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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 2022

The board (the "**Board**") of directors (the "**Directors**") 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 2022 (the "**Reporting Period**") together with the comparative figures for the six months ended 30 June 2021 (the "**2021 Period**"). These interim results of the Group have been reviewed by the Company's audit committee.

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2022	2021
	(RMB'000)	*(RMB'000)*
		(Restated)
Revenue	**151,996**	153,033
Profit for the period	**16,454**	51,970
Core net profit[(i)]	**58,434**	48,880
Core net profit margin[(ii)]	**38%**	32%
Earnings per share (expressed in RMB per share)	**0.01**	0.03

Notes:

(i) Core net profit for the six months ended 30 June 2022 and 2021 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.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Six months ended 30 June 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited) (Restated)
Revenue	7	**151,996**	153,033
Cost of sales	8	**(24,597)**	(21,481)
Fair value (losses)/gains on investment properties	14	**(55,973)**	4,120
Selling and marketing expenses	8	**(6,775)**	(13,926)
Administrative expenses	8	**(17,106)**	(20,105)
Net impairment losses on financial assets and operating lease receivables		**(1,749)**	(3,006)
Other income		**5,682**	3,693
Other gains/(losses) – net		**365**	(450)
Operating profit		**51,843**	101,878
Finance income	9	**306**	79
Finance expenses	9	**(26,598)**	(24,403)
Finance expenses – net	9	**(26,292)**	(24,324)
Profit before income tax		**25,551**	77,554
Income tax expense	10	**(9,097)**	(25,584)
Profit for the period		**16,454**	51,970
Profit attributable to:			
– Owners of the Company		**14,747**	52,187
– Non-controlling interests		**1,707**	(217)
		16,454	51,970
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	**0.01**	0.03

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Profit for the period	**16,454**	51,970
Other comprehensive income for the period net of tax	**–**	–
Total comprehensive income for the period	**16,454**	51,970
Attributable to:		
– Owners of the Company	**14,747**	52,187
– Non-controlling interests	**1,707**	(217)
	16,454	51,970

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at **30 June 2022** ***RMB'000*** **(Unaudited)**	 31 December 2021 *RMB'000* (Audited) (Restated)
ASSETS			
Non-current assets			
Property and equipment	*13*	**9,453**	3,772
Investment properties	*14*	**2,733,898**	2,641,030
Intangible assets		**1,832**	765
Deferred income tax assets		**2,776**	753
Operating lease and trade receivables and other receivables	*15*	**–**	146,468
		2,747,959	2,792,788
Current assets			
Inventories		**2,712**	2,905
Operating lease and trade receivables and other receivables	*15*	**60,218**	55,222
Amounts due from related parties		**14,232**	56,208
Restricted cash		**3,303**	3,300
Cash and cash equivalents	*16*	**253,268**	249,689
		333,733	367,324
Total assets		**3,081,692**	3,160,112
EQUITY			
Share capital and premium	*17*	**285,178**	285,178
Other reserves	*18*	**111,945**	243,528
Retained earnings		**1,203,956**	1,191,707
		1,601,079	1,720,413
Non-controlling interests		**(2,342)**	1,819
Total equity		**1,598,737**	1,722,232

	Note	As at 30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited) (Restated)
LIABILITIES			
Non-current liabilities			
Borrowings	*21*	**677,490**	632,072
Trade and other payables	*19*	**35,388**	32,693
Lease liabilities	*19*	**123,258**	130,227
Deferred income tax liabilities		**322,258**	325,473
Amounts due to related parties		**24,750**	–
		1,183,144	1,120,465
Current liabilities			
Borrowings	*21*	**77,399**	114,337
Trade and other payables	*19*	**88,635**	95,266
Amounts due to related parties		**24,835**	–
Lease liabilities	*19*	**28,861**	24,814
Advance from customers	*20*	**44,578**	45,782
Contract liabilities	*7(e)*	**17,126**	15,593
Current income tax liabilities		**18,377**	21,623
		299,811	317,415
Total liabilities		**1,482,955**	1,437,880
Total equity and liabilities		**3,081,692**	3,160,112

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, 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 25 August 2022.

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 2022 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 2021 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 2021, 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 for their annual reporting period commencing on 1 January 2022:

HKFRS 3 (Amendments)	Business combinations reference to the conceptual framework
HKAS 16 (Amendments)	Property, plant and equipment – proceeds before intended use
HKAS 37 (Amendments)	Onerous contracts – cost of fulfilling a contract
Revised Accounting Guideline 5	Merger accounting for common control combinations
Annual improvements to HKFRS 1	First-time adoption of HKFRS
Annual improvements to HKFRS 9	Financial instruments
Annual improvements to HKFRS 16	Leases
Annual improvements to HKAS 41	Agriculture

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
HKAS 1 (Amendments)	Presentation of financial statements – classification of liabilities	1 January 2023
HKFRS 17	Insurance contract	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of accounting policies	1 January 2023
HKAS 8 (Amendments)	Definition of accounting estimates	1 January 2023
HKAS 12 (Amendments)	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause	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 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 2021.

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 2022, 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 2021.

There have been no changes in the risk management policies since 31 December 2021.

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 2022 (Unaudited)					
Borrowings (including interests)	**118,814**	**158,676**	**419,934**	**217,248**	**914,672**
Amounts due to related parties	**24,835**	**24,750**	**–**	**–**	**49,585**
Trade and other payables (excluding salary payables and other tax liabilities)	**75,903**	**8,240**	**23,937**	**91**	**108,171**
Lease liabilities	**30,743**	**27,228**	**71,688**	**68,773**	**198,432**
	250,295	**218,894**	**515,559**	**286,112**	**1,270,860**

	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 2021 (Audited) (Restated)					
Borrowings (including interests)	156,656	131,613	398,587	230,835	917,691
Trade and other payables (excluding salary payables and other tax liabilities)	84,651	8,737	20,638	92	114,118
Lease liabilities	25,894	26,569	67,479	75,617	195,559
	267,201	166,919	486,704	306,544	1,227,368

Interests are calculated on borrowings held as at 30 June 2022 (31 December 2021: same). Floating-rate interest is estimated using the current interest rate as at 30 June 2022 (31 December 2021: 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 2022	31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited) (Restated)
Borrowings *(Note 21)*	**754,889**	746,409
Less: Cash and cash equivalents *(Note 16)*	**(253,268)**	(249,689)
Restricted cash	**(3,303)**	(3,300)
Net debts	**498,318**	493,420
Equity	**1,598,737**	1,722,232
Total capital	**1,598,737**	1,722,232
Gearing ratio	**31%**	29%

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 2022	31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Investment properties *(Note 14)*	**2,733,898**	2,641,030

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the six months ended 30 June 2022 (six months ended 30 June 2021: same).

(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 2022, all investment properties are included in level 3 fair value hierarchy (31 December 2021: 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 2022 and 31 December 2021. 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 valuation movements when compared to the prior year valuation report; and
- Holds discussions with the independent valuer.

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 malls 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 2021: same).

As at 30 June 2022 and 31 December 2021, 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 2021: same).

7 REVENUE

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Rental income:		
– Properties lease income	**111,883**	112,645
Revenue from contracts with customers:		
– Property management service (a)&(c)	**30,464**	28,610
– Sales of goods (b)	**6,779**	11,778
– Shopping mall management service (a)&(c)	**2,870**	–
	40,113	40,388
	151,996	153,033

(a) Revenue generated from property management service and shopping mall 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 management service contracts:

	As at	
	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited) (Restated)
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	**242,243**	251,329
Expected to be recognised within one year	**49,025**	40,191
	291,268	291,520

	As at	
	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Aggregate amount of the transaction price allocated to long-term shopping mall 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	**56,533**	58,373
Expected to be recognised within one year	**4,245**	4,245
	60,778	62,618

The amount disclosed above does not include any variable consideration.

(d) As at 30 June 2022, no assets recognised from incremental costs to obtain a contract.

(e) Contract liabilities

	As at	
	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited) (Restated)
Business management service	**7,340**	8,840
Property management service	**9,322**	6,356
Sale of goods	**464**	397
	17,126	15,593

8 EXPENSES BY NATURE

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Employee benefit expenses	**21,646**	18,659
Cost of sales of goods	**4,166**	9,028
Marketing and advertising costs	**3,059**	5,870
Legal and professional expenses	**2,271**	4,713
Tax and other levies	**2,515**	2,682
Property maintenance expenses	**5,885**	6,788
Electricity and water cost	**3,490**	2,171
Technical service charge	**329**	1,054
Depreciation	**2,517**	533
Office and travelling expenses	**128**	173
Amortisation	**289**	228
Entertainment expenses	**863**	464
Short-term lease expenses	**12**	262
Other expenses	**1,308**	2,887
Total cost of sales, selling and marketing expenses and administrative expenses	**48,478**	55,512

9 FINANCE EXPENSES – NET

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Finance income:		
– Interest income	**(306)**	(79)
Finance expenses:		
– Leasing finance expenses	**3,877**	4,203
– Interest expenses	**22,721**	20,200
	26,598	24,403
Finance expenses – net	**26,292**	24,324

10 INCOME TAX EXPENSE

	Six months ended 30 June 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited) (Restated)
Current income tax		
– PRC corporate income tax	**14,519**	15,870
Deferred income tax		
– PRC corporate income tax	**(5,422)**	9,714
Income tax expense	**9,097**	25,584

(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 2022 and 2021.

(b) PRC withholding income tax

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

(c) Cayman Islands income tax

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

(d) British Virgin Islands income tax

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

(e) Hong Kong profits tax

Hong Kong profits tax has not been provided as the Group's subsidiaries incorporated in Hong Kong did not have any assessable profits during the six months ended 30 June 2022 and 2021.

11 EARNINGS PER SHARE

(a) Basic

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
		(Restated)
Profit attributable to owners of the Company *(RMB'000)*	**14,747**	52,187
Weighted average number of ordinary shares in issue *(thousands)*	**1,500,000**	1,500,000
Basic earnings per share *(RMB)*	**0.01**	0.03

(b) Diluted

The Company did not have any potential dilutive ordinary shares outstanding during the six months ended 30 June 2022 and 2021. Diluted earnings per share are the same as the basic earnings per share.

12 DIVIDEND

No interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: nil) have been proposed by the Board.

13 PROPERTY AND EQUIPMENT

	Leased office buildings *RMB'000*	Vehicles *RMB'000*	Furniture, fittings and equipment *RMB'000*	Total *RMB'000*
At 31 December 2021 (Audited) (Restated)				
Cost	1,028	9,037	3,798	13,863
Accumulated depreciation	(1,028)	(5,671)	(3,392)	(10,091)
Net book amount	–	3,366	406	3,772
Period ended 30 June 2022 (Unaudited)				
Opening net book amount	–	3,366	406	3,772
Additions	7,947	59	158	8,164
Acquisition of a subsidiary	–	–	139	139
Disposals	–	(97)	(6)	(103)
Depreciation charges	(1,957)	(467)	(93)	(2,517)
Deem distribution to the then shareholders of the entities acquired under common control	–	–	(2)	(2)
Closing net book amount	5,990	2,861	602	9,453
At 30 June 2022 (Unaudited)				
Cost	7,947	8,913	3,911	20,771
Accumulated depreciation	(1,957)	(6,052)	(3,309)	(11,318)
Net book amount	5,990	2,861	602	9,453

14 INVESTMENT PROPERTIES

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Opening net book amount	**2,641,030**	2,991,240
Lease modification	–	(2,446)
Additions	**148,841**	37,136
Fair value changes	**(55,973)**	4,120
Closing net book amount	**2,733,898**	3,030,050
Analysis of investment properties:		
– properties on land use right certificates owned by the Group	**1,208,280**	1,506,670
– properties on right-of-use assets	**1,525,618**	1,523,380
	2,733,898	3,030,050

15 OPERATING LEASE AND TRADE RECEIVABLES AND OTHER RECEIVABLES

	As at	
	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited) (Restated)
Operating lease receivables	**35,600**	27,700
Less: allowance for impairment of operating lease receivables	**(3,133)**	(1,990)
Operating lease receivables – net	**32,467**	25,710
Trade receivables	**8,880**	9,058
Less: allowance for impairment of trade receivables	**(906)**	(616)
Trade receivables – net	**7,974**	8,442
Other receivables	**23,528**	25,211
Less: allowance for impairment of other receivables	**(9,797)**	(10,218)
Other receivables – net	**13,731**	14,993
Prepaid tax and other levies	**357**	345
Prepayment for lease	**–**	146,468
Other prepayments	**3,346**	2,548
Input VAT available for future deduction	**2,343**	3,184
	60,218	201,690
Less: non-current portion		
Prepayment for lease	**–**	(146,468)
Current portion	**60,218**	55,222

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

	As at	
	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited) (Restated)
Less than 1 year	**8,880**	9,058

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

16 CASH AND CASH EQUIVALENTS

	As at	
	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited) (Restated)
Cash on hand		
– RMB	**125**	41
Cash at banks		
– RMB	**240,820**	235,912
– HK$	**12,323**	13,736
	253,143	249,648
	253,268	249,689

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**	**Equivalent nominal value of ordinary shares**	**Share premium**	**Total**
		HK$'000	*RMB'000*	*RMB'000*	*RMB'000*
Ordinary shares issued and fully paid:					
As at 30 June 2022 (Unaudited)	**1,500,000,000**	**15,000**	**13,410**	**271,768**	**285,178**
As at 31 December 2021 (Audited)	1,500,000,000	15,000	13,410	271,768	285,178

18 OTHER RESERVES

	Merger and other reserves *RMB'000*	Statutory reserves *RMB'000* *(Note (a))*	Total *RMB'000*
At 1 January 2021	190,943	51,300	242,243
Appropriation to statutory reserves	–	6,099	6,099
At 30 June 2021	190,943	57,399	248,342
At 1 January 2022	190,943	52,555	243,498
Business combination under common control *(Note (b))*	30	–	30
At 1 January 2022 (Restated)	190,973	52,555	243,528
Transaction with non-controlling interests *(Note (b))*	(13,260)	–	(13,260)
Business combination under common control *(Note (b))*	(85,030)	–	(85,030)
Deemed distribution to the then shareholders of the entities acquired under common control *(Note (c))*	(37,091)	–	(37,091)
Contribution from the then shareholders of the entities acquired under common control	1,000	–	1,000
Changes in ownership interests in subsidiaries without change of control	300	–	300
Appropriation to statutory reserves	–	2,498	2,498
At 30 June 2022	56,892	55,053	111,945

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

(b) On 8 June 2022, Guangzhou Xinji Property Management Co., Ltd (“**Xinji Property Management**”), a company that being controlled by the ultimate controlling shareholders since its incorporation, transferred its entire equity interests in Guangzhou Xinji Youxiang Property Co., Ltd (“**Guangzhou Xinji Youxiang**”) to Guangzhou Xinji Jiuxing Service Co., Ltd (“**Xinji Jiuxing**”), a wholly-owned subsidiary of the Company, at cash consideration of RMB75 million, which was determined after arm’s length negotiations between the parties with reference to the valuation of the entire equity interests of Guangzhou Xinji Youxiang as at 31 December 2021. This transaction is a business combination under common control and transaction with non-controlling interest and the difference between the consideration and the net asset of Guangzhou Xinji Youxiang was treated as merger reserve.

On 8 June 2022, Foshan Xinji Plaza Management Co., Ltd (“**Xinji Plaza Management**”), a company that being controlled by the ultimate controlling shareholders since its incorporation, transferred its entire equity interests in Foshan Xinji Youxiang Commercial Service Co., Ltd (“**Foshan Xinji Youxiang**”) to Xinji Jiuxing, at cash consideration of RMB24 million, which was determined after arm’s length negotiations between the parties with reference to the valuation of the entire equity interests of Foshan Xinji Youxiang as at 31 December 2021. This transaction is a business combination under common control and transaction with non-controlling interest and the difference between the consideration and the net asset of Foshan Xinji Youxiang was treated as merger reserve.

(c) During the period ended 30 June 2022, the deemed distribution to the then shareholders of entities acquired under common control amounting to RMB37,091,000 is attributable to derecognition of the assets and liabilities of Xinji Property Management and Xinji Plaza Management in relation to the acquired business, as Xinji Property Management and Xinji Plaza Management ceased to operate the acquired business in Guangzhou Xinji Youxiang and Foshan Xinji Youxiang and such business was then taken up by the Group on 8 June 2022 and the relevant non-controlling interests of RMB4,858,000 was derecognised accordingly.

19 TRADE AND OTHER PAYABLES AND LEASE LIABILITIES

(i) Trade and other payables

	As at	
	30 June	31 December
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
		(Restated)
Trade payables	**5,062**	3,292
Construction contract payables	**35,532**	40,858
Salary payables	**13,718**	12,495
Other tax liabilities	**2,134**	896
Deposits from tenants	**54,167**	55,556
Other payables	**13,410**	14,412
	124,023	127,959
Less: non-current portion		
Deposits from tenants	**(35,388)**	(32,693)
Current portion	**88,635**	95,266

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

	As at	
	30 June	31 December
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
		(Restated)
Less than 1 year	**35,474**	37,614
Over 1 year	**5,120**	6,536
	40,594	44,150

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

(ii) Lease liabilities

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Balance at beginning of the period	**155,041**	171,979
Lease modification	**–**	(2,446)
Leasing finance expenses recognised	**3,877**	4,203
Settlement of lease liabilities	**(6,799)**	(7,694)
	152,119	166,042
Less: non-current portion	**(123,258)**	(138,116)
Current portion of lease liabilities	**28,861**	27,926

(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).

20 ADVANCE FROM CUSTOMERS

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

	As at	
	30 June	31 December
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
		(Restated)
Advance from customers	**44,578**	45,782

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

21 BORROWINGS

	As at	
	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Bank borrowings – Secured *(Note (a))*	**754,889**	746,409
Less: non-current portion		
– Bank borrowings – Secured	**(677,490)**	(632,072)
Current portion	**77,399**	114,337

(a) As at 30 June 2022, bank borrowings of RMB754,889,000 (31 December 2021: RMB746,409,000) bore interest ranging from 4.90% to 6.86% per annum and were secured by investment properties of the Group (Note 14).

As at 30 June 2022, bank borrowings of RMB20,000,000 (31 December 2021: RMB20,000,000) were guaranteed by fellow subsidiary and related party.

22 BUSINESS COMBINATION

(a) Business combinations under common control — acquisition of Guangzhou Xinji Youxiang and Foshan Xinji Youxiang

On 15 March 2022, Xinji Jiuxing entered into an equity transfer agreement with Xinji Property Management, pursuant to which the Group agreed to acquire 100% equity interests in Guangzhou Xinji Youxiang at a consideration of RMB75,000,000. The acquisition was completed on 8 June 2022 and Guangzhou Xinji Youxiang became an indirect wholly-owned subsidiary of the Company with net asset of RMB2,734,000. The acquired business in Guangzhou Xinji Youxiang was formerly operated in Xinji Property Management, which was entirely transferred to Guangzhou Xinji Youxiang in November 2021.

On 15 March 2022, Xinji Jiuxing entered into an equity transfer agreement with Xinji Plaza Management, pursuant to which the Group agreed to acquire 100% equity interests in Foshan Xinji Youxiang at a consideration of RMB24,000,000. The acquisition was completed on 8 June 2022 and Foshan Xinji Youxiang became an indirect wholly-owned subsidiary of the Company with net asset of RMB2,196,000. The acquired business in Foshan Xinji Youxiang was formerly operated in Xinji Plaza Management, which was entirely transferred to Foshan Xinji Youxiang in March 2022.

The acquisitions represents business combination under common control as Xinji Property Management, Guangzhou Xinji Youxiang, Xinji Plaza Management, Foshan Xinji Youxiang and the Company were ultimately controlled by Ultimate controlling shareholders of the Group both before and after the acquisitions, and that control is not transitory. The financial statements of the acquired business in Xinji Property Management and Guangzhou Xinji Youxiang and the acquired business in Xinji Plaza Management and Foshan Xinji Youxiang are included in the Group's consolidated financial statements as if the combination had occurred from the date when the Ultimate controlling shareholders first obtained control. Therefore, the opening balances and the comparative figures of the consolidated financial statements are restated.

As Xinji Property Management and Xinji Plaza Management ceased to operate the acquired business in Guangzhou Xinji Youxiang and Foshan Xinji Youxiang and such business was then taken up by the Group on 8 June 2022, the assets and liabilities of the acquired business in Xinji Property Management and Xinji Plaza Management were derecognised from the Group's consolidated financial information as deemed distribution to the then shareholders of the entities acquired under common control.

The following is a reconciliation of the effect arising from the acquisitions of Guangzhou Xinji Youxiang and Foshan Xinji Youxiang which is accounted for under common control combination on the consolidated financial statements:

	As at 31 December 2021			
	Balances as previously reported	**Merger of the business of Guangzhou Xinji Youxiang**	**Merger of the business of Foshan Xinji Youxiang**	**Balances as restated**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Consolidated balance sheet				
Total assets	3,100,656	45,595	13,861	3,160,112
Total liabilities	1,420,917	12,629	4,334	1,437,880
Share capital and share premium	285,178	–	–	285,178
Other reserves	243,498	30	–	243,528
Retained earnings	1,153,923	32,782	5,002	1,191,707
Non-controlling interests	(2,860)	153	4,526	1,819
Total equity	1,679,739	32,965	9,528	1,722,232

	For the period ended 30 June 2021			
	Amounts as previously reported	**Merger of the business of Guangzhou Xinji Youxiang**	**Merger of the business of Foshan Xinji Youxiang**	**Amounts as restated**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Consolidated income statement				
Revenue	138,353	9,708	4,972	153,033
Profit for the period	47,089	2,948	1,933	51,970
Consolidated statement of cash flow				
Net cash generated from operating activities	41,047	6,033	(1,211)	45,869
Net cash (used in)/generated from investing activities	(23,794)	(6,033)	1,211	(28,616)
Net cash used in financing activities	(30,440)	–	–	(30,440)

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the Reporting Period (six months ended 30 June 2021: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The revenue decreased slightly by approximately 0.7% to approximately RMB152.0 million for the Reporting Period compared with approximately RMB153.0 million for the 2021 Period. Such decrease was driven by the decrease in revenue from sales of goods and the increase in revenue from property management service and shopping mall management service.

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

	Six months ended 30 June			
	2022		2021	
	RMB'000	*%*	*RMB'000* (Restated)	*%*
Rental Income	**111,883**	**74**	112,645	73
Property Management Service	**30,464**	**20**	28,610	19
Sales of Goods	**6,779**	**4**	11,778	8
Shopping Mall Management Service	**2,870**	**2**	–	–
Total	**151,996**	**100**	153,033	100

Rental Income

During the Reporting Period, rental income is the revenue received by our Group from the tenants who signed lease contracts with us to run business at our Group's owned/leased portfolio shopping malls, which accounted for approximately 74% of our total revenue. During the Reporting Period, our rental income decreased slightly by approximately RMB0.8 million or approximately 0.7% to approximately RMB111.9 million (2021 Period: RMB112.6 million) due to the rental concession policies provided by our Group for the affected tenants as a result of the impact of COVID-19 pandemic.

Property Management Service

Revenue from our property management service is the management fees paid by the tenants under the property management agreements. During the Reporting Period, income from property management service increased by approximately RMB1.9 million or approximately 6.5% to approximately RMB30.5 million (2021 Period: RMB28.6 million). The increase in property management service income was mainly attributable to the fact that the Group added some new property management projects in 2022.

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 RMB5.0 million or approximately 42.4% to approximately RMB6.8 million (2021 Period: RMB11.8 million). Such decrease in revenue from sales of goods was mainly due to the fact that the Group cancelled all food-related e-commerce businesses as a result of the adjustment of business.

Cost of Sales

Our cost of sales increased by approximately RMB3.1 million or 14.5% from approximately RMB21.5 million for the 2021 Period to approximately RMB24.6 million for the Reporting Period. The increase was mainly attributable to the acquisitions of some new property management projects during the Reporting Period, resulting in the rise of property costs accordingly.

Fair Value Losses/Gains on Investment Properties

Our fair value changes on investment properties decreased by approximately RMB60.1 million to fair value losses of approximately RMB56.0 million for the Reporting Period (2021 Period: fair value gains of RMB4.1 million), which was mainly because in the first half of 2022, the valuation of the shopping malls was affected by the continuous impacts of the pandemic in many places caused by the new coronavirus variant Omicron, resulting in an overall decrease in market demand.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by RMB7.2 million or 51.3% from RMB13.9 million for the 2021 Period to RMB6.8 million for the Reporting Period. Such decrease was mainly due to the fact that the Group continued to introduce measures to reduce costs and enhance efficiency during the Reporting Period.

Administrative Expenses

Our administrative expenses decreased by RMB3.0 million or 14.9% from RMB20.1 million for the 2021 Period to approximately RMB17.1 million for the Reporting Period. Such decrease was mainly due to the fact that the Group continued to introduce measures to reduce costs and enhance efficiency during the Reporting Period.

Other Income

Our other income increased by RMB2.0 million or 53.9% from approximately RMB3.7 million for the 2021 Period to approximately RMB5.7 million for the Reporting Period. The increase was mainly due to an increase in the number of merchants who closed their shops in advance as a result of the pandemic during the period, resulting in an increase in default income.

Operating Profit and Operating Profit Margin

As as result of the foregoing, our operating profit decreased by approximately RMB50.0 million or 49.1% from RMB101.9 million for the 2021 Period to approximately RMB51.8 million during the Reporting Period. The operating profit margin decreased from approximately 66.6% in 2021 Period to approximately 34.1% during the Reporting Period, which was due to the significant decrease in fair value changes on investment properties.

Finance Income

Our finance income increased by RMB0.2 million or 287.3% from approximately RMB0.1 million for the 2021 Period to approximately RMB0.3 million for the Reporting Period. This was primarily because bank deposits were managed for investment during the Reporting Period.

Finance Expenses

Our finance expenses increased by approximately RMB2.2 million or 9.0% from approximately RMB24.4 million for the 2021 Period to approximately RMB26.6 million for the Reporting Period. This was mainly due to the increase in relevant expenses of the banking facilities.

Net Finance Expenses

As a result of the foregoing, our net finance expenses for the Reporting Period increased by RMB2.0 million or 8.1% from approximately RMB24.3 million for the 2021 Period to approximately RMB26.3 million for the Reporting Period.

Profit and Net Profit Margin

As a result of the foregoing, profit for the Reporting Period decreased by approximately RMB35.5 million or 68.3% from RMB52.0 million for the 2021 Period to approximately RMB16.5 million for the Reporting Period. Our net profit margin decreased from approximately 34.0% for the 2021 Period to approximately 10.8% for the Reporting Period, which was mainly due to the significant decrease of RMB60.1 million in fair value changes 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 increased by approximately RMB9.6 million or approximately 19.5% from approximately RMB48.9 million for the 2021 Period to approximately RMB58.4 million for the Reporting Period, which was mainly due to the fact that the Group adopted a series of measures to reduce costs and enhance efficiency during the Reporting Period.

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

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Profit	**16,454**	51,970
Add:		
Fair value losses/(gains) on investment properties	**55,973**	(4,120)
Income tax expense in relation to above reconciled items	**(13,993)**	1,030
Core net profit	**58,434**	48,880
– Owners of the Company	**56,727**	49,097
– Non-controlling interests	**1,707**	(217)

USE OF NET PROCEEDS

References are made to (i) the prospectus (the "**Prospectus**") of the Company dated 25 October 2019 in relation to the proposed use of the net proceeds (the "**Net Proceeds**") from the global offering of the Company; (ii) the announcement (the "**First Change in UOP Announcement'**") of the Company dated 6 July 2020 in relation to the change in use of the Net Proceeds and business update of the Group; (iii) the announcement of the Company dated 24 July 2020 in relation to the acquisition of 60% of the equity interest in Guangzhou Zhicheng Commercial Operation Limited* (廣州智誠商業運營有限公司) by Guangzhou Shaxi Hotel, being an indirect wholly-owned subsidiary of the Company, at the consideration of RMB78.0 million; (iv) the announcement of the Company dated 29 December 2020 in relation to the unwinding of the Acquisition; (v) the announcement (the "**Second Change in UOP Announcement**", together with the First Change in UOP Announcement, the "**Announcements**") of the Company dated 24 November 2021 in relation to the further change in the use of the Net Proceeds; and (vi) the 2020 annual report of the Company. For further details, please refer to the Announcements published by the Company. Unless otherwise defined, capitalised terms used herein shall bear the same meanings as those defined in the Announcements.

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

(i) reallocating approximately 30.0% of the Unutilised Net Proceeds in the amount of approximately RMB40.0 million, which was originally allocated for the development of new projects, namely the Zhengzhou Project, Fuzhou Project and Guangzhou Project (the "**Specific Projects**"), to expand the depth and breadth of property management service in China;

(ii) reallocating approximately 22.5% of the Unutilised Net Proceeds in the amount of approximately RMB30.0 million, which was originally allocated for the Specific Projects, to establish a vertical e-commerce platform for the hospitality supplies industry; and

(iii) reallocating approximately 47.5% of the Unutilised Net Proceeds in the amount of approximately RMB63.3 million, which was originally allocated for the Specific Projects, to general development of new projects in relation to the hospitality supplies and home furnishing industries.

As of 30 June 2022, details of the original allocation, the revised allocation of the Net Proceed, as disclosed in the First Change in UOP Announcement, the further revised allocation of the Net Proceeds as disclosed in the Second Change in UOP Announcement and the expected timeline for utilising the Unutilised Net Proceeds are as follows:

		Original Intended Amount *(RMB million)*	Revised allocation of the Net Proceeds as disclosed in the First Change in UOP Announcement *(RMB million)*	Further revised allocation of the Net Proceeds as disclosed in the Second Change in UOP Announcement *(RMB million)*	Utilised amount as of 30 June 2022 *(RMB million)*	Unutilised amount as of 30 June 2022 *(RMB million)*	Timeframe for full utilisation of the Unutilised Net Proceeds
(i)	Repayment of the Group's bank borrowings for the construction cost and sales and marketing cost of its shopping malls	56.7	31.2	–	31.2	–	–
(ii)	Development of new projects			63.3 (2&3)		63.3 (2&3)	till 2023
	a) Chengdu Project	63.8	–	–	–	–	
	b) Zhengzhou Project	40.8	22.5	N/A	–	N/A	
	c) Fuzhou Project	55.9	30.8	N/A	–	N/A	
	d) Guangzhou Project	–	80.0	–	5.0 (1)	–	
	e) Other projects	–	–	N/A	–	N/A	
(iii)	Expansion of Property Management Business	–	–	40.0	40.0	–	till 2022
(iv)	Establishment of Vertical e-Commerce Platform for the Hospitality Supplies Industry	–	–	30.0	–	30.0	till 2023
(v)	General working capital	–	27.2	–	27.2	–	–
	Total:	217.2	191.7	133.3	103.4	93.3	

Notes:

(1) Being the outstanding Part Payment to be returned by Guangzhou Chaoying to Guangzhou Shaxi Hotel. For details, please refer to the paragraph headed "Reasons for and Benefits of the Further Change in Use of Proceeds – Unwinding of the Guangzhou Project" in the Second Change in UOP Announcement.

(2) Including the outstanding Part Payment of RMB5.0 million to be returned by Guangzhou Chaoying to Guangzhou Shaxi Hotel under the Guangzhou Project. For details, please refer to the paragraph headed "Reasons for and Benefits of the Further Change in Use of Proceeds – Unwinding of the Guangzhou Project" in the Second Change in UOP Announcement.

(3) This amount represents the portion of the Unutilised Net Proceeds which shall be used for the general development of new projects in relation to the hospitality supplies and home furnishing industries, and will not be earmarked for and allocated to any of the Zhengzhou Project, Fuzhou Project or other projects specifically.

LIQUIDITY AND FINANCIAL RESOURCES

Cash and Cash Equivalents

As at 30 June 2022, the Group's cash and cash equivalents amounted to approximately RMB253.3 million (31 December 2021: RMB249.7 million). Cash and cash equivalents are mainly denominated in Renminbi.

Borrowings and Charges on the Group's Assets

As at 30 June 2022, the Group's bank borrowings of approximately RMB754.9 million (31 December 2021: RMB746.4 million) bore interest ranging from 4.90% to 6.86% per annum and were secured by investment properties of the Group. As at 30 June 2022, the value of investment properties pledged as collateral for the Group's borrowings was approximately RMB419.6 million (31 December 2021: RMB419.6 million).

Gearing Ratio

The gearing ratio as at 30 June 2022, calculated on the basis of net debt over total capital, was 31% as compared with 29% as at 31 December 2021.

Net Current Assets and Current Ratio

As at 30 June 2022, the Group had net current assets of approximately RMB33.9 million as compared with net current assets of approximately RMB49.9 million as at 31 December 2021.

The current ratio was 1.11 as at 30 June 2022 (31 December 2021: 1.16).

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 announcement, the Group had no other plan for material investments or capital assets as at 30 June 2022.

Acquisitions and Disposal of Subsidiaries and Associated Companies

Reference is made to the circular (the "**Circular**") of the Company dated 13 May 2022. Unless otherwise defined, capitalised terms used herein shall bear the same meanings as those defined in the Circular.

On 15 March 2022, Guangzhou Xinji Jiuxing Service Co., Ltd.* (廣州信基玖星服務有限公司) (the "**Purchaser**"), an indirect wholly-owned subsidiary of the Company, Guangzhou Xinji Property Management Co., Ltd.* (廣州市信基物業管理有限公司) ("**Vendor I**"), Guangzhou Xinji Youxiang Property Co., Ltd.* (廣州信基優享物業有限公司) ("**Guangzhou Youxiang**") and Guarantors I entered into the Share Transfer Agreement I pursuant to which the Purchaser conditionally agreed to acquire and Vendor I conditionally agreed to dispose of the entire equity interests in Guangzhou Youxiang at the total consideration of RMB75.0 million.

On 15 March 2022, the Purchaser, Foshan Xinji Plaza Management Co., Ltd.* (佛山信基廣場經營管理有限公司) ("**Vendor II**"), Foshan Xinji Youxiang Commercial Service Co., Ltd.* (佛山信基優享商業服務有限公司) ("**Foshan Youxiang**") and Guarantors II entered into the Share Transfer Agreement II pursuant to which the Purchaser conditionally agreed to acquire and Vendor II conditionally agreed to dispose of the entire equity interests in Foshan Youxiang at the total consideration of RMB24.0 million.

Guangzhou Youxiang and Foshan Youxiang are principally engaged in the provision of property management service. Completion of the acquisitions has taken place, and Guangzhou Youxiang and Foshan Youxiang have become indirect wholly-owned subsidiaries of the Company. For details on the acquisitions, please refer to the Circular.

Save as disclosed above, 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

Reference is made to the Circular in relation to the acquisitions of the entire equity interests in Guangzhou Youxiang and Foshan Youxiang. As each of Vendor I and Vendor II is ultimately beneficially owned as to 95.00% and 52.50% in aggregate respectively by Mr. Cheung, Mr. Mei and Mr. Zhang, each of Vendor I and Vendor II is an associate of Mr. Cheung, Mr. Mei and Mr. Zhang and a connected person of the Company. Hence, each of Share Transfer I and Share Transfer II constitutes a connected transaction on the part of the Company under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

Reference is made to the announcement of the Company dated 15 March 2022. As set out in the said announcement, on 15 March 2022, Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司) ("**Guangzhou Shaxi Hotel**"), an indirect wholly-owned subsidiary of the Company, as tenant, entered into the tenancy agreement (the "**2022 Headquarters Tenancy Agreement**") with Guangzhou Xinji Real Estate Development Co., Ltd.* (廣州市信基置業房地產開發有限公司) ("**Guangzhou Real Estate**"), as landlord, to renew the lease of the premises located at South Intersection No. 250, Dashi Street, Panyu District, Guangzhou, the PRC* (中國廣州市番禺區大石街南大路口250號) for a term of two years commencing from 1 January 2022 and ending on 31 December 2023 (both days inclusive).

As Guangzhou Real Estate is co-owned by Mr. Cheung, Mr. Mei and Mr. Zhang, Guangzhou Real Estate is an associate of Mr. Cheung, Mr. Mei and Mr. Zhang and a connected person of the Company, and the entering into of the 2022 Headquarters Tenancy Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. For details on the renewal of the 2022 Headquarters Tenancy Agreement, please refer to the announcement of the Company dated 15 March 2022.

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

BUSINESS REVIEW

The Group is principally engaged in the operation of shopping malls for hospitality supplies and home furnishings which generated rental revenue in the PRC. Our business operations comprise six main business lines: (i) our shopping malls, including three shopping malls for hospitality supplies and two shopping malls for home furnishings; (ii) subletting 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. As set out in the said announcement, on 23 December 2021, Guangzhou Xinji Yuzheng Commerce Operation Management Co., Ltd* (廣州信基譽正商業運營管理有限公司) ("**Xinji Yuzheng**"), an indirect wholly-owned subsidiary of the Company, and Guangzhou Longmei Dongman Technology Co., Ltd* (廣州龍美動漫科技有限公司) ("**Longmei Dongman**") entered into a sublease agreement pursuant to which Xinji Yuzheng agreed to sublease the Building C1 and C2, Zone C, Xinji Longmei International Animation Industrial Park, Longmei Village, Panyu Avenue, Panyu District, Guangzhou City, Guangdong Province, the PRC* (中國廣東省廣州市番禺區番禺大道龍美村信基龍美國際動漫產業園C區C1及C2大廈) with a total gross floor area of approximately 34,394 sq.m. together with the 237 underground car parking spaces known as Yuanyang Bangshe* (遠洋邦舍) from Longmei Dongman for a term of approximately 14.4 years commencing from 11 January 2022 and expiring on 31 May 2036 (both days inclusive) at the consideration of RMB153.8 million.

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

Property management projects

As mentioned above, the Group has completed the acquisitions of Guangzhou Youxiang and Foshan Youxiang, which are principally engaged in the provision of property management service for commercial complex. The property projects currently under the management of Guangzhou Youxiang and Foshan Youxiang include (i) the Xiajiao project (廈滘項目), which comprised of the premises known as Xinji Plaza Hall A* (信基廣場A館) and Xiajiao Commercial Building* (廈滘商業大廈); (ii) the Shangjiao Comprehensive Building Project (上漖綜合樓項目), which comprised of the premises known as Shangjiao Comprehensive Building* (上漖綜合樓); (iii) the Yuedao Project (玥島項目), which comprised of the premises known as Zong Yuehui* (綜玥薈); (iv) the Longmei Project (龍美項目), which comprised of the premises known as Lingxiu Mansion* (領秀公館); and (v) the Xinji Plaza Project (信基廣場項目), which comprised of the premises known as Foshan Jiujiang Xinji Plaza* (佛山九江信基廣場).

The following table sets forth the income from property lease and property management service respectively for the three abovementioned business segments (shopping mall, subletting apartments and property management projects) by region during the periods indicated:

	Property lease income Six months ended 30 June		**Property management service income Six months ended 30 June**	
	2022	2021	**2022**	2021
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
				(Restated)
Guangzhou region	**101,873**	98,373	**19,197**	17,528
Foshan region	**—**	—	**4,380**	4,972
Shenyang region	**10,010**	14,272	**6,887**	6,110

Managed Shopping Malls

In this segment, we provide shopping mall operation service 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.

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

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

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

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

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

Regarding the specific business hours of the shopping mall, it is agreed with the owner that Buildings 1-6 will open in stages. Due to the impacts of the COVID-19 pandemic (especially the recurrent pandemic in Zhengzhou) on the business environment, there is no concrete schedule yet.

Online Shopping Mall

During the Reporting Period, our online shopping mall generated revenue of approximately RMB6.8 million for the sales of goods (2021 Period: RMB11.8 million). The goods sold by the Group were entirely hospitality goods and home furnishings. During the Reporting period, due to the adjustment of business, the Group terminated all food related e-commerce businesses with low gross profit and high sales expenses, and was committed to streamlining its staff, thus reducing labor costs. Therefore, the Group recorded operating profit for the business of online shopping mall during the Reporting Period. The operating profit margin of the B2C operations during the Reporting Period has increased to approximately 18% (2021 Period: -19%).

Exhibition Management Business

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

Due to the ongoing global outbreak of COVID-19 since 2020, with the epidemic sweeping across other parts of the world as of the date of this announcement, 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 decided to suspend the organisation of CHE since 2020 and no revenue was generated from CHE.

Outlook

Although the PRC and the world are still affected by the COVID-19 pandemic, the PRC had taken the lead in revitalizing and incentivising travel since last year, and physical marketing activities had resumed one after another. However, since 2022, the number of new COVID-19 cases in major cities such as Hong Kong, Shenzhen, Shanghai and Beijing has surged due to the impact of the new variants, and relevant prevention and control measures have been tightened, resulting in the postponement or cancellation of many local and international projects and exhibitions in the PRC, which inevitably affected the performance of the Group. The Directors are cautiously optimistic about the six main business lines of the Group's business operations, and the Group will take a cautious approach in 2022 to ensure the sustainable development. The Group will closely monitor its working capital management and adjust its business strategy from time to time as required, as well as acquiring and merging high-quality property service projects with stable revenue in due course.

Although the business environment is once again full of uncertainty, we will maintain a model of rapid development of light asset projects featured by "Brand Export, Management Export, and Cooperative Operation", while establishing a vertical e-commerce platform for the hospitality supplies industry and expanding the online shopping mall business, thereby further expanding the market share and brand influence of the Group. We insist on the platform sharing concept of "Industrial Alliance and Collective Development", enhancing the brand stickiness along with the development of the industry; meanwhile, the Group will continue to expand the business of property service (especially through the acquisition and merger of mature property service projects), with an aim to increase the stable cash flow of the Group. The Group anticipated to promptly seize the opportunities brought by the economic recovery in the PRC and Hong Kong once the pandemic is contained.

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

Mr. Cheung Hon Chuen ("**Mr. Cheung**") is one of our founders, chairman of the Board and chief executive officer of the Company. As the industry leader of the China hospitality supplies industry, Mr. Cheung has extensive experience in hospitality supplies industry and he is responsible for formulating strategic direction and overseeing the management and business operation of the 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 the 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 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, 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 therefore has a fairly strong independence element in its composition.

Code of Conduct for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its code of conduct regarding dealings in the securities of the Company by the Directors, the Group's senior management, and employees who, because of his/her office or employment, is likely to possess inside information in relation to the Group or the Company's securities. Upon specific enquiry, all Directors confirmed that they have complied with the Model Code 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 Listed Securities

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

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 2022, 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 2022 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 the CG Code as set out in Appendix 14 to the Listing Rules. The Audit Committee consists of three members, namely Dr. Zeng Zhaowu, Mr. Tan Michael Zhen Shan and Dr. Zheng Decheng. Dr. Zeng Zhaowu currently serves as the chairman of the Audit Committee.

The 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.xjsx.net.cn. The 2022 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 2022 and will be published on the above websites.

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

Guangzhou, the PRC, 25 August 2022

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.

** For identification purposes only*