



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



2021

INTERIM REPORT

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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
Ms. Jin Chunyan (*resigned on 28 April 2021*)

NON-EXECUTIVE DIRECTORS

Mr. Yu Xuecong
Mr. Lin Lie
Ms. Wang Yixue (*appointed on 26 March 2021*)
Mr. Wu Jianxun (*resigned on 26 March 2021*)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Zeng Zhaowu (*appointed on 15 June 2021*)
Mr. Tan Michael Zhen Shan
Mr. Zheng Decheng
Mr. Chen Tusheng (*resigned on 26 May 2021*)
Dr. Liu Eping (*resigned on 15 June 2021*)

AUDIT COMMITTEE

Dr. Zeng Zhaowu (*Chairman*) (*appointed on 15 June 2021*)
Mr. Tan Michael Zhen Shan
Mr. Zheng Decheng
Dr. Liu Eping (*resigned on 15 June 2021*)

REMUNERATION COMMITTEE

Dr. Zeng Zhaowu (*Chairman*) (*appointed on 15 June 2021*)
Mr. Cheung Hon Chuen
Mr. Zheng Decheng (*appointed on 26 May 2021*)
Mr. Chen Tusheng (*resigned on 26 May 2021*)
Dr. Liu Eping (*resigned on 15 June 2021*)

NOMINATION COMMITTEE

Mr. Cheung Hon Chuen (*Chairman*)
Mr. Zheng Decheng (*appointed on 26 May 2021*)
Dr. Zeng Zhaowu (*appointed on 15 June 2021*)
Mr. Chen Tusheng (*resigned on 26 May 2021*)
Dr. Liu Eping (*resigned on 15 June 2021*)

COMPANY SECRETARY

Mr. Kam Chi Sing

AUTHORISED REPRESENTATIVES

Mr. Mei Zuoting (*appointed on 28 April 2021*)
Mr. Kam Chi Sing
Ms. Jin Chunyan (*resigned on 28 April 2021*)

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and Registered PIE Auditor

REGISTERED OFFICE

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HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Panyu District, Guangzhou
PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

Corporate Information

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
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183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

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

Shengjing Bank
109 Beizhan Road
Shenyang
PRC

CMB Wing Lung Bank Limited
CMB Wing Lung Bank Building
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Hong Kong

LEGAL ADVISER

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Central, Hong Kong

SHARE LISTING

The Stock Exchange of Hong Kong Limited

STOCK CODE

SEHK: 3603

WEBSITE ADDRESS

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LISTING DATE

8 November 2019

Financial Highlights

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Revenue	138,353	138,905
Profit for the period	47,089	15,141
Core net profit ⁽ⁱ⁾	43,999	49,756
Core net profit margin ⁽ⁱⁱ⁾	32%	36%
Earnings per share (expressed in RMB per share)	0.03	0.01

Notes:

- (i) Core net profit for the six months ended 30 June 2021 and 30 June 2020 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 arrived at by dividing core net profit by revenue of the Group for the 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 2021 with the comparative figures for the six months ended 30 June 2020. 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 27 August 2021.

FINANCIAL REVIEW

Revenue

The revenue decreased slightly by approximately 0.4% to approximately RMB138.4 million for the Reporting Period compared with approximately RMB138.9 million for the 2020 Period. Such decrease was driven by the decrease in revenue from our rental income.

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

	Six months ended 30 June			
	2021		2020	
	RMB'000	%	RMB'000	%
Rental Income	112,645	81	121,018	87
Property Management Service	13,930	10	11,384	8
Sales of Goods	11,778	9	6,503	5
Exhibition Management Service	–	–	–	–
Total	138,353	100	138,905	100

Rental Income

During the Reporting Period, rental income is the revenue received by the Group from the tenants (the "Tenants") who signed lease contracts with us to run business at the Group's owned/leased portfolio shopping malls, which accounted for approximately 81% of our total revenue. During the Reporting Period, our rental income decreased by approximately RMB8.4 million or approximately 6.9% to approximately RMB112.6 million (2020 Period: RMB121.0 million) due to the rental concession policies provided by the Group for the affected Tenants in (i) the east side of Xinji Shaxi Hospitality Supplies Expo Center (信基沙溪酒店用品博览城) as a result of the construction enclosure of a subway entrance; and (ii) Xinji Dashi Home Furnishings Center (信基大石傢俬城) as a result of the construction enclosure of the expansion works of National Highway G105.

Management Discussion and Analysis

FINANCIAL REVIEW *(cont'd)*

Property Management Service

Revenue from our property management services is the management fees paid by the Tenants under the property management agreements. During the Reporting Period, income from property management services increased by approximately RMB2.5 million or approximately 21.9% to approximately RMB13.9 million (2020 Period: RMB11.4 million). The increase in property management service income was mainly attributable to the increase in the unit charge for property management service of Xinji Shaxi Home Furnishings Expo Center (Shenyang) (瀋陽信基沙溪國際家居用品博覽中心) managed by the Group since the second half of 2020.

Sales of Goods

Revenue from sales of goods is the revenue generated from sales of hospitality products of the Group through our online shopping mall. During the Reporting Period, revenue from sales of goods increased by approximately RMB5.3 million or approximately 81.5% to approximately RMB11.8 million (2020 Period: RMB6.5 million). Such increase in revenue from sales of goods was mainly due to the increase in business-to-business (“B2B”) and business-to-consumers (“B2C”) operations of the Group.

Exhibition Management Service

Revenue from our exhibition management service income includes fees received from exhibitors. As it was uncertain when and whether the COVID-19 epidemic could be contained, the Company has decided to suspend the organisation of CHE since 2020 and no revenue was generated from CHE (2020 Period: Nil).

Cost of Sales

Our cost of sales increased by approximately RMB4.6 million or 41.8% from approximately RMB11.0 million for the 2020 Period to approximately RMB15.6 million for the Reporting Period. The increase was mainly attributable to the increase in income from sales of goods during the Reporting Period, resulting in the rise of costs accordingly.

Fair Value Gains/Losses on Investment Properties

Our fair value changes on investment properties increased by approximately RMB50.3 million to fair value gains of approximately RMB4.1 million for the Reporting Period (2020 Period: losses of RMB46.2 million), which was mainly due to the absence of fair value losses on investment properties for the first half of 2021, whereas in the 2020 Period, the fair value losses of such properties were recorded due to the outbreak of COVID-19.

Selling and Marketing Expenses

Our selling and marketing expenses increased by RMB2.9 million or 26.4% from RMB11.0 million for the 2020 Period to RMB13.9 million for the Reporting Period. Such increase was mainly due to the increase in advertising and business promotion expenses as a result of the market expansion during the Reporting Period.

Administrative Expenses

Our administrative expenses decreased by RMB3.5 million or 16.4% from RMB21.3 million for the 2020 Period to approximately RMB17.8 million for the Reporting Period. Such decrease was mainly due to the bonus given to staff in the 2020 Period.

Other Income

Our other income increased by approximately RMB1.7 million or 85.0% from approximately RMB2.0 million for the 2020 Period to RMB3.7 million. Such increase was mainly due to the increase in recognised default income of approximately RMB1.4 million, as a result of the Tenants terminating their leases prior to the expiration date of such leases due to the impact of COVID-19 during the Reporting Period.

Operating Profit and Operating Profit Margin

As a result of the foregoing, our operating profit increased by approximately RMB40.8 million or 74.7% from RMB54.6 million for the 2020 Period to approximately RMB95.4 million for the Reporting Period. The operating profit margin increased from approximately 39.3% for the 2020 Period to approximately 68.9% for the Reporting Period, which was mainly due to the significant increase in fair value gains on investment properties.

Management Discussion and Analysis

FINANCIAL REVIEW (cont'd)

Finance Income

Our finance income decreased by RMB1.4 million or 93.3% from approximately RMB1.5 million for the 2020 Period to approximately RMB0.1 million for the Reporting Period. This was primarily due to the drop of interest rate of deposits during the Reporting Period.

Finance Expenses

Our finance expenses decreased by approximately RMB2.9 million or 10.6% from approximately RMB27.3 million for the 2020 Period to approximately RMB24.4 million for the Reporting Period. This was mainly due to the decrease in relevant expenses of the banking facilities.

Net Finance Expenses

As a result of the foregoing, our net finance expenses for the Reporting Period decreased by RMB1.5 million or 5.8% from approximately RMB25.8 million for the 2020 Period to approximately RMB24.3 million for the Reporting Period.

Profit and Net Profit Margin

As a result of the foregoing, profit for the Reporting Period increased by approximately RMB32 million or 211.9% from RMB15.1 million for the 2020 Period to approximately RMB47.1 million for the Reporting Period. Our net profit margin increased from approximately 10.9% for the 2020 Period to approximately 34.0% for the Reporting Period, which was mainly due to the significant increase of RMB50.3 million in fair value gains 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 RMB5.8 million or approximately 11.6% from approximately RMB49.8 million for the 2020 Period to approximately RMB44.0 million for the Reporting Period, which was mainly due to the decrease of approximately RMB8.4 million in the revenue of rental income of the Group for the Reporting Period as a result of rental concession policies provided by the Group for the affected Tenants in (i) the east side of Xinji Shaxi Hospitality Supplies Expo Center (信基沙溪酒店用品博览城) as a result of the construction enclosure of a subway entrance; and (ii) Xinji Dashi Home Furnishings Center (信基大石傢俬城) as a result of the construction enclosure of the expansion works of National Highway G105.

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

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Profit	47,089	15,141
Add:		
Fair value (gains)/losses on investment properties	(4,120)	46,154
Income tax expenses in relation to above reconciled items	1,030	(11,539)
Core net profit	43,999	49,756
– Owners of the Company	45,134	50,803
– Non-controlling interests	(1,135)	(1,047)

Management Discussion and Analysis

USE OF NET PROCEEDS

The utilisation of the net proceeds from the global offering of the Company (the “**Net Proceeds**”) as of 30 June 2021 and the unutilised Net Proceeds after the reallocation of the use of Net Proceeds on 6 July 2020 (the “**Reallocation**”) are set out below:

	Original Intended Amount RMB million	Unutilised Amount after Reallocations on 6 July 2020 RMB million	Utilised Amount as of 30 June 2021 RMB million	Unutilised Amount as of 30 June 2021 RMB million	Timeframe for Full Utilisation of the Reallocated Unutilised Amount
(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					
a) Chengdu Project	63.8	–	–	–	–
b) Zhengzhou Project	40.8	22.5	–	22.5	till 2023
c) Fuzhou Project	55.9	30.8	–	30.8	till 2023
d) Guangzhou Project	–	80.0	5.0	75.0*	till 2023
(iii) General working capital	–	27.2	27.2	–	–
	217.2	191.7	63.4	128.3	

Note: Any discrepancies in the above table between totals and sums of amounts listed herein are due to rounding. Save for the Reallocation, there are no other changes in the use of the Net Proceeds.

* On 29 December 2020 (after trading hours), Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司), an indirect wholly-owned subsidiary of the Company, entered into a supplemental agreement with Guangzhou Chaoying Trade Limited* (廣州朝盈貿易有限公司) to unwind the acquisition of 60% of the equity interest in Guangzhou Zhicheng Commercial Operation Limited. As at the date of this report, the Group has received the returned payment of RMB52.8 million, and the Board intended to apply the Net Proceeds for Guangzhou Project to other shopping mall development project(s) in the future.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

Cash and Cash Equivalents

As at 30 June 2021, the Group's cash and cash equivalents amounted to approximately RMB168.9 million (31 December 2020: RMB182.5 million). Cash and cash equivalents are mainly denominated in Renminbi.

Borrowing and Charges on the Group's Assets

As at 30 June 2021, the Group's bank borrowings of approximately RMB604.2 million (31 December 2020: RMB627.4 million) bore interest ranging from 5.66% to 7.36% per annum and were secured by investment properties of the Group. As at 30 June 2021, the value of investment properties pledged as collateral for the Group's borrowings was approximately RMB1,478.0 million (31 December 2020: RMB1,469.3 million).

Gearing Ratio

The gearing ratio as at 30 June 2021, calculated on the basis of net debt over total capital, was 22% as compared with 23% as at 31 December 2020.

Net Current Liabilities and Current Ratio

As at 30 June 2021, the Group had net current liabilities of approximately RMB81.3 million as compared with net current liabilities of approximately RMB68.5 million as at 31 December 2020.

The current ratio was 0.77 as at 30 June 2021 (31 December 2020: 0.81).

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 for the business plan 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 2021.

Acquisition 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.

Connected Transactions

During the Reporting Period and up to the date of this report, there were no non-exempt one-off connected transactions or non-exempt continuing connected transactions which are required to be disclosed by the Stock Exchange or under the Listing Rules.

BUSINESS REVIEW

The Group is principally engaged in the operation of shopping malls for hospitality supplies and home furnishings in the PRC. Our business operations comprise four main business lines: (i) our shopping malls, including three shopping malls for hospitality supplies and two shopping malls for home furnishings; (ii) our managed shopping mall; (iii) our online shopping mall for sales of hospitality supplies and home furnishings; and (iv) our exhibition management business.

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

Management Discussion and Analysis

BUSINESS REVIEW (cont'd)**Business Segment Review***Shopping Malls*

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

Shopping Malls for Hospitality Supplies

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

Shopping Malls for Home Furnishings

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

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

	Total Revenue Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Xinji Shaxi Hospitality Supplies Expo Center (信基沙溪酒店用品博覽城)	69,603	75,684
Xinji Hotelex Hospitality Supplies Center (信基豪泰酒店用品城)	32,515	27,548
Xinji Shaxi Hospitality Supplies Expo Center (Shenyang) (瀋陽信基沙溪酒店用品博覽城)	5,964	8,047
Xinji Dashi Home Furnishings Center (信基大石傢俬城)	4,075	5,663
Xinji Shaxi Home Furnishings Expo Center (Shenyang) (瀋陽信基沙溪國際家居用品博覽中心)	14,418	15,460

During the Reporting Period, the revenue generated by our shopping malls decreased by approximately RMB5.8 million, which is mainly due to the combined effect of (i) the rental concession policies provided by the Group for the affected Tenants in the east side of Xinji Shaxi Hospitality Supplies Expo Center (信基沙溪酒店用品博覽城) as a result of the construction enclosure of a subway entrance and Xinji Dashi Home Furnishings Center (信基大石傢俬城) as a result of the construction enclosure of the expansion works of National Highway G105; and (ii) the increase in the unit charge for property management service of the Xinji Shaxi Home Furnishings Expo Center (Shenyang) (瀋陽信基沙溪國際家居用品博覽中心).

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 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.

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

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

Online Shopping Mall

During the Reporting Period, our online shopping mall generated revenue of approximately RMB11.8 million for the sales of goods (2020 Period: RMB6.5 million). The goods sold by the Group were entirely hospitality goods. The operating profit margin of our online shopping mall decreased slightly to approximately -19% in the Reporting Period (2020 Period: -14%) as the B2C business requires more advertising and promotion expenses and the growth of the B2C business in the Reporting Period.

Exhibition Management Business

We provide exhibition management services for the China Hospitality Expo (華南酒店業博覽會) ("CHE") (formerly known as China (Guangzhou) International Hospitality Supplies Fair (中國(廣州)國際酒店用品展覽會)) in the PRC annually, which is considered as the major managed exhibition of the Group. CHE provides a one-stop trade platform for global hospitality supplies providers and purchasers to broaden their sale and purchase channels.

Due to the ongoing global outbreak of COVID-19 since 2020, together with the social distancing measures and travel restrictions implemented by various countries, a majority of the exhibitors of CHE have adopted a wait-and-see attitude and only a few overseas exhibitors and purchasers were willing to confirm their participation in CHE this year. As it was uncertain when and whether the COVID-19 epidemic could be contained, the Company has decided to suspend the organisation of CHE since 2020 and no revenue was generated from CHE.

Management Discussion and Analysis

BUSINESS REVIEW *(cont'd)*

Outlook

In view of the continuous impact of the COVID-19 on the Group's business operations due to the ongoing outbreak of COVID-19 worldwide since 2020, the Group has adjusted city layouts and business plans according to changes in market demands after the outbreak of COVID-19. However, our long-term business philosophy and values remain the same, and our goal of expanding to the global market remains unchanged.

Given the uncertain business environment in the future, the Board may consider changing the use of the unutilised Net Proceeds, and to reallocate the Net Proceeds from the global offering originally allocated to the Zhengzhou project, the Fuzhou project and the Guangzhou project to other projects selected by the Group. The Company will issue further announcements in this regard to inform shareholders and prospective investors of any changes to the unutilised Net Proceeds as and when appropriate.

In future, we will maintain a model of rapid development of light asset projects featured by "Brand Export, Management Export, and Cooperative Operation", while planning to explore network technology business, so as to further expand the market share and brand influence of the Group. We insist on the platform sharing concept of "Industrial Alliance and Collective Development".

In addition, we will further explore business opportunities that may bring income to the Group in the property management business. Since the outbreak of COVID-19 in 2020, society realized that property service companies play an important role in creating a safe and secure community environment and providing value-added quality service for owners during the epidemic. With the development of the property management industry, more and more companies are paying attention to the property management industry, which has ushered in unprecedented development opportunities. Therefore, the Group will leverage the advantages of comprehensive services in commercial operation and property management and plans to further expand our property management business through further investment of resources or acquisition of suitable targets, while maintaining the development of the Group's main business.

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 applicable code provisions of the CG Code other than code provision A.2.1 of the CG Code, which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Cheung Hon Chuen is one of our founders, chairman of the Board and chief executive officer of the Company. As the industry leader of the China hospitality supplies industry, Mr. Cheung has extensive experience in hospitality supplies industry and 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:

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

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

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

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

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 2021, 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 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 2021, 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 2021, the following persons have or are deemed or taken to have an interest or a short position in Shares or underlying Shares 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	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Honchuen Investment	Beneficial owner ⁵	782,910,000 (L)	52.2%
Mr. Cheung	Interest of controlled corporation ^{2,5}	782,910,000 (L)	52.2%
Zuoting Investment	Beneficial owner ⁵	782,910,000 (L)	52.2%
Mr. Mei	Interest of controlled corporation ^{3,5}	782,910,000 (L)	52.2%
Weixin Development	Beneficial owner ⁵	782,910,000 (L)	52.2%
Mr. Zhang	Interest of controlled corporation ^{4,5}	782,910,000 (L)	52.2%
Huang Wanyi	Interest of spouse ⁶	782,910,000 (L)	52.2%
Citigroup Inc.	Security interest and interest of controlled corporation ⁷	115,611,000 (L) 35,251,877 (S)	7.70% 2.35%
AL Capital Holdings International Pte. Ltd.	Beneficial owner ⁸	119,832,000 (L)	7.99%
Straits Universal Limited	Interest of controlled corporation ^{8,9}	119,832,000 (L)	7.99%
Mr. Lin Yi	Interest of controlled corporation ^{8,9}	119,832,000 (L)	7.99%
Huiqun Investment	Beneficial owner ¹⁰	93,375,000 (L)	6.23%

Notes:

- The letter "L" denotes a long position in the Shares; letter "S" denotes short 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 were 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.
- To the best knowledge and belief of our Directors, Citigroup Inc. was wholly-owned by Independent Third Parties.
- 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 was wholly-owned by Independent Third Parties.

Except as disclosed above, as at 30 June 2021, 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.

Other Information and Corporate Governance

HUMAN RESOURCES

As at 30 June 2021, the total number of employees of the Group was approximately 211 (2020 Period: 221) and the employee benefit expenses for the Reporting Period including Directors' emoluments were approximately RMB16.3 million (2020 Period: RMB20.3 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 (six months ended 30 June 2020: 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 30 June 2021 and up to the date of this report.

OUTBREAK OF COVID-19

The outbreak of COVID-19 has significantly disrupted business operations across numerous sectors, causing a sharp slowdown of the global economy. As at the date of this report, its comprehensive impact on our business can hardly be reasonably estimated. The Company will continue to observe and formulate appropriate strategies in response.

LATEST INFORMATION ON THE ARBITRATION

Reference is made to the announcement of the Company dated 8 January 2021. On 30 December 2020, upon an application made by 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 Red Star**"), the Shanghai International Economic and Trade Arbitration Commission (the "**SHIAC**") issued the "Arbitration notice on the dispute in relation to the cooperative development agreement, the first supplemental cooperative development agreement and the second supplemental cooperative development agreement*" (《合作開發協議》、《合作開發協議(補充協議一)》、《合作開發協議補充協議二》爭議仲裁案仲裁通知) after the respondents (the "**Respondents**") failed to procure the specified land change of the two parcels of land by 30 June 2018, which rendered Shanghai Red Star impossible to complete the project.

The Respondents are (i) Shenyang Xinji Industrial Company Limited* (瀋陽信基實業有限公司) ("**Shenyang Xinji Industrial**"), an indirect wholly-owned subsidiary of the Company; (ii) Guangzhou Shaxi; (iii) Mr. Cheung, the Chairman, an executive Director and a Controlling Shareholder; (iv) Mr. Mei Zuoting, an executive Director and a Controlling Shareholder; (v) Xinji Company; (vi) Guangdong Yingbin Investment Management Company Limited* (廣東迎賓投資管理有限公司) ("**Guangdong Yingbin**"), a company co-owned by Mr. Cheung, Mr. Mei and Mr. Zhang; (vii) Liaoning Xinji Hongxing Commercial Real Estate Development Company Limited * (遼寧信基紅星商業地產開發有限公司), a company owned as to 51% by Shanghai Red Star and 49% by Guangdong Yingbin; (viii) Shunwell International Group Limited (信和國際控股有限公司), a company co-owned by Mr. Cheung, Mr. Mei and Mr. Zhang; and (ix) Mr. Mei Yingpei, a director and general manager of Shenyang Xinji Industrial.

Other Information and Corporate Governance

As of the date of this report, the case has not been heard by the SHIAC. The Company is in the course of seeking legal advice in respect of the aforesaid arbitration and will actively take various measures to safeguard the legitimate rights and interests of the Company and its Shareholders. The Company will make further disclosures in due course should the arbitration progresses. For further details, please refer to the Company's announcement dated 8 January 2021 in relation to the arbitration. The Company will provide further information in compliance with the Listing Rules as and when appropriate.

Save as disclosed above, there is no other significant event which has an impact on the Group since the publication of the 2020 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 2021, 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 as set out in Appendix 14 to the Listing Rules. The Audit Committee consists of three members, namely Dr. Zeng Zhaowu (曾昭武), Mr. Tan Michael Zhen Shan (譚鎮山) and Mr. Zheng Decheng (鄭德理). Dr. Zeng Zhaowu was appointed as the chairman of the Audit Committee on 15 June 2021.

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 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 2021, 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 2020 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	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue	7	138,353	138,905
Cost of sales	8	(15,587)	(10,955)
Fair value gains/(losses) on investment properties	14	4,120	(46,154)
Selling and marketing expenses	8	(13,926)	(11,009)
Administrative expenses	8	(17,828)	(21,259)
Net impairment losses on financial assets and operating lease receivables		(3,006)	(219)
Other income		3,682	2,003
Other (losses)/gains – net		(437)	3,253
Operating profit		95,371	54,565
Finance income	9	79	1,478
Finance expenses	9	(24,403)	(27,272)
Finance expenses – net	9	(24,324)	(25,794)
Profit before income tax		71,047	28,771
Income tax expenses	10	(23,958)	(13,630)
Profit for the period		47,089	15,141
Profit attributable to:			
– Owners of the Company		48,224	16,188
– Non-controlling interests		(1,135)	(1,047)
		47,089	15,141
Earnings per share for profit attributable to owners of the Company during the period (expressed in RMB per share)			
Basic and diluted earnings per share	11	0.03	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	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Profit for the period	47,089	15,141
Other comprehensive income for the period net of tax	-	-
Total comprehensive income for the period	47,089	15,141
Attributable to:		
– Owners of the Company	48,224	16,188
– Non-controlling interests	(1,135)	(1,047)
	47,089	15,141

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 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property and equipment	13	2,741	3,160
Investment properties	14	3,030,050	2,991,240
Intangible assets		840	890
Deferred income tax assets		956	1,592
		3,034,587	2,996,882
Current assets			
Inventories		5,372	5,231
Operating lease and trade receivables and other receivables	15	90,334	100,572
Amounts due from related parties	23	10	–
Restricted cash		3,300	3,300
Cash and cash equivalents	16	168,900	182,497
		267,916	291,600
Total assets		3,302,503	3,288,482
EQUITY			
Share capital and premium	17	285,178	285,178
Other reserves		248,342	242,243
Retained earnings		1,412,411	1,370,286
		1,945,931	1,897,707
Non-controlling interests		(4,178)	(3,343)
Total equity		1,941,753	1,894,364

Condensed Consolidated Balance Sheet

	Note	As at	
		30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings	20	435,192	454,621
Deferred revenue		123	2,210
Trade and other payables	18	20,617	22,105
Lease liabilities	18	138,116	147,913
Deferred income tax liabilities		416,286	407,208
		1,010,334	1,034,057
Current liabilities			
Borrowings	20	169,046	175,784
Trade and other payables	18	88,028	87,049
Lease liabilities	18	27,926	24,066
Advance from customers	19	37,784	38,109
Contract liabilities	7(e)	9,136	7,947
Current income tax liabilities		18,496	27,106
		350,416	360,061
Total liabilities		1,360,750	1,394,118
Total equity and liabilities		3,302,503	3,288,482

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

The interim condensed consolidated financial information on pages 18 to 42 were approved by the Board of Directors on 27 August 2021 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				Non-controlling interests RMB'000	Total RMB'000	
	Note	Share Capital and premium RMB'000 (Note 19)	Other reserves RMB'000	Retained earnings RMB'000			Total RMB'000
Six months ended 30 June 2021							
(Unaudited)							
Balance at 1 January 2021		285,178	242,243	1,370,286	1,897,707	(3,343)	1,894,364
Profit for the period		-	-	48,224	48,224	(1,135)	47,089
Total comprehensive income for the period		-	-	48,224	48,224	(1,135)	47,089
Transactions with owners							
Capital injection by non-controlling interests		-	-	-	-	300	300
Transfer to statutory reserves		-	6,099	(6,099)	-	-	-
Balance at 30 June 2021		285,178	248,342	1,412,411	1,945,931	(4,178)	1,941,753
Six months ended 30 June 2020							
(Unaudited)							
Balance at 1 January 2020		304,494	232,422	1,347,140	1,884,056	(2,287)	1,881,769
Profit for the period		-	-	16,188	16,188	(1,047)	15,141
Total comprehensive income for the period		-	-	16,188	16,188	(1,047)	15,141
Transactions with owners							
Dividends	12	(19,320)	-	-	(19,320)	-	(19,320)
Balance at 30 June 2020		285,174	232,422	1,363,328	1,880,924	(3,334)	1,877,590

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

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Cash flows from operating activities		
Cash generated from operations	87,143	65,494
Income tax paid	(22,854)	(33,915)
Interest received	79	1,478
Interest paid	(23,321)	(20,748)
Net cash generated from operating activities	41,047	12,309
Cash flows from investing activities		
Refunded prepayment for acquisition of a subsidiary	52,800	–
Payments for investment properties	(36,304)	(36,363)
Payments for purchase of property and equipment	(112)	(40)
Payments for purchase of intangible assets	(178)	–
Dividend paid	–	(19,320)
Prepayments for lease	(40,000)	–
Net cash used in investing activities	(23,794)	(55,723)
Cash flows from financing activities		
Repayments of borrowings	(27,249)	(4,969)
Capital injection by non-controlling interests	300	–
Principal element of lease payment	(3,491)	(1,323)
Net cash used in financing activities	(30,440)	(6,292)
Net decrease in cash and cash equivalents	(13,187)	(49,706)
Cash and cash equivalents at beginning of period	182,497	272,400
Exchange (loss)/gain on cash and cash equivalents	(410)	5,822
Cash and cash equivalents at end of period	168,900	228,516

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, exhibition management services and online shopping mall 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 27 August 2021.

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 2021 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 2020 and any public announcements made by the Company during the interim reporting period.

(i) Going concern

As at 30 June 2021, the Group’s current liabilities exceeded its current assets by RMB82,500,000, which included borrowings of RMB169,046,000 that were repayable within the next twelve months from 30 June 2021. The Company’s directors have reviewed the Group’s cash flow projections prepared by the management which cover a period of not less than twelve months from 30 June 2021. Based on these cash flow projections, the Group will have sufficient financial resources to meet its financial obligations as and when they fall due in the coming twelve months from 30 June 2021. The directors, after making due enquiries and considering the basis of management’s projections and after taking into account the operating cash flows and continued availability of the Group’s bank facilities, consider that there will be sufficient financial resources to meet the Group’s financial obligations as and when they fall due in the coming twelve months from 30 June 2021. Accordingly, the interim condensed consolidated financial statements have been prepared on a going concern basis.

Notes to the Condensed Consolidated Financial Statements

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2020, 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 amendments for the first time for their annual reporting period commencing 1 January 2021:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
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The adoption of the amended standards does not have significant impact on the interim condensed consolidated financial information.

(ii) New and amended standards not yet adopted

		Effective for annual periods beginning on or after
HKFRS 3 (Amendments)	Business combinations – reference to conceptual framework	1 January 2022
HKAS 16 (Amendments)	Property, plant and equipment – proceeds before intended use	1 January 2022
HKAS 37 (Amendments)	Provisions, contingent liabilities and contingent assets – onerous contracts	1 January 2022
Annual improvements to HKFRS 1	First-time Adoption of HKFRS	1 January 2022
Annual improvements to HKFRS 9	Financial instruments	1 January 2022
Annual improvements to HKFRS 16	Leases	1 January 2022
Annual improvements to HKAS 41	Agriculture	1 January 2022
HKAS 1 (Amendments)	Presentation of financial statements – classification of liabilities	1 January 2023
HKFRS 17	Insurance contract	1 January 2023
Amendments to HKAS 1, HKFRS Practice Statement 2 and HKAS 8	Disclosure of Accounting Policies	1 January 2023
Amendment to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards, interpretation and amendments, 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.

Notes to the Condensed Consolidated Financial Statements

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 2020.

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 2021, the non-RMB assets of the Group are mainly cash and cash equivalents (Note 16) 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 2020.

There have been no changes in the risk management policies since 31 December 2020.

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 2021 (Unaudited)					
Borrowings (including interests)	200,985	96,210	276,282	139,605	713,082
Trade and other payables (excluding salary payables and other tax liabilities)	73,370	6,095	14,431	91	93,987
Lease liabilities	29,659	25,941	82,446	86,981	225,027
	304,014	128,246	373,159	226,677	1,032,096

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** (cont'd)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2020					
Borrowings (including interests)	216,204	97,240	279,369	169,451	762,264
Trade and other payables (excluding salary payables and other tax liabilities)	71,052	10,961	10,963	181	93,157
Lease liabilities	25,288	25,288	83,645	99,590	233,811
	312,544	133,489	373,977	269,222	1,089,232

Interests are calculated on borrowings held as at 30 June 2021 (31 December 2020: same). Floating-rate interest is estimated using the current interest rate as at 30 June 2021 (31 December 2020: same).

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 and restricted cash. Total capital represents total equity as shown in the consolidated balance sheet.

	As at	
	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Borrowings (Note 20)	604,238	630,405
Less: cash and cash equivalents (Note 16)	(168,900)	(182,497)
Restricted cash	(3,300)	(3,300)
Net debts	432,038	444,608
Equity	1,941,753	1,894,364
Total capital	1,941,753	1,894,364
Gearing ratio	22%	23%

Notes to the Condensed Consolidated Financial Statements

5 FINANCIAL RISK MANAGEMENT (cont'd)**5.3 Fair value estimation**(a) *Non-financial assets and liabilities*(i) *Fair value hierarchy*

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

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 (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

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

	Level 3 As at	
	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Investment properties (Note 14)	3,030,050	2,991,240

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the six months ended 30 June 2021 (six months ended 30 June 2020: same).

Notes to the Condensed Consolidated Financial Statements

5 FINANCIAL RISK MANAGEMENT (cont'd)

5.3 Fair value estimation (cont'd)

(a) Non-financial assets and liabilities (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 2021, all investment properties are included in level 3 fair value hierarchy (31 December 2020: 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 2021 and 31 December 2020. 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 year.

At each financial period end the finance department:

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

Notes to the Condensed Consolidated Financial Statements

6 SEGMENT INFORMATION

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

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

The major operating entities of the Group are domiciled in the PRC. All of the Group's revenue are derived in the PRC during the period (six months ended 30 June 2020: same).

As at 30 June 2021 and 31 December 2020, all non-current assets of the Group were located in the PRC.

There was no revenue derived from a single external customer that accounted for 10% or more of the Group's revenue during the period (six months ended 30 June 2020: same).

7 REVENUE

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Rental income:		
– Properties lease income	112,645	121,018
Revenue from contracts with customers:		
– Sales of goods (a)	11,778	6,503
– Properties management service (b)&(c)	13,930	11,384
	25,708	17,887
	138,353	138,905

Notes to the Condensed Consolidated Financial Statements

7 REVENUE (cont'd)

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

	As at	
	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Aggregate amount of the transaction price allocated to long-term property management services 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	38,921	31,893
Expected to be recognised within one year	24,424	20,469
	63,345	52,362

The amount disclosed above does not include any variable consideration.

- (d) As at 30 June 2021, no assets recognised from incremental costs to obtain a contract.
- (e) **Contract liabilities**

	As at	
	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Business management service	5,707	5,506
Property management service	2,912	2,437
Others	517	4
	9,136	7,947

Notes to the Condensed Consolidated Financial Statements

8 EXPENSES BY NATURE

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Employee benefit expenses	16,254	20,278
Cost of sales of goods	9,028	5,016
Marketing and advertising costs	5,870	4,027
Legal and professional expenses	4,710	4,753
Tax and other levies	2,643	2,247
Property maintenance expenses	1,746	1,853
Electricity and water cost	2,171	1,923
Technical service charge	1,054	571
Depreciation	529	260
Office and travelling expenses	173	226
Amortisation	228	212
Entertainment expenses	372	203
Short term lease	262	89
Other expenses	2,301	1,565
Total cost of sales, selling and marketing expenses and administrative expenses	47,341	43,223

9 FINANCE EXPENSES – NET

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Finance income:		
– Interest income from bank deposits	(79)	(1,478)
Finance expenses:		
– Leasing finance expenses	4,203	3,775
– Interest expenses	20,200	23,497
	24,403	27,272
Finance expenses – net	24,324	25,794

Notes to the Condensed Consolidated Financial Statements

10 INCOME TAX EXPENSES

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Current income tax		
– PRC corporate income tax	14,244	19,715
Deferred income tax		
– PRC corporate income tax	9,714	(6,085)
Income tax expenses	23,958	13,630

(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 2021 and 2020.

(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 did not have any assessable profits during the six months ended 30 June 2021 and 2020.

Notes to the Condensed Consolidated Financial Statements

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

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Profit attributable to owners of the Company (RMB'000)	48,224	16,188
Weighted average number of ordinary shares in issue (thousands)	1,500,000	1,500,000
Basic earnings per share (RMB)	0.03	0.01

(b) Diluted

The Company did not have any potential dilutive ordinary shares outstanding during the six months ended 30 June 2021 and 2020. Diluted earnings per share are the same as the basic earnings per share.

12 DIVIDEND

No interim dividends for the six months ended 30 June 2021 (six months ended 30 June 2020: nil) have been proposed by the Board.

Notes to the Condensed Consolidated Financial Statements

13 PROPERTY AND EQUIPMENT

	Leased office buildings RMB'000	Vehicles RMB'000	Furniture, fittings and equipment RMB'000	Total RMB'000
At 31 December 2020 (Audited)				
Cost	1,028	7,545	4,107	12,680
Accumulated depreciation	(686)	(5,095)	(3,739)	(9,520)
Net book amount	342	2,450	368	3,160
Period ended 30 June 2021 (Unaudited)				
Opening net book amount	342	2,450	368	3,160
Additions	–	4	108	112
Disposals	–	–	(2)	(2)
Depreciation charges	(171)	(288)	(70)	(529)
Closing net book amount	171	2,166	404	2,741
At 30 June 2021 (Unaudited)				
Cost	1,028	7,549	4,165	12,742
Accumulated depreciation	(857)	(5,383)	(3,761)	(10,001)
Net book amount	171	2,166	404	2,741

14 INVESTMENT PROPERTIES

	Six months ended	
	30 June 2021 RMB'000 (Unaudited)	30 June 2020 RMB'000 (Unaudited)
Opening net book amount	2,991,240	2,971,870
Lease modification	(2,446)	2,510
Additions	37,136	25,074
Fair value changes	4,120	(46,154)
Closing net book amount	3,030,050	2,953,300
Analysis of investment properties:		
– properties on land use right certificates owned by the Group	1,506,670	1,467,270
– properties on right of use assets	1,523,380	1,486,030
	3,030,050	2,953,300

Notes to the Condensed Consolidated Financial Statements

15 OPERATING LEASE AND TRADE RECEIVABLES AND OTHER RECEIVABLES

	As at	
	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Operating lease receivables	23,804	24,639
Less: allowance for impairment of operating lease receivables	(1,532)	(2,590)
Operating lease receivables – net	22,272	22,049
Trade receivables	6,313	8,204
Less: allowance for impairment of trade receivables	(623)	(806)
Trade receivables – net	5,690	7,398
Other receivables	23,285	64,633
Less: allowance for impairment of other receivables	(6,691)	(3,144)
Other receivables – net	16,594	61,489
Prepaid tax and other levies	374	435
Other prepayments	1,843	5,477
Prepaid rental expense	40,000	–
Input VAT available for future deduction	3,561	3,724
	90,334	100,572

The aging analysis of trade receivables based on the recognition date is as follows:

	As at	
	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Less than 1 year	6,313	8,204

Operating 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

16 CASH AND CASH EQUIVALENTS

	As at	
	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Cash on hand		
– RMB	98	420
– HK\$	–	42
	98	462
Cash at banks		
– RMB	151,732	154,203
– HK\$	17,070	27,832
	168,802	182,035
	168,900	182,497

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.

17 SHARE CAPITAL AND PREMIUM

	Number of ordinary shares	Nominal value of ordinary shares HK\$'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Ordinary shares issued and fully paid:					
As at 30 June 2021 (Unaudited)	1,500,000,000	15,000	13,410	271,768	285,178
As at 31 December 2020 (Audited)	1,500,000,000	15,000	13,410	271,768	285,178

Notes to the Condensed Consolidated Financial Statements

18 TRADE AND OTHER PAYABLES AND LEASE LIABILITIES**(i) Trade and other payables**

	As at	
	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade payables	2,673	4,482
Construction contract payables	38,335	37,503
Salary payables	13,656	15,192
Other tax liabilities	1,002	805
Deposits from tenants	43,604	42,662
Other payables	9,375	8,510
	108,645	109,154
Less: non-current portion		
Deposits from tenants	(20,617)	(22,105)
Current portion	88,028	87,049

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

	As at	
	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Less than 1 year	20,241	21,281
Over 1 year	20,767	20,704
	41,008	41,985

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

18 TRADE AND OTHER PAYABLES AND LEASE LIABILITIES (cont'd)

(ii) Lease liabilities

	Six months ended	
	30 June 2021 RMB'000 (Unaudited)	30 June 2020 RMB'000 (Unaudited)
Balance at beginning of the period	171,979	152,147
Lease modification	(2,446)	1,957
Leasing finance expenses recognised	4,203	3,775
Settlement of lease liabilities	(7,694)	(5,098)
	166,042	152,781
Less: non-current portion	(138,116)	(126,555)
Current portion of lease liabilities	27,926	26,226

- (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).
- (b) Lease modification is a change in the scope of a lease or the consideration for a lease, that was not part of the original terms and conditions of the lease. As at 30 June 2021 and 31 December 2020, lease modifications of the Group consist of scenarios including extending the contractual lease term, modifying the consideration and amending the discount rate on the basis of original leased assets.

19 ADVANCE FROM CUSTOMERS

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

	As at	
	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Advance from customers	37,784	38,109

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

Notes to the Condensed Consolidated Financial Statements

20 BORROWINGS

	As at	
	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Bank borrowings – Secured (Note (a))	604,238	627,405
Other borrowings – Secured	–	3,000
Total borrowings	604,238	630,405
Less: non-current portion		
– Bank borrowings – Secured	(435,192)	(454,621)
Current portion	169,046	175,784

(a) As at 30 June 2021, bank borrowings of RMB574,308,000 (31 December 2020: RMB597,463,000) bore interest ranging from 5.66% to 7.36% per annum and were secured by investment properties of the Group (Note 14).

As at 30 June 2021, bank borrowings of RMB29,930,000 (31 December 2020: RMB29,942,000) were guaranteed by fellow subsidiary and related party (Note 23(e)).

21 CONTINGENCIES

On 30 December 2020, 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 2021, the case has not been heard by the Shanghai International Arbitration Center. The Group assessed this claim with assistance of external lawyer and considered that the judgment will be in its favour and therefore has not recognised a provision in relation to this claim. The potential maximum compensation that the Group could be required to make if there was an adverse decision related to the arbitration is estimated to be approximately RMB20 million.

22 COMMITMENTS**(a) Capital commitments**

Capital expenditure contracted but not yet incurred is as follows:

	As at	
	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Investment properties	4,139	4,133

Notes to the Condensed Consolidated Financial Statements

22 COMMITMENTS (cont'd)**(b) Operating lease commitments – Group Companies as lessor**

The Group is a lessor when the Group leases out property under long-term leases arrangements, which is non-cancellable operating lease agreements. The lease terms are mainly from 1 to 5 years and the majority of lease agreements are renewable at the end of the lease period at market rate.

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

	As at	
	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Less than 1 year	192,691	221,410
1–2 years	104,170	112,224
2–3 years	61,337	60,654
3–4 years	7,136	24,403
4–5 years	548	516
Over 5 years	–	220
	365,882	419,427

23 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

(b) Transactions with related parties

During the six months ended 30 June 2021 and 2020, the Group did not have significant transactions with related parties.

Notes to the Condensed Consolidated Financial Statements

23 SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

(c) Key management personnel compensations

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Wages, salaries and bonuses	2,102	2,450
Pension costs – defined contribution plans	40	23
	2,142	2,473

(d) Balances with related parties

(i) Amounts due from related parties:

	As at	
	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Guangzhou Xinji Real Estate Development Co., Ltd	10	–

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

(ii) Lease Liabilities:

	As at	
	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Guangzhou Panyu Xinji Real Estate Development Co., Ltd	25,528	29,372
Guangzhou Xinji Real Estate Development Co., Ltd	–	360
	25,528	29,732

(e) Guarantees

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

	As at	
	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Guangzhou Xinji Real Estate Development Co., Ltd	2,500	–

Definitions

“2020 Period”	the six months ended 30 June 2020
“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
“COVID-19”	Coronavirus Disease 2019
“Company”, “the Company” and “our Company”	Xinji Shaxi Group Co., Ltd (信基沙溪集团股份有限公司), a company incorporated on 27 July 2018 under the laws of the Cayman Islands as an exempted company with limited liability
“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
“CG Code”	Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Main Board Listing Rules of the Stock Exchange
“Director(s)”	the director(s) of our 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
“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
“Huiqun Investment”	HUIQUN INVESTMENT LIMITED, a company incorporated under the laws of the BVI with limited liability on 6 June 2018
“Independent Third Party(ies)”	person(s) or entity(ies) that is or are not connected person(s) within the meaning of the Listing Rules
“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

Definitions

“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 2021
“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