



# 信基沙溪集团股份有限公司

## XINJI SHAXI GROUP CO., LTD

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 3603

# 2020

## INTERIM REPORT



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# CORPORATE INFORMATION

## EXECUTIVE DIRECTORS

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

## NON-EXECUTIVE DIRECTORS

Mr. Yu Xuecong  
Mr. Wu Jianxun  
Mr. Lin Lie (*appointed on 1 March 2020*)  
Mr. Li Zhanpeng (*resigned on 1 March 2020*)

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Liu Eping  
Mr. Chen Tusheng  
Mr. Tan Michael Zhen Shan  
Mr. Zheng Decheng

## AUDIT COMMITTEE

Dr. Liu Eping (*Chairman*)  
Mr. Tan Michael Zhen Shan  
Mr. Zheng Decheng

## REMUNERATION COMMITTEE

Dr. Liu Eping (*Chairman*)  
Mr. Cheung Hon Chuen  
Mr. Chen Tusheng

## NOMINATION COMMITTEE

Mr. Cheung Hon Chuen (*Chairman*)  
Dr. Liu Eping  
Mr. Chen Tusheng

## COMPANY SECRETARY

Mr. Kam Chi Sing

## AUTHORISED REPRESENTATIVES

Ms. Jin Chunyan  
Mr. Kam Chi Sing

## AUDITOR

PricewaterhouseCoopers  
Certified Public Accountants and Registered PIE Auditor

## COMPLIANCE ADVISER

RaffAello Capital Limited  
Unit 1701, 17/F, Low Block  
Grand Millennium Plaza  
181 Queen's Road Central  
Hong Kong

## REGISTERED OFFICE

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PO Box 500  
George Town  
Grand Cayman KY1-1106  
Cayman Islands

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 301-303  
3/F Golden Gate Commercial Building  
136-138 Austin Road  
Tsim Sha Tsui  
Kowloon, Hong Kong

## HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

1st Floor, Xinjicheng Club  
No. 250, Intersection of Nanda Road  
Panyu District, Guangzhou  
PRC

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

**HONG KONG BRANCH SHARE REGISTRAR  
AND TRANSFER OFFICE**

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

**PRINCIPAL BANKERS**

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

Shengjing Bank  
109 Beizhan Road  
Shenyang  
PRC

CMB Wing Lung Bank Limited  
CMB Wing Lung Bank Building  
45 Des Voeux Road Central  
Hong Kong

**LEGAL ADVISER**

*As to Hong Kong law*  
P. C. Woo & Co.  
12/F, Prince's Building  
10 Chater Road  
Central, Hong Kong

**SHARE LISTING**

The Stock Exchange of Hong Kong Limited

**STOCK CODE**

SEHK: 3603

**WEBSITE ADDRESS**

[www.xjsx.net.cn](http://www.xjsx.net.cn)

**LISTING DATE**

8 November 2019

# FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Revenue	<b>138,905</b>	143,092
Profit for the period	<b>15,141</b>	46,287
Core net profit <sup>(i)</sup>	<b>49,756</b>	54,129
Core net profit margin <sup>(ii)</sup>	<b>36%</b>	38%
Earnings per share (expressed in RMB per share)	<b>0.01</b>	0.04

*Notes:*

- (i) Core net profit for the six months ended 30 June 2020 and 30 June 2019 is a non-HKFRS measure, which is used for investors to evaluate the performance results of the underlying business of the Group, by excluding losses/gains from the changes in fair value of the investment properties and adding back the listing expenses and further adjusted for income tax effects for the aforementioned items.
- (ii) Core net profit margin is arrived at by dividing core net profit by revenue of the Group for the respective periods.

# MANAGEMENT DISCUSSION AND ANALYSIS

The Board is pleased to announce the unaudited condensed consolidated financial results of the Group for the six months ended 30 June 2020 (the **"Reporting Period"**) with the comparative figures for the six months ended 30 June 2019 (the **"2019 Period"**).

## FINANCIAL REVIEW

### Revenue

The revenue decreased by approximately 2.9% to approximately RMB138.9 million for the Reporting Period compared with approximately RMB143.1 million for the 2019 Period. Such decrease was driven by the decrease in revenue from our rental income and the properties management service.

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

	Six months ended 30 June			
	2020		2019	
	RMB'000	%	RMB'000	%
Rental Income	<b>121,018</b>	<b>87</b>	123,764	87
Properties Management Service	<b>11,384</b>	<b>8</b>	12,934	9
Sales of Goods	<b>6,503</b>	<b>5</b>	6,394	4
Total	<b>138,905</b>	<b>100</b>	143,092	100

### Rental Income

Rental income is revenue received by the Group from the tenants (the **"Tenants"**) who signed lease contracts with us to run business at the Group's owned/leased portfolio shopping malls, accounting for approximately 87.0% of our total revenue. During the Reporting Period, revenue from our rental income decreased by approximately RMB2.8 million or approximately 2.3% to approximately RMB121.0 million (2019 Period: RMB123.8 million) due to the rental exemption and concession policies launched by the Group as a result of the outbreak of Coronavirus Disease 2019 (**"COVID-19"**).

## FINANCIAL REVIEW *(cont'd)*

### Properties Management Service

Revenue from our property management services is the management fee paid by the Tenants under the property management agreements. During the Reporting Period, income from property management services decreased by approximately RMB1.5 million or approximately 11.6% to approximately RMB11.4 million (2019 Period: RMB12.9 million). The decrease in property management service income was mainly attributable to the decrease in areas under the management of the Group as affected by the outbreak of COVID-19.

### Sales of Goods

Revenue from sales of goods is the revenue generated from sales of hospitality products of the Group through our online shopping mall. During the Reporting Period, revenue from sales of goods increased by approximately RMB0.1 million or approximately 1.6% to approximately RMB6.5 million (2019 Period: RMB6.4 million). Such increase in revenue from sales of goods was mainly due to the increase in business-to-business (“**B2B**”) operations of the Group.

### Cost of Sales

Our cost of sales decreased by approximately RMB0.8 million to approximately RMB11.0 million for the Reporting Period (2019 Period: RMB11.8 million).

### Selling and Marketing Expenses

Our selling and marketing expenses decreased by RMB7.6 million or 40.9% from RMB18.6 million for the 2019 Period to RMB11.0 million for the Reporting Period, which was mainly due to the decrease in marketing expenses as a result of the outbreak of COVID-19.

### Administrative Expenses

Our administrative expenses increased by approximately RMB0.3 million to approximately RMB21.2 million for the Reporting Period (2019 Period: RMB20.9 million).

### Fair Value Losses/Gains on Investment Properties

Our fair value changes on investment properties decreased substantially by approximately RMB49.0 million to fair value losses of approximately RMB46.2 million for the Reporting Period (2019 Period: gains of RMB2.8 million), which was mainly due to adjustment in the values of two shopping malls in Shenyang, the PRC in view of the general decrease in macro market demand caused by the outbreak of COVID-19.

### Other Income

Our other income decreased by approximately RMB0.3 million to approximately RMB2.0 million for the Reporting Period (2019 Period: RMB2.3 million).

### Operating Profit and Operating Profit Margin

As a result of the foregoing, our operating profit decreased by approximately RMB42.9 million to approximately RMB54.6 million for the Reporting Period (2019 Period: RMB97.5 million). The operating profit margin decreased from approximately 68.2% for the 2019 Period to approximately 39.3% for the Reporting Period, which was mainly due to the significant decrease in fair value gains on investment properties.

### Finance Income

Our finance income increased by approximately RMB1.3 million to approximately RMB1.5 million for the Reporting Period (2019 Period: RMB0.2 million). This was primarily due to the interest income from the funds raised from the global offering of the Company on 8 November 2019.

### Finance Expenses

Our finance expenses increased by approximately RMB1.4 million to approximately RMB27.3 million for the Reporting Period (2019 Period : RMB25.9 million). This was mainly due to the increase in relevant expenses of the banking facilities.

### Net Finance Expenses

As a result of the foregoing, our net finance expenses for the Reporting Period were approximately RMB25.8 million, remaining at the same level of that for the 2019 Period.

**FINANCIAL REVIEW** (cont'd)**Profit and Net Profit Margin**

As a result of the foregoing, profit for the Reporting Period decreased by approximately RMB31.2 million to approximately RMB15.1 million (2019 Period: RMB46.3 million). Our net profit margin decreased from approximately 32.3% for the 2019 Period to approximately 10.9% for the Reporting Period, which was mainly due to the significant decrease in fair value gains on investment properties.

**Core Net Profit**

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

Our core net profit for the Reporting Period decreased by approximately RMB4.3 million or approximately 7.9% to approximately RMB49.8 million (2019 Period: RMB54.1 million), which was mainly due to the decrease of approximately RMB4.2 million in the revenue of the Group as a result of the outbreak of COVID-19.

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

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Profit	<b>15,141</b>	46,287
Add:		
Fair value losses/(gains) on investment properties	<b>46,154</b>	(2,788)
Listing expenses	–	10,253
Income tax expenses in relation to above reconciled items	<b>(11,539)</b>	377
Core net profit	<b>49,756</b>	54,129
– Owners of the Company	<b>50,803</b>	55,150
– Non-controlling interests	<b>(1,047)</b>	(1,021)



## FINANCIAL REVIEW *(cont'd)*

### CHANGE IN USE OF NET PROCEEDS

During the Reporting Period, due to the continued outbreak of COVID-19, countries worldwide have imposed various lockdown measures to curb the spread of COVID-19, including travel restrictions, quarantine measures and/or compulsory suspension of work. As a result, the global hospitality and tourism industries have severely suffered, which has adversely affected the profitability of the Tenants, and thus has hampered the financial performance of the Group. In order to strengthen the Group's liquidity to cope with the impacts and challenges brought by the outbreak of COVID-19 and to enhance the efficiency and effectiveness of capital use of the Group, the use of net proceeds from the global offering of the Company (the "Net Proceeds") has been appropriately adjusted as disclosed in the announcement of the Company dated 6 July 2020 (the "Announcement") in relation to the change in the use of Net Proceeds (the "Use of Net Proceeds") and business update of the Group. Herebelow are the details on the change in the use of the unutilised Net Proceeds:

- (i) reallocating approximately 12.5% of the Net Proceeds in an amount of approximately RMB27.2 million, which were originally allocated for the project development of a new shopping mall located in each of Chengdu (the "Chengdu Project"), Zhengzhou (the "Zhengzhou Project") and Fuzhou (the "Fuzhou Project", together with the Chengdu Project and the Zhengzhou Project, the "New Projects") in the PRC, to supplement the general working capital of the Group; and
- (ii) reallocating approximately 36.8% of the Net Proceeds in an amount of approximately RMB80.0 million, which were originally allocated for the New Projects, to develop a new shopping mall located in Guangzhou, the PRC (the "Guangzhou Project").

The table below sets forth the breakdown of the Use of Net Proceeds during the Reporting Period, the change in utilisation of the Net Proceeds as stated in the Announcement and the breakdown of use of the unutilised Net Proceeds after the reallocations:

	Original Intended Amount RMB million	Utilised Amount as of 30 June 2020 RMB million	Unutilised Amount as of 30 June 2020 RMB million	Unutilised Amount after Reallocation RMB million	Timeframe for Full Utilisation of the Reallocated Unutilised Amount
(i) Repayment of the Group's bank borrowings for the construction cost and sales and marketing cost of its shopping malls	56.7	25.5	31.2	31.2	till 2020
(ii) Development of New Projects					
a) Chengdu Project	63.8	–	63.8	–	–
b) Zhengzhou Project	40.8	–	40.8	22.5	till 2023
c) Fuzhou Project	55.9	–	55.9	30.8	till 2023
d) Guangzhou Project	–	–	–	80.0	till 2020
(iii) General working capital	–	–	–	27.2	till 2020
	217.2	25.5	191.7	191.7	

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

## FINANCIAL REVIEW (cont'd)

### CHANGE IN USE OF NET PROCEEDS (cont'd)

The Board is of the view that the aforementioned change in the Use of the Net Proceeds is fair and reasonable as it allows the Group to meet its financial needs more efficiently and flexibly. As such, the Board considers that the reallocations are in the interests of the Company and the Shareholders as a whole. For details of the development of the Guangzhou Project, please refer to the paragraph headed "Events after Reporting Period" in this report. The Directors will continuously assess the plans for the Use of the Net Proceeds and may revise or amend such plans where necessary, to diminish the impacts of the outbreak of COVID-19 and strive for better business performance of the Group.

## LIQUIDITY AND FINANCIAL RESOURCES

### Cash and Cash Equivalents

As at 30 June 2020, the Group's cash and cash equivalents amounted to approximately RMB228.5 million (31 December 2019: RMB272.4 million); and are mainly denominated in Renminbi.

### Borrowing and Charges on the Group's Assets

As at 30 June 2020, bank borrowings of approximately RMB611.7 million (31 December 2019: RMB610.1 million) bore interest ranging from 6.30% to 7.36% per annum and were secured by investment properties of the Group. As at 30 June 2020, the value of investment properties pledged as collateral for the Group's borrowings was approximately RMB1,438.9 million (31 December 2019: RMB1,468.3 million).

### Gearing Ratio

The gearing ratio as at 30 June 2020, calculated on the basis of net debt over total capital, was 20% as compared with 18% as at 31 December 2019.

### Net Current Liabilities and Current Ratio

As at 30 June 2020, the Group had net current liabilities of approximately RMB94.7 million as compared with net current liabilities of approximately RMB52.4 million as at 31 December 2019.

The current ratio was 0.74 as at 30 June 2020 (31 December 2019: 0.86).

### Capital Structure

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

## Capital Commitments, Operating Lease Commitments

Details of the capital commitments, operating lease commitments are set out in Note 21 to the interim condensed consolidated financial statements.

## Future Plans for Material Investments or Capital Assets

Save for the business plan disclosed in the Prospectus or in this report, the Group had no other plan for material investments or capital assets as at 30 June 2020.

## Acquisition and Disposal of Subsidiaries and Associated Companies

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

## BUSINESS REVIEW

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

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

## Business Segment Review

### Shopping Malls

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

### Shopping Malls for Hospitality Supplies

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

### Shopping Malls for Home Furnishings

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

## BUSINESS REVIEW *(cont'd)*

### Business Segment Review *(cont'd)*

#### Shopping Malls *(cont'd)*

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

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Xinji Shaxi Hospitality Supplies Expo Center (信基沙溪酒店用品博覽城)	<b>75,684</b>	74,306
Xinji Hotelex Hospitality Supplies Center (信基豪泰酒店用品城)	<b>27,548</b>	32,826
Xinji Shaxi Hospitality Supplies Expo Center (Shenyang) (瀋陽信基沙溪酒店用品博覽城)	<b>8,047</b>	7,886
Xinji Dashi Home Furnishings Center (信基大石傢俬城)	<b>5,663</b>	5,916
Xinji Shaxi Home Furnishings Expo Center (Shenyang) (瀋陽信基沙溪國際家居用品博覽中心)	<b>15,460</b>	15,764

As a result of the outbreak of COVID-19 during the first half of 2020, some of the Tenants terminated their leases prior to expiration of such leases due to the negative impacts of COVID-19 on their businesses as mentioned above. As of 30 June 2020, the occupancy rate of the shopping malls of the Group in total has decreased by approximately 5% when compared to the figure as of 31 December 2019, in particular, the revenue of Xinji Hotelex Hospitality Supplies Center (信基豪泰酒店用品城) decreased by approximately RMB5.3 million as a result of the relatively substantial decrease in its occupancy rate.

#### Managed Shopping Mall

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.

As it is uncertain when and whether the COVID-19 epidemic could be contained, the Board encountered difficulty in estimating the time when such shopping mall could commence operation.

## **BUSINESS REVIEW** (cont'd)

### **Business Segment Review** (cont'd)

#### *Online Shopping Mall*

During the Reporting Period, our online shopping mall generated revenue of approximately RMB6.5 million for the sales of goods (2019 Period: RMB6.4 million). The goods sold by the Group were entirely hospitality goods. The operating profit margin of online shopping mall improved slightly to approximately -14% in the Reporting Period (2019 Period: -21%) as we have implemented additional controls on various costs.

#### *Exhibition Management Business*

We provide exhibition management services for the China Hospitality Expo (華南酒店業博覽會) (“**CHE**”) (formerly known as China (Guangzhou) International Hospitality Supplies Fair (中國(廣州)國際酒店用品展覽會)), in the PRC annually. The major managed exhibition of the Group was the annual CHE. CHE provides an one-stop trade platform for global hospitality supplies providers and purchasers to broaden their sale and purchase channels. As CHE is held and the Group recognises revenue generated from CHE in the second half of each financial year, there was no exhibition revenue generated in both the Reporting Period and the 2019 Period.

#### **Outlook**

As the COVID-19 epidemic has not been under control fully, the Zhengzhou Project and the Fuzhou Project which were originally scheduled to commence in July 2021 have been postponed. The Group will continue to monitor the markets in Zhengzhou and Fuzhou and the operation of the shopping malls under the Zhengzhou Project and the Fuzhou Project.

Furthermore, as the COVID-19 epidemic continued to evolve overseas and the outbreak has recurred partially in the PRC, and majority of the exhibitors of CHE have adopted a wait-and-see attitude, only a few overseas exhibitors and purchasers were willing to confirm their participation in CHE this year. Therefore, the Group has decided to suspend the organisation of CHE in the second half of 2020.

As a result of the outbreak of COVID-19, the overall occupancy rate of the shopping malls operated by the Group has dropped, which is expected to lead to a reduction of the Group's liquidity in 2020. In order to increase the occupancy rate of the Group's shopping malls and alleviate the burden of the Tenants during the epidemic, the Group will further implement various policies including but not limited to offering Tenants who renew their leases before 31 December 2020 and new Tenants: (i) a 20% discount on the one-off promotion fee; or (ii) an option to pay the promotion fee in four installments within one year.

# OTHER INFORMATION AND CORPORATE GOVERNANCE

## EVENTS AFTER REPORTING PERIOD

### Outbreak of COVID-19

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

### Discloseable Transaction-Acquisition of 60% Equity Interest in Guangzhou Zhicheng Commercial Operation Limited (the "Target Company")

On 24 July 2020, Guangzhou Shaxi International Hospitality Supplies City Company Limited, an indirect wholly-owned subsidiary of the Company ("**Guangzhou Shaxi**") and Guangzhou Chaoying Trade Limited ("**Guangzhou Chaoying**") entered into an equity transfer agreement, pursuant to which Guangzhou Shaxi agreed to acquire and Guangzhou Chaoying agreed to sell 60% of the equity interest in the Target Company, which holds the right of overall operation and management of the shopping mall under the Guangzhou Project (the "**Guangzhou Shopping Mall**"), at the consideration of RMB78.0 million.

On 12 August 2020, a notice issued by the Guangzhou Baiyun District Baiyunhu Street Office\* (廣州市白雲區人民政府白雲湖街道辦事處) was posted outside the Guangzhou Shopping Mall stating that the land on which the Guangzhou Shopping Mall is located shall be expropriated and reconstructed (the "**Land Expropriation**") for the development of the Hong Kong and Macau Youths Innovation Entrepreneurship Base\* (港澳青年創新創業基地).

The Directors have actively communicated with the relevant government authorities, so as to (i) ascertain the status and gather further information regarding the Land Expropriation; (ii) reflect the feedback of the Group and the tenants of the Guangzhou Shopping Mall to such government authorities; and (iii) strive for the preservation of the Guangzhou Shopping Mall. As at the date of this report, the Group has not yet received any official feedback or official notice from the relevant government authorities regarding the preservation of the Guangzhou Shopping Mall. The Company will closely monitor the development of the Land Expropriation and assess its impact on the business operations and financial performance of the Group. The Company will make further announcement(s) as and when appropriate. For details, please refer to the Company's announcements dated 24 July 2020 and 4 September 2020.

Save as the above, there is no other important event occurred subsequent to 30 June 2020 and up to the date of this report.

## 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 Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to the Listing Rules and other applicable legal and regulatory requirements so as to maintain a high standard of corporate governance of the Company.

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

Mr. Cheung Hon Chuen is one of our founders, chairman of the Board and chief executive officer of the Company. Being the industry leader and industry development vane for China hospitality supplies industry, Mr. Cheung has extensive experience in hospitality supplies industry, Mr. Cheung is responsible for formulating strategic direction and overseeing the management and business operation of our Group. As Mr. Cheung is the key to our Group's development and he will not undermine our Group's interests in any way under any circumstances, the Board considers that vesting the roles of chairman and chief executive officer in the same person, 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 the Board, which comprised experienced individuals, effectively checks and balances the power and authority of Mr. Cheung, as both the chairman and chief executive officer of the Company. The Board currently comprises four executive Directors (including Mr. Cheung), three non-executive Directors and four independent non-executive Directors and therefore has a fairly strong independence element in its composition.

### CODE OF CONDUCT FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its code of conduct regarding dealings in the securities of the Company by the Directors, the Group's senior management, and employees who, because of his/her office or employment, is likely to possess inside information in relation to the Group or the Company's securities. Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the Reporting Period. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the Reporting Period.

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2020, the interests or short positions of each Director and chief executive of the Company in the Shares, underlying Shares and debentures of the Company, as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules, and the details of any right to subscribe for Shares and of the exercise of such rights, were as follows:

Director	Capacity/nature of interest	Class and number of securities held <sup>1</sup>	Approximate percentage of interest in the Company's issued share capital
Mr. Cheung	Interest in a controlled corporation <sup>2,5</sup>	782,910,000 (L)	52.2%
Mr. Mei	Interest in a controlled corporation <sup>3,5</sup>	782,910,000 (L)	52.2%
Mr. Zhang	Interest in a controlled corporation <sup>4,5</sup>	782,910,000 (L)	52.2%

Notes:

- The letter "L" denotes a long position in the Shares.
- Honchuen Investment was wholly-owned by Mr. Cheung. Mr. Cheung is deemed to be interested in all the Shares held by Honchuen Investment under the SFO.
- Zuoting Investment was wholly-owned by Mr. Mei. Mr. Mei is deemed to be interested in all the Shares held by Zuoting Investment under the SFO.
- Weixin Development was wholly-owned by Mr. Zhang. Mr. Zhang is deemed to be interested in all the Shares held by Weixin Development under the SFO.
- On 28 December 2018, in preparation for the Listing, Mr. Cheung, Mr. Mei and Mr. Zhang executed the concert parties agreement, pursuant to which they have confirmed their acting in concert arrangement in the past, as well as their intention to continue to act in the above manner upon Listing to consolidate their control over the 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.

Except as disclosed above, as our Directors are aware, as at 30 June 2020, 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) whose were required to be notified the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as our Directors are aware, as at 30 June 2020, the following persons have or are deemed or taken to have an interest or a short position in Shares or underlying Shares which will be required to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were recorded in the register of the Company required to be kept pursuant to section 336 of the SFO or, directly or indirectly, are interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Name	Nature of Interest	Name of ordinary shares held	Approximate percentage of the Company's issued share capital
Honchuen Investment	Beneficial owner <sup>5</sup>	782,910,000 (L)	52.2%
Mr. Cheung	Interest of controlled corporation <sup>2,5</sup>	782,910,000 (L)	52.2%
Zuoting Investment	Beneficial owner <sup>5</sup>	782,910,000 (L)	52.2%
Mr. Mei	Interest of controlled corporation <sup>3,5</sup>	782,910,000 (L)	52.2%
Weixin Development	Beneficial owner <sup>5</sup>	782,910,000 (L)	52.2%
Mr. Zhang	Interest of controlled corporation <sup>4,5</sup>	782,910,000 (L)	52.2%
Huang Wanyi	Interest of spouse <sup>6</sup>	782,910,000 (L)	52.2%
Zhanpeng Investment	Beneficial owner <sup>7</sup>	120,000,000 (L)	8.0%
Mr. Lin Yi	Interest of controlled corporation <sup>7</sup>	120,000,000 (L)	8.0%
Huiqun Investment	Beneficial owner <sup>8</sup>	93,375,000 (L)	6.2%

Notes:

- The letter "L" denotes a long position in the Shares.
- Honchuen Investment was wholly-owned by Mr. Cheung. Mr. Cheung is deemed to be interested in all the Shares held by Honchuen Investment under the SFO.
- Zuoting Investment was wholly-owned by Mr. Mei. Mr. Mei is deemed to be interested in all the Shares held by Zuoting Investment under the SFO.
- Weixin Development was wholly-owned by Mr. Zhang. Mr. Zhang is deemed to be interested in all the Shares held by Weixin Development under the SFO.
- On 28 December 2018, in preparation for the Listing, Mr. Cheung, Mr. Mei and Mr. Zhang executed the concert parties agreement, pursuant to which they have confirmed their acting in concert arrangement in the past, as well as their intention to continue to act in the above manner upon Listing to consolidate their control over the 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 "Substantial Shareholders" of 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.
- Zhanpeng Investment was wholly-owned by Mr. Lin Yi. Mr. Lin Yi is deemed to be interested in all the Shares held by Zhanpeng Investment under the SFO.
- To the best knowledge and belief of our Directors, Huiqun Investment was wholly-owned by Independent Third Parties.

Except as disclosed above, as at 30 June 2020, 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 2020, the total number of employees of the Group was approximately 221 and the employee benefit expenses in the Reporting Period including Directors' emoluments were approximately RMB20.3 million. The Group offers a comprehensive remuneration package which is reviewed by management on a regular basis. The Group also invests in continuing education and training programs for its management staff and other employees with a view to constantly upgrading their skills and knowledge. The Group values employees as its most valuable assets and believes effective employee engagement is an integral part of business success. In this context, effective communication with employees at all levels is highly valued with the ultimate goal to enhance the efficiency in providing quality service to the customers.

## DEALINGS IN LISTED SECURITIES

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

## INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the Reporting Period.

## SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at 30 June 2020, the Company has maintained the public float as required under the Listing Rules.

## AUDIT COMMITTEE

The Company establishes an audit committee with written terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules. The audit committee consists of three members, namely Dr. Liu Eping (劉娥平), Mr. Tan Michael Zhen Shan (譚鎮山) and Mr. Zheng Decheng (鄭德程). Dr. Liu Eping is 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 2020, no share option was granted, exercised, cancelled or lapsed, and there is no outstanding share option as at the date of this report under the share option scheme.

## CHANGES IN INFORMATION OF DIRECTORS

Since the publication of the 2019 annual report, the Company has no changes to information of the Directors required to be disclosed pursuant to Rule 13.51B of the Listing Rules.



# INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue	7	138,905	143,092
Cost of sales	8	(10,955)	(11,771)
Fair value (losses)/gains on investment properties	14	(46,154)	2,788
Selling and marketing expenses	8	(11,009)	(18,573)
Administrative expenses	8	(21,259)	(20,943)
Net impairment losses on financial assets and operating lease receivables		(219)	(156)
Other income		2,003	2,339
Other gains – net		3,253	735
<b>Operating profit</b>		<b>54,565</b>	97,511
Finance income	9	1,478	169
Finance expenses	9	(27,272)	(25,938)
Finance expenses – net	9	(25,794)	(25,769)
<b>Profit before income tax</b>		<b>28,771</b>	71,742
Income tax expenses	10	(13,630)	(25,455)
<b>Profit for the period</b>		<b>15,141</b>	46,287
<b>Profit attributable to:</b>			
– Owners of the Company		16,188	47,308
– Non-controlling interests		(1,047)	(1,021)
		15,141	46,287
<b>Earnings per share for profit attributable to owners of the Company during the period</b> (expressed in RMB per share)			
<b>Basic and diluted earnings per share</b>	11	0.01	0.04

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

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<b>Profit for the period</b>	<b>15,141</b>	46,287
<b>Other comprehensive income for the period net of tax</b>	–	–
<b>Total comprehensive income for the period</b>	<b>15,141</b>	46,287
<b>Attributable to:</b>		
– Owners of the Company	<b>16,188</b>	47,308
– Non-controlling interests	<b>(1,047)</b>	(1,021)
	<b>15,141</b>	46,287

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

# INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at	
		30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	13	1,185	1,405
Investment properties	14	2,953,300	2,971,870
Intangible assets		605	817
Deferred income tax assets		3,061	4,304
		<b>2,958,151</b>	2,978,396
<b>Current assets</b>			
Inventories		1,214	1,450
Operating lease and trade receivables and other receivables	15	44,210	37,697
Amounts due from related parties		28	26
Cash and cash equivalents	16	228,516	272,400
		<b>273,968</b>	311,573
<b>Total assets</b>		<b>3,232,119</b>	3,289,969
<b>EQUITY</b>			
Share capital and premium	17	304,494	304,494
Other reserves		232,422	232,422
Retained earnings		1,344,008	1,347,140
		<b>1,880,924</b>	1,884,056
Non-controlling interests		(3,334)	(2,287)
<b>Total equity</b>		<b>1,877,590</b>	1,881,769

	Note	As at	
		30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	20	424,378	466,220
Deferred revenue		1,055	2,637
Trade and other payables	18	26,247	29,454
Lease liabilities	18	126,555	131,006
Deferred income tax liabilities		407,619	414,945
		<b>985,854</b>	1,044,262
<b>Current liabilities</b>			
Borrowings	20	187,286	143,889
Trade and other payables	18	72,599	86,141
Lease liabilities	18	26,226	21,141
Advance from customers	19	48,491	65,159
Contract liabilities		8,183	7,516
Current income tax liabilities		25,890	40,092
		<b>368,675</b>	363,938
<b>Total liabilities</b>		<b>1,354,529</b>	1,408,200
<b>Total equity and liabilities</b>		<b>3,232,119</b>	3,289,969

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

The interim condensed consolidated financial information on pages 16 to 42 were approved by the Board of Directors on 28 August 2020 and were signed on its behalf:

**Cheung Hon Chuen**  
Director

**Jin Chunyan**  
Director

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company			Total RMB'000	Non- controlling interests RMB'000	Total RMB'000
		Share Capital and premium RMB'000 (Note 19)	Other reserves RMB'000 (Note 20)	Retained earnings RMB'000			
<b>Six months ended 30 June 2020</b>							
<b>(Unaudited)</b>							
Balance at 1 January 2020		304,494	232,422	1,347,140	1,884,056	(2,287)	1,881,769
Profit for the period		-	-	16,188	16,188	(1,047)	15,141
<b>Total comprehensive income for the period</b>		-	-	16,188	16,188	(1,047)	15,141
<b>Transactions with owners</b>							
Dividend	12	-	-	(19,320)	(19,320)	-	(19,320)
<b>Balance at 30 June 2020</b>		<b>304,494</b>	<b>232,422</b>	<b>1,344,088</b>	<b>1,880,924</b>	<b>(3,334)</b>	<b>1,877,590</b>
<b>Six months ended 30 June 2019</b>							
<b>(Unaudited)</b>							
Balance at 1 January 2019		-	222,925	1,253,732	1,476,657	(832)	1,475,825
Profit for the period		-	-	47,308	47,308	(1,021)	46,287
<b>Total comprehensive income for the period</b>		-	-	47,308	47,308	(1,021)	46,287
<b>Transactions with owners</b>							
Issue of new shares to a Pre-IPO investor		55,760	-	-	55,760	-	55,760
<b>Balance at 30 June 2019</b>		<b>55,760</b>	<b>222,925</b>	<b>1,301,040</b>	<b>1,579,725</b>	<b>(1,853)</b>	<b>1,577,872</b>

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

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<b>Cash flows from operating activities</b>		
Cash generated from operations	65,494	84,032
Income tax paid	(33,915)	(24,939)
Interest received	1,478	169
Interest paid	(20,748)	(24,872)
Net cash generated from operating activities	12,309	34,390
<b>Cash flows from investing activities</b>		
Payments for investment properties	(36,363)	(43,379)
Payments for purchase of property and equipment	(40)	(160)
Payments for purchase of intangible assets	–	(341)
Repayment from related parties	–	22,831
Cash advance to related parties	–	(466)
Dividend paid	(19,320)	–
Net cash used in investing activities	(55,723)	(21,515)
<b>Cash flows from financing activities</b>		
Repayments of borrowings	(4,969)	(31,893)
Capital injection by a Pre-IPO investor	–	55,760
Capital injection by a third party investor	–	4,900
Changes in ownership interests in subsidiaries without change of control	–	(22,439)
Payments for listing related expenses	–	(1,716)
Cash advance from related parties	–	16,780
Repayment to related parties	–	(1,355)
Settlement of lease liabilities	(1,323)	(4,432)
Net cash (used in)/generated from financing activities	(6,292)	15,605
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(49,706)</b>	28,480
Cash and cash equivalents at beginning of period	272,400	11,283
Exchange gain on cash and cash equivalents	5,822	1,219
<b>Cash and cash equivalents at end of period</b>	<b>228,516</b>	40,982

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

Xinji Shaxi Group Co., Ltd (the “Company”) was incorporated in the Cayman Islands on 27 July 2018 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is P.O.Box 3119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands.

The Company is an investment holding company and its subsidiaries (together, the “Group”) are principally engaged in operating and managing hospitality supplies and home furnishing shopping malls, providing exhibition management services and the sales of hospitality products through the online shopping mall in the People’s Republic of China (the “PRC”).

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

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

This interim condensed consolidated financial information has been approved for issued by the Board on 28 August 2020.

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 2020 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting”. The interim report 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 2019 and any public announcements made by the Company during the interim reporting period.

### (i) Going concern

As at 30 June 2020 the Group’s current liabilities exceeded its current assets by RMB94,707,000. In addition, as at 30 June 2020, the Group’s total bank borrowings amounted to RMB611,664,000, of which RMB187,286,000 were repayable within the next twelve months from 30 June 2020 (note 20). Such liquidity shortfall was mainly attributable to certain of the Group’s non-current assets including investment properties being financed mainly by the Group’s internal funding and borrowings.

## 2 BASIS OF PREPARATION *(cont'd)*

### (i) Going concern *(cont'd)*

In view of these circumstances, the directors of the Company have given careful consideration to the future liquidity position and financial performance of the Group and its available sources of financing in assessing whether the Group has sufficient financial resources to continue as a going concern. A number of measures have been put in place by the directors of the Company to further improve profitability, control operating costs and contain capital expenditures in order to improve the Group's operating performance and alleviate its liquidity risk:

- (a) Current liabilities has included advance from customers of RMB48,491,000 and contract liabilities of RMB8,183,000 of which no future cash outflow is expected.
- (b) As at 30 June 2020, the Group had unutilised financing facilities of RMB400,000,000 which can be used to cover any shortfall liquidity in the next twelve months.
- (c) Management has become more cost conscious and is reducing unnecessary expenditures to improve its operating cash flows.

The Company's directors have reviewed the Group's cash flow projections prepared by the management. The cash flow projections cover a period of not less than twelve months from 30 June 2020. Based on these cash flow projections, the Group will have sufficient financial resources to meet its financial obligations as and when they fall due in the coming twelve months from 30 June 2020. Management's projections make key assumptions with regard to the anticipated cash flows from the Group's operations, capital expenditures and the continuous availability of the Group's financing facilities. The Group's ability to achieve the projected cash flows depends on management's ability to successfully implement the aforementioned improvement measures on profitability and liquidity, and the continuous availability of bank facilities from its banks. The directors, after making due enquiries and considering the basis of management's projections described above and taking into account the operational performance and the availability of the financing facilities, believe that there will be sufficient financial resources to meet the Group's financial obligations as and when they fall due in the coming twelve months from 30 June 2020. Accordingly, the interim financial report has been prepared on a going concern basis.



### 3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2019, as described in those annual consolidated financial statements, except for the adoption of new and amended standards as set out below.

#### (i) Amended standards adopted by the Group

The following amendments to standards are mandatory for the Group's financial year beginning on 1 January 2020 for the Group:

HKAS 1 and HKAS 8 (Amendments)	Definition of Material
HKFRS 3 (Amendments)	Definition of a Business
HKFRS 9, HKFRS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform
HKFRS 16 (Amendments)	Leases – COVID-19 related rent concessions
Revised Conceptual Framework for Financial Reporting	

The adoption of the amended standards does not have significant impact on the interim condensed consolidated financial information.

#### (ii) New and amended standards not yet adopted

		Effective for annual periods beginning on or after
HKFRS 3 (Amendments)	Business combinations	1 January 2022
HKAS 16 (Amendments)	Property, plant and equipment	1 January 2022
HKAS 37 (Amendments)	Provisions, contingent liabilities and contingent assets	1 January 2022
Annual improvements to HKFRS 1	First-time adoption of IFRS	1 January 2022
Annual improvements to HKFRS 9	Financial instruments	1 January 2022
HKAS 1 (Amendments)	Presentation of financial statements' on classification of liabilities	1 January 2023
HKFRS 17	Insurance contract	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards, interpretation and amendments, certain of which are relevant to the Group's operations.

### 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 2019.

## 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 2020, the non-RMB assets of the Group are mainly cash and cash equivalents (Note 16) denominated in Hong Kong Dollars ("HK\$"). The Group has not entered into forward exchange contract to hedge its exposure to foreign exchange risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2019.

There have been no changes in the risk management policies since 31 December 2019.

#### 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
<b>At 30 June 2020 (Unaudited)</b>					
Borrowings (including interests)	219,689	119,577	221,869	163,160	724,295
Lease liabilities	26,961	19,892	55,552	104,233	206,638
Trade and other payables (excluding salary payables and other tax liabilities)	59,052	17,960	8,198	90	85,300
	<b>305,702</b>	<b>157,429</b>	<b>285,619</b>	<b>267,483</b>	<b>1,016,233</b>

## 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
<b>At 31 December 2019 (Audited)</b>					
Borrowings (including interests)	181,032	153,198	224,956	183,938	743,124
Lease liabilities	22,727	23,863	55,669	112,565	214,824
Trade and other payables (excluding salary payables and other tax liabilities)	69,864	10,321	19,043	90	99,318
	273,623	187,382	299,668	296,593	1,057,266

Interests are calculated on borrowings held as at 30 June 2020 (31 December 2019: same). Floating-rate interest is estimated using the current interest rate as at 30 June 2020 (31 December 2019: same).

### 5.2 Capital management

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

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

	As at	
	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Borrowings (Note 20)	611,664	610,109
Less: cash and cash equivalents (Note 16)	(228,516)	(272,400)
Net debts	383,148	337,709
Equity	1,877,590	1,881,769
<b>Gearing ratio</b>	<b>20%</b>	18%

## 5 FINANCIAL RISK MANAGEMENT (cont'd)

### 5.3 Fair value estimation

#### (a) Non-financial assets and liabilities

##### (i) Fair value hierarchy

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

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

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

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

	Level 3 As at	
	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Investment properties (note 14)	2,953,300	2,971,870

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the six months ended 30 June 2020 (six months ended 30 June 2019: same).

## 5 FINANCIAL RISK MANAGEMENT (cont'd)

### 5.3 Fair value estimation (cont'd)

#### (a) Non-financial assets and liabilities (cont'd)

##### (ii) Valuation techniques used to determine fair values

Fair values of completed investment properties are generally derived using the income capitalisation method and comparison method. The income capitalisation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties. The comparison method is adopted assuming sale of each of these properties in its existing state with the benefit of vacant possession. By making reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as location and property size.

As at 30 June 2020, all investment properties are included in level 3 fair value hierarchy (31 December 2019: same).

##### (iii) Valuation processes

The Group measures its investment properties at fair value. The investment properties were valued by an independent and professionally qualified valuer at 30 June 2020 and 31 December 2019. 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 valuers at least once every year.

At each financial year end the finance department:

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

## 6 SEGMENT INFORMATION

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

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

The major operating entities of the Group are domiciled in the PRC. All of the Group's revenue are derived in the PRC during the period.

As at 30 June 2020 and 31 December 2019, all of non-current assets of the Group were located in the PRC.

There was no revenue derived from a single external customer that accounted for 10% or more of the Group's revenues during the period.

## 7 REVENUE

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Rental income:		
– Properties lease income	<b>121,018</b>	123,764
Revenue from contracts with customers:		
– Sales of goods (a)	<b>6,503</b>	6,394
– Properties management service (b)&(c)	<b>11,384</b>	12,934
	<b>17,887</b>	19,328
	<b>138,905</b>	143,092

**7 REVENUE** (cont'd)

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

	As at	
	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Aggregate amount of the transaction price allocated to long-term property management services contracts that the performance obligations of which are partially or fully unsatisfied as at 30 June and 31 December		
Expected to be recognised over one year	18,469	24,783
Expected to be recognised within one year	19,016	21,753
	<b>37,485</b>	46,536

The amount disclosed above does not include any variable consideration.

**8 EXPENSES BY NATURE**

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Employee benefit expenses	20,278	14,559
Cost of sales of goods	5,016	4,644
Marketing and advertising costs	4,027	8,467
Legal and professional expenses	4,753	975
Tax and other levies	2,247	3,024
Property maintenance expenses	1,853	1,652
Electricity and water cost	1,923	2,290
Technical service charge	571	1,077
Depreciation	260	370
Office and travelling expenses	226	402
Amortisation	212	316
Entertainment expenses	203	432
Exhibition expenses	165	243
Donation	16	165
Listing expenses	–	10,253
Other expenses	1,473	2,418
<b>Total cost of sales, selling and marketing expenses and administrative expenses</b>	<b>43,223</b>	<b>51,287</b>

**9 FINANCE EXPENSES – NET**

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<b>Finance income:</b>		
– Interest income from bank deposits	(1,478)	(169)
<b>Finance expenses:</b>		
– Leasing finance expenses	3,775	4,466
– Interest expenses	23,497	21,661
– Less: capitalised interest	–	(189)
	<b>27,272</b>	<b>25,938</b>
<b>Finance expenses – net</b>	<b>25,794</b>	<b>25,769</b>



**10 INCOME TAX EXPENSES**

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Current income tax		
– PRC corporate income tax	<b>19,715</b>	20,909
Deferred income tax		
– PRC corporate income tax	<b>(6,085)</b>	4,546
Income tax expenses	<b>13,630</b>	25,455

**(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 2020 and 2019.

**(b) PRC withholding income tax**

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

**(c) Cayman Islands income tax**

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

**(d) Hong Kong profits tax**

Hong Kong profits tax has not been provided as the Group did not have any assessable profits during the six months ended 30 June 2020 and 2019.

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

In determining the weighted average number of ordinary shares in issue during the six months ended 30 June 2020 and 2019, the ordinary shares issued to the then shareholders of the Group under the capitalisation issue, were deemed to be issued on 1 January 2019 or since new shares have been issued to the Pre-IPO investor.

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Profit attributable to owners of the Company (RMB'000)	<b>16,188</b>	47,308
Weighted average number of ordinary shares in issue (thousands)	<b>1,500,000</b>	1,190,385
Basic earnings per share (RMB)	<b>0.01</b>	0.04

**(b) Diluted**

The Company did not have any potential dilutive ordinary shares outstanding during the six months ended 30 June 2020 and 2019. Diluted earnings per share are the same as the basic earnings per share.

**12 DIVIDEND**

A final dividend of RMB0.013 per ordinary share for the year ended 31 December 2019, totalling RMB19,320,000 was approved by the shareholders at the annual general meeting held on 26 May 2020. The dividends in aggregate amount of RMB19,320,000 has been distributed out of the Company's retained earnings.

No interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil) has been proposed by the board of directors of the Company.

**13 PROPERTY AND EQUIPMENT**

	Leased office buildings RMB'000	Vehicles RMB'000	Furniture, fittings and equipment RMB'000	Total RMB'000
<b>At 31 December 2019 (Audited)</b>				
Cost	1,028	5,249	3,955	10,232
Accumulated depreciation	(343)	(4,902)	(3,582)	(8,827)
Net book amount	685	347	373	1,405
<b>Period ended 30 June 2020 (Unaudited)</b>				
Opening net book amount	685	347	373	1,405
Additions	–	–	40	40
Depreciation charges	(171)	(1)	(88)	(260)
Closing net book amount	514	346	325	1,185
<b>At 30 June 2020 (Unaudited)</b>				
Cost	1,028	5,011	3,678	9,717
Accumulated depreciation	(514)	(4,665)	(3,353)	(8,532)
Net book amount	514	346	325	1,185

**14 INVESTMENT PROPERTIES**

	As at	
	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Opening net book amount	2,971,870	2,890,230
Lease modification	2,510	–
Additions	25,074	71,400
Capitalised interests	–	189
Fair value changes	(46,154)	10,051
Closing net book amount	2,953,300	2,971,870
Analysis of investment properties:		
– properties on land use right certificates owned by the Group	1,467,270	1,496,670
– properties on right of use assets	1,486,030	1,475,200
	2,953,300	2,971,870

**15 OPERATING LEASE AND TRADE RECEIVABLES AND OTHER RECEIVABLES**

	As at	
	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Operating lease receivables	28,025	20,111
Less: allowance for impairment of operating lease receivables	(2,020)	(2,342)
Operating lease receivables – net	26,005	17,769
Trade receivables	5,708	6,125
Less: allowance for impairment of trade receivables	(518)	(629)
Trade receivables – net	5,190	5,496
Other receivables	6,214	7,993
Less: allowance for impairment of other receivables	(55)	(202)
Other receivables – net	6,159	7,791
Prepaid tax and other levies	544	738
Other prepayments	2,822	2,805
Input VAT available for future deduction	3,490	3,098
	44,210	37,697

The aging analysis of trade receivables at the respective balance sheet dates is as follows:

	As at	
	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Less than 1 year	5,708	6,125

The maximum exposure to credit risk at 30 June 2020 is the credit losses of each class of receivables mentioned above.

**16 CASH AND CASH EQUIVALENTS**

	As at	
	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Cash on hand		
– RMB	197	1,503
– HK\$	45	44
Cash at banks		
– RMB	136,761	82,176
– HK\$	91,513	188,677
	<b>228,516</b>	272,400

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

**17 SHARE CAPITAL AND PREMIUM**

	Number of ordinary shares (thousands)	Share capital RMB'000	Share premium RMB'000	Total RMB'000
<b>Ordinary shares issued and fully paid:</b>				
<b>As at 30 June 2020 (Unaudited)</b>	<b>1,500,000</b>	<b>13,410</b>	<b>291,084</b>	<b>304,494</b>
As at 31 December 2019 (Audited)	1,500,000	13,410	291,084	304,494

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

	As at	
	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Trade payables	3,387	3,634
Construction contract payables	31,623	42,912
Salary payables	12,348	15,529
Other tax liabilities	1,198	748
Deposits from tenants	44,174	43,674
Other payables	6,116	9,098
	<b>98,846</b>	115,595
Less: non-current portion Deposits from tenants	(26,247)	(29,454)
Current portion	<b>72,599</b>	86,141

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

	As at	
	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Less than 1 year	11,111	15,644
Over 1 year	23,899	30,902
	<b>35,010</b>	46,546

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

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

## (ii) Lease liabilities

	As at	
	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Balance at beginning of the period/year	152,147	160,502
Lease modification	1,957	–
Additions	–	1,028
Leasing finance expenses recognised	3,775	8,952
Settlement of lease liabilities	(5,098)	(18,335)
	<b>152,781</b>	152,147
Less: non-current portion	<b>(126,555)</b>	(131,006)
Current portion of lease liabilities	<b>26,226</b>	21,141

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

**19 ADVANCE FROM CUSTOMERS**

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

	As at	
	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Advance from customers	48,491	65,159

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

**20 BORROWINGS**

	As at	
	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
<b>Borrowings included in non-current liabilities:</b>		
Bank borrowings – Secured	581,617	580,056
Less: current portion of non-current borrowings	(157,239)	(113,836)
	424,378	466,220
<b>Borrowings included in current liabilities:</b>		
Bank borrowings – Secured	30,047	30,053
Current portion of non-current borrowings	157,239	113,836
	187,286	143,889
Total borrowings	611,664	610,109

**21 COMMITMENTS****(a) Capital commitments**

Capital expenditure contracted but not yet incurred is as follows:

	As at	
	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Investment properties	2,026	30



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

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

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

	As at	
	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Less than 1 year	205,457	230,079
1–2 years	143,319	194,327
2–3 years	46,260	70,694
3–4 years	11,152	9,331
4–5 years	490	490
Over 5 years	449	736
	<b>407,127</b>	505,657

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

Name	Relationship
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
Guangdong Xinji Charity Foundation	A foundation set up by the ultimate controlling shareholders

**(b) Transactions with related parties**

During the six months ended 30 June 2020 and 2019, the Group did not have significant transactions with related parties.

**22 SIGNIFICANT RELATED PARTY TRANSACTIONS** (cont'd)

## (c) Key management personnel compensations

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Wages, salaries and bonuses	2,450	2,064
Pension costs – defined contribution plans	23	113
	<b>2,473</b>	2,177

## (d) Balances with related parties

## (i) Amounts due from related parties:

	As at	
	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Amounts due from related parties – trade		
Guangdong Xinji Charity Foundation	18	–
Guangzhou Xinji Real Estate Development Co., Ltd	10	26
	<b>28</b>	26

## (ii) Lease Liabilities:

	As at	
	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Guangzhou Panyu Xinji Real Estate Development Co., Ltd	9,376	10,621
Guangzhou Xinji Real Estate Development Co., Ltd	344	686
	<b>9,720</b>	11,307

### **23 THE IMPACT FROM 2019 NOVEL CORONAVIRUS (“COVID-19”)**

The outbreak of the 2019 Novel Coronavirus (“COVID-19”) had brought unprecedented challenges and added uncertainties to the economy. In order to undertake the social responsibilities actively and support the development of tenants of the shopping malls (the “Tenants”), the Group introduced an arrangement to exempt or reduce the rent and the management fee payable by the Tenants, which has affected the financial results to some extent. As of the date that the condensed consolidated interim financial information is authorised for issue, the Group has resumed its operations as nationwide lockdowns has been eased by the government. The Group will keep continuous attention on the situation of the COVID-19 and assess its impact on the financial position and operating results of the Group.

### **24 SUBSEQUENT EVENTS**

On 24 July 2020, the Group entered into a Sale and Purchase Agreement with a third party in relation to the acquisition of 60% equity interest of Guangzhou Zhicheng Commercial Operation Limited (“Zhicheng”) with a consideration of RMB78,000,000. Zhicheng was established in the PRC for the purpose of operating a shopping mall in Guangzhou, China.

# DEFINITIONS

“2019 Period”	the six months ended 30 June 2019
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“BVI”	the British Virgin Islands
“Company”	Xinji Shaxi Group Co., Ltd (信基沙溪集团股份有限公司), a company incorporated on 27 July 2018 under the laws of the Cayman Islands as an exempted company with limited liability
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and, in the context of this prospectus, refers to the group of controlling shareholders of the Company, namely Honchuen Investment, Zuoting Investment, Weixin Development, Mr. Cheung, Mr. Mei and Mr. Zhang
“Director(S)”	the director(s) of the 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
“Honchuen Investment”	HONCHUEN INVESTMENT LIMITED, a company incorporated under the laws of the BVI with limited liability on 31 May 2018, which is wholly-owned by Mr. Cheung
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huiqun Investment”	HUIQUN INVESTMENT LIMITED, a company incorporated under the laws of the BVI with limited liability on 6 June 2018
“Independent Third Party(ies)”	person(s) or entity(ies) that is or are not connected person(s) within the meaning of the Listing Rules
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuer set out in Appendix 10 to the Listing Rules
“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

## Definitions

“Mr. Zhang”	Mr. Zhang Weixin (張偉新), an executive Director and one of our founders and Controlling Shareholders
“PRC”	the People’s Republic of China, do not include Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus of the Company dated 25 October 2019
“Reporting Period”	the six months ended 30 June 2020
“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 share(s) with par value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of issued Shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“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
“Zhanpeng Investment”	Zhanpeng Investment (Hongkong) Company Limited (展鵬投資(香港)有限公司), a company incorporated under the laws of the BVI with limited liability on 9 November 2018
“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