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 2022

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Cheung Hon Chuen, *Chairman of the Board and Chief Executive Officer*
Mr. Mei Zuoting
Mr. Zhang Weixin

NON-EXECUTIVE DIRECTORS

Mr. Yu Xuecong
Mr. Lin Lie
Ms. Wang Yixue

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Zeng Zhaowu
Mr. Tan Michael Zhen Shan
Dr. Zheng Decheng

AUDIT COMMITTEE

Dr. Zeng Zhaowu *(Chairman)*
Mr. Tan Michael Zhen Shan
Dr. Zheng Decheng

REMUNERATION COMMITTEE

Dr. Zeng Zhaowu *(Chairman)*
Mr. Cheung Hon Chuen
Dr. Zheng Decheng

NOMINATION COMMITTEE

Mr. Cheung Hon Chuen *(Chairman)*
Dr. Zheng Decheng
Dr. Zeng Zhaowu

COMPANY SECRETARY

Mr. Kam Chi Sing

AUTHORISED REPRESENTATIVES

Mr. Mei Zuoting
Mr. Kam Chi Sing

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and Registered PIE Auditor

REGISTERED OFFICE

71 Fort Street
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George Town
Grand Cayman KY1–1106
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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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

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
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKERS

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

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

LEGAL ADVISER

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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

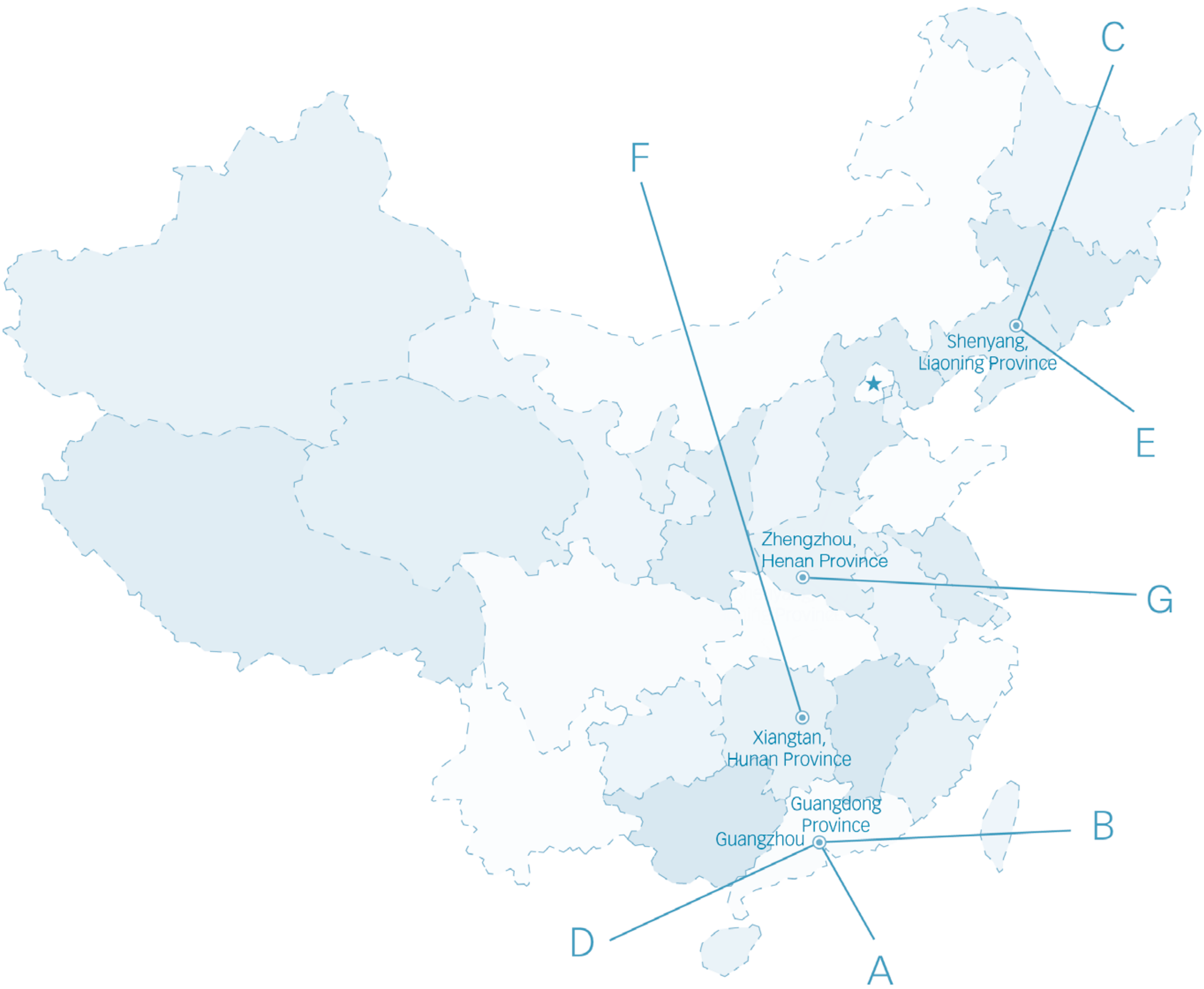
WEBSITE ADDRESS

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)
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(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 2022, 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 FY2022, Xinji Shaxi Hospitality Supplies Expo Center (信基沙溪酒店用品博覽城) recorded an occupancy rate of 85.4% (2021: 89.0%).

(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 2022, 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 FY2022, our Xinji Hotelex Hospitality Supplies Center recorded an occupancy rate of 85.7% (2021: 91.5%).

(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 2022, it consisted of a total LFA of approximately 58,720.12 sq.m. of retail space, approximately 74 advertising spaces and 261 car park spaces, having 70 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 FY2022, this shopping mall recorded an occupancy rate of 42.8% (2021: 45.6%).

(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 2022, 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 FY2022, this shopping mall recorded an occupancy rate of 100% (2021: 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 2022, it consisted of a total LFA of approximately 68,642.57 sq.m. of retail spaces, and approximately 211 advertising spaces and 581 car park spaces coupled with 184 tenants selling various types of home supplies including office and home furniture, decorations and materials for construction and renovation.

For the FY2022, this shopping mall recorded an occupancy rate of 79.9% (2021: 90.0%).

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 2022 (the "**FY2022**"). In 2022, despite of the outbreak of the more infectious COVID-19 variant, Hong Kong, China and the globe are witnessing the gradual economic recovery, though still subject to challenges and changes, since Hong Kong and China have gradually eased their epidemic prevention and control measures. The global economy has been affected by the prolonged adoption of stringent epidemic prevention measures, uncertainties brought by the COVID-19 epidemic, ongoing geopolitical risks, rising inflation pressures and the interest rate rise. However, the Group managed to deliver stable business performance in 2022.

RESULTS

Despite of the global outbreak of the more infectious COVID-19 variant, the world economy has been recovering gradually throughout 2022 while is still subject to various challenges and changes. China has reopened all border crossings in early January 2023 since the dynamic-zero epidemic prevention policies ended. We expect that the domestic economic activities will be back to normal gradually after the end of the COVID-19 epidemic. The Group has successfully delivered stable business performance in 2022 though challenged by the various challenges and changes. For the FY2022, the Group's core net profit amounted to approximately RMB94.9 million (FY2021: RMB95.6 million), representing a decrease of RMB0.7 million or 1% as compared with the FY2021. The Group's revenue amounted to approximately RMB298.4 million (FY2021: RMB297.4 million), representing an increase of RMB1.0 million as compared with the FY2021. Details of the Group's results and prospects was discussed under the section of "Management Discussion and Analysis" in this annual report.

APPRECIATION

2022 was still a challenging year full of changes. We are truly grateful to the professional management team to ensure the smooth operation of the business under such challenging and changing conditions. In the short term, since China has reopened all the border crossings in early January 2023, the Group believes that the Chinese government's focus on the economic and financial stability will help rebuild confidence and lead the economy to the pace of growth. The Group will continue to maintain caution and closely monitor market development while seizing potential opportunities in future with active response to challenges.

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 worldclass brand. We are confident that we will continue to lead the Group forward in a prudent and sustainable manner relying on the active efforts of our staff and the strong support from all the stakeholders.

Cheung Hon Chuen
Chairman and Chief Executive Officer
30 March 2023

FINANCIAL SUMMARY

	Year ended 31 December				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000	RMB'000
RESULTS					
Revenue	**298,423**	297,429	287,938	303,083	281,355
Profit/(loss) for the year	**(167,430)**	(205,576)	31,911	101,450	250,226
Attributable to:					
Owners of the Company	**(168,706)**	(207,496)	32,967	102,905	189,213
Non-controlling interests	**1,276**	1,920	(1,056)	(1,455)	61,013
Core net profit	**94,890**	95,563	88,741	109,800	87,289

ASSETS AND LIABILITIES

	Year ended 31 December				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000	RMB'000
Non-current assets	**2,444,414**	2,792,788	2,996,882	2,978,396	2,897,686
Current assets	**386,769**	367,324	291,600	311,573	173,951
Total assets	**2,831,183**	3,160,112	3,288,482	3,289,969	3,071,637
Current liabilities	**340,321**	317,415	360,061	363,938	441,485
Non-current liabilities	**1,075,059**	1,120,465	1,034,057	1,044,262	1,154,327
Total liabilities	**1,415,380**	1,437,880	1,394,118	1,408,200	1,595,812
Equity attributable to owners of the Company	**1,417,626**	1,720,413	1,897,707	1,884,056	1,476,657
Non-controlling interests	**(1,823)**	1,819	(3,343)	(2,287)	(832)
Total equity	**1,415,803**	1,722,232	1,894,364	1,881,769	1,475,825

MANAGEMENT DISCUSSION AND ANALYSIS

The Board is pleased to announce the audited annual results of the Group for the year ended 31 December 2022 together with the comparative figures for the year ended 31 December 2021. These annual results have been reviewed by the Company's audit committee (the "**Audit Committee**").

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).

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

FINANCIAL REVIEW *(cont'd)*

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.

FINANCIAL REVIEW *(cont'd)*

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 loss of RMB205.6 million for the FY2021 to approximately loss of 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.

FINANCIAL REVIEW *(cont'd)*

Core Net Profit *(cont'd)*

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 (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 (iv) 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.

USE OF NET PROCEEDS *(cont'd)*

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 timeframe 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).

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 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).

Capital Commitments, Operating Lease Commitments and Contingent Liabilities

Details of 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

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 FY2022.

LIQUIDITY AND FINANCIAL RESOURCES *(cont'd)*

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 2022, the Group has bank balance of RMB8.9 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 2022 would have been approximately RMB0.2 million lower/higher (FY2021: RMB0.3 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 FY2022, 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.

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 2022, the total number of employees of the Group was approximately 276 (FY2021: 204), which representing an increase of 35% from 31 December 2021, the overall headcount of the Company remained stable. The number of male and female employees are 186 and 90, respectively (accounted for 67% and 33% respectively). The employee benefit expenses for FY2022 including Directors' emoluments were approximately RMB43.2 million (FY2021: RMB38.1 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 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.

BUSINESS REVIEW *(cont'd)*

Business Segment Review *(cont'd)*

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

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 (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 Latest Practicable Date, 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 FY2022 has increased to approximately 8% (FY2021: -33%).

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, 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 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 PRC 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.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Below are the brief profiles of the Directors and senior management of the Group in FY2022 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	57	Chairman of the Board, Executive Director, Chief Executive Officer	27 July 2018
Mr. Mei Zuoting	68	Executive Director	11 March 2019
Mr. Zhang Weixin	59	Executive Director	11 March 2019
Mr. Yu Xuecong	51	Non-executive Director	11 March 2019
Mr. Lin Lie	28	Non-executive Director	1 March 2020
Ms. Wang Yixue	37	Non-executive Director	26 March 2021
Dr. Zeng Zhaowu	58	Independent non-executive Director	15 June 2021
Mr. Tan Michael Zhen Shan	46	Independent non-executive Director	3 October 2019
Dr. Zheng Decheng	70	Independent non-executive Director	3 October 2019

EXECUTIVE DIRECTORS

Mr. Cheung Hon Chuen (張漢泉), aged 57, 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.

EXECUTIVE DIRECTORS *(cont'd)*

Mr. Mei Zuoting (梅佐挺), aged 68, 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.

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. Zhang Weixin (張偉新), aged 59, 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 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
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 51, 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 28, 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 4 (advising on securities) and type 9 (asset management) regulated activities, and the executive director of Avant Investment (HK) Limited, a global investment management company.

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 37, 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.* (上海升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 2023, she obtained a professional diploma in finance from Fujian Agriculture and Forestry University via a correspondence course.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Zeng Zhaowu (曾昭武), 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 over 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 46, 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 22 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 70, 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, remuneration committee and nomination committee.

Dr. Zheng has approximately 24 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 47, 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 18 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 48, 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 18 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 38, joined our Group since 2018 as the legal director of our Company. He was appointed as the legal general manager of the legal management centre in 2022 and 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 12 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 FY2022, the Company has complied with the principles and 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. 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 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.

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.

BOARD OF DIRECTORS *(cont'd)*

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 annual 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 FY2022 was approximately RMB2.7 million (FY2021: RMB2.9 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 FY2022 are set out in note 35 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 FY2022 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 an annual 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 FY2022. 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 finance 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 FY2022, including training regarding the updating of the Listing Rules, the updates of the CG Code, 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 2022 is as follows:

Name of the Director	Training
Executive Directors	
Mr. Cheung Hon Chuen	√
Mr. Mei Zuoting	√
Mr. Zhang Weixin	√
Non-executive Directors	
Mr. Yu Xuecong	√
Mr. Lin Lie	√
Ms. Wang Yixue	√
Independent non-executive Directors	
Dr. Zeng Zaowu	√
Mr. Tan Michael Zhen Shan	√
Dr. Zheng Decheng	√

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 2022, the Company convened 4 Board meetings to (i) consider and approve the connected transaction in relation to renewal of tenancy agreement and the discloseable and connected transaction in relation to acquisition of the entire equity interests in the target companies; (ii) consider and approve the annual results announcement and the annual report of the Group for the year ended 31 December 2021, review the work of the Group's risk management and internal control systems; (iii) consider and approve the interim report and interim results announcement of the Group for the six months ended 30 June 2022; and (iv) consider and approve the major and connected transaction in relation to renewal of tenancy 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 27 May 2022
Executive Directors		
Mr. Cheung Hon Chuen	4/4	1
Mr. Zhang Weixin	4/4	1
Mr. Mei Zuoting	4/4	1
Non-executive Directors		
Mr. Yu Xuecong	4/4	1
Mr. Lin Lie	4/4	1
Ms. Wang Yixue	4/4	1
Independent non-executive Directors		
Dr. Zeng Zhaowu	4/4	1
Mr. Tan Michael Zhen Shan	4/4	1
Dr. Zheng Decheng	4/4	1

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 currently serves as the chairman of the Audit Committee. 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 FY2022, 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 2021; and review the interim results, including the interim results announcement and the interim report, of the Group for the six months ended 30 June 2022.

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)*	2/2
Mr. Tan Michael Zhen Shan	2/2
Dr. Zheng Decheng	2/2

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.

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.

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.

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

Nomination Committee *(cont'd)*

For the FY2022, the Nomination Committee convened one meeting to review the composition of the Board and assess the independence of independent non-executive Directors.

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)*	1/1
Dr. Cheng Decheng	1/1
Dr. Zeng Zhaowu	1/1

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

The Board adopted a policy of the Board diversity and discussed all measurable objectives set for implementing the same.

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.

In 2022, out of the nine directors comprising the Board, one of them is female non-executive Director, 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 FY2022 to the Latest Practicable Date, 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.

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

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 currently serves as the chairman of the Remuneration Committee. 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. No Director or any of their associates is involved in deciding their own remuneration.

For the FY2022, the Remuneration Committee convened one meeting to (i) 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 (ii) 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)*	1/1
Mr. Cheung Hon Chuen	1/1
Dr. Zheng Decheng	1/1

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 FY2022 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 FY2022, the fees paid/payable by the Group to PricewaterhouseCoopers for annual audit and non-audit services amounted to approximately RMB2.7 million and RMB0.3 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 88 to 92 of this annual report. In preparing the financial statements for the FY2022, 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 88 to 92.

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.

RISK MANAGEMENT AND INTERNAL CONTROL *(cont'd)*

During the FY2022, 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 Act 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.

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 Act 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, 2022 and is of the view that this is effective and adequately implemented.

PROPOSED AMENDMENTS TO CONSTITUTIONAL DOCUMENTS

A copy of the Memorandum and Articles of Association is available on the website of the Company and the Stock Exchange. During the year ended 31 December 2022 and up to the date of this annual report, there was no significant change in constitutional documents of the Company.

Reference is made to the announcement of the Company dated 30 March 2023. The Board proposes to amend the existing Memorandum and Articles of Association to (i) bring the Memorandum and Articles of Association in line with the amendments made to the Listing Rules; (ii) enable the Company to convene and hold electronic or hybrid general meetings of the Shareholders and provide provisions regulating the conduct and proceedings of such general meetings; (iii) reflect the prevailing requirements under the applicable laws of the Cayman Islands; and (iv) incorporate certain corresponding and housekeeping amendments to the Memorandum and Articles of Association (the "**Proposed Amendments**").

The proposed adoption of the new amended and restated Memorandum and Articles of Association incorporating and consolidating the Proposed Amendments is subject to the passing of a special resolution at the AGM. For details of the Proposed Amendments, please refer to the circular of the Company dated 25 April 2023.

NON-COMPETITION UNDERTAKINGS

For details of the non-competition undertakings, please refer to the section headed "Non-Competition Undertakings" under the "Report of Directors" of this annual report.

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 2022.

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 six main business lines:(i) shopping malls, including three shopping malls for hospitality supplies and two shopping malls for home furnishings; (ii) subleasing apartments; (iii) property management projects; (iv) managed shopping mall; (v) online shopping mall for sales of hospitality supplies and home furnishings; and (vi) exhibition management business.

The 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 FY2022 are set out on pages from 93 to 172 of this annual report.

DIVIDENDS

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).

RESERVES

Details of the movement in the reserves of the Group during the FY2022 are set out on note 23 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Group's distributable reserves were approximately RMB1,108 million (31 December 2021: RMB1,192 million).

CHARITABLE DONATIONS

The total charitable donations made by the Group for the year ended 31 December 2022 amounted to approximately RMB0.3 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 FY2022 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 2022.

AGM AND CLOSURE OF REGISTER OF MEMBERS

The Company will hold the AGM on Thursday, 25 May 2023. 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 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 and transfer office 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.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property and equipment of the Group during the FY2022 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. Details of the Group's commitments and efforts are summarised in the Environmental, Social and Governance Report in this annual report.

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

During the FY2022 and up 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

Non-executive Directors

Mr. Yu Xuecong
Mr. Lin Lie
Ms. Wang Yixue

Independent Non-executive Directors

Dr. Zeng Zhaowu
Mr. Tan Michael Zhen Shan
Dr. Zheng Decheng

In accordance with Article 108 of the Memorandum and Articles of Association of the Company, Mr. Cheung Hon Chuen, Mr. Mei Zuoting and Mr. Lin Lie shall retire by rotation and shall be eligible and have offered themselves for re-election at the forthcoming AGM.

All directors of the Company are subject to retirement by rotation as required by the Articles of Association and the code provisions of the CG Code.

PROFILE OF THE DIRECTORS AND THE SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group during FY2022 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 2022, 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	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 2022, 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 FY2022 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 FY2022.

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 FY2022.

CONNECTED TRANSACTION

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).

CONNECTED TRANSACTION *(cont'd)*

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 FY2022 and up to the date of this annual report, 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

Save as disclosed in this annual report, 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 FY2022.

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 35 and note 10(b) to the consolidated financial statements.

For the FY2022, 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 FY2022.

Except as disclosed above, no other payments have been made or are payable, for the FY2022, by our Group to or on behalf of any of the Directors.

NON-COMPETITION UNDERTAKINGS

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 annual report for the year ended 31 December 2022.

The independent non-executive Directors have reviewed the Deed of Non-Competition and had determined that none of Honchuen Investment, Zuoting Investment, Weixin Development, Mr. Cheung, Mr. Mei or Mr. Zhang had been in breach of the Deed of Non-Competition for the year ended 31 December 2022.

For the year ended 31 December 2022, 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.

Reference is made to the Circular in relation to the acquisitions (the "**Acquisitions**") of the entire equity interests in Guangzhou Youxiang and Foshan Youxiang. On 15 March 2022, Mr. Cheung, Mr. Mei and Mr. Zhang executed a letter of undertaking (the "**Non-Competition Undertaking**") in favour of the Company pursuant to which Mr. Cheung, Mr. Mei and Mr. Zhang has undertaken to the Company that upon completion of the Acquisitions, save for Mr. Cheung, Mr. Mei and Mr. Zhang's indirect interests in the equity interests of Guangzhou Xinji Property Management Co., Ltd.* (廣州市信基物業管理有限公司) ("**Guangzhou Xinji Property**") and Hubei Xinji Property Management Co., Ltd.* (湖北信基物業管理有限公司) ("**Hubei Xinji Property**")(which are principally engaged in the provision of property management services for commercial complex), (i) he will not, without the written consent of the Company, either on his account or in conjunction with or on behalf of any person, firm or company, carry on or be engaged, concerned or interested directly or indirectly whether as shareholder, director, partner, agent or otherwise in carrying on any business that is carried on by the Group (including Guangzhou Youxiang and Foshan Youxiang); and (ii) he will procure and cause that each of his associates will observe the restrictions contained in the foregoing provisions of the Non-Competition Undertaking.

Each of Mr. Cheung, Mr. Mei and Mr. Zhang has further undertaken to dispose of (i) his indirect interests in the equity interests of Guangzhou Xinji Property and Hubei Xinji Property; or (ii) the property management businesses of Guangzhou Xinji Property and Hubei Xinji Property to third party(ies) within one year after completion of the Acquisitions and has granted the Company the right of first refusal for purchasing the said equity interests or property management businesses of Guangzhou Xinji Property and Hubei Xinji Property, subject to compliance with the relevant PRC laws.

Each of Mr. Cheung, Mr. Mei and Mr. Zhang has confirmed in writing to the Company of its compliance with the Non-Competition Undertaking for disclosure in this annual report for the year ended 31 December 2022.

The independent non-executive Directors have reviewed the Non-Competition Undertaking and had determined that none of Mr. Cheung, Mr. Mei or Mr. Zhang had been in breach of the Non-Competition Undertaking for the year ended 31 December 2022.

As at the Latest Practicable Date, Mr. Cheung, Mr. Mei and Mr. Zhang are in the process of identifying and/or negotiating with prospective purchaser(s) who are independent third-party(ies) in relation to the possible disposal of their indirect interests in the equity interests of Guangzhou Xinji Property, which is the holding company of Hubei Xinji Property.

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 FY2022.

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 FY2022.

LOAN AND GUARANTEE

During the FY2022, 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 Latest Practicable Date, 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	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 2022, 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 2022, 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 2022, 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 FY2022.

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 4% 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 52% of the Group's total purchase. The Group's five largest suppliers accounted for 72% 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 FY2022 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 FY2022 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

Save as disclosed in this annual report, there are no other significant events after the year ended 31 December 2022 and up to the Latest Practicable Date.

MATERIAL LEGAL PROCEEDINGS

In July 2021, Guangzhou Shaxi Hotel 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 Latest Practicable Date, 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.

In December 2020, Shanghai Yuan Shang Property Co., Ltd.* (上海遠綃物業有限公司) (formerly known as 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 Yuan Shang**") 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 Yuan Shang. 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 Latest Practicable Date, the Shanghai International Arbitration Centre has adjourned the hearing of the case to a later date to be determined.

Save as disclosed above, there was no other significant event or arbitration proceeding which has an impact on the Group during the FY2022.

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 FY2022, 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.

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 2022 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 FY2022, 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

30 March 2023

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

Xinji Shaxi Group Co., Ltd (the "**Company**" together with its subsidiaries, hereinafter referred to as the "**Group**" or "**we**" or "**us**") is pleased to present the environmental, Social and Governance Report (the "**Report**") to summarise the Group's policies, measures and performance on the key environmental, social and governance ("**ESG**") issues for the year ended 31 December 2022.

Reporting Period

The reporting period of this Report is from 1 January 2022 to 31 December 2022 (the "**Reporting Period**" or "**2022**").

Reporting Scope and Boundaries

Based on financial materiality and the relevance of ESG strategy, this Report covers our headquarter office in Guangzhou, the People's Republic of China (the "**PRC**"), our hospitality supplies and home furnishings shopping malls in Guangzhou and Shenyang (collectively referred to as "**shopping mall(s)**"):

- Xinji Shaxi Hospitality Supplies Expo Centre;
- XInji Hotelex Hospitality Supplies Centre;
- Xinji Dashi Home Furnishings Centre;
- Xinji Shaxi Hospitality Supplies Expo Centre (Shenyang); and
- Xinji Shaxi Home Furnishings Expo Centre (Shenyang).

The scope and boundaries of this Report have not changed significantly from the previous year. If the area and scope of the specific content are different, they have been specifically noted in the relevant part of the Report. Although the Report does not cover all operations of the Group, we are committed to improving internal data collection procedures and gradually expanding the scope of the disclosure.

Reporting Basis and Principle

The Report has been prepared in accordance with the "Environmental, Social and Governance Reporting Guide" (the "**Guide**") as set out in Appendix 27 to the "Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited" (the "**Main Board Listing Rules**") issued by the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and complies with the "Comply or Explain" provisions under the Main Board Listing Rules. The report has been prepare in accordance with the following reporting principles:

- *Materiality*
  The Group determines relevant ESG issues through stakeholder engagement and materiality assessment. Please refer to the sections "Stakeholder Engagement" and "Materiality Assessment" in this Report for more details.

- *Quantitative*
  The Group's disclosure of key performance indicators in respect of historical data are measurable and the Group is committed to disclosing information on the standards, methodologies, assumptions or calculation tools used in quantitative data and the source of conversion factors used when feasible.

- *Balance*
  The Group avoids selections, omissions or presentation formats that may inappropriately influence the report readers' decisions or judgment.

- *Consistency*
  The Group is committed to using consistent methodologies for meaningful comparisons. The Group will disclose changes in methodologies or key performance indicators or any other relevant factors that may affect meaningful comparisons when necessary.

Environmental, Social and Governance Report

The information contained herein is sourced from official documents and statistics of the Group, as well as the combined control, management and operations information provided by the subsidiaries in accordance with the Group's relevant policies. A complete content index is appended to the last chapter hereof for quick reference. The Report is prepared and published in both Chinese and English on the Stock Exchange website (www.hkexnews.hk) and the Company's website (www.xjsx.net.cn). In the event of contradiction or inconsistency between the Chinese version and the English version, the Chinese version shall prevail.

Review and Approval

This Report was approved by the board (the "**Board**") of directors (the "**Directors**") of the Group on 30 March 2023.

Information and Feedbacks

The Group values you views on this Report. Should you have any suggestions or inquiries about the Report, you are sincerely welcome to contact us.

Xinji Shaxi Group Co., Ltd
Telephone: 86-020-39153461
E-mail: ir@xjdc.com

ABOUT THE GROUP

The Group is principally engaged in the operation of hospitality supplies and home furnishing shopping malls which generated rental revenue in the PRC, and is one of the largest operators of hospitality supplies shopping mall in the PRC. We have three hospitality supplies shopping malls and two home furnishing shopping malls in Guangzhou and Shenyang, PRC, led by an experienced management team with a wealth of knowledge in the industry.

With the corporate mission of "Leading the hospitality supplies industry, creating a better life together", the Group is committed to promoting the development of the hospitality supplies industry, fostering the development of the hotel industry, catering industry and tourism industry, and providing customers with a more comfortable, greener and quality life experience supported by humane sentiments, together creating a better future.

BOARD STATEMENT

Dear Stakeholders,

The group is pleased to present the FY2022 Environmental, Social and Governance Report.

Despite the unprecedented challenges continuously brought by the COVID-19 pandemic, the Group remained steadfast in our commitment to sustainable development by putting it as the top priority of our long-term development goals. As the most important leading role of the Group, the Board of the Group holds the ultimate responsibility to oversee, manage and monitor the Group's environmental, social and governance issues and progress.

We have set clear short-term and long-term sustainability visions to achieve the national goal of carbon neutrality by the year 2060 and established relevant emission reduction and energy saving targets and corresponding strategies to incorporate sustainability considerations into our strategic planning, business model and other decision-making processes. The Board regularly monitors and reviews the effectiveness of management practices, including reviewing the Group's ESG performance and adjusting action plans accordingly. Effective environmental, social and governance policy implementation relies on the cooperation of different departments, to this end we have established a cross-departmental Environmental, Social and Governance working group to coordinate and foster the cooperation among different departments to achieve consistent and expected performance in reaching the emission reduction and energy saving targets.

The Group aims to ensure the establishment of applicable and effective risk management and internal control system to oversee the identification and assessment of environmental, social and governance and climate-related risks and opportunities, and to address the challenges and impacts of the times. We also value the communication with the stakeholders. We regularly review our communication channels and platforms with our stakeholders to ensure that information flows to capture the concerns of key stakeholders on issues that have a significant impact on our business.

Looking ahead, the Board will continue to review and monitor the Group's environmental, social and governance performance and continue to provide stakeholders with reliable, consistent, and comparable key environmental, social and governance information to work together for a better environment.

ESG GOVERNANCE STRUCTURE

The Board attaches importance to and has the overall responsibility for the Group's ESG strategies and reporting. The Board assesses and evaluates the ESG risks of the Group's operations and ensures that the implementation of corresponding, appropriate and effective ESG risk management and internal control systems are in place. The Board delegates this responsibility to our senior management to further assist in assessing the Group's ESG risks and the effectiveness of such internal control systems.

The Group is committed to integrating ESG factors into its operation, creating sustainable value for its stakeholders and performing its duties as a corporate citizen. To foster the implementation of the ESG strategy and policies, the Group has establish an Environmental, Social and Governance Working Group (the "**Working Group**"). The Working Group is composed of senior management and core members from different departments of the Group and is responsible for communicating with the external consultants and collecting information and data related to environmental, social and governance. The Working Group reports to the management on the implementation of ESG initiatives and the performance of the business units regularly. During the Reporting Period, the Working Group held two meetings.

The Board is responsible for assessing and determining the Group's ESG risks and ensuring that the Group has an appropriate and effective ESG risk management and internal control system in place. The management reviews the effectiveness of the risk and internal control system in respect thereof and makes confirmation to the Board.

STAKEHOLDER ENGAGEMENT

The Group values the engagement of our stakeholders. Our employees, customers, suppliers and other stakeholders have a significant impact on the success of our business or activities. The relevant stakeholders of the Group are listed in the table below. We actively communicate with stakeholders through different channels to monitor and manage our impact on the environment and society.

Stakeholder	Issues of Concern	Engagement Platform
Government and Regulatory Agencies	• To comply with laws • Proper tax payment • Promote regional economic development and employment	• Annual reports, interim reports, ESG Reports, announcements and circulars • Websites of the Company and the Stock Exchange
Shareholders and Investors	• Risk Management • Return on investment • Information disclosure and transparency • Protection on shareholders' rights and fair treatment	• Annual general meetings and other shareholder meetings • Annual reports, interim reports, ESG Reports, announcements and circulars • Websites of the Company and the Stock Exchange • Survey • Discussion group
Employees	• Remuneration benefits • Employees' rights • Training and development • Health and safety	• Email • Phone calls • Meetings • Employees' activities • Survey
Customers (Tenants)	• Shopping mall safety • Quality service • Information transparency • Business ethics	• Email • Customer service hotline • Company visits • Survey
Suppliers	• Fair procurement • Long-term cooperation	• Email • Phone calls • Meetings • Site visits • Survey
General Public and Community	• Community involvement • Social responsibilities	• Voluntary services • Charity donation

MATERIALITY ASSESSMENT

The Group identifies issues for disclosure in the Report through internal and external materiality assessment. By considering the dependence and influence to the Group of the stakeholders and the availability of the resources for the Group, the management has identified key stakeholders and conducted survey with them. They have expressed their opinions and recommendation on the sustainability issues related to the Group's operation via the surveys. The materiality assessment process is as follows:

Stage 1 Identification

A list of ESG issues was compiled from a variety of channels, including listing rule requirements, industry trends and internal policies. We identified 28 issues and grouped them into four categories environment, employment and labour practices, operating practices, and community.

Stage 2 Prioritisation

An online survey was conducted to evaluate the impact of various issues from the perspective of stakeholders or the Group. The scoring of each issue ranges from 1 to 5 points (1 refers very low impact and 5 refers very high impact). The Materiality Matrix was constructed based on the scoring and the threshold for inclusion in the Materiality Matrix (i.e. the median of the data) was determined, and the different issues were arranged depending on the impact and degree of influence.

Stage 3 Validation

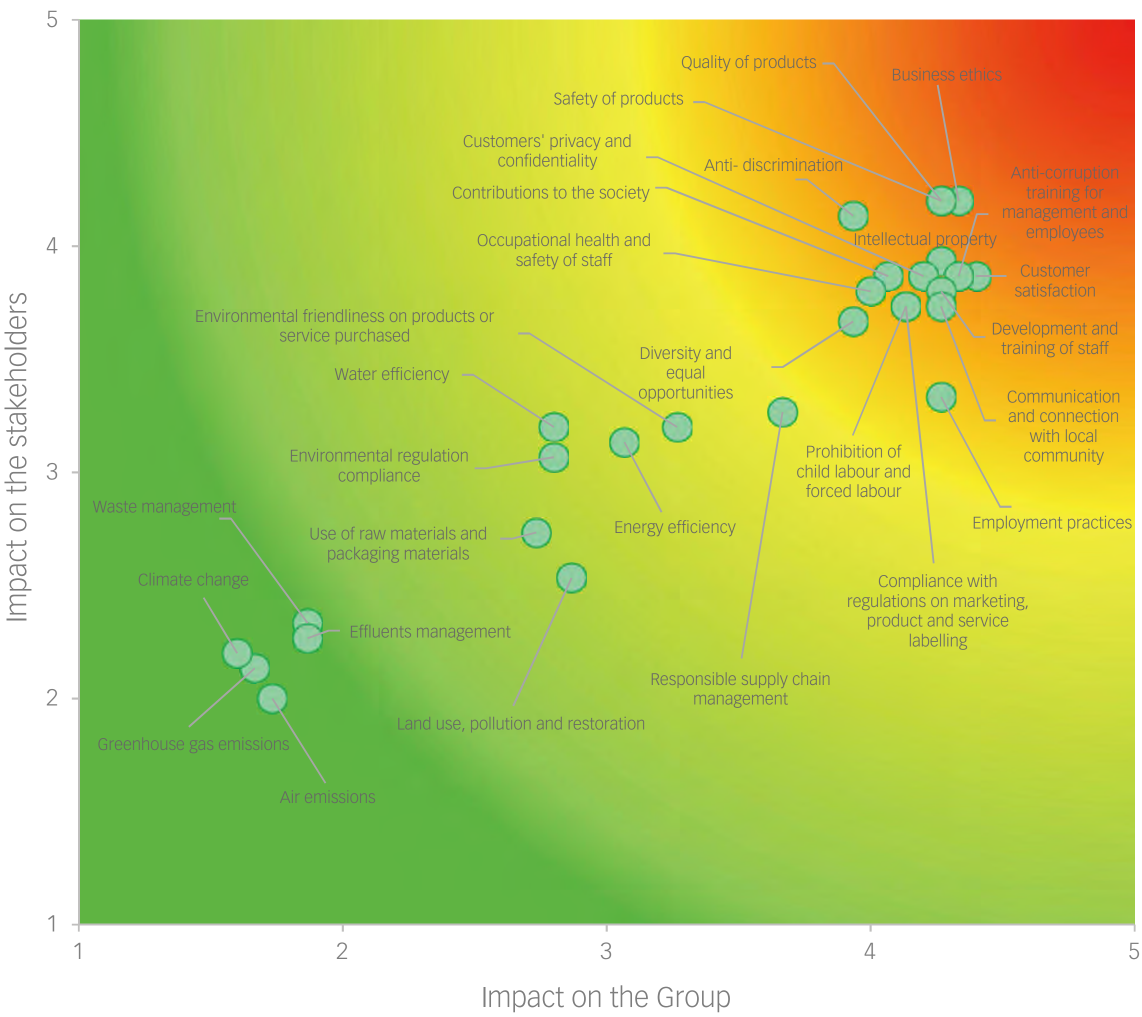
Management reviewed the Materiality Matrix and materiality threshold. Assessing from a stakeholder or business perspective, out of all 28 issues, 14 items have an overall score at the median or above amongst all data, which are considered to be the most important environmental, social and governance issues in which the Group should respond to and report.

Results

After the consolidation of the internal assessment and survey results, the Group concluded the 14 most important issues of this year:

Business ethics	Safety of products	Quality of products	Customer satisfaction	Intellectual property	Anti-corruption training for management and employees	Anti-discrimination
Customers' privacy and confidentiality	Development and training of staff	Communication and connection with local community	Contributions to the society	Prohibition of child labour and forced labour	Compliance with regulations on marketing, product and service labelling	Occupational health and safety of staff

Materiality Matrix



SOCIAL ASPECTS

B1 Employment

General Disclosure

Policies

The Group's Human Resources department has established a comprehensive human resources policy, which has been stated clearly in the Group's *Employee Handbook* allowing employees to understand the rules easily. The *Employee Handbook* covers sections including employee benefits, professional ethics, overtime policies and promotion and demotion bases. Apart from compliance with the basic labour laws and regulations, the Group has also implemented other human resources policies as needed, including *Reward and Punishment Management Policy*, *Attendance Management Policy*, *Personnel Change Management Policy*, *Salary Management Policy*, *Recruitment Management Policy*, etc. We are providing benefits higher than the legal requirements to recruit, retain and develop a first-class team of employees.

Remuneration

The Group regards employees as our important asset, so we established the *Group's Remuneration Management Policy* under the regulations of the *Labour Contract Law of the PRC* and used such to standardise the definition of remuneration and enable employees to fully understand such concept. We provide employees with competitive remuneration, including wages, subsidies, seniority wages, attendance awards, benefits, year-end awards, etc. The Group establishes employee remuneration policy based on the general market environment and practices, employee responsibilities, and the Group's financial capabilities. The Group's *Remuneration Management Policy* is based on the internal comparison between the various grades based on the position-level salary system. Under the position-level salary system, the Group refers to the salary level of enterprises of the same scale in the same industry, determines the salary of employees by the corresponding rank of the employed position in the salary system, and links the performance salary with the Group's income and performance results.

Recruitment

The Group has established the *Recruitment Management System* and strictly abides by regulations of equal opportunity, multiculturalism, and anti-discrimination in terms of recruitment. We implement equal competition, merit-based recruitment, as well as seek for talented candidates with good moral character and avoiding relatives hiring which might affect the fairness of the employment. We adhere to the principle of fairness and openness, recruit excellent and applicable talents; eliminate differential treatment or discrimination due to factors such as race, gender, region, social class, religion, political party etc. The Group did not employ underaged employees, forced labour or did not pay below the minimum wage.

Dismissal

Employees of the Group are free to choose whether to maintain labour relations with the Group. The Group does not force any employee to make any decision on labour relations against their will.

Promotion

The Group attaches great importance to the work performance of employees, encourages employees to work proactively and has created a broad promotion space for employees. Promotion opportunities can be provided for employees with excellent performance and ability to engage in higher positions upon recommendations made by their department heads and being approved.

SOCIAL ASPECTS *(cont'd)*

B1 Employment *(cont'd)*

General Disclosure (cont'd)

Working hours and rest periods

Staff working hours are strictly set following local laws and the Group's regulations. The Group divisions schedule their employees to work 8 hours a day, 40 hours a week and 2 days off a week. On the other hand, the Group considers the needs of employees, in addition to statutory holidays prescribed by the national government, the Group also provides annual leave, sick leave, personal leave, work injury leave, marriage leave, maternity leave, family planning leave, paternity leave, breastfeeding leave, compassionate leave and parent conference leave.

Diversity, equal opportunities and anti-discrimination

We have an equality policy and are committed to ensuring fair treatment in the recruitment, retention, training and development of our employees. Employees are required to declare any family relationship when applying for a position. The Group has adopted a Board Diversity Policy guiding the Board to achieve a more diverse composition of Board members. All Board members are appointed on the principle of meritocracy. With the assistance of the Nomination Committee, the Board will assess various aspects when considering the nomination and appointment of Directors, including but not limited to skills, knowledge, qualifications and educational background, professional experience, cultural background, age and gender.

The Nomination Committee is responsible for reviewing the Board Diversity Policy and monitoring its implementation to ensure the effectiveness of the policy. Besides, the Nomination Committee will discuss any amendments that may be required to the policy and recommend any relevant amendments to the Board for consideration and approval. The value of diversity, equal opportunities and anti-discrimination apply to all aspects in human resource management, including but not limited to recruitment, promotion, transfer, job assignment, rewards and benefits, training and development etc.

Benefits and welfare

The Group continues to care for its employees and is committed to providing employees with competitive remuneration packages and benefits in order to attract and retain talents. If employees work overtime due to work needs, they can get overtime compensation leave after making applications according to the attendance management procedure and obtaining the approval. Besides, the Group will issue year-end bonuses based on the operating conditions and financial performance of the year, the completion of annual goals and individual year-end performance assessments. On the other hand, the Group also purchases social insurance for employees under national regulations, including pension insurance, unemployment insurance, work injury insurance, maternity insurance, medical insurance and serious illness insurance.

In addition to the above benefits, the Group also provides other allowances according to the circumstances, including holiday allowance and visitation subsidies. In terms of employee caring, the Group also plays a proactive role, for example: arranging physical examinations for employees from time to time under the relevant national regulations; arranging travel and cultural and recreational activities for employees by examining the busyness of work and operating conditions of the enterprise.

Compliance information for relevant laws and regulations

In order to remain competitive of the Group in the industry, we are committed to maintaining the professionalism of our team. The Group complies with laws and regulations relating to labour and social security in the PRC, including but not limited to:

- *Labour Contract Law of the PRC* stipulates that the labour contract must be drawn up in writing. After consultation and consensus, employers and employees can enter into labour contracts with fixed or non-fixed terms, while in other cases that meet statutory conditions, employers can terminate labour contracts and dismiss their employees. Violations of relevant laws and regulations can result in warnings, fines, and revocation of business licenses. If the circumstances are serious enough to constitute a crime, criminal liability may be pursued;

SOCIAL ASPECTS *(cont'd)*

B1 Employment *(cont'd)*

General Disclosure (cont'd)

Compliance information for relevant laws and regulations (cont'd)

- *Labour Law of the PRC* stipulates that the employing unit shall establish and improve their internal policies under the law to ensure that workers are entitled to their labour rights and perform their labour obligations. A labour contract should be set when establishing a labour relationship. Violations of relevant laws and regulations may result in warnings, fines, and revocation of business licenses. If the circumstances are serious enough to constitute a crime, criminal liability may be pursued;

- *Provisional Regulations on Collection and Payment of Social Insurance Premiums* stipulates that the enterprise shall provide its employees with welfare plans including basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance. Violation of relevant regulations may result in fines; and

- *Regulation on the Administration of Housing Accumulation Funds* stipulates that the enterprise shall contribute to the Housing Provident Fund for its employees. Violation of relevant regulations may result in fines.

The Group has established a series of human resources policies and actively enhanced relevant policies to ensure that the rights and interests of employees are being protected. During the Reporting Period, the Group was not aware of any significant violations of laws and regulations that have a significant impact on us.

Total number of employee by gender, employment type, age group and geographical region

The distribution of the Group's employees are as follow:

As at 31 December	2022	2021
By Gender		
– Male	**186**	133
– Female	**90**	71
By Age Group		
– Below 30	**52**	29
– 30-50	**199**	158
– Above 50	**25**	17
By Employment Type		
– Full time	**276**	204
– Part-time	**0**	0
By Geographical Region		
– Hong Kong	**1**	1
– The PRC	**275**	203
Total	**276**	204

SOCIAL ASPECTS *(cont'd)*

B1 Employment *(cont'd)*

Employee turnover rate by gender, age group and geographical region[1]

The employee turnover rates of the Group were as follows:

	2022 No. of turnover (turnover rate)	2021 No. of turnover (turnover rate)
By Gender		
– Male	**94 (51%)**	38 (29%)
– Female	**31 (34%)**	10 (14%)
By Age Group		
– Below 30	**46 (88%)**	16 (55%)
– 30-50	**77 (39%)**	31 (20%)
– Above 50	**2 (8%)**	1 (6%)
By Geographical Region		
– Hong Kong	**0 (0%)**	0 (0%)
– The PRC	**125 (45%)**	48 (24%)
Overall	**125 (45%)**	48 (24%)

1 Turnover rate = number of employees left in the corresponding employee category/total number of employees in the corresponding category

SOCIAL ASPECTS *(cont'd)*

B2 Health and Safety

General Disclosure

Policies

The Group has established *Employee Safety Management Policy* and stipulates in the "Basic Requirements" chapter that new employees must undergo safety management training and pass the assessment before work commencement, thereby raising employees' safety awareness. If the employees have job rotation due to the working requirement, they should receive the Company's safety management training for the corresponding positions and must also pass the assessment before work commencement. Besides, in order to strengthen the safety management of the vehicles of the Group, raise the safety awareness of drivers, prevent and reduce the occurrence of traffic accidents, the *Driver Safety Management Measures* is established to regulate the safety precautions of drivers at work.

On the other hand, the Group also attaches great importance to the impact of the office environment on employees' health. In order to improve the work efficiency of employees and establish a good corporate image, the Group has established the *Environmental Protection Management Measures*, which provides specific requirements for creating and maintaining a clean, comfortable and graceful office environment. The Group also emphasised such issue in the *Employee Handbook* and informed all employees for compliance.

Compliance information on relevant laws and regulations

The Group shall comply with relevant laws and regulations, including but not limited to:

- Labour, Safety and Hygiene, Chapter 6 of the *Labour Law of the PRC*
  This chapter stipulates that employers must establish comprehensive labour safety and health policies. They must strictly implement national labour safety and health regulations and standards, provide labour safety and health education to workers, prevent accidents at work, and reduce occupational hazards;

- *Law of the PRC on the Prevention and Treatment of Occupational Diseases*
  The law stipulates that employers should create a working environment and conditions for workers that meet national occupational health standards and hygiene requirements, and take measures to ensure that workers receive occupational health protection, strengthen the management of occupational disease prevention and control, improve the level of occupational disease prevention and control, and assume responsibility for the occupational disease hazards generated by the unit; and

- *Fire Control Law of the PRC*
  Employees should comply with Fire Control Law of the PRC and the company's fire management requirements, actively perform fire prevention work; they should be familiar with the use of fire-fighting equipment and the location distribution of fire-fighting facilities and equipment in the work area.

During the Reporting Period, there were no significant violations of laws and regulations that had a significant impact on the Group.

Number and rate of work-related fatalities

For the past three years, the Group had no work-related fatalities, and the rates were 0%.

Lost days due to work injury

During the reporting period, the number of lost days due to work injury of the Group was 0.

SOCIAL ASPECTS *(cont'd)*

B2 Health and Safety *(cont'd)*

Occupational health and safety measures adopted and related implementation and monitoring methods

In order to ensure that the Group can effectively implement the national labour safety and health regulations and standards in its main business, a safety production management leading group was established to provide individual employees with specific operational instructions for production safety and supervision. During the Reporting Period, the Group organised a total of 24 safety trainings, participants including employees from customer service, engineering and security, which comprises around 210 participants.

While devoting itself to maintaining a high-quality office environment, the Group also pays great attention to the health care of employees. The Group has arranged regular ventilation of the office area to maintain good air quality. We also perform cleaning and insecticide operations regularly to prevent the production of diseases. While maintaining a good working environment, it also allows employees to feel more at ease and enabling them to focus at work more easily.

The COVID-19 outbreak brought challenges to both our operations and our customers. We actively responded to the national and local authorities guidelines on epidemic prevention and control to protect the health and safety of our customers and employees. The Group also provided personal protective equipment and disinfection products to our employees, and took the initiative of additional disinfection steps in relevant places, so as to maintain a safe and hygienic environment.

B3 Development and Training

General Disclosure

Policies

The Group has established the *Training Management Policy* to standardise the Group's employee training and establish a sound and systematic employee training system. We encourage employees to strive for improvement and continuous learning and believe that the quality of employees plays an important role in the business. Considering the continuous and stable development of employees, we continuously improve the quality and work skills of employees through diversified training to achieve a win-win situation that can provide various management and professional staff for the Group and also benefits employees.

We have arranged relevant training according to the needs of different employees, including: corporate culture training, workflow training, fire safety education and training, time management training, etc.

SOCIAL ASPECTS *(cont'd)*

B3 Development and Training *(cont'd)*

Percentage of trained employees by gender and employee category

During the Reporting Period, there were in total 107 employees participated in different types of training, comprises 39% of the Group. The number of trained employees and corresponding percentage by gender and employee category are as follow:

	2022 Number of trained employees (corresponding percentage)	2021 Number of trained employees (corresponding percentage)
By Gender		
– Male	**80 (43%)**	50 (38%)
– Female	**27 (30%)**	30 (42%)
By Employee Category		
– President (including Vice President)	**0 (0%)**	0 (0%)
– Project Manager	**0 (0%)**	0 (0%)
– Head of Centre	**0 (0%)**	1 (17%)
– Director (including Deputy Director)	**3 (19%)**	4 (29%)
– Manager (including Deputy Manager)	**4 (13%)**	16 (43%)
– Supervisor	**24 (49%)**	24 (59%)
– Commissioner/Assistant	**53 (56%)**	27 (47%)
– Security Guard	**23 (31%)**	8 (19%)
Overall	**107 (39%)**	80 (39%)

SOCIAL ASPECTS *(cont'd)*

B3 Development and Training *(cont'd)*

Average training hours per employee by gender and employee category

During the Reporting Period, the Group provided a total of 1,535.5 training hours. The average training hours[2] per employee by gender and employee category are as follow:

	2022 Training hours (Average training hours)	2021 Training hours (Average training hours)
By Gender		
– Male	**1,047 (5.63)**	626 (4.71)
– Female	**488.5 (5.43)**	756 (10.65)
By Employee Category		
– President (including Vice President)	**0 (0)**	0 (0)
– Project Manager	**0 (0)**	0 (0)
– Head of Centre	**0 (0)**	12 (2.00)
– Director (including Deputy Director)	**113 (7.06)**	190 (13.57)
– Manager (including Deputy Manager)	**119 (3.84)**	353 (9.54)
– Supervisor	**310 (6.33)**	403 (9.83)
– Commissioner/Assistant	**721.5 (7.68)**	330 (5.79)
– Security Guard	**272 (3.63)**	94 (2.19)
Overall	**1,535.5 (5.56)**	1,382 (6.77)

[2] The average training hours were calculated by dividing the training hours in the corresponding employee category with the number of employee in the corresponding employee category in the end of that reporting period.

SOCIAL ASPECTS *(cont'd)*

B4 Labour Standards

General Disclosure

Policies

The Group does not tolerate the employment of underage or forced labour. The *Recruitment Management Policy* stipulates that the Group prohibits the recruitment of child labour or forced labour in the "Recruitment Principles", and the "Labour Contract Signing" section of the Group's *Employee Handbook* states that the Group and the qualified employees sign the *Labour Contract* on the basis of equality, voluntariness and consensus.

Compliance information on relevant laws and regulations

The Group has complied with relevant laws and regulations, including Article 15 which is the "Employment Promotion" section of the *Labour Law of the PRC* which prohibits employers from recruiting minors under 16 years of age; Article 3 of the "General Provisions" of the *Labour Contract Law of the PRC* stipulates that the conclusion of labour contracts should follow the principles of lawfulness, fairness, equality, voluntariness, consensus and honesty. During the Reporting Period, the Group did not have any relevant significant violations.

Description of measures to review recruitment practices to avoid child labour and forced labour

According to the "Joining Guidelines" in the Group's *Employee Handbook*, employees must provide personal information including Identity Cards during recruitment registration. The Group performs checking to ensure that the relevant persons are legally eligible to work. During the Reporting Period, the Group was not aware of any minor and forced labour violations.

OPERATING PRACTICES

B5 Supply Chain Management

General Disclosure

The main suppliers of the Group are construction contractors and advertising companies for the shopping mall in Guangzhou and Shenyang. In summary, purchasing decisions are based on the supplier's past service records, pricing, suitability and general reputation. In order to manage the environmental and social risks associated with suppliers, the Group has established a series of procedures for supplier selection and evaluation process.

Supplier selection criteria and procedures

In terms of supplier management, the Group has established *the Supply Conformity Assessment Guidelines* to regulate the requirements for new suppliers in becoming qualified suppliers. In addition to conditions such as complete certification, law-abiding operation, good reputation, advanced technology and sufficient capital, we place great emphasis on the performance of suppliers in the past years. For example, there must be no major quality, safety accidents, and no serious customer complaints during this period. After completing the survey and evaluation of the basic information of the supplier, if it is assessed that the requirements of the Group are met, on-site inspection and evaluation will then be conducted for the supplier. During the on-site inspection, the Group mainly checks the authenticity of the collected data, the scale of the enterprise, the status of the enterprise's quality management and operation, and then evaluates the supplier in various aspects. A potential candidate can only become a qualified supplier after carefully reviewing, appraising and approving the evaluation results by the Group.

The Group promotes fair and open competition. The decision to hire services and purchase materials is based on price, quality, past service records, needs, etc. When selecting a supplier, if the subcontracting (procurement) business involved exceeds the amount as defined in related policies, the appropriate supplier must be selected through tendering. We have established the *Purchasing Policy and Procedures-Tendering (Procurement) Management Policy* to provide a clear definition of the situation in which supplier selection by tendering is required.

OPERATING PRACTICES *(cont'd)*

B5 Supply Chain Management *(cont'd)*

Supplier selection criteria and procedures (cont'd)

Besides, the *Sunshine Agreement* was established to ensure that the supplier and the Group can maintain an honest and self-disciplined work style in the process of performing contracts, prevent various improper acts, and protect the legitimate interests of both parties effectively, so that the two parties can establish long-term cooperative relations. The agreement provides a clear definition of the proper code of conduct.

Qualified supplier performance evaluation and management

In terms of supplier performance, the Group will perform supplier performance evaluations by the end of each year in accordance with the *Supplementary Performance Evaluation Guidelines* established. The Group will update the *List of Qualified Suppliers* based on the assessment results. If any supplier has its assessment results as "unqualified", it will be disqualified from the *List of Qualified Suppliers*. Besides, the Group has also established a "Blacklist" system. Any bidder that violates integrity requirements will be included in the Blacklist after approval by the Group President. The suppliers on this list will never be allowed to undertake any projects of the Group.

During the Reporting Period, the number of suppliers of the Group was 93. The following is a list of suppliers by geographical region:

Geographical Region	Supplier Type	Number
Guangdong Province	Construction	27
	Advertising	9
	Service	39
Liaoning Province	Construction	7
	Advertising	6
	Service	5
Total		93

OPERATING PRACTICES *(cont'd)*

B6 Project Responsibility

General Disclosure

Overview

The Group is committed to operating malls with a responsible attitude to enhance the consumer experience for the public in a safe and comfortable mall environment. The Group mainly focuses on the management of three aspects which are shopping mall security, privacy protection, customer service and complaint handling.

Shopping Mall safety

The Group pays great attention to the safety of the shopping mall and establishes the *Management Manual of the Engineering Department*, which formulates the relevant management guidelines for the Group's Fire Monitoring Center to standardise and ensure that the center can fulfil its role as the first line of defense in fire control. The Manual has stipulated that the fire protection system shall be staffed and monitored 24 hours a day; staffs responsible must strictly implement the handover system, and fill in the duty records properly. The actions of the control cabinets, display screens, signal lights and control circuits should always be in good condition, and the control levers, as well as operation buttons, should be in automatic positions.

In accordance with relevant laws and regulations, the Group organised a total of 24 fire drills during the Reporting Period. The participants included employees from customer service, engineering and security, which comprises around 210 employees. The content of the drill includes: familiarising with the methodology on arriving at the meeting place in an orderly and fastest manner, learning to use fire equipment properly and proficiently, checking the condition of the fire equipment including their expiration date, and holding debriefing sessions to introspect the performance of the drill.

Privacy protection

The Group regards the protection of its own and customer information as a fundamentally important code. Any lapses in this link can cause damage directly to the Group's reputation and thus affect customers' confidence in the Group. In order to let every employee understand its importance, a chapter on confidentiality was specifically created in the Group's *Employee Handbook*. It clearly stated that the scope of confidentiality involved covers multiple areas, including but not limited to the following issues:

- Confidential matters in major group decisions;
- Contracts, agreements, letters of intent, important meeting records, meeting minutes, etc. within the Group;
- Business strategies, directions, plans, projects and decisions that the Group has not yet implemented;
- Relevant documents reflecting the financial status of the Group;
- Personnel file information of Group's employees; and
- The Group's customer information.

OPERATING PRACTICES *(cont'd)*

B6 Project Responsibility *(cont'd)*

General Disclosure (cont'd)

Privacy protection (cont'd)

In order to comply with relevant laws and regulations and the Group's policy requirements, the key confidentiality measures regulated by the Group in the *Employee Handbook* include:

- All confidential documents and materials belonging to the Group should be affixed with secret seals by all departments, and be kept by a designated personnel in a unified manner;
- Documents are not allowed to be copied and extracted without the approval of the supervisor;
- Assign a designated personnel to be responsible for sending, receiving, transferring and delivering documents and materials;
- Register and sign as records when issuing and borrowing documents, returning them in time after use. Documents are not allowed to be borrowed, destroyed or sold without authorisation, and shall not be read by persons without reading authority;
- Encryption measures should be taken for the files saved on the computer;
- When there are needs to provide information in external exchanges and cooperation, employees must obtain the approval of the supervisor in charge before proceeding;
- Do not divulge the Group's secrets in private meetings, communications, and telephone calls; and
- Do not divulge departmental confidential matters in chats with colleagues from other departments.

Customer service and complaint handling

The Group attaches great importance to feedback from customers and actively follows up on customer complaints. We strive to enhance customer satisfaction by boosting the quality of customer complaints handling and feedback, safeguarding the legitimate interests and rights of customers, merchants and the Group effectively, and improving the service quality of the merchants' business operating environment in the market. The Group has established the *Customer Complaint Management Policy* to improve the service management of the Group, to standardise complaint handling methodologies and provide clear guidelines for employees.

Customer complaint management is basically coordinated by the Operation Manager and led by the Operation Management Department. The department is responsible for receiving complaints, recording and forwarding complaint information, communicating promptly with the responsible department for complaint matters handling, organising and archiving data of the follow-up actions required after the completion of the handling process. Employees should not shirk their responsibility when receiving complaints, all complaints should be politely received and handled with care. Responsible employees should listen to the content of the complaint patiently, appease the complainant promptly, analyse the complaint case calmly and provide immediate responses to complaints that can be resolved immediately and treat every customer's complaint equally. The content of the complaint needs to be understood in detail, factually recorded, and the relevant information should be distributed in time to the responsible department for follow-up actions. Persons in charge of various departments should be fair, honest and responsible when handling complaints.

If the content of the complaint is inconsistent with the facts or beyond the scope of the property management service after investigation, it should be reasonably explained to the customer with patience to eliminate the customer's doubts as much as possible. Responsible employees should notify the management for instructions of the follow-up actions. Complaint handling records should be summarised and analysed regularly in order to ensure lessons are learned, and to make suggestions for improvement. Customer complaints should be regarded as the best job monitoring opportunities. We make efforts to improve service quality, setting the work-centric goal to fulfil customer needs, and to improve customer satisfaction effectively.

OPERATING PRACTICES *(cont'd)*

B6 Project Responsibility *(cont'd)*

General Disclosure (cont'd)

Compliance information on relevant laws and regulations

As the operator of the Shopping Mall, the Group has to comply with the laws and regulations in the following fields, including but not limited to:

Shopping Mall Safety

- According to the *Fire Control Law of the PRC*, agencies, organisations, enterprises, institutions and other units should fulfil fire safety responsibilities, including the organisation of fire drills. If not, such venues shall not be put in use or business. Otherwise, the construction unit or the user unit will be ordered to halt the construction, usage, production or operation, and impose a fine of RMB30,000 to RMB300,000;

- According to the *Law of the PRC on the Protection of Consumer Rights and Interests*, operators of hotels, shopping malls, restaurants, banks, airports, stations, ports, theatres, and other business premises should fulfil their safety obligations to consumers;

- According to the *Tort Law of the PRC*, owners of public places such as hotels, shopping malls, banks, stations, entertainment venues, or organisers of mass activities that fail to fulfil their security guarantee obligations and cause harm to others should bear the liability of torts; and

- According to the *Interpretation of the Supreme People's Court of some Issues concerning the Application of Law for the Trial of Cases on Compensation for Personal Injury*, where a natural person, legal person or any other organisation, who engages in the business of accommodation, catering or entertainment, etc. or carries out other social activities, fails to perform the security guaranty obligation within a reasonable scope, and thus causes any other person to suffer from a personal injury, the obligor, therefore, bears the corresponding compensation liabilities.

The Group has established and actively improved relevant policies to ensure the safety of tenants and other personnel in the shopping mall. During the Reporting Period, the Group was not aware of any major violations of laws and regulations that have a significant impact on us.

B7 Anti-corruption

General Disclosure

The Group requires employees to abide by ethical standards, establish and maintain an overall ethical culture for the Group, and ensure that the Group operates the business with a high degree of integrity, which is an important responsibility of the Board.

Policies

In order to strengthen the internal management and supervision of the Group, safeguard the legitimate rights and interests of the Group, ensure the healthy development of business activities, comply the relevant national audit regulations and take into account the actual situation of the Group, an *Audit Supervision Policy* has been established and an *Audit Confidentiality System* was drafted during the Reporting Period. The Group has set up an Audit Department to perform supervision on behalf of the Group. It is under the leadership of the Audit Committee of the listed Group and is required to report to it. During the auditing process, if the Audit Department finds serious violations of laws, regulations, rules of the Group and regulations, and causes serious losses or waste, the monitoring process will be initiated. According to the system, the Audit Department has the right to investigate the risks, problems, complaints, and reports of various departments and subsidiaries of the listed Group, and the relevant personnel must explain the issues being discovered.

OPERATING PRACTICES *(cont'd)*

B7 Anti-corruption *(cont'd)*

General Disclosure (cont'd)

Policies (cont'd)

On the other hand, to further standardise the management definition of corruption prevention and related crimes, the Group has established the *Corruption Prevention and Punishment Management Policy*, which provides clear definitions of corruption and related behaviour, including but not limited to: (1) Soliciting bribes or accepting bribes (kickback) from merchants, distributors, suppliers and employees, introducing bribes to others or arranging any form of pay-to-play; (2) Accepting bribes in disguise, including but not limited to receiving any benefits and property of merchants, distributors, suppliers, and construction contractors in occasions such as wedding or funeral, or taking bribes or kickback in the name of gambling, borrowing, credit card repayment, and other names etc.; (3) Misappropriation, illegal possession or distribution of the Company's property (including funds, intangible assets, products, gifts, equipment and office supplies, etc.): illegal possession includes but not limited to theft, etc.; illegal distribution includes but not limited to bartering away, gifting, mortgaging and pledging, etc., deliberate concealment and fabrication of transactions, including but not limited to repurchase of sales, fictitious sales information and Company employees, etc.; and (4) Abuse of power, use the position to provide or seek any form of improper benefits to/from the other parties.

During the Reporting Period, the Group has also established the *Xinji Shaxi Senior Management Accountability System* to improve and strengthen the sense of responsibility of the senior management, establish an accountability mechanism and prevent any kinds of misconduct and dereliction of duty.

The Group will implement corresponding punishment measures according to the amount involved in the case. The punishment includes unconditional termination of the labour contract relationship and transfers to the judicial office.

Compliance information on relevant laws and regulations

The Group strictly abides by the anti-corruption related laws and regulations in the PRC and Hong Kong, including but not limited to the *Criminal Law of the PRC* and the *Prevention of Bribery Ordinance* of Hong Kong.

- The *Criminal Law of the PRC* regulates the criminal conduct of bribery acceptance and bribery in commercial transactions. Violation of relevant regulations may result in fines, imprisonment, or criminal detention; and

- The *Prevention of Bribery Ordinance* of Hong Kong prohibits all forms of corruption and bribery. Any director or employee is prohibited from extorting, accepting or offering any bribes while conducting company business or affairs in Hong Kong or elsewhere. Violation of relevant regulations may result in fines and imprisonment.

The Group has established and actively improved relevant policies and preventive measures. During the Reporting Period, the Group did not have any major non-compliance matters in this regard, and there were no corruption cases brought against and concluded by the Group or our employees.

OPERATING PRACTICES *(cont'd)*

B7 Anti-corruption *(cont'd)*

General Disclosure (cont'd)

Preventive measures, reporting procedures and related implementation and monitoring methods

We strive to maintain an honest and self-disciplined working culture, to prevent all kinds of improper behaviour, and protect the legitimate interests of both parties effectively so that the two parties can establish long-term cooperative relations. The Group specifically established the Group's *Sunshine Agreement*, which clearly stated that the Group's employees or partners who have signed agreements must not bribe or accept bribes in any form, such as: giving cash gifts, marketable securities, gift cards, stored-value cards and other valuables to the employees or relatives of the other parties; reimbursing personal expenses for the employees or relatives of the other parties; Inviting employees or relatives of the other parties to travel and enter business entertainment place; provide convenience for the employees or relatives of the other parties in relation to house decoration, weddings and funerals, work arrangements of families and children, and assistance to travel abroad, etc. If the staff of the other parties is found to have violated the agreement, they should be reported to its respective company. If the report is verified to be true, the person responsible for the violation will be subject to economic or administrative penalties and those who violate the law will be transferred to the judicial office.

Besides, in order to prevent employees from violating rules, regulations and laws, and to implement anti-corruption work effectively to prevent corruption, bribery, and other violations of the law, the Group is actively establishing the *Letter of Integrity and Self-discipline Commitment of the Group Staff with Key Positions*, which clearly defines employee ethics including integrity, honesty, positive reflection, complaining and reporting all kinds of corruption as well as providing information to the Group on assisting related audit investigations. The Letter also clearly stated that those responsible for corruption will be held accountable in strict according to the relevant mechanisms of the Group. The Group also organizes anti-corruption training on a regular basis to enhance the integrity and compliance management skills of its staff, and hopes to continuously raise their awareness of integrity and self-discipline.

The Company has a whistle-blowing system. If there is a corruption complaint, the whistleblower can report to the Group's Audit Department, the Audit Committee or the Board by phone or email. Designated personnel would be appointed by the Audit Committee or the Board to carry out a targeted investigation into the case. If other units within the Group receive complaints and report information, they should also forward them to the Audit Department promptly and keep them strictly confidential. The Group has established a patrol audit team to conduct patrol audit and formulated supervision work mechanism which gives supervision on the business and management activities of our business units irregularly, and also responsible for accepting complaints, reports on the spot and carry out on-site investigations.

B8 Community Investment

General Disclosure

To further standardise the Group's community investment activities and strengthen the management of the Group's external contributions, better fulfil the Group's social responsibilities and obligations on the basis of fully safeguarding the interests of shareholders, creditors and employees, promote and enhance the Group's brand and image effectively, the Group's *Community Investment Management Measures* is therefore established. The Group contributes corporate efforts, assumes social responsibilities and obligations, as well as actively participates in social welfare activities, including but not limited to cultural heritage, poverty alleviation, and elderly caring. On the other hand, the Group provides contributions to the disaster areas and vulnerable groups, supports the resumption of production, life relief, and promotes humanitarianism to create a healthy and harmonious society. To this end, the Group supports the establishment of volunteer or volunteer organisations to help people in need through voluntary work or volunteer organisation activities, thereby improving people's living environment, and adhere to the purpose of helping each other to improve the society.

OPERATING PRACTICES *(cont'd)*

B8 Community Investment *(cont'd)*

General Disclosure (cont'd)

Focus areas of contribution and resources contributed

During the Reporting Period, the Group invested more resources in community than last year, focusing on community public welfare, including supporting community epidemic prevention work and donations for poverty alleviation and poverty relief etc. The Group has been working together to distribute epidemic prevention supplies to the needy, and has also sent daily necessities to bring warmth and blessing to the public. The detailed resources used are as follows:

	Unit	2022
Total donation amount (Mainland China)	RMB	325,628

ENVIRONMENTAL ASPECTS

Overview

Despite the low impact of issues under the environmental subject area on the Group and relevant stakeholders, we are committed to mitigating the impact of our operations on the environment. The impact of operations of the Shopping Malls on the environment mainly comes from energy consumption, including energy-consuming equipment such as lighting and air conditioning. There are no significant emissions and waste emissions from the operation of the Shopping Malls. We have established the Group's *Environmental Protection Management Methods*, which aims to implement various environmental protection works in an orderly manner, including actively promoting energy conservation and environmental protection; implementing, supervising and managing environmental protection works such as resources protection and pollution prevention, and continuously improving and committing to waste reduction which mitigates the impact on the environment.

In line with the national policy on energy conservation and emission reduction, we have set clear emission reduction targets. 1) The short-term target is to reduce all emissions (including air pollutants, greenhouse gases, hazardous and non-hazardous waste, and sewage), energy use (including electricity and heat), and resource consumption (including water and paper) by 5%, with the base year of 2021 by 2026; 2) The medium-term target is to reduce by 25%, with the base year of 2021 by 2036; 3) the long-term target is to achieve carbon neutrality by 2060.

The Group will consider to gradually adopt renewable energy and use energy efficiency products, to maintain steady progress and to promote green development.

A1 Emissions

General Disclosure

Policies and information on laws and regulations compliance

The operation of our shopping malls has to comply with relevant laws and regulations on environmental protection in the PRC, including but not limited to the *Environmental Protection Law of the PRC*, the *Water Pollution Prevention and Control Law of the PRC*, the *Atmospheric Pollution Prevention and Control Law of the PRC* and the *Law of the PRC on Prevention and Control of Environmental Noise Pollution*. Violation of the relevant laws and regulations by an enterprise may result in fines, orders of business suspension, closure, and serious criminal liability.

Our shopping mall constructions and other projects have adhered to the *Environmental Impact Assessment (EIA) Law of the PRC* and the *Regulations on the Administration of Construction Project Environmental Protection* etc. Under such laws and regulations, the environmental impact assessment of a project should be carried out and an EIA Report should be prepared for projects with potential environmental impacts. After completion of a project, the relevant organisation should perform inspection and acceptance of the environmental protection facilities for a project according to the standards and procedures stipulated by the environmental protection administrative department of the Provincial Government, and prepare an acceptance report accordingly.

We have drafted the Group's *Environmental Protection Management Methods* to manage and monitor the environmental impact of our operations. During the Reporting Period, the Group was not aware of any significant violations of laws and regulations that have a significant impact on the Group.

ENVIRONMENTAL ASPECTS *(cont'd)*

A1 Emissions *(cont'd)*

General Disclosure (cont'd)

Emission types and respective emission data

During the Reporting Period, the main sources of emissions of the Group were waste gas and wastewater. Vehicle exhausts were from company vehicles and combustion of pipeline natural gas, including air pollutants such as nitrogen oxides, sulphur oxides and particulate matters. To control and reduce related emissions, we monitored the mileage and fuel consumption of vehicles to keep track of the actual usage and ensure efficient usage of vehicles. The Group's air pollutant emission amounts are as follows:

Air Pollutants[3]	Unit	2022	2021	2020
Nitrogen oxides (NO_x)	tonnes	**1.07**	6.65	6.12
Sulphur oxides (SO_x)	tonnes	**0.04**	0.11	0.09
Particulate matters	tonnes	**0.01**	0.11	0.004

As for wastewater discharge management, in order to ensure that the discharged wastewater can meet the relevant environmental regulations and standards in the PRC *GB/T 31962-2015 Wastewater Quality Standards For Discharge To Municipal Sewers*, the Group conducts water quality sample testing regularly for wastewater. The testing components included pH value, suspended solids, chemical oxygen demand, ammoniacal nitrogen, total phosphorus, total nitrogen, anionic surfactants and oil-in-water. During the Reporting Period, the wastewater generated by the Group was tested and the content of the above components was assessed and confirmed to have met the standards of discharge. The Group's wastewater discharge amount are as follow:

	Unit	2022	2021	2020
Wastewater discharge	Cubic meter	**178,996.00**	100,360.00	187,713.60

The wastewater discharge in the Reporting Period increased by 78% compared to that of last year. This is due to the reduction in emissions caused by the COVID-19 epidemic and lockdown in the past years, and the Group's business began to resume normal operations in the second half of the year. Looking forward, the Group will continue to monitor the quality and quantity of the Group's emissions, and improve the collection and monitoring of emissions data.

[3] The emissions amount was estimated with reference to *Technical Guidelines for Air Pollutants Emission Inventory of Road Vehicles (Trial)*《道路機動車大氣污染物排放清單編製技術指南(試行)》and the "Energy Statistic Manual" .

ENVIRONMENTAL ASPECTS *(cont'd)*

A1 Emissions *(cont'd)*

General Disclosure (cont'd)

Greenhouse gas ("GHG") emission and intensity

During the Reporting Period, the sources of the Group's GHG emissions mainly included electricity consumption incurred from office buildings, malls and facilities, as well as vehicle fuel consumption. We are committed to the spirit of "Green Operation and Friendly Environment", combining new energy technology and management technique, striving for excellence in energy planning and management, promoting energy-saving and carbon reduction in the daily operation process to achieve the goal of continuous improvement of energy performance.

The Group's GHG[4] emissions by scopes are as follows:

	Unit	2022	2021	2020
Scope 1[5]	tCO_2-equivalent	**1,327.29**	1,610.17[6]	1,498.34
Scope 2[7]	tCO_2-equivalent	**20,437.54**	19,689.62[6]	16,827.87
Total GHG emissions	tCO_2-equivalent	**21,764.83**	21,299.79	18,326.21
GHG emissions intensity	tCO_2-equivalent/ square meter[8]	**0.0597**	0.0585	0.0504

Our GHG emissions are mainly related to electricity consumption (Scope 2), followed by petrol, diesel and natural gas consumption (Scope 1). The GHG emission intensity in the Reporting Period was more or less the same by comparing to that of previous year. In order to reduce emissions, we have established and implemented relevant electricity-saving measures, please refer to the section headed "A2 Uses of Resources" for more details. Looking ahead, the Group will continue to monitor its GHG emissions and improve the collection and monitoring of GHG emissions data.

Hazardous waste produced and intensity

Our operation of shopping malls does not produce or handle any hazardous waste.

4 The calculation of greenhouse gas emissions is based on the *General Guideline of the Greenhouse Gas Emissions Accounting Method and Reporting of Other Industrial Enterprises (Trial)*《工業其他行業企業溫室氣體排放核算方法與報告指南(試行)》issued by the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) and *Emission Reduction Project China Regional Power Grid Baseline Emission Factor*《減排專案中國區域電網基準線排放因子》issued by the Ministry of Ecology and Environment Department on Countering Climate Change of the PRC (中華人民共和國生態環境部應對氣候變化司).

5 Scope 1: The direct emissions from the business operations owned or controlled by the Group.

6 Figures are restated.

7 Scope 2: The "indirect energy" emissions caused by the internal consumption of purchased electricity and heat consumption within the Group.

8 The total area of the Group's offices and shopping malls in 2020 and 2021 is 363,792.35 square meter; that in 2022 is 364,839.25 square meter.

ENVIRONMENTAL ASPECTS *(cont'd)*

A1 Emissions *(cont'd)*

General Disclosure (cont'd)

Non-hazardous waste produced and intensity

Wastes generated by the Group's shopping malls are mainly domestic waste generated during daily operations. The amounts of waste generated are as follows:

	Unit	2022	2021	2020
Non-hazardous waste	tonnes	**2,127**	800	885.04
Intensity	tonnes/square meter[9]	**0.006**	0.002	0.002

During the Reporting Period, the Group's main domestic waste generation increased significantly compared with that of previous year. This is because the Group's business began to resume normal operation in the second half of the year. Looking ahead, the Group will enhance the efficiency of the industrial chain and continue to reduce waste generation.

Measures to mitigate emissions and results achieved

To continuously improve and strive to reduce emissions, the Group is actively improving the Group's *Environmental Protection Management Methods*, which includes the following measures:

- Burning of asphalt, linoleum, rubber, plastic, hay, fallen leaves, garbage and other substances that produce toxic and harmful gases or malodorous gases are prohibited in the areas of shopping malls;
- The discharge of toxic and harmful gas and dust into the atmosphere is strictly restricted; if there is a necessity for the discharge, the gas emission must undergo purification and do not exceed the regulated standards before discharging;
- Restaurants are encouraged to implement water-saving and pollution-reduction initiatives, reusing and recycling water to improve the overall water utilisation rate;
- Grease trap should be equipped to pre-treat restaurant effluents and to separate the oil from water. Oil mist from the kitchen must also be pre-treated. Both effluents and oil mist must meet their emission standards before discharging. Besides, wastewater containing oil, acid, alkaline, and highly toxic liquid is strictly restricted to be discharged into natural water sources to prevent pollution;
- Vehicle restriction control is implemented in shopping mall areas, vehicles that do not meet environmental protection requirements are prohibited from entering; and
- When noise and vibration occur, measures such as noise reduction, sound insulation, and shock prevention should be taken.

The Group will continue to implement the above waste management measures and continuously improve the data collection and monitoring methodologies for wastes. Looking forward, the Group will continue to improve the data collection system, and conduct forecast based on the data collected in the next few years to formulate emission reduction strategies in a timely manner.

[9] The total area of the Group's offices and shopping malls in 2020 and 2021 is 363,792.35 square meter; that in 2022 is 364,839.25 square meter.

ENVIRONMENTAL ASPECTS *(cont'd)*

A1 Emissions *(cont'd)*

General Disclosure (cont'd)

Hazardous and non-hazardous waste handling, measures on waste reduction and results achieved

The Group's waste management strategy focuses on waste reduction, recycling and reuse, aiming to save operating costs while lowering the impact on the environment. Solid waste should be cleared, transported and disposed of in a timely manner. When collecting, storing, transporting, using, and disposing of solid waste, measures must be taken to prevent diffusion, loss, and permeation. No unauthorised dumping, piling, littering or scattering of solid waste. A large amount of paper is used in daily operation, which caused an impact on the environment. The waste generated by the operation of offices is mainly office paper. During the Reporting Period, the Group's total paper consumption was 1.16 tonnes. In order to protect the environment, we are establishing relevant policies to minimise wastage of paper and other resources.

The Group will continue to record and disclose the amount of wastes produced. Looking ahead, the Group will continue to improve the data collection system, and forecast based on the data collected in the next few years to formulate waste reduction strategies in a timely manner.

A2 Use of Resources

General Disclosure

Policies

The Group is actively establishing the Group's *Energy Saving Implementation Plan* for standardising specific energy-saving guidelines and regulations on public and office lighting, air conditioning use, power distribution management, electromechanical equipment management, and water supply, etc. For example, for public and office lighting, we have used energy-efficient lighting instead of compact fluorescent lamps and have adopted a lighting control system based on different time period to achieve the purpose of energy saving. For air conditioning use, we have established a clear benchmark for air conditioner usage instead of utilising air conditioning on a whole day basis, and we monitor room temperature and air conditioner parameters to ensure the air conditioners functioning properly.

ENVIRONMENTAL ASPECTS *(cont'd)*

A2 Use of Resources *(cont'd)*

General Disclosure (cont'd)

Total direct and/or indirect energy consumption by type and intensity

The Group's energy consumption includes petrol, diesel, natural gas and purchased electricity. During the Reporting Period, the Group's main source of energy consumption was electricity, which accounted for 78% of its total energy consumption. The total energy consumption in the Reporting Period was maintained at a consistent level compared to that of previous year. The following table shows the total energy consumption by energy types:

	Unit	2022	2021	2020
Direct Energy Consumption				
– Petrol	MWh	**236.85**	443.12	582.70
– Diesel	MWh	**288.87**	357.59	240.70
– Natural Gas	MWh	**5,949.40**	7,124.09	6,466.81
Indirect Energy Consumption				
– Purchased Electricity	MWh	**23,372.46**	19,514.74	19,609.04
Total Energy Consumption	MWh	**29,847.58**	27,439.54	26,899.25
Energy Consumption Intensity	MWh/ square meter [10]	**0.082**	0.075	0.074

Total water consumption and intensity

Water is an indispensable natural resource in the daily operations of the Group. During the Reporting Period, the Group's total water consumption was 285,988.00 cubic meters (m^3), decreased by 5% compared to that of previous year. The details of the Group's water consumption data are as follows:

	Unit	2022	2021	2020
Water Consumption	cubic meter	**285,988.00**	300,766.00	223,289.00
Intensity	cubic meter/ square meter	**0.78**	0.83	0.61

[10] The total area of the Group's offices and shopping malls in 2020 and 2021 is 363,792.35 square meter; that in 2022 is 364,839.25 square meter.

[11] The total area of the Group's offices and shopping malls in 2020 and 2021 is 363,792.35 square meter; that in 2022 is 364,839.25 square meter.

ENVIRONMENTAL ASPECTS *(cont'd)*

A2 Use of Resources *(cont'd)*

General Disclosure (cont'd)

Energy efficiency plans and results

The Group promotes environmental protection in its daily business operations. The Group implements various environmental protection measures at its operating premises, mitigating the negative impact of the operating site on the environment through the proper use of energy. We will continue to effectively control the operating time of the equipment, reducing the impact of GHG emissions on nature. Besides, the Group also established specific energy-saving measures in the *Energy-Saving Implementation Plan* as follows:

Lighting management

- Adopting lighting time management, arrange proper lighting according to the needs at different periods instead of having all the lightings on at all times, to balance between the needs and energy saving;

- All fluorescent lights in the basement are replaced with more energy-saving LED lights, and corridor lights are gradually replaced with energy-saving lights; for electrical facilities with low usage requirements, automatic control devices such as infrared induction and time control are equipped; and

- The office area makes full use of natural lighting to reduce the need for lighting facilities.

Air conditioning management

- Establishing a comprehensive room temperature monitoring and air-conditioning energy-saving management system; daily monitoring of room temperature, air-conditioning system parameters and energy consumption;

- Setting a reasonable air-conditioning temperature. Except for the needs during summer and winter, air-conditioning usage in other seasons should be minimised. The air-conditioning temperature should be set at 26°C or above in summer and not higher than 20°C in winter; and

- When the air-conditioner is operating, the office should remain enclosed to prevent the loss of cold air avoiding the air-conditioner from a long period of operation.

Looking ahead, the Group will continue to monitor the energy use of the Group and continue to improve data collection and monitoring.

Sourcing water that is fit for purpose

The Group understands that water resources are among the most precious natural resources on the planet, so we attach great importance to the rational use of water resources and are committed to reducing unnecessary water consumption. In terms of water usage, water for operation is provided by the water supply company, so there is no issue in sourcing water that is fit for purpose. We will set a water consumption budget at the beginning of each year and install sensors at the points of use in the bathroom to control the water consumption.

Looking ahead, the Group will continue to monitor the use of water resources of the Group and continuously improve data collection and monitoring.

Packaging materials for finished goods

The Group's business does not involve any product production, therefore no packaging material consumption is incurred, hence no relevant data is disclosed.

ENVIRONMENTAL ASPECTS *(cont'd)*

A3 The Environment and Natural Resources

General Disclosure

The Group is actively establishing its *Environmental Protection Management System* to standardise and implement the environmental protection management tasks in an orderly manner. We actively promote energy conservation and environmental protection within the Group as well as implement supervision and management of environmental protection work such as resources conservation and pollution prevention. We will continue to improve and are committed to reducing waste emissions and the impact on the environment.

Significant impacts of activities on the environment and natural resources and the actions taken to manage them

We strive to improve the waste management mechanism. As a responsible enterprise that values environmental protection, we prevent or minimise the possible damage to the environment, such as air pollution, noise pollution, waste generation, etc. We have established targeted environmental protection measures according to the different situations that may happen in the shopping malls, including:

- When decorating and refurbishing shops, the construction area must be effectively enclosed before the commencement of construction. Environmental pollution caused by operations should be prevented during the construction, the remaining construction materials and construction site should be cleaned up after construction;

- When transporting refurbishment materials and garbage, anti-leakage measures must be taken, and such materials cannot be stacked in the public areas of the market; refurbishment garbage should be transported out of the market in a timely manner;

- To minimise dust pollution in the passageway of the shopping malls, measures are implemented including water spraying or flushing for dust suppression. Dust and garbage that remain after such cleaning should be removed in a timely manner;

- Constructions that generate odour and noise should be avoided during the normal business hours of the shopping malls;

- Domestic sewage is only allowed to be discharged through designated pipelines, and mixed discharge of rainwater and sewage is strictly prohibited to prevent pollution of water sources; and

- For volatile and odour-causing items, measures must be taken to prevent such volatile gases from causing environmental pollution or producing odours, in order to prevent environmental pollution incidents from happening.

A4 Climate change

The Group deeply acknowledges that climate change is a common challenge for all of us, while PRC, as the biggest developing country in the world, attaches great importance responding to climate change. The PRC government has decided to adopt more vigorous policies and measures and made two significant decisions in 2020: achieve carbon peaking by 2030 and carbon neutrality in 2060. The Group is planned to gradually respond to the decisions and set up quantitative short-, medium- and long-term targets. With the expansion of the Group's sales and distribution regions and business scope, the practices of energy saving should be further enhanced to respond to the goal and achieve sustainable development. In addition to energy saving and emission reduction, the Group is committed to promoting the establishment of environmental protection, green and standard systems in China's hospitality industry, and strives to promote green and environmental protection standards for China's hospitality products, food contact product safety, product quality and safety system certification, etc., in order to respond to the requirements and implement sustainable development.

ENVIRONMENTAL ASPECTS *(cont'd)*

A4 Climate change *(cont'd)*

The Group has identified a range of climate-related risks and opportunities related to our assets and services to understand the scenarios in which such risks and opportunities may have a greater impact. The transition and physical risks are discussed in the following sections.

	Risks	Opportunities
Short-term (0 – 1 year)	• Physical risks arising from extreme weather events • Acquiring the skills and capability required to implement climate strategy	• New products and services to help the decarbonisation of the communities • New technologies to enhance operation and energy efficiency
Medium-term (5 years)	• Transition risks – affecting operational cost due to the implementation of low-carbon policies • Transition risks – Supply and demand for certain services may change as climate-related risks and opportunities are increasingly taken into account	• Transitioning to low-carbon economy market to meet government's decarbonisation targets • Opportunities arising from transition enablers
Medium- to long-term (Over 5 years)	• Transition risks – potential new regulation and policies • Transition risks – development and use of emerging technologies may increase the operational costs, and reduce the Groups' competitiveness • Transition risks – the Group reputation may be impacted due to changing customer or community perceptions of said the Group's contribution to or detraction from the transition to a lower-carbon economy	• Transitioning to low-carbon economy market to meet government's decarbonisation targets • Opportunities arising from transition enablers • To work as a pioneer in the industry and build up the relevant reputations

ENVIRONMENTAL ASPECTS *(cont'd)*

A4 Climate change *(cont'd)*

In response to the issues that may arise from climate change, we are prepared to integrate more sustainable development into our business. These include extreme weather event, such as storm, flood, and other natural disasters, that pose unavoidable physical risks. Under the extreme weather conditions, logistics and supply chain are specifically prone to negative impacts. Heavy rains, rising tides and flood can cause severe damage to assets such as warehouse and stored goods, resulting in financial loss. As for the potential risk in supply chain, the Group's *Procedures-Tendering (Procurement) Management Policy* covers standby qualified supplier to cope with situations where supplier networks are disrupted due to extreme weather conditions and reduces the logistics disruption. The Group also has internal guideline detailing the emergency response mechanism to ensure the safety of staff.

Transition risks due to policy changes, technological developments, digitalisation, associated risks affecting supply and public perception of its reputation may affect operational costs and increase the legal risk. The Group has identified the relevant risks and is continuously monitoring changes in the market and policies. The Group also plans to invest according to market demand and use this as an opportunity for long term development.

The Group highly values the customers. We will continue to improve the application and innovation ability, strive to increase the efficiency, and protect the Group's reputation. Over the years, the Group has been seizing different opportunities to expand the business, accelerate transformation and make the Group smarter and greener, safer for our employees and product users (e.g. automation, using more online meeting e-platforms under COVID-19 pandemic to reduce carbon emissions from transportation). These measures increase the sustainability of our facilities and fulfill our commitment to resource management and environmental protection.

Looking ahead, the Group will continue to review the impact of climate change on business and incorporate climate-related risks and opportunities into operational considerations, such as changes in environmental-related regulations, in order to increase resilience.

THE STOCK EXCHANGE "ESG GUIDE" CONTENT INDEX

Subject Areas, Aspects, General Disclosures and Key Performance Indicators ("KPIs")		Section/ Statement
Subject Area A. Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions
KPI A1.1	The types of emissions and respective emissions data.	Emissions
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Emissions

Subject Areas, Aspects, General Disclosures and Key Performance Indicators ("KPIs")		Section/ Statement
Subject Area A. Environmental (cont'd)		
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Use of Resources
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Use of Resources
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Use of Resources
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Use of Resources
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Use of Resources
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change

Subject Areas, Aspects, General Disclosures and Key Performance Indicators ("KPIs")		Section/ Statement
Subject Area B. Social		
Employment and Labour Practices		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Employment
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Health and Safety
KPI B2.2	Lost days due to work injury.	Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and Safety

Subject Areas, Aspects, General Disclosures and Key Performance Indicators ("KPIs")		Section/ Statement
Subject Area B. Social (cont'd)		
Employment and Labour Practices *(cont'd)*		
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards

Subject Areas, Aspects, General Disclosures and Key Performance Indicators ("KPIs")		Section/ Statement
Subject Area B. Social (cont'd)		
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Responsibility

Subject Areas, Aspects, General Disclosures and Key Performance Indicators ("KPIs")		Section/ Statement
Subject Area B. Social (cont'd)		
Operating Practices *(cont'd)*		
Aspect B7: Anti-corruption		
General Disclosure	Information on (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption
Community		
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment

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 93 to 172, comprise:

- the consolidated balance sheet as at 31 December 2022;
- 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 2022, 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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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.

The key audit matter identified in our audit is related to valuation of investment properties.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties	
Refer to note 3.3 (b), 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 2022, the Group's investment properties amounted to RMB2,396.94 million and the fair value losses on investment properties for the year ended 31 December 2022 amounted to RMB349.76 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, 30 March 2023

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2022 RMB'000	2021 RMB'000 (Restated)
Revenue	6	**298,423**	297,429
Cost of sales	7	**(47,710)**	(40,573)
Fair value losses on investment properties	17	**(349,760)**	(401,518)
Selling and marketing expenses	7	**(15,216)**	(26,369)
Administrative expenses	7	**(37,163)**	(36,642)
Net impairment losses on financial assets and lease receivables	3.1(b)	**(9,588)**	(7,425)
Other income	8	**7,347**	6,954
Other losses – net	9	**(5,049)**	(448)
Operating loss		**(158,716)**	(208,592)
Finance income	11	**2,159**	344
Finance expenses	11	**(51,789)**	(47,729)
Finance expenses – net	11	**(49,630)**	(47,385)
Loss before income tax		**(208,346)**	(255,977)
Income tax expense	13	**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)			
Basic and diluted loss per share	14	**(0.11)**	(0.14)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December 2022 RMB'000	2021 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)

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

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2022 RMB'000	2021 RMB'000 (Restated)
ASSETS			
Non-current assets			
Property and equipment	16	**6,944**	3,772
Investment properties	17	**2,396,940**	2,641,030
Intangible assets	18	**1,688**	765
Deferred income tax assets	28	**1,376**	753
Lease and trade receivables and other receivables	20	**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	20	**65,795**	55,222
Amounts due from related parties		**4,095**	56,208
Restricted cash		**–**	3,300
Cash and cash equivalents	21	**314,477**	249,689
		386,769	367,324
Total assets		**2,831,183**	3,160,112
EQUITY			
Share capital and premium	22	**285,178**	285,178
Other reserves	23	**114,640**	243,528
Retained earnings	24	**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

	Note	As at 31 December 2022 RMB'000	2021 RMB'000 (Restated)
LIABILITIES			
Non-current liabilities			
Borrowings	27	**629,378**	632,072
Trade and other payables	25	**32,269**	32,693
Lease liabilities	25	**124,876**	130,227
Deferred income tax liabilities	28	**263,786**	325,473
Amounts due to related parties	32	**24,750**	–
		1,075,059	1,120,465
Current liabilities			
Borrowings	27	**108,958**	114,337
Trade and other payables	25	**96,964**	95,266
Amounts due to related parties	32	**27,200**	–
Lease liabilities	25	**33,923**	24,814
Advance from customers	26	**34,407**	45,782
Contract liabilities	6	**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

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

The consolidated financial statements on pages 93 to 172 were approved by the Board of Directors on 30 March 2023 and were signed on its behalf:

Cheung Hon Chuen
Director

Mei Zuoting
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company				Non-controlling interests RMB'000	Total RMB'000
		Share capital and premium RMB'000 (Note 22)	Other reserves RMB'000 (Note 23)	Retained earnings RMB'000 (Note 24)	Total RMB'000		
For the year ended 31 December 2021 (Restated)							
Balance at 1 January 2021 (As previously reported)		285,178	242,243	1,370,286	1,897,707	(3,343)	1,894,364
Business combination under common control		–	–	30,172	30,172	2,942	33,114
Balance at 1 January 2021 (Restated)		285,178	242,243	1,400,458	1,927,879	(401)	1,927,478
Loss for the year		–	–	(207,496)	(207,496)	1,920	(205,576)
Total comprehensive loss for the year		–	–	(207,496)	(207,496)	1,920	(205,576)
Transactions with owners							
Effect of Business combination under common control		–	30	–	30	–	30
Capital injection by non-controlling interests		–	–	–	–	300	300
Transfer to statutory reserves	23	–	1,255	(1,255)	–	–	–
		–	1,285	(1,255)	30	300	330
Balance at 31 December 2021 (Restated)		285,178	243,528	1,191,707	1,720,413	1,819	1,722,232

Consolidated Statement of Changes in Equity

	Note	Attributable to owners of the Company					
		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
For the year ended 31 December 2022							
Balance at 1 January 2022 (As previously reported)		285,178	243,498	1,153,923	1,682,599	(2,860)	1,679,739
Business combination under common control		–	30	37,784	37,814	4,679	42,493
Balance at 1 January 2022 (Restated)		285,178	243,528	1,191,707	1,720,413	1,819	1,722,232
Loss for the year		–	–	(168,706)	(168,706)	1,276	(167,430)
Total comprehensive loss for the year		–	–	(168,706)	(168,706)	1,276	(167,430)
Transactions with owners							
Transactions with non-controlling interests	23(b)	–	(13,260)	–	(13,260)	(710)	(13,970)
Effect of Business combination under common control	23(b)	–	(85,030)	–	(85,030)	–	(85,030)
Deemed distribution to the then shareholders of the entities acquired under common control	23(c)	–	(37,091)	–	(37,091)	(4,858)	(41,949)
Contribution from the then shareholders of the entities acquired under common control		–	1,000	–	1,000	–	1,000
Changes in ownership interests in subsidiaries without change of control		–	300	–	300	(300)	–
Capital injection by non-controlling interests		–	–	–	–	950	950
Transfer to statutory reserves	23(a)	–	5,193	(5,193)	–	–	–
		–	(128,888)	(5,193)	(134,081)	(4,918)	(138,999)
Balance at 31 December 2022		285,178	114,640	1,017,808	1,417,626	(1,823)	1,415,803

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 2022 RMB'000	2021 RMB'000 (Restated)
Cash flows from operating activities			
Cash generated from operations	29	206,421	202,234
Income tax paid		(20,900)	(32,861)
Interest received		2,159	344
Interest paid		(50,539)	(45,941)
Net cash generated from operating activities		137,141	123,776
Cash flows from investing activities			
Acquisition of a subsidiary, net of cash acquired		274	–
Refund of prepayments for acquisition of a subsidiary		–	52,800
Payments for investment properties		(9,973)	(51,283)
Payments for purchase of property and equipment		(8,201)	(1,689)
Payments for purchase of intangible assets		(223)	(324)
Repayments from related parties		23,508	14,721
Prepayments for lease		–	(187,068)
Refund of prepayments for lease		–	40,000
Cash Advances to related parties		(18,145)	(23,090)
Proceeds from finance lease		9,642	–
Consideration paid for business combination under common control		(49,500)	–
Net cash used in investing activities		(52,618)	(155,933)
Cash flows from financing activities			
Proceeds from borrowings		35,000	290,000
Repayments of borrowings		(44,324)	(175,784)
Capital injection by non-controlling interests		950	300
Contribution from the then shareholders of the Group		1,000	30
Principal elements of lease payments		(11,280)	(14,492)
Net cash (used in)/generated from financing activities		(18,654)	100,054
Net increase in cash and cash equivalents		65,869	67,897
Cash and cash equivalents at beginning of year		249,689	182,497
Exchange losses on cash and cash equivalents		(1,081)	(705)
Cash and cash equivalents at end of year		314,477	249,689

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 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 30 March 2023.

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 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.

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 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.

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

2.1 Basis of preparation *(cont'd)*

(iv) New standards, amendments to standards and 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)	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

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

2.1 Basis of preparation *(cont'd)*

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.

2.2 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.

The comparative amounts in the consolidated financial statements are presented as if the entities had been combined at the previous year end date or when they first came under common control, whichever is shorter.

Business combinations not under common control

The Group applies the acquisition method to account for business combinations (excluding those involving entities under common control). 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.

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

2.2 Subsidiaries *(cont'd)*

2.2.1 Consolidation (cont'd)

(a) Business combination (cont'd)

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.

(b) Subsidiaries controlled through contractual arrangements

Guangzhou Xinji Cloud Investment Co., Ltd ("Xinji Cloud"), the subsidiary of the Group, has entered into the contractual arrangement with Guangdong Jiucheng Technology Co., Ltd. ("Jiucheng Technology") and its registered shareholders, which enables the Xinji Cloud and the Group to:

- Exercise effective control over the Jiucheng Technology (the "Operating Entity");
- Exercise equity holders' voting rights of the Operating Entity;
- Receive substantially all of the economic interests and returns generated by the Operating Entity in consideration for the technical support, consulting and other services provided exclusively by the Xinji Cloud, at the Xinji Cloud's discretion;
- Obtain pledges over the entire equity interests in Jiucheng Technology from its registered shareholders to secure, among others, performance of their obligations under the contractual arrangement;
- Obtain an irrevocable and exclusive right to purchase all equity interests in Jiucheng Technology from its registered shareholders at a nominal consideration.

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

2.2 Subsidiaries *(cont'd)*

2.2.1 Consolidation (cont'd)

(b) Subsidiaries controlled through contractual arrangements (cont'd)

The Group does not have any equity interest in the Operating Entity. However, as a result of the contractual arrangement, the Group has rights to variable returns from its involvement with the Operating Entity and has the ability to affect those returns through its power over the Operating Entity and is considered to control the Operating Entity. Consequently, the Company regards the Operating Entity as controlled structure entity and consolidated the financial position and results of operations of these entities in the consolidated financial statements of the Group during the year ended 31 December 2022. Nevertheless, there are still uncertainties regarding the interpretation and application of current and future PRC laws and regulations.

The Directors of the Group, based on the advice of its legal counsel, consider that the use of contractual arrangements does not constitute a breach of relevant laws and regulations.

(c) 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.

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

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.

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

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.

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.

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

2.5 Leases *(cont'd)*

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.

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

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.

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

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.

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

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.

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.

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

2.11 Financial assets *(cont'd)*

2.11.3 *Measurement (cont'd)*

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.

2.12 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 lease receivables

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

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.

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

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.

2.21 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 business management service

Revenue arising from shopping mall business 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 2022, the Group has cash balance of RMB8,885,000 (31 December 2021: RMB13,736,000) 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 2022 would have been approximately RMB178,000 lower/higher (2021: RMB276,000 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 2022, 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 2022 would have been RMB5,550,000 lower/higher (2021: RMB5,448,000 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, lease and trade receivables and other receivables and amounts due from related parties.

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 2022 and 2021 are as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
		(Restated)
Big four commercial banks	**301,834**	104,015
Other listed banks	**10,299**	145,462
Other non-listed banks	**2,127**	171
	314,260	249,648

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

Lease and trade receivables arising from the Group's long-term lease arrangements are recorded as part of the Group's 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.

There is no significant concentration of the Group's credit losses as no individual balance of operating and finance lease receivables exceeds 10% of the Group's total operating and finance lease receivables as at 31 December 2022 (2021: same). During the year ended 31 December 2022, no revenue from a single customer accounted for more than 10% of the Group's total revenue (2021: same).

For other receivables and amounts due from related parties, 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 and amounts due from related parties 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.

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.1 Financial risk factors *(cont'd)*

(b) Credit risk (cont'd)

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 finance 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 finance lease and trade receivables. To measure the expected credit losses, operating lease and finance 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.

The loss allowance as at 31 December 2022 and 31 December 2021 was determined as follows for operating lease receivables:

	As at 31 December 2022		
Credit risk rating	**Default loss rate**	**Gross carrying RMB'000**	**Loss allowance RMB'000**
Normal (a)	**0%**	**20,521**	**–**
Doubtful (b)	**10%**	**10,699**	**1,070**
In default (c)	**100%**	**6,431**	**6,431**
Total	**20%**	**37,651**	**7,501**

	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

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.1 Financial risk factors *(cont'd)*

(b) Credit risk (cont'd)

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

The loss allowance as at 31 December 2022 was determined as follows for finance lease receivables:

	As at 31 December 2022		
Credit risk rating	**Default loss rate**	**Gross carrying RMB'000**	**Loss allowance RMB'000**
Normal (a)	**0%**	**29,410**	**–**
Doubtful (b)	**14%**	**14,215**	**1,926**
In default (c)	**0%**	**–**	**–**
Total	**4%**	**43,625**	**1,926**

The loss allowance as at 31 December 2022 and 31 December 2021 was determined as follows for trade receivables:

	As at 31 December 2022		
Credit risk rating	**Default loss rate**	**Gross carrying RMB'000**	**Loss allowance RMB'000**
Normal (a)	**0%**	**1,785**	**–**
Doubtful (b)	**15%**	**7,795**	**1,206**
In default (c)	**100%**	**–**	**–**
Total	**13%**	**9,580**	**1,206**

	As at 31 December 2021		
Credit risk rating	Default loss rate (Restated)	Gross carrying RMB'000 (Restated)	Loss allowance RMB'000 (Restated)
Normal (a)	0%	4,231	–
Doubtful (b)	13%	4,827	616
In default (c)	100%	–	–
Total	7%	9,058	616

(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.

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.1 Financial risk factors *(cont'd)*

(b) Credit risk (cont'd)

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

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.

(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 2021 and 2022, 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, 2022						
Group 1	**7,690**	**–**	**–**	**–**	**–**	**–**
Group 2	**–**	**–**	**–**	**–**	**5,283**	**5,283**
Group 3	**3,204**	**79**	**–**	**–**	**13,530**	**4,244**
Total	**10,894**	**79**	**–**	**–**	**18,813**	**9,527**
As of 31 December, 2021 (Restated)						
Group 1	3,288	–	–	–	–	–
Group 2	–	–	–	–	5,283	5,283
Group 3	1,784	11	–	–	14,856	4,924
Total	5,072	11	–	–	20,139	10,207

(iii) Written off loss allowance

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

	Operating lease receivables RMB'000	Finance lease receivables RMB'000	Trade receivables RMB'000	Other receivables RMB'000	Total RMB'000
Balance as at 1 January 2021	2,590	–	806	3,144	6,540
Provision for loss allowance recognised/ (reversed) 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
Balance as at 1 January 2022	**1,990**	**–**	**616**	**10,218**	**12,824**
Provision for loss allowance recognised/ (reversed) in profit or loss for the year	**7,684**	**1,926**	**590**	**(612)**	**9,588**
Written off loss allowance for the year	**(2,173)**	**–**	**–**	**–**	**(2,173)**
Balance as at 31 December 2022	**7,501**	**1,926**	**1,206**	**9,606**	**20,239**

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 2022					
Borrowings (including interests)	**148,268**	**169,776**	**359,828**	**199,036**	**876,908**
Amounts due to related parties	**27,200**	**24,750**	**–**	**–**	**51,950**
Lease liabilities	**34,910**	**29,590**	**71,290**	**61,932**	**197,722**
Trade and other payables (excluding salary payables and other tax liabilities)	**83,006**	**5,516**	**26,026**	**20**	**114,568**
	293,384	**229,632**	**457,144**	**260,988**	**1,241,148**

	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 (Restated)					
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)	84,650	8,737	20,638	92	114,117
	267,200	166,919	486,704	306,544	1,227,367

Interests are calculated on borrowings held as at 31 December 2022 (2021: same). Floating-rate interest is estimated using the current interest rate as at 31 December 2022 (2021: 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 2022 and 2021 are as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
		(Restated)
Borrowings (Note 27)	**738,336**	746,409
Less:		
– Cash and cash equivalents (Note 21)	**(314,477)**	(249,689)
– Restricted cash	**–**	(3,300)
Net debt	**423,859**	493,420
Equity	**1,415,803**	1,722,232
Total capital	**1,415,803**	1,722,232
Gearing ratio	**30%**	29%

The increase in gearing ratio as of 31 December 2022 as compared to 31 December 2021 is mainly due to decrease in equity.

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.3 Fair value estimation

(a) Financial assets carried at fair value

The Group's financial assets carried at fair value include financial assets at fair value through profit or loss. The different levels of the financial instruments carried at fair value, by valuation method, have been defined as follows:

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 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.

Specific valuation techniques used to value contingent consideration include:

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2022, by level of the inputs to valuation techniques used to measure fair value.

	Level 3 As at 31 December 2022 RMB'000
Contingent consideration	**1,124**

		Range of unobservable inputs 31 December 2022	
Valuation approach	**Significant unobservable inputs**	**Guangzhou Xinji Youxiang Property Co., Ltd**	**Foshan Xinji Youxiang Commercial Service Co., Ltd**
Discounted cash flow	Expected net profit	**5,757,000 to 7,354,000**	**2,196,000 to 4,214,000**
	Discount Rate		**18%**

Relationship of unobservable inputs to fair value: expected future cash flows are based on expected net profit and discounted at rates that reflect the discount rate of the underlying investments.

The higher expected net profit, the lower the fair value. The higher discount rate, the lower the fair value.

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.3 Fair value estimation *(cont'd)*

(a) Financial assets carried at fair value (cont'd)

The Group manages the valuation of level 3 instruments for financial reporting purpose on a case by case basis. At least once every reporting year, the Group would assess the fair value of the Group's level 3 instruments by using valuation techniques.

The valuation of level 3 instruments mainly included contingent consideration. As these instruments are not traded in an active market, their fair values have been determined by using applicable valuation techniques, which mainly include discounted cash flows.

If the fair values of the financial assets at fair value through profit or loss held by the Group had been 10% higher/lower, the profit before income tax for the year ended 31 December 2022 would have been approximately RMB112,400 higher/lower (2021: nil).

The Group's policy was to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no changes in level 3 instruments during the year ended 31 December 2022.

(b) Investment properties

(i) Fair value hierarchy

This note explains the judgements and estimates made in determining the fair values of the investment properties 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 investment properties into the three levels prescribed under the accounting standards.

	Level 3 As at 31 December	
	2022 RMB'000	2021 RMB'000
Investment properties (Note 17)	**2,396,940**	2,641,030

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)*

(b) Investment properties (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 2022, all investment properties are included in level 3 fair value hierarchy (2021: same).

(iii) 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 2022 RMB'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	2,367,940	Income capitalisation	Market rents (RMB/square meter/month)	11 to 238
			Capitalisation rate	5.5% to 8.25%
Investment properties under construction	29,000	Comparison method	Market price (RMB/square meter)	388

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.3 Fair value estimation *(cont'd)*

(b) Investment properties (cont'd)

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

	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

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.

(iv) 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 2022 and 2021. 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

Management has determined the operating segments based on the reports reviewed by 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.

5 SEGMENT INFORMATION *(cont'd)*

(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

5 SEGMENT INFORMATION *(cont'd)*

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

5 SEGMENT INFORMATION *(cont'd)*

(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

5 SEGMENT INFORMATION *(cont'd)*

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

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.

6 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

6 REVENUE *(cont'd)*

(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	
	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

7 EXPENSES BY NATURE

	Year ended 31 December 2022 RMB'000	2021 RMB'000 (Restated)
Employee benefit expenses (Note 10)	**43,221**	38,053
Cost of sales of goods	**8,813**	14,283
Marketing and advertising costs	**5,853**	9,876
Legal and professional expenses	**3,562**	5,616
Tax and other levies	**4,916**	5,345
Property maintenance expenses	**12,227**	8,748
Electricity and water cost	**4,404**	4,916
Auditor's remuneration		
– Audit services	**2,680**	2,680
– Non-audit services	**227**	123
Technical service charges	**792**	1,440
Entertainment expenses	**1,842**	1,618
Depreciation (Note 16)	**5,063**	1,073
Office and travelling expenses	**266**	637
Amortisation (Note 18)	**579**	449
Short-term leases expenses	**31**	363
Donation	**300**	216
Other expenses	**5,313**	8,148
Total cost of sales, selling and marketing expenses and administrative expenses	**100,089**	103,584

8 OTHER INCOME

	Year ended 31 December 2022 RMB'000	2021 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

9 OTHER LOSSES – NET

	Year ended 31 December 2022 RMB'000	2021 RMB'000 (Restated)
Losses on disposal of property and equipment	(8)	(10)
Losses on investment properties transfer to finance lease receivables (Note 17)	(4,685)	–
Losses on lease modification from finance lease	(2,350)	–
Fair value gains on financial asset at fair value through profit or loss	1,124	–
Exchange gains/(losses)	1,081	(690)
Penalties	(21)	(41)
Others	(190)	293
	(5,049)	(448)

10 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December 2022 RMB'000	2021 RMB'000 (Restated)
Wages, salaries and bonus	35,290	30,414
Pension costs – defined contribution plans (Note a)	3,206	3,006
Other social security costs, housing benefits and other employee benefits	4,725	4,633
	43,221	38,053

(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.

10 EMPLOYEE BENEFIT EXPENSES *(cont'd)*

(b) Five highest paid individuals

The five highest paid individuals include three (2021: three) directors for the year ended 31 December 2022, whose details of the emoluments are disclosed in Note 35. The emoluments paid and payable to the remaining two (2021: two) individual for the year ended 31 December 2022 are as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Wages and salaries	**807**	696
Pension costs – defined contribution plans	**83**	73
Other social security costs, housing benefits and other employee benefits	**89**	83
	979	852

The emoluments fell within the following bands:

	Year ended 31 December	
	2022	2021
Emolument bands (in HK$)		
HK$200,001 – HK$500,000	**–**	1
HK$500,001 – HK$700,000	**2**	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	
	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

12 SUBSIDIARIES

The Group's principal subsidiaries as at 31 December 2022 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 2022	Attributable equity interest of the Group As at 31 December 2021 (Restated)	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%**	100%	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 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%**	100%	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

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 2022	2021 (Restated)	Principal activities and place of operation
Shenyang Shaxi International Home Furnishings Expo Centre Company Limited ("沈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") ("沈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 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 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%**	100%	Property Management Service, the PRC
Foshan Xinji Youxiang Commercial Service Co., Ltd ("佛山信基優享商業服務有限公司")	The PRC, 20 December 2021 (iii)	RMB1,000,000	**100%**	100%	Property Management Service, the PRC
Guangzhou Xinji Youxiang Property Co., Ltd ("廣州信基優享物業有限公司")	The PRC, 10 August 2021 (iii)	RMB10,000,000	**100%**	100%	Property Management Service, the PRC
Guangdong Jiucheng Technology Co. Ltd ("廣東玖誠科技網路有限公司")	The PRC, 9 April 2021 (iii)	RMB10,000,000	**60%**	N/A	Online trading, the PRC

Notes:

(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	
	2022	2021
	RMB'000	RMB'000
		(Restated)
Current income tax		
– PRC corporate income tax	**21,394**	30,495
Deferred income tax (Note 28)	**(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 profit during the year (2021: 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	
	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)

14 LOSS PER SHARE

(a) Basic

	Year ended 31 December	
	2022	2021
		(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.

15 DIVIDEND

No dividends have been paid or declared by the Company during the year ended 31 December 2022 (2021: 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 2021 (Restated)				
Opening net book amount	342	2,450	368	3,160
Effect of Business Combination under common control	–	–	6	6
Opening net book amount (Restated)	342	2,450	374	3,166
Additions	–	1,492	197	1,689
Disposals	–	–	(10)	(10)
Depreciation charges	(342)	(576)	(155)	(1,073)
Closing net book amount	–	3,366	406	3,772
At 31 December 2021 (Restated)				
Cost	1,028	9,037	3,798	13,863
Accumulated depreciation	(1,028)	(5,671)	(3,392)	(10,091)
Net book amount	–	3,366	406	3,772
Year ended 31 December 2022				
Opening net book amount	**–**	**3,366**	**406**	**3,772**
Additions	**7,947**	**59**	**195**	**8,201**
Acquisition of a subsidiary	**–**	**–**	**139**	**139**
Disposals	**–**	**(97)**	**(6)**	**(103)**
Depreciation charges	**(3,915)**	**(936)**	**(212)**	**(5,063)**
Deem distribution to the then shareholders of the entities acquired under common control	**–**	**–**	**(2)**	**(2)**
Closing net book amount	**4,032**	**2,392**	**520**	**6,944**
At 31 December 2022				
Cost	**7,947**	**8,913**	**4,016**	**20,876**
Accumulated depreciation	**(3,915)**	**(6,521)**	**(3,496)**	**(13,932)**
Net book amount	**4,032**	**2,392**	**520**	**6,944**

16 PROPERTY AND EQUIPMENT *(cont'd)*

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
		(Restated)
Administrative expenses	**4,988**	1,000
Selling and marketing expenses	**75**	73
	5,063	1,073

17 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).

18 INTANGIBLE ASSETS

	Computer software RMB'000
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
Year ended 31 December 2022	
Opening net book amount	**765**
Additions	**223**
Acquisition of a subsidiary	**1,279**
Amortisation charges	**(579)**
Closing net book amount	**1,688**
At 31 December 2022	
Cost	**4,882**
Accumulated amortisation	**(3,194)**
Net book amount	**1,688**

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

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Administrative expenses	**579**	449

19 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
		(Restated)
Financial assets		
Financial assets at amortised cost:		
– Trade receivables and other receivables (excluding prepayments and input VAT to be deducted)	**24,380**	23,435
– Amounts due from related parties	**4,095**	56,208
– Restricted cash	**–**	3,300
– Cash and cash equivalents	**314,477**	249,689
Financial assets at fair value through profit or loss	**1,124**	–
	344,076	332,632
Financial liabilities		
Financial liabilities at amortised cost:		
– Trade and construction contract payables	**40,371**	44,150
– Other payables (excluding salary payables and other tax liabilities)	**74,197**	69,967
– Amount due to related parties	**51,950**	–
– Borrowings	**738,336**	746,409
– Lease liabilities	**158,799**	155,041
	1,063,653	1,015,567

20 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 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 2022 and 2021.

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

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

21 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
		(Restated)
Cash on hand		
– RMB	**217**	41
– HK$	**–**	–
	217	41
Cash at bank		
– RMB	**305,375**	235,912
– HK$	**8,885**	13,736
	314,260	249,648
	314,477	249,689

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 2022 and 2021 are as follow:

	Number of ordinary shares	Nominal value of ordinary shares HK$	Equivalent nominal value of ordinary shares RMB	Share premium RMB	Total RMB
As at 31 December 2021 and 2022	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 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**

23 OTHER RESERVES *(cont'd)*

(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 33).

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 33).

(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 33).

24 RETAINED EARNINGS

	Year ended 31 December 2022 RMB'000	2021 RMB'000 (Restated)
Balance at beginning of the year (As previously reported)	**1,153,923**	1,370,286
Business combination under common control	**37,784**	30,172
Balance at beginning of the year (Restated)	**1,191,707**	1,400,458
Loss for the year attributable to owners of the Company	**(168,706)**	(207,496)
Transfer to statutory reserves (Note 23)	**(5,193)**	(1,255)
Balance at end of the year	**1,017,808**	1,191,707

25 TRADE AND OTHER PAYABLES AND LEASE LIABILITIES

(a) Trade and other payables

	As at 31 December 2022 RMB'000	2021 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

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

(a) Trade and other payables *(cont'd)*

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 11)	**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 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 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.

26 ADVANCE FROM CUSTOMERS

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Advance from customers	**34,407**	45,782

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

27 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 17).

(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 17) 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

27 BORROWINGS *(cont'd)*

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

The maturity of the bank borrowings is as follows:

	As at 31 December	
	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	
	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).

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	
	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 13)	**(62,310)**	(80,896)
Balance at end of the year	**262,410**	324,720

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	Allowance on doubtful receivables	Total
	RMB'000	RMB'000	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	Finance lease receivables	Fair value of financial assets at fair value through profit of loss	Total
	RMB'000	RMB'000	RMB'000	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.

29 CASH FLOW INFORMATION

(a) Cash generated from operations

	Year ended 31 December 2022 RMB'000	2021 RMB'000 (Restated)
Loss for the year	**(167,430)**	(205,576)
Adjustments for:		
– Income tax expense	**(40,916)**	(50,401)
– Finance income	**(2,159)**	(344)
– Finance expenses	**51,789**	47,729
– Depreciation of property and equipment	**5,063**	1,073
– Amortisation of intangible assets	**579**	449
– Net impairment losses on financial assets and lease receivables	**9,588**	7,425
– Fair value adjustments to investment properties	**349,760**	401,518
– Fair value gains on financial assets at fair value through profit or loss	**(1,124)**	–
– Losses of disposal of property and equipment	**8**	10
	205,158	201,883
Changes in working capital:		
– Restricted cash	**3,300**	–
– Lease and trade receivables and other receivables	**(1,696)**	(11,848)
– Trade and other payables	**9,355**	(2,095)
– Advance from customers	**(11,375)**	7,673
– Contract liabilities	**1,176**	4,295
– Inventories	**503**	2,326
Cash generated from operations	**206,421**	202,234

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 2021	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**
Cash flows	**(9,324)**	**(20,254)**	**(29,578)**
Other non-cash movement	**1,251**	**24,012**	**25,263**
– Leasing finance expenses	**–**	**7,957**	**7,957**
– Accrued interest	**1,251**	**–**	**1,251**
– Lease modification (Note 25)	**–**	**16,055**	**16,055**
Balance as at 31 December 2022	**738,336**	**158,799**	**897,135**

30 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. 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.

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	
	2022	2021
	RMB'000	RMB'000
Investment properties	**–**	184

(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	
	2022	2021
	RMB'000	RMB'000
Less than 1 year	**199,102**	186,691
1–2 years	**153,571**	165,593
2–3 years	**123,575**	126,620
3–4 years	**31,978**	99,556
4–5 years	**20,263**	18,173
Over 5 years	**76,478**	93,776
	604,967	690,409

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 2022 and 2021:

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
Guangzhou Xinji Property Management Co., Ltd.	A company controlled by the ultimate controlling shareholders
Guangdong Yingbin Investment Management Co., Ltd.	A company controlled by the ultimate controlling shareholders
Guangzhou Lupiao Commercial Development Co., Ltd.	A company controlled by the ultimate controlling shareholders
Guangzhou Kwairan Commercial Development Co., Ltd	A company controlled by the ultimate controlling shareholders

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

(b) Transactions with related parties

The following transactions occurred with related parties:

Rendering of services to related parties:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
		(Restated)
Guangzhou Lupiao Commercial Development Co., Ltd.	**1,988**	2,120
Guangzhou Kwairan Commercial Development Co., Ltd	**559**	544
Guangzhou Xinji Property Management Co., Ltd.	**4**	–
	2,551	2,664

Purchases of services from related party:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Guangdong Xinji Honeycomb Technology Co., Ltd	**11**	14

Sales of goods to related parties:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Guangzhou Xinji Real Estate Development Co., Ltd	**18**	40
Foshan Xinji Plaza Management Co., Ltd	**–**	8
	18	48

On 15 March 2022, the Group entered into a tenancy agreement with Guangzhou Xinji Real Estate Development Co., Ltd and recognised the lease as a right-of-use asset amounting to RMB7,947,000 (Note 16).

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

(c) Key management personnel compensations

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Wages, salaries and bonuses	**4,415**	4,366
Pension costs – defined contribution plans	**332**	293
	4,747	4,659

(d) Balances with related parties

(i) Amounts due from related parties:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
		(Restated)
Trade		
Guangdong Xinji Honeycomb Technology Co.,Ltd.	–	2
Guangdong Yingbin Investment Management Co., Ltd.	–	9
	–	11
Non-trade		
Guangzhou Xinji Property Management Co., Ltd.	**4,095**	43,791
Foshan Xinji Plaza Management Co., Ltd.	–	12,406
	4,095	56,197
	4,095	56,208

Amounts due from related parties are unsecured interest free and repayable on demand.

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

(d) Balances with related parties *(cont'd)*

(ii) Amounts due to related parties:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade		
Guangzhou Lupiao Commercial Development Co., Ltd.	2,236	–
Guangzhou Kuiran Commercial Development Co., Ltd	116	–
Guangdong Yingbin Investment Management Co., Ltd.	83	–
Guangzhou Xinji Real Estate Development Co., Ltd.	14	–
Foshan Xinji Plaza Management Co., Ltd.	1	–
	2,450	–
Non-trade		
Guangzhou Xinji Property Management Co., Ltd.	37,500	–
Foshan Xinji Plaza Management Co., Ltd.	12,000	–
	49,500	–
	51,950	–

The amounts due to Guangzhou Xinji Property Management Co., Ltd and Foshan Xinji Plaza Management Co., Ltd are unpaid considerations for the business combination under common control of Guangzhou Youxiang and Foshan Youxiang and are unsecured, interest-free and repayable on contractual terms.

Other amounts due to related parties are trade in nature, unsecured, interest-free and repayable on demand.

(iii) Lease liabilities:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade		
Guangzhou Panyu Xinji Real Estate Development Co., Ltd	15,364	23,865

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

(e) Guarantees

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Guangzhou Xinji Real Estate Development Co., Ltd	–	2,500

33 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.

33 BUSINESS COMBINATION(CONTINUED)

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

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 RMB'000	Merger of the business of Guangzhou Xinji Youxiang RMB'000	Merger of the business of Foshan Xinji Youxiang RMB'000	Balances as restated 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
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

34 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	Note	As at 31 December 2022 RMB'000	2021 RMB'000
ASSETS			
Non-current assets			
Investment in a subsidiary		**1,415,803**	1,721,093
Current assets			
Amounts due from subsidiaries		**2,807**	2,446
Prepayments		**185**	–
Cash and cash equivalents		**8,809**	13,621
		11,801	16,067
Total assets		**1,427,604**	1,737,160
EQUITY			
Share capital and premium	22	**285,178**	285,178
Other reserves	Note (a)	**1,476,657**	1,476,657
Accumulated losses	Note (a)	**(342,122)**	(32,736)
Total equity		**1,419,713**	1,729,099
LIABILITIES			
Current liabilities			
Amounts due to a subsidiary		**5,951**	5,951
Other payables		**1,940**	2,110
Total liabilities		**7,891**	8,061
Total equity and liabilities		**1,427,604**	1,737,160

The balance sheet of the Company was approved by the Board of Directors on 30 March 2023 and was signed on its behalf:

Cheung Hon Chuen
Director

Mei Zuoting
Director

34 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 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**
Loss for the year	**–**	**(309,386)**	**(309,386)**
At 31 December 2022	**1,476,657**	**(342,122)**	**1,134,535**

35 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 2022 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	42	905
Mr. Mei Zuoting	391	200	–	–	–	591
Mr. Zhang Weixin	391	200	–	43	42	676
Non-executive directors						
Mr. Yu Xuecong	–	71	–	–	–	71
Mr. Lin Lie	–	71	–	–	–	71
Ms. Wang Yixue	–	71	–	–	–	71
Independent non-executive directors						
Mr. Tan Michael Zhenshan	–	108	–	–	–	108
Mr. Zheng Decheng	–	107	–	–	–	107
Mr.Zeng Zhaowu	–	107	–	–	–	107
	1,389	1,145	–	89	84	2,707

35 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 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

Note:

(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 2022, no directors waived or agreed to waive any emoluments (2021: same).

35 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 2022 (2021: 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 2022 (2021: 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 2022 (2021: 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 2022 (2021: 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 2022 (2021: same), except for the transactions disclosed in Note 32.

36 SUBSEQUENT EVENTS

On 18 October 2022, the Group entered into the renew of tenancy agreement with Guangzhou Panyu Xinji Real Estate Development Co., Ltd. to renew the lease of the premises for the period from the effective date to 14 June 2038. As at 31 December 2022, the renewal of tenancy agreement has not become effective as the major transaction has not yet completed.

On 17 March 2023, the general meeting of shareholders have approved the renew of tenancy agreement.

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
"FY2021"	the year ended 31 December 2021
"FY2022"	the year ended 31 December 2022
"GFA"	gross floor area

Definitions

"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"	17 April 2023, 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 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