



Contents

2	Corporate Information
4	Financial Highlights
5	Management Discussion and Analysis
14	Other Information and Corporate Governance
19	Condensed Consolidated Income Statement
20	Condensed Consolidated Statement of Comprehensive Income
21	Condensed Consolidated Balance Sheet
23	Condensed Consolidated Statement of Changes in Equity
25	Condensed Consolidated Statement of Cash Flows
26	Notes to the Condensed Consolidated Financial Statements
58	Definitions

Corporate Information

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. Kam Chi Sing

AUTHORISED REPRESENTATIVES

Mr. Mei Zuoting
Mr. Kam Chi Sing

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and Registered PIE Auditor

REGISTERED OFFICE

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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Corporate Information

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PRINCIPAL BANKERS

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SHARE LISTING

The Stock Exchange of Hong Kong Limited

STOCK CODE

SEHK: 3603

WEBSITE ADDRESS

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LISTING DATE

8 November 2019

Financial Highlights

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

Notes:

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

Management Discussion and Analysis

The Board is pleased to announce the unaudited condensed consolidated financial results of the Group for the six months ended 30 June 2024 with the comparative figures for the six months ended 30 June 2023. The unaudited condensed consolidated financial results of the Group for the Reporting Period have been reviewed by the Audit Committee and approved by the Board on 28 August 2024.

FINANCIAL REVIEW

Revenue

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

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

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

Management Discussion and Analysis

FINANCIAL REVIEW *(cont'd)*

Rental Income

During the Reporting Period, our rental income, which is the revenue received by our Group from the tenants who signed lease contracts with us to run business at our Group's owned/leased portfolio shopping malls, accounted for approximately 74% of our total revenue. During the Reporting Period, our rental income increased by approximately RMB3.5 million or approximately 3.8% to approximately RMB95.6 million (2023 Period: RMB92.1 million). Such increase was mainly due to the combined effect of the policy of year-on-year incremental rent per unit and various leasing incentives offered by the market to increase occupancy rates.

Property Management Service

Revenue from our property management service is the management fees paid by our Group's tenants under the property management agreements. During the Reporting Period, income from property management services decreased slightly by approximately RMB1.8 million or approximately 5.9% to approximately RMB29.3 million (2023 Period: RMB31.1 million). The decrease in revenue from property management services was mainly due to the decrease in revenue from utility differentiation as well as the decrease in area under management as some of the property project contracts expired without further cooperation.

Sales of Goods

Revenue from sales of goods is the revenue generated from sales of hospitality products and home furnishings through our online shopping mall. During the Reporting Period, revenue from sales of goods decreased by approximately RMB1.0 million or approximately 18.8% to approximately RMB4.5 million (2023 Period: RMB5.6 million). Such decrease in revenue from sales of goods was mainly due to the decrease in revenue in the business-to-business platform business of our Group as compared with the 2023 Period.

Cost of Sales

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

Fair Value Losses on Investment Properties

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

Selling and Marketing Expenses

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

Administrative Expenses

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

Management Discussion and Analysis

FINANCIAL REVIEW *(cont'd)*

Other Income

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

Operating Loss and Operating Loss Margin

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

Finance Income

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

Finance Expenses

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

Net Finance Expenses

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

Loss for the Reporting Period

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

Core Net Profit

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

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

Management Discussion and Analysis

FINANCIAL REVIEW *(cont'd)*

Core Net Profit *(cont'd)*

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

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

USE OF NET PROCEEDS

References are made to (i) the Prospectus in relation to the proposed use of the net proceeds (the “**Net Proceeds**”) from the global offering of the Company; (ii) the announcement (the “**First Change in UOP Announcement**”) of the Company dated 6 July 2020 in relation to the change in use of the Net Proceeds and business update of the Group; (iii) the announcement (the “**Second Change in UOP Announcement**”, together with the First Change in UOP Announcement, the “**Announcements**”) of the Company dated 24 November 2021 in relation to the further change in the use of the Net Proceeds; and (iv) the annual reports of the Company for the years ended 31 December 2021, 2022 and 2023. For further details, please refer to the Announcements and annual reports 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 International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司) (“**Guangzhou Shaxi Hotel**”) under the Guangzhou Project) (the “**Unutilised Net Proceeds**”). To enable the Group to better utilise the Net Proceeds, the Group decided to reduce the portion of the Unutilised Net Proceeds for developing new projects from 100% to approximately 47.5%. Accordingly, the Board resolved to further change the use of the Unutilised Net Proceeds as follows:

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

Management Discussion and Analysis

USE OF NET PROCEEDS (cont'd)

As of 30 June 2024, 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 timeframe 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 2024 (RMB million)	Unutilised amount as of 30 June 2024 (RMB million)	Expected timeframe for full utilisation of the Unutilised Net Proceeds
(i) Repayment of the Group's bank borrowings for the construction cost and sales and marketing cost of its shopping malls	56.7	31.2	-	31.2	-	-
(ii) Development of new projects			63.3 ^(2&3)		63.3 ^(2&3)	till 2024 ⁽⁴⁾
a) Chengdu Project	63.8	-	-	-	-	
b) Zhengzhou Project	40.8	22.5	N/A	-	N/A	
c) Fuzhou Project	55.9	30.8	N/A	-	N/A	
d) Guangzhou Project	-	80.0	-	5.0 ⁽¹⁾	-	
e) Other projects	-	-	N/A	-	N/A	
(iii) Expansion of Property Management Business	-	-	40.0	40.0	-	
(iv) Establishment of Vertical e-Commerce Platform for the Hospitality Supplies Industry	-	-	30.0	6.7	23.3	till 2025 ⁽⁵⁾
(v) General working capital	-	27.2	-	27.2	-	-
Total	217.2	191.7	133.3	110.1	86.6	

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 year ended 31 December 2023, the expected timeframe for full utilisation of the Unutilised Net Proceeds allocated for development of new projects has been postponed from 2023 to 2024. No suitable new project was identified by the Company during the Reporting Period.
- (5) Taking into account the current macroeconomic environment and competitive landscape of the industry, in order to minimize the risk, the Company has decided to invest in phases and therefore the expected timeframe for full utilisation of the net proceeds allocated for the Establishment of Vertical e-Commerce Platform for the Hospitality Supplies Industry has been deferred from 2023 to 2025.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

Cash and Cash Equivalents

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

Borrowings and Charges on the Group's Assets

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

Gearing Ratio

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

Net Current Assets and Current Ratio

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

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

Future Plans for Material Investments or Capital Assets

Save as those disclosed under the section headed "Business – Our Strategies" in the Prospectus or in this report, the Group had no other plan for material investments or capital assets as at 30 June 2024.

Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

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

Treasury Management

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

Foreign Exchange Risk

The Group operates mainly in the PRC with most of the transactions settled in Renminbi. The management considers that the business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities of the Group denominated in the currencies other than Renminbi, except that as at 30 June 2024, the Group had approximately RMB1,344,000 denominated in Hong Kong dollars.

Currently, the Group does not have any foreign currency hedging policy, but the management will monitor the foreign exchange exposure of the Group continuously.

BUSINESS REVIEW

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

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

Management Discussion and Analysis

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

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

Shopping Malls for Hospitality Supplies

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

Shopping Malls for Home Furnishings

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

Subleasing Apartments

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

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

Property Management Projects

In June 2022, the Group completed the acquisitions of Guangzhou Xinji Youxiang Property Co., Ltd.* (廣州信基優享物業有限公司) (“**Guangzhou Youxiang**”) and Foshan Xinji Youxiang Commercial Service Co., Ltd.* (佛山信基優享商業服務有限公司) (“**Foshan Youxiang**”), which are principally engaged in the provision of property management service for commercial complex. The property projects currently under the management of Guangzhou Youxiang and Foshan Youxiang include (i) the Xiajiao project (廈濶項目), which comprised of the premises known as Xinji Plaza Hall A* (信基廣場A館) and Xiajiao Commercial Building* (廈濶商業大廈); (ii) the Shangjiao Comprehensive Building Project (上濶綜合樓項目), which comprised of the premises known as Shangjiao Comprehensive Building* (上濶綜合樓); (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).

Management Discussion and Analysis

BUSINESS REVIEW (cont'd)

Business Segment Review (cont'd)

Property Management Projects (cont'd)

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

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

Managed Shopping Mall

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

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

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

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

Management Discussion and Analysis

BUSINESS REVIEW (cont'd)

Business Segment Review (cont'd)

Online Shopping Mall

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

Exhibition Management Business

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

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

OUTLOOK

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

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

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

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

Other Information and Corporate Governance

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to achieving and maintaining high standards of corporate governance by focusing on principles of integrity, accountability, transparency, independence, responsibility and fairness. The Company has developed and implemented sound corporate governance policies and measures, and the Board is responsible for performing such corporate governance duties. The Board will continue to review and monitor the corporate governance of the Company, as well as various internal policies and procedures, including but not limited to those applicable to employees and Directors, with reference to the CG Code set out in Appendix C1 to the Listing Rules and other applicable legal and regulatory requirements so as to maintain a high standard of corporate governance of the Company.

During the Reporting Period, the Company has complied with the principles and the applicable code provisions as set out in Part 2 of the CG Code contained in Appendix C1 to the Listing Rules other than code provision C.2.1 of the CG Code, which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

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

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

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

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

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

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

Other Information and Corporate Governance

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as its code of conduct regarding dealings in the securities of the Company by the Directors, the Group's senior management, and employees who, because of his/her office or employment, is likely to possess inside information in relation to the Group or the Company's securities. Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the Reporting Period. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the Reporting Period.

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

As at 30 June 2024, the interests or short positions of each Director and chief executive officer of the Company in the Shares, underlying Shares and debentures of the Company, as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules, and the details of any right to subscribe for Shares of the Company and of the exercise of such rights, were as follows:

Director	Capacity/nature of interest	Class and number of securities held ¹	Approximate percentage of interest in the Company's issued share capital
Mr. Cheung	Interest of controlled corporation ^{2,5}	570,564,000 (L)	38.22%
Mr. Mei	Interest of controlled corporation ^{3,5}	570,564,000 (L)	38.22%
Mr. Zhang	Interest of controlled corporation ^{4,5}	570,564,000 (L)	38.22%

Notes:

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

Except as disclosed above, to the best knowledge, information and belief of our Directors and based on information available as at 30 June 2024, none of the Directors or chief executive of the Company and its respective associates had any interests or short positions in the Shares, underlying Shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO; (ii) whose were required to be recorded in the register kept by the Company under section 352 of the SFO; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information and Corporate Governance

SUBSTANTIAL SHAREHOLDERS' AND OTHER SHAREHOLDERS' INTERESTS

So far as our Directors are aware, as at 30 June 2024, the following persons have or are deemed or taken to have an interest or a short position in Shares or underlying Shares of the Company which will be required to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were recorded in the register of the Company required to be kept pursuant to section 336 of the SFO or, directly or indirectly, are interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Name	Nature of Interest	Name of ordinary shares held	Approximate percentage of the Company's issued share capital
Honchuen Investment	Beneficial owner ⁵	570,564,000 (L)	38.22%
Mr. Cheung	Interest of controlled corporation ^{2,5}	570,564,000 (L)	38.22%
Zuoting Investment	Beneficial owner ⁵	570,564,000 (L)	38.22%
Mr. Mei	Interest of controlled corporation ^{3,5}	570,564,000 (L)	38.22%
Weixin Development	Beneficial owner ⁵	570,564,000 (L)	38.22%
Mr. Zhang	Interest of controlled corporation ^{4,5}	570,564,000 (L)	38.22%
Huang Wanyi	Interest of spouse ⁶	570,564,000 (L)	38.22%
AL Capital Funds VCC for a/c of AL Capital Global Opportunities Fund ⁷	Investment manager	129,180,000 (L)	8.65%
AL Capital Holdings International Pte. Ltd.	Interest of controlled corporation ⁸	129,180,000 (L)	8.65%
Straits Universal Limited	Interest of controlled corporation ^{8,9}	129,180,000 (L)	8.65%
Mr. Lin Yi	Interest of controlled corporation ^{8,9}	129,180,000 (L)	8.65%
Huiqun Investment Limited	Beneficial owner ¹⁰	93,375,000 (L)	6.25%

Notes:

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

Other Information and Corporate Governance

Except as disclosed above, as at 30 June 2024, none of the persons (other than Directors whose interests are set out in this interim report) had any interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

HUMAN RESOURCES

As at 30 June 2024, the total number of employees of the Group was approximately 256 (2023 Period: 265) and the employee benefit expenses for the Reporting Period including Directors' emoluments were approximately RMB18.7 million (2023 Period: RMB20.7 million). The Group offers a comprehensive remuneration package which is reviewed by the management on a regular basis. The Group provides employees with competitive remuneration, including wages, subsidies, seniority wages, attendance awards, benefits and year-end awards. The Group establishes employee remuneration policy based on the general market environment and practices, employee responsibilities, and the Group's financial capabilities. The Group's Remuneration Management Policy is developed based on the position-level salary system, with the objective of establishing internal wage comparability between the various grades and categories. Under the position-level salary system, the Group refers to the salary level of enterprises of the same scale in the same industry, determines the salary of employees by the corresponding rank of the employed position in the salary system, and links the performance salary with the Group's income and performance results. The Group also invests in continuing education and training programmes for its management staff and other employees with a view to constantly upgrading their skills and knowledge. The Group values employees as our most valuable assets and believes effective employee engagement is an integral part of business success. In this context, effective communication with employees at all levels is highly valued with the ultimate goal to enhance the efficiency in providing quality service to the customers.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

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

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

Month of repurchase	Number of Shares repurchased	Highest price paid per Share HK\$	Lowest price paid per Share HK\$	Aggregate price paid HK\$
April 2024	7,056,000	0.068	0.061	451,912.01
Total	7,056,000			451,912.01

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

Other Information and Corporate Governance

INTERIM DIVIDEND

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

EVENTS AFTER THE REPORTING PERIOD

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

MATERIAL LEGAL PROCEEDINGS

On 30 December 2020, Shanghai Yuanshang Property Co., Ltd.* (上海遠緗物業有限公司) (formerly known as Shanghai Red Star Macalline Commercial Property Investment Co., Ltd.* (上海紅星美凱龍商用物業投資有限公司)) (“**Shanghai Yuanshang**”) lodged a claim of arbitration against several respondents, including Shenyang Xinji Industrial Centre Company Limited* (瀋陽信基實業有限公司) (“**Shenyang Xinji Industrial**”). According to the claim, Shanghai Yuanshang requested Shenyang Xinji Industrial, among other respondents, to make compensation for the breach of a cooperative development agreement.

On 18 February 2024, the case was decided by the Shanghai International Arbitration Center. In accordance with the arbitral tribunal, the Group would not be liable for any compensation caused by the cooperative development agreement.

Save as disclosed above, there was no other significant event or arbitration proceeding which has a significant impact on the Group during the Reporting Period and up to the date of this report.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board as at the date of this report, the Company has maintained the public float as required under the Listing Rules during the Reporting Period and up to the date of this report.

AUDIT COMMITTEE

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

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

The primary duties of the Audit Committee are to review and supervise, and provide an independent view of the effectiveness of the financial reporting process and the risk management and internal control systems of the Group, oversee the audit process and perform other duties and responsibilities as assigned by the Board.

SHARE OPTION SCHEME

A share option scheme was adopted by the written resolutions of the Shareholders passed on 3 October 2019. The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules. Since the date of adoption to 30 June 2024, no share option was granted, exercised, cancelled or lapsed under the Share Option Scheme and there was no outstanding share option as at the date of this report.

The number of share options available for grant under the scheme mandate at the beginning and the end of the Reporting Period is 150,000,000.

CHANGES IN INFORMATION OF DIRECTORS

Since the publication of the 2023 annual report, the Company has no changes to information of the Directors required to be disclosed pursuant to Rule 13.51(B) of the Listing Rules.

Condensed Consolidated Income Statement

		Six months ended 30 June	
	Note	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue	7	129,405	129,101
Cost of sales	8	(21,517)	(21,423)
Fair value losses on investment properties	14	(184,360)	(157,940)
Selling and marketing expenses	8	(4,393)	(7,487)
Administrative expenses	8	(15,992)	(18,411)
Net reversal/(charges) of impairment losses on financial assets and operating lease receivables		64	(3,076)
Other income		2,370	1,486
Other gains – net		4,781	1,502
Operating loss		(89,642)	(76,248)
Finance income	9	1,885	1,762
Finance expenses	9	(28,734)	(29,031)
Finance expenses – net	9	(26,849)	(27,269)
Loss before income tax		(116,491)	(103,517)
Income tax expense	10	25,198	20,588
Loss for the period		(91,293)	(82,929)
Loss attributable to:			
– Owners of the Company		(91,484)	(82,829)
– Non-controlling interests		191	(100)
		(91,293)	(82,929)
Loss per share for profit attributable to owners of the Company during the period (expressed in RMB per share)			
Basic and diluted loss per share	11	(0.06)	(0.06)

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

Condensed Consolidated Statement of Comprehensive Income

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

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

Condensed Consolidated Balance Sheet

	Note	As at	
		30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property and equipment	13	8,253	10,886
Investment properties	14	2,102,824	2,284,851
Intangible assets	15	2,342	2,569
Deferred income tax assets		3,361	2,037
Financial assets at fair value through profit or loss		443	1,355
Lease and trade receivables and other receivables	16	26,356	40,156
		2,143,579	2,341,854
Current assets			
Inventories		1,988	2,895
Lease and trade receivables and other receivables	16	76,469	70,494
Amounts due from related parties	24	5	–
Restricted cash		6,032	6,026
Cash and cash equivalents	17	554,539	513,011
		639,033	592,426
Total assets		2,782,612	2,934,280
EQUITY			
Share capital and premium	18	285,115	285,178
Other reserves	19	118,380	117,825
Retained earnings		842,399	934,784
		1,245,894	1,337,787
Non-controlling interests		(1,860)	(2,051)
Total equity		1,244,034	1,335,736

Condensed Consolidated Balance Sheet

	Note	As at	
		30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings	22	726,314	691,589
Deferred revenue		246	–
Trade and other payables	20	34,305	36,931
Lease liabilities	20	176,485	185,660
Deferred income tax liabilities		203,590	235,688
Amounts due to related parties	24	318	378
		1,141,258	1,150,246
Current liabilities			
Borrowings	22	133,615	188,847
Trade and other payables	20	124,276	130,625
Amounts due to related parties	24	958	2,534
Lease liabilities	20	36,666	29,207
Advance from customers	21	53,548	49,229
Contract liabilities	7(e)	17,662	19,976
Current income tax liabilities		30,595	27,880
		397,320	448,298
Total liabilities		1,538,578	1,598,544
Total equity and liabilities		2,782,612	2,934,280

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

The interim condensed consolidated financial information on pages 19 to 57 were approved by the Board of Directors on 28 August 2024 and were signed on its behalf:

Cheung Hon Chuen
Director

Mei Zuoting
Director

Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company						
	Note	Share	Other	Retained	Total	Non-	Total
		Capital and premium RMB'000 (Note 18)	reserves RMB'000 (Note 19)	earnings RMB'000		controlling interests RMB'000	
Six months ended 30 June 2024 (Unaudited)							
Balance at 1 January 2024		285,178	117,825	934,784	1,337,787	(2,051)	1,335,736
Loss for the period		-	-	(91,484)	(91,484)	191	(91,293)
Total comprehensive loss for the period		-	-	(91,484)	(91,484)	191	(91,293)
Transactions with owners							
Repurchase and cancellation of shares	19	(63)	(346)	-	(409)	-	(409)
Transfer to statutory reserves	19	-	901	(901)	-	-	-
Balance at 30 June 2024		285,115	118,380	842,399	1,245,894	(1,860)	1,244,034

Condensed Consolidated Statement of Changes in Equity

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

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

Condensed Consolidated Statement of Cash Flows

	Note	Six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Cash flows from operating activities			
Cash generated from operations		106,719	58,802
Income tax paid		(5,509)	(7,571)
Interest received		1,885	1,762
Interest paid		(27,426)	(27,567)
Net cash generated from operating activities		75,669	25,426
Cash flows from investing activities			
Repurchase and cancellation of shares		(409)	–
Payments for investment properties		(2,523)	(9,268)
Payments for purchase of property and equipment		(160)	(902)
Payments for purchase of intangible assets		–	(1,416)
Proceeds from deposits for Proposed Compensation Agreement		–	50,000
Prepayments for lease		(2,023)	(51,220)
Consideration paid for business combination under common control		(9,470)	(24,750)
Repayment from related parties		2,421	348
Proceeds from finance lease		11,174	8,994
Cash advances to related parties		(4,062)	122
Net cash used in investing activities		(5,052)	(28,092)
Cash flows from financing activities			
Proceeds from bank and other borrowings		–	191,000
Repayments of borrowings		(21,815)	(12,719)
Capital injection by non-controlling interests		–	1,000
Changes in ownership interests in subsidiaries without change of control		–	(800)
Principal element of lease payment		(7,258)	(16,942)
Net cash (used in)/generated from financing activities		(29,073)	161,539
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of period		513,011	314,477
Exchange loss on cash and cash equivalents		(16)	(182)
Cash and cash equivalents at end of period		554,539	473,168

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

Notes to the Condensed Consolidated Financial Statements

1 GENERAL INFORMATION

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

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

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

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

This interim condensed consolidated financial information has been approved for issue by the board of directors (the “**Board**”) of the Company on 28 August 2024.

This interim condensed consolidated financial information has not been audited.

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2024 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim financial reporting”. The interim condensed consolidated financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, the interim condensed consolidated financial information should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2023 and any public announcements made by the Company during the interim reporting period.

3 ACCOUNTING POLICIES

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

Notes to the Condensed Consolidated Financial Statements

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

The Group has applied the following standards and interpretations for the first time to financial reporting periods commencing on 1 January 2024:

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

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

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

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

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

Notes to the Condensed Consolidated Financial Statements

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2023.

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 2024, the non-RMB assets of the Group are mainly cash and cash equivalents (Note 17) denominated in Hong Kong Dollars ("HK\$"). The Group has not entered into forward exchange contract to hedge its exposure to foreign exchange risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2023.

There have been no changes in the risk management policies since 31 December 2023.

Notes to the Condensed Consolidated Financial Statements

5 FINANCIAL RISK MANAGEMENT (cont'd)**5.1 Financial risk factors** (cont'd)**5.1.1 Liquidity risk**

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 30 June 2024 (Unaudited)					
Borrowings (including interests)	176,882	399,349	276,184	108,020	960,435
Amounts due to related parties	958	101	217	-	1,276
Trade and other payables (excluding salary payables and other tax liabilities)	105,677	26,308	5,186	2,811	139,982
Lease liabilities	37,749	28,737	71,619	129,657	267,762
	321,266	454,495	353,206	240,488	1,369,455

Notes to the Condensed Consolidated Financial Statements

5 FINANCIAL RISK MANAGEMENT (cont'd)

5.1 Financial risk factors (cont'd)

5.1.1 Liquidity risk (cont'd)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 30 June 2023 (Unaudited)					
Borrowings (including interests)	140,045	254,677	508,262	164,170	1,067,154
Amounts due to related parties	28,542	–	–	–	28,542
Trade and other payables (excluding salary payables and other tax liabilities)	109,457	15,017	20,206	–	144,680
Lease liabilities	29,464	30,343	75,688	161,025	296,520
	307,508	300,037	604,156	325,195	1,536,896

Interests are calculated on borrowings held as at 30 June 2024 (31 December 2023: same). Floating-rate interest is estimated using the current interest rate as at 30 June 2024 (31 December 2023: same).

Notes to the Condensed Consolidated Financial Statements

5 FINANCIAL RISK MANAGEMENT (cont'd)**5.2 Capital management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents and restricted cash. Total capital represents total equity as shown in the consolidated balance sheet.

	As at	
	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Borrowings (Note 22)	859,929	880,436
Less: cash and cash equivalents (Note 17)	(554,539)	(513,011)
Restricted cash	(6,032)	(6,026)
Net debts	299,358	361,399
Equity	1,244,034	1,335,736
Total capital	1,244,034	1,335,736
Gearing ratio	24%	27%

Notes to the Condensed Consolidated Financial Statements

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

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

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

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

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

Specific valuation techniques used to value contingent consideration include:

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2024, by level of the inputs to valuation techniques used to measure fair value.

	Level 3 As at	
	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Contingent consideration	443	1,355

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

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

Notes to the Condensed Consolidated Financial Statements

5 FINANCIAL RISK MANAGEMENT (cont'd)

5.3 Fair value estimation (cont'd)

(b) Investment properties

(i) Fair value hierarchy

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

	Level 3 As at	
	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Investment properties (Note 14)	2,102,824	2,284,851

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the six months ended 30 June 2024 (six months ended 30 June 2023: 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 valuer' 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 2024, all investment properties are included in level 3 fair value hierarchy (31 December 2023: same).

Notes to the Condensed Consolidated Financial Statements

5 FINANCIAL RISK MANAGEMENT *(cont'd)*

5.3 Fair value estimation *(cont'd)*

(b) Investment properties (cont'd)

(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 2024 and 31 December 2023. 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

Management has determined the operating segments based on the reports reviewed by 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.

Notes to the Condensed Consolidated Financial Statements

6 SEGMENT INFORMATION (cont'd)

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

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

Notes to the Condensed Consolidated Financial Statements

6 SEGMENT INFORMATION (cont'd)

(a) The segment information provided to the executive directors for the reportable segments for the year ended 30 June 2023 is as follows: (cont'd)

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

Notes to the Condensed Consolidated Financial Statements

6 SEGMENT INFORMATION (cont'd)

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

As at 30 June 2024

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

As at 31 December 2023

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

Notes to the Condensed Consolidated Financial Statements

6 SEGMENT INFORMATION (cont'd)

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

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

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

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

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

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.

Notes to the Condensed Consolidated Financial Statements

7 REVENUE

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

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

Notes to the Condensed Consolidated Financial Statements

7 REVENUE (cont'd)

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

	As at	
	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Aggregate amount of the transaction price allocated to long-term property management service contracts that the performance obligations of which are partially or fully unsatisfied as at 30 June and 31 December		
Expected to be recognised over one year	234,954	315,807
Expected to be recognised within one year	52,011	54,079
	286,965	369,886

The amount disclosed above does not include any variable consideration.

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

(e) Contract liabilities

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

Notes to the Condensed Consolidated Financial Statements

8 EXPENSES BY NATURE

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

Notes to the Condensed Consolidated Financial Statements

9 FINANCE EXPENSES – NET

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Finance income:		
– Interest income	(519)	(544)
– Interest income from sublease	(1,366)	(1,218)
	(1,885)	(1,762)
Finance expenses:		
– Leasing finance expenses	4,819	3,102
– Interest expenses	23,915	25,929
	28,734	29,031
Finance expenses – net	26,849	27,269

10 INCOME TAX EXPENSE

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

Notes to the Condensed Consolidated Financial Statements

10 INCOME TAX EXPENSE (cont'd)**(a) PRC corporate income tax**

The Group's subsidiaries in the PRC are subject to corporate income tax at tax rate of 25% during the six months ended 30 June 2024 and 2023.

(b) PRC withholding income tax

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

(c) Cayman Islands income tax

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

(d) British Virgin Islands income tax

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

(e) Hong Kong profits tax

Hong Kong profits tax has not been provided as the Group's subsidiaries incorporated in Hong Kong did not have any assessable profits during the six months ended 30 June 2024 and 2023.

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

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

(b) Diluted

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

Notes to the Condensed Consolidated Financial Statements

12 DIVIDEND

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

13 PROPERTY AND EQUIPMENT

	Leased office buildings RMB'000	Vehicles RMB'000	Furniture, fittings and equipment RMB'000	Total RMB'000
At 31 December 2023 (Audited)				
Cost	8,477	9,058	3,901	21,436
Accumulated depreciation	–	(6,995)	(3,555)	(10,550)
Net book amount	8,477	2,063	346	10,886
Period ended 30 June 2024 (Unaudited)				
Opening net book amount	8,477	2,063	346	10,886
Additions	–	–	160	160
Disposals	–	–	(2)	(2)
Depreciation charges	(2,088)	(560)	(143)	(2,791)
Closing net book amount	6,389	1,503	361	8,253
At 30 June 2024 (Unaudited)				
Cost	8,477	8,793	4,040	21,310
Accumulated depreciation	(2,088)	(7,290)	(3,679)	(13,057)
Net book amount	6,389	1,503	361	8,253

Notes to the Condensed Consolidated Financial Statements

14 INVESTMENT PROPERTIES

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

15 INTANGIBLE ASSETS

	Computer software RMB'000
Period ended 30 June 2024 (Unaudited)	
Opening net book amount	2,569
Amortisation charges	(227)
Closing net book amount	2,342
At 30 June 2024 (Unaudited)	
Cost	6,304
Accumulated amortisation	(3,962)
Net book amount	2,342

Notes to the Condensed Consolidated Financial Statements

16 LEASE AND TRADE RECEIVABLES AND OTHER RECEIVABLES

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

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

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

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

Notes to the Condensed Consolidated Financial Statements

17 CASH AND CASH EQUIVALENTS

	As at	
	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Cash on hand – RMB	216	261
Cash at banks – RMB	552,979	508,919
– HK\$	1,344	3,831
	554,323	512,750
	554,539	513,011

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

18 SHARE CAPITAL AND PREMIUM

	Number of ordinary shares	Nominal value of ordinary shares HK\$	Equivalent nominal value of ordinary shares RMB	Share premium RMB	Total RMB
Ordinary shares issued and fully paid:					
As at 31 December 2023 (Audited)	1,500,000,000	15,000,000	13,410,231	271,768,208	285,178,439
Repurchase and cancellation of shares (Note (a))	(7,056,000)	(70,560)	(63,081)	–	(63,081)
As at 30 June 2024 (Unaudited)	1,492,944,000	14,929,440	13,347,150	271,768,208	285,115,358

- (a) During the six months ended 30 June 2024, the Company repurchased 7,056,000 of its own shares from the market and had been subsequently cancelled in April 2024. The shares were repurchased at prices ranging from HKD0.068 to HKD0.070 per share, with an average price of HKD0.069 per share.

Notes to the Condensed Consolidated Financial Statements

19 OTHER RESERVES

	Merger and other reserves RMB'000	Statutory reserves RMB'000 (Note (a))	Total RMB'000
At 1 January 2023	56,892	57,748	114,640
Changes in ownership interests in subsidiaries without change of control	150	–	150
Appropriation to statutory reserves (Note (a))	–	1,619	1,619
At 30 June 2023	57,042	59,367	116,409
At 1 January 2024	57,042	60,783	117,825
Repurchase and cancellation of shares (Note 18(a))	(346)	–	(346)
Appropriation to statutory reserves (Note (a))	–	901	901
At 30 June 2024	56,696	61,684	118,380

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

Notes to the Condensed Consolidated Financial Statements

20 TRADE AND OTHER PAYABLES AND LEASE LIABILITIES

(i) Trade and other payables

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

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

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

Notes to the Condensed Consolidated Financial Statements

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

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

- (a) In June 2023, Guangzhou Shaxi Hotel, being an indirect wholly-owned subsidiary of the Company, was informed by Guangzhou Shenglong Fangyuan Real Estate Co., Ltd. (the “**Property Developer**”), a property developer, about a proposed redevelopment plan of Shaxi Village, which would cover the leased land and the shopping mall erected thereon. The Property Developer subsequently proposed to enter into an agreement (the “**Proposed Compensation Agreement**”) with the landlord and Guangzhou Shaxi Hotel pursuant to which the Property Developer intends to pay a compensation amount of approximately RMB845 million to Guangzhou Shaxi Hotel in consideration of an early termination of the tenancy agreement between Guangzhou Shaxi Hotel and the landlord. The Proposed Compensation Agreement will be effective upon the Shaxi Village Redevelopment Plan having been approved by the landowners of Shaxi Village. As at 30 June 2024, the Shaxi Village Redevelopment Plan has not been approved.

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

(ii) Lease liabilities

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

The Group mainly leases land use right and properties. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. The right-of-use assets are presented as investment properties (Note 14) and property and equipment (Note 13).

Notes to the Condensed Consolidated Financial Statements

21 ADVANCE FROM CUSTOMERS

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

	As at	
	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Advance from customers	53,548	49,229

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

22 BORROWINGS

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

(a) As at 30 June 2024, bank borrowings of RMB859,929,000 (31 December 2023: RMB879,424,000) bore interest ranging from 4.45% to 6.13% per annum and were secured by investment properties of the Group (Note 14).

Notes to the Condensed Consolidated Financial Statements

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

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

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

	As at	
	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Less than 1 year	177,773	172,819
1–2 years	100,503	125,676
2–3 years	21,987	30,092
3–4 years	18,803	19,064
4–5 years	19,218	19,188
Over 5 years	49,592	70,037
	387,876	436,876

Notes to the Condensed Consolidated Financial Statements

24 SIGNIFICANT RELATED PARTY TRANSACTIONS**(a) Names and relationships with related parties**

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

Notes to the Condensed Consolidated Financial Statements

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

The following transactions occurred with related parties:

Rendering of services to related parties:

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Guangzhou Lupiao Commercial Development Co., Ltd.	996	1,051
Guangzhou Kwairan Commercial Development Co., Ltd	339	348
	1,335	1,399

Sales of goods to related party:

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Guangzhou Xinji Real Estate Development Co., Ltd	109	157

Notes to the Condensed Consolidated Financial Statements

24 SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

(c) Key management personnel compensations

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Wages, salaries and bonuses	1,580	1,622
Pension costs – defined contribution plans	156	146
	1,736	1,768

(d) Balances with related parties

(i) Amounts due from related parties:

	As at	
	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Non-trade		
Guangdong Yingbin Investment Management Co., Ltd.	5	–

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

Notes to the Condensed Consolidated Financial Statements

24 SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

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

(ii) Amounts due to related parties:

	As at	
	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Trade		
Guangzhou Lupiao Commercial Development Co., Ltd.	625	2,007
Guangzhou Kwairan Commercial Development Co., Ltd	194	419
Guangzhou Xinji Real Estate Development Co., Ltd.	50	38
Foshan Xinji Plaza Management Co., Ltd.	–	1
	869	2,465
Non-trade		
Mr. Zhang Weixin	407	447
	407	447
	1,276	2,912

The amounts due to related parties are trade in nature, unsecured, interest-free and repayable on demand.

(iii) Lease Liabilities:

	As at	
	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Guangzhou Panyu Xinji Real Estate Development Co., Ltd	96,413	96,586

Notes to the Condensed Consolidated Financial Statements

24 SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)**(e) Guarantees**

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

	As at	
	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Mr. Zhang Weixin	407	447

Guarantees provided to the Group by related parties in respect of the Group's borrowings:

	As at	
	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Mr. Cheung Hon Chuen; Mr. Mei Zuoting; Mr. Zhang Weixin	170,000	171,000

Definitions

“2023 Period”	the six months ended 30 June 2023
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors of the Company
“BVI”	the British Virgin Islands
“CG Code”	Corporate Governance Code set out in Appendix C1 to the Main Board Listing Rules of the Stock Exchange
“Company”	Xinji Shaxi Group Co., Ltd (信基沙溪集团股份有限公司), a company incorporated on 27 July 2018 under the laws of the Cayman Islands as an exempted company with limited liability
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and, in the context of the interim report, refers to the group of controlling shareholders of the Company, namely Honchuen Investment, Zuoting Investment, Weixin Development, Mr. Cheung, Mr. Mei and Mr. Zhang
“COVID-19”	Coronavirus Disease 2019
“Director(s)”	the director(s) of our Company
“Group”, “our Group”, “we”, “us” or “our”	the Company and its subsidiaries, or any of them or, where the context so required, in respect of the period before the Company became the holding company of its present subsidiaries, the companies which carried on the business of the present Group at the relevant time
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong

Definitions

“Honchuen Investment”	HONCHUEN INVESTMENT LIMITED, a company incorporated under the laws of the BVI with limited liability on 31 May 2018, which is wholly-owned by Mr. Cheung
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“hospitality supplies”	a collection of products that meet the needs for the operation of hotels, restaurants and clubs
“hospitality supplies shopping mall”	a professional shopping mall selling hospitality supplies for the operation of hotels, restaurant and clubs or other industry customers
“Huiqun Investment Limited”	HUIQUN INVESTMENT LIMITED, a company incorporated under the laws of the BVI with limited liability on 6 June 2018
“Independent Third Party(ies)”	person(s) or entity(ies) that is or are not connected person(s) within the meaning of the Listing Rules
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Main Board”	the Main Board of the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Main Board Listing Rules of the Stock Exchange
“Mr. Cheung”	Mr. Cheung Hon Chuen (張漢泉), an executive Director, our Chairman and one of our founders and Controlling Shareholders
“Mr. Mei”	Mr. Mei Zuoting (梅佐挺), an executive Director and one of our founders and Controlling Shareholders
“Mr. Zhang”	Mr. Zhang Weixin (張偉新), an executive Director and one of our founders and Controlling Shareholders
“PRC” or “China”	the People’s Republic of China, for the purpose of this report, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus of the Company dated 25 October 2019
“Reporting Period”	the six months ended 30 June 2024

Definitions

“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	the ordinary share(s) with par value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of issued Shares of the Company
“Share Option Scheme”	the share option scheme of the Company adopted by the written resolutions of the Shareholders passed on 3 October 2019
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Weixin Development”	WEIXIN DEVELOPMENT OVERSEAS LIMITED, a company incorporated under the laws of the BVI with limited liability on 31 May 2018, which is wholly-owned by Mr. Zhang
“Zuoting Investment”	ZUOTING INVESTMENT LIMITED, a company incorporated under the laws of the BVI with limited liability on 31 May 2018, which is wholly-owned by Mr. Mei

* For identification purpose only