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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 2023**

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 2023 (the “**Reporting Period**”) together with the comparative figures for the six months ended 30 June 2022 (the “**2022 Period**”). These interim results of the Group have been reviewed by the Company’s audit committee.

**FINANCIAL HIGHLIGHTS**

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

Notes:

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

## INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

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

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		As at	
		30 June 2023	31 December 2022
	<i>Note</i>	<b>RMB'000</b> (Unaudited)	<b>RMB'000</b> (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment		5,128	6,944
Investment properties	11	2,348,596	2,396,940
Intangible assets		2,756	1,688
Deferred income tax assets		1,760	1,376
Financial assets at fair value through profit or loss		1,749	1,124
Lease and trade receivables and other receivables	12	51,054	36,342
		<u>2,411,043</u>	<u>2,444,414</u>
<b>Current assets</b>			
Inventories		2,406	2,402
Lease and trade receivables and other receivables	12	78,645	65,795
Amounts due from related parties		4,967	4,095
Cash and cash equivalents		473,168	314,477
		<u>559,186</u>	<u>386,769</u>
<b>Total assets</b>		<u><b>2,970,229</b></u>	<u><b>2,831,183</b></u>
<b>EQUITY</b>			
Share capital and premium		285,178	285,178
Other reserves		116,409	114,640
Retained earnings		933,360	1,017,808
		<u>1,334,947</u>	<u>1,417,626</u>
Non-controlling interests		<u>(1,873)</u>	<u>(1,823)</u>
<b>Total equity</b>		<u><b>1,333,074</b></u>	<u><b>1,415,803</b></u>

		As at	
		30 June 2023	31 December 2022
	<i>Note</i>	<b>RMB'000</b> <b>(Unaudited)</b>	<b>RMB'000</b> <b>(Audited)</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	<i>14</i>	<b>827,059</b>	629,378
Trade and other payables	<i>13</i>	<b>35,223</b>	32,269
Lease liabilities	<i>13</i>	<b>200,576</b>	124,876
Deferred income tax liabilities		<b>237,307</b>	263,786
Amounts due to related parties		–	24,750
		<hr/> <b>1,300,165</b>	<hr/> 1,075,059
<b>Current liabilities</b>			
Borrowings	<i>14</i>	<b>91,022</b>	108,958
Trade and other payables	<i>13</i>	<b>125,330</b>	96,964
Amounts due to related parties		<b>28,542</b>	27,200
Lease liabilities	<i>13</i>	<b>28,407</b>	33,923
Advance from customers		<b>24,534</b>	34,407
Contract liabilities	<i>6(e)</i>	<b>18,334</b>	16,752
Current income tax liabilities		<b>20,821</b>	22,117
		<hr/> <b>336,990</b>	<hr/> 340,321
<b>Total liabilities</b>		<hr/> <b>1,637,155</b>	<hr/> 1,415,380
<b>Total equity and liabilities</b>		<hr/> <b>2,970,229</b>	<hr/> 2,831,183

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

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

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

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

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

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

This interim condensed consolidated financial information has not been audited.

## 2 BASIS OF PREPARATION

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

### 3 ACCOUNTING POLICIES

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

#### (i) New and amended standards adopted by the Group

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

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

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

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

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

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

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 2022.

#### **5 SEGMENT INFORMATION**

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

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

– **Property leasing;**

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

– **Property management services;**

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

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



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

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

The segment information provided to the executive directors for the reportable segments for the six months ended 30 June 2022 is as follows:

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

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

As at 30 June 2023 (Unaudited)

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

As at 31 December 2022 (Audited)

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

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

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

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

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

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

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

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

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

## 6 REVENUE

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

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

	<b>As at</b>	
	<b>30 June</b> <b>2023</b> <i>RMB'000</i> <b>(Unaudited)</b>	<b>31 December</b> <b>2022</b> <i>RMB'000</i> <b>(Audited)</b>
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	<b>323,341</b>	268,130
Expected to be recognised within one year	<b>56,827</b>	51,625
	<u>380,168</u>	<u>319,755</u>

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

The amount disclosed above does not include any variable consideration.

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

(e) Contract liabilities

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

## 7 EXPENSES BY NATURE

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

## 8 INCOME TAX EXPENSE

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

### (a) PRC corporate income tax

The Group's subsidiaries in the PRC are subject to corporate income tax at tax rate of 25% during the six months ended 30 June 2023 and 2022.

### (b) PRC withholding income tax

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

### (c) Cayman Islands income tax

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

### (d) British Virgin Islands income tax

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

### (e) Hong Kong profits tax

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

## 9 (LOSS)/EARNINGS PER SHARE

### (a) Basic

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

### (b) Diluted

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

## 10 DIVIDEND

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

## 11 INVESTMENT PROPERTIES

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

## 12 LEASE AND TRADE RECEIVABLES AND OTHER RECEIVABLES

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

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

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

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



## 13 TRADE AND OTHER PAYABLES AND LEASE LIABILITIES

### (i) Trade and other payables

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

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

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

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

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

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

(ii) Lease liabilities

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

- (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 11) and property and equipment.

## 14 BORROWINGS

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

- (a) As at 30 June 2023, bank borrowings of RMB913,053,000 (31 December 2022: RMB733,307,000) bore interest ranging from 4.90% to 6.86% per annum and were secured by investment properties of the Group (Note 11).
- (b) As at 30 June 2023, other borrowings of RMB5,028,000 (31 December 2022: RMB5,029,000) from a third party with an interest of 10% per annum were secured by investment properties of the Group (Note 11) and would mature in December 2023.

## INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the Reporting Period (six months ended 30 June 2022: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### Revenue

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

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

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

#### Rental Income

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

#### Property Management Service

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

## **Sales of Goods**

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

## **Cost of Sales**

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

## **Fair Value Losses on Investment Properties**

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

## **Selling and Marketing Expenses**

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

## **Administrative Expenses**

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

## **Other Income**

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

## **Operating Profit/Loss and Operating Profit/Loss Margin**

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

## **Finance Income**

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

## **Finance Expenses**

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

## **Net Finance Expenses**

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

## **Profit/Loss and Net Profit Margin/Net Loss Margin**

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

## **Core Net Profit**

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

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

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

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

## **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 (the “**Second Change in UOP Announcement**”, together with the First Change in UOP Announcement, the “**Announcements**”) of the Company dated 24 November 2021 in relation to the further change in the use of the Net Proceeds; and (iv) the 2021 annual report of the Company. For further details, please refer to the Announcements published by the Company. Unless otherwise defined, capitalised terms used herein shall bear the same meanings as those defined in the Announcements.

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

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

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

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

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

*Notes:*

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

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

## **LIQUIDITY AND FINANCIAL RESOURCES**

### **Cash and Cash Equivalents**

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

### **Borrowings and Charges on the Group’s Assets**

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

### **Gearing Ratio**

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

### **Net Current Assets and Current Ratio**

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

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

### **Capital Structure**

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



## **Future Plans for Material Investments or Capital Assets**

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

## **Acquisitions and Disposal of Subsidiaries and Associated Companies**

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

## **Treasury Management**

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

## **Major and Connected Transaction**

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

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

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

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

Save as disclosed above, during the Reporting Period and up to the date of this 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) subleasing apartments; (iii) property management projects; (iv) managed shopping malls; (v) our online shopping mall for sales of hospitality supplies and home furnishings; and (vi) our exhibition management business.

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

### **Business Segment Review**

#### ***Shopping Malls***

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

#### **Shopping Malls for Hospitality Supplies**

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

#### **Shopping Malls for Home Furnishings**

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

### ***Subleasing Apartments***

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

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

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

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

### ***Managed Shopping Mall***

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

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

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

We are still negotiating with the landlord in relation to the specific opening time of the shopping mall. As at the date of this 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.

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

***Online Shopping Mall***

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

***Exhibition Management Business***

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

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

## **Outlook**

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

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

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

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

## **OTHER INFORMATION**

### **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 principles and 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 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 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 department which is accountable for its own conduct and performance and is required to operate its own department’s business within the scope of the delegated authority and to implement and strictly adhere to the strategies and policies set by the Company from time to time. Each department is also required to keep the Board informed of material developments of the department’s business and implementation of the policies and strategies set by the Board on a regular basis so as to identify, evaluate and manage significant risks in a timely manner.

The Board currently comprises three executive Directors (including Mr. Cheung), three non-executive Directors and three independent non-executive Directors and 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 2023, no share option was granted, exercised, cancelled or lapsed under the Share Option Scheme and there was no outstanding share option as at the date of this announcement.

## **Events after Reporting Period**

Save as disclosed in this announcement, there is no other important event subsequent to 30 June 2023 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 and paragraph D.3 of the CG Code as set out in Appendix 14 to the Listing Rules. The Audit Committee consists of three members, namely Dr. Zeng Zhaowu, Mr. Tan Michael Zhen Shan and Dr. Zheng Decheng. Dr. Zeng Zhaowu currently serves as the chairman of the Audit Committee.

The 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](http://www.hkexnews.hk) and the Company at [www.xjsh.net.cn](http://www.xjsh.net.cn). The 2023 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 2023 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 2023

*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*