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

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

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

The board (the "**Board**") of directors (the "**Directors**") of Xinji Shaxi Group Co., Ltd (the "**Company**") is pleased to announce the audited annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2022 (the "**FY2022**") together with the comparative figures for the year ended 31 December 2021 (the "**FY2021**"). These annual results have been reviewed by the Company's audit committee.

FINANCIAL HIGHLIGHTS

	For the year ended 31 December	
	2022	2021
	RMB'000	*RMB'000* (Restated)
Revenue	**298,423**	297,429
Loss for the year	**(167,430)**	(205,576)
Core net profit[(i)]	**94,890**	95,563
Core net profit margin[(ii)]	**32%**	32%
Loss per share (expressed in RMB per share)	**(0.11)**	(0.14)

Notes:

(i) Core net profit for FY2021 and FY2022 is a non-HKFRS measure, which is used for investors to evaluate the performance results of the underlying business of the Group, by excluding losses from the changes in fair value of the investment properties and further adjusted for income tax effects for the aforementioned items.

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

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2022	2021
	Note	***RMB'000***	*RMB'000*
			(Restated)
Revenue	*3*	**298,423**	297,429
Cost of sales		**(47,710)**	(40,573)
Fair value losses on investment properties		**(349,760)**	(401,518)
Selling and marketing expenses		**(15,216)**	(26,369)
Administrative expenses		**(37,163)**	(36,642)
Net impairment losses on financial assets and lease receivables		**(9,588)**	(7,425)
Other income	*4*	**7,347**	6,954
Other losses – net		**(5,049)**	(448)
Operating loss		**(158,716)**	(208,592)
Finance income	*5*	**2,159**	344
Finance expenses	*5*	**(51,789)**	(47,729)
Finance expenses – net	*5*	**(49,630)**	(47,385)
Loss before income tax		**(208,346)**	(255,977)
Income tax expense	*6*	**40,916**	50,401
Loss for the year		**(167,430)**	(205,576)
Loss attributable to:			
– Owners of the Company		**(168,706)**	(207,496)
– Non-controlling interests		**1,276**	1,920
		(167,430)	(205,576)
Loss per share for loss attributable to owners of the Company during the year *(expressed in RMB per share)*	*7*		
Basic and diluted loss per share		**(0.11)**	(0.14)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Loss for the year	**(167,430)**	(205,576)
Other comprehensive income for the year net of tax	**–**	–
Total comprehensive loss for the year	**(167,430)**	(205,576)
Attributable to:		
– Owners of the Company	**(168,706)**	(207,496)
– Non-controlling interests	**1,276**	1,920
	(167,430)	(205,576)

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December **2022** *RMB'000*	2021 *RMB'000* (Restated)
ASSETS			
Non-current assets			
Property and equipment		**6,944**	3,772
Investment properties	*13*	**2,396,940**	2,641,030
Intangible assets		**1,688**	765
Deferred income tax assets	*12*	**1,376**	753
Lease and trade receivables and other receivables	*9*	**36,342**	146,468
Financial assets at fair value through profit or loss		**1,124**	–
		2,444,414	2,792,788
Current assets			
Inventories		**2,402**	2,905
Lease and trade receivables and other receivables	*9*	**65,795**	55,222
Amounts due from related parties		**4,095**	56,208
Restricted cash		**–**	3,300
Cash and cash equivalents		**314,477**	249,689
		386,769	367,324
Total assets		**2,831,183**	3,160,112
EQUITY			
Share capital and premium		**285,178**	285,178
Other reserves	*14*	**114,640**	243,528
Retained earnings		**1,017,808**	1,191,707
		1,417,626	1,720,413
Non-controlling interests		**(1,823)**	1,819
Total equity		**1,415,803**	1,722,232

		As at 31 December	
		2022	2021
	Note	***RMB'000***	*RMB'000*
			(Restated)
LIABILITIES			
Non-current liabilities			
Borrowings	*11*	**629,378**	632,072
Trade and other payables	*10*	**32,269**	32,693
Lease liabilities	*10*	**124,876**	130,227
Deferred income tax liabilities	*12*	**263,786**	325,473
Amounts due to related parties		**24,750**	–
		1,075,059	1,120,465
Current liabilities			
Borrowings	*11*	**108,958**	114,337
Trade and other payables	*10*	**96,964**	95,266
Amounts due to related parties		**27,200**	–
Lease liabilities	*10*	**33,923**	24,814
Advance from customers		**34,407**	45,782
Contract liabilities		**16,752**	15,593
Current income tax liabilities		**22,117**	21,623
		340,321	317,415
Total liabilities		**1,415,380**	1,437,880
Total equity and liabilities		**2,831,183**	3,160,112

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL INFORMATION

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

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

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

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

These consolidated financial statements have been approved for issue by the board of directors (the "**Board**") of the Company on 30 March 2023.

1 BASIS OF PREPARATION

(i) Compliance with HKFRS and the disclosure requirements of 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 and financial assets at fair value through profit or loss which are carried at fair value.

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

(iii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2022:

		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

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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

		Effective for annual periods beginning on or after
HKFRS 17 and Amendment to HKFRS17	Insurance contract (including Initial Application of HKFRS 17 and HKFRS 9 Comparative Information)	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of accounting policies	1 January 2023
Amendments to HKAS 8	Definition of accounting estimates	1 January 2023
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
Hong Kong Interpretation 5 (Revised)	Presentation of financial statements-classification by the borrower of a term loan that contains a repayment on demand clause	1 January 2024
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2024
Amendments to HKAS 1	Non-current liabilities with covenants	1 January 2024
Amendments to HKFRS 16	Lease liability in a sale and leaseback	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker ("**CODM**"). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company.

In previous years, the Group was 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 reviewed the operating results of the business as one segment to make decisions about resources to be allocated. Therefore, the Executive Directors of the Company regarded that there was only one segment which was used to make strategic decisions.

During the current year, the Group made the provision of property management service as a separate component. The operating result of the property management service is newly added in the report reviewed by the CODM for performance evaluation and resources allocation purposes.

The CODM considers business from a service perspective and has identified the following two operating segments:

– **Property leasing;**

The Group is engaged in (a) managing owned/leased portfolio shopping mall which derives revenue from leasing floor areas to the tenants and providing comprehensive and continuous operation and management (b) selling hospitality products and home furnishings through online shopping mall; (c) providing the management service to other shopping mall which are not owned by the Group.

– **Property management services;**

The Group provides property management services to tenants and apartment properties, including pre-sale management services and other value-added services to property developers, property owners and tenants.

As the CODM considers most of the Group's consolidated revenue and results are attributable to the market in the PRC and the Group's consolidated non-current assets are substantially located in the PRC, no geographical information is presented.

(a) The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2022 is as follows:

	Property leasing *RMB'000*	**Property management services** *RMB'000*	**Group** *RMB'000*
Gross segment revenue	**235,598**	**62,825**	**298,423**
Revenue from contracts with customers	**16,194**	**62,825**	**79,019**
– at a point in time	**13,718**	**–**	**13,718**
– over time	**2,476**	**62,825**	**65,301**
Revenue from rental income	**219,404**	**–**	**219,404**
Fair value losses on investment properties	**(349,760)**	**–**	**(349,760)**
Segment results	**(185,738)**	**27,022**	**(158,716)**
Finance costs – net			**(49,630)**
Profit before income tax			**(208,346)**
Income tax expenses			**40,916**
Loss for the year			**(167,430)**
Depreciation and amortisation	**5,590**	**52**	**5,642**

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2021 is as follows:

	Property leasing *RMB'000*	Property management services *RMB'000*	Group *RMB'000*
Gross segment revenue	237,288	60,141	297,429
Revenue from contracts with customers	20,010	60,141	80,151
– at a point in time	18,949	–	18,949
– over time	1,061	60,141	61,202
Revenue from rental income	217,278	–	217,278
Fair value losses on investment properties	(401,518)	–	(401,518)
Segment results	(232,175)	23,583	(208,592)
Finance costs – net			(47,385)
Profit before income tax			(255,977)
Income tax expenses			50,401
Loss for the year			(205,576)
Depreciation and amortisation	1,518	4	1,522

(b) The following is the analysis of the Group's segment assets and liabilities and capital expenditure for the year ended:

As at 31 December 2022

	Property leasing *RMB'000*	**Property management services** *RMB'000*	**Elimination** *RMB'000*	**Group** *RMB'000*
Segment assets	**2,833,874**	**18,637**	**(22,704)**	**2,829,807**
Segment liabilities	**321,702**	**92,143**	**(22,704)**	**391,141**
Capital expenditure	**158,151**	**188**	**–**	**158,339**

As at 31 December 2021

	Property leasing *RMB'000*	Property management services *RMB'000*	Elimination *RMB'000*	Group *RMB'000*
Segment assets	4,414,782	64,782	(1,320,205)	3,159,359
Segment liabilities	1,642,603	21,977	(1,320,205)	344,375
Capital expenditure	55,746	21	–	55,767

Reportable segments' assets are reconciled to total assets as follows:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Segment assets	**2,829,807**	3,159,359
Unallocated		
Deferred income tax assets	**1,376**	753
Total assets	**2,831,183**	3,160,112

Reportable segments' liabilities are reconciled to total liabilities as follows:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Segment liabilities	**391,141**	344,375
Unallocated		
Deferred income tax liabilities	**263,786**	325,473
Current income tax liabilities	**22,117**	21,623
Bank and other borrowings	**738,336**	746,409
Total liabilities	**1,415,380**	1,437,880

The amounts provided to the CODM with respect to total assets and liabilities are measured in a manner consistent with that of the consolidated financial statements.

These assets and liabilities are allocated based on the operations of the segment. Segment assets consist primarily of property and equipment, investment properties, intangible assets, receivables from property management services and property leasing and cash and cash equivalents.

Segment liabilities consist primarily of trade and other payables (excluding other payables due to related parties with non-trade nature), lease liabilities, contract liabilities, advances from customers.

Capital expenditure comprises additions to property and equipment, intangible assets and investment properties.

3 REVENUE

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Rental income:		
– Property lease income	**219,404**	217,278
Revenue from contracts with customers:		
– Property management service (a) & (c)	**62,825**	60,141
– Sales of goods (b)	**13,718**	18,949
– Shopping mall business management service (a) & (c)	**2,476**	1,061
	79,019	80,151
	298,423	297,429

(a) Revenue generated from property management service and shopping mall business 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 business management service contracts:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
		(Restated)
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	**268,130**	251,329
Expected to be recognised within one year	**51,625**	40,191
	319,755	291,520

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

	As at 31 December 2021	
	2022	2021
	RMB'000	*RMB'000*
Aggregate amount of the transaction price allocated to long-term shopping mall business 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	**1,000**	58,373
Expected to be recognised within one year	**500**	4,245
	1,500	62,618

The amount disclosed above does not include any variable consideration.

(d) By the year ended 31 December 2022, no assets recognised from incremental costs to obtain a contract.

(e) 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 2022 (2021: same).

(f) Contract liabilities

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Business management service	**6,965**	8,840
Property management service	**9,089**	6,356
Sales of goods	**698**	397
	16,752	15,593

4 OTHER INCOME

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Forfeiture of advances received from customers	**4,582**	2,584
Commission income due to amendment of rental contracts	**238**	148
Government grants	**–**	610
Others	**2,527**	3,612
	7,347	6,954

5 FINANCE EXPENSES – NET

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Finance income:		
– Interest income	**(789)**	(344)
– Interest income from sublease	**(1,370)**	–
	(2,159)	(344)
Finance expenses:		
– Leasing finance expenses	**7,957**	8,399
– Interest expenses	**43,832**	39,330
	51,789	47,729
Finance expenses – net	**49,630**	47,385

6 INCOME TAX EXPENSE

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Current income tax		
– PRC corporate income tax	**21,394**	30,495
Deferred income tax *(Note 12)*	**(62,310)**	(80,896)
	(40,916)	(50,401)

(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 2022 (2021: same).

(b) PRC withholding income tax

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

(c) Cayman Islands income tax

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

(d) British Virgin Islands income tax

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

(e) Hong Kong profits tax

Hong Kong profits tax has not been provided as the Group's subsidiaries incorporated in Hong Kong did not have any assessable profits during the year (2021: same).

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

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Loss before income tax	**(208,346)**	(255,977)
Tax calculated at applicable PRC corporate income tax rate of 25%	**(52,087)**	(63,994)
Tax effects of:		
Expenses not deductible for tax purposes	**1,406**	2,150
Tax losses for which no deferred income tax asset was recognised	**9,765**	11,443
Income tax expense	**(40,916)**	(50,401)

7 LOSS PER SHARE

(a) Basic

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Loss attributable to owners of the Company *(RMB'000)*	**(168,706)**	(207,496)
Weighted average number of ordinary shares in issue *(thousands)*	**1,500,000**	1,500,000
Basic loss per share *(RMB)*	**(0.11)**	(0.14)

(b) Diluted

The Company did not have any potential dilutive ordinary shares outstanding during the years ended 31 December 2022 and 2021. Diluted loss per share are the same as the basic loss per share.

8 DIVIDEND

No dividends have been paid or declared by the Company during the year ended 31 December 2022 (2021: Nil).

9 LEASE AND TRADE RECEIVABLES AND OTHER RECEIVABLES

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Operating lease receivables	**37,651**	27,700
Less: allowance for impairment of operating lease receivables	**(7,501)**	(1,990)
Operating lease receivables – net	**30,150**	25,710
Finance lease receivables	**43,625**	–
Less: allowance for impairment of finance lease receivables	**(1,926)**	–
Finance lease receivables – net	**41,699**	–
Trade receivables *(Note (b))*	**9,580**	9,058
Less: allowance for impairment of trade receivables	**(1,206)**	(616)
Trade receivables – net	**8,374**	8,442
Other receivables *(Note (a))*	**25,612**	25,211
Less: allowance for impairment of other receivables	**(9,606)**	(10,218)
Other receivables – net	**16,006**	14,993
Prepaid tax and other levies	**360**	345
Prepayment for lease	**–**	146,468
Other Prepayments	**2,356**	2,548
Input VAT available for future deduction	**3,192**	3,184
	102,137	201,690
Less: non-current portion		
Finance lease receivables	**(36,342)**	–
Prepayment for lease	**–**	(146,468)
Current portion	**65,795**	55,222

(a) The balance as at 31 December 2022 included the amount due from Beijing Chengwaicheng Home Furnishing Market Co., Ltd ("**Beijing Chengwaicheng**") of RMB10,000,000.

On May 19, 2021, Guangzhou Shaxi 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 2022 and 2021.

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

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Less than 1 year	**9,580**	9,058

(c) As at 31 December 2022, lease and trade receivables and other receivables were denominated in RMB and the fair values of lease and trade receivables and other receivables approximated their carrying amounts.

10 TRADE AND OTHER PAYABLES AND LEASE LIABILITIES

(a) Trade and other payables

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Trade payables	**3,196**	3,292
Construction contract payables	**37,175**	40,858
Salary payables	**13,956**	12,945
Other tax liabilities	**709**	896
Deposits from tenants	**55,314**	55,556
Other payables	**18,883**	14,412
	129,233	127,959
Less: non-current portion		
Deposits from tenants	**(32,269)**	(32,693)
Current portion	**96,964**	95,266

At 31 December 2022, the aging analysis of the trade and construction contract payables based on invoice date is as follows:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Less than 1 year	**35,249**	37,614
Over 1 year	**5,122**	6,536
	40,371	44,150

As at 31 December 2022 and 2021, trade and other payables were denominated in RMB and their fair values approximated their carrying amounts.

(b) Lease liabilities

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Balance at beginning of the year	**155,041**	171,979
Lease modifications *(Note (ii))*	**16,055**	(2,446)
Leasing finance expenses recognised *(Note 5)*	**7,957**	8,399
Settlement of lease liabilities	**(20,254)**	(22,891)
	158,799	155,041
Less: non-current portion	**(124,876)**	(130,227)
Current portion	**33,923**	24,814

(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 13) and property and equipment.

(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 2022 and 2021, lease modifications of the Group consist of scenarios including extending the contractual lease term, modifying the consideration and amending the discount rate on the basis of original leased assets.

11 BORROWINGS

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Bank borrowings – Secured *(Note (a))*	**733,307**	746,409
Other borrowings – Secured *(Note (b))*	**5,029**	–
Total borrowings	**738,336**	746,409
Less: non-current portion		
– Bank borrowings – Secured	**(629,378)**	(632,072)
Current portion	**108,958**	114,337

(a) As at 31 December 2022, bank borrowings of RMB733,307,000 (31 December 2021: RMB746,409,000) bore interest ranging from 4.90% to 6.86% per annum and were secured by investment properties of the Group (Note 13).

(b) As at 31 December 2022, other borrowings of RMB5,029,000 (2021: nil) from a third party with an interest of 10% per annum were secured by investment properties of the Group (Note 13) and would mature in December 2023.

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

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
6 months or less	**733,307**	726,409

The maturity of the bank borrowings is as follows:

	As at 31 December 2021	
	2022	2021
	RMB'000	*RMB'000*
Less than 1 year	**103,929**	114,337
1 – 2 years	**137,225**	96,339
2 – 5 years	**310,186**	331,756
Over 5 years	**181,967**	203,977
	733,307	746,409

The maturity of the other borrowings is as follows:

	As at 31 December 2021	
	2022	2021
	RMB'000	*RMB'000*
Less than 1 year	**5,029**	–

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

	For the year ended 2022	2021
Bank borrowings	**6.10%**	6.61%
Other borrowings	**10.00%**	14.61%
Total borrowings	**6.11%**	6.62%

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

The fair values of non-current borrowings are estimated based on discounted cash flow using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the balance sheet date, which are categorised as level 2 fair value measurement. As at 31 December 2022, the carrying amounts of borrowings are primarily denominated in RMB and approximate their fair values (31 December 2021: same).

12 DEFERRED INCOME TAX

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

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Deferred income tax assets:		
– to be recovered after 12 months	**(1,376)**	(753)
Deferred income tax liabilities:		
– to be settled after 12 months	**263,786**	325,473
	263,786	325,473
Deferred income tax liabilities, net	**262,410**	324,720

The net movements on deferred taxation are as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Balance at beginning of the year	**324,720**	405,616
Credited to profit or loss *(Note 6)*	**(62,310)**	(80,896)
Balance at end of the year	**262,410**	324,720

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 2021	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
Charged to profit or loss	10	1,854	1,864
At 31 December 2022	6,638	5,060	11,698

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 RMB53,483,000 (31 December 2021: RMB55,385,000) in respect of losses amounting to RMB213,932,000 (31 December 2021: RMB221,541,000) of certain subsidiaries that can be carried forward against future taxable income as at 31 December 2022. These tax losses will expire up to years 2023 to 2027.

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*	**Finance lease receivables** *RMB'000*	**Fair value of financial assets at fair value through profit of loss RMB'000** *RMB'000*	**Total** *RMB'000*
At 1 January 2021	415,202	–	–	415,202
Credited to profit or loss	(80,648)	–	–	(80,648)
At 31 December 2021	334,554	–	–	334,554
Transfer to finance lease receivables/transfer from investment properties	(15,075)	15,075	–	–
Credited to profit or loss	(57,742)	(2,985)	281	(60,446)
At 31 December 2022	261,737	12,090	281	274,108

As at 31 December 2022, deferred income tax liabilities amounting to RMB36,205,000 (31 December 2021: RMB35,492,000), have not been recognised for withholding tax and other taxes that would be payable on the unremitted earnings of the Group's subsidiaries in the PRC. Such amounts are permanently reinvested.

13 INVESTMENT PROPERTIES

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Opening net book amount	**2,641,030**	2,991,240
Lease modification	**16,055**	(2,446)
Additions	**149,915**	53,754
Transfer to finance lease receivables	**(60,300)**	–
Fair value changes	**(349,760)**	(401,518)
Closing net book amount	**2,396,940**	2,641,030
Analysis of investment properties:		
– properties on land use right certificates owned by the Group	**1,039,460**	1,202,940
– properties on right of use assets	**1,357,480**	1,438,090
	2,396,940	2,641,030

Amounts recognised in profit or loss for investment properties

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Rental income	**219,404**	217,278

As at 31 December 2022, investment properties of RMB418,800,000 were pledged as collateral for the Group's borrowings (31 December 2021: RMB419,630,000).

The total cash outflow for leases in the year ended 31 December 2022 was RMB20,285,000 (2021: RMB23,254,000).

14 OTHER RESERVES

	Merger and other reserves *RMB'000*	Statutory reserves *RMB'000* *(Note (a))*	Total *RMB'000*
At 1 January 2021	190,943	51,300	242,243
Appropriation to statutory reserves *(Note (a))*	–	1,255	1,255
Business combination under common control *(Note (b))*	30	–	30
At 31 December 2021(Restated)	190,973	52,555	243,528
At 1 January 2022 (Restated)	190,973	52,555	243,528
Transaction with non-controlling interests *(Note (b))*	(13,260)	–	(13,260)
Business combination under common control *(Note (b))*	(85,030)	–	(85,030)
Deemed distribution to the then shareholders of the entities acquired under common control *(Note (c))*	(37,091)	–	(37,091)
Contribution from the then shareholders of the entities acquired under common control	1,000	–	1,000
Changes in ownership interests in subsidiaries without change of control	300	–	300
Appropriation to statutory reserves *(Note (a))*	–	5,193	5,193
At 31 December 2022	56,892	57,748	114,640

(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.

(b) On 8 June 2022, Guangzhou Xinji Property Management Co., Ltd ("**Xinji Property Management**"), a company that being controlled by the ultimate controlling shareholders since its incorporation, transferred its entire equity interests in Guangzhou Xinji Youxiang Property Co., Ltd ("**Guangzhou Xinji Youxiang**") to Guangzhou Xinji Jiuxing Service Co., Ltd ("**Xinji Jiuxing**"), a wholly-owned subsidiary of the Company, at cash consideration of RMB75 million, which was determined after arm's length negotiations between the parties with reference to the valuation of the entire equity interests of Guangzhou Xinji Youxiang as at 31 December 2021. This transaction is a business combination under common control and transaction with non-controlling interest and the difference between the consideration and the net asset of Guangzhou Xinji Youxiang was treated as merger reserve (Note 16).

On 8 June 2022, Foshan Xinji Plaza Management Co., Ltd ("**Xinji Plaza Management**"), a company that being controlled by the ultimate controlling shareholders since its incorporation, transferred its entire equity interests in Foshan Xinji Youxiang Commercial Service Co., Ltd ("**Foshan Xinji Youxiang**") to Xinji Jiuxing, at cash consideration of RMB24 million, which was determined after arm's length negotiations between the parties with reference to the valuation of the entire equity interests of Foshan Xinji Youxiang as at 31 December 2021. This transaction is a business combination under common control and transaction with non-controlling interest and the difference between the consideration and the net asset of Foshan Xinji Youxiang was treated as merger reserve (Note 16).

(c) During the year ended 31 December 2022, the deemed distribution to the then shareholders of entities acquired under common control amounting to RMB37,091,000 is attributable to derecognition of the assets and liabilities of Xinji Property Management and Xinji Plaza Management in relation to the acquired business, as Xinji Property Management and Xinji Plaza Management ceased to operate the acquired business in Guangzhou Xinji Youxiang and Foshan Xinji Youxiang and such business was then taken up by the Group on 8 June 2022 and the relevant non-controlling interests of RMB4,858,000 was derecognised accordingly (Note 16).

15 CONTINGENCIES

On 30 December 2020, Shanghai Yuanshang Property Co.,Ltd (formerly named as Shanghai Red Star Macalline Commercial Property Investment Co., Ltd) ("**Shanghai Red Star**") lodged a claim of arbitration against several respondents, including Shenyang Xinji Industrial Centre Company Limited ("**Shenyang Xinji Industrial**"). According to the claim, Shanghai Red Star requested Shenyang Xinji Industrial, among other respondents, to make compensation for the breach of a cooperative development agreement. As at 31 December 2022, 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.

On 1 April 2022, Beijing Chengwaicheng and the other relevant defendants lodged a counterclaim against Guangzhou Shaxi Hotel to make compensation for the breach of the lease intention agreement and lease agreement. As at 31 December 2022, the case has not been heard by Beijing Court. 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 counterclaim. 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 RMB12.4 million.

16 BUSINESS COMBINATION

(a) Business combinations under common control – acquisition of Guangzhou Xinji Youxiang and Foshan Xinji Youxiang

On 15 March 2022, Xinji Jiuxing entered into an equity transfer agreement with Xinji Property Management, pursuant to which the Group agreed to acquire 100% equity interests in Guangzhou Xinji Youxiang at a consideration of RMB75,000,000. The acquisition was completed on 8 June 2022 and Guangzhou Xinji Youxiang became an indirect wholly-owned subsidiary of the Company with net asset of RMB2,734,000. The acquired business in Guangzhou Xinji Youxiang was formerly operated in Xinji Property Management, which was entirely transferred to Guangzhou Xinji Youxiang in November 2021.

On 15 March 2022, Xinji Jiuxing entered into an equity transfer agreement with Xinji Plaza Management,, pursuant to which the Group agreed to acquire 100% equity interests in Foshan Xinji Youxiang at a consideration of RMB24,000,000. The acquisition was completed on 8 June 2022 and Foshan Xinji Youxiang became an indirect wholly-owned subsidiary of the Company with net asset of RMB2,196,000. The acquired business in Foshan Xinji Youxiang was formerly operated in Xinji Plaza Management, which was entirely transferred to Foshan Xinji Youxiang in March 2022.

The acquisitions represent business combination under common control as Xinji Property Management, Guangzhou Xinji Youxiang, Xinji Plaza Management, Foshan Xinji Youxiang and the Company were ultimately controlled by Ultimate controlling shareholders of the Group both before and after the acquisitions, and that control is not transitory. The financial statements of the acquired business formerly operated in Xinji Property Management and then transferred to Guangzhou Xinji Youxiang in 2021 and the acquired business formerly operated in Xinji Plaza Management and then transferred to Foshan Xinji Youxiang in 2022 are included in the Group's consolidated financial statements as if the combination had occurred from the date when the Ultimate controlling shareholders first obtained control. Therefore, the comparative figures of the consolidated financial statements are restated. The assets and liabilities of the acquired business formerly operated in Xinji Property Management and Xinji Plaza Management were derecognised and regarded as deemed distribution to the then shareholders of the entities acquired under common control when the acquisition was completed.

The following is a reconciliation of the effect arising from the acquisitions of Guangzhou Xinji Youxiang and Foshan Xinji Youxiang which is accounted for under common control combination on the consolidated financial statements:

	As at 31 December 2021			
	Balances as previously reported	**Merger of the business of Guangzhou Xinji Youxiang**	**Merger of the business of Foshan Xinji Youxiang**	**Balances as restated**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Consolidated balance sheet				
Total assets	3,100,656	45,595	13,861	3,160,112
Total liabilities	1,420,917	12,629	4,334	1,437,880
Share capital and share premium	285,178	–	–	285,178
Other reserves	243,498	30	–	243,528
Retained earnings	1,153,923	32,782	5,002	1,191,707
Non-controlling interests	(2,860)	153	4,526	1,819
Total equity	1,679,739	32,965	9,528	1,722,232

	For the year ended 31 December 2021			
	Amounts as previously reported	**Merger of the business of Guangzhou Xinji Youxiang**	**Merger of the business of Foshan Xinji Youxiang**	**Amounts as restated**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Consolidated income statement				
Revenue	267,536	20,383	9,510	297,429
Loss for the year	(214,925)	6,017	3,332	(205,576)
Consolidated statement of cash flow				
Net cash generated from/(used in) operating activities	114,467	10,454	(1,145)	123,776
Net cash (used in)/generated from investing activities	(146,951)	(10,125)	1,143	(155,933)
Net cash generated from financing activities	100,024	–	30	100,054

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022. No interim dividend was paid or declared during the year (2021: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The revenue amounted to approximately RMB298.4 million for the FY2022, representing no significant change in the amount as compared with that of approximately RMB297.4 million for the FY2021.

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

	For the year ended 31 December			
	2022		2021	
	RMB'000	*%*	*RMB'000* (Restated)	*%*
Rental Income	**219,404**	**73**	217,278	73
Property Management Service	**62,825**	**21**	60,141	20
Sales of Goods	**13,718**	**5**	18,949	6
Shopping Mall Business Management Service	**2,476**	**1**	1,061	1
Total	**298,423**	**100**	297,429	100

Rental Income

During the FY2022, 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 73% of our total revenue. During the FY2022, our rental income increased by approximately RMB2.1 million or approximately 1% to approximately RMB219.4 million (FY2021: RMB217.3 million), which was mainly due to the increase in rental income caused by new subleasing apartments business of the Group in FY2022.

Property Management Service

Revenue from our property management services is the management fees paid by the tenants under the property management agreements. During the FY2022, income from property management services increased by approximately RMB2.7 million or 4% to approximately RMB62.8 million (FY2021: RMB60.1 million). The increase in property management service income was mainly attributable to the fact that the Group added some new property management projects during the FY2022.

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 FY2022, revenue from sales of goods decreased by RMB5.2 million or approximately 28% to approximately RMB13.7 million (FY2021: RMB18.9 million). Such decrease in revenue from sales of goods was mainly due to the reduction in the B2C platform business of the Group.

Cost of Sales

Our cost of sales increased by approximately RMB7.1 million or 17% from approximately RMB40.6 million for the FY2021 to RMB47.7 million for the FY2022. The increase was mainly attributable to the acquisitions of some new property management projects by the Group during the FY2022, resulting in the rise of property costs accordingly.

Fair Value Losses on Investment Properties

Our fair value losses on investment properties slightly decreased by approximately RMB51.7 million to fair value losses of approximately RMB349.8 million for the FY2022 (FY2021: fair value losses of RMB401.5 million), which was mainly due to the market recovery as the Chinese government relieved its lockdown measures in the second half of the FY2022, which led to the decrease in the fair value loss of investment properties as compared with last year.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by RMB11.2 million or 42% from approximately RMB26.4 million for the FY2021 to RMB15.2 million for the FY2022. Such decrease was mainly due to less publicity and promotion activities conducted by the Company as a result of impact of the pandemic on the Group during the FY2022.

Administrative Expenses

Our administrative expenses slightly increased by RMB0.6 million or 2% from approximately RMB36.6 million for the FY2021 to approximately RMB37.2 million for the FY2022. The increase was mainly due to the the combined effects of the increase in depreciation expenses resulting from the renewal of the office lease by the Group, and further efforts to promote comprehensive measures to reduce costs and increase efficiency during the year.

Other Income

Our other income increased by RMB0.3 million or 4% from approximately RMB7.0 million for the FY2021 to approximately RMB7.3 million for the FY2022. The increase was mainly due to an increase in the number of merchants who closed their shops in advance as a result of the COVID-19 pandemic during the FY2022, resulting in an increase in default income.

Operating Loss

As as result of the foregoing, our operating loss decreased by RMB49.9 million or 24% from approximately RMB208.6 million for the FY2021 to operating loss of RMB158.7 million for the FY2022, which was mainly due to the decrease in fair value loss on investment properties.

Finance Income

Our finance income increased by RMB1.9 million or 633% from RMB0.3 million for the FY2021 to approximately RMB2.2 million for the FY2022. This was primarily the subsequent measurement of finance lease.

Finance Expenses

Our finance expenses increased by RMB4.1 million or 9% from approximately RMB47.7 million for the FY2021 to RMB51.8 million for the FY2022. This was mainly due to the increase in relevant expenses of the banking facilities.

Net Finance Expenses

As a result of the foregoing, our net finance expenses increased by RMB2.2 million or 5% from approximately RMB47.4 million for the FY2021 to approximately RMB49.6 million for the FY2022.

Loss for the Year

As a result of the foregoing, our loss decreased by approximately RMB38.2 million or 19% from approximately RMB205.6 million for the FY2021 to approximately RMB167.4 million for the FY2022, which was mainly due to the decrease of RMB51.7 million in fair value losses on investment properties.

Core Net Profit

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

Our core net profit decreased by RMB0.7 million or 1% from approximately RMB95.6 million for the FY2021 to approximately RMB94.9 million for the FY2022, representing no significant change.

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

	For the year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Loss for the year	**(167,430)**	(205,576)
Add:		
Fair value losses on investment properties	**349,760**	401,518
Income tax expense in relation to above reconciled items	**(87,440)**	(100,380)
Core net profit for the year	**94,890**	95,563
– Owners of the Company	**93,614**	93,643
– Non-controlling interests	**1,276**	1,920

USE OF NET PROCEEDS

References are made to (i) the prospectus 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 of the Company dated 24 July 2020 in relation to 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 the Group at the consideration of RMB78.0 million; (iv) the 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 "**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 of the Company for FY2021. For further details, please refer to the Announcements published by the Company. Unless otherwise defined, capitalised terms used herein shall bear the same meanings as those defined in the Announcements.

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 service 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.

For the year ended 31 December 2022, details of the original allocation, the revised allocation of the Net Proceeds, 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 2022** *(RMB million)*	**Unutilised amount as of 31 December 2022** *(RMB million)*	**Expected 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 2024(4)
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	–	
(iv) Establishment of Vertical e-Commerce Platform for the Hospitality Supplies Industry	–	–	30.0	1.2	28.8	till 2023
(v) General working capital	–	27.2	–	27.2	–	–
Total	217.2	191.7	133.3	104.6	92.1	

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.

(4) As the Company did not identify any suitable new projects during the year, the expected timeframe for full utilisation of the Unutilised Net Proceeds allocated for development of new projects has been postponed from 2023 to 2024.

LIQUIDITY AND FINANCIAL RESOURCES

Cash and Cash Equivalents

As at 31 December 2022, the Group's cash and cash equivalents amounted to approximately RMB314.5 million (31 December 2021: RMB249.7 million), which are mainly denominated in Renminbi.

Borrowing and Charges on the Group's Assets

As at 31 December 2022, the Group's bank borrowings of approximately RMB733.3 million (31 December 2021: RMB746.4 million) bore interest at interest rates 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 RMB418.8 million (31 December 2021: RMB419.6 million).

Gearing Ratio

The gearing ratio as at 31 December 2022, calculated on the basis of net debt over total capital, was 30% as compared with 29% as at 31 December 2021.

Net Current Assets and Current Ratio

As at 31 December 2022, the Group had net current assets of RMB46.4 million as compared with net current assets of RMB49.9 million as at 31 December 2021. The current ratio was 1.14 as at 31 December 2022 (31 December 2021: 1.16).

Acquisition and Disposal of Subsidiaries and Associated Companies

Reference is made to the circular (the "**Circular**") of the Company dated 13 May 2022 and the extraordinary general meeting of the Company held on 8 June 2022. Unless otherwise defined, capitalised terms used herein shall bear the same meanings as those defined in the Circular.

On 15 March 2022, Guangzhou Xinji Jiuxing Service Co., Ltd.* (廣州信基玖星服務有限公司) (the "**Purchaser**"), an indirect wholly-owned subsidiary of the Company, Guangzhou Xinji Property Management Co., Ltd.* (廣州市信基物業管理有限公司) ("**Vendor I**"), Guangzhou Xinji Youxiang Property Co., Ltd.* (廣州信基優享物業有限公司) ("**Guangzhou Youxiang**") and Guarantors I entered into the Share Transfer Agreement I pursuant to which the Purchaser agreed to acquire and Vendor I agreed to dispose of the entire equity interests in Guangzhou Youxiang at the total consideration of RMB75.0 million.

On 15 March 2022, the Purchaser, Foshan Xinji Plaza Management Co., Ltd.* (佛山信基廣場經營管理有限公司) ("**Vendor II**"), Foshan Xinji Youxiang Commercial Service Co., Ltd.* (佛山信基優享商業服務有限公司) ("**Foshan Youxiang**") and Guarantors II entered into the Share Transfer Agreement II pursuant to which the Purchaser agreed to acquire and Vendor II agreed to dispose of the entire equity interests in Foshan Youxiang at the total consideration of RMB24.0 million.

Guangzhou Youxiang and Foshan Youxiang are principally engaged in the provision of property management service. Completion of the acquisitions has taken place, and Guangzhou Youxiang and Foshan Youxiang have become indirect wholly-owned subsidiaries of the Company. For details on the acquisitions, please refer to the Circular.

Save as disclosed above, the Group had no material acquisitions and disposals of subsidiaries, associated companies and joint ventures during the reporting period.

Connected Transactions

Reference is made to the Circular in relation to the acquisitions of the entire equity interests in Guangzhou Youxiang and Foshan Youxiang. Each of Vendor I and Vendor II is ultimately beneficially owned as to 95.00% and 52.50% in aggregate respectively by Mr. Cheung, Mr. Mei and Mr. Zhang, being the executive Directors and controlling shareholders of the Company. Accordingly, each of Vendor I and Vendor II is an associate of Mr. Cheung, Mr. Mei and Mr. Zhang and a connected person of the Company and therefore each of Share Transfer I and Share Transfer II constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules.

Reference is made to the announcement of the Company dated 15 March 2022. As set out in the said announcement, on 15 March 2022, 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, as tenant, entered into the tenancy agreement (the "**2022 Headquarters Tenancy Agreement**") with Guangzhou Xinji Real Estate Development Co., Ltd.* (廣州市信基置業房地產開發有限公司) ("**Guangzhou Real Estate**"), as landlord, to renew the lease of the premises located at South Intersection No. 250, Dashi Street, Panyu District, Guangzhou, the PRC* (中國廣州市番禺區大石街南大路口250號) for a term of two years commencing from 1 January 2022 and ending on 31 December 2023 (both days inclusive).

As Guangzhou Real Estate is co-owned by Mr. Cheung, Mr. Mei and Mr. Zhang, Guangzhou Real Estate is an associate of Mr. Cheung, Mr. Mei and Mr. Zhang and a connected person of the Company, and the entering into of the 2022 Headquarters Tenancy Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. For details on the renewal of the 2022 Headquarters Tenancy Agreement, please refer to the announcement of the Company dated 15 March 2022.

References are made to (i) the announcement of the Company 28 October 2022; and (ii) the circular of the Company dated 24 February 2023 (the "**2023 Circular**"). Unless otherwise defined, capitalised terms used herein shall bear the same meanings as those defined in the 2023 Circular.

On 28 October 2022, Guangdong Xinji Household, an indirect wholly-owned subsidiary of the Company, as tenant, entered into the Termination Agreement with Panyu Real Estate, as landlord, pursuant to which Guangdong Xinji Household and Panyu Real Estate agreed to revise the expiry date of the lease term under the 2021 Household Market Tenancy Agreement from 30 November 2026 to the 2021 Household Market Tenancy Agreement Expiry Date. On the same day, Guangdong Xinji Household, as tenant, entered into the 2022 Household Market Tenancy Agreement with Panyu Real Estate, as landlord, to renew the lease of the premises at Ground Floor and Mezzanine of Building 3-5, Fuli Plaza, 105 National Road, Panyu District, Guangzhou, the PRC for the period from the Effective Date to 14 June 2038 (both days inclusive). The rental fee is approximately RMB9.1 million for the first year with an annual increase of 5% from the second year onwards. The 2022 Household Market Tenancy Agreement has become effective.

As Panyu Real Estate is co-owned by Mr. Cheung, Mr. Mei and Mr. Zhang, Panyu Real Estate is an associate of Mr. Cheung, Mr. Mei and Mr. Zhang and a connected person of the Company. Hence, the entering into of the 2022 Household Market Tenancy Agreement constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules. Please refer to the 2023 Circular for details of the 2022 Household Market Tenancy Agreement.

Save as disclosed above, during the reporting period, 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.

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 six main business lines:

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

(ii) subleasing apartments;

(iii) property management projects;

(iv) managed shopping malls;

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

(vi) our exhibition management business.

The Group's revenue is mainly derived from the operating lease rental income and revenue generated from property management service 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)

Subleasing Apartments

Reference is made to the announcement of the Company dated 23 December 2021. On 23 December 2021, Guangzhou Xinji Yuzheng Commerce Operation Management Co., Ltd* (廣州信基譽正商業運營管理有限公司) ("**Xinji Yuzheng**"), an indirect wholly-owned subsidiary of the Company, and Guangzhou Longmei Dongman Technology Co., Ltd* (廣州龍美動漫科技有限公司) ("**Longmei Dongman**") entered into a sublease agreement pursuant to which Xinji Yuzheng agreed to sublease the Building C1 and C2, Zone C, Xinji Longmei International Animation Industrial Park, Longmei Village, Panyu Avenue, Panyu District, Guangzhou City, Guangdong Province, the PRC* (中國廣東省廣州市番禺區番禺大道龍美村信基龍美國際動漫產業園C區C1及C2大廈) with a total gross floor area of approximately 34,394 sq.m. together with the 237 underground car parking spaces known as Yuanyang Bangshe* (遠洋邦舍) from Longmei Dongman for a term of approximately 14.4 years commencing from 11 January 2022 and expiring on 31 May 2036 (both days inclusive) at the consideration of RMB153.8 million.

On 23 December 2021, Xinji Yuzheng and Beijing Bangshe Gongyu Management Co., Ltd.* (北京邦舍公寓管理有限公司) ("**Bangshe Gongyu Guangzhou**") entered into a sub-sublease agreement pursuant to which Xinji Yuzheng agreed to sub-sublease Yuanyang Bangshe* (遠洋邦舍) to Bangshe Gongyu Guangzhou for a term of 10 years commencing from 11 January 2022 and expiring on 10 January 2032 (both days inclusive) at the total consideration of approximately RMB170.9 million.

Property Management Projects

As mentioned above, the Group has completed the acquisitions of Guangzhou Youxiang and Foshan Youxiang, which are principally engaged in the provision of property management service for commercial complex. The property projects currently under the management of Guangzhou Youxiang and Foshan Youxiang include (i) the Xiajiao project (廈滘項目), which comprised of the premises known as Xinji Plaza Hall A* (信基廣場A館) and Xiajiao Commercial Building* (廈滘商業大廈); (ii) the Shangjiao Comprehensive Building Project (上滘綜合樓項目), which comprised of the premises known as Shangjiao Comprehensive Building* (上滘綜合樓); (iii) the Yuedao Project (玥島項目); (iv) the Longmei Project (龍美項目), which comprised of the premises known as Lingxiu Mansion* (領秀公館); and (v) the Xinji Plaza Project (信基廣場項目), which comprised of the premises known as Foshan Jiujiang Xinji Plaza* (佛山九江信基廣場).

The following table sets forth the income from property lease and property management service respectively for the three abovementioned business segments (shopping malls, subleasing apartments and property management projects) by region during the years indicated:

	Property lease income For the year ended 31 December		**Property management service income For the year ended 31 December**	
	2022	2021	**2022**	2021
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000* (Restated)
Guangzhou region	**198,801**	191,336	**40,649**	37,413
Foshan region	**–**	–	**8,241**	9,510
Shenyang region	**20,603**	25,942	**13,935**	13,218

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 (信基沙溪 • 岳塘國際酒店用品交易展示中心)*

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

We are still negotiating with the landlord in relation to the specific opening time of the shopping mall. As at the date of this announcement, there is no concrete schedule due to the business environment under the impact of COVID-19 pandemic.

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

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 FY2022, our online shopping mall generated revenue of approximately RMB13.7 million for the sales of goods (FY2021: RMB18.9 million). The goods sold by the Group were entirely hospitality goods and home furnishings. During the year, due to the reduction of the B2C platform business of the Group, and efforts to streamline its staff and reduce labor costs, the Group recorded operating profit for the business of online shopping mall during the year. The operating profit margin of the online shopping mall during the year has increased to approximately 8% (FY2021: -33%).

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, a majority of the exhibitors of CHE have adopted a wait-and-see attitude, and the Group decided to suspend the organisation of CHE since 2020 and no revenue was generated from CHE.

FUTURE PROSPECTS

Panoramically, despite certain results achieved in the control of the COVID-19 pandemic throughout the world, most countries and Hong Kong continued with varying degrees of pandemic measures, inducing considerable uncertainties and pressures on business operators and enterprises.

Following the significant relaxation of the domestic pandemic prevention policy implemented by the Chinese government, there is a chance for the resurgence of pandemic, which will inevitably affect the performance of the Group. Although we are still impacted by the novel coronavirus variant, we have undergone a difficult learning process since the outbreak of the COVID-19 pandemic, making the Group more capable than ever to meet challenges and adjust its business strategies from time to time. Since FY2022, the Group has acquired some new property management projects and expanded some new property management projects in the business segment.

Several of the Group's leasing projects have been delayed due to lockdown measures during the pandemic in recent years. It is believed that upon the relaxation of prevention and control policies, customers of various projects will catch up with their progress, thus driving revenue for the Group's leasing business.

The Directors are cautiously optimistic about the six main business lines of the Group's business operations. And the Group believes that its future performance will depend on the pace of recovery from the current pandemic as well as the business plans and strategic adjustments of the Group from time to time. The Group is full of confidence in its business prospects in 2023, while continuing to take a cautious approach to ensure the sustainable development. The Group will closely monitor its working capital management and adjust its business strategy from time to time as required, as well as to consider acquiring and merging with high-quality property service projects with stable revenue, so as to maintain the growth and profitability of the Group.

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; meanwhile, the Group will continue to expand the business of property service (especially through the acquisition and merger of mature property service projects), with an aim to increase the stable cash flow of the Group.

CORPORATE GOVERNANCE

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

During the FY2022, the Company has complied with the applicable code provisions of the CG Code as set out in Appendix 14 to the Listing Rules other than code provision C.2.1 of the CG Code, which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Cheung Hon Chuen ("**Mr. Cheung**") is one of our founders, chairman of the Board and chief executive officer of the Company. As the industry leader of the China hospitality supplies industry, Mr. Cheung has extensive experience in hospitality supplies 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 the Group. In addition, the operation of the senior management and our Board, which are comprised of experienced individuals, effectively oversees and balances the power and authority of Mr. Cheung, as both the chairman and chief executive officer of the Company. In addition, the balance of power is further ensured by the following:

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

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

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

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

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

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding dealings in the securities of the Company by the Directors, the Group's senior management, and employees who, because of his/her office or employment, is likely to possess inside information in relation to the Group or the Company's securities. Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the FY2022. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the year under review.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2022, neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

Save as disclosed in this announcement, there are no other significant events after the year ended 31 December 2022 and up to the date of this announcement.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDIT COMMITTEE

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

The Audit Committee has considered and reviewed the Group's annual results for the FY2022, the accounting principles and practices adopted by the Company and the Group and discussed matters in relation to internal control and financial reporting with the management. The Audit Committee considers that the annual financial results for the FY2022 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

SCOPE OF WORK OF THE COMPANY'S AUDITOR

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for FY2022 as set out in this annual results announcement have been agreed by the Company's auditors to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by the Company's auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditors on this annual results announcement.

CLOSURE OF REGISTER OF MEMBERS

The Company will hold the annual general meeting (the "**AGM**") on Thursday, 25 May 2023.

For the purpose of ascertaining the Shareholders' entitlement to attend and vote at the AGM, the Registers of Members will be closed from Monday, 22 May 2023 to Thursday, 25 May 2023, both days inclusive, and during these periods, no transfer of Shares will be registered.

In order to be eligible to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 19 May 2023.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.xjsx.net.cn. The 2022 annual report of the Company containing all the information required by the Listing Rules will be despatched to the Shareholders in April 2023 and will be published on the above websites.

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

Guangzhou, the PRC, 30 March 2023

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