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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 RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2024

The board (the “**Board**”) of directors (the “**Director(s)**”) of Xinji Shaxi Group Co., Ltd (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2024 (the “**Reporting Period**”) together with the comparative figures for the six months ended 30 June 2023 (the “**2023 Period**”). These interim results of the Group have been reviewed by the Company’s audit committee.

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2024	2023
	RMB’000	RMB’000
Revenue	129,405	129,101
Loss for the period	(91,293)	(82,929)
Core net profit ⁽ⁱ⁾	46,977	35,526
Core net profit margin ⁽ⁱⁱ⁾	36%	28%
Loss per share (expressed in RMB per share)	(0.06)	(0.06)

Notes:

- (i) Core net profit for the six months ended 30 June 2024 and 2023 is a non-HKFRS measure, which is used for investors to evaluate the performance results of the underlying business of the Group, by excluding losses from the changes in fair value of the investment properties and further adjusted for income tax effects for the aforementioned items.
- (ii) Core net profit margin is calculated through dividing core net profit by revenue of the Group in their respective periods.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	Six months ended 30 June	
		2024	2023
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	6	129,405	129,101
Cost of sales	7	(21,517)	(21,423)
Fair value losses on investment properties	11	(184,360)	(157,940)
Selling and marketing expenses	7	(4,393)	(7,487)
Administrative expenses	7	(15,992)	(18,411)
Net reversal/(charges) of impairment losses on financial assets and operating lease receivables		64	(3,076)
Other income		2,370	1,486
Other gains – net		4,781	1,502
		<hr/>	<hr/>
Operating loss		(89,642)	(76,248)
Finance income		1,885	1,762
Finance expenses		(28,734)	(29,031)
		<hr/>	<hr/>
Finance expenses – net		(26,849)	(27,269)
		<hr/>	<hr/>
Loss before income tax		(116,491)	(103,517)
Income tax expense	8	25,198	20,588
		<hr/>	<hr/>
Loss for the period		(91,293)	(82,929)
		<hr/>	<hr/>
Loss attributable to:			
– Owners of the Company		(91,484)	(82,829)
– Non-controlling interests		191	(100)
		<hr/>	<hr/>
		(91,293)	(82,929)
		<hr/>	<hr/>
Loss per share for loss attributable to owners of the Company during the period (expressed in RMB per share)			
Basic and diluted loss per share	9	(0.06)	(0.06)
		<hr/>	<hr/>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Loss for the period	(91,293)	(82,929)
Other comprehensive income for the period net of tax	<u>–</u>	<u>–</u>
Total comprehensive loss for the period	<u>(91,293)</u>	<u>(82,929)</u>
Attributable to:		
– Owners of the Company	(91,484)	(82,829)
– Non-controlling interests	<u>191</u>	<u>(100)</u>
	<u>(91,293)</u>	<u>(82,929)</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		As at	
		30 June 2024	31 December 2023
	<i>Note</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
ASSETS			
Non-current assets			
Property and equipment		8,253	10,886
Investment properties	11	2,102,824	2,284,851
Intangible assets		2,342	2,569
Deferred income tax assets		3,361	2,037
Financial assets at fair value through profit or loss		443	1,355
Lease and trade receivables and other receivables	12	26,356	40,156
		<u>2,143,579</u>	<u>2,341,854</u>
Current assets			
Inventories		1,988	2,895
Lease and trade receivables and other receivables	12	76,469	70,494
Amounts due from related parties		5	–
Restricted Cash		6,032	6,026
Cash and cash equivalents		554,539	513,011
		<u>639,033</u>	<u>592,426</u>
Total assets		<u>2,782,612</u>	<u>2,934,280</u>
EQUITY			
Share capital and premium		285,115	285,178
Other reserves		118,380	117,825
Retained earnings		842,399	934,784
		<u>1,245,894</u>	<u>1,337,787</u>
Non-controlling interests		<u>(1,860)</u>	<u>(2,051)</u>
Total equity		<u>1,244,034</u>	<u>1,335,736</u>

		As at	
		30 June 2024	31 December 2023
	<i>Note</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings	<i>14</i>	726,314	691,589
Deferred revenue		246	–
Trade and other payables	<i>13</i>	34,305	36,931
Lease liabilities	<i>13</i>	176,485	185,660
Deferred income tax liabilities		203,590	235,688
Amounts due to related parties		318	378
		<u>1,141,258</u>	<u>1,150,246</u>
Current liabilities			
Borrowings	<i>14</i>	133,615	188,847
Trade and other payables	<i>13</i>	124,276	130,625
Amounts due to related parties		958	2,534
Lease liabilities	<i>13</i>	36,666	29,207
Advance from customers		53,548	49,229
Contract liabilities	<i>6(e)</i>	17,662	19,976
Current income tax liabilities		30,595	27,880
		<u>397,320</u>	<u>448,298</u>
Total liabilities		<u>1,538,578</u>	<u>1,598,544</u>
Total equity and liabilities		<u>2,782,612</u>	<u>2,934,280</u>

NOTES TO THE INTERIM 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 28 August 2024.

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 2024 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 2023 and any public announcements made by the Company during the interim reporting period.

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2023, as described in those annual consolidated financial statements, except for the adoption of new and amended standards as set out below.

(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 period commencing on 1 January 2024:

		Effective for annual periods beginning on or after
Hong Kong Interpretation 5 (Revised)	Hong Kong Interpretation 5 (Revised) Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause	1 January 2024
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2024
Amendments to HKAS 1	Non-current liabilities with covenants	1 January 2024
Amendments to HKAS 16	Lease liability in a sale and leaseback	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	1 January 2024

The new or amended standards and interpretations listed above became applicable for the current reporting period. The Group did not change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

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

		Effective for annual periods beginning on or after
Amendments to HKAS 21	Lack of Exchangeability	1 January 2025

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.

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 2023.

5 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 segments, has been identified as the executive directors of the Company.

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

– **Property leasing;**

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

– **Property management services;**

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

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

- (a) The segment information provided to the executive directors for the reportable segments for the six months ended 30 June 2024 is as follows:

	Property leasing RMB'000	Property management services RMB'000	Group RMB'000
Gross segment revenue	<u>100,114</u>	<u>29,291</u>	<u>129,405</u>
Revenue from contracts with customers	4,518	29,291	33,809
– at a point in time	4,518	–	4,518
– over time	–	29,291	29,291
Revenue from rental income	<u>95,596</u>	<u>–</u>	<u>95,596</u>
Fair value losses on investment properties	(184,360)	–	(184,360)
Segment results	(101,211)	11,569	(89,642)
Finance costs – net			<u>(26,849)</u>
Loss before income tax			(116,491)
Income tax expenses			25,198
Loss for the period			<u>(91,293)</u>
Depreciation and amortisation	<u>2,950</u>	<u>68</u>	<u>3,018</u>

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 <i>RMB'000</i>	Property management services <i>RMB'000</i>	Group <i>RMB'000</i>
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

- (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 2024 (Unaudited)

	Property leasing <i>RMB'000</i>	Property management services <i>RMB'000</i>	Elimination <i>RMB'000</i>	Group <i>RMB'000</i>
Segment assets	2,798,656	11,604	(31,009)	2,779,251
Segment liabilities	417,193	58,280	(31,009)	444,464
Capital expenditure	106	127	–	233

As at 31 December 2023 (Audited)

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

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

	As at	
	30 June 2024 <i>RMB'000</i> (Unaudited)	31 December 2023 <i>RMB'000</i> (Audited)
Segment assets	2,779,251	2,932,243
Unallocated:		
Deferred income tax assets	3,361	2,037
Total assets	<u>2,782,612</u>	<u>2,934,280</u>

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

	As at	
	30 June 2024 <i>RMB'000</i> (Unaudited)	31 December 2023 <i>RMB'000</i> (Audited)
Segment liabilities	444,464	454,540
Unallocated:		
Deferred income tax liabilities	203,590	235,688
Current income tax liabilities	30,595	27,880
Bank and other borrowings	859,929	880,436
Total liabilities	<u>1,538,578</u>	<u>1,598,544</u>

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.

6 REVENUE

	Six months ended 30 June	
	2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited)
Rental income:		
– Properties lease income	<u>95,596</u>	<u>92,075</u>
Revenue from contracts with customers:		
– Property management service (a) & (c)	29,291	31,111
– Sales of goods (b)	4,518	5,561
– Shopping mall business management service (a) & (c)	<u>–</u>	<u>354</u>
	<u>33,809</u>	<u>37,026</u>
	<u>129,405</u>	<u>129,101</u>

- (a) Revenue generated from property management service and shopping mall business management service are recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation.
- (b) Revenue generated from sales of goods is recognised at a point in time when the customer obtains control of the assets.
- (c) The following table shows unsatisfied performance obligations resulting from fixed-price long-term property management service and shopping mall business management service contracts:

	As at	
	30 June 2024 <i>RMB'000</i> (Unaudited)	31 December 2023 <i>RMB'000</i> (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	234,954	315,807
Expected to be recognised within one year	<u>52,011</u>	<u>54,079</u>
	<u>286,965</u>	<u>369,886</u>

The amount disclosed above does not include any variable consideration.

(d) As at 30 June 2024, no assets recognised from incremental costs to obtain a contract.

(e) Contract liabilities

	As at	
	30 June 2024 <i>RMB'000</i> (Unaudited)	31 December 2023 <i>RMB'000</i> (Audited)
Business management service	5,465	5,465
Property management service	12,105	13,670
Sale of goods	92	841
	17,662	19,976

7 EXPENSES BY NATURE

	Six months ended 30 June	
	2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited)
Employee benefit expenses	18,658	20,662
Cost of sales of goods	3,065	3,933
Marketing and advertising costs	1,199	3,290
Legal and professional expenses	481	2,826
Tax and other levies	2,548	1,733
Property maintenance expenses	4,208	4,085
Electricity and water cost	3,871	2,687
Technical service charge	534	306
Depreciation	2,791	2,695
Office and travelling expenses	61	256
Amortisation	227	348
Entertainment expenses	2,316	2,302
Auditors' remuneration	–	150
– Non-audit services	–	150
Short-term lease expenses	58	24
Donation	77	71
Other expenses	1,808	1,953
	41,902	47,321
Total cost of sales, selling and marketing expenses and administrative expenses	41,902	47,321

8 INCOME TAX EXPENSE

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Current income tax		
– PRC corporate income tax	<u>8,224</u>	<u>6,275</u>
Deferred income tax		
– PRC corporate income tax	<u>(33,422)</u>	<u>(26,863)</u>
Income tax expense	<u>(25,198)</u>	<u>(20,588)</u>

(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 2024 and 2023.

(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 the Cayman Islands as an exempted company with limited liability under the Companies Law of the 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 2024 and 2023.

9 LOSS PER SHARE

(a) Basic

	Six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)
Loss attributable to owners of the Company (<i>RMB'000</i>)	(91,484)	(82,829)
Weighted average number of ordinary shares in issue (<i>thousands</i>)	<u>1,496,800</u>	<u>1,500,000</u>
Basic loss per share (<i>RMB</i>)	<u>(0.06)</u>	<u>(0.06)</u>

(b) Diluted

The Company did not have any potential dilutive ordinary shares outstanding during the six months ended 30 June 2024 and 2023. Diluted earnings per share are the same as the basic earnings per share.

10 DIVIDEND

No interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: nil) has been proposed by the Board.

11 INVESTMENT PROPERTIES

	Six months ended 30 June	
	2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited)
Opening net book amount	2,284,851	2,396,940
Lease modification	–	135,894
Additions	73	1,852
Transfer from/(to) finance lease receivables	2,260	(28,150)
Fair value changes	<u>(184,360)</u>	<u>(157,940)</u>
Closing net book amount	<u>2,102,824</u>	<u>2,348,596</u>
Analysis of investment properties:		
– properties on land use right certificates owned by the Group	958,670	1,041,250
– properties on right-of-use assets	<u>1,144,154</u>	<u>1,307,346</u>
	<u>2,102,824</u>	<u>2,348,596</u>

12 LEASE AND TRADE RECEIVABLES AND OTHER RECEIVABLES

	As at	
	30 June 2024 <i>RMB'000</i> (Unaudited)	31 December 2023 <i>RMB'000</i> (Audited)
Operating lease receivables	45,228	43,565
Less: allowance for impairment of operating lease receivables	<u>(9,868)</u>	<u>(9,435)</u>
Operating lease receivables – net	<u>35,360</u>	<u>34,130</u>
Finance lease receivables	48,422	56,179
Less: allowance for impairment of finance lease receivables	(2,822)	(3,274)
Finance lease receivables – net	45,600	52,905
Trade receivables	9,079	9,663
Less: allowance for impairment of trade receivables	<u>(1,601)</u>	<u>(1,663)</u>
Trade receivables – net	7,478	8,000
Other receivables	15,562	17,338
Less: allowance for impairment of other receivables	<u>(7,151)</u>	<u>(8,969)</u>
Other receivables – net	8,411	8,369
Prepaid tax and other levies	91	175
Prepayment for lease	2,113	2,340
Other prepayments	1,801	2,533
Input VAT available for future deduction	<u>1,971</u>	<u>2,198</u>
	<u>102,825</u>	<u>110,650</u>
Less: non-current portion Finance lease receivables	<u>(26,356)</u>	<u>(40,156)</u>
Current portion	<u>76,469</u>	<u>70,494</u>

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

	As at	
	30 June 2024 <i>RMB'000</i> (Unaudited)	31 December 2023 <i>RMB'000</i> (Audited)
Less than 1 year	<u>9,079</u>	<u>9,663</u>

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

13 TRADE AND OTHER PAYABLES AND LEASE LIABILITIES

(i) Trade and other payables

	As at	
	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Trade payables	4,173	3,993
Construction contract payables	21,218	23,771
Salary payables	17,576	15,365
Other tax liabilities	1,023	1,386
Deposits from tenants	61,146	57,529
Deposits from Property Developer (<i>Note (a)</i>)	50,000	50,000
Other payables	3,445	15,512
	158,581	167,556
Less: non-current portion		
Deposits from tenants	(34,305)	(36,931)
Current portion	124,276	130,625

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

	As at	
	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Less than 1 year	21,350	21,290
Over 1 year	4,041	6,474
	25,391	27,764

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

- (a) In June 2023, 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**”), being an indirect wholly-owned subsidiary of the Company, was informed by Guangzhou Shenglong Fangyuan Real Estate Co., Ltd.* (廣州升龍方圓置業有限公司) (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 the landlord. The Proposed Compensation Agreement will be effective upon the Shaxi Village Redevelopment Plan having been approved by the landowners of Shaxi Village. As at 30 June 2024, the Shaxi Village Redevelopment Plan has not been approved.

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

(ii) Lease liabilities

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Balance at beginning of the period	214,867	158,799
Lease modification	–	135,894
Leasing finance expenses recognised	4,819	3,102
Settlement of lease liabilities	(6,535)	(68,812)
	<u>213,151</u>	<u>228,983</u>
Less: non-current portion	<u>(176,485)</u>	<u>(200,576)</u>
Current portion of lease liabilities	<u>36,666</u>	<u>28,407</u>

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 11) and property and equipment.

14 BORROWINGS

	As at	
	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Bank borrowings – Secured (Note(a))	859,929	879,424
Other borrowings – Secured	–	1,012
Total borrowings	<u>859,929</u>	<u>880,436</u>
Less: non-current portion		
– Bank borrowings – Secured	<u>(726,314)</u>	<u>(691,589)</u>
Current portion	<u>133,615</u>	<u>188,847</u>

- (a) As at 30 June 2024, bank borrowings of RMB859,929,000 (31 December 2023: RMB879,424,000) bore interest ranging from 4.45% to 6.13% per annum and were secured by investment properties of the Group (Note 11).

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the Reporting Period (six months ended 30 June 2023: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The revenue of the Group increased slightly by approximately 0.2% during the Reporting Period to RMB129.4 million in comparison to approximately RMB129.1 million recorded during the 2023 Period. Revenue for the Reporting Period was almost the same as that for the 2023 Period.

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

	Six months ended 30 June			
	2024		2023	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Rental Income	95,596	74	92,075	71
Property Management Service	29,291	23	31,111	24
Sales of Goods	4,518	3	5,561	4
Shopping Mall Business Management Service	–	–	354	1
Total	129,405	100	129,101	100

Rental Income

During the Reporting Period, our rental income, which 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, accounted for approximately 74% of our total revenue. During the Reporting Period, our rental income increased by approximately RMB3.5 million or approximately 3.8% to approximately RMB95.6 million (2023 Period: RMB92.1 million). Such increase was mainly due to the combined effect of the policy of year-on-year incremental rent per unit and various leasing incentives offered by the market to increase occupancy rates.

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 services decreased slightly by approximately RMB1.8 million or approximately 5.9% to approximately RMB29.3 million (2023 Period: RMB31.1 million). The decrease in revenue from property management services was mainly due to the decrease in revenue from utility differentiation as well as the decrease in area under management as some of the property project contracts expired without further cooperation.

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 RMB1.0 million or approximately 18.8% to approximately RMB4.5 million (2023 Period: RMB5.6 million). Such decrease in revenue from sales of goods was mainly due to the decrease in revenue in the business-to-business platform business of our Group as compared with the 2023 Period.

Cost of Sales

Cost of sales for the Reporting Period was approximately RMB21.5 million as compared to approximately RMB21.4 million for the 2023 Period, without significant change.

Fair Value Losses on Investment Properties

Our fair value losses on investment properties increased by approximately RMB26.4 million to fair value losses of approximately RMB184.4 million for the Reporting Period (2023 Period: fair value losses of RMB157.9 million). The impact of further shortening of the lease term of land in some of the Group's markets and a decline in the market rents resulted in an increase in the fair value losses on investment properties recognised by the Group during the Reporting Period as compared to the 2023 Period.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by approximately RMB3.1 million or 41% from approximately RMB7.5 million for the 2023 Period to approximately RMB4.4 million for the Reporting Period. Such decrease was mainly due to the decrease in payroll expenses related to selling and marketing for the Company during the Reporting Period.

Administrative Expenses

Our administrative expenses decreased by approximately RMB2.4 million or 13% from approximately RMB18.4 million for the 2023 Period to approximately RMB16.0 million for the Reporting Period. Such decrease was mainly attributable to the absence of merger and acquisition business during the Reporting Period, which resulted in lower fees for merger and acquisition services as compared to the 2023 Period.

Other Income

Our other income increased by approximately RMB0.9 million or 59% from approximately RMB1.5 million for the 2023 Period to approximately RMB2.4 million for the Reporting Period. The increase was primarily due to the compensation received from the demolition and relocation of metro lines during the Reporting Period, while there was no such income for the 2023 Period.

Operating Loss and Operating Loss Margin

As a result of the foregoing, our operating loss increased by approximately RMB13.4 million or 18% from approximately RMB76.2 million during the 2023 Period to an operating loss of approximately RMB89.6 million for the Reporting Period. Such increase was mainly due to the increase in fair value loss on investment properties.

Finance Income

Finance income for the Reporting Period was approximately RMB1.9 million as compared to approximately RMB1.8 million for the 2023 Period, without significant change.

Finance Expenses

Finance expenses for the Reporting Period amounted to approximately RMB28.7 million as compared to approximately RMB29.0 million for the 2023 Period, without significant change.

Net Finance Expenses

Net finance expenses for the Reporting Period amounted to approximately RMB26.8 million as compared to approximately RMB27.3 million for the 2023 Period, without significant change.

Loss for the Reporting Period

As a result of the foregoing, our loss increased by approximately RMB8.4 million or 10% from loss of approximately RMB82.9 million for the 2023 Period to loss of approximately RMB91.3 million for the Reporting Period. The increase in the loss was mainly due to the increase in fair value losses on investment properties held by the Group for the Reporting Period.

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 increased by approximately RMB11.5 million or approximately 32% from approximately RMB35.5 million for the 2023 Period to approximately RMB47.0 million for the Reporting Period. The increase was mainly due to the decrease of approximately RMB11.9 million in the Group's expenses for the Reporting Period.

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

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Loss	(91,293)	(82,929)
Add:		
Fair value losses on investment properties	184,360	157,940
Income tax expense in relation to above reconciled items	(46,090)	(39,485)
	<hr/>	<hr/>
Core net profit	46,977	35,526
– Owners of the Company	46,786	35,626
– Non-controlling interests	191	(100)
	<hr/>	<hr/>

LIQUIDITY AND FINANCIAL RESOURCES

Cash and Cash Equivalents

As at 30 June 2024, the Group's cash and cash equivalents amounted to approximately RMB554.5 million (31 December 2023: RMB513.0 million). Cash and cash equivalents are mainly denominated in Renminbi.

Borrowings and Charges on the Group's Assets

As at 30 June 2024, the Group's bank borrowings of approximately RMB859.9 million (31 December 2023: RMB879.4 million) bore interest at interest rates ranging from 4.45% to 6.13% per annum and were secured by investment properties of the Group. As at 30 June 2024, the value of investment properties pledged as collateral for the Group's borrowings was approximately RMB929.9 million (31 December 2023: RMB1,011.9 million).

Gearing Ratio

The gearing ratio as at 30 June 2024, calculated on the basis of net debt over total capital, was 24% as compared with 27% as at 31 December 2023.

Net Current Assets and Current Ratio

As at 30 June 2024, the Group had net current assets of approximately RMB241.7 million as compared with net current assets of approximately RMB144.1 million as at 31 December 2023.

The current ratio was 1.61 as at 30 June 2024 (31 December 2023: 1.32).

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 announcement, the Group had no other plan for material investments or capital assets as at 30 June 2024.

Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

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

Treasury Management

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

BUSINESS REVIEW

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

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

Business Segment Review

Shopping Malls

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

Shopping Malls for Hospitality Supplies

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

Shopping Malls for Home Furnishings

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

Subleasing Apartments

Reference is made to the announcement of the Company dated 23 December 2021. On 23 December 2021, Guangzhou Xinji Yuzheng Commerce Operation Management Co., Ltd* (廣州信基譽正商業運營管理有限公司) (“**Xinji Yuzheng**”), an indirect wholly-owned subsidiary of the Company, and Guangzhou Longmei Dongman Technology Co., Ltd* (廣州龍美動漫科技有限公司) (“**Longmei Dongman**”) entered into a sublease agreement pursuant to which Xinji Yuzheng agreed to sublease 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 approximately RMB153.8 million.

On 23 December 2021, Xinji Yuzheng and Beijing Bangshe Gongyu Management Co., Ltd. Guangzhou Branch* (北京邦舍公寓管理有限公司廣州分公司) (“**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 (上澱綜合樓項目), which comprised of the premises known as Shangjiao Comprehensive Building* (上澱綜合樓); (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 region during the periods indicated:

	Property leasing income		Property management service income	
	Six months ended		Six months ended	
	30 June		30 June	
	2024	2023	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Guangzhou region	88,223	84,875	16,539	18,517
Foshan region	–	–	4,419	4,223
Shenyang region	7,373	7,200	8,332	8,371

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.

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

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

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

Online Shopping Mall

During the Reporting Period, our online shopping mall generated revenue of approximately RMB4.5 million for the sales of goods (2023 Period: RMB5.6 million). The goods sold by the Group were entirely hospitality goods and home furnishings. During the Reporting period, due to the recovery of an account receivable for which a bad debt provision had been made at the end of the previous year, the operating profit margin of the online shopping mall during Reporting Period has increased to approximately 39% (2023 Period: 4%).

Exhibition Management Business

We provided exhibition management services for the China Hospitality Expo (華南酒店業博覽會) (“CHE”) in the PRC annually. CHE was 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 already suspended the organisation of exhibitions for CHE since 2020 and no revenue was generated from CHE.

Outlook

Going into the second half of year 2024, the unstable international geopolitics with the outbreak of Russo-Ukrainian conflict and Israel-Hamas war has hindered the recovery of the global economy. Although a number of uncertainties existed, the Group could maintain stable growth in its existing business.

Meanwhile, 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 expanding the online shopping mall business, thereby further expanding the market share and brand influence of the Group.

The Group will continue to expand the business of property management service (especially through the acquisition and merger of mature property management service projects), with the aim of increasing the stable cash flow of the Group and bringing sustainable and stable development to the Group, so as to advance the interests of the Company and its shareholders as a whole.

On the other hand, the Group has been actively seeking new business opportunities from time to time in order to broaden the source of income, to diversify its business, and to enhance the long-term growth potential of the Group and its shareholder’s value. Looking forward, the Group will strive to enhance its profitability and focus on exploring lucrative business opportunities in pursuing a sustainable and stable growth.

OTHER INFORMATION

Compliance with the Corporate Governance Code

The Company's corporate governance practices are based on the principles and the code provisions as set out in the Corporate Governance Code ("**CG Code**") contained in Appendix C1 to the Listing Rules. During the Reporting Period, the Company has complied with the principles and the applicable code provisions as set out in Part 2 of the CG Code contained in Appendix C1 to the Listing Rules other than code provision C.2.1 of the CG Code, which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

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

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

The Board believes that the present structure is considered to be appropriate under the current size of operation, enabling the Company to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. Cheung, and believes that his appointment to the positions 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 department which is accountable for its own conduct and performance and is required to operate its own department's business within the scope of the delegated authority and to implement and strictly adhere to the strategies and policies set by the Company from time to time. Each department is also required to keep the Board informed of material developments of the department's business and implementation of the policies and strategies set by the Board on a regular basis so as to identify, evaluate and manage significant risks in a timely manner.

The Board currently comprises three executive Directors (including Mr. Cheung), three non-executive Directors and three independent non-executive Directors and has a fairly strong independence element in its composition.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules as its code of conduct regarding dealings in the securities of the Company by the Directors, the Group's senior management, and employees who, because of his/her office or employment, is likely to possess inside information in relation to the Group or the Company's securities. Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the 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.

Purchase, Sale or Redemption of Company's Listed Securities

During the Reporting Period, the Company conducted share repurchases of its 7,056,000 listed shares on the Stock Exchange pursuant to a general mandate granted by the shareholders of the Company to the Directors at the annual general meeting of the Company held on 25 May 2023. Such shares were repurchased on 10 April 2024 and all were cancelled on 30 April 2024.

The following table outlines details of the shares of the Company repurchased on a monthly basis:

Month of repurchase	Number of shares repurchased	Highest price paid per share <i>HK\$</i>	Lowest price paid per share <i>HK\$</i>	Aggregate price paid <i>HK\$</i>
April 2024	7,056,000	0.068	0.061	451,912.01
Total	7,056,000			451,912.01

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

Share Option Scheme

A share option scheme was adopted by the written resolutions of the shareholders of the Company passed on 3 October 2019 (the “**Share Option Scheme**”). The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules. Since the date of adoption to 30 June 2024, 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 announcement.

Events after Reporting Period

Save as disclosed in this announcement, there is no other important event subsequent to 30 June 2024 and up to the date of this announcement.

Audit Committee

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

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

Publication of Interim Results and Interim Report

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

CLARIFICATION ON NET PROCEEDS IN 2023 ANNUAL REPORT

Reference is made to the annual report of the Company for the year ended 31 December 2023 (the “**2023 Annual Report**”), in both English and Chinese versions, published on 24 April 2024.

The Company noted that due to inadvertent clerical error, the figures in relation to the total utilised and unutilised amounts of net proceeds from the global offering of the Company as of 31 December 2023 as shown in the table on page 14 of the 2023 Annual Report should be approximately RMB109.6 million and RMB87.1 million, instead of RMB107.4 million and RMB89.3 million, respectively.

Save as disclosed above, other information in the English and Chinese versions of the 2023 Annual Report remains unchanged. This clarification is supplemental to and should be read in conjunction with the 2023 Annual Report.

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

Guangzhou, the PRC, 28 August 2024

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

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