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

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

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

The board (the "**Board**") of directors (the "**Directors**") of Xinji Shaxi Group Co., Ltd (the "**Company**") is pleased to announce the audited annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2023 (the "**FY2023**") together with the comparative figures for the year ended 31 December 2022 (the "**FY2022**"). These annual results have been reviewed by the Company's audit committee.

FINANCIAL HIGHLIGHTS

	For the year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Revenue	**273,372**	298,423
Loss for the year	**(80,267)**	(167,430)
Core net profit[(i)]	**82,782**	94,890
Core net profit margin[(ii)]	**30%**	32%
Loss per share (expressed in RMB per share)	**(0.05)**	(0.11)

Notes:

(i) Core net profit for FY2022 and FY2023 is a non-HKFRS measure, which is used for investors to evaluate the performance results of the underlying business of the Group, by excluding losses from the changes in fair value of the investment properties and further adjusted for income tax effects for the aforementioned items.

(ii) Core net profit margin is calculated through dividing core net profit by revenue of the Group in the respective years.

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2023	2022
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**273,372**	298,423
Cost of sales		**(43,212)**	(47,710)
Fair value losses on investment properties		**(217,399)**	(349,760)
Selling and marketing expenses		**(14,876)**	(15,216)
Administrative expenses		**(39,003)**	(37,163)
Net impairment losses on financial assets and lease receivables		**(5,625)**	(9,588)
Other income	*5*	**11,677**	7,347
Other gains/(losses) – net		**1,975**	(5,049)
Operating loss		**(33,091)**	(158,716)
Finance income	*6*	**3,993**	2,159
Finance expenses	*6*	**(61,989)**	(51,789)
Finance expenses – net	*6*	**(57,996)**	(49,630)
Loss before income tax		**(91,087)**	(208,346)
Income tax expense	*7*	**10,820**	40,916
Loss for the year		**(80,267)**	(167,430)
Loss attributable to:			
– Owners of the Company		**(79,989)**	(168,706)
– Non-controlling interests		**(278)**	1,276
		(80,267)	(167,430)
Loss per share for loss attributable to owners of the Company during the year *(expressed in RMB per share)*	*8*		
Basic and diluted loss per share		**(0.05)**	(0.11)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Loss for the year	**(80,267)**	(167,430)
Other comprehensive income for the year net of tax	**–**	–
Total comprehensive loss for the year	**(80,267)**	(167,430)
Attributable to:		
– Owners of the Company	**(79,989)**	(168,706)
– Non-controlling interests	**(278)**	1,276
	(80,267)	(167,430)

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2023	2022
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property and equipment		**10,886**	6,944
Investment properties	*14*	**2,284,851**	2,396,940
Intangible assets		**2,569**	1,688
Deferred income tax assets	*13*	**2,037**	1,376
Lease and trade receivables and other receivables	*10*	**40,156**	36,342
Financial assets at fair value through profit or loss		**1,355**	1,124
		2,341,854	2,444,414
Current assets			
Inventories		**2,895**	2,402
Lease and trade receivables and other receivables	*10*	**70,494**	65,795
Amounts due from related parties		**–**	4,095
Restricted cash		**6,026**	–
Cash and cash equivalents		**513,011**	314,477
		592,426	386,769
Total assets		**2,934,280**	2,831,183
EQUITY			
Share capital and premium		**285,178**	285,178
Other reserves	*15*	**117,825**	114,640
Retained earnings		**934,784**	1,017,808
		1,337,787	1,417,626
Non-controlling interests		**(2,051)**	(1,823)
Total equity		**1,335,736**	1,415,803

		As at 31 December	
		2023	2022
	Note	***RMB'000***	*RMB'000*
LIABILITIES			
Non-current liabilities			
Borrowings	*12*	**691,589**	629,378
Trade and other payables	*11*	**36,931**	32,269
Lease liabilities	*11*	**185,660**	124,876
Deferred income tax liabilities	*13*	**235,688**	263,786
Amounts due to related parties		**378**	24,750
		1,150,246	1,075,059
Current liabilities			
Borrowings	*12*	**188,847**	108,958
Trade and other payables	*11*	**130,625**	96,964
Amounts due to related parties		**2,534**	27,200
Lease liabilities	*11*	**29,207**	33,923
Advance from customers		**49,229**	34,407
Contract liabilities	*4(f)*	**19,976**	16,752
Current income tax liabilities		**27,880**	22,117
		448,298	340,321
Total liabilities		**1,598,544**	1,415,380
Total equity and liabilities		**2,934,280**	2,831,183

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 (the "**Stock Exchange**") on 8 November 2019.

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

These consolidated financial statements have been approved for issue by the board of directors (the "**Board**") of the Company on 28 March 2024.

2 MATERIAL ACCOUNTING POLICY INFORMATION

This note provides a list of the material 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.

(iii) New and amended standards adopted by the Group

The Group has applied the following new and amended standards for its annual reporting period commencing 1 January 2023:

		Effective for annual periods beginning on or after
HKFRS 17 and Amendment to HKFRS 17	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
Amendments to HKAS 12	International Tax Reform Pillar Two Model Rules	1 January 2023

The Group has changed its accounting policies following the adoption of Amendments to HKAS 12. From the effective date on 1 January 2023, the Group recognised deferred income tax assets and deferred income tax liabilities for the temporary differences arising on leases that gave rise to equal amounts of taxable and deductible temporary differences on initial recognition date. The details of which are disclosed in Note 2.2.

Except for Amendments to HKAS 12, 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

(iv) New and amended standards and interpretations not yet adopted

		Effective for annual periods beginning on or after
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 HKAS 16	Lease liability in a sale and leaseback	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to HKAS 21	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

Certain amendments to accounting standards and interpretation have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group. These amendments 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 Changes in accounting policies

As explained in Note 2.1(iii) above, the Group has adopted the Amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" on 1 January 2023, which resulted in the recognition of separate deferred income tax assets and separate deferred income tax liabilities for temporary differences arising on leases at initial recognition. In accordance with the transitional provisions, the Group adopted the amendments for the first time by recognising deferred tax for all temporary differences related to leases at the beginning of the earliest comparative period presented. As a result, with the beginning of the earliest period presented being 1 January 2022, an adjustment of RMB38,506,000 was recognised to the gross amounts of deferred income tax assets and deferred income tax liabilities simultaneously, and the resultant deferred income tax assets and deferred income tax liabilities met the set off provisions and would be presented on a net basis on the consolidated balance sheet. Since the Group had considered the lease as a single transaction in which the assets and liabilities were integrally linked and recognised deferred tax on a net basis previously, there were nil impact on opening retained earnings upon the adoption of the above mentioned amendments.

3 SEGMENT INFORMATION

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

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 business management service to other shopping malls which are not owned by the Group.

– **Property management services;**

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

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

(a) The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2023 is as follows:

	Property leasing *RMB'000*	**Property management services** *RMB'000*	**Group** *RMB'000*
Gross segment revenue	**212,062**	**61,310**	**273,372**
Revenue from contracts with customers	**12,620**	**61,310**	**73,930**
– at a point in time	**11,712**	**–**	**11,712**
– over time	**908**	**61,310**	**62,218**
Revenue from rental income	**199,442**	**–**	**199,442**
Fair value losses on investment properties	**(217,399)**	**–**	**(217,399)**
Segment results	**(59,844)**	**26,753**	**(33,091)**
Finance costs – net			**(57,996)**
Loss before income tax			**(91,087)**
Income tax expenses			**10,820**
Loss for the year			**(80,267)**
Depreciation and amortisation	**5,899**	**57**	**5,956**

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)
Loss before income tax			(208,346)
Income tax expenses			40,916
Loss for the year			(167,430)
Depreciation and amortisation	5,590	52	5,642

(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 2023

	Property leasing *RMB'000*	**Property management services** *RMB'000*	**Elimination** *RMB'000*	**Group** *RMB'000*
Segment assets	**2,952,549**	**12,547**	**(32,853)**	**2,932,243**
Segment liabilities	**421,002**	**66,391**	**(32,853)**	**454,540**
Capital expenditure	**12,778**	**–**	**–**	**12,778**

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

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

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Segment assets	**2,932,243**	2,829,807
Unallocated		
Deferred income tax assets	**2,037**	1,376
Total assets	**2,934,280**	2,831,183

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

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Segment liabilities	**454,540**	391,141
Unallocated		
Deferred income tax liabilities	**235,688**	263,786
Current income tax liabilities	**27,880**	22,117
Bank and other borrowings	**880,436**	738,336
Total liabilities	**1,598,544**	1,415,380

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.

4 REVENUE

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Rental income:		
– Property lease income	**199,442**	219,404
Revenue from contracts with customers:		
– Property management service (a) & (c)	**61,310**	62,825
– Sales of goods (b)	**11,335**	13,718
– Shopping mall business management service (a) & (c)	**472**	2,476
– Others	**813**	–
	73,930	79,019
	273,372	298,423

(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	
	2023	2022
	RMB'000	*RMB'000*
Aggregate amount of the transaction price allocated to long-term property management service contracts that the performance obligations of which are partially or fully unsatisfied as at 31 December		
Expected to be recognised over one year	**315,807**	268,130
Expected to be recognised within one year	**54,079**	51,625
	369,886	319,755

	As at 31 December	
	2023	2022
	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
Expected to be recognised within one year	**–**	500
	–	1,500

The amount disclosed above does not include any variable consideration.

(d) As at 31 December 2023, 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 2023 (2022: same).

(f) Contract liabilities

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Business management service	**5,465**	6,965
Property management service	**13,670**	9,089
Sales of goods	**841**	698
	19,976	16,752

5 OTHER INCOME

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Compensation for land occupation (Note (a))	**8,009**	1,649
Forfeiture of advances received from customers	**2,641**	4,582
Commission income due to amendment of rental contracts	**196**	238
Others	**831**	878
	11,677	7,347

(a) Guangzhou Panyu District Land Development Center entered into an agreement with 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, for compensation of the land occupation in order to develop the Guangzhou Shaxi metro station in November 2023. During the year ended 31 December 2023, RMB8,009,000 was recognised as other income for compensation of land occupation.

6 FINANCE EXPENSES – NET

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Finance income:		
– Interest income	**(1,143)**	(789)
– Interest income from sublease	**(2,850)**	(1,370)
	(3,993)	(2,159)
Finance expenses:		
– Leasing finance expenses	**10,452**	7,957
– Interest expenses	**51,537**	43,832
	61,989	51,789
Finance expenses – net	**57,996**	49,630

7 INCOME TAX EXPENSE

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Current income tax		
– PRC corporate income tax	**(17,939)**	21,394
Deferred income tax *(Note 13)*	**(28,759)**	(62,310)
	(10,820)	(40,916)

(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 2023 (2022: same).

(b) PRC withholding income tax

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

(c) Cayman Islands income tax

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

(d) British Virgin Islands income tax

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

(e) Hong Kong profits tax

Hong Kong profits tax has not been provided as the Group's subsidiaries incorporated in Hong Kong did not have any assessable profits during the year (2022: same).

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

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Loss before income tax	**(91,087)**	(208,346)
Tax calculated at applicable PRC corporate income tax rate of 25%	**(22,772)**	(52,087)
Tax effects of:		
Expenses not deductible for tax purposes	**2,434**	1,406
Tax losses for which no deferred income tax asset was recognised	**9,518**	9,765
Income tax expense	**(10,820)**	(40,916)

8 LOSS PER SHARE

(a) Basic

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Loss attributable to owners of the Company *(RMB'000)*	**(79,989)**	(168,706)
Weighted average number of ordinary shares in issue *(thousands)*	**1,500,000**	1,500,000
Basic loss per share *(RMB)*	**(0.05)**	(0.11)

(b) Diluted

The Company did not have any potential dilutive ordinary shares outstanding during the years ended 31 December 2023 and 2022. Diluted loss per share are the same as the basic loss per share.

9 DIVIDEND

No dividends have been paid or declared by the Company during the year ended 31 December 2023 (2022: Nil).

10 LEASE AND TRADE RECEIVABLES AND OTHER RECEIVABLES

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Operating lease receivables	**43,565**	37,651
Less: allowance for impairment of operating lease receivables	**(9,435)**	(7,501)
Operating lease receivables – net	**34,130**	30,150
Finance lease receivables	**56,179**	43,625
Less: allowance for impairment of finance lease receivables	**(3,274)**	(1,926)
Finance lease receivables – net	**52,905**	41,699
Trade receivables *(Note (a))*	**9,663**	9,580
Less: allowance for impairment of trade receivables	**(1,663)**	(1,206)
Trade receivables – net	**8,000**	8,374
Other receivables	**17,338**	25,612
Less: allowance for impairment of other receivables	**(8,969)**	(9,606)
Other receivables – net	**8,369**	16,006
Prepaid tax and other levies	**175**	360
Prepayment for lease	**2,340**	–
Other Prepayments	**2,533**	2,356
Input VAT available for future deduction	**2,198**	3,192
	110,650	102,137
Less: non-current portion		
Finance lease receivables	**(40,156)**	(36,342)
Current portion	**70,494**	65,795

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

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Less than 1 year	**9,663**	9,580

(i) Transferred receivables

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

The relevant carrying amounts are as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Transferred receivables	**3,385**	–
Associated secured other borrowing *(Note 12)*	**1,012**	–

(b) As at 31 December 2023, 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.

11 TRADE AND OTHER PAYABLES AND LEASE LIABILITIES

(a) Trade and other payables

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Trade payables	**3,993**	3,196
Construction contract payables	**23,771**	37,175
Salary payables	**15,365**	13,956
Other tax liabilities	**1,386**	709
Deposits from tenants	**57,529**	55,314
Deposits from Property Developer *(Note (i))*	**50,000**	–
Other payables	**15,512**	18,883
	167,556	129,233
Less: non-current portion		
Deposits from tenants	**(36,931)**	(32,269)
Current portion	**130,625**	96,964

At 31 December 2023, the aging analysis of the trade and construction contract payables based on invoice date is as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Less than 1 year	**21,290**	35,249
Over 1 year	**6,474**	5,122
	27,764	40,371

As at 31 December 2023 and 2022, trade and other payables were denominated in RMB and their fair values approximated their carrying amounts.

(i) In June 2023, Guangzhou Shaxi Hotel, being an indirect wholly-owned subsidiary of the Company, was informed by Guangzhou Shenglong Fangyuan Real Estate Co., Ltd. (the "**Property Developer**"), a property developer, about a proposed redevelopment plan of Shaxi Village, which would cover the leased land and the shopping mall erected thereon. The Property Developer subsequently proposed to enter into an agreement (the "**Proposed Compensation Agreement**") with the landlord and Guangzhou Shaxi Hotel pursuant to which the Property Developer intends to pay a compensation amount of approximately RMB845 million to Guangzhou Shaxi Hotel in consideration of an early termination of the tenancy agreement between Guangzhou Shaxi Hotel and Shaxi Village. The Proposed Compensation Agreement will be effective upon the Shaxi Village Redevelopment Plan having been approved by the landowners of Shaxi Village. As at 31 December 2023, the Shaxi Village Redevelopment Plan has not been approved.

    The Group has received a deposit of RMB50 million from the Property Developer, which is included in other payables.

(b) Lease liabilities

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Balance at beginning of the year	**158,799**	155,041
Lease modification *(Note (ii))*	**135,525**	16,055
Leasing finance expenses recognised *(Note 6)*	**10,452**	7,957
Settlement of lease liabilities	**(89,909)**	(20,254)
	214,867	158,799
Less: non-current portion	**(185,660)**	(124,876)
Current portion	**29,207**	33,923

(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 14) and property and equipment.

(ii) Lease modification is a change in the scope of a lease or the consideration for a lease, that was not part of the original terms and conditions of the lease. As at 31 December 2023 and 2022, lease modification 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.

12 BORROWINGS

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Bank borrowings – Secured *(Note (a))*	**879,424**	733,307
Other borrowings – Secured *(Note (b))*	**1,012**	5,029
Total borrowings	**880,436**	738,336
Less: non-current portion		
– Bank borrowings – Secured	**(691,589)**	(629,378)
Current portion	**188,847**	108,958

(a) As at 31 December 2023, bank borrowings of RMB879,424,000 (31 December 2022: RMB733,307,000) bore interest ranging from 4.45% to 6.13% (31 December 2022: 4.90% to 6.86%) per annum and were secured by investment properties of the Group (Note 14).

(b) As at 31 December 2023, other borrowings of RMB1,012,000 from a factoring institution with an interest of 14.5% per annum were guaranteed by the Group's trade receivables (Note 10(a)(i)) and would mature in January 2024.

(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	
	2023	2022
	RMB'000	*RMB'000*
6 months or less	**879,424**	733,307

The maturity of the bank borrowings is as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Less than 1 year	**187,835**	103,929
1 – 2 years	**325,930**	137,225
2 – 5 years	**243,612**	310,186
Over 5 years	**122,047**	181,967
	879,424	733,307

The maturity of the other borrowings is as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Less than 1 year	**1,012**	5,029

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

	For the year ended 2023	2022
Bank borrowings	**5.70%**	6.10%
Other borrowings	**10.89%**	10.00%
Total borrowings	**5.73%**	6.11%

(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 2023, the carrying amounts of borrowings are primarily denominated in RMB and approximate their fair values (31 December 2022: same).

13 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 2023 *RMB'000*	2022 *RMB'000*
Gross deferred income tax assets:		
Deferred income tax assets to be recovered after more than 12 months	**(66,411)**	(49,728)
Set-off of deferred income tax assets pursuant to set-off provisions	**64,374**	48,352
Net deferred income tax assets	**(2,037)**	(1,376)
Gross deferred income tax liabilities:		
Deferred income tax liabilities to be settled after more than 12 months	**300,062**	312,138
Set-off of deferred income tax liabilities pursuant to set-off provisions	**(64,374)**	(48,352)
Net deferred income tax assets	**235,688**	263,786

The net movements on deferred taxation are as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Balance at beginning of the year	**262,410**	324,720
Credited to profit or loss *(Note 7)*	**(28,759)**	(62,310)
Balance at end of the year	**233,651**	262,410

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**	**Lease liability**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	6,628	3,206	–	9,834
Adjustment on amendments to HKAS 12 *(Note 2.2)*	–	–	38,506	38,506
At 1 January 2022 (Restated)	6,628	3,206	38,506	48,340
Charged to profit or loss	10	1,854	(476)	1,388
At 31 December 2022 (Restated)	6,638	5,060	38,030	49,728
Charged to profit or loss	221	775	15,687	16,683
At 31 December 2023	6,859	5,835	53,717	66,411

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 RMB52,998,000 (31 December 2022: RMB53,483,000) in respect of losses amounting to RMB211,993,000 (31 December 2022: RMB213,932,000) of certain subsidiaries that can be carried forward against future taxable income as at 31 December 2023. These tax losses will expire up to years 2023 to 2027.

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

Deferred income tax liabilities	**Temporary difference of investment properties** *RMB'000*	**Finance lease receivables** *RMB'000*	**Fair value of financial assets at fair value through profit of loss** *RMB'000*	**Total** *RMB'000*
At 1 January 2022	334,554	–	–	334,554
Adjustment on amendments to HKAS 12 *(Note 2.2)*	38,506	–	–	38,506
At 1 January 2022 (Restated)	373,060	–	–	373,060
Transfer to finance lease receivables/transfer from investment properties	(15,075)	15,075	–	–
Credited to profit or loss	(58,218)	(2,985)	281	(60,922)
At 31 December 2022 (Restated)	299,767	12,090	281	312,138
Transfer to finance lease receivables/transfer from investment properties	(10,595)	10,595	–	–
Credited to profit or loss	(8,096)	(4,038)	58	(12,076)
At 31 December 2023	281,076	18,647	339	300,062

As at 31 December 2023, deferred income tax liabilities amounting to RMB35,921,000 (31 December 2022: RMB36,205,000), 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.

14 INVESTMENT PROPERTIES

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Opening net book amount	**2,396,940**	2,641,030
Lease modification	**135,525**	16,055
Additions	**1,915**	149,915
Transfer to finance lease receivables	**(32,130)**	(60,300)
Fair value changes	**(217,399)**	(349,760)
Closing net book amount	**2,284,851**	2,396,940
Analysis of investment properties:		
– properties on land use right certificates owned by the Group	**1,040,680**	1,039,460
– properties on right of use assets	**1,244,171**	1,357,480
	2,284,851	2,396,940

Amounts recognised in profit or loss for investment properties

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Rental income	**199,442**	219,404

As at 31 December 2023, investment properties of RMB1,011,880,000 were pledged as collateral for the Group's borrowings (31 December 2022: RMB418,800,000).

The Group classifies cash outflows to acquire or construct investment property as investing and rental inflows as operating cash flows.

The total cash outflow for leases in the year ended 31 December 2023 was RMB89,970,000 (2022: RMB20,285,000).

15 OTHER RESERVES

	Merger and other reserves *RMB'000*	Statutory reserves *RMB'000* *(Note (a))*	Total *RMB'000*
At 1 January 2022	190,973	52,555	243,528
Transaction with non-controlling interests	(13,260)	–	(13,260)
Business combination under common control	(85,030)	–	(85,030)
Deemed distribution to the then shareholders of the entities acquired under common control	(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
At 1 January 2023	56,892	57,748	114,640
Changes in ownership interests in subsidiaries without change of control	150	–	150
Appropriation to statutory reserves *(Note (a))*	–	3,035	3,035
At 31 December 2023	57,042	60,783	117,825

(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.

16 SUBSEQUENT EVENTS

On 30 December 2020, Shanghai Yuanshang Property Co.,Ltd (formerly named as Shanghai Red Star Macalline Commercial Property Investment Co., Ltd) ("**Shanghai Red Star**") lodged a claim of arbitration against several respondents, including Shenyang Xinji Industrial Centre Company Limited* (瀋陽信基實業有限公司) ("**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 2023, the case has been heard by the Shanghai International Arbitration Center, but has not been sentenced. The Group assessed this claim with assistance of external lawyer and considered that the judgment would be in its favour and therefore has not recognised a provision in relation to this claim.

On 18 February 2024, the case has been sentenced by the Shanghai International Arbitration Center. In accordance with the arbitral tribunal, the Group would not be liable for any compensation caused by the cooperative development agreement.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the FY2023. No interim dividend was paid or declared during FY2023 (2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by 8% to approximately RMB273.4 million for the FY2023 compared with approximately RMB298.4 million for the FY2022. Such decrease was principally driven by the decrease in rental income as well as decrease in revenue generated from sales of goods and shopping mall business management service.

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

	For the year ended 31 December			
	2023		2022	
	RMB'000	*%*	*RMB'000*	*%*
Rental Income	**199,442**	**73**	219,404	73
Property Management Service	**61,310**	**22**	62,825	21
Sales of Goods	**11,335**	**4**	13,718	5
Shopping Mall Business Management Service	**472**	**0.2**	2,476	1
Others	**813**	**0.8**	–	–
Total	**273,372**	**100**	298,423	100

Rental Income

Rental income is the revenue received by our Group from the tenants who signed lease contracts with us to run business at our Group's owned/leased portfolio shopping malls, which accounted for approximately 73% of our total revenue during the FY2023. During the FY2023, our rental income decreased by approximately RMB20.0 million or 9% to approximately RMB199.4 million (FY2022: RMB219.4 million). Such decrease was mainly due to the rental concession policies and the new lease contracts for Xinji Hotelex Hospitality Supplies Center (信基豪泰酒店用品城) for the FY2023, which were classified as finance lease under the sublease lessor.

Property Management Service

Revenue from our property management services is the management fees paid by our Group's tenants under the property management agreements. During the FY2023, income from property management services decreased by approximately RMB1.5 million or 2% to approximately RMB61.3 million (FY2022: RMB62.8 million). The decrease in revenue from property management services was mainly due to the decrease in differential income from utilities.

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 FY2023, revenue from sales of goods decreased by approximately RMB2.4 million or approximately 18% to approximately RMB11.3 million (FY2022: RMB13.7 million). Such decrease in revenue from sales of goods was mainly due to the decrease in revenue in the business-to-business platform business of our Group.

Cost of Sales

Our cost of sales decreased by approximately RMB4.5 million or approximately 9% from approximately RMB47.7 million for the FY2022 to approximately RMB43.2 million for the FY2023. The decrease was primarily due to lower property maintenance expenses in FY2023 compared to that in FY2022 as well as lower e-commerce costs due to the decline in e-commerce revenues.

Fair Value Losses on Investment Properties

Our fair value losses on investment properties decreased by approximately RMB132.4 million to fair value losses of approximately RMB217.4 million for the FY2023 (FY2022: fair value losses of RMB349.8 million). Due to, among others, the tightened policies in the real estate sector, the two shopping malls of the Group in Shenyang, China were significantly impacted, which led to the recognition of substantial valuation losses by the Group in FY2022. However, in FY2023, with no significant changes to the market conditions affecting the real estate sector in China, property valuations have remained relatively stable, resulting in a reduction in fair value losses on investment properties recognised by the Group in FY2023 compared with that in FY2022.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by approximately RMB0.3 million or 2% from approximately RMB15.2 million for the FY2022 to approximately RMB14.9 million for the FY2023. Such decrease was due to decrease in payroll expenses related to selling and marketing.

Administrative Expenses

Our administrative expenses increased by approximately RMB1.8 million or 5% from approximately RMB37.2 million for the FY2022 to approximately RMB39.0 million for the FY2023. Such increase was mainly due to the increase in travelling expenses and entertainment expenses during the FY2023.

Other Income

Our other income increased by approximately RMB4.4 million or 60% from approximately RMB7.3 million for the FY2022 to approximately RMB11.7 million for the FY2023. Such increase was mainly due to the an increase of compensation of land occupation.

Operating Loss and Operating Loss Margin

As a result of the foregoing, our operating loss decreased by approximately RMB125.6 million or 79% from approximately RMB158.7 million for the FY2022 to an operating loss of approximately RMB33.1 million for the FY2023. Such decrease was mainly due to the decrease in fair value loss on investment properties.

Finance Income

Our finance income increased by approximately RMB1.8 million or 82% from approximately RMB2.2 million for the FY2022 to approximately RMB4.0 million for the FY2023. This was primarily due to the subsequent measurement of finance lease.

Finance Expenses

Our finance expenses increased by approximately RMB10.2 million or 20% from approximately RMB51.8 million for the FY2022 to approximately RMB62.0 million for the FY2023. This was mainly due to the increase in relevant expenses of the banking facilities and the increase in leasing finance expenses.

Net Finance Expenses

As a result of the foregoing, our net finance expenses increased by approximately RMB8.4 million or 17% from approximately RMB49.6 million for the FY2022 to approximately RMB58.0 million for the FY2023.

Loss for the Year

As a result of the foregoing, our Group recorded a loss of approximately RMB80.3 million for the FY2023 (FY2022: RMB167.4 million). The decrease in the loss for the FY2023 was mainly due to the decrease in fair value losses on investment properties held by the Group for the year.

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 approximately RMB12.1 million or 13% from approximately RMB94.9 million for the FY2022 to approximately RMB82.8 million for the FY2023, which was mainly due to the decrease in revenue of the Group.

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	
	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Loss for the year	**(80,267)**	(167,430)
Add:		
Fair value losses on investment properties	**217,399**	349,760
Income tax expense in relation to above reconciled items	**(54,350)**	(87,440)
Core net profit for the year	**82,782**	94,890
– Owners of the Company	**83,060**	93,614
– Non-controlling interests	**(278)**	1,276

LIQUIDITY AND FINANCIAL RESOURCES

Cash and Cash Equivalents

As at 31 December 2023, the Group's cash and cash equivalents amounted to approximately RMB513.0 million (31 December 2022: RMB314.5 million), which are mainly denominated in Renminbi.

Borrowing and Charges on the Group's Assets

As at 31 December 2023, the Group's bank borrowings of approximately RMB879.4 million (31 December 2022: RMB733.3 million) bore interest at interest rates ranging from 4.45% to 6.13% (31 December 2022: 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 RMB1,011.9 million (31 December 2022: RMB418.8 million).

Gearing Ratio

The gearing ratio as at 31 December 2023, calculated on the basis of net debt over total capital, was 27% as compared with 30% as at 31 December 2022.

Net Current Assets and Current Ratio

As at 31 December 2023, the Group had net current assets of RMB144.1 million as compared with net current assets of RMB46.4 million as at 31 December 2022. The current ratio was 1.32 as at 31 December 2023 (31 December 2022: 1.14).

Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

The Group had no material acquisitions and disposals of subsidiaries, associates and joint ventures during the FY2023.

BUSINESS REVIEW

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

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

(ii) subleasing apartments;

(iii) property management projects;

(iv) managed shopping malls;

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

(vi) our exhibition management business.

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

Business Segment Review

Shopping Malls

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

Shopping Malls for Hospitality Supplies

(1) Xinji Shaxi Hospitality Supplies Expo Center (信基沙溪酒店用品博覽城)
(2) Xinji Hotelex Hospitality Supplies Center (信基豪泰酒店用品城)
(3) Xinji Shaxi Hospitality Supplies Expo Center (Shenyang) (瀋陽信基沙溪酒店用品博覽城)

Shopping Malls for Home Furnishings

(4) Xinji Dashi Home Furnishings Center (信基大石傢俬城)
(5) Xinji Shaxi Home Furnishings Expo Center (Shenyang) (瀋陽信基沙溪國際家居用品博覽中心)

Subleasing Apartments

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

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

Property Management Projects

In June 2022, the Group has completed the acquisitions of Guangzhou Xinji Youxiang Property Co., Ltd.* (廣州信基優享物業有限公司) ("**Guangzhou Youxiang**") and Foshan Xinji Youxiang Commercial Service Co., Ltd.* (佛山信基優享商業服務有限公司) ("**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 leasing income For the year ended 31 December		**Property management service income For the year ended 31 December**	
	2023	2022	**2023**	2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Guangzhou region	**185,340**	198,801	**35,870**	40,649
Foshan region	**–**	–	**8,245**	8,241
Shenyang region	**14,102**	20,603	**17,195**	13,935

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 sq.m. and could accommodate a maximum of 400 tenants. It is the first managed hospitality supplies shopping mall of the Group.

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

As the progress of project investment promotion and opening was seriously affected by the COVID-19 pandemic, the Company entered into an agreement with Henan Zhengzhou Henghao Iron and Steel Co., Ltd. (河南省鄭州市恒昊鋼鐵有限公司) in March 2023 to terminate the original cooperation agreement after friendly negotiation.

Online Shopping Mall

During the FY2023, our online shopping mall generated revenue of approximately RMB11.3 million for the sales of goods (FY2022: RMB13.7 million). The goods sold by the Group were entirely hospitality goods and home furnishings. Due to the increase in purchase costs, the weakening of consumer purchasing power and other macroeconomic factors, the operating profit margin of the online shopping mall during FY2023 has decreased to approximately 6% (FY2022: 8%).

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.

Because of the continuous impact of the global outbreak of COVID-19 pandemic in 2020, the Company has already suspended the organisation of exhibitions for CHE since 2020 and no revenue was generated from CHE.

Major and Connected Transaction

References are made to (i) the announcement of the Company dated 28 October 2022; and (ii) the circular of the Company dated 24 February 2023 (the "**2023 Circular**").

On 28 October 2022, Guangdong Xinji Household Company Limited* (廣東信基家居有限公司) ("**Guangdong Xinji Household**"), an indirect wholly-owned subsidiary of the Company, as tenant, entered into the termination agreement with Guangzhou Panyu Xinji Real Estate Development Co., Ltd.* (廣州市番禺信基房產發展有限公司) ("**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 tenancy agreement dated 18 November 2020 and entered into between Guangdong Xinji Household and Panyu Real Estate in respect of the renewal of the lease of the premises at Ground Floor and Mezzanine of Building 3-5, Fuli Plaza, 105 National Road, Panyu District, Guangzhou, the PRC (the "**Premises**") from 30 November 2026 to (i) 30 November 2022; or (ii) the date immediately prior to the effective date of the 2022 Household Market Tenancy Agreement (as defined below), whichever is later.

On the same day, Guangdong Xinji Household, as tenant, entered into the tenancy agreement (the "**2022 Household Market Tenancy Agreement**") with Panyu Real Estate, as landlord, to renew the lease of the Premises for the period from the effective date of the 2022 Household Market Tenancy Agreement 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 Hon Chuen ("**Mr. Cheung**") (being the chairman of the Board, an executive Director and one of the controlling shareholders), Mr. Mei Zuoting ("**Mr. Mei**") (being an executive Director and one of the controlling shareholders) and Mr. Zhang Weixin ("**Mr. Zhang**") (being an executive Director and one of the controlling shareholders), 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 Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Please refer to the 2023 Circular for details of the 2022 Household Market Tenancy Agreement.

This transaction was duly passed by the Company's independent shareholders in the extraordinary general meeting of the Company held on 17 March 2023.

FUTURE PROSPECTS

Looking ahead, amidst a complex international environment, sluggish growth of the world economy and slowdown in trade and investment, China's economy began to rebound in early 2023 and continued to improve in 2024. Despite the high degree of uncertainty in the near future, our long-term philosophies and values remain steadfast. Looking forward, our objective of exploring the global market remains unchanged.

Barring unforeseen circumstances, we are cautiously optimistic about the trajectory of the economic recovery. Under the challenging business environment, the Directors are cautiously optimistic about the six main business lines of the Group's business operations. The Group is full of confidence in its business prospects in 2024, while continuing to take a cautious approach to ensure sustainable development. The Group will also remain vigilant about managing our costs to ensure our prospects for a brighter future translate into stronger bottom lines and cash generation.

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 will focus 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 management service (especially through the acquisition and merger of mature property management service projects), with an aim to increase the stable cash flow of the Group, so as to advance the interests of the Company and its Shareholders, which will bring sustainable and stable development to the Group.

CORPORATE GOVERNANCE

The Company's corporate governance practices are based on the principles and the code provisions as set out in the Corporate Governance Code ("**CG Code**") contained in Appendix C1 to the Listing Rules.

During the FY2023, the Company has complied with the principles and the applicable code provisions of the CG Code as set out in Appendix C1 to the Listing Rules other than code provision C.2.1 of the CG Code, which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

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

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

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

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

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

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

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix C3 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 FY2023. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the year under review.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2023, neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

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 2023, the case has been heard by the Shanghai International Arbitration Center, but has not been sentenced. The Group assessed this claim with assistance of external lawyer and considered that the judgment would be in its favour and therefore has not recognised a provision in relation to this claim.

On 18 February 2024, the case has been sentenced by the Shanghai International Arbitration Center. In accordance with the arbitral tribunal, the Group would not be liable for any compensation caused by the cooperative development agreement.

Save as disclosed in this announcement, there are no significant events after the year ended 31 December 2023 and up to the date of this announcement.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDIT COMMITTEE

The Company established the audit committee (the "**Audit Committee**") with written terms of reference in compliance with paragraph D.3 of the CG Code as set out in Appendix C1 to the Listing Rules. The Audit Committee consists of three members, namely Dr. Zeng Zhaowu, Mr. Tan Michael Zhen Shan and Dr. Zheng Decheng. Dr. Zeng Zhaowu currently serves as the chairman of the Audit Committee.

The Audit Committee has considered and reviewed the Group's annual results for the FY2023, the accounting principles and practices adopted by the Company and the Group and discussed matters in relation to internal control and financial reporting with the management. The Audit Committee considers that the annual financial results for the FY2023 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

SCOPE OF WORK OF THE COMPANY'S AUDITOR

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for FY2023 as set out in this annual results announcement have been agreed by the Company's auditors to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by the Company's auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditors on this annual results announcement.

CLOSURE OF REGISTER OF MEMBERS

The Company will hold the annual general meeting (the "**AGM**") on Thursday, 30 May 2024.

For the purpose of ascertaining the Shareholders' entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 27 May 2024 to Thursday, 30 May 2024, both days inclusive, and during which period 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, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 24 May 2024.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.xjsx.net.cn. The 2023 annual report of the Company containing all the information required by the Listing Rules will be despatched to the shareholders of the Company in April 2024 and will be published on the above websites.

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

Guangzhou, the PRC, 28 March 2024

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

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