



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



INTERIM REPORT
2023

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Corporate Information

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. Kam Chi Sing

AUTHORISED REPRESENTATIVES

Mr. Mei Zuoting
Mr. Kam Chi Sing

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and Registered PIE Auditor

REGISTERED OFFICE

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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Corporate Information

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SHARE LISTING

The Stock Exchange of Hong Kong Limited

STOCK CODE

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LISTING DATE

8 November 2019

Financial Highlights

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Revenue	129,101	151,996
(Loss)/profit for the period	(82,929)	16,454
Core net profit ⁽ⁱ⁾	35,526	58,434
Core net profit margin ⁽ⁱⁱ⁾	28%	38%
(Loss)/earnings per share (expressed in RMB per share)	(0.06)	0.01

Notes:

- (i) Core net profit for the six months ended 30 June 2023 and 30 June 2022 is a non-HKFRS measure, which is used for investors to evaluate the performance results of the underlying business of the Group, by excluding losses/gains from the changes in fair value of the investment properties and further adjusted for income tax effects for the aforementioned items.
- (ii) Core net profit margin is calculated through (dividing core net profit by revenue) of the Group in their respective periods.

Management Discussion and Analysis

The Board is pleased to announce the unaudited condensed consolidated financial results of the Group for the six months ended 30 June 2023 with the comparative figures for the six months ended 30 June 2022. The unaudited condensed consolidated financial results of the Group for the Reporting Period have been reviewed by the Company's audit committee (the "**Audit Committee**") and approved by the Board on 25 August 2023.

FINANCIAL REVIEW

Revenue

The revenue decreased by approximately 15% during the Reporting Period to RMB129.1 million in comparison to approximately RMB152.0 million during the 2022 Period. Such decrease was driven by the decrease in rental income as well as decrease in revenue generated from sales of goods and shopping mall business management service.

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

	Six months ended 30 June			
	2023		2022	
	RMB'000	%	RMB'000	%
Rental Income	92,075	71	111,883	74
Property Management Service	31,111	24	31,494	21
Sales of Goods	5,561	4	6,779	4
Shopping Mall Business Management Service	354	1	1,840	1
Total	129,101	100	151,996	100

Management Discussion and Analysis

FINANCIAL REVIEW *(cont'd)*

Rental Income

During the Reporting Period, rental income is the revenue received by our Group from the tenants who signed lease contracts with us to run business at our Group's owned/leased portfolio shopping malls, which accounted for approximately 71% of our total revenue. During the Reporting Period, our rental income decreased by approximately RMB19.8 million or approximately 17.7% to approximately RMB92.1 million (2022 Period: RMB111.9 million). Such decrease was mainly due to the rental concession policies and the new lease contracts for Xinji Hotelex Hospitality Supplies Center (信基豪泰酒店用品城) for the Reporting Period, which were classified as finance lease under the sublease lessor.

Property Management Service

Revenue from our property management service is the management fees paid by our Group's tenants under the property management agreements. During the Reporting Period, income from property management service decreased slightly by approximately RMB0.4 million or approximately 1.2% to approximately RMB31.1 million (2022 Period: RMB31.5 million).

Sales of Goods

Revenue from sales of goods is the revenue generated from sales of hospitality products and home furnishings through our online shopping mall. During the Reporting Period, revenue from sales of goods decreased by approximately RMB1.2 million or approximately 18.0% to approximately RMB5.6 million (2022 Period: RMB6.8 million). Such decrease in revenue from sales of goods was mainly due to the decrease in revenue in the B2B platform business of our Group as compared with the 2022 Period.

Cost of Sales

Our cost of sales decreased by approximately RMB3.2 million or 12.9% from approximately RMB24.6 million for the 2022 Period to approximately RMB21.4 million for the Reporting Period. The decrease was mainly attributable to the decrease of the related project costs, and the decrease in related tax costs due to the decrease in revenue.

Fair Value Losses on Investment Properties

Our fair value losses on investment properties increased by approximately RMB102.0 million to fair value losses of approximately RMB157.9 million for the Reporting Period (2022 Period: fair value losses of RMB56.0 million), which was mainly due to the adjustments made to the valuation of the Xinji Shaxi Hospitality Supplies Expo Center (信基沙溪酒店用品博覽城) resulting from the overall decreased demand in the market due to the shortened lease term and the lower occupancy rate as a result of the potential future redevelopment plan of Shaxi Village (沙溪村) located at Panyu District, Guangzhou City, the PRC.

Selling and Marketing Expenses

Our selling and marketing expenses increased by RMB0.7 million or 10.5% from RMB6.8 million for the 2022 Period to RMB7.5 million for the Reporting Period. Such increase was mainly due to the increase in marketing and promotion expenses for the Company during the Reporting Period.

Administrative Expenses

Our administrative expenses increased by RMB1.3 million or 7.6% from RMB17.1 million for the 2022 Period to approximately RMB18.4 million for the Reporting Period. Such increase was mainly due to the increase in entertainment expenses during the Reporting Period.

Management Discussion and Analysis

FINANCIAL REVIEW (cont'd)

Other Income

Our other income decreased by RMB4.2 million or 73.8% from approximately RMB5.7 million for the 2022 Period to approximately RMB1.5 million for the Reporting Period. Such decrease was mainly due to a decrease in the number of our tenants who terminated their lease contracts with us prematurely during the Reporting Period, resulting in lower amount of forfeiture of deposits received from customers.

Operating Profit/Loss and Operating Profit/Loss Margin

As a result of the foregoing, our Group recorded an operating loss of approximately RMB76.2 million during the Report Period in comparison to an operating profit of approximately RMB51.8 million for the 2022 Period. Our operating loss margin was approximately 59.1% during the Reporting Period in comparison to an operating profit margin of approximately 34.1% for the 2022 Period due to the significant increase in fair value losses on investment properties.

Finance Income

Our finance income increased by RMB1.5 million or 475.8% from approximately RMB0.3 million for the 2022 Period to approximately RMB1.8 million for the Reporting Period. This was primarily due to the subsequent measurement of finance lease.

Finance Expenses

Our finance expenses increased by approximately RMB2.4 million or 9.1% from approximately RMB26.6 million for the 2022 Period to approximately RMB29.0 million for the Reporting Period. This was mainly due to the increase in relevant expenses of the banking facilities.

Net Finance Expenses

As a result of the foregoing, our net finance expenses for the Reporting Period increased by RMB1.0 million or 3.7% from approximately RMB26.3 million for the 2022 Period to approximately RMB27.3 million for the Reporting Period.

Profit/Loss and Net Profit Margin/Net Loss Margin

As a result of the foregoing, our Group recorded a loss of approximately RMB82.9 million for the Reporting Period in comparison to a profit of approximately RMB16.5 million for the 2022 Period. Our net loss margin was approximately 64.2% for the Reporting Period in comparison to a net profit margin of approximately 10.8% for the 2022 Period due to the significant increase in fair value losses on investment properties.

Core Net Profit

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

Our core net profit for the Reporting Period decreased by approximately RMB22.9 million or approximately 39.2% from approximately RMB58.4 million for the 2022 Period to approximately RMB35.5 million for the Reporting Period, which was mainly due to the decrease in revenue of the Group by approximately RMB22.9 million.

Management Discussion and Analysis

FINANCIAL REVIEW *(cont'd)*

Core Net Profit *(cont'd)*

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

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
(Loss)/Profit	(82,929)	16,454
Add:		
Fair value losses on investment properties	157,940	55,973
Income tax expense in relation to above reconciled items	(39,485)	(13,993)
Core net profit	35,526	58,434
– Owners of the Company	35,626	56,727
– Non-controlling interests	(100)	1,707

USE OF NET PROCEEDS

References are made to (i) the Prospectus in relation to the proposed use of the net proceeds (the “**Net Proceeds**”) from the global offering of the Company; (ii) the announcement (the “**First Change in UOP Announcement**”) of the Company dated 6 July 2020 in relation to the change in use of the Net Proceeds and business update of the Group; (iii) the announcement (the “**Second Change in UOP Announcement**”, together with the First Change in UOP Announcement, the “**Announcements**”) of the Company dated 24 November 2021 in relation to the further change in the use of the Net Proceeds; and (iv) the 2021 annual report of the Company. For further details, please refer to the Announcements published by the Company. Unless otherwise defined, capitalised terms used herein shall bear the same meanings as those defined in the Announcements.

As at the date of the Second Change in UOP Announcement, the unutilised Net Proceeds amounted to approximately RMB133.3 million (including the outstanding Part Payment of RMB5.0 million to be returned by Guangzhou Chaoying to Guangzhou Shaxi Hotel under the Guangzhou Project) (the “**Unutilised Net Proceeds**”). To enable the Group to better utilise the Net Proceeds, the Group decided to reduce the portion of the Unutilised Net Proceeds for developing new projects from 100% to approximately 47.5%. Accordingly, the Board resolved to further change the use of the Unutilised Net Proceeds as follows:

- (i) reallocating approximately 30.0% of the Unutilised Net Proceeds in the amount of approximately RMB40.0 million, which was originally allocated for the development of new projects, namely the Zhengzhou Project, Fuzhou Project and Guangzhou Project (the “**Specific Projects**”), to expand the depth and breadth of property management service in China;
- (ii) reallocating approximately 22.5% of the Unutilised Net Proceeds in the amount of approximately RMB30.0 million, which was originally allocated for the Specific Projects, to establish a vertical e-commerce platform for the hospitality supplies industry; and
- (iii) reallocating approximately 47.5% of the Unutilised Net Proceeds in the amount of approximately RMB63.3 million, which was originally allocated for the Specific Projects, to general development of new projects in relation to the hospitality supplies and home furnishing industries.

Management Discussion and Analysis

USE OF NET PROCEEDS (cont'd)

As of 30 June 2023, details of the original allocation, the revised allocation of the Net Proceeds, as disclosed in the First Change in UOP Announcement, the further revised allocation of the Net Proceeds as disclosed in the Second Change in UOP Announcement and the expected timeline for utilising the Unutilised Net Proceeds are as follows:

	Original Intended Amount (RMB million)	Revised allocation of the Net Proceeds as disclosed in the First Change in UOP Announcement (RMB million)	Further revised allocation of the Net Proceeds as disclosed in the Second Change in UOP Announcement (RMB million)	Utilised amount as of 30 June 2023 (RMB million)	Unutilised amount as of 30 June 2023 (RMB million)	Expected timeframe for full utilisation of the Unutilised Net Proceeds
(i) Repayment of the Group's bank borrowings for the construction cost and sales and marketing cost of its shopping malls	56.7	31.2	-	31.2	-	-
(ii) Development of new projects			63.3 ⁽²⁾⁽³⁾		63.3 ⁽²⁾⁽³⁾	till 2024 ⁽⁴⁾
a) Chengdu Project	63.8	-	-	-	-	
b) Zhengzhou Project	40.8	22.5	N/A	-	N/A	
c) Fuzhou Project	55.9	30.8	N/A	-	N/A	
d) Guangzhou Project	-	80.0	-	5.0 ⁽¹⁾	-	
e) Other projects	-	-	N/A	-	N/A	
(iii) Expansion of Property Management Business	-	-	40.0	40.0	-	
(iv) Establishment of Vertical e-Commerce Platform for the Hospitality Supplies Industry	-	-	30.0	4.0	26.0	till 2023
(v) General working capital	-	27.2	-	27.2	-	-
Total	217.2	191.7	133.3	107.4	89.3	

Notes:

- (1) Being the outstanding Part Payment to be returned by Guangzhou Chaoying to Guangzhou Shaxi Hotel. For details, please refer to the paragraph headed "Reasons for and Benefits of the Further Change in Use of Proceeds – Unwinding of the Guangzhou Project" in the Second Change in UOP Announcement.
- (2) Including the outstanding Part Payment of RMB5.0 million to be returned by Guangzhou Chaoying to Guangzhou Shaxi Hotel under the Guangzhou Project. For details, please refer to the paragraph headed "Reasons for and Benefits of the Further Change in Use of Proceeds – Unwinding of the Guangzhou Project" in the Second Change in UOP Announcement.
- (3) This amount represents the portion of the Unutilised Net Proceeds which shall be used for the general development of new projects in relation to the hospitality supplies and home furnishing industries, and will not be earmarked for and allocated to any of the Zhengzhou Project, Fuzhou Project or other projects specifically.
- (4) As the Company did not identify any suitable new projects during the Reporting Period, the expected timeframe for full utilisation of the Unutilised Net Proceeds allocated for development of new projects has been postponed from 2023 to 2024.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

Cash and Cash Equivalents

As at 30 June 2023, the Group's cash and cash equivalents amounted to approximately RMB473.2 million (31 December 2022: RMB314.5 million). Cash and cash equivalents are mainly denominated in Renminbi.

Borrowings and Charges on the Group's Assets

As at 30 June 2023, the Group's bank borrowings of approximately RMB913.1 million (31 December 2022: RMB733.3 million) bore interest at interest rates ranging from 4.90% to 6.86% per annum and were secured by investment properties of the Group. As at 30 June 2023, the value of investment properties pledged as collateral for the Group's other borrowings was approximately RMB5.0 million (31 December 2022: RMB5.0 million).

Gearing Ratio

The gearing ratio as at 30 June 2023, calculated on the basis of net debt over total capital, was 33% as compared with 30% as at 31 December 2022.

Net Current Assets and Current Ratio

As at 30 June 2023, the Group had net current assets of approximately RMB222.2 million as compared with net current assets of approximately RMB46.5 million as at 31 December 2022.

The current ratio was 1.66 as at 30 June 2023 (31 December 2022: 1.14).

Capital Structure

There has been no change in the capital structure of the Company during the Reporting Period.

Future Plans for Material Investments or Capital Assets

Save as those disclosed under the section headed "Business – Our Strategies" in the Prospectus or in this report, the Group had no other plan for material investments or capital assets as at 30 June 2023.

Acquisitions and Disposal of Subsidiaries and Associated Companies

The Group had no material acquisitions and disposals of subsidiaries, associated companies and joint ventures during the Reporting Period.

Treasury Management

During the Reporting Period, there was no material change in the Group's funding and treasury policies.

Major and Connected Transaction

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

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

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES *(cont'd)*

Major and Connected Transaction *(cont'd)*

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

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

Save as disclosed above, during the Reporting Period and up to the date of this report, the Company has not entered into any connected transactions or continuing connected transactions that are subject to the reporting requirements under Chapter 14A of the Listing Rules.

BUSINESS REVIEW

The Group is principally engaged in the operation of shopping malls for hospitality supplies and home furnishings which generated rental revenue in the PRC. Our business operations comprise six main business lines: (i) our shopping malls, including three shopping malls for hospitality supplies and two shopping malls for home furnishings; (ii) subleasing apartments; (iii) property management projects; (iv) managed shopping malls; (v) our online shopping mall for sales of hospitality supplies and home furnishings; and (vi) our exhibition management business.

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

Business Segment Review

Shopping Malls

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

Shopping Malls for Hospitality Supplies

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

Shopping Malls for Home Furnishings

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

Subleasing Apartments

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

Management Discussion and Analysis

BUSINESS REVIEW (cont'd)**Business Segment Review** (cont'd)*Subleasing Apartments* (cont'd)

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

Property Management Projects

In June 2022, the Group completed the acquisitions of Guangzhou Xinji Youxiang Property Co., Ltd.* (廣州信基優享物業有限公司) (“**Guangzhou Youxiang**”) and Foshan Xinji Youxiang Commercial Service Co., Ltd.* (佛山信基優享商業服務有限公司) (“**Foshan Youxiang**”), which are principally engaged in the provision of property management service for commercial complex. The property projects currently under the management of Guangzhou Youxiang and Foshan Youxiang include (i) the Xiajiao project (廈滯項目), which comprised of the premises known as Xinji Plaza Hall A* (信基廣場A館) and Xiajiao Commercial Building* (廈滯商業大廈); (ii) the Shangjiao Comprehensive Building Project (上漵綜合樓項目), which comprised of the premises known as Shangjiao Comprehensive Building* (上漵綜合樓); (iii) the Yuedao Project (玥島項目); (iv) the Longmei Project (龍美項目), which comprised of the premises known as Lingxiu Mansion* (領秀公館); and (v) the Xinji Plaza Project (信基廣場項目), which comprised of the premises known as Foshan Jiujiang Xinji Plaza* (佛山九江信基廣場).

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

	Property leasing income		Property management service income	
	Six months ended 30 June 2023	2022	Six months ended 30 June 2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Guangzhou region	84,875	101,873	18,517	19,197
Foshan region	–	–	4,223	4,380
Shenyang region	7,200	10,010	8,371	7,917

Management Discussion and Analysis

BUSINESS REVIEW (cont'd)

Business Segment Review (cont'd)

Managed Shopping Mall

In this segment, we provide shopping mall operation services to other shopping mall owners. Under this business model, we would be responsible for managing the marketing and daily operations of the shopping malls, while the shopping mall owners would be responsible for bearing all the operating expenses of the shopping malls and paying us a brand licencing fee and operation management fee. Our operation management fee would be determined with reference to the length of operation and the rental income of the relevant shopping malls.

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

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

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

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

On 25 September 2021, we entered into a cooperation agreement with Henan Zhengzhou Henghao Iron and Steel Co., Ltd (河南省鄭州市恒昊鋼鐵有限公司), an independent third party. Pursuant to the cooperation agreement, the Group agreed to act as the manager of a planned hospitality supplies shopping mall located in a commercial complex developed by Zhengzhou Henghao Iron and Steel Co., Ltd at Buildings 1-6, West Zone A1, the intersection between East Hanghai Road and Qiancheng Road, No. 2022 Hanghai East Road, Economic and Technological Development Zone, Zhengzhou City, Henan Province. It is expected that this shopping mall would have a total operating area of approximately 150,000 sq.m. and could accommodate a maximum of 500 tenants. It is the second managed hospitality supplies shopping mall of the Group.

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

Online Shopping Mall

During the Reporting Period, our online shopping mall generated revenue of approximately RMB5.6 million for the sales of goods (2022 Period: RMB6.8 million). The goods sold by the Group were entirely hospitality goods and home furnishings. During the Reporting period, due to the reduction of the B2B platform business of the Group, and efforts to streamline its staff and reduce labor costs, the Group recorded operating profit for the business of online shopping mall during the Reporting Period. The operating profit margin of the online shopping mall during the Reporting Period has decreased to approximately 4% (2022 Period: 18%).

Management Discussion and Analysis

BUSINESS REVIEW *(cont'd)*

Business Segment Review *(cont'd)*

Exhibition Management Business

We provide exhibition management services for the China Hospitality Expo (華南酒店業博覽會) (“CHE”) in the PRC annually. CHE is considered as the major managed exhibition of the Group. CHE provides a one-stop trade platform for global hospitality supplies providers and purchasers to broaden their sale and purchase channels.

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

OUTLOOK

Looking ahead, although the impact of the pandemic has subsided while China has relaxed its pandemic prevention policy by the end of 2022, the business environment and geopolitical risks remained challenging. The market has recovered gradually after the restart, and is expected to recover in a continuous manner with emerging opportunities, amid uncertainties, resulting in the acceleration of economic activities.

The Directors will keep on reviewing and evaluating the business objectives and strategies, and consider the amendments to business plan and operating strategy from time to time. From the year of 2022 to the Reporting Period, the Group has acquired certain new property management projects and added a number of new property management projects under its business segment.

The Group continues to solidify its business foundation and remains committed to its six main business lines, and will maintain a model of rapid development of light asset projects featured by “Brand Export, Management Export, and Cooperative Operation”, while establishing a vertical e-commerce service platform for the hospitality supplies industry and further developing the online shopping mall business, thereby further expanding the market share and brand influence of the Group.

We insist on the platform sharing concept of “Industrial Alliance and Collective Development”, enhancing the brand stickiness along with the development of the industry. Meanwhile, the Group will continue to expand the business of property service (especially through the acquisition and merger of mature property service projects), with an aim to increase the stable cash flow of the Group, so as to advance the interests of the Company and its Shareholders, which will bring sustainable and stable development to the Group.

Other Information and Corporate Governance

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

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

three executive Directors (including Mr. Cheung), three non-executive Directors and three independent non-executive Directors and therefore has a fairly strong independence element in its composition. In addition, the balance of power is further ensured by the following reasons:

- the Audit Committee is comprised of all independent non-executive Directors; and
- the independent non-executive Directors have free and direct access to the Company's external auditor and independent professional advisers when considered necessary.

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

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

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

Other Information and Corporate Governance

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS

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

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

As at 30 June 2023, the interests or short positions of each Director and chief executive officer of the Company in the Shares, underlying Shares and debentures of the Company, as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules, and the details of any right to subscribe for Shares of the Company and of the exercise of such rights, were as follows:

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

Notes:

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

Except as disclosed above, to the best knowledge, information and belief of our Directors and based on information available as at 30 June 2023, none of the Directors or chief executive of the Company and its respective associates had any interests or short positions in the Shares, underlying Shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO; (ii) whose were required to be recorded in the register kept by the Company under section 352 of the SFO; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information and Corporate Governance

SUBSTANTIAL SHAREHOLDERS' AND OTHER SHAREHOLDERS' INTERESTS

So far as our Directors are aware, as at 30 June 2023, the following persons have or are deemed or taken to have an interest or a short position in Shares or underlying Shares of the Company which will be required to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were recorded in the register of the Company required to be kept pursuant to section 336 of the SFO or, directly or indirectly, are interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Name	Nature of Interest	Name of ordinary shares held	Approximate percentage of the Company's issued share capital
Honchuen Investment	Beneficial owner ⁵	782,910,000 (L)	52.19%
Mr. Cheung	Interest of controlled corporation ^{2,5}	782,910,000 (L)	52.19%
Zuoting Investment	Beneficial owner ⁵	782,910,000 (L)	52.19%
Mr. Mei	Interest of controlled corporation ^{3,5}	782,910,000 (L)	52.19%
Weixin Development	Beneficial owner ⁵	782,910,000 (L)	52.19%
Mr. Zhang	Interest of controlled corporation ^{4,5}	782,910,000 (L)	52.19%
Huang Wanyi	Interest of spouse ⁶	782,910,000 (L)	52.19%
AL Capital Funds VCC for a/c of AL Capital Global Opportunities Fund ⁷	Investment manager	129,180,000 (L)	8.61%
AL Capital Holdings International Pte. Ltd.	Interest of controlled corporation ⁸	129,180,000 (L)	8.61%
Straits Universal Limited	Interest of controlled corporation ^{8,9}	129,180,000 (L)	8.61%
Mr. Lin Yi	Interest of controlled corporation ^{8,9}	129,180,000 (L)	8.61%
Huiqun Investment Limited	Beneficial owner ¹⁰	93,375,000 (L)	6.23%

Notes:

- The letter "L" denotes a long position in the Shares.
- 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.
- 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.
- 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.
- On 28 December 2018, in preparation for the Listing, Mr. Cheung, Mr. Mei and Mr. Zhang executed the concert parties agreement, pursuant to which they have confirmed their acting in concert arrangement in the past, as well as their intention to continue to act in the above manner upon Listing to consolidate their control over our Group through Honchuen Investment, Zuoting Investment and Weixin Development until the concert parties agreement is terminated by them in writing. As such, Mr. Cheung, Mr. Mei, Mr. Zhang, Honchuen Investment, Zuoting Investment and Weixin Development are deemed to be interested in the Shares held by the others under the SFO. For details, please refer to the section headed "Substantial Shareholders" in the Prospectus.
- 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.
- AL Capital Global Opportunities Fund is a sub-fund of AL Capital Funds VCC, a variable capital company wholly-owned by AL Capital Holdings International Pte. Ltd. AL Capital Holdings International Pte. Ltd. is deemed to be interested in all the Shares held by AL Capital Funds VCC for a/c of AL Capital Global Opportunities Fund under the SFO.
- AL Capital Holdings International Pte. Ltd. was wholly-owned by Straits Universal Limited. Straits Universal Limited is deemed to be interested in all the Shares held by AL Capital Holdings International Pte. Ltd. under the SFO.
- Straits Universal Limited was wholly-owned by Mr. Lin Yi. Mr. Lin Yi is deemed to be interested in all the Shares held by Straits Universal Limited and AL Capital Holdings International Pte. Ltd. under the SFO.
- To the best knowledge and belief of our Directors, Huiqun Investment Limited was wholly-owned by Independent Third Parties.

Other Information and Corporate Governance

Except as disclosed above, as at 30 June 2023, none of the persons (other than Directors whose interests are set out in this interim report) had any interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

HUMAN RESOURCES

As at 30 June 2023, the total number of employees of the Group was approximately 265 (2022 Period: 319) and the employee benefit expenses for the Reporting Period including Directors' emoluments were approximately RMB20.7 million (2022 Period: RMB21.6 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.

DEALINGS IN LISTED SECURITIES

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the Reporting Period (2022 Period: Nil).

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this report, the Board is not aware of any other significant events requiring disclosure that have taken place subsequent to the Reporting Period and up to the date of this report.

MATERIAL LEGAL PROCEEDINGS

In July 2021, Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司) ("**Guangzhou Shaxi Hotel**") filed legal proceedings in the Beijing Chaoyang People's Court against Beijing Chengwaicheng Home Furnishing Market Co., Ltd.* (北京城外誠家居市場有限公司) ("**Beijing Chengwaicheng**") and others in respect of the recovery of the earnest money in the amount of RMB10.0 million paid by Guangzhou Shaxi Hotel to Beijing Chengwaicheng pursuant to a lease intention agreement dated 19 May 2021 entered into between Guangzhou Shaxi Hotel, as tenant, and Beijing Chengwaicheng, as landlord, for the lease of the home furnishing expo center in Chaoyang District, Beijing, the PRC. The said lease intention agreement had been terminated as the parties could not agree on certain commercial terms. The hearing of the case took place at the Beijing Chaoyang People's Court. Pursuant to the court order dated 5 June 2023 issued by the Beijing Chaoyang People's Court, it was ordered, among others, that the lease intention agreement dated 19 May 2021 entered into between Guangzhou Shaxi Hotel and Beijing Chengwaicheng had been terminated, and Beijing Chengwaicheng and others were required to refund the earnest money in the amount of RMB10.0 million to Guangzhou Shaxi Hotel. As at the date of this report, the earnest money in the amount of RMB10.0 million has been refunded to Guangzhou Shaxi Hotel. Beijing Chengwaicheng and others have lodged an appeal of the case to the Beijing No.3 Intermediate People's Court against Guangzhou Shaxi Hotel. The hearing date of the appeal case has not yet been determined.

In December 2020, Shanghai Yuan Shang Property Co., Ltd.* (上海遠緇物業有限公司) (formerly known as Shanghai Red Star Macalline Commercial Property Investment Co., Ltd.* (上海紅星美凱龍商用物業投資有限公司)) ("**Shanghai Yuan Shang**") filed arbitral proceedings in the Shanghai International Arbitration Centre against several respondents, including among others, Shenyang Xinji Industrial Centre Company Limited* (瀋陽信基實業有限公司) ("**Shenyang Xinji Industrial**") and Guangzhou Shaxi Hotel, being indirect wholly-owned subsidiaries of the Company, in respect of the purported breach of a cooperative development agreement dated 5 June 2017 (as amended by the supplemental agreements). Based on the legal advice from the Company's PRC

Other Information and Corporate Governance

lawyer, the PRC lawyer is of the view that as neither Shenyang Xinji Industrial or Guangzhou Shaxi Hotel is a party to the relevant cooperative development agreement or guarantee agreement, there is no breach of contract or guarantee responsibility by Shenyang Xinji Industrial or Guangzhou Shaxi Hotel, nor are they obligated to pay any liquidated damages to Shanghai Yuan Shang. The potential maximum total liability of Shenyang Xinji Industrial and Guangzhou Shaxi Hotel in respect of the arbitration case is estimated to be approximately RMB20.0 million. The hearing of the case took place on 3 June 2023 at the Shanghai International Arbitration Centre. As at the date of this report, the Shanghai International Arbitration Centre has not yet issued its decision on the case.

Save as disclosed above, there was no other significant event or arbitration proceeding which has an impact on the Group since the publication of the 2022 annual report and up to the date of this report.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at 30 June 2023, the Company has maintained the public float as required under the Listing Rules.

AUDIT COMMITTEE

The Company established an Audit Committee with written terms of reference in compliance with the CG Code and paragraph D.3 of the CG Code as set out in Appendix 14 to the Listing Rules. The Audit Committee consists of three members, namely Dr. Zeng Zhaowu, Mr. Tan Michael Zhen Shan and Dr. Zheng Decheng. Dr. Zeng Zhaowu currently serves as the chairman of the Audit Committee.

The financial information during the Reporting Period set out in the interim result announcement and this report is unaudited but has been reviewed by the Audit Committee. The Audit Committee has reviewed this report and was satisfied that the Company's unaudited financial information contained in this report was prepared in accordance with applicable accounting standards.

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.

SHARE OPTION SCHEME

A share option scheme (the "**Share Option Scheme**") was adopted by the written resolutions of the Shareholders passed on 3 October 2019. 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 30 June 2023, no share option was granted, exercised, cancelled or lapsed under the Share Option Scheme and there was no outstanding share option as at the date of this report.

CHANGES IN INFORMATION OF DIRECTORS

Since the publication of the 2022 annual report, the Company has no changes to information of the Directors required to be disclosed pursuant to Rule 13.51(B) of the Listing Rules.

Condensed Consolidated Income Statement

	Note	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	7	129,101	151,996
Cost of sales	8	(21,423)	(24,597)
Fair value losses on investment properties	14	(157,940)	(55,973)
Selling and marketing expenses	8	(7,487)	(6,775)
Administrative expenses	8	(18,411)	(17,106)
Net impairment losses on financial assets and operating lease receivables		(3,076)	(1,749)
Other income		1,486	5,682
Other gains – net		1,502	365
Operating (loss)/profit		(76,248)	51,843
Finance income	9	1,762	306
Finance expenses	9	(29,031)	(26,598)
Finance expenses – net	9	(27,269)	(26,292)
(Loss)/profit before income tax		(103,517)	25,551
Income tax expense	10	20,588	(9,097)
(Loss)/profit for the period		(82,929)	16,454
(Loss)/profit attributable to:			
– Owners of the Company		(82,829)	14,747
– Non-controlling interests		(100)	1,707
		(82,929)	16,454
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company during the period (expressed in RMB per share)			
Basic and diluted (loss)/earnings per share	11	(0.06)	0.01

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

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
(Loss)/profit for the period	(82,929)	16,454
Other comprehensive income for the period net of tax	–	–
Total comprehensive (loss)/income for the period	(82,929)	16,454
Attributable to:		
– Owners of the Company	(82,829)	14,747
– Non-controlling interests	(100)	1,707
	(82,929)	16,454

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

Condensed Consolidated Balance Sheet

	Note	As at	
		30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property and equipment	13	5,128	6,944
Investment properties	14	2,348,596	2,396,940
Intangible assets	15	2,756	1,688
Deferred income tax assets		1,760	1,376
Financial assets at fair value through profit or loss		1,749	1,124
Lease and trade receivables and other receivables	16	51,054	36,342
		2,411,043	2,444,414
Current assets			
Inventories		2,406	2,402
Lease and trade receivables and other receivables	16	78,645	65,795
Amounts due from related parties	25	4,967	4,095
Cash and cash equivalents	17	473,168	314,477
		559,186	386,769
Total assets		2,970,229	2,831,183
EQUITY			
Share capital and premium	18	285,178	285,178
Other reserves	19	116,409	114,640
Retained earnings		933,360	1,017,808
		1,334,947	1,417,626
Non-controlling interests		(1,873)	(1,823)
Total equity		1,333,074	1,415,803

Condensed Consolidated Balance Sheet

	Note	As at	
		30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings	22	827,059	629,378
Trade and other payables	20	35,223	32,269
Lease liabilities	20	200,576	124,876
Deferred income tax liabilities		237,307	263,786
Amounts due to related parties	25	–	24,750
		1,300,165	1,075,059
Current liabilities			
Borrowings	22	91,022	108,958
Trade and other payables	20	125,330	96,964
Amounts due to related parties	25	28,542	27,200
Lease liabilities	20	28,407	33,923
Advance from customers	21	24,534	34,407
Contract liabilities	7(e)	18,334	16,752
Current income tax liabilities		20,821	22,117
		336,990	340,321
Total liabilities		1,637,155	1,415,380
Total equity and liabilities		2,970,229	2,831,183

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

The interim condensed consolidated financial information on pages 20 to 55 were approved by the Board of Directors on 25 August 2023 and were signed on its behalf:

Cheung Hon Chuen
Director

Mei Zuoting
Director

Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company						
	Note	Share	Other	Retained	Total	Non-	Total
		Capital and premium RMB'000 (Note 18)	reserves RMB'000 (Note 19)	earnings RMB'000	RMB'000	controlling interests RMB'000	RMB'000
Six months ended 30 June 2023 (Unaudited)							
Balance at 1 January 2023		285,178	114,640	1,017,808	1,417,626	(1,823)	1,415,803
Loss for the period		-	-	(82,829)	(82,829)	(100)	(82,929)
Total comprehensive loss for the period		-	-	(82,829)	(82,829)	(100)	(82,929)
Transactions with owners							
Changes in ownership interests in subsidiaries without change of control	19	-	150	-	150	(950)	(800)
Capital injection by non-controlling interests		-	-	-	-	1,000	1,000
Transfer to statutory reserves	19	-	1,619	(1,619)	-	-	-
Balance at 30 June 2023		285,178	116,409	933,360	1,334,947	(1,873)	1,333,074

Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company						
	Note	Share	Other	Retained	Total	Non-	Total
		Capital and premium RMB'000 (Note 18)	reserves RMB'000 (Note 19)	earnings RMB'000	RMB'000	controlling interests RMB'000	RMB'000
Six months ended 30 June 2022 (Unaudited)							
Balance at 1 January 2022 (As previously reported)		285,178	243,498	1,153,923	1,682,599	(2,860)	1,679,739
Business combination under common control		–	30	37,784	37,814	4,679	42,493
Balance at 1 January 2022 (Restated)		285,178	243,528	1,191,707	1,720,413	1,819	1,722,232
Profit for the period		–	–	14,747	14,747	1,707	16,454
Total comprehensive income for the period		–	–	14,747	14,747	1,707	16,454
Transactions with owners							
Transactions with non-controlling interests	19	–	(13,260)	–	(13,260)	(710)	(13,970)
Effect of Business combination under common control	19	–	(85,030)	–	(85,030)	–	(85,030)
Deem distribution to the then shareholders of the entities acquired under common control	19	–	(37,091)	–	(37,091)	(4,858)	(41,949)
Contribution from the then shareholders of the entities acquired under common control		–	1,000	–	1,000	–	1,000
Changes in ownership interests in subsidiaries without change of control		–	300	–	300	(300)	–
Transfer to statutory reserves		–	2,498	(2,498)	–	–	–
Balance at 30 June 2022		285,178	111,945	1,203,956	1,601,079	(2,342)	1,598,737

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

Condensed Consolidated Statement of Cash Flows

	Note	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cash flows from operating activities			
Cash generated from operations		58,802	109,176
Income tax paid		(7,571)	(17,581)
Interest received		1,762	306
Interest paid		(27,567)	(24,794)
Net cash generated from operating activities		25,426	67,107
Cash flows from investing activities			
Acquisition of a subsidiary, net of cash acquired		–	274
Payments for investment properties		(9,268)	(7,600)
Payments for purchase of property and equipment		(902)	(8,166)
Payments for purchase of intangible assets		(1,416)	(77)
Proceeds from deposits for Proposed Compensation Agreement	20(i)(a)	50,000	–
Prepayments for lease		(51,220)	–
Consideration paid for business combination under common control		(24,750)	(49,500)
Repayment from related parties		348	15,411
Proceeds from finance lease		8,994	–
Cash advances to related parties		122	(18,074)
Net cash used in investing activities		(28,092)	(67,732)
Cash flows from financing activities			
Proceeds from bank and other borrowings		191,000	30,000
Repayments of borrowings		(12,719)	(23,324)
Contribution from the then shareholders of the Group		–	1,000
Capital injection by non-controlling interests		1,000	–
Changes in ownership interests in subsidiaries without change of control		(800)	–
Principal element of lease payment		(16,942)	(2,922)
Net cash generated from financing activities		161,539	4,754
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of period		314,477	249,689
Exchange loss on cash and cash equivalents		(182)	(550)
Cash and cash equivalents at end of period		473,168	253,268

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

Notes to the Condensed Consolidated Financial Statements

1 GENERAL INFORMATION

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

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

The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 8 November 2019.

This interim condensed consolidated financial information is presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB’000), unless otherwise stated.

This interim condensed consolidated financial information has been approved for issue by the board of directors (the “**Board**”) of the Company on 25 August 2023.

This interim condensed consolidated financial information has not been audited.

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim financial reporting”. The interim condensed consolidated financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, the interim condensed consolidated financial information should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2022 and any public announcements made by the Company during the interim reporting period.

3 MATERIAL ACCOUNTING POLICY INFORMATION

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2022, as described in those annual consolidated financial statements, except for the adoption of new and amended standards as set out below.

Notes to the Condensed Consolidated Financial Statements

3 MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)**(i) New and amended standards adopted by the Group**

The Group has applied the following standards and interpretations for the first time to financial reporting periods commencing on 1 January 2023:

		Effective for annual periods beginning on or after
HKFRS 17 and Amendment to HKFRS 17	Insurance contract (including Initial Application of HKFRS 17 and HKFRS 9 Comparative Information)	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of accounting policies	1 January 2023
Amendments to HKAS 8	Definition of accounting estimates	1 January 2023
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
Amendments to HKAS 12	International Tax Reform Pillar Two Model Rules	1 January 2023

The Group has changed its accounting policies following the adoption of Amendments to HKAS 12. From the effective date on 1 January 2023, the Group recognised deferred income tax assets and deferred income tax liabilities for the temporary differences arising on leases that gave rise to equal amounts of taxable and deductible temporary differences on initial recognition date. The details of which are disclosed in Note 3(iii).

Except for Amendments to HKAS 12, the adoption of these new and amended standards does not have significant impact on the condensed consolidated interim financial statements of the Group.

(ii) New standards, amendments to standards and interpretations that have been issued but are not effective

		Effective for annual periods beginning on or after
Hong Kong Interpretation 5 (Revised)	Hong Kong Interpretation 5 (Revised) Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause	1 January 2024
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2024
Amendments to HKAS 1	Non-current liabilities with covenants	1 January 2024
Amendments to HKFRS 16	Lease liability in a sale and leaseback	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

Notes to the Condensed Consolidated Financial Statements

3 MATERIAL ACCOUNTING POLICY INFORMATION *(cont'd)*

(ii) New standards, amendments to standards and interpretations that have been issued but are not effective *(cont'd)*

The Group has already commenced an assessment of the impact of these new standards, amendments to standards and interpretation, certain of which are relevant to the Group's operations. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

(iii) Changes in accounting policies

As explained in Note 3(i) above, the Group has adopted the Amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" on January 1, 2023, which resulted in the recognition of separate deferred income tax assets and separate deferred income tax liabilities for temporary differences arising on leases, both at initial recognition and subsequently. In accordance with the transitional provisions, the Group adopted the amendments for the first time by recognizing deferred tax for all temporary differences related to leases at the beginning of the earliest comparative period presented. As a result, with the beginning of the earliest period presented being January 1, 2022, an adjustment of RMB38,506,000 was recognised to the gross amounts of deferred income tax assets and deferred income tax liabilities simultaneously, and the resultant deferred income tax assets and deferred income tax liabilities met the set off provisions and would be presented on a net basis on the condensed consolidated statement of financial position. Since the Group had considered the lease as a single transaction in which the assets and liabilities were integrally linked and recognised deferred tax on a net basis previously, there were nil impact on opening retained earnings upon the adoption of the above mentioned amendments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2022.

5 FINANCIAL RISK MANAGEMENT

5.1 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 operates mainly in the PRC with most of the transactions settled in RMB. As at 30 June 2023, the non-RMB assets of the Group are mainly cash and cash equivalents (Note 17) denominated in Hong Kong Dollars ("HK\$"). The Group has not entered into forward exchange contract to hedge its exposure to foreign exchange risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2022.

There have been no changes in the risk management policies since 31 December 2022.

Notes to the Condensed Consolidated Financial Statements

5 FINANCIAL RISK MANAGEMENT (cont'd)

5.1 Financial risk factors (cont'd)

5.1.1 Liquidity risk

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 30 June 2023 (Unaudited)					
Borrowings (including interests)	140,045	254,677	508,262	164,170	1,067,154
Amounts due to related parties	28,542	–	–	–	28,542
Trade and other payables (excluding salary payables and other tax liabilities)	109,457	15,017	20,206	–	144,680
Lease liabilities	29,464	30,343	75,688	161,025	296,520
	307,508	300,037	604,156	325,195	1,536,896
	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 30 June 2022 (Unaudited)					
Borrowings (including interests)	118,814	158,676	419,934	217,248	914,672
Amounts due to related parties	24,835	24,750	–	–	49,585
Trade and other payables (excluding salary payables and other tax liabilities)	75,903	8,240	23,937	91	108,171
Lease liabilities	30,743	27,228	71,688	68,773	198,432
	250,295	218,894	515,559	286,112	1,270,860

Interests are calculated on borrowings held as at 30 June 2023 (31 December 2022: same). Floating-rate interest is estimated using the current interest rate as at 30 June 2023 (31 December 2022: same).

Notes to the Condensed Consolidated Financial Statements

5 FINANCIAL RISK MANAGEMENT (cont'd)**5.2 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. Total capital represents total equity as shown in the consolidated balance sheet.

	As at	
	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Borrowings (Note 22)	918,081	738,336
Less: cash and cash equivalents (Note 17)	(473,168)	(314,477)
Net debts	444,913	423,859
Equity	1,333,074	1,415,803
Total capital	1,333,074	1,415,803
Gearing ratio	33%	30%

5.3 Fair value estimation*(a) Financial assets carried at fair value*

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

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

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

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

Notes to the Condensed Consolidated Financial Statements

5 FINANCIAL RISK MANAGEMENT (cont'd)**5.3 Fair value estimation** (cont'd)*(a) Financial assets carried at fair value (cont'd)*

Specific valuation techniques used to value contingent consideration include:

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2023, by level of the inputs to valuation techniques used to measure fair value.

	Level 3	
	As at	
	30 June	31 December
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Contingent consideration	1,749	1,124

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

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

*(b) Investment properties**(i) Fair value hierarchy*

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

	Level 3	
	As at	
	30 June	31 December
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Investment properties (Note 14)	2,348,596	2,396,940

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the six months ended 30 June 2023 (six months ended 30 June 2022: same).

Notes to the Condensed Consolidated Financial Statements

5 FINANCIAL RISK MANAGEMENT *(cont'd)*

5.3 Fair value estimation *(cont'd)*

(b) Investment properties (cont'd)

(ii) Valuation techniques used to determine fair values

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

As at 30 June 2023, all investment properties are included in level 3 fair value hierarchy (31 December 2022: same).

(iii) Valuation processes

The Group measures its investment properties at fair value. The investment properties were valued by an independent and professionally qualified valuer at 30 June 2023 and 31 December 2022. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that reviews the valuations performed by the independent valuer 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 valuer at least once every reporting period.

At each financial period end, the finance department:

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

Notes to the Condensed Consolidated Financial Statements

6 SEGMENT INFORMATION

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

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

– **Property leasing;**

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

– **Property management services;**

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

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

(a) The segment information provided to the executive directors for the reportable segments for the six months ended 30 June 2023 is as follows:

	Property leasing RMB’000	Property management services RMB’000	Group RMB’000
Gross segment revenue	97,990	31,111	129,101
Revenue from contracts with customers	5,915	31,111	37,026
– at a point in time	5,561	–	5,561
– over time	354	31,111	31,465
Revenue from rental income	92,075	–	92,075
Fair value losses on investment properties	(157,940)	–	(157,940)
Segment results	(92,849)	16,601	(76,248)
Finance costs – net			(27,269)
Loss before income tax			(103,517)
Income tax expenses			20,588
Loss for the period			(82,929)
Depreciation and amortisation	2,952	91	3,043

Notes to the Condensed Consolidated Financial Statements

6 SEGMENT INFORMATION (cont'd)

(a) The segment information provided to the executive directors for the reportable segments for the six months ended 30 June 2022 is as follows (cont'd):

	Property leasing RMB'000	Property management services RMB'000	Group RMB'000
Gross segment revenue	120,502	31,494	151,996
Revenue from contracts with customers	8,619	31,494	40,113
– at a point in time	6,779	–	6,779
– over time	1,840	31,494	33,334
Revenue from rental income	111,883	–	111,883
Fair value losses on investment properties	(55,973)	–	(55,973)
Segment results	39,624	12,219	51,843
Finance costs – net			(26,292)
Profit before income tax			25,551
Income tax expenses			(9,097)
Profit for the period			16,454
Depreciation and amortisation	2,788	18	2,806

Notes to the Condensed Consolidated Financial Statements

6 SEGMENT INFORMATION (cont'd)

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

As at 30 June 2023 (Unaudited)

	Property leasing RMB'000	Property management services RMB'000	Elimination RMB'000	Group RMB'000
Segment assets	2,980,481	19,631	(31,643)	2,968,469
Segment liabilities	409,268	83,321	(31,643)	460,946
Capital expenditure	4,035	135	–	4,170

As at 31 December 2022 (Audited)

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

Notes to the Condensed Consolidated Financial Statements

6 SEGMENT INFORMATION (cont'd)

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

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

	As at	
	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Segment assets	2,968,469	2,829,807
Unallocated:		
Deferred income tax assets	1,760	1,376
Total assets	2,970,229	2,831,183

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

	As at	
	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Segment liabilities	460,946	391,141
Unallocated:		
Deferred income tax liabilities	237,307	263,786
Current income tax liabilities	20,821	22,117
Bank and other borrowings	918,081	738,336
Total liabilities	1,637,155	1,415,380

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

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

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

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

Notes to the Condensed Consolidated Financial Statements

7 REVENUE

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Rental income:		
– Properties lease income	92,075	111,883
Revenue from contracts with customers:		
– Property management service (a) & (c)	31,111	31,494
– Sales of goods (b)	5,561	6,779
– Shopping mall business management service (a) & (c)	354	1,840
	37,026	40,113
	129,101	151,996

- (a) Revenue generated from property management service and shopping mall business management service are recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation.
- (b) Revenue generated from sales of goods is recognised at a point in time when the customer obtains control of the assets.

Notes to the Condensed Consolidated Financial Statements

7 REVENUE (cont'd)

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

	As at	
	30 June	31 December
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Aggregate amount of the transaction price allocated to long-term property management service contracts that the performance obligations of which are partially or fully unsatisfied as at 30 June and 31 December		
Expected to be recognised over one year	323,341	268,130
Expected to be recognised within one year	56,827	51,625
	380,168	319,755

	As at	
	30 June	31 December
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Aggregate amount of the transaction price allocated to long-term shopping mall business management service contracts that the performance obligations of which are partially or fully unsatisfied as at 30 June and 31 December		
Expected to be recognised over one year	–	1,000
Expected to be recognised within one year	109	500
	109	1,500

The amount disclosed above does not include any variable consideration.

(d) As at 30 June 2023, no assets recognised from incremental costs to obtain a contract.

Notes to the Condensed Consolidated Financial Statements

7 REVENUE (cont'd)

(e) Contract liabilities

	As at	
	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Business management service	5,583	6,965
Property management service	11,461	9,089
Sales of goods	1,290	698
	18,334	16,752

8 EXPENSES BY NATURE

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Employee benefit expenses	20,662	21,646
Cost of sales of goods	3,933	4,166
Marketing and advertising costs	3,290	3,059
Legal and professional expenses	2,826	2,271
Tax and other levies	1,733	2,515
Property maintenance expenses	4,085	5,885
Electricity and water cost	2,687	3,490
Technical service charge	306	329
Depreciation	2,695	2,517
Office and travelling expenses	256	128
Amortisation	348	289
Entertainment expenses	2,302	863
Auditors' remuneration	150	–
– Non-audit services	150	–
Short-term lease expenses	24	12
Donation	71	–
Other expenses	1,953	1,308
Total cost of sales, selling and marketing expenses and administrative expenses	47,321	48,478

Notes to the Condensed Consolidated Financial Statements

9 FINANCE EXPENSES – NET

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Finance income:		
– Interest income	(544)	(306)
– Interest income from sublease	(1,218)	–
	(1,762)	(306)
Finance expenses:		
– Leasing finance expenses	3,102	3,877
– Interest expenses	25,929	22,721
	29,031	26,598
Finance expenses – net	27,269	26,292

10 INCOME TAX EXPENSE

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Current income tax		
– PRC corporate income tax	6,275	14,519
Deferred income tax		
– PRC corporate income tax	(26,863)	(5,422)
Income tax expense	(20,588)	9,097

Notes to the Condensed Consolidated Financial Statements

10 INCOME TAX EXPENSE (cont'd)**(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 six months ended 30 June 2023 and 2022.

(b) PRC withholding income tax

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

(c) Cayman Islands income tax

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

(d) British Virgin Islands income tax

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

(e) Hong Kong profits tax

Hong Kong profits tax has not been provided as the Group's subsidiaries incorporated in Hong Kong did not have any assessable profits during the six months ended 30 June 2023 and 2022.

11 (LOSS)/EARNINGS PER SHARE**(a) Basic**

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
(Loss)/profit attributable to owners of the Company (RMB'000)	(82,829)	14,747
Weighted average number of ordinary shares in issue (thousands)	1,500,000	1,500,000
Basic (loss)/earnings per share (RMB)	(0.06)	0.01

(b) Diluted

The Company did not have any potential dilutive ordinary shares outstanding during the six months ended 30 June 2023 and 2022. Diluted (loss)/earnings per share are the same as the basic (loss)/earnings per share.

Notes to the Condensed Consolidated Financial Statements

12 DIVIDEND

No interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: nil) have been proposed by the Board.

13 PROPERTY AND EQUIPMENT

	Leased office buildings RMB'000	Vehicles RMB'000	Furniture, fittings and equipment RMB'000	Total RMB'000
At 31 December 2022 (Audited)				
Cost	7,947	8,913	4,016	20,876
Accumulated depreciation	(3,915)	(6,521)	(3,496)	(13,932)
Net book amount	4,032	2,392	520	6,944
Period ended 30 June 2023 (Unaudited)				
Opening net book amount	4,032	2,392	520	6,944
Additions	–	716	186	902
Disposals	–	(20)	(3)	(23)
Depreciation charges	(2,016)	(499)	(180)	(2,695)
Closing net book amount	2,016	2,589	523	5,128
At 30 June 2023 (Unaudited)				
Cost	7,947	9,048	4,061	21,056
Accumulated depreciation	(5,931)	(6,459)	(3,538)	(15,928)
Net book amount	2,016	2,589	523	5,128

Notes to the Condensed Consolidated Financial Statements

14 INVESTMENT PROPERTIES

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Opening net book amount	2,396,940	2,641,030
Lease modification	135,894	–
Additions	1,852	148,841
Transfer to finance lease receivables	(28,150)	–
Fair value changes	(157,940)	(55,973)
Closing net book amount	2,348,596	2,733,898
Analysis of investment properties:		
– properties on land use right certificates owned by the Group	1,041,250	1,208,280
– properties on right-of-use assets	1,307,346	1,525,618
	2,348,596	2,733,898

15 INTANGIBLE ASSETS

	Computer software RMB'000
Period ended 30 June 2023 (Unaudited)	
Opening net book amount	1,688
Additions	1,416
Amortisation charges	(348)
Closing net book amount	2,756
At 30 June 2023 (Unaudited)	
Cost	6,224
Accumulated amortisation	(3,468)
Net book amount	2,756

Notes to the Condensed Consolidated Financial Statements

16 LEASE AND TRADE RECEIVABLES AND OTHER RECEIVABLES

	As at	
	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Operating lease receivables	45,946	37,651
Less: allowance for impairment of operating lease receivables	(8,901)	(7,501)
Operating lease receivables – net	37,045	30,150
Finance lease receivables	63,432	43,625
Less: allowance for impairment of finance lease receivables	(2,781)	(1,926)
Finance lease receivables – net	60,651	41,699
Trade receivables	8,787	9,580
Less: allowance for impairment of trade receivables	(1,551)	(1,206)
Trade receivables – net	7,236	8,374
Other receivables	26,678	25,612
Less: allowance for impairment of other receivables	(9,363)	(9,606)
Other receivables – net	17,315	16,006
Prepaid tax and other levies	185	360
Prepayment for lease	2,452	–
Other prepayments	2,167	2,356
Input VAT available for future deduction	2,648	3,192
	129,699	102,137
Less: non-current portion Finance lease receivables	(51,054)	(36,342)
Current portion	78,645	65,795

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

	As at	
	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Less than 1 year	8,787	9,580

Lease and trade receivables and other receivables were denominated in RMB and their fair values approximated their carrying amounts.

Notes to the Condensed Consolidated Financial Statements

17 CASH AND CASH EQUIVALENTS

	As at	
	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Cash on hand		
– RMB	137	217
Cash at banks		
– RMB	466,294	305,375
– HK\$	6,737	8,885
	473,031	314,260
	473,168	314,477

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

18 SHARE CAPITAL AND PREMIUM

	Number of ordinary shares	Nominal value of ordinary shares HK\$	Equivalent nominal value of ordinary shares RMB	Share premium RMB	Total RMB
Ordinary shares issued and fully paid:					
As at 30 June 2023 (Unaudited)	1,500,000,000	15,000,000	13,410,231	271,768,208	285,178,439
As at 31 December 2022 (Audited)	1,500,000,000	15,000,000	13,410,231	271,768,208	285,178,439

Notes to the Condensed Consolidated Financial Statements

19 OTHER RESERVES

	Merger and other reserves RMB'000	Statutory reserves RMB'000 (Note (a))	Total RMB'000
At 1 January 2022	190,943	52,555	243,498
Business combination under common control	30	–	30
At 1 January 2022 (Restated)	190,973	52,555	243,528
Transaction with non-controlling interests	(13,260)	–	(13,260)
Business combination under common control	(85,030)	–	(85,030)
Deemed distribution to the then shareholders of the entities acquired under common control	(37,091)	–	(37,091)
Contribution from the then shareholders of the entities acquired under common control	1,000	–	1,000
Changes in ownership interests in subsidiaries without change of control	300	–	300
Appropriation to statutory reserves (Note (a))	–	2,498	2,498
At 30 June 2022	56,892	55,053	111,945
At 1 January 2023	56,892	57,748	114,640
Changes in ownership interests in subsidiaries without change of control	150	–	150
Appropriation to statutory reserves (Note (a))	–	1,619	1,619
At 30 June 2023	57,042	59,367	116,409

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

Notes to the Condensed Consolidated Financial Statements

20 TRADE AND OTHER PAYABLES AND LEASE LIABILITIES

(i) Trade and other payables

	As at	
	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Trade payables	3,041	3,196
Construction contract payables	26,934	37,175
Salary payables	15,274	13,956
Other tax liabilities	599	709
Deposits from tenants	57,415	55,314
Other payables (Note (a))	57,290	18,883
	160,553	129,233
Less: non-current portion		
Deposits from tenants	(35,223)	(32,269)
Current portion	125,330	96,964

The aging analysis of the trade and construction contract payables based on invoice date is as follows:

	As at	
	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Less than 1 year	24,201	35,249
Over 1 year	5,774	5,122
	29,975	40,371

Trade payables and construction contract payables were denominated in RMB and their fair values approximated their carrying amounts.

Notes to the Condensed Consolidated Financial Statements

20 TRADE AND OTHER PAYABLES AND LEASE LIABILITIES (cont'd)**(i) Trade and other payables** (cont'd)

- (a) In June 2023, Guangzhou Shaxi International Hospitality Supplies City Company Limited (the “**Guangzhou Shaxi**”), being an indirect wholly-owned subsidiary of the Company, was informed by Guangzhou Shenglong Fangyuan Real Estate Co., Ltd. (the “**Property Developer**”), a property developer, about a proposed redevelopment plan of Shaxi Village, which would cover the leased land and the shopping mall erected thereon. The Property Developer subsequently proposed to enter into an agreement (the “**Proposed Compensation Agreement**”) with the landlord and Guangzhou Shaxi pursuant to which the Property Developer intends to pay a compensation amount of approximately RMB845 million to Guangzhou Shaxi in consideration of an early termination of the tenancy agreement between Guangzhou Shaxi and Shaxi Village. The Proposed Compensation Agreement will be effective upon the Shaxi Village Redevelopment Plan having been approved by the landowners of Shaxi Village.

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

(ii) Lease liabilities

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Balance at beginning of the period	158,799	155,041
Lease modification	135,894	–
Leasing finance expenses recognised	3,102	3,877
Settlement of lease liabilities	(68,812)	(6,799)
	228,983	152,119
Less: non-current portion	(200,576)	(123,258)
Current portion of lease liabilities	28,407	28,861

- (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 14) and property and equipment (Note 13).

Notes to the Condensed Consolidated Financial Statements

21 ADVANCE FROM CUSTOMERS

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

	As at	
	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Advance from customers	24,534	34,407

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

22 BORROWINGS

	As at	
	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Bank borrowings – Secured (Note (a))	913,053	733,307
Other borrowings – Secured (Note (b))	5,028	5,029
Total borrowings	918,081	738,336
Less: non-current portion		
– Bank borrowings – Secured	(827,059)	(629,378)
Current portion	91,022	108,958

(a) As at 30 June 2023, bank borrowings of RMB913,053,000 (31 December 2022: RMB733,307,000) bore interest ranging from 4.90% to 6.86% per annum and were secured by investment properties of the Group (Note 14).

(b) As at 30 June 2023, other borrowings of RMB5,028,000 (31 December 2022: RMB5,029,000) from a third party with an interest of 10% per annum were secured by investment properties of the Group (Note 14) and would mature in December 2023.

Notes to the Condensed Consolidated Financial Statements

23 CONTINGENCIES

On 30 December 2020, Shanghai Yuanshang Property Co.,Ltd (formerly named as Shanghai Red Star Macalline Commercial Property Investment Co., Ltd) ("**Shanghai Red Star**") lodged a claim of arbitration against several respondents, including Shenyang Xinji Industrial. According to the claim, Shanghai Red Star requested Shenyang Xinji Industrial, among other respondents, to make compensation for the breach of a cooperative development agreement. As at 30 June 2023, the case has been heard by the Shanghai International Arbitration Center, but has not been sentenced. The Group assessed this claim with assistance of external lawyer and considered that the judgment will be in its favour and therefore has not recognised a provision in relation to this claim. The potential maximum compensation that the Group could be required to make if there was an adverse decision related to the arbitration is estimated to be approximately RMB20 million.

24 COMMITMENTS**(a) Operating lease commitments – Group Companies as lessor**

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

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

	As at	
	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Less than 1 year	205,487	199,102
1–2 years	140,229	153,571
2–3 years	85,271	123,575
3–4 years	22,122	31,978
4–5 years	21,154	20,263
Over 5 years	64,857	76,478
	539,120	604,967

Notes to the Condensed Consolidated Financial Statements

25 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Names and relationships with related parties

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

Notes to the Condensed Consolidated Financial Statements

25 SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)**(b) Transactions with related parties**

The following transactions occurred with related parties:

Rendering of services to related parties:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Guangzhou Lupiao Commercial Development Co., Ltd.	1,051	1,049
Guangzhou Kwairan Commercial Development Co., Ltd	348	477
	1,399	1,526

Purchases of services from a related party:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Guangdong Xinji Honeycomb Technology Co., Ltd	-	11

Sales of goods to related party:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Guangzhou Xinji Real Estate Development Co., Ltd	157	8

Notes to the Condensed Consolidated Financial Statements

25 SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

(c) Key management personnel compensations

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Wages, salaries and bonuses	1,622	1,810
Pension costs – defined contribution plans	146	50
	1,768	1,860

(d) Balances with related parties

(i) Amounts due from related parties:

	As at	
	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Non-trade		
Guangzhou Xinji Property Management Co., Ltd.	4,963	4,095
Foshan Xinji Plaza Management Co., Ltd.	4	–
	4,967	4,095

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

Notes to the Condensed Consolidated Financial Statements

25 SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

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

(ii) Amounts due to related parties:

	As at	
	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Trade		
Guangzhou Lupiao Commercial Development Co., Ltd.	3,365	2,236
Guangzhou Kwairan Commercial Development Co., Ltd.	169	116
Guangdong Yingbin Investment Management Co., Ltd.	231	83
Guangzhou Xinji Real Estate Development Co., Ltd.	26	14
Foshan Xinji Plaza Management Co., Ltd.	1	1
	3,792	2,450
Non-trade		
Guangzhou Xinji Property Management Co., Ltd.	18,750	37,500
Foshan Xinji Plaza Management Co., Ltd.	6,000	12,000
	24,750	49,500
	28,542	51,950

(iii) Lease liabilities:

	As at	
	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Guangzhou Panyu Xinji Real Estate Development Co., Ltd	101,338	15,364

Definitions

“2022 Period”	the six months ended 30 June 2022
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“BVI”	the British Virgin Islands
“CG Code”	Corporate Governance Code set out in Appendix 14 to the Main Board Listing Rules of the Stock Exchange
“Company” or “the Company”	Xinji Shaxi Group Co., Ltd (信基沙溪集团股份有限公司), a company incorporated on 27 July 2018 under the laws of the Cayman Islands as an exempted company with limited liability
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and, in the context of the interim report, refers to the group of controlling shareholders of the Company, namely Honchuen Investment, Zuoting Investment, Weixin Development, Mr. Cheung, Mr. Mei and Mr. Zhang
“COVID-19”	Coronavirus Disease 2019
“Director(s)”	the director(s) of the Company
“Group”, “our Group”, “we”, “us” or “our”	the Company and its subsidiaries, or any of them or, where the context so required, in respect of the period before the Company became the holding company of its present subsidiaries, the companies which carried on the business of the present Group at the relevant time
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong

Definitions

“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
“Huiqun Investment Limited”	HUIQUN INVESTMENT LIMITED, a company incorporated under the laws of the BVI with limited liability on 6 June 2018
“Independent Third Party(ies)”	person(s) or entity(ies) that is or are not connected person(s) within the meaning of the Listing Rules
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuer set out in Appendix 10 to the Main Board Listing Rules of the Stock Exchange
“Mr. Cheung”	Mr. Cheung Hon Chuen (張漢泉), an executive Director, our Chairman and one of our founders and Controlling Shareholders
“Mr. Mei”	Mr. Mei Zuoting (梅佐挺), an executive Director and one of our founders and Controlling Shareholders
“Mr. Zhang”	Mr. Zhang Weixin (張偉新), an executive Director and one of our founders and Controlling Shareholders
“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
“Reporting Period”	the six months ended 30 June 2023

Definitions

“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	the ordinary share(s) with par value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of issued Shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Weixin Development”	WEIXIN DEVELOPMENT OVERSEAS LIMITED, a company incorporated under the laws of the BVI with limited liability on 31 May 2018, which is wholly-owned by Mr. Zhang
“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

* For identification purpose only