of their contribution or the time available to the Company. The major commitments of non-executive Directors are detailed in their biographies.

All Directors are required to disclose to the Company at the time of his/her appointment, and in a timely manner for any change, the number, identity and nature of offices held in Hong Kong and overseas listed public companies or organisations and other significant commitments. Such changes will be updated in their biographies and disclosed in the annual and interim reports as appropriate. An indication of the time involved by the Directors on their directorships and other commitments will also be disclosed on an annual basis.

The independent non-executive Directors have made disclosures on the time spent on the affairs of the Company and also confirm that they are able to give sufficient time and attention to the affairs of the Company. All of them have attended the Board/committee meetings and annual general meeting held by the Company during the year.

The Nomination Committee regularly reviews the time commitments required from a Director to perform his/her responsibilities to ensure that the Board's effectiveness is not compromised. The Board believes, in principle, that Directors' external commitments will benefit the Company by providing them with a diversity of skills, experience, knowledge and perspectives and are relevant to their role in the Company.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

All Directors attended various training programmes for the FY2021, including training regarding the updating of the Listing Rules, the responsibilities and continuous obligations of Directors, the Environmental, Social and Governance Reporting Guide, and Toolkit on Directors' Ethic and Anti-Corruption Programme — A Guide for Listed Companies. The Company had arranged suitable training for all Directors in order to develop and refresh their knowledge and skills as part of their continuous professional development. Each newly appointed Director will receive a comprehensive induction training on the duties and obligations required of a Director to comply with the Listing Rules, SFO, the Companies Ordinance and other applicable laws and regulations.

The Directors are required to provide the Company with information on the continuous professional development training undertaken by them from time to time. Training records are kept by the company secretary. According to information provided by the Directors, they received continuous professional development training during the year. According to records provided by the Directors, a summary of training received by the Directors for the year ended 31 December 2021 is as follows:

Name of the Director	Training
Executive Directors	
Mr. Cheung Hon Chuen	√
Mr. Mei Zuoting	√
Mr. Zhang Weixin	√
Ms. Jin Chunyan *(resigned on 28 April 2021)*	–
Non-executive Directors	
Mr. Yu Xuecong	√
Mr. Lin Lie	√
Ms. Wang Yixue *(appointed on 26 March 2021)*	√
Mr. Wu Jianxun *(resigned on 26 March 2021)*	–
Independent non-executive Directors	
Dr. Zeng Zaowu *(appointed on 15 June 2021)*	√
Mr. Tan Michael Zhen Shan	√
Dr. Zheng Decheng	√
Dr. Liu Eping *(resigned on 15 June 2021)*	–
Mr. Chen Tusheng *(resigned on 26 May 2021)*	–

BOARD MEETING AND GENERAL MEETING

The Company adopts a practice to convene Board meetings regularly which is at least four meetings per year and roughly on a quarterly basis. A written notice of a regular Board meeting shall be delivered to all the Directors at least 14 days in advance with the matters to be discussed specified in agenda of the meeting. All Directors shall be fully consulted about any matters proposed for inclusion in the agenda for regular Board meetings. The chairman of the Board has delegated the responsibility for drawing up the agenda for each Board meeting to the company secretary.

For other Board and committee meetings, reasonable notice is generally served. Agendas or relevant documents of the Board or committee meetings shall be despatched to the Directors or members of the committees at least 3 days prior to the convening of the meetings to ensure that they have sufficient time to review the relevant documents and be adequately prepared for the meetings. When Directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. The minutes are kept by the company secretary of the Company and the copies are circulated to all Directors for reference and record purpose.

The minutes of the Board meetings and committee meetings record in detail matters considered and decisions reached by the Board and Board committees, including any issues raised by the Directors. Draft minutes of each Board meeting and committee meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. Directors have a right to review the minutes of the Board meetings and the committee meetings.

BOARD MEETING AND GENERAL MEETING *(cont'd)*

Any material transaction, which involves a conflict of interests between a substantial shareholder or a Director and the Company, will be considered and dealt with by the Board at a duly convened Board meeting with the presence of the independent non-executive Directors. Directors are abstained from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

In addition to Board meetings, the Chairman also has regular gatherings with other Directors, and at least annually hold meetings with independent non-executive Directors and without the presence of other Directors. The independent non-executive Directors can freely provide their independent views to the Board.

For the year ended 31 December 2021, the Company convened 4 Board meetings to (i) consider and approve the annual results announcement and the annual report of the Group for the year ended 31 December 2020, review the work of the Group's risk management and internal control systems; (ii) consider and approve the interim report and interim results announcement of the Group for the six months ended 30 June 2021; (iii) approve the further change in use of proceeds from the Global Offering; and (iv) discloseable transaction in relation to the sublease agreement. The Company expects to convene at least four regular board meetings in each financial year at approximately quarterly intervals in accordance with code provision C.5.1 of the CG Code.

The attendance of each Director at Board meetings and general meetings during the year is as follows:

Name of Directors	Board Meeting Attended/ Eligible to Attend	Annual General Meeting held on 26 May 2021
Executive Directors		
Mr. Cheung Hon Chuen	4/4	√
Mr. Mei Zuoting	4/4	√
Mr. Zhang Weixin	4/4	√
Ms. Jin Chunyan [1]	1/1	N/A
Non-executive Directors		
Mr. Yu Xuecong	4/4	√
Mr. Lin Lie	4/4	√
Ms. Wang Yixue [2]	3/3	√
Mr. Wu Jianxun [3]	1/1	N/A
Independent non-executive Directors		
Dr. Zeng Zhaowu [4]	3/3	√
Mr. Tan Michael Zhen Shan	4/4	√
Dr. Zheng Decheng	4/4	√
Mr. Chen Tusheng [5]	0/1	X
Dr. Liu Eping [6]	1/1	X

Notes:

1. Ms. Jin Chunyan resigned as an executive Director on 28 April 2021.
2. Ms. Wang Yixue was appointed as a non-executive Director on 26 March 2021.
3. Mr. Wu Jianxun resigned as a non-executive Director on 26 March 2021.
4. Dr. Zeng Zaowu was appointed as an independent non-executive Director on 15 June 2021.
5. Mr. Chen Tusheng resigned as an independent non-executive Director on 26 May 2021.
6. Dr. Liu Eping resigned as an independent non-executive Director on 15 June 2021.

DELEGATION BY THE BOARD AND BOARD COMMITTEES

The Company has three Board committees, namely the Audit Committee, the Nomination Committee and the Remuneration Committee. Each of the Board committees operates under its specific written terms of reference. Sufficient resources, including the advice of the external Auditor and independent professional advisers, are provided to the Board Committees to enable them to discharge their duties. The terms of reference of the Board committees are available on the websites of the Company and the Stock Exchange.

Audit Committee

The Company establishes an Audit Committee with written terms of reference in compliance with the CG Code and paragraph D.3 of the CG Code as set out in Appendix 14 to the Listing Rules. The Audit Committee consists of three members, namely Dr. Zeng Zhaowu (曾昭武), Mr. Tan Michael Zhen Shan (譚鎮山) and Dr. Zheng Decheng (鄭德珵). Dr. Zeng Zhaowu was appointed as the chairman of the Audit Committee on 15 June 2021. The primary duties of the Audit Committee are to review and supervise, and provide an independent view of the effectiveness of, the financial reporting process and the risk management and internal control systems of the Group, oversee the audit process and perform other duties and responsibilities as assigned by the Board.

For the FY2021, the Audit Committee convened two meetings to review the annual results announcement and the annual report of the Group for the year ended 31 December 2020; and review the interim results, including the interim results announcement and the interim report, of the Group for the six months ended 30 June 2021.

The following table sets forth the attendance of each member of the Audit Committee at the Audit Committee meetings during the year:

Name of Directors	Attended/ Eligible to Attend
Dr. Zeng Zhaowu *(Chairman)* [1]	1/1
Mr. Tan Michael Zhen Shan	2/2
Dr. Zheng Decheng	2/2
Dr. Liu Eping [2]	1/1

Notes:

1. Dr. Zeng Zhaowu was appointed as the chairman of the Audit Committee on 15 June 2021.

2. Dr. Liu Eping resigned as the chairman of the Audit Committee on 15 June 2021.

Nomination Committee

The Company establishes a Nomination Committee with written terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules. Pursuant to Rule 3.27A of the Listing Rules, the Nomination Committee consists of three members, namely Mr. Cheung Hon Chuen (張漢泉), Dr. Zeng Zhaowu (曾昭武) and Dr. Zheng Decheng (鄭德珵). Mr. Cheung Hon Chuen currently serves as the chairman of the Nomination Committee. Dr. Zheng Decheng was appointed as a member of the Nomination Committee on 26 May 2021; Dr. Zeng Zhaowu was appointed as a member of the Nomination Committee on 15 June 2021.

The Nomination Committee is responsible for reviewing and assessing the composition of the Board and the independence of the independent non-executive Directors and making recommendations to the Board on appointment and removal of Directors. In recommending candidates for appointment to the Board, the Nomination Committee will consider candidates on merit against objective criteria and with due regards to the benefits of diversity on the Board in accordance with the board diversity policy adopted by the Company. Diversity of the Board will be considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of services and time to be devoted as a Director.

DELEGATION BY THE BOARD AND BOARD COMMITTEES *(cont'd)*

Nomination Committee *(cont'd)*

The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

For the FY2021, the Nomination Committee convened two meetings to (i) review the composition of the Board and assess the independence of independent non-executive Directors and (ii) recommend to the Board on the proposed appointment of a new independent non-executive Director of the Company, respectively.

The following table sets forth the attendance of each member of the Nomination Committee at the Nomination Committee meetings during the year:

Name of Directors	Attended/ Eligible to Attend
Mr. Cheung Hon Chuen *(Chairman)*	2/2
Dr. Cheng Decheng [1]	1/1
Dr. Zeng Zhaowu [2]	N/A
Mr. Cheng Tusheng [3]	0/1
Dr. Liu Eping [4]	1/1

Notes:

1. Dr. Zheng Decheng was appointed as a member of the Nomination Committee on 26 May 2021.
2. Dr. Zeng Zhaowu was appointed as a member of the Nomination Committee on 15 June 2021.
3. Mr. Chen Tusheng resigned as a member of the Nomination Committee on 26 May 2021.
4. Dr. Liu Eping resigned as a member of the Nomination Committee on 15 June 2021.

Nomination Policy

According to the Nomination Policy, in evaluating and selecting any candidate for directorship, the Nomination Committee would consider the criteria, including character and integrity, qualifications (cultural and educational background, professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy), any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and diversity, and willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s).

The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new Director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship. The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship with a ranking of the candidates (if applicable) by order of preference based on the needs of the Company and reference check of each candidate.

Board Diversity Policy

In designing the Board's composition, the Nomination Committee considers Board diversity from a number of aspects, including but not limited to gender, age, race, language, cultural background, educational background, ethnicity, industry experience, professional experience, skills, knowledge and length of service and other qualities relevant to the duties of the Directors that the Nomination Committee may consider relevant and applicable from time to time towards achieving a diversified Board. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

We believe the Board has a well-balance of cultural background, educational background, gender, industry experience and professional experience where members of the Board have diversified branch of learning and working experience in different countries and regions.

DELEGATION BY THE BOARD AND BOARD COMMITTEES *(cont'd)*

Board Diversity Policy *(cont'd)*

In 2021, out of the nine directors comprising the Board, one of them are women, while in 2020, two of the eleven directors are executive Directors and independent non-executive Directors, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, whether considered in terms of age, cultural and educational background, professional expertise and skills. The Board endeavours to steer forward and ensure that the Board has a balance of skills, experience and diversity of aspects appropriate to the requirements of the Company's business.

The Nomination Committee is responsible for the monitoring and review of the Policy annually. During the period from the Listing Date to the date of this annual report, the Nomination Committee was satisfied with the diversity of the existing Board and did not, for the time being, set up any measurable objective regarding the diversity of the Board.

Remuneration Committee

The Company establishes a Remuneration Committee with written terms of reference in accordance with the CG Code as set out in Appendix 14 to the Listing Rules, which is in compliance with paragraph E.1 of the CG Code. The Remuneration Committee has three members, comprising two independent non-executive Directors, namely Dr. Zeng Zhaowu (曾昭武), Dr. Zheng Decheng (鄭德珵), and one executive Director, namely Mr. Cheung Hon Chuen (張漢泉). Dr. Zeng Zhaowu was appointed as the chairman of the Remuneration Committee on 15 June 2021. Dr. Zheng Decheng was appointed as a member of the Remuneration Committee on 26 May 2021. The primary duties of the Remuneration Committee are to establish and review the policy and structure of the remuneration for the Directors and senior management and make recommendations to the Board on employee benefit arrangement.

For the FY2021, the Remuneration Committee convened two meetings to (i) review and recommend to the Board on the remuneration package of the proposed appointment of the independent non-executive Director of the Company; (ii) review and examine the remuneration policy and structure and to make recommendations to the Board on determining the annual remuneration packages of the executive Directors and the senior management and other related matters; and (iii) review the performance and remuneration of the executive Directors and the senior management of the Company.

The following table sets forth the attendance of each member of the Remuneration Committee at the Remuneration Committee meetings during the year:

Name of Directors	Attended/ Eligible to Attend
Dr. Zeng Zhaowu *(Chairman)* [1]	N/A
Mr. Cheung Hon Chuen	2/2
Dr. Zheng Decheng [2]	1/1
Mr. Chen Tusheng [3]	0/1
Dr. Liu Eping [4]	1/1

Notes:

1. Dr. Zeng Zhaowu was appointed as the chairman of the Remuneration Committee on 15 June 2021.
2. Dr. Zheng Decheng was appointed as a member of the Remuneration Committee on 26 May 2021.
3. Mr. Chen Tusheng resigned as a member of the Remuneration Committee on 26 May 2021.
4. Dr. Liu Eping resigned as the chairman of the Remuneration Committee on 15 June 2021.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code 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 and until the date of this annual report. 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.

FRAMEWORK FOR DISCLOSURE OF INSIDE INFORMATION

The Company has put in place a policy on handling and dissemination of inside information (the "**Policy**") which sets out the procedures and internal controls for handling and dissemination of inside information in a timely manner in such a way so as not to place any person in a privileged dealing position and to allow time for the market to determine the price of the listed securities of the Company with the latest available information. This Policy also provides guidelines to staff of the Company to ensure proper safeguards exist to prevent the Company from breaching the statutory disclosure requirements. It also includes appropriate internal control and reporting systems to identify and assess potential inside information. Dissemination of inside information of the Company shall be conducted by publishing the relevant information on the websites of the Stock Exchange and the Company, according to the requirements of the Listing Rules.

EXTERNAL AUDITOR

For the FY2021, the fees paid/payable by the Group to PricewaterhouseCoopers for annual audit and non-audit services amounted to approximately RMB2.7 million and RMB0.1 million, respectively.

FINANCIAL REPORTING

Directors' Responsibility

The Directors of the Company are responsible for the preparation of the financial statements which give a true and fair view of the financial position of the Group and of the results and cashflow during the reporting period. A statement from the auditor about its reporting responsibilities on the financial statements is set out on pages 51 to 55 of this annual report. In preparing the financial statements for the FY2021, the Directors of the Company have selected suitable accounting policies and applied them consistently, made judgments and estimated that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

External Auditor's Responsibility

The Auditor of the Company is PricewaterhouseCoopers, Certified Public Accountants. A statement by the Independent Auditor about their reporting responsibilities is included in the Independent Auditor's Report on the Company's financial statements on pages 51 to 55.

In arriving at their opinion, the Auditor conducts full scope audit without any restrictions and has access to individual Directors (including Audit Committee members) and management of the Company.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for maintaining sound risk management systems and effective internal control in order to safeguard the Group's assets and Shareholders' interests and reviewing the effectiveness of the Group's internal control and risk management systems on an annual basis so as to ensure that internal control and risk management systems in place are adequate. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company also 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 Company implements and strictly enforces procedures on inside information according to the relevant procedures stated under the Guidelines on Disclosure of Inside Information.

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.

During the FY2021, the Board has reviewed the effectiveness of the internal control and risk management systems of the Group to ensure that a sound system is maintained and operated by the management in compliance with the agreed procedures and standards. The review covered all material controls, including financial, operational and compliance controls and risk management functions. In particular, the Board considered the resources, staff qualifications and experience, training programmes received by employees and relevant budget of the Company's accounting, internal audit and financial reporting functions are adequate. The review was conducted through discussions with the management of the Company, its external and internal auditors and the assessment performed by the Audit Committee. The Board believes that the existing risk management and internal control systems are adequate and effective, in particular, for financial reporting and Listing Rules compliance as well as for resolving internal control defects.

In addition, the Company has established policies and systems that promote and support anti-corruption laws and regulations. We also carry out regular on the-job compliance training to our senior management and employees to maintain a healthy corporate culture and enhance their compliance perception and responsibility. Our staff can anonymously report any suspected corrupt incident to the Company.

The Company has also established a whistleblowing policy and system for employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence and anonymity, about possible improprieties in any matter related to the Company.

The Company is committed to continuously reviewing and improving its internal systems, including those in relation to internal supervision and control, and risk management.

DIVIDEND POLICY

Payment of dividends by the Company is also subject to any restrictions under the Companies Law of Cayman Islands and the Memorandum and Articles of Association of the Company. The Board will review the dividend policy as appropriate from time to time. The declaration and payment of dividends shall be determined at the sole discretion of the Board. The Board shall also take into account the following factors when considering whether to propose dividends and determining the dividend amount:

1. the Group's actual and expected financial performance;
2. retained earnings and distributable reserves of the Group;
3. the Group's working capital requirements, capital expenditure requirements and future expansion plans;
4. the Group's liquidity position;
5. contractual restrictions on the payment of dividends by the Company to the Shareholders or by the Company's subsidiaries to the Company;
6. taxation considerations;
7. general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and
8. other factors that the Board deems relevant.

SHAREHOLDERS' RIGHTS

Convening General Meetings

Pursuant to the Articles of the Company, general meetings shall also be convened on the written requisition of any one or more members of the Company deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. Such meeting should be held within two months after the deposit of such requisition.

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Under Article 64 of the Articles, any one or more Shareholders holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company may at all times have the right, by a written requisition to the Board or the company secretary of the Company, to require the convening of an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within 2 months after the deposit of such requisition. If, within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

SHAREHOLDERS' RIGHTS *(cont'd)*

Putting Forward Proposals at General Meetings

The Board is not aware of any provisions allowing the Shareholders to put forward proposals at general meetings of the Company under the Articles and the Companies Law of the Cayman Islands. Shareholders who wish to put forward proposals at general meetings may refer to the preceding paragraph to make a written requisition to require the convening of an extraordinary general meeting of the Company.

Detailed procedures for Shareholders to propose a person for election as a Director of the Company are published on the Company's website.

Enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company as follows:

Address:	1st Floor, Xinjicheng Club No. 250, Intersection of Nanda Road Panyu District, Guangzhou PRC
Attention:	Office of the Board

The Company will not normally deal with verbal or anonymous enquiries.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company has set up an effective communication channel with investors. It carries out investor relationship maintenance work under the principles of openness and fairness and with a proactive attitude while conforming to the rules. During the reporting period, the Company disclosed information truly, accurately, completely and timely according to the laws, regulations and regulatory requirements to ensure that investors would know the important matters of the Company in a timely manner, thus protecting the investors' interests to the greatest extent.

To promote effective communication, up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information are available in the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.xjsx.net.cn) for public access.

The general meetings of the Company provide a forum and an important channel for communication between the Board and the Shareholders. The chairman of the Board as well as chairman of the Nomination Committee, the Remuneration Committee and the Audit Committee or, in their absence, other members of the respective committees and, where applicable, are available normally at the annual general meetings and other relevant shareholder meetings to answer questions. Shareholders are also encouraged to attend general meetings held by the Company and are invited to express their views and raise questions thereat.

As part of its regular review, the Board has reviewed these communication channels for the year ended December 31, 2021 and is of the view that this is effective and adequately implemented.

CONSTITUTIONAL DOCUMENTS

For the FY2021 and up to the date of this annual report, there was no change in constitutional documents of the Company.

REPORT OF DIRECTORS

The Board is pleased to present the report of directors and the audited consolidated financial statements of the Group for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The Company was incorporated in the Cayman Islands on 27 July 2018 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Our principal activities comprise four main business lines:(i) shopping malls, including three shopping malls for hospitality supplies and two shopping malls for home furnishings; (ii) managed shopping mall; (iii) online shopping mall for sales of hospitality supplies and home furnishings; and (iv) exhibition management business.

The activities and particulars of the Group are shown under note 12 to the consolidated financial statements. An analysis of the Group's operating results for the year by principal activities is set out in the section headed "Management Discussion and Analysis" in this annual report.

RESULTS

The consolidated annual results of the Group for the FY2021 are set out on pages 56 to 128 of this annual report.

DIVIDENDS

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).

RESERVES

Details of the movement in the reserves of the Group during the FY2021 are set out in note 23 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Group's distributable reserves were approximately RMB1,154 million (31 December 2020: RMB1,370 million).

CHARITABLE DONATIONS

The total charitable donations made by the Group for the year ended 31 December 2021 amounted to approximately RMB0.2 million.

BUSINESS REVIEW

A review of the Group's business during the year could be found in the sections headed "Chairman's Statement", "Management Discussion and Analysis" and "Corporate Governance Report" in this annual report. The review and discussion form part of this directors' report.

SHARE ISSUED

Details of the movements in share capital of the Company during the FY2021 are set out in note 22 to the consolidated financial statements.

DEALINGS IN LISTED SECURITIES

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

AGM AND CLOSURE OF REGISTER OF MEMBERS

The Company will hold the AGM on Friday, 27 May 2022. A notice convening the AGM will be published on the websites of the Stock Exchange and the Company and despatched to the Shareholders in due course.

The register of members of the Company 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 and transfer office 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.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property and equipment of the Group during the FY2021 are set out in note 16 to the consolidated financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is highly aware of the importance of environment protection and has not noted any material non-compliance with all relevant laws and regulations in relation to its business including health and safety, workplace conditions, employment and the environment. The Group has implemented environmental protection measures and has also encouraged staff to be environmental friendly at work by consuming the electricity and paper according to actual needs, so as to reduce energy consumption and minimize unnecessary waste. Further details of the Group's environmental policies and performance will be disclosed in the environmental, social and governance report of the Company for the FY2021 to be published in due course.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles, or the laws of Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to its existing Shareholders.

DIRECTORS

FY2021 to the date of this annual report, the Board currently consists of the following nine Directors:

Executive Directors

Mr. Cheung Hon Chuen *(Chairman, Chief Executive Officer)*
Mr. Mei Zuoting
Mr. Zhang Weixin
Ms. Jin Chunyan *(resigned on 28 April 2021)*

Non-executive Directors

Mr. Yu Xuecong
Mr. Lin Lie
Ms. Wang Yixue *(appointed on 26 March 2021)*
Mr. Wu Jianxun (resigned on 26 March 2021)

Independent Non-executive Directors

Dr. Zeng Zhaowu *(appointed on 15 June 2021)*
Mr. Tan Michael Zhen Shan
Dr. Zheng Decheng
Mr. Chen Tusheng *(resigned on 26 May 2021)*
Dr. Liu Eping *(resigned on 15 June 2021)*

The Company has received the resignation letters from Mr. Wu Jianxun, Ms. Jin Chunyan and Dr. Liu Eping confirming that he had no disagreement with the Board and there was nothing relating to his resignation that were related to the affairs of the Company or that needed to be brought to the attention of the Shareholders and the Stock Exchange.

In accordance with Article 108 of the Memorandum and Articles of Association of the Company, Mr. Tan Michael Zhen Shan and Dr. Zheng Decheng shall retire by rotation and shall be eligible and have offered themselves for re-election at the forthcoming AGM.

In accordance with Article 112 of the Memorandum and Articles of Association of the Company, Dr. Zeng Zhaowu was appointed as an independent non-executive Director by the Board on 15 June 2021, and he hold office until the first general meeting of the Company after his appointment and shall retire by rotation and being eligible, has offered himself for re-election at the forthcoming AGM.

PROFILE OF THE DIRECTORS AND THE SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group during FY2021 are set out in the section headed “Profile of Directors and Senior Management” to this annual report.

CONFIRMATION OF INDEPENDENCE FROM INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received written confirmations which have been reviewed by the Nomination Committee from each independent non-executive Directors of his/her independence pursuant to Rule 3.13 of the Listing Rules. Both the Nomination Committee and the Board consider them to be independent throughout the year and that they remain so as at the date of this report.

DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S INTERESTS AND SHORT POSITIONS IN SECURITIES AND UNDERLYING SHARES

As at 31 December 2021, the interests or short positions of each Director and chief executive officer of the Company in the Shares, underlying Shares and debentures of the Company, as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules, and the details of any right to subscribe for Shares of the Company and of the exercise of such rights, were as follows:

Director	Capacity/nature of interest	Class and number of securities held [1]	Approximate percentage of interest in the Company's issued share capital
Mr. Cheung Hon Chuen	Interest of controlled Corporation [2,5]	782,910,000 (L)	52.2%
Mr. Mei	Interest of controlled Corporation [3,5]	782,910,000 (L)	52.2%
Mr. Zhang	Interest of controlled Corporation [4,5]	782,910,000 (L)	52.2%

Notes:

1. The letter "L" denotes a long position in the Shares.

2. As at the Latest Practicable Date, Honchuen Investment was wholly-owned by Mr. Cheung. Mr. Cheung is deemed to be interested in all the Shares held by Honchuen Investment under the SFO.

3. As at the Latest Practicable Date, Zuoting Investment was wholly-owned by Mr. Mei. Mr. Mei is deemed to be interested in all the Shares held by Zuoting Investment under the SFO.

4. As at the Latest Practicable Date, Weixin Development was wholly-owned by Mr. Zhang. Mr. Zhang is deemed to be interested in all the Shares held by Weixin Development under the SFO.

5. On 28 December 2018, in preparation for the Listing, Mr. Cheung, Mr. Mei and Mr. Zhang executed the concert parties agreement, pursuant to which they have confirmed their acting in concert arrangement in the past, as well as their intention to continue to act in the above manner upon Listing to consolidate their control over our Group through Honchuen Investment, Zuoting Investment and Weixin Development until the concert parties agreement is terminated by them in writing. As such, Mr. Cheung, Mr. Mei, Mr. Zhang, Honchuen Investment, Zuoting Investment and Weixin Development are deemed to be interested in the Shares held by the others under the SFO. Please refer to the section headed "Substantial Shareholders" in the Prospectus for details.

Except as disclosed above, to the best knowledge, information and belief of our Directors and based on information available as at 31 December 2021, none of the Directors or chief executive of the Company and its respective associates had any interests or short positions in the Shares, underlying Shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO; (ii) whose were required to be recorded in the register kept by the Company under section 352 of the SFO; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company, under which they agreed to act as executive Directors for an initial term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either of the Director or the Company.

Each of the non-executive Directors and independent non-executive Directors has signed an appointment letter with the Company for an initial term of three years commencing from the Listing Date, which may be terminated by not less than one month's notice in writing served by either of the Director or the Company. Under the respective appointment letters, each of the non-executive Directors and independent non-executive Directors is entitled to a fixed Director's emolument.

The appointments of the Directors are subject to the provisions of retirement and rotation of Directors under the Articles. None of the Directors have entered a service contract with members of the Group that cannot be terminated by the Group within one year without payment of compensation, other than statutory compensation.

CONTRACT WITH CONTROLLING SHAREHOLDERS

Other than disclosed in the section headed "Significant Related Party Transactions" in note 32 to the consolidated financial statements contained in this annual report, no contract of significance was entered into between the Company or any of its subsidiaries and the Controlling Shareholders or any of its subsidiaries during the FY2021 and no contract of significance for the provision of services to the Company or any of its subsidiaries by a Controlling Shareholder or any of its subsidiaries was entered into during the FY2021.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

No transaction, arrangement and contract of significance to the business of the Group which the Company or any of its subsidiaries was a party, and in which a Director or any entity connected with such a Director had a material interest, whether directly or indirectly, subsisted at any time during the FY2021.

CONNECTED TRANSACTION

During the year ended 31 December 2021, the Company has not entered into any connected transactions or continuing connected transactions that are subject to the reporting requirements under Chapter 14A of the Listing Rules.

INTEREST OF DIRECTORS IN BUSINESSES COMPETING WITH THE COMPANY

To the best knowledge of the Directors, none of the Directors had any interest in any business which directly or indirectly competes or is likely to compete with the business of the Group during the FY2021.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The emoluments of the Directors and senior management of the Group are decided by the Board with reference to the recommendation given by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

Details of the Directors' emoluments and emoluments of the five highest paid individual in the Group are set out respectively in note 34 and note 10(b) to the consolidated financial statements.

For the FY2021, no emoluments were paid by the Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived any emoluments for the FY2021.

Except as disclosed above, no other payments have been made or are payable, for the FY2021, by our Group to or on behalf of any of the Directors.

NON-COMPETITION UNDERTAKING

After the Reorganisation of the Group in preparation for the Listing, the Directors consider that there is a clear delineation between the business of the Group and other business conducted or owned directly or indirectly by the Controlling Shareholders and their respective close associates as described in the section headed "Relationship with Controlling Shareholders" in the Prospectus. Each of Honchuen Investment, Zuoting Investment, Weixin Development, Mr. Cheung, Mr. Mei and Mr. Zhang has executed a deed of non-competition dated 22 October 2019 in favor of the Group (the "**Deed of Non-Competition**"), pursuant to which, each of Honchuen Investment, Zuoting Investment, Weixin Development, Mr. Cheung, Mr. Mei and Mr. Zhang has irrevocably undertaken, among other things, that each of Honchuen Investment, Zuoting Investment, Weixin Development, Mr. Cheung, Mr. Mei and Mr. Zhang will not and will not procure the close associates, directly or indirectly, engage in any business which is or may be in competition with the business of any member of the Group from time to time.

Each of Honchuen Investment, Zuoting Investment, Weixin Development, Mr. Cheung, Mr. Mei and Mr. Zhang has confirmed in writing to the Company of its compliance with the Deed of Non-Competition for disclosure in this report for the year ended 31 December 2021.

The independent non-executive Directors have reviewed the Deed of Non-Competition and had determined that neither Honchuen Investment, Zuoting Investment, Weixin Development, Mr. Cheung, Mr. Mei and Mr. Zhang has been in breach of the Deed of Non-Competition for the year ended 31 December 2021.

For the year ended 31 December 2021, the Directors (including the independent non-executive Directors) did not make any decisions in relation to whether to exercise or terminate an option for purchase and take up or waive any new business opportunity.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as disclosed in this annual report, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

MANAGEMENT CONTRACTS

Other than the Directors' service contracts and appointment letters, no contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence as at any time during the FY2021.

EQUITY-LINKED AGREEMENTS

Save for the share option scheme as set out below, no equity-linked agreement was entered into by the Group, or existed during the FY2021.

MATERIAL LEGAL PROCEEDINGS

In July 2021, 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 Hotel**"), an indirect wholly-owned subsidiary of the Company, filed legal proceedings in the Beijing Chaoyang People's Court against Beijing Chengwaicheng Home Furnishing Market Co., Ltd.* (北京城外誠家居市場有限公司) ("**Beijing Chengwaicheng**") and others in respect of the recovery of the earnest money in the amount of RMB10.0 million paid by Guangzhou Shaxi Hotel to Beijing Chengwaicheng pursuant to a lease intention agreement dated 19 May 2021 entered into between Guangzhou Shaxi Hotel, as tenant, and Beijing Chengwaicheng, as landlord, for the lease of the home furnishing expo center in Chaoyang District, Beijing, the PRC. The said lease intention agreement had been terminated as the parties could not agree on certain commercial terms. As at the date of this report, the Beijing Chaoyang People's Court has frozen the defendants' assets in the total amount of RMB10.0 million and the legal proceedings are ongoing.

MATERIAL LEGAL PROCEEDINGS *(cont'd)*

In December 2020, 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**") filed arbitral proceedings in the Shanghai International Arbitration Centre against several respondents, including among others, Shenyang Xinji Industrial Centre Company Limited* (瀋陽信基實業有限公司) ("**Shenyang Xinji Industrial**") and Guangzhou Shaxi Hotel, being indirect wholly-owned subsidiaries of the Company, in respect of the purported breach of a cooperative development agreement dated 5 June 2017 (as amended by the supplemental agreements). Based on the legal advice from the Company's PRC lawyer, the PRC lawyer is of the view that as neither Shenyang Xinji Industrial or Guangzhou Shaxi Hotel is a party to the relevant cooperative development agreement or guarantee agreement, there is no breach of contract or guarantee responsibility by Shenyang Xinji Industrial or Guangzhou Shaxi Hotel, nor are they obligated to pay any liquidated damages to Shanghai Red Star. The potential maximum total liability of Shenyang Xinji Industrial and Guangzhou Shaxi Hotel in respect of the arbitration case is estimated to be approximately RMB20.0 million. As at the date of this report, the Shanghai International Arbitration Centre has adjourned the hearing of the case to a later date to be determined.

Save as disclosed in this report, the Group was not involved in any material legal or arbitral proceedings during the FY2021.

LOAN AND GUARANTEE

During the FY2021, the Group had not made any loan or provided any guarantee for loan, directly or indirectly, to the Directors, senior management of the Company, the Controlling Shareholders or their respective connected persons.

SUBSTANTIAL SHAREHOLDERS' AND OTHER SHAREHOLDERS' INTERESTS

So far as our Directors are aware, as at the date of this annual report, the following persons have or are deemed or taken to have an interest or a short position in Shares or underlying Shares of the Company which will be required to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were recorded in the register of the Company required to be kept pursuant to section 336 of the SFO or, directly or indirectly, are interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Name	Nature of Interest	Name of ordinary shares held	Approximate percentage of the Company's issued share capital
Honchuen Investment	Beneficial owner [5]	782,910,000 (L)	52.2%
Mr. Cheung Hon Chuen	Interest of controlled Corporation [2,5]	782,910,000 (L)	52.2%
Zuoting Investment	Beneficial owner [5]	782,910,000 (L)	52.2%
Mr. Mei	Interest of controlled Corporation [3,5]	782,910,000 (L)	52.2%
Weixin Development	Beneficial owner [5]	782,910,000 (L)	52.2%
Mr. Zhang	Interest of controlled Corporation [4,5]	782,910,000 (L)	52.2%
Huang Wanyi	Interest of spouse [6]	782,910,000 (L)	52.2%
AL Capital Holdings International Pte. Ltd.	Beneficial owner [7]	119,832,000 (L)	7.99%
Straits Universal Limited	Interest of controlled Corporation [7,8]	119,832,000 (L)	7.99%
Mr. Lin Yi	Interest of controlled Corporation [7,8]	119,832,000 (L)	7.99%
Huiqun Investment Limited	Beneficial owner [9]	93,375,000 (L)	6.23%

1. The letter "L" denotes a long position in the Shares.

2. As at the Latest Practicable Date, Honchuen Investment was wholly owned by Mr. Cheung. Mr. Cheung is deemed to be interested in all the Shares held by Honchuen Investment under the SFO.

3. As at the Latest Practicable Date, Zuoting Investment was wholly owned by Mr. Mei. Mr. Mei is deemed to be interested in all the Shares held by Zuoting Investment under the SFO.

4. As at the Latest Practicable Date, Weixin Development were wholly owned by Mr. Zhang. Mr. Zhang is deemed to be interested in all the Shares held by Weixin Development under the SFO.

5. On 28 December 2018, in preparation for the Listing, Mr. Cheung, Mr. Mei and Mr. Zhang executed the concert parties agreement, pursuant to which they have confirmed their acting in concert arrangement in the past, as well as their intention to continue to act in the above manner upon Listing to consolidate their control over our Group through Honchuen Investment, Zuoting Investment and Weixin Development until the concert parties agreement is terminated by them in writing. As such, Mr. Cheung, Mr. Mei, Mr. Zhang, Honchuen Investment, Zuoting Investment and Weixin Development are deemed to be interested in the Shares held by the others under the SFO. For details, please refer to the section headed "Substantial Shareholders" in the Prospectus.

SUBSTANTIAL SHAREHOLDERS' AND OTHER SHAREHOLDERS' INTERESTS *(cont'd)*

6. Ms. Huang Wanyi is the spouse of Mr. Zhang. By virtue of the SFO, Ms. Huang Wanyi is deemed to be interested in the same number of Shares in which Mr. Zhang is deemed to be interested in under the SFO.

7. AL Capital Holdings International Pte. Ltd. was wholly-owned by Straits Universal Limited. Straits Universal Limited is deemed to be interested in all the Shares held by AL Capital Holdings International Pte. Ltd. under the SFO.

8. Straits Universal Limited was wholly-owned by Mr. Lin Yi. Mr. Lin Yi is deemed to be interested in all the Shares held by Straits Universal Limited and AL Capital Holdings International Pte. Ltd. under the SFO.

9. To the best knowledge and belief of our Directors, Huiqun Investment was wholly-owned by Independent Third Parties.

Except as disclosed above, as at 31 December 2021, none of the persons (other than Directors whose interests are set out in this annual report) had any interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

A share option scheme was adopted by the written resolutions of the Shareholders passed on 3 October 2019 (the "**Share Option Scheme**"). The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules. Since the date of adoption to 31 December 2021, no share option was granted, exercised, cancelled or lapsed under the Share Option Scheme and there was no outstanding share option as at the date of this annual report. Summary of the principal terms of the Share Option Scheme are as follow:

(a) Purpose of the Share Option Scheme

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the Eligible Participants (as defined in paragraph (b) below) have had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

(i) motivating the Eligible Participants to optimize their performance and efficiency for the benefit of the Group; and

(ii) attracting and retaining or otherwise maintaining on-going business relationships with the Eligible Participants whose contributions are or will be beneficial to the long term growth of the Group.

SHARE OPTION SCHEME *(cont'd)*

(b) Participant of the Share Option Scheme

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (c) below to the following persons (the "**Eligible Participants**"):

(i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;

(ii) any Directors (including non-executive Directors and independent non-executive Directors) of the Company or any of its subsidiaries;

(iii) any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries; and

(iv) such other persons who, in the sole opinion of the Board, will contribute or have contributed to the Group, the assessment criteria of which are:

(a) contribution to the development and performance of the Group;

(b) quality of work performed for the Group;

(c) initiative and commitment in performing his/her duties; and

(d) length of service or contribution to the Group.

(c) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

(ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a Share.

(d) Grant of options and acceptance of offers

An offer for the grant of options must be accepted within twenty-one days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1.00.

(e) Maximum number of Shares of the Company available for issue

The total number of Shares available for issue under the Share Option Scheme is 150,000,000 Shares, represent 10% of the Shares in issue as at the date of this annual report.

(f) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of the Company in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.

SHARE OPTION SCHEME *(cont'd)*

(g) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(h) Remaining life of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on 3 October 2019, subject to early termination provisions contained in the Share Option Scheme.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

For the year ended 31 December 2021, neither the Company, its holding company, nor any of its subsidiaries has enabled the Directors to acquire benefits by means of the acquisition of Shares in, or debt securities including debentures of, the Company or any other body corporate.

ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

Save as disclosed in this annual report, the Group did not have any significant investment or material acquisition or disposal of subsidiaries and affiliated companies for the FY2021.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as those disclosed under the section headed "Business – Our Strategies" in the Prospectus, the Group currently has no other plan for material investments or capital assets.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the Group's largest customers accounted for 2% of the Group's total revenue. The Group's five largest customers accounted for 6% of the Group's total revenue. In the year under review, the Group's largest suppliers accounted for 29% of the Group's total purchase. The Group's five largest suppliers accounted for 73% of the Group's total purchase.

None of the Directors or any of their close associates (as defined under the Listing Rules) or any Shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest suppliers or the Group's five largest customers.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

The Company is not aware of any tax relief or exemption available to the Shareholders of the Company.

RETIREMENT BENEFITS SCHEME

The employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The employees of the PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to this retirement benefits scheme is to make the required contributions under the scheme.

SIGNIFICANT RELATED PARTY TRANSACTIONS

Details of the significant related party transactions of the Group for the FY2021 are set out in note 32 to the consolidated financial statements contained herein.

None of the related party transactions constitutes a connected transaction or continuing connected transaction subject to independent Shareholders' approval, annual review and all disclosure requirements in Chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the Latest Practicable Date prior to the publication of this annual report, the Company has maintained the public float as required under the Listing Rules.

PERMITTED INDEMNITY PROVISION

In FY2021 and up to the date of this annual report, the Company has implemented the permitted indemnity provision (as defined in the Hong Kong Companies Ordinance) in relation to the director's and officer's liability insurance.

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 report, the Acquisitions have not been completed. For details of the Acquisitions, please refer to the 2022 Acquisition Announcement.

Save as disclosed in this report, from the year ended 31 December 2021 to the date of this annual report, there are no significant events occurred.

If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of company names in Chinese or another language which are marked with "" and the Chinese translation of company names in English which are marked with "*" is for identification purpose only.*

CORPORATE GOVERNANCE

The Company recognises the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. The Company has adopted the code provisions set out in the CG Code as its own code to govern its corporate governance practices.

In the opinion of the Directors, the Company has complied with the relevant code provisions contained in the CG Code during the FY2021, 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 is one of our founders, chairman of the Board and chief executive officer of the Company. Being as the industry leader in the China hospitality supplies industry, Mr. Cheung has extensive experience in hospitality supplies industry and he is responsible for formulating strategic direction and overseeing the management and business operation of our Group. 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. In addition, the operation of the senior management and our Board, which are comprised of experienced individuals, effectively checks and balances the power and authority of Mr. Cheung, as both the chairman and chief executive officer of our Group. Our Board currently comprises 3 executive Directors (including Mr. Cheung), three non-executive Directors and three independent non-executive Directors and therefore has a fairly strong independence element in its composition. 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 Board will continue to review and monitor the practices of the Company with an aim to maintaining a high standard of corporate governance.

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report of this annual report.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2021 have been audited by PricewaterhouseCoopers, Certified Public Accountants, who will retire at the forthcoming AGM and, being eligible, offer itself for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as the independent auditors of the Company for the coming year will be proposed at the forthcoming AGM for approval by the Shareholders.

COMPLIANCE WITH LAWS AND REGULATIONS

For the FY2021, the Company is in compliance with the relevant laws and regulations that have a significant impact on the Company.

On behalf of the Board
Cheung Hon Chuen
Chairman

25 March 2022

羅兵咸永道

To the Shareholders of Xinji Shaxi Group Co., Ltd
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Xinji Shaxi Group Co., Ltd (the "**Company**") and its subsidiaries (the "**Group**"), which are set out on pages 56 to 128, comprise:

- the consolidated balance sheet as at 31 December 2021;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("**the Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is valuation of investment properties.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties	
Refer to note 3.3, note 4 (a) and note 17 to the consolidated financial statements. The Group's investment properties are stated at fair value. As at 31 December 2021, the Group's investment properties amounted to RMB2,641.03 million and the fair value losses on investment properties for the year ended 31 December 2021 amounted to RMB401.52 million. Management have appointed an independent external valuer to assist them to perform a valuation of the Group's investment properties as at year end. We focused on this area as valuation of investment properties involved high degree of estimation uncertainty, including but not limited to assessment of capitalisation rate, fair market rent and fair market price of the properties. The inherent risk in relation to assessment of the fair value of investment properties is considered relatively higher due to uncertainty of significant assumptions used.	Our procedures in relation to management's valuation of investment properties included: (i) We understood, evaluated and validated the Group's internal control over valuation of investment properties and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors including subjectivity; (ii) We evaluated the independent external valuer's competence, capabilities and objectivity; (iii) We assessed the appropriateness of methodologies used and challenged the key estimates and assumptions applied by the management and the valuer in determining capitalisation rate, fair market rent and fair market price with the involvement of our internal valuation experts. We compared these key assumptions to industry and market data based on market research of similar properties; (iv) We checked, on a sample basis, the underlying data of area, tenancy term and occupancy against the supporting evidence, and checked the mathematical accuracy of the valuation. Based on the work performed, we considered that the key assumptions made by the management in relation to the valuation of investment properties were supported by the available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(cont'd)*

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(cont'd)*

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Au Chi Ho.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 March 2022

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2021 RMB'000	2020 RMB'000
Revenue	6	**267,536**	287,938
Cost of sales	7	**(26,773)**	(26,820)
Fair value losses on investment properties	17	**(401,518)**	(79,274)
Selling and marketing expenses	7	**(26,369)**	(24,625)
Administrative expenses	7	**(33,032)**	(40,713)
Net impairment losses on financial assets and operating lease receivables	3.1(b)	**(7,425)**	(4,177)
Other income	8	**6,940**	13,548
Other losses – net	9	**(417)**	(6,989)
Operating (loss)/profit		**(221,058)**	118,888
Finance income	11	**344**	1,625
Finance expenses	11	**(47,729)**	(51,858)
Finance expenses – net	11	**(47,385)**	(50,233)
(Loss)/profit before income tax		**(268,443)**	68,655
Income tax expense	13	**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)			
Basic and diluted (loss)/earnings per share	14	**(0.14)**	0.02

The above consolidated income statement should be read in conjunction with the accompanying notes.

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

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2021 RMB'000	2020 RMB'000
ASSETS			
Non-current assets			
Property and equipment	16	**3,757**	3,160
Investment properties	17	**2,641,030**	2,991,240
Intangible assets	18	**765**	890
Deferred income tax assets	28	**753**	1,592
Operating lease and trade receivables and other receivables	20	**146,468**	–
		2,792,773	2,996,882
Current assets			
Inventories		**2,905**	5,231
Operating lease and trade receivables and other receivables	20	**52,346**	100,572
Restricted cash		**3,300**	3,300
Cash and cash equivalents	21	**249,332**	182,497
		307,883	291,600
Total assets		**3,100,656**	3,288,482
EQUITY			
Share capital and premium	22	**285,178**	285,178
Other reserves	23	**243,498**	242,243
Retained earnings	24	**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	27	**632,072**	454,621
Deferred revenue		**–**	2,210
Trade and other payables	25	**29,467**	22,105
Lease liabilities	25	**130,227**	147,913
Deferred income tax liabilities	28	**325,473**	407,208
		1,117,239	1,034,057
Current liabilities			
Borrowings	27	**114,337**	175,784
Trade and other payables	25	**85,224**	87,049
Lease liabilities	25	**24,814**	24,066
Advance from customers	26	**45,782**	38,109
Contract liabilities	6	**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

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 56 to 128 were approved by the Board of Directors on 25 March 2022 and were signed on its behalf:

Cheung Hon Chuen
Director

Mei Zuoting
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital and premium RMB'000 (Note 22)	Other reserves RMB'000 (Note 23)	Retained earnings RMB'000 (Note 24)	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
		Attributable to owners of the Company					
For the year ended 31 December 2020							
Balance at 1 January 2020		304,494	232,422	1,347,140	1,884,056	(2,287)	1,881,769
Profit for the year		–	–	32,967	32,967	(1,056)	31,911
Total comprehensive income for the year		–	–	32,967	32,967	(1,056)	31,911
Transactions with owners							
Transfer to statutory reserves	23	–	9,821	(9,821)	–	–	–
Dividends	15	(19,316)	–	–	(19,316)	–	(19,316)
		(19,316)	9,821	(9,821)	(19,316)	–	(19,316)
Balance at 31 December 2020		285,178	242,243	1,370,286	1,897,707	(3,343)	1,894,364
For the year ended 31 December 2021							
Balance at 1 January 2021		**285,178**	**242,243**	**1,370,286**	**1,897,707**	**(3,343)**	**1,894,364**
Loss for the year		**–**	**–**	**(215,108)**	**(215,108)**	**183**	**(214,925)**
Total comprehensive loss for the year		**–**	**–**	**(215,108)**	**(215,108)**	**183**	**(214,925)**
Transactions with owners							
Capital injection by non-controlling interests		**–**	**–**	**–**	**–**	**300**	**300**
Transfer to statutory reserves	23	**–**	**1,255**	**(1,255)**	**–**	**–**	**–**
		–	**1,255**	**(1,255)**	**–**	**300**	**300**
Balance at 31 December 2021		**285,178**	**243,498**	**1,153,923**	**1,682,599**	**(2,860)**	**1,679,739**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2021 RMB'000	2020 RMB'000
Cash flows from operating activities			
Cash generated from operations	29	**192,926**	153,700
Income tax paid		**(32,862)**	(54,755)
Interest received		**344**	1,625
Interest paid		**(45,941)**	(47,903)
Net cash generated from operating activities		**114,467**	52,667
Cash flows from investing activities			
Refund of prepayments for acquisition of a subsidiary		**52,800**	–
Prepayments for acquisition of a subsidiary		**–**	(57,800)
Payments for investment properties		**(51,283)**	(66,646)
Payments for purchase of property and equipment		**(1,676)**	(2,448)
Payments for purchase of intangible assets		**(324)**	(495)
Repayments from related parties		**–**	26
Prepayments for lease		**(186,468)**	–
Refund of prepayments for lease		**40,000**	–
Net cash used in investing activities		**(146,951)**	(127,363)
Cash flows from financing activities			
Proceeds from borrowings		**290,000**	162,700
Repayments of borrowings		**(175,784)**	(146,359)
Capital injection by non-controlling interests		**300**	–
Dividends paid		**–**	(19,316)
Principal elements of lease payments		**(14,492)**	(11,430)
Net cash generated from/(used in) financing activities		**100,024**	(14,405)
Net increase/(increase) in cash and cash equivalents		**67,540**	(89,101)
Cash and cash equivalents at beginning of year		**182,497**	272,400
Exchange losses on cash and cash equivalents		**(705)**	(802)
Cash and cash equivalents at end of year		**249,332**	182,497

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 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 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.

These consolidated financial statements have been approved for issue by the board of directors (the "**Board**") of the Company on 25 March 2022.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.1 Basis of preparation *(cont'd)*

(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.

(i) 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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.1 Basis of preparation *(cont'd)*

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.

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combination

Business combinations under common control

The consolidated financial statements incorporates the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling shareholders.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling shareholders' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling shareholders' interest.

The consolidated income statements and the consolidated statements of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control consolidation.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities or business are eliminated on consolidation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.2 Subsidiaries *(cont'd)*

2.2.1 Consolidation (cont'd)

(a) Business combination (cont'd)

Business combinations not under common control

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interest and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.2 Subsidiaries *(cont'd)*

2.2.1 Consolidation (cont'd)

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacities as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("**CODM**"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("**the functional currency**"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within "finance income or expenses". All other foreign exchange gains and losses are presented in the consolidated income statement within "other losses- net".

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting currency translation differences are recognised in other comprehensive income.

2.5 Leases

The Group as a lessee

The Group mainly leases land use right and properties. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

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. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.5 Leases *(cont'd)*

The Group as a lessee (cont'd)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;

(b) variable lease payment that are based on an index or a rate;

(c) amounts expected to be payable by the lessee under residual value guarantees;

(d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and;

(e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Right-of-use assets are initial measured at cost comprising the following:

(a) the amount of the initial measurement of lease liability;

(b) any lease payments made at or before the commencement date less any lease incentives received;

(c) any initial direct costs, and;

(d) restoration costs.

The right-of-use assets are mainly recognised as investment properties and carried at fair value, which are determined at each reporting date by management, by referencing the valuation results from independent valuer after initial recognition.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.5 Leases *(cont'd)*

The Group as a lessor

A lessor shall classify each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

Lease income from operating leases is recognised in profit or loss on a straight-line basis over the terms of the relevant lease (Note 6). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The lease receivables under lease arrangements are recognised as "operating lease receivables" in the consolidated balance sheet.

The Group as a sublease lessor

Sub-lease is a transaction for which an underlying asset is re-leased by a lessee ("**sublease lessor**") to a third party, and the lease ("**head lease**") between the head lessor and lessee remains in effect. In classifying a sublease, a sublease lessor shall classify the sublease as a finance lease or an operating lease as follows:

(a) if the head lease is a short-term lease that the entity, as a lessee, has accounted for the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis, the sublease shall be classified as an operating lease.

(b) otherwise, the sublease shall be classified by reference to the right-of-use asset arising from the head lease as finance lease or operating lease.

2.6 Property and equipment

Property and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.6 Property and equipment *(cont'd)*

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

Leased office buildings	lease term
Vehicles	3-5 years
Furniture, fittings and equipment	3-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

Construction in progress represents the direct costs of construction incurred of property and equipment less any impairment losses. No provision for depreciation is made on construction in progress until such time the relevant assets are completed and put into use. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

Gains and losses on disposals of other property and equipment are determined by comparing the proceeds with the carrying amounts and are recognised within "other losses – net" in the consolidated income statement.

2.7 Intangible assets

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (3 to 10 years). Costs associated with maintaining computer software programs are recognised as an expense as incurred.

2.8 Investment properties

Investment properties, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. They also include properties that are being constructed or developed for future use as investment properties. Land held under leases are accounted for as investment properties at the date at which the leased asset is available for use by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, which are determined at each reporting date by management through referencing the valuation results from external valuer. Changes in fair values are recorded in profit or loss as part of a valuation gain or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.8 Investment properties *(cont'd)*

If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under HKAS 16. Any resulting increase in the carrying amount of the property is recognised in profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and increase directly to equity in revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to profit or loss. For a transfer from completed properties held for sale or properties under development to investment properties that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

2.9 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Inventories

Inventories mainly comprise of goods for e-commerce trade, which are stated at the lower of cost or net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.11 Financial assets

2.11.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.11 Financial assets *(cont'd)*

2.11.1 Classification (cont'd)

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.11.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2.11.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated statements of comprehensive income.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in the consolidated income statements as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other losses – net in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at fair value through other comprehensive income are not reported separately from other changes in fair value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.12 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2.13 Impairment of financial assets and operating lease receivables

For operating lease receivables and trade receivables, the Group applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For other receivables and amounts due from related parties, the Group adopted a "three-stage" model for impairment based on changes in credit quality since initial recognition as summarised below:

Category	Group definition of category	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime (Stage 1).
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	Lifetime expected losses (Stage 2).
Non-performing	Interest and/or principal repayments are 60 days past due	Lifetime expected losses (Stage 3).

2.14 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

2.15 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.16 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, like properties under development, assets under construction and investment properties under construction, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statements, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the territories where the group entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

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 tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.19 Employee benefits

Pension obligations

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administered funds managed by the PRC governments.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Housing funds, medical insurance and other social insurance

Employee of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plans. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceilings. The Group's liability in respect of these funds are limited to the contribution payable in each year.

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2.20 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.21 Revenue

(i) Operating lease rental income

It refers to revenue received by the Group from provision of leases for tenants who signed up lease contracts to run business at its owned/leased portfolio shopping malls. Operating lease rental income is recognised on a straight-line basis over the period of the lease.

(ii) Property management service

Revenue arising from property management service is recognised in the accounting period in which the services are rendered. The Group bills a fixed amount for each month of service provided and recognises as revenue in the amount to which the Group has a right to invoice and corresponds directly with the value of performance completed.

(iii) Sales of goods

Revenues from sales of goods are the revenue obtained from sales of hotel suppliers and home furnishing products, and are recognised when the control of the goods are transferred to the customer. Control of the goods is transferred at point in time when the customer obtains the physical possession of the goods and the Group has present right to payment.

(iv) Shopping mall management service

Revenue arising from shopping mall management service is recognised in the accounting period in which the services are rendered. The Group bills a fixed amount for each month of service provided and recognises as revenue in the amount to which the Group has a right to invoice and corresponds directly with the value of performance completed.

2.22 Interest income

Interest income is recognised on time-proportion basis using the effective interest method.

2.23 Dividend income

Dividends are recognised as revenue when the right to receive payment is established.

2.24 Dividend distribution

Dividend distribution to the group companies' shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the group companies' shareholders or board of directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities exposed it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group and approved by the board of directors of the Company.

(a) Market risk

(i) Foreign exchange risk

The Group operates mainly in the PRC with most of the transactions settled in RMB. Management considers that the business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities of the Group denominated in the currencies other than RMB, except that as at 31 December 2021, the Group has cash balance of RMB13,736,000 (31 December 2020: RMB27,874,000) denominated in Hong Kong dollar ("**HK$**"). If RMB had strengthened/weakened by 2% against HK$, the post-tax profit of the Group for the year ended 31 December 2021 would have been approximately RMB276,000 lower/higher (2020: RMB560,000 lower/higher).

(ii) Cash flow and fair value interest rate risk

The Group's interest-rate risk mainly arises from borrowings with variable rates. Borrowings at floating rates expose the Group to cash flow interest rate risk; borrowings at fixed rates expose the Group to fair value interest rate risk. The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

As at 31 December 2021, if interest rates on borrowings at variable rates had been 100 basis point higher/lower with all other variables held constant, the post-tax profit of the Group for the year ended 31 December 2021 would have been RMB5,448,000 lower/higher (2020: RMB4,483,000 lower/higher), mainly as a result of more/less interest expenses on borrowings at variable rates.

(b) Credit risk

Credit risk arises from cash at bank, restricted cash, operating lease and trade receivables and other receivables.

The carrying amounts of deposits placed with banks and receivables included in the consolidated financial statements represent the Group's maximum exposure to credit risk in relation to its financial assets. The objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problem.

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.1 Financial risk factors *(cont'd)*

(b) Credit risk (cont'd)

To manage the credit risk, bank deposits are mainly placed with state-owned or reputable financial institutions in the PRC and reputable international financial institutions outside the PRC. There has been no recent history of default in relation to these financial institutions. The Group's bank deposits as at 31 December 2021 and 2020 are as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Big four commercial banks (Note (i))	**103,855**	2,322
Other listed banks	**145,265**	158,838
Other non-listed banks	**171**	20,875
	249,291	182,035

(i) Big four commercial banks include Industrial and Commercial Bank of China, China Construction Bank, Agricultural Bank of China and Bank of China.

Operating lease and trade receivables arising from the Group's long-term lease arrangements are recorded as part of the Group's operating lease and trade receivables in the consolidated balance sheet. Lease arrangements are normally entered into with customers with proper credit history. Different credit assessment procedures including background search and obtaining credit reports issued by independent credit information service providers are conducted by the Group, where applicable. The Group normally requires the lessee to place certain amount of deposit at the inception of the lease arrangement as guarantee for the timely performance of the lessee over the lease term. Additional guarantee may be required for certain customers with poor credit history when necessary. In the event of late payment, the Group is entitled to charge interest or penalty at the default rate on any part of lease rental not paid when due until the same shall be paid. In the circumstances when the lessee fails to perform under the lease contract, the Group is able to cancel the lease contract. The directors of the Company believe the credit risk of the Group's lease receivables are properly managed. The Group assessed that the expected credit loss rate for trade receivables were low since the Group have a strong capacity to meet its contractual cash flow obligation in the near term.

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.1 Financial risk factors *(cont'd)*

(b) Credit risk (cont'd)

There is no significant concentration of the Group's credit losses as no individual balance of operating lease receivables exceeds 10% of the Group's total operating lease receivables as at 31 December 2021 (2020: same). During the year ended 31 December 2021, no revenue from a single customer accounted for more than 10% of the Group's total revenue (2020: same).

For other receivables, the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of these receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition.

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

(i) Operating lease and trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for operating lease and trade receivables. To measure the expected credit losses, operating lease and trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.1 Financial risk factors *(cont'd)*

(b) Credit risk (cont'd)

(i) Operating lease and trade receivables (cont'd)

On that basis, the loss allowance as at 31 December 2021 and 31 December 2020 was determined as follows for operating lease receivables:

	As at 31 December 2021		
Credit risk rating	**Default loss rate**	**Gross carrying RMB'000**	**Loss allowance RMB'000**
Normal (a)	**0%**	**21,633**	**–**
Doubtful (b)	**10%**	**4,530**	**453**
In default (c)	**100%**	**1,537**	**1,537**
Total	**7%**	**27,700**	**1,990**

	As at 31 December 2020		
Credit risk rating	Default loss rate	Gross carrying RMB'000	Loss allowance RMB'000
Normal (a)	0%	14,867	–
Doubtful (b)	10%	7,980	798
In default (c)	100%	1,792	1,792
Total	11%	24,639	2,590

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.1 Financial risk factors *(cont'd)*

(b) Credit risk (cont'd)

(i) Operating lease and trade receivables (cont'd)

On that basis, the loss allowance as at 31 December 2021 and 31 December 2020 was determined as follows for trade receivables:

	As at 31 December 2021		
Credit risk rating	**Default loss rate**	**Gross carrying RMB'000**	**Loss allowance RMB'000**
Normal (a)	**0%**	**1,995**	**–**
Doubtful (b)	**13%**	**4,827**	**616**
In default (c)	**100%**	**–**	**–**
Total	**9%**	**6,822**	**616**

	As at 31 December 2020		
Credit risk rating	Default loss rate	Gross carrying RMB'000	Loss allowance RMB'000
Normal (a)	0%	693	–
Doubtful (b)	11%	7,511	806
In default (c)	100%	–	–
Total	10%	8,204	806

(a) Normal represented receivables from regular customers which have a low risk of default and a strong capacity to meet contractual cash flows.

(b) Doubtful represented receivables from customers which there is an increase in credit risk.

(c) In default represented receivables from the customers which have a high risk of default and at a terrible operating situation.

The loss rate is calculated based on the historical actual credit losses, and it is adjusted based on the differences between the economic situation during the historical data collection period, the current economic situation and the economic situation that the Group believes to be during the expected life period.

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.1 Financial risk factors *(cont'd)*

(b) Credit risk (cont'd)

(ii) Other receivables and amounts due from related parties

Other financial assets at amortised cost include other receivables from third parties and amounts due from related parties.

Other receivables have been assessed for impairment on a collective basis based on different credit risk characteristics. Other receivables are categorised as follows for assessment purpose:

Group 1	Other receivables due from related parties and deposits
Group 2	Prepayments for acquisition of a subsidiary
Group 3	Others

Management considered amounts due from related parties and other receivables which are deposits in nature, such as deposits for construction projects and lease contracts, to be low credit risk as the counterparties have a low risk of default and a strong capacity to meet their contractual cash flow obligations in the near term and no loss allowance provision is made for these other receivables during the period. The Group has assessed that the expected credit losses of Group 1 are not significant.

The Group has assessed that Group 2 is on Stage 3 and the ECL rate for Group 2 is 100%.

The Group has assessed that Group 3 is on Stage 1 and use 12 months ECL method except for particular items.

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.1 Financial risk factors *(cont'd)*

(b) Credit risk (cont'd)

(ii) Other receivables and amounts due from related parties (cont'd)

As of 31 December 2020 and 2021, the gross carrying amount and loss allowance of other receivables in categories are as follows:

	Stage 1		Stage 2		Stage 3	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of 31 December, 2021						
Group 1	**3,288**	**–**	**–**	**–**	**–**	**–**
Group 2	**–**	**–**	**–**	**–**	**5,283**	**5,283**
Group 3	**1,443**	**11**	**–**	**–**	**14,856**	**4,924**
Total	**4,731**	**11**	**–**	**–**	**20,139**	**10,207**
As of 31 December, 2020						
Group 1	4,907	–	–	–	–	–
Group 2	–	–	57,800	2,890	–	–
Group 3	1,926	254	–	–	–	–
Total	6,833	254	57,800	2,890	–	–

(iii) Written off loss allowance

Operating lease and trade receivables and other receivables are written off when there is no reasonable expectation of recovery.

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.1 Financial risk factors *(cont'd)*

(b) Credit risk (cont'd)

(iv) Loss allowance provision movement

The loss allowance for operating lease and trade receivables and other receivables as at 31 December reconciles to the opening loss allowance as follows:

	Operating lease receivables RMB'000	Trade receivables RMB'000	Other receivables RMB'000	Total RMB'000
Balance as at 1 January 2020	2,342	629	202	3,173
Provision for loss allowance recognised in profit or loss for the year	1,058	177	2,942	4,177
Written off loss allowance for the year	(810)	–	–	(810)
Balance as at 31 December 2020	2,590	806	3,144	6,540
Balance as at 1 January 2021	**2,590**	**806**	**3,144**	**6,540**
Provision for loss allowance recognised in profit or loss for the year	**541**	**(190)**	**7,074**	**7,425**
Written off loss allowance for the year	**(1,141)**	**–**	**–**	**(1,141)**
Balance as at 31 December 2021	**1,990**	**616**	**10,218**	**12,824**

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.1 Financial risk factors *(cont'd)*

(c) Liquidity risk

Cash flow forecasts are prepared by management of the operating entities and aggregated by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasts take into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets. The following table shows the remaining contractual maturities (or the earliest date a financial liability may become payable in the absence of a fixed maturity date) at the balance sheet date of the Group's financial liabilities and lease liabilities based on contractual undiscounted cash flows:

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2021					
Borrowings (including interests)	**156,656**	**131,613**	**398,587**	**230,835**	**917,691**
Lease liabilities	**25,894**	**26,569**	**67,479**	**75,617**	**195,559**
Trade and other payables (excluding salary payables and other tax liabilities)	**71,815**	**8,737**	**20,638**	**92**	**101,282**
	254,365	**166,919**	**486,704**	**306,544**	**1,214,532**

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2020					
Borrowings (including interests)	216,204	97,240	279,369	169,451	762,264
Lease liabilities	25,288	25,288	83,645	99,590	233,811
Trade and other payables (excluding salary payables and other tax liabilities)	71,052	10,961	10,963	181	93,157
	312,544	133,489	373,977	269,222	1,089,232

Interests are calculated on borrowings held as at 31 December 2021 (2020: same). Floating-rate interest is estimated using the current interest rate as at 31 December 2021 (2020: same).

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amounts of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents and restricted cash. Total capital represents total equity as shown in the consolidated balance sheet.

The gearing ratios at 31 December 2021 and 2020 are as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Borrowings (Note 27)	**746,409**	630,405
Less:		
– Cash and cash equivalents (Note 21)	**(249,332)**	(182,497)
– Restricted cash	**(3,300)**	(3,300)
Net debt	**493,777**	444,608
Equity	**1,679,739**	1,894,364
Total capital	**1,679,739**	1,894,364
Gearing ratio	**29%**	23%

The increase in gearing ratio as of 31 December 2021 as compared to 31 December 2020 is mainly due to increase in borrowings.

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.3 Fair value estimation

Non-financial assets and liabilities

(i) Fair value hierarchy

This note explains the judgements and estimates made in determining the fair values of the non-financial assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its non-financial assets and liabilities into the three levels prescribed under the accounting standards.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

	Level 3 As at 31 December 2021 RMB'000	 2020 RMB'000
Investment properties (Note 17)	**2,641,030**	2,991,240

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year.

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.3 Fair value estimation *(cont'd)*

Non-financial assets and liabilities (cont'd)

(ii) Valuation techniques used to determine fair values

Fair values of completed investment properties are generally derived using the income capitalisation method and comparison method. The income capitalisation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties. The comparison method is adopted assuming sale of each of these properties in its existing state with the benefit of vacant possession. By making reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as location and property size.

As at 31 December 2021, all investment properties are included in level 3 fair value hierarchy (2020: same).

(iii) Fair value measurements using significant unobservable inputs (level 3)

Refer to Note 17 for the changes in level 3 items for the year ended 31 December 2021 recurring fair value measurement.

(iv) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements. See (ii) above for the valuation techniques adopted.

	Fair value as at 31 December 2021 RMB'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	2,612,260	Income capitalisation	Market rents (RMB/square meter/month)	11 to 231
			Capitalisation rate	5.5% to 8%
Investment properties under construction	28,770	Comparison method	Market price (RMB/square meter)	374 to 430

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.3 Fair value estimation *(cont'd)*

Non-financial assets and liabilities (cont'd)

(iv) Valuation inputs and relationships to fair value (cont'd)

	Fair value as at 31 December 2020 RMB'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	2,962,310	Income capitalisation	Market rents (RMB/square meter/month)	25 to 220
			Capitalisation rate	5.5% to 8%
Investment properties under construction	28,930	Comparison method	Market price (RMB/square meter)	370 to 430

The higher the market price and market rents, the higher the fair value.

Capitalisation and discount rates are estimated by the independent valuer based on the risk profile of the properties being valued. The higher the rates, the lower the fair value.

Prevailing market rents are estimated based on recent lettings, within the subject properties and other comparable properties. The lower the rents, the lower the fair value.

There are no significant inter-relationships between unobservable inputs.

(v) Valuation processes

The Group measures its investment properties at fair value. The investment properties were valued by an independent and professionally qualified valuer at 31 December 2021 and 2020. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that review the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the senior management. Discussions of valuation processes and results are held between the management, the valuation team and valuers at least once every year.

At each financial year end, the finance department:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior year valuation report; and
- Holds discussions with the independent valuer.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Estimation of the fair value of investment properties

The Group assesses the fair value of its investment properties based on valuations determined by independent and professional qualified valuer. Significant judgment and assumptions are required in assessing the fair value of the investment properties. Information about the valuation of investment properties is disclosed in Note 3.3.

(b) Impairment of receivables

The loss allowances for financial assets and lease receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in Note 3.1.

(c) Current income tax and deferred tax

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the amount of the provision for taxation and timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred income tax assets and income tax charges in the period in which such estimates have been changed.

5 SEGMENT INFORMATION

The Executive Directors of the Company have been identified as the CODM. 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).

6 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

6 REVENUE *(cont'd)*

(c) *(cont'd)*

	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

7 EXPENSES BY NATURE

	Year ended 31 December 2021 RMB'000	2020 RMB'000
Employee benefit expenses (Note 10)	**29,270**	37,031
Cost of sales of goods	**14,283**	13,823
Marketing and advertising costs	**9,876**	8,784
Legal and professional expenses	**5,603**	6,450
Tax and other levies	**5,256**	5,058
Property maintenance expenses	**4,114**	4,920
Electricity and water cost	**3,120**	3,102
Auditor's remuneration		
– Audit services	**2,680**	2,287
– Non-audit services	**123**	886
Technical service charges	**1,440**	1,624
Entertainment expenses	**1,330**	708
Depreciation (Note 16)	**1,069**	693
Office and travelling expenses	**628**	437
Amortisation (Note 18)	**449**	422
Short-term leases expenses	**363**	313
Donation	**216**	1,546
Other expenses	**6,354**	4,074
Total cost of sales, selling and marketing expenses and administrative expenses	**86,174**	92,158

8 OTHER INCOME

	Year ended 31 December 2021 RMB'000	2020 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

9 OTHER LOSSES – NET

	Year ended 31 December 2021 RMB'000	2020 RMB'000
Losses on disposal of property and equipment	**(10)**	–
Exchange losses	**(690)**	(812)
Expenditure for compensation	**–**	(5,074)
Penalties	**(10)**	(1,087)
Others	**293**	(16)
	(417)	(6,989)

10 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December 2021 RMB'000	2020 RMB'000
Wages, salaries and bonus	**23,888**	33,823
Pension costs – defined contribution plans (Note a)	**1,948**	136
Other social security costs, housing benefits and other employee benefits	**3,434**	3,072
	29,270	37,031

(a) Pension costs – defined contribution plans

As stipulated by the rules and regulations in the PRC, the Group contributes to state-sponsored retirement plans for its employees in the PRC. The Group contributes to the retirement plans at rates of approximately 14% to 20% of the basic salaries of its employees in the PRC and has no further obligation for the actual payment of pensions or post-retirement benefits. The state-sponsored retirement plans are responsible for the entire pension obligations payable to retired employees.

(b) Five highest paid individuals

The five highest paid individuals include three (2020: four) directors for the year ended 31 December 2021, whose details of the emoluments are disclosed in Note 34. The emoluments paid and payable to the remaining 2 (2020: one) individual for the year ended 31 December 2021 are as follows:

	Year ended 31 December 2021 RMB'000	2020 RMB'000
Wages and salaries	**696**	339
Bonus	**–**	144
Pension costs – defined contribution plans	**73**	1
Other social security costs, housing benefits and other employee benefits	**83**	7
	852	491

10 EMPLOYEE BENEFIT EXPENSES *(cont'd)*

(b) Five highest paid individuals *(cont'd)*

The emoluments fell within the following bands:

	Year ended 31 December	
	2021	2020
Emolument bands (in HK$)		
HK$200,001 – HK$500,000	**1**	–
HK$500,001 – HK$700,000	**1**	1

During the year, neither directors nor the five highest paid individuals received any emolument from the Group as an inducement to join, upon joining the Group, leave the Group or as compensation for loss of office.

11 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

12 SUBSIDIARIES

The Group's principal subsidiaries as at 31 December 2021 are set out below.

Name of entity	Place and date of incorporation/ establishment and kind of legal entity	Registered/issued capital and paid up capital	Attributable equity interest of the Group As at 31 December 2021	2020	Principal activities and place of operation
Directly owned:					
Xinji Shaxi Holding Limited ("信基沙溪控股有限公司")	BVI, 24 July 2018	US$50,000/US$1	100%	100%	Investment holding, BVI
Xinji Meihao Holding Limited ("信基美好控股有限公司")	BVI, 9 September 2021	US$50,000/US$1	100%	N/A	Investment holding, BVI
Indirectly owned:					
Hong Kong Xinji Shaxi Hotel Suppliers Development Limited ("香港信基沙溪酒店用品發展有限公司)	Hong Kong, 28 August 2018	HK$10,000/HK$10,000	100%	100%	Investment holding, Hong Kong
Guangzhou Xinji Shaxi Industrial Investment Co., Ltd ("Guangzhou Xinji") ("廣州信基沙溪實業投資有限公司")	The PRC, 25 September 2018 (i)	RMB300,000,000/ RMB239,557,400	100%	100%	Investment holding, the PRC
Guangzhou Shaxi International Hospitality Supplies City Company Limited ("Guangzhou Shaxi Hotel") ("廣州沙溪國際酒店用品城有限公司")	The PRC, 8 January 2002 (ii)	RMB310,000,000/ RMB252,803,020	100%	100%	Leasing services, the PRC
Guangzhou Xinji Shaxi Electronic Commerce Co., Ltd ("廣州信基沙溪電子商務有限公司")	The PRC, 9 November 2021(iii)	RMB10,000,000	80%	N/A	Online trading, the PRC
Guangzhou Xinji Yuzheng Commercial Operation Co., Ltd ("Xinji Yuzheng") ("廣州信基譽正商業運營有限公司")	The PRC, 24 February 2021(iii)	RMB10,000,000/ RMB10,000,000	100%	N/A	Leasing services, the PRC
Guangzhou Wanhua Hospitality Supplies City Company Limited ("Guangzhou Wanhua") ("廣州萬華酒店用品城有限公司")	The PRC, 24 June 2004 (iii)	RMB100,800,000/ RMB94,800,000	100%	100%	Leasing services, the PRC
Shenyang Shaxi International Hospitality Supplies Expo Centre Company Limited ("沈陽沙溪國際酒店用品博覽中心有限公司")	The PRC, 10 June 2009 (iii)	RMB30,000,000/ RMB10,000,000	100%	100%	Leasing services, the PRC

12 SUBSIDIARIES *(cont'd)*

Name of entity	Place and date of incorporation/ establishment and kind of legal entity	Registered/issued capital and paid up capital	Attributable equity interest of the Group As at 31 December 2021	2020	Principal activities and place of operation
Shenyang Shaxi International Home Furnishings Expo Centre Company Limited ("瀋陽沙溪國際家居用品博覽中心有限公司")	The PRC, 10 June 2009 (iii)	RMB30,000,000/ RMB10,000,000	100%	100%	Leasing services, the PRC
Shenyang Xinji Industrial Centre Company Limited ("Shenyang Xinji Industrial") ("瀋陽信基實業有限公司")	The PRC, 13 May 2009 (iii)	RMB240,000,000/ RMB171,000,000	100%	100%	Leasing services, the PRC
Guangdong Xinji Huazhan Exhibition Company Limited ("廣東信基華展展覽有限公司")	The PRC, 12 December 2012 (iii)	RMB10,000,000/ RMB3,000,000	80%	80%	Exhibition services, the PRC
Guangzhou Xinji Dajing Electronic Commerce Company Limited ("Xinji Dajing") ("廣州信基達境電子商務有限公司")	The PRC, 30 December 2016 (iii)	RMB2,900,000/ RMB2,900,000	60%	60%	Online trading, the PRC
Guangzhou Xinji Dingshang Electronic Co., Ltd ("廣州信基鼎尚電子有限公司")	The PRC, 20 September 2017 (iii)	RMB1,000,000/ RMB1,000,000	42%	42%	Online trading, the PRC
Guangdong Xinji Household Company Limited ("廣東信基家居有限公司")	The PRC, 14 November 2013 (iii)	RMB10,000,000/ RMB7,522,174	100%	100%	Leasing services, the PRC
Guangzhou Xinji Commerce Operation Management Co., Ltd (廣州信基商業運營管理有限公司)	The PRC, 30 January 2018 (iii)	RMB1,000,000/ RMB550,000	55%	55%	Management services, the PRC
Guangdong Xinji International Exhibition Co., Ltd ("廣東信基國際展覽有限公司")	The PRC, 14 June 2018 (iii)	RMB10,000,000/ RMB190,000	100%	100%	Exhibition services, the PRC
Beijing Xinji Shaxi Commercial Operation Management Co., Ltd ("北京信基沙溪商業運營管理有限公司")	The PRC, 3 June 2021(iii)	RMB30,000,000	100%	N/A	Management services, the PRC
Guangzhou Xinji Cloud Investment Co., Ltd ("廣州信基雲投資有限公司")	The PRC, 21 October 2021(iii)	RMB30,000,000	60%	N/A	Business services, the PRC

12 SUBSIDIARIES *(cont'd)*

Name of entity	Place and date of incorporation/ establishment and kind of legal entity	Registered/issued capital and paid up capital	Attributable equity interest of the Group As at 31 December 2021	Attributable equity interest of the Group As at 31 December 2020	Principal activities and place of operation
Xinji Service Group Co., Ltd ("信基服務集團股份有限公司")	Cayman, 4 October 2021	US$50,000/ US$99.99	100%	N/A	Investment holding, Cayman
Xinji Service Holding Limited ("信基服務控股有限公司")	BVI, 25 October 2021	US$50,000/ US$100	100%	N/A	Investment holding, BVI
Hong Kong Xinji Service Development Limited ("香港信基服務發展有限公司")	Hong Kong, 3 November 2021	HK$100/ HK$100	100%	N/A	Investment holding, Hong Kong
Guangzhou Xinji Xinchao Investment Holding Co., Ltd ("廣州信基鑫潮投資控股有限公司")	The PRC, 19 November 2021(i)	RMB10,000,000	100%	N/A	Investment holding, the PRC
Guangzhou Xinji Jiuxing Service Co., Ltd ("廣州信基玖星服務有限公司")	The PRC, 22 November 2021(iii)	RMB10,000,000	100%	N/A	Investment holding, the PRC
Guangzhou Xinji Zunxiang Service Co., Ltd ("廣州信基尊享服務有限公司")	The PRC, 2 November 2021(iii)	RMB10,000,000	100%	N/A	Property Management Service, the PRC
Shenyang Xinji Zunxiang Property Service Co., Ltd ("瀋陽信基尊享物業服務有限公司")	The PRC, 10 November 2021(iii)	RMB10,000,000	100%	N/A	Property Management Service, the PRC

Note:

(i) These subsidiaries are wholly foreign owned enterprise under the PRC law.

(ii) This subsidiary is a sino-foreign equity joint venture under the PRC law.

(iii) These subsidiaries are domestic enterprises under the PRC law.

The English names of some of the subsidiaries referred to above represent management's best efforts at translating the Chinese names of these subsidiaries as they do not have official English names.

13 INCOME TAX EXPENSE

	Year ended 31 December 2021 RMB'000	2020 RMB'000
Current income tax		
– PRC corporate income tax	**27,378**	41,769
Deferred income tax (Note 28)	**(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 profit during the year (2020: same).

13 INCOME TAX EXPENSE *(cont'd)*

(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

14 (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.

15 DIVIDEND

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

16 PROPERTY AND EQUIPMENT

	Leased office buildings RMB'000	Vehicles RMB'000	Furniture, fittings and equipment RMB'000	Total RMB'000
Year ended 31 December 2020				
Opening net book amount	685	347	373	1,405
Additions	–	2,296	152	2,448
Depreciation charges	(343)	(193)	(157)	(693)
Closing net book amount	342	2,450	368	3,160
At 31 December 2020				
Cost	1,028	7,545	4,107	12,680
Accumulated depreciation	(686)	(5,095)	(3,739)	(9,520)
Net book amount	342	2,450	368	3,160
Year ended 31 December 2021				
Opening net book amount	**342**	**2,450**	**368**	**3,160**
Additions	**–**	**1,492**	**184**	**1,676**
Disposals	**–**	**–**	**(10)**	**(10)**
Depreciation charges	**(342)**	**(576)**	**(151)**	**(1,069)**
Closing net book amount	**–**	**3,366**	**391**	**3,757**
At 31 December 2021				
Cost	**1,028**	**9,037**	**3,699**	**13,764**
Accumulated depreciation	**(1,028)**	**(5,671)**	**(3,308)**	**(10,007)**
Net book amount	**–**	**3,366**	**391**	**3,757**

16 PROPERTY AND EQUIPMENT *(cont'd)*

Depreciation of property and equipment were charged to the consolidated income statement as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Administrative expenses	**996**	638
Selling and marketing expenses	**73**	55
	1,069	693

17 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).

18 INTANGIBLE ASSETS

	Computer software RMB'000
Year ended 31 December 2020	
Opening net book amount	817
Additions	495
Amortisation charges	(422)
Closing net book amount	890
At 31 December 2020	
Cost	2,985
Accumulated amortisation	(2,095)
Net book amount	890
Year ended 31 December 2021	
Opening net book amount	890
Additions	324
Amortisation charges	(449)
Closing net book amount	765
At 31 December 2021	
Cost	3,309
Accumulated amortisation	(2,544)
Net book amount	765

Amortisation of intangible assets were charged to the consolidated income statement as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Administrative expenses	**449**	422

19 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Financial assets		
Financial assets at amortised cost:		
– Trade receivables and other receivables (excluding prepayments and input VAT to be deducted)	20,858	68,887
– Restricted cash	3,300	3,300
– Cash and cash equivalents	249,332	182,497
	273,490	254,684
Financial liabilities		
Financial liabilities at amortised cost:		
– Trade and construction contract payables	42,293	41,985
– Other payables (excluding salary payables and other tax liabilities)	58,989	51,172
– Borrowings	746,409	630,405
– Lease liabilities	155,041	171,979
	1,002,732	895,541

20 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
Prepayment 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

20 OPERATING LEASE AND TRADE RECEIVABLES AND OTHER RECEIVABLES *(cont'd)*

(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 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, 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

20 OPERATING LEASE AND TRADE RECEIVABLES AND OTHER RECEIVABLES *(cont'd)*

(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. Information about the impairment of operating lease and trade receivables and other receivables mentioned above was disclosed in Note 3.1.

21 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Cash on hand		
– RMB	41	420
– HK$	–	42
	41	462
Cash at bank		
– RMB	235,555	154,203
– HK$	13,736	27,832
	249,291	182,035
	249,332	182,497

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies out of PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

22 SHARE CAPITAL AND PREMIUM

An analysis of the Company's issued share capital as at 31 December 2021 and 2020 are as follow:

	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares	Share premium	Total
		HK$	RMB	RMB	RMB
Opening balance 1 January 2020	1,500,000,000	15,000,000	13,410,231	291,084,208	304,494,439
Dividends	–	–	–	(19,316,000)	(19,316,000)
As at 31 December 2021 and 2020	1,500,000,000	15,000,000	13,410,231	271,768,208	285,178,439

23 OTHER RESERVES

	Merger and other reserves RMB'000	Statutory reserves RMB'000 (Note (a))	Total RMB'000
At 1 January 2020	190,943	41,479	232,422
Appropriation to statutory reserves	–	9,821	9,821
At 31 December 2020	190,943	51,300	242,243
At 1 January 2021	**190,943**	**51,300**	**242,243**
Appropriation to statutory reserves	**–**	**1,255**	**1,255**
At 31 December 2021	**190,943**	**52,555**	**243,498**

(a) In accordance with the relevant laws and regulations in the PRC and the articles of association of the group companies incorporated in the PRC, the PRC group companies are required to appropriate 10% of the annual net profits of the companies, after offsetting any prior years' losses as determined under the applicable PRC accounting standards, to the statutory surplus reserve fund before distributing any net profits. When the balance of the statutory surplus reserve fund reaches 50% of the registered capitals of the respective PRC group companies, any further appropriation is at the discretion of the shareholders. The statutory surplus reserve fund can be used to offset prior years' losses, if any, and may be capitalised as capital, provided that the remaining balance of the statutory surplus reserve fund after such issue is no less than 25% of registered capitals of the respective PRC group companies.

24 RETAINED EARNINGS

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Balance at beginning of the year	**1,370,286**	1,347,140
(Loss)/profit for the year attributable to owners of the Company	**(215,108)**	32,967
Transfer to statutory reserves (Note 23)	**(1,255)**	(9,821)
Balance at end of the year	**1,153,923**	1,370,286

25 TRADE AND OTHER PAYABLES AND LEASE LIABILITIES

(a) 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.

25 TRADE AND OTHER PAYABLES AND LEASE LIABILITIES *(cont'd)*

(b) 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 (ii))	**(2,446)**	31,262
Leasing finance expenses recognised (Note 11)	**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

(i) 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 17) and property and equipment (Note 16).

(ii) 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.

26 ADVANCE FROM CUSTOMERS

The Group recognised the following advance from customers related to operating lease business:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Advance from customers	**45,782**	38,109

The Group receives payments from leases based on billing schedules as established in the leasing contracts.

27 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 17).

(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

27 BORROWINGS *(cont'd)*

(b) *(cont'd)*

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).

28 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 13)	**(80,896)**	(5,025)
Balance at end of the year	**324,720**	405,616

28 DEFERRED INCOME TAX *(cont'd)*

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 RMB'000	Allowance on doubtful receivables RMB'000	Total 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 RMB'000	Deferred revenue RMB'000	Total 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.

29 CASH FLOW INFORMATION

(a) Cash generated from operations

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
(Loss)/profit for the year	**(214,925)**	31,911
Adjustments for:		
– Income tax expense	**(53,518)**	36,744
– Finance income	**(344)**	(1,625)
– Finance expenses	**47,729**	51,858
– Depreciation of property and equipment	**1,069**	693
– Amortisation of intangible assets	**449**	422
– Net impairment losses on financial assets and operating lease receivables	**7,425**	4,177
– Fair value adjustments to investment properties	**401,518**	79,274
– Losses of disposal of property and equipment	**10**	–
	189,413	203,454
Changes in working capital:		
– Restricted cash	**–**	(3,300)
– Operating lease and trade receivables and other receivables	**(11,294)**	(66,250)
– Trade and other payables	**856**	50,196
– Advance from customers	**7,673**	(27,050)
– Contract liabilities	**3,952**	431
– Inventories	**2,326**	(3,781)
Cash generated from operations	**192,926**	153,700

29 CASH FLOW INFORMATION *(cont'd)*

(b) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	Bank and other borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
Balance as at 1 January 2020	610,109	152,147	762,256
Cash flows	16,341	(19,301)	(2,960)
Other non-cash movement	3,955	39,133	43,088
– Leasing finance expenses	–	7,871	7,871
– Accrued interest	3,955	–	3,955
– Lease modification (Note 25)	–	31,262	31,262
Balance as at 31 December 2020	**630,405**	**171,979**	**802,384**
Cash flows	**114,216**	**(22,891)**	**91,325**
Other non-cash movement	**1,788**	**5,953**	**7,741**
– Leasing finance expenses	**–**	**8,399**	**8,399**
– Accrued interest	**1,788**	**–**	**1,788**
– Lease modification (Note 25)	**–**	**(2,446)**	**(2,446)**
Balance as at 31 December 2021	**746,409**	**155,041**	**901,450**

30 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. 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.

31 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Investment properties	**184**	4,133

(b) Operating lease commitments – Group companies as lessor

The Group is a lessor when the Group leases out property under long-term leases arrangements, which is non-cancellable operating lease agreements. The lease terms are mainly from 1 to 10 years and the majority of lease agreements are renewable at the end of the lease period at market rate.

The future aggregate minimum operating lease receivables under non-cancellable operating leases are as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Less than 1 year	**186,691**	221,410
1 – 2 years	**165,593**	112,224
2 – 3 years	**126,620**	60,654
3 – 4 years	**99,556**	24,403
4 – 5 years	**18,173**	516
Over 5 years	**93,776**	220
	690,409	419,427

32 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Names and relationships with related parties

Below is the summary of the Group's related parties during the years ended 31 December 2021 and 2020:

Name	Relationship
Mr. Cheung Hon Chuen; Mr. Mei Zuoting; Mr. Zhang Weixin	Ultimate controlling shareholders
Guangzhou Xinji Real Estate Development Co., Ltd	A company controlled by the ultimate controlling shareholders
Guangzhou Panyu Xinji Real Estate Development Co., Ltd	A company controlled by the ultimate controlling shareholders
Foshan Xinji Plaza Management Co., Ltd	A company controlled by the ultimate controlling shareholders
Guangdong Xinji Honeycomb Technology Co., Ltd	Associate of the Group's ultimate controlling shareholders

(b) Transactions with related parties

The following transactions occurred with related parties:

Purchases of services from related party:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Guangdong Xinji Honeycomb Technology Co., Ltd	**14**	–

Sales of goods to related parties:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Guangzhou Xinji Real Estate Development Co., Ltd	**40**	59
Foshan Xinji Plaza Management Co., Ltd	**8**	–
	48	59

32 SIGNIFICANT RELATED PARTY TRANSACTIONS *(cont'd)*

(c) Key management personnel compensations

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Wages, salaries and bonuses	**4,366**	5,430
Pension costs – defined contribution plans	**293**	5
	4,659	5,435

(d) Balances with related parties

(i) Lease liabilities:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Guangzhou Panyu Xinji Real Estate Development Co., Ltd	**23,865**	29,372
Guangzhou Xinji Real Estate Development Co., Ltd	**–**	360
	23,865	29,732

(e) Guarantees

Guarantees provided to the Group from related party in respect of the Group's borrowings:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Guangzhou Xinji Real Estate Development Co., Ltd	**2,500**	–

33 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	Note	As at 31 December 2021 RMB'000	2020 RMB'000
ASSETS			
Non-current assets			
Investment in a subsidiary		**1,721,093**	1,712,883
Current assets			
Amounts due from subsidiaries		**2,446**	2,367
Prepayments		**–**	195
Cash and cash equivalents		**13,621**	27,683
		16,067	30,245
Total assets		**1,737,160**	1,743,128
EQUITY			
Share capital and premium	22	**285,178**	285,178
Other reserves	Note (a)	**1,476,657**	1,476,657
Accumulated losses	Note (a)	**(32,736)**	(26,436)
Total equity		**1,729,099**	1,735,399
LIABILITIES			
Current liabilities			
Amounts due to a subsidiary		**5,951**	5,951
Other payables		**2,110**	1,778
Total liabilities		**8,061**	7,729
Total equity and liabilities		**1,737,160**	1,743,128

The balance sheet of the Company was approved by the Board of Directors on 25 March 2022 and was signed on its behalf:

Cheung Hon Chuen
Director

Mei Zuoting
Director

33 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY *(cont'd)*

(a) Reserve movement of the Company

	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
At 31 December 2019	1,476,657	(12,993)	1,463,664
Loss for the year	–	(13,443)	(13,443)
At 31 December 2020	**1,476,657**	**(26,436)**	**1,450,221**
Loss for the year	**–**	**(6,300)**	**(6,300)**
At 31 December 2021	**1,476,657**	**(32,736)**	**1,443,921**

34 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of every director and chief executive for the year ended 31 December 2021 is set out below:

Name	Salaries(i) RMB'000	Fees RMB'000	Bonus RMB'000	Other social security costs, housing benefits and other employee benefits RMB'000	Pension cost-defined contribution plans RMB'000	Total RMB'000
Executive directors						
Mr. Cheung Hon Chuen (Chief executive)	607	210	–	46	36	899
Mr. Mei Zuoting	391	200	–	–	–	591
Mr. Zhang Weixin	391	200	–	45	36	672
Ms. Jin Chunyan (Resigned on 28 April 2021)	122	66	–	5	7	200
Non-executive directors						
Mr. Yu Xuecong	–	65	–	–	–	65
Mr. Lin Lie	–	65	–	–	–	65
Ms. Wang Yixue (Appointed on 26 March 2021)	–	50	–	–	–	50
Mr. Wu Jianxun (Resigned on 26 March 2021)	–	15	–	–	–	15
Independent non-executive directors						
Dr. Liu Eping (Resigned on 15 June 2021)	–	37	–	–	–	37
Mr. Chen Tusheng (Resigned on 26 May 2021)	–	33	–	–	–	33
Mr. Tan Michael Zhenshan	–	98	–	–	–	98
Mr. Zheng Decheng	–	82	–	–	–	82
Mr. Zeng Zhaowu (Appointed on 15 June 2021)	–	44	–	–	–	44
	1,511	1,165	–	96	79	2,851

34 BENEFITS AND INTERESTS OF DIRECTORS *(cont'd)*

(a) Directors' and chief executive's emoluments *(cont'd)*

The remuneration of every director and chief executive for the year ended 31 December 2020 is set out below:

Name	Salaries(i) RMB'000	Fees RMB'000	Bonus RMB'000	Other social security costs, housing benefits and other employee benefits RMB'000	Pension cost-defined contribution plans RMB'000	Total RMB'000
Executive directors						
Mr. Cheung Hon Chuen (Chief executive)	685	210	144	27	1	1,067
Mr. Mei Zuoting	365	200	144	–	–	709
Mr. Zhang Weixin	365	200	144	8	1	718
Ms. Jin Chunyan	340	200	144	8	1	693
Non-executive directors						
Mr. Yu Xuecong	–	71	–	–	–	71
Mr. Lin Lie (appointed on 1 March 2020)	–	71	–	–	–	71
Mr. Li Zhanpeng (resigned on 1 March 2020)	–	–	–	–	–	–
Mr. Wu Jianxun	–	71	–	–	–	71
Independent non-executive directors						
Dr. Liu Eping	–	89	–	–	–	89
Mr. Chen Tusheng	–	89	–	–	–	89
Mr. Tan Michael Zhenshan	–	106	–	–	–	106
Mr. Zheng Decheng	–	89	–	–	–	89
	1,755	1,396	576	43	3	3,773

Notes:

(i) Salary paid to a director is generally an emolument paid or receivable in respect of that person's other services in connection with the management of the affairs of the Company or its subsidiary undertakings.

During the year ended 31 December 2021, no directors waived or agreed to waive any emoluments (2020: same).

34 BENEFITS AND INTERESTS OF DIRECTORS *(cont'd)*

(b) Directors' retirement benefits

No retirement benefits were paid to or receivable by the directors in respect of their services as directors of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiaries undertaking during the year ended 31 December 2021 (2020: same).

(c) Directors' termination benefits

No payment was made to the directors as compensation for early termination of appointment during the year ended 31 December 2021 (2020: same).

(d) Consideration provided to third parties for making available directors' services

No consideration was provided to or receivable by third parties for making available directors' services subsisted at the end of or at any time during the year ended 31 December 2021 (2020: same).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

No loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors subsisted at the end of or at any time during the year ended 31 December 2021 (2020: same).

(f) Directors' material interests in transactions, arrangements or contracts

No other significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the year ended 31 December 2021 (2020: same), except for the transactions disclosed in Note 32.

35 SUBSEQUENT EVENTS

On 15 March 2022, Xinji Jiuxing, Guangzhou Xinji Property Management Co., Ltd. ("**Xinji Property Management**"), Guangzhou Xinji Youxiang Property Co., Ltd. ("**Guangzhou Xinji Youxiang**") and Guangzhou Yishen Commercial Operation Co., Ltd. ("**Yishen Commercial**") entered into a share transfer agreement pursuant to which Xinji Jiuxing conditionally agreed to acquire and Xinji Property Management conditionally agreed to dispose the entire registered capital of Guangzhou Xinji Youxiang, representing the entire equity interests at the total consideration of RMB75 million.

On 15 March 2022, Xinji Jiuxing, Foshan Xinji Plaza Management Co., Ltd. ("**Xinji Plaza Management**"), Foshan Xinji Youxiang Commercial Service Co., Ltd. ("**Foshan Xinji Youxiang**") and Xinji Group Company Limited ("**Xinji Company**") entered into a share transfer agreement pursuant to which the Xinji Jiuxing conditionally agreed to acquire and Xinji Plaza Management conditionally agreed to dispose the entire registered capital of Foshan Xinji Youxiang, representing the entire equity interests at the total consideration of RMB24 million.

Upon completion of the share transfer, Guangzhou Xinji Youxiang and Foshan Xinji Youxiang will become an indirect wholly-own subsidiary of the Company.

DEFINITIONS

"AGM"	annual general meeting of the Company
"Articles" or "Memorandum and Articles of Association"	the memorandum and articles of association of the Company, as amended from time to time
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors of the Company
"BVI"	the British Virgin Islands
"CHSA"	China Hotel Supplies Association (中國酒店用品協會)
"COVID-19"	Coronavirus Disease 2019
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", "the Company" and "our Company"	Xinji Shaxi Group Co., Ltd (信基沙溪集团股份有限公司), a company incorporated on 27 July 2018 under the laws of the Cayman Islands as an exempted company with limited liability
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and, in the context of the annual report, refers to the group of controlling shareholders of the Company, namely Honchuen Investment, Zuoting Investment, Weixin Development, Mr. Cheung, Mr. Mei and Mr. Zhang
"CG Code"	Corporate Governance Code set out in Appendix 14 to the Main Board Listing Rules of the Stock Exchange
"Director(s)"	the director(s) of our Company
"FY2020"	the year ended 31 December 2020
"FY2021"	the year ended 31 December 2021
"GFA"	gross floor area

"Group", "our Group", "we", "us" or "our"	the Company and its subsidiaries, or any of them or, where the context so required, in respect of the period before the Company became the holding company of its present subsidiaries, the companies which carried on the business of the present Group at the relevant time
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Home supplies"	products including furniture, building ceramics, lightings, floorings, coatings, wall finish, hardware and electrical equipment, kitchen and bathroom furnishings, home textiles and decorative items
"Honchuen Investment"	HONCHUEN INVESTMENT LIMITED, a company incorporated under the laws of the BVI with limited liability on 31 May 2018, which is wholly-owned by Mr. Cheung
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hospitality supplies"	a collection of products that meet the needs for the operation of hotels, restaurants and clubs
"Hospitality supplies mall"	a professional shopping mall selling hospitality supplies for the operation of hotels, restaurant and clubs or other industry customers
"Huiqun Investment"	HUIQUN INVESTMENT LIMITED, a company incorporated under the laws of the BVI with limited liability on 6 June 2018
"Independent Third Party(ies)"	person(s) or entity(ies) that is or are not connected person(s) within the meaning of the Listing Rules
"Latest Practicable Date"	13 April 2022, being the latest practicable date prior to the printing of this annual report for ascertaining certain information in this annual report
"LFA"	leaseable floor area
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange

"Listing Date"	8 November 2019, being the date on which the Shares are listed on the Main Board and from which dealings in the Shares commence
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Main Board"	the Main Board of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuer set out in Appendix 10 to the the Main Board Listing Rules of the Stock Exchange
"Mr. Cheung"	Mr. Cheung Hon Chuen (張漢泉), an executive Director, our Chairman and one of our founders and Controlling Shareholders
"Mr. Mei"	Mr. Mei Zuoting (梅佐挺), an executive Director and one of our founders and Controlling Shareholders
"Mr. Zhang"	Mr. Zhang Weixin (張偉新), an executive Director and one of our founders and Controlling Shareholders
"occupancy rate"	the total leased LFA divided by total LFA at a given date
"Online Shopping Mall"	our online shopping mall selling hospitality supplies and home furnishings at jdyp.jd.com under the trade name of "Xinji Hospitality Supplies Shopping Mall (信基酒店用品城)"
"PRC" or "China"	the People's Republic of China, do not include Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Prospectus"	the prospectus of the Company dated 25 October 2019
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	the ordinary share(s) with par value of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	the holder(s) of issued Shares of the Company

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Weixin Development"	WEIXIN DEVELOPMENT OVERSEAS LIMITED, a company incorporated under the laws of the BVI with limited liability on 31 May 2018, which is wholly-owned by Mr. Zhang
"Xinji Company"	Xinji Group Company Limited* (信基集團有限公司), formerly known as Guangzhou Xinji Industrial Investment Company Limited* (廣州市信基實業投資有限公司), a limited liability company established in the PRC on 9 July 2007, which is co-owned by Mr. Cheung, Mr. Mei and Mr. Zhang
"Xinji Shaxi Group"	the subsidiaries of Xinji Company and companies which are controlled by our Controlling Shareholders and operated under the brand name of "Xinji", excluding our Group
"Zuoting Investment"	ZUOTING INVESTMENT LIMITED, a company incorporated under the laws of the BVI with limited liability on 31 May 2018, which is wholly-owned by Mr. Mei