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
2019

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Cheung Hon Chuen
Mr. Mei Zuoting
Mr. Zhang Weixin
Ms. Jin Chunyan

NON-EXECUTIVE DIRECTORS

Mr. Yu Xuecong
Mr. Wu Jianxun
Mr. Lin Lie *(appointed on 1 March 2020)*
Mr. Li Zhanpeng *(resigned on 1 March 2020)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Liu Eping
Mr. Chen Tusheng
Mr. Tan Michael Zhen Shan
Mr. Zheng Decheng

AUDIT COMMITTEE

Dr. Liu Eping *(Chairman)*
Mr. Tan Michael Zhen Shan
Mr. Zheng Decheng

REMUNERATION COMMITTEE

Dr. Liu Eping *(Chairman)*
Mr. Cheung Hon Chuen
Mr. Chen Tusheng

NOMINATION COMMITTEE

Mr. Cheung Hon Chuen *(Chairman)*
Dr. Liu Eping
Mr. Chen Tusheng

COMPANY SECRETARY

Mr. Kam Chi Sing

AUTHORISED REPRESENTATIVES

Ms. Jin Chunyan
Mr. Kam Chi Sing

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and Registered PIE Auditor

COMPLIANCE ADVISER

RaffAello Capital Limited
Unit 1701, 17/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Sheung Wan

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 301–303
3/F Golden Gate Commercial Building
136–138 Austin Road
Tsim Sha Tsui
Kowloon, Hong Kong

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

Shengjing Bank
109 Beizhan Road
Shenyang
PRC

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

LEGAL ADVISER

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

SHARE LISTING

The Stock Exchange of Hong Kong Limited

STOCK CODE

SEHK : 3603

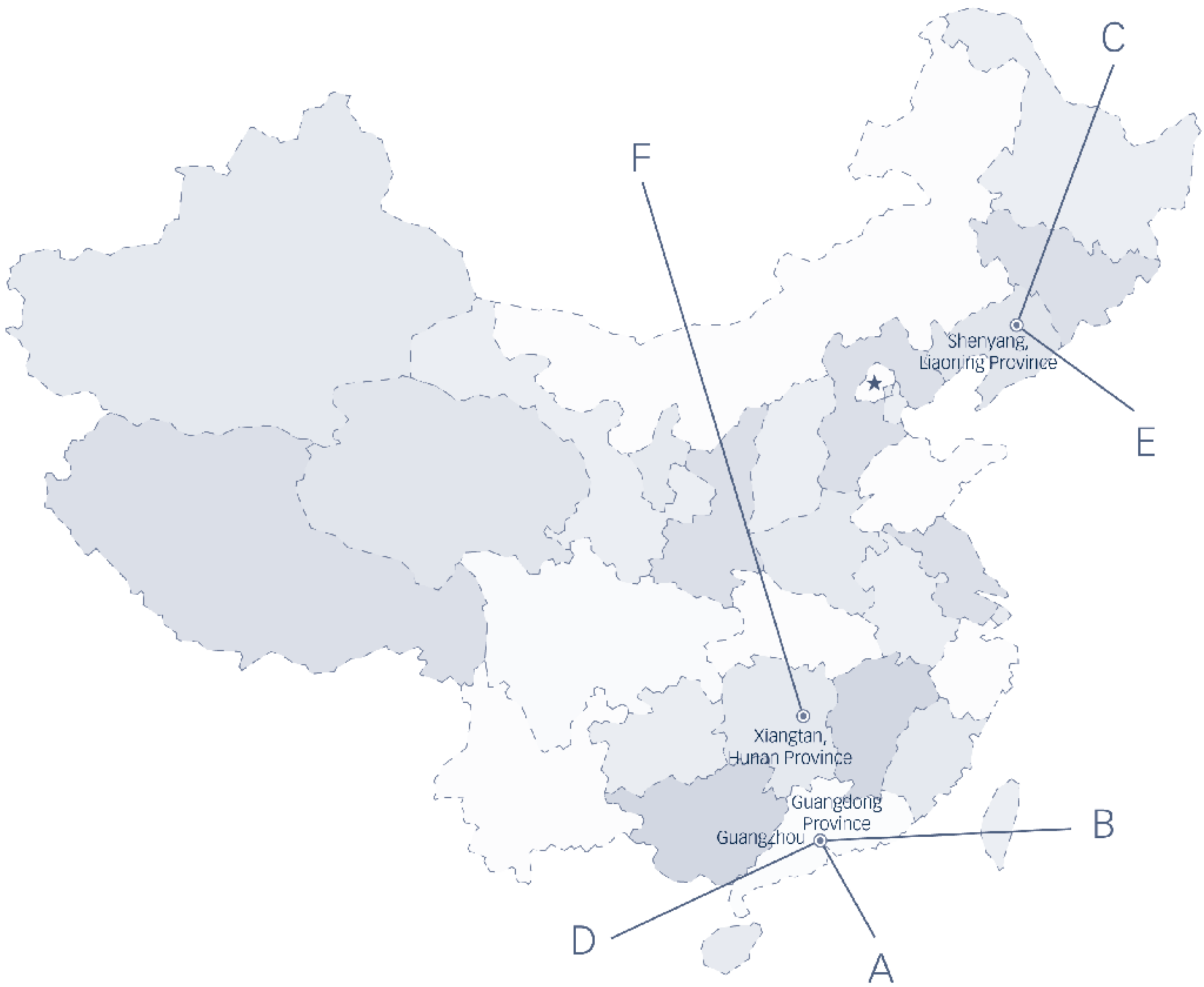
WEBSITE ADDRESS

www.xjsx.net.cn

LISTING DATE

8 November 2019

PORTFOLIO OF SHOPPING MALLS



A Xinji Shaxi Hospitality Supplies Expo Center (信基沙溪酒店用品博覽城)
B Xinji Hotelex Hospitality Supplies Center (信基豪泰酒店用品城)
C Xinji Shaxi Hospitality Supplies Expo Center (Shenyang) (瀋陽信基沙溪酒店用品博覽城)
D Xinji Dashi Home Furnishings Center (信基大石傢俬城)
E Xinji Shaxi Home Furnishings Expo Center (Shenyang) (瀋陽信基沙溪國際家居用品博覽中心)
F Xinji Shaxi Yuetang International Hotel Supplies Trading Exhibition Center
(信基沙溪 • 岳塘國際酒店用品交易展示中心)

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

Xinji Shaxi Hospitality Supplies Expo Center 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 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 recognized 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.

According to the Industry Report, Xinji Shaxi Hospitality Supplies Expo Center (信基沙溪酒店用品博覽城) is the largest shopping mall for hospitality supplies in Guangzhou and in China in terms of operating areas as well as rental revenue in 2018. Our Xinji Shaxi Hospitality Supplies Expo Center 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 the Guangdong Province.

As of 31 December 2019, 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 578 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 FY2019, Xinji Shaxi Hospitality Supplies Expo Center recorded an occupancy rate of 99.3%.

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

Xinji Hotelex Hospitality Supplies Center 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. Together with our Xinji Shaxi Hospitality Supplies Expo Center, Xinji Hotelex Hospitality Supplies Center is among the largest shopping malls for hospitality supplies in Guangzhou and in China in terms of operating areas as well as rental revenue in 2018 according to the Industry Report.

As of 31 December 2019, this shopping mall had a total operating area of approximately 70,845.28 sq.m. and 490 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 FY2019, our Xinji Hotelex Hospitality Supplies Center recorded an occupancy rate of 97.0%.

(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) 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.

Our Xinji Shaxi Hospitality Supplies Expo Center (Shenyang) 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.

According to the Industry Report, Xinji Shaxi Hospitality Supplies Expo Center (Shenyang) (瀋陽信基沙溪酒店用品博覽城) is the second largest professional market for hospitality supplies in Northeast China in terms of operating areas and rental revenue in 2018.

As of 31 December 2019, it consisted of a total LFA of approximately 48,933.43 sq.m. of retail space, approximately 74 advertising spaces and 261 car park spaces having 75 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 FY2019, this shopping mall recorded an occupancy rate of 55.3% because it has a short operating history from 2014.

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

Xinji Dashi Home Furnishings Center 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 continues to provide a one-stop shopping experience to potential commercial and household consumers for office and home furnishings in the Guangdong Province. Xinji Dashi Home Furnishings Center 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.

According to the Industry Report, Xinji Dashi Home Furnishings Center is one of the major competitors in the home supplies sales market in Guangzhou and it ranked approximately top 15 to 20 in terms of operating areas among all players in Guangzhou in 2018. Notwithstanding the smaller scale of operation compared to our Xinji Shaxi Home Furnishings Expo Center (Shenyang), Xinji Dashi Home Furnishings Center continues to provide a one-stop shopping experience to potential commercial and household consumers for office and home furnishings in the Guangdong Province.

As of 31 December 2019, this shopping mall had a total operating area of approximately 24,576.16 sq.m. and 54 tenants selling various types of home supplies including office and home furniture and decorations with approximately 38 advertising spaces.

For the FY2019, this shopping mall recorded an occupancy rate of 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) 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.

According to the Industry Report, Xinji Shaxi Home Furnishings Expo Center (Shenyang) ranked top 10 among all shopping malls for home supplies in terms of operating areas in Shenyang in 2018.

As of 31 December 2019, it consisted of a total LFA of approximately 63,362.36 sq.m. of retail spaces, and approximately 211 advertising spaces and 581 car park spaces coupled with 209 tenants selling various types of home supplies including office and home furniture, decorations and materials for construction and renovation.

For the FY2019, this shopping mall recorded an occupancy rate of 81.2%.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "**Board**") of Xinji Shaxi Group Co., Ltd (the "**Company**", together with its subsidiaries, collectively the "**Group**"), I am pleased to present the first annual report of the Group for the FY2019 since its successful listing on the Main Board of the Stock Exchange on 8 November 2019 (the "**Listing**").

The successful listing of the Shares on the Stock Exchange is a milestone to the Group as it demonstrates recognition of the Group's achievement as well as support of the Group's unique business model and prospects for future growth by international capital market and investors. The listing of the Company also has broadened our shareholder base and enhanced our ability to access a wider source of financing for the Group's rapid growth.

We started our shopping malls operation business in 2003 and since then we have accumulated over 16 years of experience in the shopping malls operation industry in China. In particular, we have a good reputation in the hospitality supplies shopping malls operation industry in China with a proven track record and have the capability of delivering our services on time and to the satisfaction of our tenants.

RESULTS

We are honored to report that for the FY2019, the Group's core net profit amounted to approximately RMB109.8 million (2018: RMB87.3 million), representing an increase of RMB22.5 million or 26% as compared with the FY2018. The Group's revenue amounted to approximately RMB303.1 million (2018: RMB281.4 million), representing an increase of RMB21.7 million or 8% as compared with the FY2018. Details of the Group's results and prospects will be discussed under the section of "Management Discussion and Analysis" in this annual report.

DIVIDENDS

The Board recommends the payment of a final dividend of RMB0.013 (equivalent to HK$0.014 calculated at the exchange rate of HK$1.00 to RMB0.9155, which was the People's Bank of China rate prevailing on 20 March 2020) per share for FY2019 to the Shareholders subject to the approval of the Shareholders at the forthcoming AGM to be held on 26 May 2020. The dividend payable to the Shareholders will be declared in Renminbi and paid in Hong Kong dollars, the exchange rate of which will be calculated based on the average exchange rate of Renminbi against Hong Kong dollars published by the People's Bank of China five business days prior to the AGM.

The proposed final dividend is expected to be despatched to the Shareholders on 26 June 2020.

APPRECIATION

On behalf of the Board, I would like to extend my sincere gratitude to all suppliers, business partners and the Shareholders for their support and patience during the past years. May I also salute to our managers at all levels and dedicated staff for their invaluable contributions and diligent efforts during the year.

Cheung Hon Chuen
Chairman
20 March 2020

FINANCIAL SUMMARY

FINANCIAL SUMMARY

	Year ended 31 December			
	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS				
Revenue	**303,083**	281,355	209,868	208,726
Profit for the year	**101,450**	250,226	88,784	75,447
Attributable to:				
Owners of the Company	**102,905**	189,213	76,910	58,951
Non-controlling interests	**(1,455)**	61,013	11,874	16,496
Core net profit	**109,800**	87,289	29,677	38,571

ASSETS AND LIABILITIES

	Year ended 31 December			
	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**2,978,396**	2,897,686	2,901,649	2,764,982
Current assets	**311,573**	173,951	615,451	377,367
Total assets	**3,289,969**	3,071,637	3,517,100	3,142,349
Current liabilities	**363,938**	441,485	608,155	1,066,074
Non-current liabilities	**1,044,262**	1,154,327	1,391,503	558,343
Total liabilities	**1,408,200**	1,595,812	1,999,658	1,624,417
Equity attributable to owners of the Company	**1,884,056**	1,476,657	1,150,539	1,162,903
Non-controlling interests	**(2,287)**	(832)	366,903	355,029
Total equity	**1,881,769**	1,475,825	1,517,442	1,517,932

MANAGEMENT DISCUSSION AND ANALYSIS

The Board is pleased to announce the audited annual results of the Group for the FY2019 together with comparative figures. These annual results have been reviewed by the Company's Audit Committee.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of RMB0.013 (equivalent to HK$0.014 calculated at the exchange rate of HK$1.00 to RMB0.9155, which was the People's Bank of China rate prevailing on 20 March 2020) per share for FY2019 to the Shareholders subject to the approval of the Shareholders at the forthcoming AGM to be held on 26 May 2020. The dividend payable to the Shareholders will be declared in Renminbi and paid in Hong Kong dollars, the exchange rate of which will be calculated based on the average exchange rate of Renminbi against Hong Kong dollars published by the People's Bank of China five business days prior to the AGM.

The proposed final dividend is expected to be despatched to the Shareholders on 26 June 2020.

FINANCIAL REVIEW

Revenue

For the FY2019, the revenue recorded an increase of 8% to approximately RMB303.1 million compared with RMB281.4 million for the FY2018. Such increase was driven by the increase in revenue from our rental income, sales of goods and the properties management service.

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

	For the year ended 31 December			
	2019		2018	
	RMB'000	**%**	RMB'000	%
Rental Income	**254,691**	**84**	243,949	87
Properties Management Service	**28,344**	**9**	23,851	8
Exhibition Management Service	**4,991**	**2**	5,697	2
Sales of Goods	**15,057**	**5**	7,858	3
Total	**303,083**	**100**	281,355	100

Rental Income

Rental income is revenue received by the Group from the tenants who signed up lease contracts with us to run business at the Group's owned/leased portfolio shopping malls. For the FY2019, revenue from our rental income increased by RMB10.8 million or 4% to RMB254.7 million (FY2018: RMB243.9 million), representing 84% of our total revenue, driven by all of the five shopping malls of the Group.

Properties Management Service

Revenue from our property management services income is the management fee paid by the tenants under the property management agreements. Income from property management services increased by RMB4.4 million or 18% to RMB28.3 million (FY2018: RMB23.9 million). The increase in property management service income was mainly attributable to (i) the increase in the gross floor area subject to management of Xinji Shaxi Hospitality Supplies Expo Center, Xinji Shaxi Hospitality Supplies Expo Center (Shenyang) and Xinji Shaxi Home Furnishings Expo Center (Shenyang); and (ii) the increase in unit price under the new management fee agreements.

FINANCIAL REVIEW *(cont'd)*

Exhibition Management Service

Revenue from our exhibition management service income includes fees received from exhibitors. For the FY2019, revenue generated from our exhibition management services income decreased slightly by RMB0.7 million or 12% to RMB5.0 million (FY2018: RMB5.7 million).

Sales of Goods

Revenue from sales of goods is the revenue we generated from sales of hospitality products through our online shopping mall. For the FY2019, the sales of goods increased by RMB7.2 million or 91% to RMB15.1 million (FY2018: RMB7.9 million). Such increase was mainly due to the launch of online shopping mall business on 30 April 2018, resulting in an increase for the FY2019 as compared with the FY2018.

Cost of Sales

Our cost of sales increased slightly by RMB0.7 million or 3% from RMB27.5 million for the FY2018 to RMB28.2 million for the FY2019.

Fair Value Gains on Investment Properties

Our fair value gains on investment properties decreased significantly by RMB116.1 million or 92% from RMB126.2 million for the FY2018 to RMB10.1 million for the FY2019, which was primarily attributable to the absence of significant number of contract renewal with higher market rents for the FY2019 as compared to the FY2018, as well as no positive effect of increased leased floor area of Xinji Shaxi Hospitality Supplies Expo Center for the FY2018.

Selling and Marketing Expenses

Our selling and marketing expenses increased by RMB9.2 million or 39% from RMB23.6 million for the FY2018 to RMB32.8 million for the FY2019. This was primarily attributable to (i) an increase of RMB3.3 million in employee benefit expenses as a result of the business growth including online shopping mall; (ii) an increase of RMB4.5 million in marketing and advertising expenses as we enhanced our marketing efforts to assist new tenants to promote their business; and (iii) an increase of RMB1.4 million due to the operating expenses of the online platform and transportation expenses of the online shopping mall and other promotion expenses regarding the commercial operation of the Group.

Administrative Expenses

Our administrative expenses increased by RMB10.7 million or 27% from RMB39.8 million for the FY2018 to RMB50.5 million for the FY2019, which was mainly attributable to (i) an increase in the listing expenses of RMB2.6 million; (ii) an increase in post listing compliance-related expenses for 2019 of RMB2.3 million; and (iii) an increase in the Directors' fees and employees' remuneration of RMB2.5 million.

Other Income

Our other income decreased by RMB65.0 million or 94% from RMB69.3 million for the FY2018 to RMB4.3 million for the FY2019. Such decrease was mainly due to the fact that in the FY2019, there was no one-off compensation for demolition from the government of Panyu District, Guangzhou, the PRC for the compensation of the removal of part of the investment properties of the Group in order to develop the Guangzhou Shaxi metro station in July 2018.

Operating Profit and Operating Profit Margin

As a result of the foregoing, our operating profit decreased by RMB178.3 million or 46% from RMB385.9 million for the FY2018 to RMB207.6 million for the FY2019. Our operating profit margin decreased from 137% for the FY2018 to 68% for the FY2019, which was mainly attributable to the decrease of the fair value gains on investment properties and other income.

Finance income

Our finance income decreased by RMB39.1 million or 97% from RMB40.2 million for the FY2018 to RMB1.1 million for the FY2019. This was primarily due to the cessation of interest income from a related party.

Finance expenses

Our finance expenses decreased by RMB24.4 million or 31% from RMB77.7 million for FY2018 to RMB53.3 million for FY2019. This was mainly due to the decrease in interest expenses of RMB25.1 million.

Net finance expenses

As a result of the foregoing, our net finance expenses increased by RMB14.7 million or 39% from RMB37.5 million for FY2018 to RMB52.2 million for FY2019.

FINANCIAL REVIEW *(cont'd)*

Profit for the Year and Net Profit Margin

As a result of the foregoing, our profit for FY2019 decreased by RMB148.7 million or 59% from RMB250.2 million for the FY2018 to RMB101.5 million for the FY2019. Our net profit margin decreased from 89% for the FY2018 to 33% for the FY2019, which was mainly attributable to the following one-off or non-recurring items: (i) the decrease in fair value gains on investment properties of RMB116.1 million; (ii) the decrease in income of one-off compensation from the government of RMB65.5 million; (iii) the decrease in interest income from loans to a related party of RMB40.2 million; and (iv) the decrease in income tax expenses in relation to the abovementioned non-recurring profit and loss of RMB53.3 million.

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 one-off or non-recurring items including the fair value gains on investment properties, compensation for demolition and interest income from loans to a related party, which are considered not indicative for evaluation of the actual performance of our business.

Our core net profit increased by RMB22.5 million or 26% from RMB87.3 million for the FY2018 to RMB109.8 million for the FY2019, which was mainly attributable to the increase in the Group's revenue of RMB21.7 million.

	For the year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit for the year	**101,450**	250,226
Less:		
Fair value gains on investment properties	**(10,051)**	(126,247)
Compensation for demolition	**–**	(65,545)
Interest income from loans to a related party	**–**	(40,164)
Add:		
Listing expenses	**17,340**	14,707
Income tax expenses in relation to above reconciled items	**1,061**	54,312
Core net profit for the year	**109,800**	87,289
– Owners of the Company	**111,255**	64,100
– Non-controlling interests	**(1,455)**	23,189

USE OF NET PROCEEDS FROM LISTING

Following table sets out the breakdown of the use of net proceeds from Listing as at 31 December 2019:

Function	Percentage	Net Proceeds RMB	As of 31 December 2019 Utilised Amount RMB	Unutilised Amount RMB
Repayment of our bank borrowings for the construction cost and sales and marketing cost for our shopping malls	26.1%	56.7 million	21.8 million	34.9 million
Development of new projects	73.9%	160.5 million	–	160.5 million
Total	100.0%	217.2 million	21.8 million	195.4 million

As at 31 December 2019, the Company utilized about RMB21.8 million. The Company expects to utilize the balance of net proceeds of approximately RMB195.4 million by 2023 as stated in the Prospectus.

The net proceeds from the Listing of the Company for the FY2019 were approximately RMB217.2 million. With reference to the Prospectus, we intend to use the net proceeds of (i) approximately 26.1% for repayment of the Group's bank borrowings for the construction cost and sales and marketing cost for our shopping malls; and (ii) approximately 73.9% used for project development of three new shopping malls located in Chengdu, Zhengzhou and Fuzhou in China to align with the Group's business expansion. As at 31 December 2019, the Company has utilised a total of RMB21.8 million for repayment of the Group's bank loans; and the remaining unutilised net proceeds of RMB195.4 million have been placed as bank balances/time deposits and will be applied in accordance with the proposed applications as disclosed in the Prospectus.

LIQUIDITY AND FINANCIAL RESOURCES

Cash and Cash Equivalents

As at 31 December 2019, the Group's cash and cash equivalents amounted to approximately RMB272.4 million (2018: RMB11.3 million).

Borrowing and Charges on the Group's Assets

As at 31 December 2019, bank borrowings of RMB610.1 million (2018: RMB671.5 million) bore interest ranging from 6.30% to 7.36% 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 RMB1,468.3 million (2018: RMB1,440.1 million).

Details of the bank borrowings are set out in note 26 to the consolidated financial statements.

Gearing Ratio

The gearing ratio as at 31 December 2019, calculated on the basis of net debt over total capital, was 18% as compared with 45% as at 31 December 2018.

Net Current Liabilities and Current Ratio

As at 31 December 2019, the Group had net current liabilities of RMB52.4 million as compared with net current liabilities of RMB228.8 million as at 31 December 2018, which was mainly due to the increase in cash by the net proceeds from Listing. The current ratio was 0.86 as at 31 December 2019 (31 December 2018: 0.39).

LIQUIDITY AND FINANCIAL RESOURCES *(cont'd)*

Capital Commitments, Operating Lease Commitments and Contingent Liabilities

Details of the capital commitments, operating lease commitments and contingent liabilities are set out in notes 29 and 30 to the consolidated financial statements.

Acquisition and Disposal of Subsidiary and Associated Companies

The Group had no material acquisitions and disposals of subsidiaries and associated companies during the FY2019.

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 2019, the Group has bank balance of RMB188.7 million denominated in Hong Kong dollars. If Renminbi had strengthened/weakened by 2% against Hong Kong dollars, the post-tax profit of the Group for the year ended 31 December 2019 would have been approximately RMB2.8 million lower/higher (2018: nil).

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

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 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 the note 3 to the consolidated financial statements.

Human Resources

As at 31 December 2019, the total number of employees of the Group was approximately 232 and the employee benefit expenses for FY2019 including Directors' emoluments were approximately RMB32.2 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

During the year, the Group was principally engaged in the operation of the shopping malls for hospitality supplies and home furnishings which generated rental revenue in China. Our business operations comprise four main business segments: (i) our shopping malls, including three shopping malls for hospitality supplies and two shopping malls for home furnishings; (ii) our managed shopping mall; (iii) our online shopping mall; and (iv) our exhibition management business. Our Group's revenue is derived mainly from the operating lease rental income of our Group's owned/leased portfolio shopping malls.

Business Segment Review

Shopping Malls

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

Shopping Malls for Hospitality Supplies

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

Shopping Malls for Home Furnishings

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

The table below sets out the total revenue generated by our shopping malls for the FY2019:

Shopping Malls	Total Revenue For the year ended 31 December 2019 RMB'000	2018 RMB'000
Xinji Shaxi Hospitality Supplies Expo Center (信基沙溪酒店用品博覽城)	**153,245**	143,352
Xinji Hotelex Hospitality Supplies Center (信基豪泰酒店用品城)	**66,480**	63,239
Xinji Shaxi Hospitality Supplies Expo Center (Shenyang) (瀋陽信基沙溪酒店用品博覽城)	**18,119**	14,941
Xinji Dashi Home Furnishings Center (信基大石傢俬城)	**12,174**	11,475
Xinji Shaxi Home Furnishings Expo Center (Shenyang) (瀋陽信基沙溪國際家居用品博覽中心)	**33,017**	34,793

BUSINESS REVIEW *(cont'd)*

Shopping Malls for Home Furnishings *(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 shopping mall marketing and daily operation, and grant to them the right to use and market with our brand name while the shopping mall owners would be responsible for bearing all the operating expenses of the shopping mall and pay us 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 relevant shopping mall.

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, we agreed to act as the shopping mall manager for a planned hospitality supplies shopping mall located in Yuetang International Trade City (岳塘國際商貿城) in No. 88 Hetang Section, Furong Avenue, Yuetang District, Xiangtan City, Hunan Province, China, a commercial complex developed by Hunan Hongyue Commercial Management Company Limited. It is expected that this shopping mall would have a total operating area of approximately 120,000 sq.m. and accommodated a maximum of 400 tenants.

This is the first managed hospitality supplies shopping mall of the Group and, as affected by the outbreak of Coronavirus Disease 2019, the mall is expected to commence operation in the second half of 2020.

Online Shopping Mall

To capture the business opportunities in the e-commerce industry and to complement the operation and sales of our traditional physical shopping malls, we expanded and diversified our operation into the online shopping mall business, which has entered into a strategic cooperation agreement with Beijing JingDong Century Trade Co., Ltd for the purpose of setting up an online shopping mall for hospitality supplies and home furnishings at www.jd.com which commenced operation in September 2017. Since then, it has provided an alternative trading platform to hospitality suppliers and home furnishings.

For the FY2019, our online shopping mall generated revenue of approximately RMB15.1 million, for the sales of goods. The sales of goods were entirely the hospitality goods and the operating margin decreased slightly to –9% for the FY2019 as we increased the sales proportion of business-to-business (B2B) with lower gross profit margin.

Exhibition Management Business

We provide exhibition management services for the China Hospitality Expo (華南酒店業博覽會) ("**CHE**") (formerly known as China (Guangzhou) International Hospitality Supplies Fair (中國(廣州)國際酒店用品展覽會)), in China annually. Under this business model, we are responsible for overall strategic planning, coordination and management of the exhibitions which include coordination with suppliers for setting up venues of the exhibitions, on-site supervision and post-exhibition review. We charge exhibitors exhibit fee calculated by the size of exhibition spaces multiplies a fixed unit price which is determined with reference to (i) estimated fee and charges payable to the suppliers; (ii) estimated labour costs; and (iii) our desired profit margin.

The major managed exhibitions during the year was the annual CHE. It provided an one-stop trade platform for global hospitality supplies providers and purchasers to broaden their sale and purchase channel.

For the FY2019, we generated revenue in the amount of RMB5.0 million (FY2018: RMB5.7 million) from the annual CHE.

FUTURE PROSPECTS

The hospitality supplies industry is a rising industry. With the rapid development of the tourism industry, the hospitality industry and catering industry are also booming, and the development of the hospitality supplies industry has embarked on a fast track. The total output value of China's hospitality supplies in 2018 was more than RMB1,800 billion. The market is growing steadily every year and the industry has bright prospects.

We adhere to the mission of creating the "No. 1 Business Platform for the Hospitality Supplies Industry in China" and continue to expand and consolidate our position in the industry as the "largest operator of shopping malls for hospitality supplies in China".

FUTURE PROSPECTS *(cont'd)*

In 2019 and onward, we will maintain the model of rapid development of light asset projects featured by "brand export, management export, and cooperative operation" to further expand the market share and brand influence of Xinji Shaxi; we insist on the platform sharing concept of "industrial alliance and collective development" and establish a closer cooperation model with brand manufacturers, to provide manufacturers with easier and faster pipeline expansion services and fully allow brand manufacturers in the industry to share the benefits of Xinji Shaxi's global strategic layout. In addition, we will also continue to follow the business management concept of "market-oriented operation and shopping mall-oriented management" to provide global buyers, traders, and consumers with better and more professional quality services and continue to consolidate our leading position in the hospitality supplies industry in China and strengthen the position of "Xinji Shaxi" brand as the number one platform for the hospitality supplies industry in China in the hospitality supplies industry and in the minds of consumers, with a view to building China's leading and most professional "all-channel platform provider in the hospitality supplies industry".

Our future development plan is as follows:

1. Continue to implement the business model driven by both self-owned and managed shopping malls, and consolidate the leading position in the industry and market by strategically expanding quality shopping mall network and brand portfolio;

2. Establish a comprehensive standard service system, strive to become an innovative O2O commercial benchmark for the hospitality supplies and home furnishing industries in China, and continue to expand the sales of Xinji Shaxi's online and offline platforms;

3. Strengthen the "No. 1 Business Platform for the Hospitality Supplies Industry in China" through all-channel brand promotion and professional operation;

4. Enhance the long-term competitiveness of the Company through digital and information-based strategies;

5. Proactively implement innovation and value capital market and financial instruments; and

6. Continuously improve corporate governance, management standards and standardized operations, and fulfill social responsibilities.

Impact of COVID-19 on the Group:

1. In the beginning of 2020, the sudden outbreak of COVID-19 and the consequent global economic slowdown dampened the demand for hospitality supplies and home supplies, which will have a negative impact on the Group's operating performance in the next year and may affect the business and expansion plans of Xinji Shaxi in the short term. Although the COVID-19 is basically controlled and will no longer spread domestically, the current global outbreak and continued development of COVID-19 will severely test the stability of Xinji Shaxi's operating income.

2. As a leading enterprise of hospitality supplies industry in China, in order to overcome the difficulties and work together to fight the epidemic, the Group exempted and waived the rental and management fees of certain tenants for February and March 2020. Although it has a short-term impact on the Group's operating results, this will help improve the Group's social image and also maintain the healthy development of the hospitality supplies and home supplies industries.

3. Nevertheless, if domestic and foreign consumer confidence quickly recovers, the Group's strong market position in the hospitality supplies industry will stabilize its revenue.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Below are the brief profiles of the Directors and senior management of the Group since the Listing Date to the Latest Practicable Date.

DIRECTORS

The Board currently comprises eleven Directors, of which four are executive Directors, three are non-executive Directors and four 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	54	Chairman, Executive Director and chief executive officer	27 July 2018
Mr. Mei Zuoting	65	Executive Director	11 March 2019
Mr. Zhang Weixin	56	Executive Director	11 March 2019
Ms. Jin Chunyan	45	Executive Director	11 March 2019
Mr. Yu Xuecong	48	Non-executive Director	11 March 2019
Mr. Li Zhanpeng (resigned on 1 March 2020)	47	Non-executive Director	11 March 2019
Mr. Wu Jianxun	63	Non-executive Director	11 March 2019
Mr. Lin Lie	25	Non-executive Director	1 March 2020
Dr. Liu Eping	57	Independent non-executive Director	3 October 2019
Mr. Chen Tusheng	46	Independent non-executive Director	3 October 2019
Mr. Tan Michael Zhen Shan	43	Independent non-executive Director	3 October 2019
Mr. Zheng Decheng	67	Independent non-executive Director	3 October 2019

EXECUTIVE DIRECTORS

Mr. Cheung Hon Chuen (張漢泉), aged 54, is 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 CHSA in June 2013 and has been the chairman of CHSA since then. CHSA is a national industrial association of companies in hospitality supplies industry authorised by the Ministry of Civil Affairs of the PRC (中華人民共和國民政部). Currently, it has over 2,000 members in China.

Mr. Mei Zuoting (梅佐挺), aged 65, is 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 has served in several organisations in the PRC, including the positions being set forth in the following table.

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.

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

EXECUTIVE DIRECTORS *(cont'd)*

Mr. Zhang Weixin (張偉新), aged 56, is 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
2012	Working Committee of the Standing Committee of the National People's Congress of Luopu Street of Panyu in Guangzhou* (廣州市番禺區人大常委會洛浦街道工作委員會)	Committee member
2013	Chamber of Commerce of Donghuan Street of Panyu in Guangzhou* (廣州市番禺區東環街商會)	Vice president of the 4th council
2013	Chamber of Commerce of Luopu Street of Panyu in Guangzhou* (廣州市番禺區洛浦街商會)	Vice president of the 3rd council

Ms. Jin Chunyan (靳春雁), aged 45, is an executive Director since 2019. She joined our Group in 2018 and was later appointed as our chief financial officer on 1 August 2018, primarily responsible for overseeing the finance and business operation of our Group.

Ms. Jin has over 21 years of experience in finance and accounting.

Ms. Jin graduated from South China Normal University with a Bachelor of Economics degree in 2003. She obtained a Master of Business Administration degree from Sun Yat-sen University in the PRC in 2015. In addition, Ms. Jin has been recognised as a Microsoft Certified Professional Systems Engineer by Microsoft Corporation since 2001. She also obtained the qualification of being a medium level certified public accountant under the Ministry of Finance of the PRC in 2004.

NON-EXECUTIVE DIRECTORS

Mr. Yu Xuecong (余學聰), aged 48, is 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.

NON-EXECUTIVE DIRECTORS *(cont'd)*

Mr. Li Zhanpeng (黎展鵬), aged 47, was a non-executive Director since 2019 but resigned on 1 March 2020 so as to allow him to devote more time to his personal matter. He was primarily responsible for formulating strategic direction and development plan of our Group. He joined our Group in 2003 as the director and the general manager of Guangzhou Wanhua Hotel and has been mainly responsible for the formulating strategy and business plan of the company since then.

Mr. Li graduated from Guangdong University of Finance & Economics (formerly known as Guangdong Business College* (廣東商學院)) with a Bachelor of Corporate Management degree in 1996.

Mr. Lin Lie (林烈), aged 25, is appointed as a non-executive Director on 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 Lion Rock Capital Management Limited, a company which he founded and licensed by the Securities and Futures Commission to carry out type 9 (asset management) regulated activities, and the executive director of Avant Investment (HK) Limited, a global investment management company. He was the non-executive director of China Ocean Industry Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 00651), from 2018 to 2019.

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

Mr. Wu Jianxun (吳建勛), aged 63, is a non-executive Director since 2019. He is primarily responsible for formulating strategic direction and development plan of our Group.

Mr. Wu has approximately 30 years of experience in real estate, investment and banking industry. He worked as the deputy president of Bank of Communications Fujian Branch from 1989 to 2016 and was mainly responsible for risk management.

Mr. Wu graduated from Dongbei University of Finance and Economics with a Bachelor of Finance Management degree (online course) in 2007.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Liu Eping (劉娥平), aged 57, is an independent non-executive Director since 2019. She is primarily responsible for supervising and providing independent judgment to our Board. She is also the chairman of our audit committee and remuneration committee, and a member of our nomination committee.

Dr. Liu has approximately 33 years of experience in finance and accounting. She joined Sun Yat-sen University in the PRC since 1986 and is currently the executive of financial investment centre and the professor of the Management School. She is mainly responsible for teaching courses relating to corporate finance management and assessment of investment projects and directing graduate students in finance, investment management and accounting.

From 2011 to 2017, Dr. Liu was the independent director and the head of the audit committee of Shenzhen Kaizhong Precision Technology Company Limited* (深圳市凱中精密技術股份有限公司), a technology company principally engaged in research and development, manufacturing and the sales of core precision components, whose shares are listed on the Shenzhen Stock Exchange (stock code: 002823) and was mainly responsible for attending directors' meetings to monitor the development and business of the company and reviewing financial reports and internal control system of the company. Since 2017, she has been the independent director and the head of audit committee of Guangdong Tiantu Logistics Company Limited* (廣東天圖物流股份有限公司), a company offering logistics and warehousing services, whose shares are traded on the National Equities Exchange and Quotations Co., Ltd. (stock code: 835106) and was mainly responsible for giving independent opinion to the board of the company.

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

In addition, Dr. Liu is currently the independent director of Guangdong Meiyan Jixiang Hydropower Co., Ltd.* (廣東梅雁吉祥水電股份有限公司), a company principally engaged in the provision of hydroelectricity, whose shares are traded on the Shanghai Stock Exchange (stock code: 600868). She is also the independent director of Alpha Group Co., Ltd.* (奧飛娛樂股份有限公司), a company principally engaged in the animation and comic culture industry in the PRC, whose shares are traded on the Shenzhen Stock Exchange (stock code: 002292).

Dr. Liu obtained a Master of Economics degree from Sun Yat-sen University in the PRC in 1988, and a Doctorate Degree in Corporate Management degree from Sun Yat-sen University in the PRC in 2004. In addition, Dr. Liu obtained the qualification of being an independent director after attending training organised by the Shanghai Stock Exchange in 2009.

Mr. Chen Tusheng (陳土勝), aged 46, 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 remuneration committee and nomination committee.

Mr. Chen has approximately 15 years of experience in the legal industry.

Mr. Chen obtained a Bachelor of Laws degree major in Economic Law from China University of Political Science and Law in the PRC in 1997. In addition, he is currently a qualified lawyer in the PRC.

Mr. Tan Michael Zhen Shan (譚鎮山), aged 43, 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.

Mr. Tan has approximately 21 years of experience in finance and accounting. He is currently the 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).

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.

Mr. Zheng Decheng (鄭德珵), aged 67, 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.

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

From 2016 to 2019, he was the independent director of Guangdong Tianan New Material Co., Ltd., a company principally engaged in research and development, manufacturing and the sales of accessory materials of home furnishings and motor vehicles, whose shares are listed on the Shanghai Stock Exchange (stock code: 603725). He is also the independent director of Shenzhen Infinova Limited, a technology company principally engaged in research and development of software and hardware for the provision of smart city and family solutions, whose shares are listed on the Shenzhen Stock Exchange (stock code: 002528). In addition, he is currently the independent director of Urtrust Insurance Co., Ltd. (眾誠汽車保險股份有限公司), a motor vehicle insurance company whose shares are listed on the National Equities Exchange and Quotations (stock code: 835987). In addition, 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), a company principally engaged in the production and sale of concrete, whose shares are traded on the Shenzhen Stock Exchange (stock code: 000023).

Mr. 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.

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

Mr. 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. Hong Zongwen (洪宗文), aged 45, joined our Group since 2016 as the general manager of Guangzhou Shaxi Hotel. 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 16 years of experience in property management.

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

Mr. Zhang Fan (張帆), aged 44, joined our Group in 2010 and is responsible for assisting Ms. Jin Chunyan in overseeing the finance management of the Group.

He has approximately 15 years of experience in finance and accounting.

Mr. Zhang Fan obtained a Bachelor of Trade Economics degree from Zhongnan University of Economics and Law (formerly known as Zhongnan College of Economics and Law* (中南政法院)) in the PRC in 1998. He further obtained a Bachelor of Accounting degree from Jinan University in the PRC in 2004. He obtained the qualification of being a medium level certified public accountant under the Ministry of Finance of the PRC in 2007. He has been a certified tax agent under Guangdong Human Resource and Social Security Department in the PRC since 2010.

Mr. Zhong Daomai (鐘道邁), aged 44, joined our Group since 2018 as the secretary of the board and the general manager of the legal management centre of our Company and is primarily responsible for managing the legal management centre of our Company. Mr. Zhong has approximately nine years of experience in legal compliance and corporate governance. Mr. Zhong obtained a Bachelor of Economic Law degree from China University of Political Science and Law in the PRC in 1997.

He has been a qualified lawyer in the PRC since 2006. He also obtained the qualification of being a secretary of the board after attending training given by the Shanghai Stock Exchange in 2011.

Mr. Gu Weibin (古偉斌), aged 44, joined our Group since 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 16 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.

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

CORPORATE GOVERNANCE 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 Corporate Governance Code (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 FY2019, the Company has complied with the applicable code provisions of the CG Code as set out in Appendix 14 to the Listing Rules other than code provision A.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 Hong Chuen is one of our founders, chairman of the Board and chief executive officer. Being as the industry leader and industry development vane for China hospitality supplies industry, Mr. Cheung has extensive experience in hospitality supplies industry, Mr. Cheung is responsible for formulating strategic direction and overseeing the management and business operation of our Group. Mr. Cheung is the key reason for our Group's development and he will not undermine our Group's interests in any way under any circumstances, our Board considers that vesting the roles of chairman and chief executive officer in the same person, 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 checks and balances the power and authority of Mr. Cheung, as both the chairman and chief executive officer of our Group. Our Board currently comprises four executive Directors (including Mr. Cheung), three non-executive Directors and four independent non-executive Directors and therefore has a fairly strong independence element in its composition.

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 eleven Directors, namely Mr. Cheung Hon Chuen (張漢泉) (chairman and chief executive officer), Mr. Mei Zuoting (梅佐挺), Mr. Zhang Weixin (張偉新), Ms, Jin Chunyan (靳春雁) as executive Directors, Mr. Yu Xuecong (余學聰), Mr. Lin Lie (林烈) and Mr. Wu Jianxun (吳建勛) as non-executive Directors, Dr. Liu Eping (劉娥平), Mr. Chen Tusheng (陳土勝), Mr. Tan Michael Zhen Shan (譚鎮山) and Mr. 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 four executive Directors, three non-executive Directors and four independent non-executive Directors). The Board has a balance of skills and experience appropriate for the requirements of the business of the Company.

The biographies of the Directors of the Company are set out on pages 18 to 23 of this annual report. The list of Directors and their roles and function is also disclosed in the websites of the Company and the Stock Exchange.

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

BOARD OF DIRECTORS *(cont'd)*

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.

Code provision A.4.1 of the CG Code stipulates that non-executive Directors shall be appointed for a specific term, subject to reelection, whereas code provision A.4.2 of the CG Code states that all directors appointed to fill a casual vacancy should be subject to the election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

In accordance with the Articles, all the directors are subject to retirement by rotation at least once every three years. Any new director appointed by the Board (i) to fill a casual vacancy in the Board shall hold office only until the first general meeting of the Company following his appointment and shall be subject to reelection 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 FY2019 was approximately RMB3.0 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 FY2019 are set out in note 33 to the consolidated financial statements.

The Company has arranged appropriate insurance cover in respect of legal proceedings against the Directors of the Company.

The procedure agreed by the Board to enable Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expense as required pursuant to the Clause A.1.6 of the CG Code.

During the period since the Listing Date and up to the Latest Practicable Date, the Board 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. Liu Eping (劉娥平), Mr. Chen Tusheng (陳土勝), Mr. Tan Michael Zhen Shan (譚鎮山) and Mr. 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 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.

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 efficiently and 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 in-house 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 FY2019. 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 Ms. Jin Chunyan.

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 trainings in the reporting period, including trainings regarding the updating of the Listing Rules, the responsibilities and continuous obligations of Directors and the Environmental, Social and Governance Reporting Guide. The Company had arranged suitable trainings 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.

According to records provided by the Directors, a summary of training received by the Directors for the year ended 31 December 2019 is as follows:

Name of the Director	Training
Mr. Cheung Hon Chuen	√
Mr. Mei Zuoting	√
Mr. Zhang Weixin	√
Ms. Jin Chunyan	√
Mr. Yu Yuecong	√
Mr. Wu Jianxun	√
Mr. Lin Lie *(appointed on 1 March 2020)*	√*
Dr. Liu Eping	√
Mr. Chen Tusheng	√
Mr. Tan Michael Zhen Shan	√
Mr. Zheng Decheng	√
Mr. Li Zhanpeng *(resigned on 1 March 2020)*	√

* Mr. Lin Lie received his training on 18 February 2020.

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 of the Company.

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 committees thoroughly were recorded all matters under consideration and decisions made including any problems 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.

As the Company's Shares were only listed on the Stock Exchange on 8 November 2019, no Board meeting was held since the Listing Date to 31 December 2019. Two Directors' meetings were held on 14 February 2020 and 20 March 2020 to (i) approve the appointment of a new non-executive director of the Company; and (ii) consider and approve the final results of the Group for the FY2019. The Company expects to convene at least four regular board meetings in each financial year at approximately quarterly intervals in accordance with code provision A.1.1 of the CG Code.

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 website of the Company and that of the Stock Exchange.

Audit Committee

The Company establishes an Audit Committee with written terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules. The Audit Committee consists of three members, namely Dr. Liu Eping (劉娥平), Mr. Tan Michael Zhen Shan (譚鎮山) and Mr. Zheng Decheng (鄭德珵). Dr. Liu has been appointed 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.

As the Company's Shares were only listed on the Stock Exchange on 8 November 2019, the Audit Committee did not hold any meetings since the Listing Date to 31 December 2019. A meeting of the Audit Committee was held on 20 March 2020 to review the annual results of the Group for the FY2019.

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. The Nomination Committee consists of three members, namely Mr. Cheung Hon Chuen (張漢泉), Dr. Liu Eping (劉娥平) and Mr. Chen Tusheng (陳土勝). Mr. Cheung has been appointed 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.

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

Nomination Committee *(cont'd)*

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

As the Company's Shares were only listed on the Stock Exchange on 8 November 2019, the Nomination Committee did not hold any meetings since the Listing Date to 31 December 2019. Two meetings of the Nomination Committee were held on 14 February 2020 and 20 March 2020 to (i) recommend to the Board on the proposed appointment of a new non-executive director of the Company and (ii) review the composition of the Board and assess the independence of independent non-executive Directors, respectively.

Nomination Policy

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

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

Board Diversity Policy

In designing the Board's composition, the Nomination Committee has considered Board diversity from a number of aspects, including but not limited to gender, age, cultural background, educational background, ethnicity, 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, industry experience and professional experience where members of the Board have diversified branch of learning and working experience in different countries and regions.

Remuneration Committee

The Company establishes a Remuneration Committee with written terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules. The Remuneration Committee has three members, comprising two independent non-executive Directors, namely Dr. Liu Eping (劉娥平), Mr. Chen Tusheng (陳土勝), and one executive Director, namely Mr. Cheung Hon Chuen (張漢泉). Dr. Liu is 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.

As the Company's Shares were only listed on the Stock Exchange on 8 November 2019, the Remuneration Committee did not hold any meetings since the Listing Date to 31 December 2019. Two meetings of the Remuneration Committee were held on 14 February 2020 and 20 March 2020 to (i) review and recommend to the Board on the remuneration package of the proposed, new appointment of the non-executive director of the Company; and (ii) review 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, respectively.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (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 since the Listing Date to 31 December 2019. 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 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 FY2019, the fees paid/payable by the Group to PricewaterhouseCoopers for audit and non-audit services amounted to approximately RMB2.4 million and RMB0.3 million, respectively.

FINANCIAL REPORTING

Directors' Responsibility

The Directors of the Company are responsible for overseeing the preparation of the financial statements which give a true and fair view of the state of affairs 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 44 to 46 of this annual report. In preparing the financial statements for the FY2019, 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 44 to 46.

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

The Company also has an internal audit function which primarily carries out the analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems, and reports their findings to the Board on, at least, an annual basis. The Company implements and strictly enforces procedures on inside information according to the relevant procedures stated under the Guidelines on Disclosure of Inside Information.

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

During the FY2019, 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 and 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.

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

DIVIDEND POLICY

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

1. the Group's actual and expected financial performance;

2. retained earnings and distributable reserves of the Group;

3. the Group's working capital requirements, capital expenditure requirements and future expansion plans;

4. the Group's liquidity position;

5. contractual restrictions on the payment of dividends by the Company to the Shareholders or by the Company's subsidiaries to the Company;

DIVIDEND POLICY *(cont'd)*

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

The Company was incorporated in the Cayman Islands. 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 Law of the Cayman Islands. Shareholders who wish to put forward proposals at general meetings may refer to the preceding paragraph to make a written requisition to require the convening of an extraordinary general meeting of the Company.

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

Enquiries to the Board

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

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

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

CHANGE IN CONSTITUTIONAL DOCUMENTS

The Articles was conditionally adopted by the Board on 3 October 2019 and became effective on the Listing Date. A copy of the Articles is available on the websites of the Company and the Stock Exchange. Since the Listing Date and up to the date of this annual report, there was no significant change in constitutional documents of the Company.

The Board is pleased to present the first annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

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

The activities and particulars of the Group are shown under note 11 to the consolidated financial statements. An analysis of the Group's revenue and operating profit for the year by principal activities is set out in the section headed "Management Discussion and Analysis" in this annual report and note 6 to the consolidated financial statements.

RESULTS

The consolidated annual results of the Group for the FY2019 are set out on pages 47 to 117 of this annual report.

DIVIDENDS

The Board recommends the payment of a final dividend of RMB0.013 (equivalent to HK$0.014 calculated at the exchange rate of HK$1.00 to RMB0.9155, which was the People's Bank of China rate prevailing on 20 March 2020) per share for FY2019 to the shareholders of the Company subject to the approval of the Shareholders at the forthcoming AGM to be held on 26 May 2020. The dividend payable to the Shareholders will be declared in Renminbi and paid in Hong Kong dollars, the exchange rate of which will be calculated based on the average exchange rate of Renminbi against Hong Kong dollars published by the People's Bank of China five business days prior to the AGM.

The proposed final dividend is expected to be despatched to the Shareholders on 26 June 2020.

RESERVES

Details of the movement in the reserves of the Group during the FY2019 are set out on page 100 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Group's distributable reserves were approximately RMB1,347 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 FY2019 are set out in note 21 to the consolidated financial statements on pages 98 to 99 of this annual report.

DEALINGS IN LISTED SECURITIES

Since the Shares were only listed on the Stock Exchange on 8 November 2019, neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date to 31 December 2019.

CLOSURE OF REGISTER OF MEMBERS

The Company will hold the AGM on Tuesday, 26 May 2020. 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 ("**Register of Members**") will be closed during the following periods and during these periods, no transfer of shares will be registered:

(i) To attend and vote at the AGM
For the purpose of ascertaining the Shareholders' entitlement to attend and vote at the AGM, the Registers of Members will be closed from Thursday, 21 May 2020 to Tuesday, 26 May 2020, both days inclusive.

CLOSURE OF REGISTER OF MEMBERS *(cont'd)*

(i) To attend and vote at the AGM *(cont'd)*

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 ("**Branch Share Registrar**") of the Company in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 20 May 2020.

(ii) To qualify for the proposed final dividend

For the purpose of ascertaining the Shareholders' entitlement to the proposed final dividend, the Register of Members will be closed from Wednesday, 10 June 2020 to Friday, 12 June 2020, both days inclusive. In order to qualify for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Branch Share Registrar for registration not later than 4:30 p.m. on Tuesday, 9 June 2020.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property and equipment of the Group during the FY2019 are set out in note 15. to the consolidated financial statements on pages 92 to 93 of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is highly aware of the importance of environment protection and has not noted any material non-compliance with all relevant laws and regulations in relation to its business including health and safety, workplace conditions, employment and the environment. The Group has implemented environmental protection measures and has also encouraged staff to be environmental friendly at work by consuming the electricity and paper according to actual needs, so as to reduce energy consumption and minimize unnecessary waste. Further details of the Group's environmental policies and performance will be disclosed in the environmental, social and governance report of the Company for the FY2019 to be published in due course.

PRE-EMPTIVE RIGHTS

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

USE OF NET PROCEEDS FROM THE LISTING

The net proceeds from the Listing of the Company for the FY2019 were approximately RMB217.2 million. With reference to the Prospectus, we intend to use the net proceeds of (i) approximately 26.1% for repayment of the Group's bank borrowings for the construction cost and sales and marketing cost for our shopping malls; and (ii) approximately 73.9% used for project development of three new shopping malls located in Chengdu, Zhengzhou and Fuzhou in China to align with the Group's business expansion. As at 31 December 2019, the Company has utilised a total of RMB21.8 million for repayment of the Group's bank loans; and the remaining unutilised net proceeds of RMB195.4 million have been placed as bank balances/time deposits and will be applied in accordance with the proposed applications as disclosed in the Prospectus.

DIRECTORS

The Board currently consists of the following eleven Directors:

Executive Directors

Mr. Cheung Hon Chuen *(Chairman)*
Mr. Mei Zuoting
Mr. Zhang Weixin
Ms. Jin Chunyan

Non-executive Directors

Mr. Yu Xuecong
Mr. Lin Lie *(appointed on 1 March 2020)*
Mr. Li Zhanpeng *(resigned on 1 March 2020)*
Mr. Wu Jianxun

Independent Non-executive Directors

Dr. Liu Eping
Mr. Chen Tusheng
Mr. Tan Michael Zhen Shan
Mr. Zheng Decheng

PROFILE OF THE DIRECTORS AND THE SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group from the Listing Date to the date of this annual report are set out on pages 18 to 23 in the section headed "Profile of Directors and Senior Management" to this annual report.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to the Rule 13.51B(1) of the Listing Rules, there is no changes to information required to be disclosed by Directors during the period from the Listing Date to 31 December 2019.

DIRECTORS' INTERESTS IN SECURITIES AND UNDERLYING SHARES

As at 31 December 2019, the interests or short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company, and the details of any right to subscribe for Shares and of the exercise of such rights, 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, were as follows:

Director	Company concerned	Capacity/nature of interest	Class and number of securities held[1]	Approximate percentage of Interest in the company concerned
Mr. Cheung Hon Chuen	Honchuen Investment [2,5]	Beneficial owner	782,910,000 (L)	52.2%
Mr. Mei	Zuoting Investment [3,5]	Beneficial owner	782,910,000 (L)	52.2%
Mr. Zhang	Weixin Development [4,5]	Beneficial owner	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.

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 31 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 FY2019 or subsisted at the end of the year 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 FY2019 or subsisted at the end of the year.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Other than disclosed in the section headed "Significant Related Party Transactions" in note 31 to the consolidated financial statements contained in this annual report, 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 the end of the year or at any time during the FY2019.

INTEREST OF DIRECTORS IN BUSINESSES COMPETING WITH THE COMPANY

To the best knowledge of the Directors, none of the Directors had any interest in any business which directly or indirectly competes or is likely to compete with the business of the Group since the Listing Date and up to the Latest Practicable Date.

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 9 and note 33 to the consolidated financial statements.

For the FY2019, 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 FY2019.

Except as disclosed above, no other payments have been made or are payable, for the FY2019, by our Group to or on behalf of any of the Directors.

NON-COMPETITION UNDERTAKING

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

Each of Honchuen Investment, Zuoting Investment, Weixin Development, Mr. Cheung, Mr. Mei and Mr. Zhang has confirmed in writing to the Company of its compliance with the Deed of Non-Competition for disclosure in this report during the period from the Listing Date to 31 December 2019.

The independent non-executive Directors have reviewed the Deed of Non-Competition and had determined that neither Honchuen Investment, Zuoting Investment, Weixin Development, Mr. Cheung, Mr. Mei and Mr. Zhang has been in breach of the Deed of Non-Competition during the period from the Listing Date to 31 December 2019.

During the period from the Listing Date to 31 December 2019, the Directors (including the independent non-executive Directors) did not make any decisions in relation to whether to exercise or terminate an option for purchase and take up or waive any new business opportunity.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

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

MANAGEMENT CONTRACTS

Other than the Directors' service contracts and appointment letters, no contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence as at the end of the year or at any time during the FY2019.

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 FY2019.

MATERIAL LEGAL PROCEEDINGS

Save as disclosed in the Prospectus, the Group was not involved in any material legal proceeding during the FY2019.

LOAN AND GUARANTEE

During the FY2019, 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 of the date of this annual report, the following persons have interests or a short positions in Shares or underlying Shares of our Company which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our 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%

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 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 "Substantial Shareholders" of the Prospectus.

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.

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 the 31 December 2019, no share option was granted, exercised, outstanding, cancelled or lapsed under the Share Option Scheme. 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 optimise 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.

(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.

SHARE OPTION SCHEME *(cont'd)*

(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.

(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

At no time during the period from the Listing Date to 31 December 2019 was the Company, its holding company, or any of its subsidiaries, a party to any arrangement to enable 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 FY2019.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND 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 and capital assets.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the Group's largest customers accounted for 3% 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 38% of the Group's total purchase. The Group's five largest suppliers accounted for 80% 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 FY2019 are set out in note 31 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 date of this annual report, the Company has maintained the public float as required under the Listing Rules.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision (as defined in the Hong Kong Companies Ordinance) in relation to the director's and officer's liability insurance is currently in force.

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 FY2019.

The Board will continue to review and monitor the practices of the Company with an aim to maintaining a high standard of corporate governance.

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 24 to 32 of this annual report.

AUDITOR

The Shares were only listed on the Stock Exchange on 8 November 2019, and there has been no change in auditors since the Listing Date. The consolidated financial statements for the FY2019 have been audited by PricewaterhouseCoopers, Certified Public Accountants, who are proposed for reappointment at the forthcoming AGM.

COMPLIANCE WITH LAWS AND REGULATIONS

For the FY2019, 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

20 March 2020

羅兵咸永道

To the Shareholders of Xinji Shaxi Group Co., Ltd
(incorporated in 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**") set out on pages 47 to 117, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- 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 a summary of significant accounting policies.

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 2019, 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.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

KEY AUDIT MATTERS

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties	
Refer to notes 3.3 (b), note 4 (a) and note 16 to the consolidated financial statements. The Group's investment properties are stated at fair value. As at 31 December 2019, the Group's investment properties amounted to RMB2,971.87 million and the fair value gains on investment properties for the year ended 31 December 2019 amounted to RMB10.05 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 significant management judgement and assumptions, including but not limited to assessment of capitalisation rate, fair market rent and fair market price of the properties.	Our procedures in relation to management's valuation of investment properties included: (i) We understood, evaluated and tested the Group's internal control over valuation of investment properties; (ii) We evaluated the independent external valuers' competence, capabilities and objectivity; (iii) We assessed the appropriateness of methodologies used and the reasonableness of 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. We found that the judgements and assumptions made by the management in relation to the valuation of investment properties were supported by 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, related safeguards.

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 Leung Po Wah, Pauline.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 March 2020

CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 31 December **2019** **RMB'000**	 2018 RMB'000
Revenue	6	**303,083**	281,355
Cost of sales	7	**(28,180)**	(27,463)
Fair value gains on investment properties	16	**10,051**	126,247
Selling and marketing expenses	7	**(32,777)**	(23,570)
Administrative expenses	7	**(50,501)**	(39,804)
Net impairment losses on financial assets and operating lease receivables	3.1(b)	**(432)**	(275)
Other income	8	**4,280**	69,324
Other gains – net		**2,053**	90
Operating profit		**207,577**	385,904
Finance income	10	**1,107**	40,198
Finance expenses	10	**(53,265)**	(77,743)
Finance expenses – net	10	**(52,158)**	(37,545)
Profit before income tax		**155,419**	348,359
Income tax expenses	12	**(53,969)**	(98,133)
Profit for the year		**101,450**	250,226
Profit attributable to:			
– Owners of the Company		**102,905**	189,213
– Non-controlling interests		**(1,455)**	61,013
		101,450	250,226
Earnings per share for profit attributable to owners of the Company during the year (expressed in RMB per share)			
Basic and diluted earnings per share	13	**0.08**	0.18

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit for the year	**101,450**	250,226
Other comprehensive income		
Item that will not be reclassified to profit or loss		
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	**–**	(1,261)
Other comprehensive income for the year net of tax	**–**	(1,261)
Total comprehensive income for the year	**101,450**	248,965
Attributable to:		
– Owners of the Company	**102,905**	187,952
– Non-controlling interests	**(1,455)**	61,013
	101,450	248,965

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

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2019 RMB'000	 2018 RMB'000
ASSETS			
Non-current assets			
Property and equipment	15	**1,405**	870
Investment properties	16	**2,971,870**	2,890,230
Intangible assets	17	**817**	974
Deferred income tax assets	27	**4,304**	5,612
		2,978,396	2,897,686
Current assets			
Inventories		**1,450**	1,514
Operating lease and trade receivables and other receivables	19	**37,697**	66,164
Amounts due from related parties	31	**26**	94,990
Cash and cash equivalents	20	**272,400**	11,283
		311,573	173,951
Total assets		**3,289,969**	3,071,637
EQUITY			
Share capital and premium	21	**304,494**	–
Other reserves	22	**232,422**	222,925
Retained earnings	23	**1,347,140**	1,253,732
		1,884,056	1,476,657
Non-controlling interests		**(2,287)**	(832)
Total equity		**1,881,769**	1,475,825

	Note	As at 31 December 2019 RMB'000	2018 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	26	**466,220**	578,805
Deferred revenue		**2,637**	5,802
Trade and other payables	24	**29,454**	25,334
Lease liabilities	24	**131,006**	141,217
Deferred income tax liabilities	27	**414,945**	403,169
		1,044,262	1,154,327
Current liabilities			
Borrowings	26	**143,889**	92,659
Trade and other payables	24	**86,141**	135,752
Lease liabilities	24	**21,141**	19,285
Amounts due to related parties	31	**–**	56,379
Advance from customers	25	**65,159**	103,304
Contract liabilities		**7,516**	4,116
Current income tax liabilities		**40,092**	29,990
		363,938	441,485
Total liabilities		**1,408,200**	1,595,812
Total equity and liabilities		**3,289,969**	3,071,637

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

The consolidated financial statements on pages 47 to 117 were approved by the Board of Directors on 20 March 2020 and were signed on its behalf:

Cheung Hon Chuen
Director

Jin Chunyan
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 21)	Other reserves RMB'000 (Note 22)	Retained earnings RMB'000 (Note 23)	Total RMB'000		
For the year ended 31 December 2019							
Balance at 1 January 2019		–	222,925	1,253,732	1,476,657	(832)	1,475,825
Profit for the year		–	–	102,905	102,905	(1,455)	101,450
Total comprehensive income for the year		–	–	102,905	102,905	(1,455)	101,450
Transactions with owners							
Issue of new shares to a Pre-IPO investor	21	55,760	–	–	55,760	–	55,760
Issue of new shares in connection with the Company's listing	21	268,200	–	–	268,200	–	268,200
Share issuance costs	21	(19,466)	–	–	(19,466)	–	(19,466)
Transfer to statutory reserves		–	9,497	(9,497)	–	–	–
		304,494	9,497	(9,497)	304,494	–	304,494
Balance at 31 December 2019		304,494	232,422	1,347,140	1,884,056	(2,287)	1,881,769

Consolidated statement of changes in equity

		Attributable to owners of the Company					
	Note	Share Capital and Premium RMB'000 (Note 21)	Other reserves RMB'000 (Note 22)	Retained earnings RMB'000 (Note 23)	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
For the year ended 31 December 2018							
Balance at 1 January 2018		–	86,020	1,064,519	1,150,539	366,903	1,517,442
Profit for the year		–	–	189,213	189,213	61,013	250,226
Other comprehensive income		–	(1,261)	–	(1,261)	–	(1,261)
Total comprehensive income for the year		–	(1,261)	189,213	187,952	61,013	248,965
Transactions with owners							
Non-controlling interest on acquisition of subsidiaries		–	–	–	–	1,160	1,160
Changes in ownership interests in subsidiaries without change of control		–	411,050	–	411,050	(434,808)	(23,758)
Deemed distributions to the then shareholders of the Group	22	–	(272,884)	–	(272,884)	–	(272,884)
Capital injection from non-controlling interests		–	–	–	–	4,900	4,900
		–	138,166	–	138,166	(428,748)	(290,582)
Balance at 31 December 2018		–	222,925	1,253,732	1,476,657	(832)	1,475,825

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 2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
Cash generated from operations	28	**178,689**	240,367
Income tax paid		**(30,783)**	(24,469)
Interest received		**1,107**	34
Interest paid		**(52,150)**	(68,540)
Net cash generated from operating activities		**96,863**	147,392
Cash flows from investing activities			
Payments for acquisition of subsidiaries, net of cash acquired		**–**	(654)
Proceeds from disposal of subsidiaries		**–**	7,300
Payments for investment properties		**(93,368)**	(193,872)
Payments for purchase of property, plant and equipment		**(225)**	(51)
Payments for purchase of intangible assets		**(464)**	(433)
Proceeds from disposal of property, plant and equipment		**–**	241
Repayment from related parties		**27,323**	485,079
Cash advance to related parties		**(492)**	(7,842)
Proceeds from disposal of financial assets at fair value through other comprehensive income		**–**	15,000
Dividend received		**–**	1,275
Net cash (used in)/generated from investing activities		**(67,226)**	306,043
Cash flows from financing activities			
Proceeds from borrowings		**30,000**	106,930
Repayments of borrowings		**(92,659)**	(465,772)
Proceeds from the company's listing		**268,200**	–
Capital injection by a Pre-IPO investor		**55,760**	–
Capital injection by a third party investor		**4,900**	–
Payments for listing related expenses		**(15,726)**	(3,740)
Cash advance from related parties		**16,780**	3,982
Repayment to related parties		**(5,026)**	(1,732)
Deemed distributions to the then shareholders of the Group		**–**	(88,808)
Changes in ownership interests in subsidiaries without change of control		**(22,439)**	(1,319)
Settlement of lease liabilities		**(9,383)**	(14,330)
Net cash generated from/(used in) financing activities		**230,407**	(464,789)
Net increase/(decrease) in cash and cash equivalents		**260,044**	(11,354)
Cash and cash equivalents at beginning of year		**11,283**	22,637
Exchange gain on cash and cash equivalents		**1,073**	–
Cash and cash equivalents at end of year		**272,400**	11,283

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 July 27, 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 P.O.Box 3119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in operating and managing hospitality supplies and home furnishing shopping malls, exhibition management services and online shopping mall (the "Listing Business") in the People's Republic of China (the "PRC").

Pursuant to a Reorganisation ("the Reorganisation") in preparing for the listing ("the Listing") of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited ("the Main Board"), which was completed on 27 December 2018, the Company became the holding company of the other companies comprising the Group.

The Company's shares were listed on the Main Board on 8 November 2019.

These consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

These consolidated financial statements have been approved for issued by the Board on 20 March 2020.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

(i) Compliance with HKFRSs and HKCO

The consolidated financial statements of the Group have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") and requirements of the Hong Kong Companies Ordinance Cap. 622. In particular, the Group has consistently adopted HKFRS 16 for the years ended 31 December 2019 and 2018.

(ii) Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties which are carried at fair value.

Pursuant to the Reorganisation, the Listing Business was transferred to and held by the Company. The Company and its subsidiaries set up during the Reorganisation are new companies which have not been involved in any business prior to the Reorganisation and their operations do not meet the definition of a business. The Reorganisation is merely a recapitalisation of the Listing Business and does not result in any changes in management of such business and the ultimate controlling shareholders of the Listing Business remain the same. The Group resulting from the Reorganisation is regarded as a continuation of the Listing Business. Accordingly, the consolidated financial statements is presented using the carrying values of the Listing Business for the two years ended 31 December 2019 and 2018.

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

2.1 Basis of preparation *(cont'd)*

(ii) Historical cost convention (cont'd)

The consolidated financial statements of the Group for the year ended 31 December 2018 included certain financial information of a business segment of Panyu Xinji Real Estate Development Co., Ltd ("Panyu Real Estate"), an entity under common control of the ultimate controlling shareholders which was engaged in the same business as the Group, on basis as set out below:

– Transactions and balances specifically identified as relating to the Listing Business were consolidated in the historical financial information.

  Expenses incurred by Panyu Real Estate that were not specifically identified as relating to the Listing Business and comprised mainly general administrative expenses were allocated as appropriate as expenses of the Group.

– Current and deferred income taxes on profits attributable to the Listing Business calculated on the above basis are provided for using the PRC corporate income tax rate of 25% during the relevant periods in accordance with the Group's accounting policies; and

– Inter-company transactions and balances between group companies including the Listing Business were eliminated on consolidation.

The preparation of financial statements in conformity with HKFRSs 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(iii) Going concern

As at 31 December 2019 the Group's current liabilities exceeded its current assets by RMB52,365,000. In addition, as at 31 December 2019, the Group's total bank borrowings amounted to RMB610,109,000, of which RMB143,889,000 were repayable within the next twelve months from 31 December 2019 (note 26). Such liquidity shortfall was mainly attributable to certain of the Group's non-current assets including investment properties being financed mainly by the Group's internal funding and borrowings.

In view of these circumstances, the directors of the Company have given careful consideration to the future liquidity position and financial performance of the Group and its available sources of financing in assessing whether the Group has sufficient financial resources to continue as a going concern. A number of measures have been put in place by the directors of the Company to further improve profitability, control operating costs and contain capital expenditures in order to improve the Group's operating performance and alleviate its liquidity risk:

(a) Included in current liabilities was advance from customers of RMB65,159,000 and contract liabilities of RMB7,516,000 of which no future cash outflow is expected.

(b) As at 31 December 2019, the Group had unutilised financing facilities of RMB400,000,000 which can be used to cover any shortfall liquidity in the next twelve months.

(c) Management has become more cost conscious and is reducing unnecessary expenditures to improve its operating cash flows.

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

2.1 Basis of preparation *(cont'd)*

(iii) Going concern (cont'd)

The Company's directors have reviewed the Group's cash flow projections prepared by the management. The cash flow projections cover a period of not less than twelve months from 31 December 2019. Based on these cash flow projections, the Group will have sufficient financial resources to meet its financial obligations as and when they fall due in the coming twelve months from 31 December 2019. Management's projections make key assumptions with regard to the anticipated cash flows from the Group's operations, capital expenditures and the continuous availability of the Group's financing facilities. The Group's ability to achieve the projected cash flows depends on management's ability to successfully implement the aforementioned improvement measures on profitability and liquidity, and the continuous availability of bank facilities from its banks. The directors, after making due enquiries and considering the basis of management's projections described above and after taking into account the operational performance and the availability of the financing facilities, believe that there will be sufficient financial resources to meet the Group's financial obligations as and when they fall due in the coming twelve months from the year ended 31 December 2019. Accordingly, the historical financial information have been prepared on a going concern basis.

(iv) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

		Effective for annual periods beginning on or after
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	1 January 2020
HKFRS 3 (Amendments)	Definition of a Business	1 January 2020
Revised Conceptual Framework for Financial Reporting		1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards and amendments, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the Group, no significant impact on the financial performance and position of the Group is expected when these new or revised standards and amendments become effective.

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

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.

Business combinations not under common control

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

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

2.2 Subsidiaries *(cont'd)*

2.2.1 Consolidation (cont'd)

(a) Business combination (cont'd)

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) Changes in ownership interests in subsidiaries without change of control

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

(c) Disposal of subsidiaries

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

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

2.2 Subsidiaries *(cont'd)*

2.2.2 Separate financial statements

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

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

2.3 Segment reporting

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

2.4 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 gains/(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:

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

(b) 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

(c) 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.

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 external valuers after initial recognition.

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.

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

2.5 Leases *(cont'd)*

The Group as a lessor (cont'd)

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the terms of the relevant lease. Initial direct costs with more than a significant amount are capitalised when incurred, and are recognised in profit or loss on the same basis as rental income over the lease term. Other initial direct costs with an insignificant amount are charged to profit or loss in the period in which they are incurred. The lease receivables under lease arrangements are recognised as "operating lease receivables" in the consolidated balance sheets.

The Group as a sublease lessor

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

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

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

2.6 Property and equipment

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

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

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:

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 2.9).

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, plant 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)/gains – net" in the consolidated income statement.

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

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 expenses as incurred.

2.8 Investment properties

Investment properties, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. They also includes 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 external valuers. 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.10 Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on prevailing marketing conditions. Development cost of property comprises cost of land use rights, construction costs, depreciation of machinery and equipment, borrowing costs capitalised for qualifying assets and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

Properties under development are classified as current assets when the construction of the relevant properties commences unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle. The normal operating cycle is usually between 3 and 4 years since property development company obtain Construction Work Permit.

2.11 Inventories

Inventories mainly comprise of goods for e-commerce trade, which are stared 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.

2.12 Financial assets

2.12.1 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.

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

2.12 Financial assets *(cont'd)*

2.12.3 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 the consolidated statements of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to the consolidated statements of comprehensive income. 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.

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.

2.13 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheets 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.

2.14 Impairment of financial assets and operating lease receivables

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

Deposits and other receivables due from related parties, are considered to have low credit risk, and thus the impairment provision recognised during the period was limited to 12 months expected losses.

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

2.14 Impairment of financial assets and operating lease receivables *(cont'd)*

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

- The receivable is not credit-impaired on initial recognition is classified in "Stage 1" and has its credit risk continuously monitored by the Group.

- If a significant increase in credit risk since initial recognition is identified, the receivables is moved to "Stage 2" but is not yet deemed to be credit impaired.

- If the receivables is credit-impaired, the financial instrument is then moved to "Stage 3".

Receivables in Stage 1 have their expected credit loss measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stage 2 or 3 have their expected credit loss measured based on expected credit losses on a lifetime basis. When measuring expected credit loss, the Group considers forward-looking information.

2.15 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.

2.16 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.

2.17 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 and amounts due to related parties 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 and amounts due to related parties are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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

2.18 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.

2.19 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.

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

2.19 Current and deferred income *(cont'd)*

(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 sheets 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.

2.20 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.

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

2.20 Employee benefits *(cont'd)*

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.

2.21 Provisions

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

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

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

2.22 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

Revenue arising from property management 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) Exhibition management service

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

(iv) 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.

2.23 Interest income

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

2.24 Dividend income

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

2.25 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 2019, the Group has cash balance of RMB188,721,000 denominated in HK$. If RMB had strengthened/weakened by 2% against HK$, the post-tax profit of the Group for the year ended 31 December 2019 would have been approximately RMB2,831,000 lower/higher (2018: nil).

(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 2019, 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 2019 would have been RMB4,576,000 lower/higher (2018: RMB5,036,000 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 banks, operating lease and trade receivables and other receivables.

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

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.1 Financial risk factors *(cont'd)*

(b) Credit risk (cont'd)

To manage the credit risk, bank deposits are mainly placed with state-owned or reputable financial institutions in the PRC and reputable international financial institutions outside the PRC. There has been no recent history of default in relation to these financial institutions. The Group's bank deposits as at 31 December 2019 and 2018 are as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Big four commercial banks (Note (i))	**3,209**	4,068
Other listed banks	**261,552**	902
Other non-listed banks	**6,092**	4,958
	270,853	9,928

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

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

There is no significant concentration of the Group's credit losses as no individual balance of operating lease receivables exceeds 10% of the Group's total operating lease receivables as at 31 December 2019 (2018: same). During the year ended 31 December 2019, no revenue from a single customer accounted for more than 10% of the Group's total revenue (2018: same).

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

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 trade receivables

The Group measures the loss allowance provision of operating lease and trade receivables according to the amount of expected credit losses equivalent to the entire life period, and calculates its expected credit losses based on the comparison table for credit risk rating and default loss rate.

The loss allowance provision of operating lease receivables as at 31 December 2019 and 2018 is determined as follows, the expected credit losses below also incorporate forward looking information.

Credit risk rating	**As at 31 December 2019** Default loss rate	Gross carrying RMB'000	Loss allowance RMB'000
Normal (a)	**close to zero**	**4,206**	**–**
Doubtful (b)	**10%**	**15,070**	**1,507**
In default (c)	**100%**	**835**	**835**
Total	**12%**	**20,111**	**2,342**

Credit risk rating	As at 31 December 2018 Default loss rate	Gross carrying RMB'000	Loss allowance RMB'000
Normal (a)	close to zero	16,981	–
Doubtful (b)	10%	18,000	1,800
In default (c)	100%	1,815	1,815
Total	10%	36,796	3,615

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.1 Financial risk factors *(cont'd)*

(b) Credit risk (cont'd)

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

The loss allowance provision of trade receivables as at 31 December 2019 and 2018 is determined as follows, the expected credit losses below also incorporate forward looking information.

Credit risk rating	As at 31 December 2019 Default loss rate	 Gross carrying RMB'000	 Loss allowance RMB'000
Normal (a)	**close to zero**	**87**	**–**
Doubtful (b)	**10%**	**6,038**	**629**
Total	**10%**	**6,125**	**629**

Credit risk rating	As at 31 December 2018 Default loss rate	 Gross carrying RMB'000	 Loss allowance RMB'000
Normal (a)	close to zero	1,926	–
Doubtful (b)	12%	6,898	797
Total	9%	8,824	797

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

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

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

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

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.1 Financial risk factors *(cont'd)*

(b) Credit risk (cont'd)

(ii) Other receivables and amounts due from related parties

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

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.

To measure the expected credit losses of other receivables other than amount due from related parties and deposits, other receivables have been grouped based on shared credit risk characteristics and the days past due. The Group applies either 12-month expected credit losses method or lifetime expected losses method, depending on whether there has been a significant increase in credit risk since initial recognition.

For the year ended 31 December 2019, the average expected loss rate on the gross carrying amount of other receivables excluding amounts due from related parties and deposits was 13% (2018: 2%).

(iii) Written off loss allowance

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

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.1 Financial risk factors *(cont'd)*

(b) Credit risk (cont'd)

(iv) Loss allowance provision movement

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

	Operating lease receivables RMB'000	Trade receivables RMB'000	Other receivables RMB'000	Total RMB'000
Balance as at 1 January 2018	3,950	418	405	4,773
Provision/(reverse) for loss allowance recognised in profit or loss for the year	154	379	(258)	275
Written off loss allowance for the year	(489)	–	–	(489)
Balance as at 31 December 2018	3,615	797	147	4,559

	Operating lease receivables RMB'000	**Trade receivables RMB'000**	**Other receivables RMB'000**	**Total RMB'000**
Balance as at 1 January 2019	**3,615**	**797**	**147**	**4,559**
Provision/(reverse) for loss allowance recognised in profit or loss for the year	**545**	**(168)**	**55**	**432**
Written off loss allowance for the year	**(1,818)**	**–**	**–**	**(1,818)**
Balance as at 31 December 2019	**2,342**	**629**	**202**	**3,173**

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.1 Financial risk factors *(cont'd)*

(c) Liquidity risk

Cash flow forecasts is 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 2019					
Borrowings (including interests)	**181,032**	**153,198**	**224,956**	**183,938**	**743,124**
Lease liabilities	**22,727**	**23,863**	**55,669**	**112,565**	**214,824**
Trade and other payables (excluding salary payables and other tax liabilities)	**69,864**	**10,321**	**19,043**	**90**	**99,318**
	273,623	**187,382**	**299,668**	**296,593**	**1,057,266**

	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 2018					
Borrowings (including interests)	138,665	149,761	305,226	256,866	850,518
Amounts due to related parties	56,379	–	–	–	56,379
Lease liabilities	21,303	22,368	59,687	132,034	235,392
Trade and other payables (excluding salary payables and other tax liabilities)	125,202	7,962	18,409	90	151,663
	341,549	180,091	383,322	388,990	1,293,952

Interests are calculated on borrowings held as at 31 December 2019 (2018: same). Floating-rate interest is estimated using the current interest rate as at 31 December 2019 (2018: 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 amount 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 2019 and 2018 are as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Borrowings (Note 26)	**610,109**	671,464
Less: cash and cash equivalents (Note 20)	**(272,400)**	(11,283)
Net debts	**337,709**	660,181
Equity	**1,881,769**	1,475,825
Gearing ratio	**18%**	45%

The decrease in gearing ratio as of 31 December 2019 as compared to 31 December 2018 is mainly due to increase in cash and cash equivalents and equity.

3.3 Fair value estimation

(a) Financial assets and liabilities

(i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments 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 financial instruments into the three levels prescribed under the accounting standards. The Group have no level 1, 2 and 3 financial instruments as at 31 December 2019 (2018: same).

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

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale 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.

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.3 Fair value estimation *(cont'd)*

(a) Financial assets and liabilities (cont'd)

(i) Fair value hierarchy (cont'd)

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

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

(ii) Valuation techniques used to determine fair values

The fair value of financial assets at fair value through other comprehensive income is determined using the quoted market prices or dealer quotes for similar instruments.

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

The following table presents the changes in level 3 items for the years ended 31 December 2019 and 2018:

	As at December 31	
	2019	2018
	RMB'000	RMB'000
Opening balance	**–**	16,681
Disposal	**–**	(15,000)
Fair value change recognised in other comprehensive income	**–**	(1,681)
Closing balance	**–**	–

(iv) Valuation processes

The Group's level 3 financial assets as at 1 January 2018 comprised investment in an unlisted company. The level 3 financial assets were valued by an independent qualified valuer not related to the Group, who hold recognised relevant professional qualification.

The main level 3 input used by the Group for financial assets at fair value through other comprehensive income pertains to the discount for lack of marketability. The discount for lack of marketability is quantified on the basis of relevant restricted stock studies and represents the most significant unobservable input applied to arrive at the fair value measurement.

Such level 3 financial assets were disposed of during the year ended 31 December 2018.

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.3 Fair value estimation *(cont'd)*

(b) Non-financial assets and liabilities

(i) Fair value hierarchy

This note explains the judgements and estimates made in determining the fair values of the non-financial assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its non-financial assets and liabilities into the three levels prescribed under the accounting standards. An explanation of each level is provided in note 3.3(a).

	Level 3 As at 31 December **2019** **RMB'000**	 2018 RMB'000
Investment properties (note 16)	**2,971,870**	2,890,230

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.

(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 2019, all investment properties are included in level 3 fair value hierarchy (2018: same).

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

Refer to Note 16 for the changes in level 3 items for the year ended 31 December 2019 recurring fair value measurement.

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.3 Fair value estimation *(cont'd)*

(b) Non-financial assets and liabilities (cont'd)

(iv) Valuation inputs and relationships to fair value

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

	Fair value as at 31 December 2019 RMB'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	1,468,300	Comparison method	Market price (RMB/square meter)	8,000 to 18,000
	1,475,200	Income capitalisation	Market rents (RMB/square meter/month)	25 to 204
			Capitalisation rate	5.5% to 8%
Investment properties under construction	28,370	Comparison method	Market price (RMB/square meter)	350 to 420

	Fair value as at 31 December 2018 RMB'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	1,440,100	Comparison method	Market price (RMB/square meter)	10,000 to 15,000
	1,421,760	Income capitalisation	Market rents (RMB/square meter/month)	20 to 189
			Capitalisation rate	5.5% to 8%
Investment properties under construction	28,370	Comparison method	Market price (RMB/square meter)	350 to 420

There are inter-relationships between unobservable inputs. The higher the market price, 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.

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.3 Fair value estimation *(cont'd)*

(b) Non-financial assets and liabilities (cont'd)

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 2019 and 2018. 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

Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimates for 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. Details of the judgment and assumptions are disclosed in note 3.3.

(b) Impairment of receivables

The Group records impairment of receivables based on expected credit losses. Provisions are applied where events or changes in circumstances indicate that the balances may subject to credit losses. Impairment assessment requires the use of significant judgement and estimates. Management reassesses the provision at each balance sheet date. Where the expectation is different from the original estimate, such difference will impact both the expected credit losses of operating lease and trade receivables and other receivables, and the impairment charge in the period in which such estimate has been changed. Based on the Group's assessment on the credit losses of operating lease and trade receivables and other receivables, impairment provision of RMB432,000 were made during the year ended 31 December 2019 (2018: RMB275,000).

(c) Current income tax and deferred tax

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

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

5 SEGMENT INFORMATION

The Executive Directors of the Company have been identified as the CODM. Management has determined the operating segments based on the reports reviewed by the Executive Directors, which are used to allocate resources and assess performance.

The Group is principally engaged in managing owned/leased portfolio shopping mall which derives revenue from leasing floor areas to the tenants and providing comprehensive and continuous operation and management support to them in the PRC. Management reviews the operating results of the business as one segment to make decisions about resources to be allocated. Therefore, the Executive Directors of the Company regards that there is only one segment which is used to make strategic decisions.

The major operating entities of the Group are domiciled in the PRC. All of the Group's revenue are derived in the PRC during the year.

As at 31 December 2019 and 2018, all of non-current assets of the Group were located in the PRC.

There was no revenue derived from a single external customer that accounted for 10% or more of the Group's revenues during the year.

6 REVENUE

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Rental income:		
– Properties lease income	**254,691**	243,949
Revenue from contracts with customers:		
– Sales of goods (a)	**15,057**	7,858
– Exhibition management service (b)	**4,991**	5,697
– Properties management service (b)&(c)	**28,344**	23,851
	48,392	37,406
	303,083	281,355

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

(b) Revenue generated from exhibition management and properties management service are recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation.

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

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Aggregate amount of the transaction price allocated to long-term property management services contracts that the performance obligations of which are partially fully unsatisfied as at 31 December		
Expected to be recognised over one year	**24,783**	27,180
Expected to be recognised within one year	**21,753**	19,348
	46,536	46,528

The amount disclosed above does not include any variable consideration.

For exhibition management service, they are rendered in short period of time and there is no unsatisfied performance obligation as at 31 December 2018 and 2019.

7 EXPENSES BY NATURE

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Employee benefit expenses (Note 9)	**32,206**	26,475
Employee benefit expenses (including directors' emoluments)	**32,745**	26,961
Less: capitalised in investment properties under construction	**(539)**	(486)
Listing expenses	**17,340**	14,707
Marketing and advertising costs	**13,816**	9,322
Cost of sales of goods	**10,446**	5,225
Tax and other levies	**5,907**	6,932
Property maintenance expenses	**4,170**	6,818
Exhibition expenses	**3,528**	4,693
Electricity and water cost	**3,323**	4,517
Legal and professional expenses	**1,854**	1,562
Auditors' remuneration		
– Audit services	**2,260**	–
– Non-audit services	**326**	–
Technical Service Charge	**1,675**	685
Donation	**1,291**	170
Office and travelling expenses	**1,171**	755
Entertainment expenses	**975**	1,058
Depreciation (Note 15)	**718**	534
Amortisation (Note 17)	**621**	417
Other expenses	**9,831**	6,967
Total cost of sales, selling and marketing expenses and administrative expenses	**111,458**	90,837

8 OTHER INCOME

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Forfeiture of advances received from customers	**499**	560
Commission income due to amendment of rental contracts	**324**	670
Compensation for demolition	**–**	65,545
Dividend income from financial assets at fair value through other comprehensive income	**–**	1,275
Other service income	**–**	961
Others	**3,457**	313
	4,280	69,324

9 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Wages, salaries and bonus	**25,548**	19,525
Pension costs – defined contribution plans (Note a)	**2,972**	2,827
Other social security costs, housing benefits and other employee benefit	**4,225**	4,609
	32,745	26,961
Less: capitalised in properties under development for sales and investment properties under construction	**(539)**	(486)
	32,206	26,475

(a) Pension costs – defined contribution plans

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

(b) Five highest paid individuals

The five highest paid individuals include 4 (2018: 3) directors for the year ended 31 December 2019, whose details of the emoluments are disclosed in note 33. The emoluments paid and payable to the remaining 1 (2018: 2) individuals for the year ended 31 December 2019 are as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Wages, salaries and bonus	**505**	480
Social security contributions	**58**	74
Housing benefits and other employee benefits	**15**	16
	578	570

9 EMPLOYEE BENEFIT EXPENSES *(cont'd)*

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

The emoluments fell within the following bands:

	Year ended 31 December 2019	2018
Emolument bands (in HK dollar)		
Nil – HK$200,000	–	–
HK$200,001 – HK$500,000	–	2
HK$500,001 – HK$700,000	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.

10 FINANCE INCOME AND FINANCE EXPENSES

	Year ended 31 December 2019 RMB'000	2018 RMB'000
Finance income:		
– Interest income from bank deposits	(1,107)	(34)
– Interest income from related parties	–	(40,164)
	(1,107)	(40,198)
Finance expenses:		
– Leasing finance expenses	8,952	9,179
– Interest expenses	44,502	68,734
– Less: capitalised interest	(189)	(170)
	53,265	77,743
Finance expenses – net	52,158	37,545

11 SUBSIDIARIES

The Group's principal subsidiaries as at 31 December 2019 are set out below.

Name of entity	Country/ place and date of incorporation/ establishment	Registered/ Issued capital and paid up capital	Attributable equity interest of the Group As at 31 December 2019	2018	Principal activities/ 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$1	100%	100%	Investment holding, BVI
Indirectly owned:					
Hong Kong Xinji Shaxi Hotel Supplier Development Limited ("香港信基沙溪酒店用品發展有限公司")	Hong Kong, 28 August 2018	Hong Kong Dollar ("HK$") 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")	PRC, 25 September 2018 (i)	RMB300,000,000/ RMB107,134,000	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")	PRC, 8 January 2002 (ii)	RMB310,000,000/ RMB120,328,500	100%	100%	Leasing services/ the PRC
Guangzhou Wanhua Hospitality Supplies City Company Limited ("廣州萬華酒店用品城有限公司")	PRC, 24 June 2004 (iii)	RMB100,800,000/ RMB60,800,000	100%	100%	Leasing services/ the PRC
Shenyang Shaxi International Hospitality Supplies Expo Centre Company Limited ("瀋陽沙溪國際酒店用品博覽中心有限公司")	PRC, 10 June 2009 (iii)	RMB10,000,000/ RMB10,000,000	100%	100%	Leasing services/ the PRC
Shenyang Shaxi International Home Furnishings Expo Centre Company Limited ("瀋陽沙溪國際家居用品博覽中心有限公司")	PRC, 10 June 2009 (iii)	RMB10,000,000/ RMB10,000,000	100%	100%	Leasing services/ the PRC

11 SUBSIDIARIES *(cont'd)*

Name of entity	Country/ place and date of incorporation/ establishment	Registered/ Issued capital and paid up capital	Attributable equity interest of the Group As at 31 December 2019	2018	Principal activities/ place of operation
Shenyang Xinji Industrial Centre Company Limited ("瀋陽信基實業有限公司")	PRC, 13 May 2009 (iii)	RMB240,000,000/ RMB110,000,000	**100%**	100%	Leasing services/ the PRC
Guangdong Xinji Huazhan Exhibition Company Limited. ("廣東信基華展展覽有限公司")	PRC, 12 December 2012 (iii)	RMB10,000,000/ RMB3,000,000	**80%**	80%	Exhibition services/ the PRC
Guangzhou Xinji Dajing Electronic Commerce Company Limited ("廣州信基達境電子商務有限公司")	PRC, 30 December 2016 (iii)	RMB2,900,000/ RMB2,900,000	**60%**	60%	Online trading/ the PRC
Guangzhou Xinji Dingshang Electronic Co., Ltd ("廣州信基鼎尚電子有限公司")	PRC, 20 September 2017 (iii)	RMB1,000,000/ RMB257,000	**60%**	60%	Online trading/ the PRC
Guangdong Xinji Household Company Limited ("廣東信基家居有限公司")	PRC, 14 November 2013 (iii)	RMB10,000,000/ RMB7,522,174	**100%**	100%	Leasing services/ the PRC
Guangzhou Xinji Commerce Operation Management Co., Ltd (廣州信基商業運營管理有限公司)	PRC, 30 January 2018 (iii)	RMB1,000,000/ RMB550,000	**55%**	55%	Management services/ the PRC
Guangdong Xinji International Exhibition Co., Ltd ("廣東信基國際展覽有限公司")	PRC, 14 June 2018 (iii)	RMB10,000,000/ RMB190,000	**100%**	100%	Exhibition services/ the PRC

Note:

(i) This subsidiary is a wholly foreign owned enterprise established under the PRC law.

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

(iii) These subsidiaries are domestic enterprises established 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.

12 INCOME TAX EXPENSE

	Year ended 31 December 2019 RMB'000	2018 RMB'000
Current income tax		
– PRC corporate income tax	**40,885**	40,260
Deferred income tax (Note 27)	**13,084**	57,873
Income tax expense	**53,969**	98,133

(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 years ended 31 December 2019 and 2018.

(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) Hong Kong profits tax

Hong Kong profits tax has not been provided as the Group did not have any assessable profits during the year.

12 INCOME TAX EXPENSE *(cont'd)*

(e) The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rates applicable to profits or losses of the consolidated entities as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit before income tax	**155,419**	348,359
Tax calculated at tax rates applicable to profits or losses in the respective countries or regions	**38,855**	87,090
Tax effects of:		
Expenses not deductible for tax purposes	**4,033**	1,362
Tax losses for which no deferred income tax asset was recognised	**11,081**	10,000
Income not subject to tax	**–**	(319)
Income tax expense	**53,969**	98,133

13 EARNINGS PER SHARE

(a) Basic

In determining the weighted average number of ordinary shares in issue during the years ended 31 December 2019 and 2018, the ordinary shares issued to the then shareholders of the Group under the Reorganisation and the capitalisation issue (See note 21), were deemed to be issued on 1 January 2018 or since new shares have been issued to the Pre-IPO investor.

	Year ended 31 December	
	2019	2018
Profit attributable to owners of the Company (RMB'000)	**102,905**	189,213
Weighted average number of ordinary shares in issue (thousands)	**1,239,616**	1,070,842
Basic earnings per share (RMB)	**0.08**	0.18

(b) Diluted

The Company did not have any potential dilutive ordinary shares outstanding during the years ended 31 December 2019 and 2018. Diluted earnings per share are the same as the basic earnings per share.

14 DIVIDEND

(i) No dividend has been paid or declared by the Company or the companies now comprising the Group during the year ended 31 December 2019 (2018: nil).

(ii) Dividends not recognised at the end of the reporting period

At the meeting of the directors of the Company held on 20 March 2020, the directors proposed a final dividend of RMB0.013 (equivalent to HK$0.014 calculated at the exchange rate of HK$1.00 to RMB0.9155, which was the People's Bank of China rate prevailing on 20 March 2020) per ordinary share for the year ended 31 December 2019, which is subject to the approval by the shareholders in general meeting. The dividend payable to the shareholders will be declared in Renminbi and paid in Hong Kong dollars, the exchange rate of which will be calculated based on the average exchange rate of Renminbi against Hong Kong dollars published by the People's Bank of China five business days prior to the general meeting. The aggregate amount of the proposed dividend expected to be paid out of retained earnings, but not recognised as a liability as at 31 December, is around RMB20,000,000.

15 PROPERTY AND EQUIPMENT

	Leased office buildings RMB'000	Vehicles RMB'000	Furniture, fittings and equipment RMB'000	Total RMB'000
Year ended 31 December 2018				
Opening net book amount	–	585	817	1,402
Additions	–	–	51	51
Disposals	–	(45)	(4)	(49)
Depreciation charges	–	(166)	(368)	(534)
Closing net book amount	–	374	496	870
At 31 December 2018				
Cost	–	5,245	3,734	8,979
Accumulated depreciation	–	(4,871)	(3,238)	(8,109)
Net book amount	–	374	496	870

15 PROPERTY AND EQUIPMENT *(cont'd)*

	Leased office buildings RMB'000	Vehicles RMB'000	Furniture, fittings and equipment RMB'000	Total RMB'000
Year ended 31 December 2019				
Opening net book amount	–	374	496	870
Additions	1,028	4	221	1,253
Depreciation charges	(343)	(31)	(344)	(718)
Closing net book amount	685	347	373	1,405
At 31 December 2019				
Cost	1,028	5,249	3,955	10,232
Accumulated depreciation	(343)	(4,902)	(3,582)	(8,827)
Net book amount	685	347	373	1,405

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

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Administrative expenses	648	450
Selling and marketing costs	70	84
	718	534

16 INVESTMENT PROPERTIES

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Opening net book amount	**2,890,230**	2,874,370
Additions	**71,400**	29,863
Capitalised interests	**189**	170
Deemed distribution to the then shareholders of the Group	**–**	(140,420)
Fair value changes	**10,051**	126,247
Closing net book amount	**2,971,870**	2,890,230
Analysis of investment properties:		
– properties on land use right certificates owned by the Group	**1,496,670**	1,468,470
– properties on right of use assets	**1,475,200**	1,421,760
	2,971,870	2,890,230

Amounts recognised in profit or loss for investment properties

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Rental income	**254,691**	243,949

As at 31 December 2019, investment properties of RMB1,468,300,000 were pledged as collateral for the Group's borrowings (2018: RMB1,440,100,000).

17 INTANGIBLE ASSETS

	Software RMB'000
Year ended 31 December 2018	
Opening net book amount	958
Additions	433
Amortisation charges	(417)
Closing net book amount	974
At 31 December 2018	
Cost	2,027
Accumulated amortisation	(1,053)
Net book amount	974
Year ended 31 December 2019	
Opening net book amount	**974**
Additions	**464**
Amortisation charges	**(621)**
Closing net book amount	**817**
At 31 December 2019	
Cost	**2,490**
Accumulated amortisation	**(1,673)**
Net book amount	**817**

17 INTANGIBLE ASSETS *(cont'd)*

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

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Administrative expenses	**621**	417

18 FINANCIAL INSTRUMENTS BY CATEGORIES

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Financial assets		
Financial assets at amortised cost:		
– Trade receivables and other receivables (excluding prepayments and input VAT to be deducted)	**13,287**	21,950
– Amounts due from related parties	**26**	94,990
– Cash and cash equivalents	**272,400**	11,283
	285,713	128,223
Financial liabilities		
Financial liabilities at amortised cost:		
– Trade and construction contract payables	**46,546**	68,001
– Other payables (excluding VAT payables, salary payables and other tax liabilities)	**52,772**	80,602
– Amounts due to related parties	**–**	56,379
– Borrowings	**610,109**	671,464
Lease liabilities	**152,147**	160,502
	861,574	1,036,948

19 OPERATING LEASE AND TRADE RECEIVABLES AND OTHER RECEIVABLES

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Operating lease receivables	**20,111**	36,796
Less: allowance for impairment of operating lease receivables	**(2,342)**	(3,615)
Operating lease receivables – net	**17,769**	33,181
Trade receivables	**6,125**	8,824
Less: allowance for impairment of trade receivables	**(629)**	(797)
Trade receivables – net	**5,496**	8,027
Other receivables	**7,993**	14,070
Less: allowance for impairment of other receivables	**(202)**	(147)
Other receivables – net	**7,791**	13,923
Prepaid listing expense	**–**	3,740
Prepaid tax and other levies	**738**	1,165
Other prepayments	**2,805**	3,592
Input VAT available for future deduction	**3,098**	2,536
	37,697	66,164

The aging analysis of trade receivables at the respective balance sheet dates is as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Less than 1 year	**6,125**	8,824

The maximum exposure to credit risk at 31 December 2019 is the credit losses of each class of receivables mentioned above.

20 CASH AND CASH EQUIVALENTS

	As at 31 December 2019 RMB'000	2018 RMB'000
Cash on hand		
– RMB	**1,503**	1,355
– HK$	**44**	–
Cash at banks		
– RMB	**82,176**	9,928
– HK$	**188,677**	–
	272,400	11,283

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.

21 SHARE CAPITAL AND PREMIUM

An analysis of the Company's issued share capital as at 31 December 2019 and 2018 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
At 27 July 2018 (date of incorporation)					
Shares issued to shareholders	50,000	500	439	–	439
As at 31 December 2018(note(i))	50,000	500	439	–	439
Shares issued to a Pre-IPO investor (note(ii))	**2,632**	**26**	**22**	**55,759,978**	**55,760,000**
Shares issued in connection with the capitalisation issue (note(iii))	**1,199,947,368**	**11,999,474**	**10,727,770**	**(10,727,770)**	**–**
Shares issued in connection with the Company's listing (note(iv))	**300,000,000**	**3,000,000**	**2,682,000**	**246,052,000**	**248,734,000**
As at 31 December 2019	**1,500,000,000**	**15,000,000**	**13,410,231**	**291,084,208**	**304,494,439**

21 SHARE CAPITAL AND PREMIUM *(cont'd)*

(i) The Company was incorporated on 27 July 2018 with an authorised capital of 38,000,000 shares at HK$0.01 each. As at 31 December 2018, 50,000 shares were issued to the then shareholders of the Company at HK$0.01 each. The company's authorised capital was increased to 10,000,000,000 of HK$0.01 each on 3 October 2019 pursuant to a shareholders' resolution.

(ii) On 30 January 2019, the Company issued 2,632 new shares to a Pre-IPO investor at cash consideration of RMB55,760,000 (equivalent to HK$65,000,000). The difference between nominal value and the consideration amounting to approximately RMB55,760,000 was recognised as an increase of share premium of the Company. On the same date, the investor entered into an agreement with the ultimate controlling shareholders under which the investor acquired an additional 2,632 shares from the ultimate controlling shareholders at cash consideration of HK$65,000,000.

(iii) Pursuant to a shareholders' resolution dated 3 October 2019, the Company issued 1,199,947,368 ordinary shares at par value of HK$0.01 each to holders of shares on the register of members of the Company at the close of business of 8 November 2019, by way of capitalisation of an amount of HK$11,999,474 standing to the credit of the share premium account of the Company.

(iv) On 8 November 2019, the Company issued 300,000,000 ordinary shares at a price of HK$1.00 per share as a result of the completion of the global offering. Total fund raised amounted to RMB248,734,000 (after deducting share issuance cost of RMB19,466,000).

22 OTHER RESERVES

	Merger and other reserves RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Statutory reserves RMB'000 (Note (a))	Total RMB'000
At 1 January 2018	52,777	1,261	31,982	86,020
Changes in ownership interests in subsidiaries without change of control	411,050	–	–	411,050
Deemed distributions to the then shareholders of the Group (Note(b))	(272,884)	–	–	(272,884)
Change in fair value, net of tax	–	(1,261)	–	(1,261)
At 31 December 2018	190,943	–	31,982	222,925
At 1 January 2019	**190,943**	**–**	**31,982**	**222,925**
Appropriation to statutory reserves	**–**	**–**	**9,497**	**9,497**
At 31 December 2019	**190,943**	**–**	**41,479**	**232,422**

(a) In accordance with the relevant laws and regulations in the PRC and the articles of association of the companies incorporated in the PRC now comprising the Group, certain of the group companies are required to appropriate 10% of the annual net profits of the companies incorporated in the PRC now comprising the Group, 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 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 group companies.

(b) During the year ended 31 December 2018, deemed distribution comprised:

(i) Cash consideration paid to the ultimate controlling shareholders for acquiring the equity interests of certain group companies from the ultimate controlling shareholders totalling RMB141,151,000.

(ii) Derecognition of the assets and liabilities of Panyu Real Estate which ceased to operate the Listing Business on 1 December 2018 amounting to RMB131,733,000.

23 RETAINED EARNINGS

	Year ended 31 December 2019 RMB'000	2018 RMB'000
Balance at beginning of the year	**1,253,732**	1,064,519
Profit for the year attributable to owners of the Company	**102,905**	189,213
Transfer to statutory reserves	**(9,497)**	–
Balance at end of the year	**1,347,140**	1,253,732

24 TRADE AND OTHER PAYABLES AND LEASE LIABILITIES

(i) Trade and other payables

	As at 31 December 2019 RMB'000	2018 RMB'000
Trade payables	**3,634**	3,121
Construction contract payables	**42,912**	64,880
Salary payables	**15,529**	10,992
Other tax liabilities	**748**	1,491
Deposits from tenants	**43,674**	40,745
Payable for acquisition of non-controlling interests	**–**	22,439
Other payables	**9,098**	17,418
	115,595	161,086
Less: non-current portion		
Deposits from tenants	**(29,454)**	(25,334)
Current portion	**86,141**	135,752

At 31 December 2019 and 2018, the aging analysis of the trade and construction contract payables based on invoice date is as follows:

	As at 31 December 2019 RMB'000	2018 RMB'000
Less than 1 year	**15,644**	24,020
Over 1 year	**30,902**	43,981
	46,546	68,001

As at 31 December 2019 and 2018, trade payables and construction contract payables were denominated in RMB and their fair values approximated their carrying amounts.

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

(ii) Lease liabilities

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Balance at beginning of the year	**160,502**	149,851
Additions	**1,028**	15,802
Leasing finance expenses recognised	**8,952**	9,179
Settlement of lease liabilities	**(18,335)**	(14,330)
	152,147	160,502
Less: non-current portion	**(131,006)**	(141,217)
Current portion of lease liabilities	**21,141**	19,285

(a) The Group mainly leases land use right and properties. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. The right-of-use assets are presented as investment properties (Note 16) and property and equipment (Note 15).

25 ADVANCE FROM CUSTOMERS

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

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Advance from customers	**65,159**	103,304

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

26 BORROWINGS

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Borrowings included in non-current liabilities:		
Bank borrowings – Secured (Note (a))	**580,056**	671,464
Less: current portion of non-current borrowings	**(113,836)**	(92,659)
	466,220	578,805
Borrowings included in current liabilities:		
Bank borrowings – Secured (Note (a))	**30,053**	–
Current portion of non-current borrowings	**113,836**	92,659
	143,889	92,659
Total borrowings	**610,109**	671,464

(a) As at 31 December 2019, bank borrowings of RMB610,109,000 (2018: RMB671,464,000) bore interest ranging from 6.30% to 7.36% 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 RMB1,468,300,000 (2018: RMB1,440,100,000).

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

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
6 months or less	**610,109**	671,464

The maturity of the borrowings is as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Less than 1 year	**143,889**	92,659
1–2 years	**124,066**	112,584
2–5 years	**172,092**	237,039
Over 5 years	**170,062**	229,182
	610,109	671,464

26 BORROWINGS *(cont'd)*

(b) 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 weighted average effective interest rates of borrowings are as follows:

	For the year ended 2019	2018
Bank borrowings	**6.85%**	7.15%

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

The fair values of non-current borrowings are estimated based on discounted cash flow using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the balance sheet date, which are categorised as level 2 fair value measurement. As at 31 December 2019 and 2018, the carrying amounts of borrowings are primarily denominated in RMB and approximate their fair values at each of the reporting dates.

(d) The Group has the following undrawn borrowing facilities:

	As at 31 December 2019 RMB'000	2018 RMB'000
At floating rates:		
– expiring beyond one year	**400,000**	400,000

27 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 2019 RMB'000	2018 RMB'000
Deferred income tax assets:		
– to be recovered after 12 months	**(4,304)**	(5,612)
Deferred income tax liabilities:		
– to be settled within 12 months	**5,285**	6,344
– to be settled after 12 months	**409,660**	396,825
	414,945	403,169
Deferred income tax liabilities, net	**410,641**	397,557

27 DEFERRED INCOME TAX *(cont'd)*

The net movements of deferred taxation are as follows:

	Year ended 31 December 2019 RMB'000	2018 RMB'000
Balance at beginning of the year	**397,557**	359,959
Charged to the consolidated income statements (Note 12)	**13,084**	57,873
Credited to other comprehensive income	**–**	(420)
Deemed distributions to the then shareholders	**–**	(19,855)
Balance at end of the year	**410,641**	397,557

The movement in deferred income tax assets before offsetting during the years ended 31 December 2019 and 2018 are as follows:

Deferred income tax assets	Temporary difference on recognition of cost of sales and expenses RMB'000	Tax losses RMB'000	Bad debt provision RMB'000	Total RMB'000
At 1 January 2018	10,775	374	1,775	12,924
(Charged)/credited to income statement	(1,127)	(374)	69	(1,432)
At 31 December 2018	**9,648**	**–**	**1,844**	**11,492**
(Charged)/credited to income statement	**(558)**	**–**	**108**	**(450)**
At 31 December 2019	**9,090**	**–**	**1,952**	**11,042**

Deferred income tax assets are recognised for tax loss 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 RMB49,971,000 (2018: RMB41,860,000) in respect of losses amounting to RMB199,882,000 (2018: RMB167,442,000) of certain subsidiaries that can be carried forward against future taxable income as at 31 December 2019. These tax losses will expire up to and including years 2019 to 2024.

27 DEFERRED INCOME TAX *(cont'd)*

The movement in deferred income tax liabilities before offsetting during the years ended 31 December 2019 and 2018 are as follows:

Deferred income tax liabilities	Temporary difference of investment properties RMB'000	Revaluation of Financial assets at fair value through other comprehensive income RMB'000	Deferred Revenue RMB'000	Total RMB'000
At 1 January 2018	372,463	420	–	372,883
Deemed distributions to the then shareholders of the Group	(19,855)	–	–	(19,855)
Credited to other comprehensive income	–	(420)	–	(420)
Charged to income statement	44,811	–	11,630	56,441
At 31 December 2018	**397,419**	**–**	**11,630**	**409,049**
Charged/(credited) to income statement	**18,978**	**–**	**(6,344)**	**12,634**
At 31 December 2019	**416,397**	**–**	**5,286**	**421,683**

As at the year ended 31 December 2019, deferred income tax liabilities amounting to RMB32,300,000 (2018: RMB22,804,000), 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.

28 CASH FLOW INFORMATION

(a) Cash generated from operations

	Year ended 31 December 2019 RMB'000	2018 RMB'000
Profit for the year	**101,450**	250,226
Adjustments for:		
– Income tax expenses	**53,969**	98,133
– Finance income	**(1,107)**	(40,198)
– Finance expenses	**53,265**	77,743
– Depreciation of property and equipment	**718**	534
– Amortisation of intangible assets	**621**	417
– Net impairment losses on financial assets and operating lease receivables	**432**	275
– Gain on disposal of property and equipment	**–**	(192)
– Fair value gains on investment properties	**(10,051)**	(126,247)
– Dividend income from financial assets at fair value through other comprehensive income	**–**	(1,275)
	199,297	259,416
Changes in working capital:		
– Operating lease and trade receivables and other receivables	**18,322**	(11,130)
– Trade and other payables	**(4,249)**	8,488
– Advance from customers	**(38,145)**	(17,937)
– Contract liabilities	**3,400**	3,044
– Inventories	**64**	(1,514)
Cash generated from operations	**178,689**	240,367

28 CASH FLOW INFORMATION *(cont'd)*

(b) Reconciliation of liabilities arising from financing activities

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	Amounts due to related parties RMB'000	Lease liabilities RMB'000	Total RMB'000
Balance as at 1 January 2018	1,028,842	1,786	149,851	1,180,479
Cash flow	(358,842)	2,250	(14,330)	(370,922)
Other non-cash movement	1,464	52,343	24,981	78,788
– Leasing finance expenses	–	–	9,179	9,179
– Accrued interest	1,464	–	–	1,464
– Initial recognition of lease liabilities (Note 24)	–	–	15,802	15,802
– Deemed distribution to the then shareholders (note(i))	–	52,343	–	52,343
Balance as at 31 December 2018	**671,464**	**56,379**	**160,502**	**888,345**
Cash flow	**(62,659)**	**11,754**	**(18,335)**	**(69,240)**
Other non-cash movement	**1,304**	**(68,133)**	**9,980**	**(56,849)**
– Leasing finance expenses	**–**	**–**	**8,952**	**8,952**
– Accrued interest	**1,304**	**–**	**–**	**1,304**
– Initial recognition of lease liabilities (Note 24)	**–**	**–**	**1,028**	**1,028**
– Offsetting with amounts due from related party (note 28(c))	**–**	**(68,133)**	**–**	**(68,133)**
Balance as at 31 December 2019	**610,109**	**–**	**152,147**	**762,256**

(i) On 27 December 2018, Guangzhou Xinji acquired a 93.9% interests in Guangzhou Shaxi Hotel from the ultimate controlling shareholders at cash consideration of approximately RMB52,343,000 which was not settled as at 31 December 2018.

(c) Major non-cash transactions

During the year ended 31 December 2019, the Group entered into an agreement with Xinji Group Company Limited ("Xinji Company") and the controlling shareholders, under which the Group settled its payables due to Xinji Company and the controlling shareholders amounting to RMB52,343,000 and RMB15,790,000 by offsetting its receivables from Xinji Company of RMB68,133,000.

29 CONTINGENCIES

The Group did not have any material contingent liabilities as at 31 December 2018 and 2019.

30 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted but not yet incurred is as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Investment properties	**30**	4,865

(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 5 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	
	2019	2018
	RMB'000	RMB'000
Less than 1 year	**230,079**	224,531
1–2 years	**194,327**	186,009
2–3 years	**70,694**	137,787
3–4 years	**9,331**	26,905
4–5 years	**490**	683
Over 5 years	**736**	2,279
	505,657	578,194

31 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 2019 and 2018:

Name	Relationship
Mr. Cheung, Mr.Mei and Mr.Zhang	the ultimate controlling shareholders
Xinji Company	A company controlled by the ultimate controlling shareholders
Guangdong Yingbin Investment Management Co., Ltd	A company controlled by the ultimate controlling shareholders
Guangzhou Maojia Trading Co., Ltd	A company controlled by the ultimate controlling shareholders
Guangzhou Kwairan Furniture Co., Ltd	A company controlled by the 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
Guangdong Xinji International Trading Co., Ltd	A company controlled by the ultimate controlling shareholders

(b) Transactions with related parties

During the years ended 31 December 2019 and 2018, the Group had the following significant transactions with related parties.

Interest income from a related party:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Xinji Company	**–**	40,164

Purchase of goods from related party:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Guangdong Xinji International Trading Co., Ltd	**568**	1,412

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

(b) Transactions with related parties *(cont'd)*

Sales of goods to related party:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Guangzhou Xinji Real Estate Development Co., Ltd	**379**	–

Rental fee charged by related parties:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Guangdong Yingbin Investment Management Co., Ltd	**–**	155

Rental service income from related parties:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Guangzhou Maojia Trading Co., Ltd	**–**	193
Guangzhou Kwairan Furniture Co., Ltd	**–**	768
	–	961

The above services were conducted according to the agreed terms between relevant related parties and the Group.

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

(c) Key management personnel compensations

	Year ended 31 December 2019 RMB'000	 2018 RMB'000
Wages, salaries and bonuses	**4,552**	2,565
Pension costs – defined contribution plans	**225**	65
	4,777	2,630

(d) Balances with related parties

(i) Amounts due from related parties:

	As at 31 December 2019 RMB'000	 2018 RMB'000
Guangzhou Xinji Real Estate Development Co., Ltd	**26**	–
Xinji Company	**–**	86,123
Guangzhou Panyu Xinji Real Estate Development Co., Ltd	**–**	7,932
Mr. Cheung	**–**	472
Mr. Mei	**–**	300
Mr. Zhang	**–**	163
	26	94,990

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

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

(ii) Amounts due to related parties:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Mr. Cheung	**–**	21,555
Mr. Zhang	**–**	9,235
Mr.Mei	**–**	24,158
Guangdong Xinji International Trading Co.,Ltd	**–**	1,412
Others	**–**	19
	–	56,379

(iii) Lease Liabilities:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Guangzhou Panyu Xinji Real Estate Development Co., Ltd	**10,621**	15,180
Guangzhou Xinji Real Estate Development Co., Ltd	**686**	–
	11,307	15,180

(e) Guarantees

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

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Xinji Company	**–**	170,000

32 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

		As at 31 December	
		2019	2018
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Investment in a subsidiary		**1,588,670**	1,476,657
Current assets			
Amounts due from related parties		**91**	935
Prepayments		**178**	3,740
Cash and cash equivalents		**188,565**	–
		188,834	4,675
Total assets		**1,777,504**	1,481,332
EQUITY			
Share capital and premium		**304,494**	–
Other reserve	(a)	**1,476,657**	1,476,657
Accumulated losses	(a)	**(12,993)**	–
Total equity		**1,768,158**	1,476,657
LIABILITIES			
Current liabilities			
Amounts due to a subsidiary		**5,951**	4,675
Other payables		**3,395**	–
		9,346	4,675
Total liabilities		**9,346**	4,675
Total equity and liabilities		**1,777,504**	1,481,332

The balance sheet of the Company was approved by the Board of Directors on 20 March 2020 and was signed on its behalf:

Cheung Hon Chuen
Director

Jin Chunyan
Director

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

(a) Reserve movements of the Company

	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
At 27 July 2018 (date of incorporation)	–	–	–
Deemed contribution (note)	1,476,657	–	1,476,657
At 31 December 2018	**1,476,657**	**–**	**1,476,657**
Loss for the year	**–**	**(12,993)**	**(12,993)**
At 31 December 2019	**1,476,657**	**(12,993)**	**1,463,664**

Note: Deemed contribution mainly represented the excess of aggregate net asset values of the listing business over the par value of the Company's shares issued pursuant to the Reorganisation.

33 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 2019 is set out below:

Name	Salaries (i) 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	**695**	**40**	**33**	**768**
Mr. Mei	**531**	**–**	**–**	**531**
Mr. Zhang	**531**	**25**	**26**	**582**
Ms. Jin Chunyan	**523**	**24**	**25**	**572**
Non-executive directors				
Mr. Yu Xuecong	**50**	**–**	**–**	**50**
Mr. Li Zhanpeng	**50**	**–**	**–**	**50**
Mr. Wu Jianxun	**50**	**–**	**–**	**50**
Independent non-executive directors				
Dr. Liu Eping	**80**	**–**	**–**	**80**
Mr. Chen Tusheng	**80**	**–**	**–**	**80**
Mr. Tan Michael Zhenshan	**126**	**–**	**–**	**126**
Mr. Zheng Decheng	**80**	**–**	**–**	**80**
	2,796	**89**	**84**	**2,969**

The Company appointed the four independent non-executive directors on 3 October 2019.

33 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 2018 is set out below:

Name	Salaries (i) 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	349	29	29	407
Mr. Mei	274	–	–	274
Mr. Zhang	274	21	21	316
Ms. Jin Chunyan	221	20	20	261
	1,118	70	70	1,258

Notes:

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

During the year ended 31 December 2019, no directors waived or agreed to waive any emoluments (2018: same).

(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 2019 (2018: same).

(c) Directors' termination benefits

During the year ended 31 December 2019, no payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2018: same).

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

(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 2019 (2018: 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 2019 (2018: 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 2019 (2018: same), except for the transactions disclosed in Note 31.

34 SUBSEQUENT EVENTS

Upon the outbreak of Coronavirus Disease 2019 in early 2020 in the PRC, a series of precautionary and control measures have been and continued to be implemented across the country/region. Pending development of such subsequent non-adjusting event, the Group's financial results may be affected, the extent of which could not be estimated as at the date on which this set of financial statements were authorised for issue.

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
"CHSA"	China Hotel Supplies Association (中國酒店用品協會)
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Companies Law" or "Cayman Companies Law"	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"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 (信基沙溪集團股份有限公司), 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
"connected transaction(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 this prospectus, refers to the group of controlling shareholders of our Company, namely Honchuen Investment, Zuoting Investment, Weixin Development, Mr. Cheung, Mr. Mei and Mr. Zhang
"Director(s)"	the director(s) of our Company
"FY2018"	the year ended 31 December 2018
"FY2019"	the year ended 31 December 2019
"GFA"	gross floor area
"Group", "our Group", "we", "us" or "our"	our Company and its subsidiaries, or any of them or, where the context so required, in respect of the period before our 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$" and "cents"	Hong Kong dollar(s) and cent(s) respectively, 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
"Independent Third Party(ies)"	person(s) or entity(ies) that is or are not connected person(s) within the meaning of the Listing Rules
"Industry Report"	the 2018 market research report commissioned by our Company and issued by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.,
"Latest Practicable Date"	9 April 2020, 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, the date on which the Shares are listed and from which dealings in 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
"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
"Renminbi" or "RMB"	the lawful currency of the PRC
"Reorganisation"	the corporate reorganisation of our Group conducted in preparation for Listing as more particularly described in the paragraph heading "History, Corporate Structure and Reorganisation — Reorganisation" in the Prospectus
"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)"	share(s) with par value of HK$0.01 each in the share capital of our Company
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on 3 October 2019
"Shareholder(s)"	the holder(s) of issued Shares of the Company
"sq.m."	square meters
"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
"Takeovers Code"	the Code on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission of Hong Kong as amended, supplemented or otherwise modified from time to time
"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