# E-Star Commercial Management Company Limited
# 星盛商業管理股份有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 6668)**

## 2021 ANNUAL RESULTS ANNOUNCEMENT

**SUMMARY OF RESULTS**

- Revenue of the Group for the year ended 31 December 2021 amounted to approximately RMB572.2 million, representing an increase of approximately 29.5% as compared with approximately RMB442.0 million for the year ended 31 December 2020.
- Gross profit of the Group for the year ended 31 December 2021 amounted to approximately RMB330.4 million, representing an increase of approximately 32.9% as compared with approximately RMB248.6 million for the year ended 31 December 2020.
- The Group's gross profit margin for the year ended 31 December 2021 was 57.7%, representing an increase of approximately 1.4 percentage point as compared with 56.3% for the year ended 31 December 2020.
- Profit attributable to the owners of the Company for the year ended 31 December 2021 amounted to approximately RMB184.9 million, representing an increase of approximately 45.8% as compared with approximately RMB126.8 million for the year ended 31 December 2020.
- As at 31 December 2021, the contracted gross floor area ("**GFA**") of the Group's commercial operational services amounted to approximately 3.90 million sq.m. (62.4% of which are developed, or owned by independent third party). As at 31 December 2021, the GFA in operation of the Group's commercial operational services amounted to approximately 1.816 million sq.m..
- The Board recommends the payment of a final dividend of HK$0.10 per ordinary share for the year ended 31 December 2021.

## ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of E-Star Commercial Management Company Limited (the "**Company**" or "**E-Star**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2021, together with comparative figures for the year ended 31 December 2020, as follows.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | | Year ended 31 December | |
|---|---|---|---|
| | | **2021** | 2020 |
| | *Notes* | ***RMB'000*** | *RMB'000* |
| **Revenue** | *4* | **572,209** | 441,953 |
| Cost of services | | **(241,777)** | (193,318) |
| **Gross profit** | | **330,432** | 248,635 |
| Other income | | **31,141** | 11,582 |
| Other gains and losses | | **(5,147)** | 825 |
| Impairment losses under expected credit loss model, net of reversal | | **(10,294)** | (3,652) |
| Selling expenses | | **(8,468)** | (5,663) |
| Administrative expenses | | **(71,141)** | (56,775) |
| Finance costs | | **(3,869)** | (4,145) |
| Listing expenses | | **(8,281)** | (15,672) |
| Share of result of a joint venture | | **(1,977)** | – |
| **Profit before tax** | | **252,396** | 175,135 |
| Income tax expense | *5* | **(68,474)** | (47,549) |
| **Profit and total comprehensive income for the year** | *6* | **183,922** | 127,586 |
| **Profit (loss) for the year attributable to:** | | | |
| – Owners of the Company | | **184,924** | 126,839 |
| – Non-controlling interests | | **(1,002)** | 747 |
| | | **183,922** | 127,586 |
| Earnings per share | *7* | | |
| – Basic *(RMB cents)* | | **18.48** | 16.91 |
| – Diluted *(RMB cents)* | | **18.46** | 16.91 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | Year ended 31 December | |
|---|---|---|---|
| | | **2021** | 2020 |
| | *Notes* | ***RMB'000*** | *RMB'000* |
| **Non-current assets** | | | |
| Property and equipment | | **4,469** | 7,928 |
| Investment properties | | **47,524** | 50,754 |
| Rental deposits | *9* | **5,542** | – |
| Deposits paid for acquisition of property and equipment | | **16,546** | – |
| Finance lease receivables | | **6,646** | 7,188 |
| Deferred tax assets | | **9,279** | 6,338 |
| Interests in a joint venture | | **7,023** | – |
| Loan to a joint venture | | **15,000** | – |
| | | **112,029** | 72,208 |
| **Current assets** | | | |
| Finance lease receivables | | **542** | 484 |
| Trade and other receivables | *9* | **45,837** | 36,613 |
| Financial assets at fair value through profit or loss | | **1,990** | 187,910 |
| Amounts due from related parties | | **1,387** | 2,305 |
| Restricted bank balances | | **10,000** | – |
| Short-term bank deposits | | **814,212** | – |
| Bank balances and cash | | **446,349** | 141,660 |
| | | **1,320,317** | 368,972 |
| **Current liabilities** | | | |
| Trade and other payables | *10* | **171,953** | 170,233 |
| Lease liabilities | | **5,373** | 4,684 |
| Contract liabilities | | **11,378** | 3,382 |
| Amounts due to related parties | | **1,069** | 4,881 |
| Tax payable | | **40,570** | 25,322 |
| | | **230,343** | 208,502 |
| **Net current assets** | | **1,089,974** | 160,470 |
| **Total Assets less current liabilities** | | **1,202,003** | 232,678 |

| | Year ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | ***RMB'000*** | *RMB'000* |
| **Capital and reserves** | | |
| Share capital | **8,533** | –# |
| Reserves | **1,112,615** | 159,752 |
| **Equity attributable to owners of the company** | **1,121,148** | 159,752 |
| Non-controlling interests | **17,501** | 3,503 |
| **Total equity** | **1,138,649** | 163,255 |
| **Non-current liabilities** | | |
| Deferred tax liabilities | **–** | 696 |
| Lease liabilities | **63,354** | 68,727 |
| | **63,354** | 69,423 |
| | **1,202,003** | 232,678 |

# *Less than RMB1,000.*

## NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

### 1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 13 September 2019 and its shares (the "**Share(s)**") were listed (the "**Listing**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 26 January 2021 (the "**Listing Date**"). The addresses of the Company's registered office is 71 Fort Street, PO Box 500, George Town, Grand Cayman, KY1-1106, Cayman Islands and principal place of business is 32nd Floor, Building A Galaxy World, 1 Yabao Road, Longgang District, Shenzhen Guangdong Province, the People's Republic of China (the "**PRC**").

The immediate holding company and the ultimate holding company of the Company are Go Star Investment Holding Limited ("**Go Star**") and Long Harmony Holding Limited ("**Long Harmony**") respectively. Go Star was incorporated in the British Virgin Islands ("**BVI**") with limited liability. Long Harmony was incorporated in the BVI by TMF (Cayman) Ltd., the trustee of the family trust. The family trust is a discretionary trust established on 4 December 2019 by Mr. Huang Chu-Long ("**Mr. Huang**") as the settlor, with TMF (Cayman) Ltd. acting as the trustee, and Mr. Huang acting as the protector. The beneficiaries of the family trust are Mr. Huang's family members.

The Group is principally engaged in provision of commercial property operational services to either property owners or tenants in respect of commercial properties primarily including shopping centers, shopping streets and commercial complexes, and leasing commercial spaces to tenants in the PRC.

The functional currency of the Company is Renminbi ("**RMB**"), which is the same as the presentation currency of the consolidation financial information.

### 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

**Amendments to HKFRSs that are mandatorily effective for the current year**

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial information:

| | |
|---|---|
| Amendment to HKFRS 16 | Covid-19-Related Rent Concessions |
| Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 | Interest Rate Benchmark Reform – Phase 2 |

Except as described below, the application of amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial information.

***New and amendments to HKFRSs in issue but not yet effective***

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

| | |
|---|---|
| HKFRS 17 | Insurance Contracts and the related Amendments[2] |
| Amendments to HKFRS 3 | Reference to the Conceptual Framework[1] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3] |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2] |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies[2] |
| Amendments to HKAS 8 | Definition of Accounting Estimates[2] |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2] |
| Amendments to HKAS 16 | Property, Plant and Equipment – Proceeds before Intended use[1] |
| Amendments to HKAS 37 | Onerous Contracts – Cost of Fulfilling a Contract[1] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2018-2020[1] |

[1] Effective for annual periods beginning on or after 1 January 2022
[2] Effective for annual periods beginning on or after 1 January 2023
[3] Effective for annual periods beginning on or after a date to be determined

The directors of the Company anticipates that the application of new and amendments to HKFRSs will have no material impact on the consolidated financial information in the foreseeable future.

## 3. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

**Basis of preparation of consolidated financial information**

The consolidated financial information have been prepared based on the accounting policies set out below which conform with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial information include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the **"Listing Rules"**) and by the Hong Kong Companies Ordinance.

The Directors have, at the time of approving the consolidated financial information, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial information.

The consolidated financial information have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

## 4. REVENUE AND SEGMENT INFORMATION

The Group generates revenue primarily from provision of commercial property operational services to either owners or tenants in respect of commercial properties in the PRC under three commercial property operational models as described below:

- Entrusted management service model;
- Brand and management output service model; and
- Sublease service model.

### A. Revenue

*Revenue from commercial property operational services by type of operational model*

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **By type of operational model:** | | |
| Entrusted management services | **351,650** | 308,821 |
| Brand and management output services | **198,495** | 113,920 |
| Sublease services | **22,064** | 19,212 |
| | **572,209** | 441,953 |
| Comprise of: | | |
| – Revenue from contracts with customers | **559,155** | 430,987 |
| – Revenue from leases | **13,054** | 10,966 |
| | **572,209** | 441,953 |

(i) Disaggregation of revenue from contracts with customers:

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Commercial property operational services: | | |
| – Market positioning, design and construction consultancy and tenant sourcing services | **143,549** | 78,350 |
| – Operational management services | **334,125** | 293,973 |
| – Value-added services | **81,481** | 58,664 |
| | **559,155** | 430,987 |

(ii) Leases

The revenue from leases arises from the lease agreements entered into between the Group and tenants under sublease service model. The Group enters into a lease agreement with the property owner of a commercial property and subleases the commercial spaces within the commercial property to tenants.

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| For operating leases: | | |
| Lease payments that are fixed | **9,520** | 8,549 |
| Variable lease payments | **3,242** | 2,113 |
| | **12,762** | 10,662 |
| For finance leases: | | |
| Finance income on the net investment in the lease | **292** | 304 |
| Total revenue arising from leases | **13,054** | 10,966 |

## B. Segment information

The Group's operations are solely derived from provision of commercial property operational services in the PRC. For the purposes of resources allocation and performance assessment, the chief operating decision maker (i.e. the chief executive of the Group) reviews the overall results and financial position of the Group as a whole. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

*Geographical information*

No geographical segment information is presented as the Group's operation is mainly in the PRC and all its non-current assets are situated in the PRC. All of the Group's revenue from external customers is attributable to the group entities' place of domicile (i.e. the PRC).

Information about major customers

Revenue from customers contributing over 10% of the Group's total revenue during both years are as follows:

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Customer A | **167,975** | 126,082 |

*Note:* Customer A represents a group of related parties of the Group and associates of Mr. Huang.

## 5. INCOME TAX EXPENSES

| | 2021 | 2020 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Current tax: | | |
| PRC Enterprise Income Tax | **72,111** | 48,406 |
| Deferred tax | **(3,637)** | (857) |
| | **68,474** | 47,549 |

## 6. PROFIT FOR THE YEAR

| | 2021 | 2020 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Profit for the year has been arrived at after charging (crediting): | | |
| Auditor's remuneration: | | |
| – Auditor of the Company | **1,418** | 1,100 |
| – Other auditor | **298** | 1,478 |
| | **1,716** | 2,578 |
| Depreciation of property and equipment | **4,101** | 4,149 |
| Depreciation of investment properties | **3,231** | 3,244 |
| Staff costs (including directors' emoluments): | | |
| Salaries and other benefits | **144,054** | 106,100 |
| Retirement benefits schemes contributions | **13,191** | 5,244 |
| Total staff costs | **157,245** | 111,344 |
| Loss (gain) on fair value changes of financial assets at fair value through profit or loss (included in other gains and losses) | **920** | (920) |
| Loss on disposal of property and equipment (included in other gains and losses) | **23** | 129 |
| Gross rental income from investment properties | **12,762** | 10,966 |
| Less: direct operating expenses incurred for investment properties during the year | **(5,312)** | (4,946) |
| | **7,450** | 6,020 |

## 7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share from operations attributable to the owners of the Company is based on the following data:

**Earnings**

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Earnings for the purpose of basic and diluted earnings per share: | | |
| Profit for the year attributable to owners of the Company | **184,924** | 126,839 |

**Number of shares**

| | **2021** | 2020 |
|---|---|---|
| | ***'000*** | *'000* |
| Weighted average number of ordinary shares for the purpose of calculating basic earnings per share | **1,000,534** | 750,000 |
| Effect of dilutive potential ordinary shares: | | |
| Over-allotment option | **1,300** | – |
| Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share | **1,001,834** | 750,000 |

The weighted average numbers of ordinary shares for the purpose of basic and diluted earnings per share has excluded shares purchased in December 2021 and held for the share award scheme of the Company.

The weighted number of ordinary shares for the purpose of basic and diluted earning per share has been determined on the assumption that the capitalisation issue as set out in Note 11 had been effective on 1 January 2020.

## 8. DIVIDEND

On 4th June 2021, the aggregate payment of a final dividend and special dividend of HK$0.06 per ordinary share was approved at the annual general meeting of the Company for the year ended 31 December 2020, with an aggregate amount of HK$61,238,400 (equivalent to approximately RMB50,574,000) (2020: 0). The dividend was paid on 6th July 2021.

On 30th March 2022, a final dividend of HK$0.10 per ordinary share in respect of the year ended 31 December 2021 has been proposed by the directors of the Company and is subject to approval by the shareholders of the Company at the forthcoming annual general meeting of the Company.

## 9. TRADE AND OTHER RECEIVABLES

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Trade and other receivables** | | |
| – Trade receivables | **29,139** | 25,073 |
| – Other receivables | **22,240** | 11,540 |
| | **51,379** | 36,613 |
| Analysed as: | | |
| Current | **45,837** | 36,613 |
| Non-current | **5,542** | – |
| | **51,379** | 36,613 |

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Trade receivables** | | |
| *Contracts with customers* | | |
| – Third parties | **47,520** | 30,539 |
| – Related parties | **6** | 764 |
| Allowance for credit losses | **(18,387)** | (8,093) |
| | **29,139** | 23,210 |
| Operating lease receivables – third parties | **–** | 1,863 |
| | **29,139** | 25,073 |

The Group grants credit terms of 10 to 30 days to its customers from the date of invoices. The following is an aging analysis of the trade receivables in respect of contracts with customers, net of allowance of credit losses, presented based on the invoice date at the end of each reporting period:

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| 0 – 10 days | **10,288** | 6,058 |
| 11 – 30 days | **2,578** | 2,558 |
| 31 – 60 days | **2,324** | 4,420 |
| 61 – 90 days | **1,696** | 2,304 |
| Over 90 days | **12,253** | 7,870 |
| | **29,139** | 23,210 |

The following is an ageing analysis of the lease receivables, presented based on the revenue recognition date at the end of each reporting period:

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| 0 – 10 days | **–** | 1,863 |

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Other receivables** | | |
| Receivables from third-party payment platforms | **2,624** | 2,714 |
| Payments on behalf of tenants | **630** | 704 |
| Advance to employees | **15** | 19 |
| Rental Prepayment | **8,262** | – |
| Rental deposits | **5,542** | – |
| Other tax recoverable | **1,284** | 603 |
| Deposits | **3,266** | 11 |
| Prepayment | **572** | 74 |
| Deferred issue costs | **–** | 7,320 |
| Others | **45** | 95 |
| | **22,240** | 11,540 |

## 10. TRADE AND OTHER PAYABLES

| | 2021 | 2020 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| **Trade and other payables** | | |
| – Trade payables | **24,493** | 20,180 |
| – Other payables | **147,460** | 150,053 |
| | **171,953** | 170,233 |

| | 2021 | 2020 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| **Trade payables** | | |
| *Contracts with suppliers* | | |
| – Third parties | **22,481** | 16,598 |
| – Related parties | **2,012** | 3,582 |
| | **24,493** | 20,180 |

The credit period granted by suppliers of the Group normally ranges between 30 to 90 days. The following is an aging analysis of trade payables based on the invoice date at the end of each reporting period:

| | 2021 | 2020 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| 0 – 30 days | **21,375** | 15,078 |
| 31 – 60 days | **1,968** | 3,711 |
| 61 – 90 days | **636** | 555 |
| Over 90 days | **514** | 836 |
| | **24,493** | 20,180 |

| | 2021 | 2020 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| **Other payables** | | |
| Receipts on behalf of tenants | **73,017** | 95,382 |
| Deposits received | **29,239** | 18,071 |
| Salary payables | **32,237** | 22,162 |
| Accruals | **6,239** | 2,181 |
| Accrued listing expenses | **646** | 7,364 |
| Accrued issue costs | **–** | 1,756 |
| Other tax payables | **6,082** | 3,137 |
| | **147,460** | 150,053 |

## 11. SHARE CAPITAL

Details of the Company's shares are disclosed as follows:

| | Number of shares | Share capital *HK$'000* | Share capital *RMB'000* |
|---|---|---|---|
| Ordinary shares of HK$0.01 each | | | |
| **Authorised** | | | |
| At 1 January 2020 and 31 December 2020 | 38,000,000 | 380 | 340 |
| Increase | 1,962,000,000 | 19,620 | 16,415 |
| At 31 December 2021 | 2,000,000,000 | 20,000 | 16,755 |
| **Issued and fully paid** | | | |
| 1 January 2020 and 31 December 2020 | 1,000 | –^ | –* |
| Capitalisation issue *(note (i))* | 749,999,000 | 7,500 | 6,275 |
| Issuance of ordinary shares *(note (ii))* | 250,000,000 | 2,500 | 2,091 |
| Issuance of ordinary shares upon exercise of over-allotment options *(note (iii))* | 20,640,000 | 206 | 172 |
| Repurchase and cancellation of shares (note (iv)) | (601,000) | (6) | (5) |
| At 31 December 2021 | **1,020,039,000** | **10,200** | **8,533** |

^ *Less than HK$1,000*

* *Less than RMB1,000*

*Notes:*

(i) Pursuant to the resolutions of the Company's shareholders passed on 21 December 2020, the Company allotted and issued a total of 749,999,000 shares by way of capitalisation of the sum of HK$7.5 millions standing to the credit of the share premium account of the Company (the "**Capitalisation Issue**"), credited as fully paid at par to the shareholders as appearing on the register of members of the Company on 26 January 2021.

(ii) On 26 January 2021, the Company issued 250,000,000 ordinary shares of HK$0.01 each pursuant to the global offering of the shares of the Company at the price of HK$3.86 per share for a total gross cash consideration of approximately HK$928.8 millions (equivalent to approximately RMB777.0 millions) and the Company's shares were listed on the Stock Exchange on the same date. The shares allotted and issued rank pari passu with the existing shares in all respects.

(iii) On 18 February 2021, the over-allotment option was fully exercised and the Company issued additional 20,640,000 ordinary shares at the price of HK$3.86 per share for a total gross cash consideration of approximately HK$77.8 millions (equivalent to approximately RMB64.8 million) on 23 February 2021. The shares allotted and issued rank pari passu with the existing shares in all respects.

(iv) The Company had repurchased a total of 601,000 Shares on the Stock Exchange for an aggregate consideration of approximately HK$2,440,280 in August 2021. The shares were cancelled in October 2021 after such repurchase.

## MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW

The Group is a leading commercial property operational service provider in the Greater Bay Area with a national presence. As of 31 December 2021, the Group entered into contracts to provide services for 84 commercial property projects (including 32 consultancy services projects) located in 25 cities in China, with an aggregate contracted GFA of approximately 3.90 million sq.m. (excluding the area under 32 consultancy services projects), 62.4% of which was developed or owned by independent third parties. Among them, 24 retail commercial properties have been opened with an aggregate opened GFA of approximately 1.816 million sq.m..

The Group owns a comprehensive and highly-recognised brand system, primarily including "COCO Park" for city shopping centers (城市型購物中心) targeting consumers in the city, "COCO City" and "iCO" for regional shopping centers (區域型購物中心) targeting consumers within a five-kilometer radius from such shopping centers, "COCO Garden" for community shopping centers (社區型購物中心) targeting consumers within a one-to-three-kilometer radius from such shopping centers and "Top Living (第三空間)" for its high-end home furnishing shopping center. In addition, the Group owns various brands for themed shopping areas (主題館) within commercial properties, covering home living, family and children, women and fashion, sports and fitness, as well as catering and socialising scenarios.

The Group has been widely recognised in the market for its brand system and operating strength and also received various honours. According to China Index Academy, the Group was ranked 13th among the "2021 Top 100 Commercial Property Companies in China" in terms of overall strength, and awarded the "2021 China Top 10 Commercial Property Operator" (2021年中國商業地產運營十強企業) and the "2021 Remarkable Brand for Commercial Property Operation in China" (2021中國商業地產運營優秀品牌); COCO Park brand was awarded the "2021 Top10 Commercial Property Project in China in Terms of Brand Value" (2021中國商業地產項目品牌價值Top10). With great market expansion capabilities and stable business operation capacities, the Group was awarded the "2020-2021 Outstanding Light Asset Operator" (2020-2021年度優秀輕資產運營商) by Winshang.com in 2021; Shenzhen Futian Galaxy COCO Park (深圳福田星河COCO Park) was also awarded the "Annual Experience Landmark" (年度體驗潮地標).

## BUSINESS REVIEW

The Group is a commercial property operational service provider focusing on improving the results of operations of commercial properties, primarily shopping centers, shopping streets and commercial complex, for property owners through its professional management. Its commercial property operational services comprise:

- positioning, construction consultancy and tenant sourcing services: primarily including market positioning, business planning consultancy, design and construction consultancy and tenant sourcing services;

- operational management services: primarily including formulating operation strategies, conducting marketing and promotional events, tenant management services, property management services and rent collection services;

- property leasing services: including sublease of commercial spaces in the commercial properties managed under the sublease service model to tenants; and

- value-added services: primarily including management of common areas in the shopping centers which customers can rent for a short period for pop-up shops and promotional settings, and management of advertising spaces, such as LED boards and interior and exterior facades of the shopping centers.

The Group provides commercial property operational services under three operational models, namely, the entrusted management service model, the brand and management output service model and the sublease service model. Under different operational models, the Group has different levels of involvement in the management of commercial properties and provides different combinations of services to different customer groups:

### Entrusted management service model

Under this model, it was entrusted by the property owners with full authority to manage the commercial properties. The Group employs the entire management team, including the general project manager and members of functional departments.

- Services: The Group provides (i) positioning, construction consultancy and tenant sourcing services, (ii) operational management services and (iii) value-added services.

- Customers: The Group's customers include (i) property owners, (ii) tenants and (iii) relevant customers in respect of value-added services.

- Revenue sources: The Group's revenue sources include (i) fixed fees for market positioning, design and construction consultancy and tenant sourcing services from property owners, (ii) a pre-agreed percentage of the revenue or profit, and/or a fixed fee, for operational management services from property owners, (iii) management fees for operational management services from tenants and (iv) common area use fees for valued-added services from relevant customers.

- Cost structure: The Group bears the operating costs of managing the commercial property.

The entrusted management service model offers the Group a higher level of autonomy in managing the project, which it believes that it can achieve better operating results and increase its revenue, and limits its credit risk as certain cash flows may pass through.

**Brand and management output service model**

Under this model, the Group, as professional managers, manages commercial properties for the property owners. It only employs the core management team to the projects, usually consisting of the general project manager and/or heads of certain functional departments. The property owner is responsible for employing most of the project personnel. The core management team assigned by the Group will lead and supervise the project personnel employed by property owners in managing the project.

- Services: The Group's services include (i) market positioning, design and construction consultancy and tenant sourcing services and (ii) operational management services.

- Customers: The Group's customers only include property owners.

- Revenue sources: The Group's revenue sources include (i) fixed fees for positioning, construction consultancy and tenant sourcing services from property owners and (ii) a pre-agreed percentage of the revenue and/or profit, and/or a fixed fee, for operational management services from property owners.

- Cost structure: The Group only bears its staff costs related to the projects, a portion of which will be reimbursed by the property owners, and the property owners bear the operating costs of managing the commercial properties.

Under this model, the Group does not need to inject substantial capital and human resources, which results in a generally higher gross profit margin as compared to the other two models and facilitates its fast geographic expansion.

**Sublease service model**

Under this model, the Group leases the commercial property from the property owner and subleases commercial spaces within the commercial property to tenants. The Group is solely responsible for the management and operating results of the commercial property, and employs the entire management team of the project.

- Services: The Group's services include (i) property leasing services, (ii) operational management services and (iii) value-added services.

- Customers: The Group's customers include (i) tenants and (ii) relevant customers in respect of value-added services.

- Revenue sources: The Group's revenue sources include (i) rent from tenants, (ii) management fees for operational management services from tenants and (iii) common area use fees for valued-added services from relevant customers.

- Cost structure: The Group bears the operating costs of managing the commercial properties and pays rent to the property owner periodically.

Under the sublease service model, the Group may offer to renovate or decorate the commercial property in accordance with the lease agreement with the property owner. The sublease service model can maximise the Group's income from a project, which at the same time exposes it to higher risks. As a result, the Group takes a very prudent approach in adopting the sublease service model and consider adopting such model for projects with high growth potential.

With reference to the evaluation on the projects and requirements of the property owners, the Group flexibly chooses diversified cooperation models, such as entrusted management, brand and management output and sublease service, during its cooperation with the related parties and third parties, and has achieved good operating results. In 2021, the related parties of the Group contributed a new contracted area of 238,000 sq.m. to the Group. Meanwhile, the Group further expands its project portfolio in the market in an active manner. A total of 5 commercial operation service agreements in relation to third-party projects were entered into throughout the year, contributing a new contracted area of 421,000 sq.m..

The table below sets forth new projects in relation to which commercial operation service contracts were entered into by the Group during the year ended 31 December 2021.

| | Commercial property | Location | Property owner | Operational model | Date of contract | Shopping mall *(000' sq.m.)* | Car park *(000' sq.m.)* | Total GFA in operation *(000' sq.m.)* |
|---|---|---|---|---|---|---|---|---|
| **Galaxy Holding and its associates** | | | | | | | | |
| 1 | Shenzhen Bao'an project (深圳保安項目) | Shenzhen | Galaxy Holding and its associates | Brand and management output | April 2021 | 33 | – | 33 |
| 2 | Zhongkai Shuanggang project (仲愷雙崗項目) | Huizhou | Galaxy Holding and its associates | Brand and management output | April 2021 | 42 | – | 42 |
| 3 | Changzhou Xinbei project (常州新北項目) | Changzhou | Galaxy Holding and its associates | Brand and management output | May 2021 | 18 | – | 18 |
| 4 | Huizhou Jinyu Galaxy Danti project (惠州金裕星河丹堤項目) | Huizhou | Galaxy Holding and its associates | Brand and management output | December 2021 | 27 | – | 27 |
| 5 | Puning Pearl Bay centralized business IV project (普寧明珠灣集中商業(四期)項目) | Jieyang | Galaxy Holding and its associates | Brand and management output | December 2021 | 62 | – | 62 |
| 6 | Chengdu Wenjiang project (成都溫江項目) | Chengdu | Galaxy Holding and its associates | Brand and management output | December 2021 | 56 | – | 56 |
| | | | | | | **238** | **-** | **238** |
| **Independent Third Party Property Developers** | | | | | | | | |
| 1 | Rizhao Galaxy iCO (日照星河iCO) | Rizhao | Independent Third Party property developers | Entrusted management | February 2021 | 57 | – | 57 |
| 2 | Xiamen Galaxy COCO Park (廈門星河COCO Park) | Xiamen | Independent Third Party property developers | Sublease | June 2021 | 73 | 29 | 102 |
| 3 | Guangzhou Health Port Galaxy COCO Park (廣州健康港星河COCO Park) | Guangzhou | Independent Third Party property developers | Brand and management output | August 2021 | 116 | – | 116 |
| 4 | Zhanjiang Galaxy COCO City (湛江星河COCO City) | Zhanjiang | Independent Third Party property developers | Brand and management output | December 2021 | 59 | 11 | 70 |
| 5 | Guangzhou Conghua Haiyin Galaxy iCO (廣州從化海音星河iCO) | Guangzhou | Independent Third Party property developers | Brand and management output | December 2021 | 47 | 29 | 76 |
| | | | | | | **352** | **69** | **421** |
| **Total** | | | | | | **590** | **69** | **659** |

The table below sets forth the breakdown of the Group's total contracted GFA and number of commercial properties as at the dates by operational model for the years indicated:

| | As of 31 December 2020 | | Project increase in 2021 | | Project decrease in 2021 | | As of 31 December 2021 | |
|---|---|---|---|---|---|---|---|---|
| | Number of properties | Contracted GFA *(000'sq.m.)* | Number of properties | Contracted GFA *(000'sq.m.)* | Number of properties | Contracted GFA *(000'sq.m.)* | Number of properties | Contracted GFA *(000'sq.m.)* |
| Entrusted management service | 17 | 1,125 | 1 | 57 | – | – | 18 | 1,182 |
| Brand and management output service[1] | 34 | 2,034 | 34 | 500 | (5) | (43) | 63 | 2,491 |
| Sublease service | 2 | 125 | 1 | 102 | – | – | 3 | 227 |
| **Total** | **53** | **3,284** | **36** | **659** | **(5)** | **(43)** | **84** | **3,900** |

*Note:*

(1) As of 31 December 2021, the Group provided brand and management output services to 63 projects, which included 32 consultancy service projects. In 2021, there were 34 new brand and management output services projects, which included 25 consultancy service projects. In 2021, the Group terminated the service contracts in respect of 5 projects, reducing contracted GFA of 43,000 sq.m., 3 of which are consultancy service projects and the remaining 2 are Shenzhen Yinhai Project and Changzhou Galaxy International Phase I Project.

As of 31 December 2021, the Group provided services to 84 commercial property projects (including 32 consultancy service projects), with a contracted GFA of approximately 3.90 million sq.m. (excluding 32 consultancy service projects). The reserve of consultation service projects lays the foundation for the subsequent transformation into sustainable operation projects, and also provides continuous impetus for the stable growth of the Group.

The table below sets forth a breakdown of the Group's total contracted GFA as at the dates, and total revenue from its continuing operations by geographic region for the years indicated:

| | As of/for the year ended December 31, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2021 | | | | 2020 | | | |
| | | contracted GFA | Revenue | | | contracted GFA | Revenue | |
| | No. of properties | sq.m. | RMB | % | No. of properties | sq.m. | RMB | % |
| | (in thousands, except for numbers of properties and percentages) | | | | | | | |
| Greater Bay Area[1] | **57** | **1,587** | **494,707** | **86.5** | 32 | 1,336 | 365,309 | 82.7 |
| – *Shenzhen* | ***21*** | ***845*** | ***423,177*** | ***74.0*** | *17* | *842* | *335,860* | *76.0* |
| Yangtze River Delta[2] | **9** | **531** | **36,784** | **6.4** | 9 | 514 | 40,676 | 9.2 |
| Central China region[3] | **4** | **413** | **10,285** | **1.8** | 4 | 413 | 14,520 | 3.3 |
| Other regions[4] | **14** | **1,369** | **30,433** | **5.3** | 8 | 1,021 | 21,448 | 4.8 |
| Total | **84** | **3,900** | **572,209** | **100.0** | 53 | 3,284 | 441,953 | 100.0 |

*Notes:*

(1) Include Shenzhen, Guangzhou, Zhongshan, Huizhou, Foshan, Zhuhai and Dongguan.

(2) Include Shanghai, Nanjing, Changzhou, Wuxi, Jiaxing and Lianyungang.

(3) Include Nanchang, Enshi and Changsha.

(4) Include Shanwei, Jieyang, Tianjin, Putian, Ordos, Chengdu, Rizhao, Xiamen and Zhanjiang.

The table below sets forth average occupancy rate and GFA in operation of retail commercial property that commenced operation as at 31 December 2021.

| | As at 31 December[1] Average occupancy rate | | As at 31 December 2021 |
|---|---|---|---|
| **Product category** | **2021** | **2020** | **Area of shopping centers in operation** |
| | % | % | *(000' sq.m.)* |
| COCO Park | **98.3** | 96.4 | 208 |
| COCO City and iCO | **92.4** | 92.3 | 939 |
| Others | **95.0** | 96.5 | 218 |
| **Total** | **94.0** | 94.3 | 1,365[2] |

(1) The occupancy rate is based on internal records and is calculated by dividing the actual leased area of retail commercial properties at the end of each relevant period by the available leased area. The occupancy rate is only applicable to retail commercial properties that the Group has provided tenant solicitation services, and the occupancy rate may fluctuate in different periods within a year.

(2) The area excludes car parking.

## Projects in Operation

The table below sets forth the opened retail commercial property projects of the Group during the year ended 31 December 2021:

| | Commercial property | Location | Opening date *(Month-Year)* | Shopping Mall *(sq.m.)* | Car Park *(sq.m.)* | Total GFA in operation *(sq.m.)* | Operational model | Property owner |
|---|---|---|---|---|---|---|---|---|
| 1. | Shenzhen Futian Galaxy COCO Park (North) (深圳福田星河COCO Park(北區)) | Shenzhen | September 2006 | 45,987 | 21,658 | 67,645 | Entrusted management service | Galaxy Holding and its associates |
| 2. | Shenzhen Galaxy Top Living (深圳星河第三空間) | Shenzhen | May 2007 | 27,988 | – | 27,988 | Entrusted management service | Galaxy Holding and its associates |
| 3. | Shenzhen Longgang Galaxy COCO Park (深圳龍崗星河COCO Park) | Shenzhen | September 2012 | 79,506 | 94,871 | 174,377 | Entrusted management service | Galaxy Holding and its associates |
| 4. | Shenzhen Longhua Galaxy COCO City (深圳龍華星河COCO City) | Shenzhen | November 2014 | 45,182 | 123,222 | 168,404 | Entrusted management service | Galaxy Holding and its associates |
| 5. | Shenzhen Galaxy WORLD • COCO Park (深圳星河WORLD • COCO Park) | Shenzhen | September 2018 | 39,721 | – | 39,721 | Entrusted management service | Galaxy Holding and its associates |
| 6. | Shenzhen Galaxy Center (深圳星河中心) | Shenzhen | April 2008 | 72,605 | – | 72,605 | Brand and management output service | Galaxy Holding and its associates |
| 7. | Shenzhen Longhua Galaxy iCO (深圳龍華星河iCO) | Shenzhen | December 2015 | 54,037 | – | 54,037 | Brand and management output service | Independent Third Party property developers |
| 8. | Changzhou Galaxy International Phase III Project (常州星河國際三期項目) | Changzhou | August 2016 | 16,990 | – | 16,990 | Brand and management output service | Galaxy Holding and its associates |
| 9. | Guangzhou Nansha Jinzhou Galaxy COCO Garden (廣州南沙金洲星河COCO Garden) | Guangzhou | October 2016 | 10,812 | – | 10,812 | Brand and management output service | Galaxy Holding and its associates |
| 10. | Huizhou Galaxy COCO Garden (惠州星河COCO Garden) | Huizhou | September 2017 | 32,899 | 9,135 | 42,034 | Brand and management output service | Galaxy Holding and its associates |
| 11. | Puning Galaxy COCO City (普寧星河COCO City) | Jieyang | October 2017 | 284,100 | – | 284,100 | Brand and management output service | Independent Third Party property developers |
| 12. | Ordos Galaxy COCO City (鄂爾多斯星河COCO City) | Ordos | October 2017 | 129,795 | – | 129,795 | Brand and management output service | Independent Third Party property developers |
| 13. | Shanwei Galaxy COCO City (汕尾星河COCO City) | Shanwei | February 2018 | 74,800 | 65,000 | 139,800 | Brand and management output service | Independent Third Party property developers |
| 14. | Shenzhen Longgang Galaxy iCO (深圳龍崗星河iCO) | Shenzhen | December 2018 | 33,370 | – | 33,370 | Brand and management output service | Independent Third Party property developers |

| | Commercial property | Location | Opening date | Shopping Mall | Car Park | Total GFA in operation | Operational model | Property owner |
|---|---|---|---|---|---|---|---|---|
| | | | *(Month-Year)* | *(sq.m.)* | *(sq.m.)* | *(sq.m.)* | | |
| 15. | Shenzhen Smart-Convergence Galaxy COCO Garden (深圳智薈星河COCO Garden) | Shenzhen | June 2019 | 19,930 | – | 19,930 | Brand and management output service | Galaxy Holding and its associates |
| 16. | Changzhou Wujin Hutang Galaxy COCO City (常州武進湖塘星河COCO City) | Changzhou | August 2016 | 43,632 | – | 43,632 | Sublease service | Galaxy Holding and its associates |
| 17. | Shenzhen Futian Galaxy COCO Park (South) (深圳福田星河COCO Park(南區)) | Shenzhen | July 2020 | 43,239 | – | 43,239 | Entrusted management service | Galaxy Holding and its associates |
| 18. | Shenzhen Shajing Galaxy COCO Garden (深圳沙井星河COCO Garden) | Shenzhen | August 2020 | 8,557 | – | 8,557 | Brand and management output service | Galaxy Holding and its associates |
| 19. | Shenzhen Galaxy Legend Project (深圳星河傳奇項目) | Shenzhen | August 2020 | 17,316 | – | 17,316 | Entrusted management services | Galaxy Holding and its associates |
| 20. | Zhongshan Tianyi Galaxy COCO City (中山天奕星河COCO City) | Zhongshan | November 2020 | 80,909 | 66,000 | 146,909 | Brand and management output service | Independent Third Party property developers |
| 21. | Ningxiang Galaxy COCO City (寧鄉星河COCO City) | Changsha | January 2021 | 110,000 | 60,000 | 170,000 | Brand and management output service | Independent Third Party property developers |
| 22. | Dongguan Galaxy COCO Garden (東莞星河COCO Garden) | Dongguan | October 2021 | 10,901 | – | 10,901 | Brand and management output service | Galaxy Holding and its associates |
| 23. | Nanchang Boneng Galaxy iCO (南昌博能星河iCO) | Nanchang | September 2021 | 23,987 | – | 23,987 | Entrusted management service | Independent Third Party property developers |
| 24. | Zhanjiang Galaxy COCO City (湛江星河COCO City) | Zhanjiang | December 2021 | 66,000 | 146,909 | 212,909 | Brand and management output service | Independent Third Party property developers |
| | Total | | | **1,365,416** | **450,575** | **1,815,990** | | |

## WORK PLAN FOR 2022

In 2022, the Group will be establishing a work approach, i.e., "to secure quality in a cost-effective manner, to promote stability with high quality, to seek expansion while maintaining stability" (以省保定，以定促穩，穩中求進), pursuant to which, the Group will focus on the improvement of quality and efficiency, and seek expansion while maintaining stable operation in order to achieve the sustainable and healthy development of the Group. As such, the core focus of the Group in 2022 will be on the following four aspects:

### I. To expand in a focused and orderly manner on the premise of ensuring quality in order to promote large-scale expansion of the Group.

Economic development, population and spending power are the key factors that determine the success of a business. To continually adhere to the strategy of "deepening the development of the Greater Bay Area, developing the Yangtze River Delta and expanding into the central and western regions", the Group has sorted out 8 first-tier cities and 28 second-tier cities. The Group will focus on the core cities in the first-tier and second-tier cities as its targets for project expansion.

For cities other than the first-tier and second-tier cities at a lower administrative level but with a high potential, the Group will seek cooperation with local projects with unique location advantages as appropriate to seize market opportunities in a rapid and precise manner. Through forward-looking positioning, tenant sourcing and operation, the Group is expected to develop local projects with first-mover advantages and influence.

Meanwhile, we will identify more partners, especially those with major premium customers, and enter into strategic cooperation with established resource platforms, to ensure the target of new contracted areas of no less than 700,000 sq.m. could be achieved during the year.

### II. To conduct professional win-win collaborations to ensure high-quality opening of projects in preparation.

In 2022, the Group plans to host the grand openings of 8 projects. For such purpose, the Group has established a dedicated team responsible for opening-related matters to secure the opening of the projects in preparation as scheduled.

Starting with preliminary services such as project positioning, design consultation and engineering consultation, the Group targets to maintain the novelty of project design and the rationality of engineering layout from the source and lay a foundation for the improvement of subsequent operation efficiency. Meanwhile, the Group continues to adhere to the strategy of "one policy for one store". It will keep pace with the times and identify new popular trends to ensure project positioning remains innovative and consider surrounding market environment from the perspective of consumers to improve the accuracy of project positioning. Based on the preliminary positioning, the Group will carry out precise tenant sourcing, and eventually achieve the high-quality opening of the projects in preparation.

**III. To enhance tenant sourcing and operation capabilities and develop the core competitiveness of the Group.**

Tenant sourcing and operation are the core competitiveness of a business management company. In a performance-based manner, the Group is committed to developing shopping centers with "Four Highs", i.e., high occupancy, high sales growth, high quality and high customer flow.

1. High occupancy: In 2022, the Group will implement a hierarchical mechanism for tenant sourcing and realize the brand mechanism of cross-region collaboration and multi-project interaction, and further identify first store and strategic partners to achieve the target occupancy rate of no less than 95%.

2. High sales growth: In 2022, the Group will improve the repurchase and sales ratio of members through continuous membership operation, establish a sales support scheme for commercial tenants on individual basis to promote the stable increase in same-store sales and develop a batch of stores with annual sales exceeding RMB10 million or 100 million to achieve a win-win outcome with commercial tenants.

3. High quality: The Group will develop 1 to 2 distinctive features concerning environment, service, etc. for each project to improve the quality and attractiveness of its projects.

4. High customer flow: The Group will also design and carry out large-scale marketing campaigns with characteristic, influence and sales transformation to meet the increasingly personalized and differentiated needs of consumers, and boost customer flow and sales.

**IV. To explore, innovate and keep up with the development trend of consumption and business.**

"Seeking continuous change" is the core of business and consumption. In 2022, the Group will have enhanced requirements for the innovation of consumption modes, the exploration of community business and the diversity of cooperation models.

Firstly with the rise of Generation Z and the advent of the post-pandemic era, the Group will be open to explore innovative scenarios of leisure, entertainment, experience and social contact, in order to meet the trend and develop shopping malls that continuously carry the "good aspirations of consumers" and "expressions of business brands".

Secondly, the Group has established a special taskforce for community business pilot projects and aims to promote the exploration and implementation of community business model in 2022. Different from large shopping malls, the community business will put more focuses on the demand of consumers for timeliness and convenience. Through more accurate customer profiling, the Group will strive to achieve accurate business positioning and efficient business operation in each community and obtain good business returns.

Finally, flexibility, diversity and win-win cooperation are the Group's long-term goals. In 2022, considering the changes in the external market environment, the Group will actively seek a variety of cooperation models, including but not limited to mergers and acquisitions, operation cooperation and small-scale investment, to expand the scope for business development and sources for profit growth.

All in all, as mentioned above, in 2022, the Group will develop a batch of benchmarking projects with strong influence in the regions or cities where such projects are located, and ultimately form a healthy project development process - "reserve, sign, open and success" through the gradual implementation of the aforesaid measures. Besides, the Group will continue to explore and innovate and remain sensitive to new consumption, new trends and new opportunities, thereby injecting more vitality into the long-term development of the Company.

## FINANCIAL REVIEW

### Revenue

During the year ended 31 December 2021, the Group's revenue amounted to approximately RMB572.2 million, representing a year-on-year increase of approximately 29.5%, which was primarily due to (i) the projects represented by Shenzhen Futian Galaxy COCO Park (South) (深圳福田星河COCO Park (南區)) have seen significant revenue growth after opening due to the outstanding operation performance; and (ii) the increase in revenue from positioning, construction consultancy and tenant sourcing services provided due to the significant increase in number of proposed projects and preliminary consultation projects of the Group.

The table below sets forth the breakdown of the Group's total revenue by revenue model for the years indicated:

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | **2021** | | 2020 | |
| | ***RMB'000*** | *%* | *RMB'000* | *%* |
| **Entrusted management services** | **351,650** | **61.5** | 308,821 | 69.9 |
| **Brand and management output services** | **198,495** | **34.7** | 113,920 | 25.8 |
| **Sublease services** | **22,064** | **3.8** | 19,212 | 4.3 |
| **Total** | **572,209** | **100.0** | 441,953 | 100.0 |

- Entrusted management services: For the year ended 31 December 2021, revenue from entrusted management services amounted to approximately RMB351.7 million, representing a year-on-year increase of approximately 13.9%, accounted for approximately 61.5% of the Group's total revenue. The revenue from entrusted management service was increased due to the outstanding operation performance of projects opened in recent years, such as Shenzhen Futian Galaxy COCO Park (South) (深圳福田星河COCO Park (南區)) opened in July 2020.

- Brand and management output services: For the year ended 31 December 2021, revenue from brand and management output services amounted to approximately RMB198.5 million, representing a year-on-year increase of approximately 74.2% , accounted for approximately 34.7% of the Group's total revenue. The increase in revenue from brand and management output services was primarily attributable to the increase in revenue from positioning, construction consultancy and tenant sourcing services provided due to the significant increase in number of proposed projects and preliminary consultation projects of the Group.

- Sublease services: For the year ended 31 December 2021, revenue from sublease services amounted to approximately RMB22.1 million, representing a year-on-year increase of approximately 14.8%, accounted for approximately 3.8% of the Group's total revenue. The increase in revenue from sublease services was mainly because the average rent increased pursuant to the lease agreements with certain tenants and as a result of the Group's adjustments of tenant mix, and the negative effect caused by the waiver of partial rents to assist the Group's tenants to fight against the COVID-19 pandemic in 2020 was eliminated.

**Cost of Services**

For the year ended 31 December 2021, the Group's cost of services amounted to approximately RMB241.8 million, representing a year-on-year increase of approximately 25.1%, primarily attributable to the increase in staff cost due to the Group's business expansion.

**Gross Profit and Gross Profit Margin**

As a result of the foregoing, for the year ended 31 December 2021, the Group's gross profit amounted to approximately RMB330.4 million, representing a year-on-year increase of approximately 32.9%.

The table below sets forth the revenue contribution by each operational model for the Group's commercial property operational services and the respective gross profit margins for the years indicated:

| | **Year ended 31 December** | | | |
|---|---|---|---|---|
| | **2021** | | 2020 | |
| | ***Gross profit*** | ***Gross profit margin*** | *Gross profit* | *Gross profit margin* |
| | ***RMB'000*** | ***%*** | *RMB'000* | *%* |
| Entrusted management services | **172,559** | **49.1** | 155,262 | 50.3 |
| Brand and management output services | **148,820** | **75.0** | 85,644 | 75.2 |
| Sublease services | **9,053** | **41.0** | 7,729 | 40.2 |
| Total/Overall | **330,432** | **57.7** | 248,635 | 56.3 |

For the year ended 31 December 2021, the Group's gross profit margin amounted to 57.7%, representing an increase of approximately 1.4 percentage point as compared with 56.3% for the year ended 31 December 2020, primarily attributable to the larger revenue contribution from brand and management output services with relatively higher gross profit margin for the year ended 31 December 2021, and gross profit margin under each model maintained relatively stable.

**Other Income**

For the year ended 31 December 2021, other income amounted to approximately RMB31.1 million, representing a year-on-year increase of approximately 168.9%, primarily attributable to the increased bank interest income as a result of the increase in the average balance of deposits in banks.

**Other Gains and Losses**

For the year ended 31 December 2021, other losses amounted to approximately RMB5.1 million, mainly represents foreign currency exchange losses.

**Impairment Losses under Expected Credit Loss Model, Net of Reversal**

For the year ended 31 December 2021, the Group's impairment losses under expected credit loss model, net of reversal amounted to approximately RMB10.3 million, representing a year-on-year increase of approximately 181.9%, primarily attributable to the increase in the provision for expected credit loss in some projects by the Group given that the increased liquidity risk in real estate industry.

### Selling Expenses

For the year ended 31 December 2021, the Group's selling expenses amounted to approximately RMB8.5 million, representing a year-on-year increase of approximately of 49.5%, primarily due to the increase in brand-building activities as a result of the recovery from the COVID-19 pandemic and the strengthening of promotion efforts for the brands after listing.

### Administrative Expenses

For the year ended 31 December 2021, the Group's administrative expenses amounted to approximately RMB71.1 million, representing a year-on-year increase of approximately 25.3%, primarily due to the increase in staff costs and daily administrative activities as a result of the recovery from the COVID-19 pandemic and the increase in compliance advisor fee after listing.

### Finance Costs

The Group's finance costs were interest expense on lease liabilities. For the year ended 31 December 2021, the Group's finance costs amounted to approximately RMB3.9 million, representing a year-on-year decrease of approximately of 6.7%, primarily attributable to the continuous repayment of lease liabilities.

### Income Tax Expenses

For the year ended 31 December 2021, the Group's income tax expenses amounted to approximately RMB68.5 million, representing a year-on-year increase of approximately of 44.0%. This increase was primarily attributable to the increase in profit before tax.

### Profit for the year

For the year ended 31 December 2021, the Group's profit for the year was approximately RMB183.9 million, representing an increase of approximately 44.2% as compared with the profit for the year of approximately RMB127.6 million for the year ended 31 December 2020. For the year ended 31 December 2021, the Group's profit for the year attributable to the owners of the Company was approximately RMB184.9 million. The profit for the year attributable to the owners of the Company increased by approximately 45.8% as compared with the profit for the year of approximately RMB126.8 million for the year ended 31 December 2020.

**Trade and other receivables**

The Group's trade and other receivables primarily arise from commercial property operational services within the shopping centers, shopping streets and commercial complexes. As at 31 December 2021, the Group's current portion of trade and other receivables were approximately RMB45.8 million, representing an increase of approximately 25.2% as compared with that of approximately RMB36.6 million as at 31 December 2020, primarily attributable to the increase in both prepaid rent of subleased projects and rental deposits.

**Financial assets at fair value through profit or loss**

The Group's financial assets at fair value through profit or loss were approximately RMB2.0 million, representing a decrease of approximately 98.9% as compared with that of approximately RMB187.9 million as at 31 December 2020, primarily attributable to the redemption of the previously purchased structured bank deposit on maturity during the year ended 31 December 2021.

**Trade and other payables**

The Group's trade and other payables primarily represent amounts due to suppliers/ subcontractors as well as related parties for the purchase of services and goods, receipts on behalf of tenants, deposits received from tenants, payroll payables and accrued listing expenses and others. As at 31 December 2021, the Group's trade and other payables amounted to approximately RMB172.0 million, remaining relatively stable as compared with approximately RMB170.2 million as at 31 December 2020.

**Charge of Assets**

As of 31 December 2021, none of the assets of the Group were being charged.

**Contingent liabilities**

As of 31 December 2021, the Group did not have any contingent liabilities.

**Liquidity and capital resources**

The Company has maintained stable financial position and sufficient liquidity and bank balances. As at 31 December 2021, the Group's cash and cash equivalents amounted to approximately RMB446.3 million, representing an increase of approximately 215.1% as compared with approximately RMB141.7 million as at 31 December 2020. This was primarily attributable to the increase in the cash and cash equivalents as a result of the Net Proceeds (defined below) and proceeds from operation of the Group for the year ended 31 December 2021, partly offset by the utilization of some idle funds for the purchase of short-term bank deposits. The management believes that the Group's financial resources and future revenue will be sufficient to support the current working capital requirement and future expansion of the Group.

**Gearing ratio**

Gearing ratio is calculated based on total liabilities as at 31 December 2021 divided by total assets as at 31 December 2021. As at 31 December 2021, gearing ratio was 20.5%, representing a substantial decrease as compared with 63.0% as at 31 December 2020. This was primarily attributable to increase in equity as a result of the new issue of Shares in connection with the Listing and revenue from the operation during the year ended 31 December 2021. The Group did not have any bank loans as at 31 December 2021.

**Foreign exchange risk**

The Group primarily operates in the PRC and its businesses are principally conducted in RMB. As at 31 December 2021, assets and liabilities denominated in currencies other than RMB were mainly cash and cash equivalents dominated in Hong Kong dollars or United States dollars. The Group did not enter into any forward exchange contract to hedge against foreign exchange risk, but the management will continue to monitor foreign exchange risk and adopt a prudent approach to reduce the foreign exchange risk.

**Net Proceeds from the Listing and Over-allotment**

The Shares were listed on the Stock Exchange on 26 January 2021 following the completion of issue of 250,000,000 new Shares at the offer price of HK$3.86 per Share.

On 18 February 2021, the Over-allotment Option (as defined in the prospectus of the Company dated 14 January 2021, the "**Prospectus**") was partially exercised by the international underwriters of the Global Offering (as defined in the Prospectus) pursuant to which the Company was required to allot and issue an aggregate of 20,640,000 Shares (the "**Over-allotment**"), at the price of HK$3.86 per Share.

The net proceeds from the Listing was approximately RMB777.0 million and the additional net proceeds received by the Company from the Over-allotment was approximately RMB64.8 million (collectively, the "**Net Proceeds**").

The Company intends to use the Net Proceeds for the purposes as set out in the Prospectus. As of 31 December 2021, an analysis of the utilisation of Net Proceeds is as follows:

| Proposed use of Net Proceeds as set out in the Prospectus | Approximate % of Net Proceeds | Net Proceeds | Utilised Net Proceeds as of 31 December 2021 | Unutilised Net Proceeds as of 31 December 2021 | Expected time of full utilisation |
|---|---|---|---|---|---|
| | | *(RMB million)* | *(RMB million)* | | |
| To pursue strategic acquisition of and investment in other small to mid-sized commercial property operational service providers in order to scale up its commercial property operational service business and expand its commercial property operational service portfolio | 55% | 463.0 | – | 463.0 | by end of 31 December 2024 |
| For renovation of retail commercial properties under the sublease service model | 20% | 168.4 | 17.1 | 151.3 | by end of 31 December 2024 |
| To make minority equity investment in the project companies which own quality commercial properties | 10% | 84.2 | 24.0 | 60.2 | by end of 31 December 2024 |
| To upgrade internet-based and information systems to raise its management service quality, reduce labour costs and improve internal control | 5% | 42.0 | 2.4 | 39.6 | by end of 31 December 2024 |
| For general business purpose and working capital | 10% | 84.2 | 84.2 | – | – |
| Total | 100% | 841.8 | 127.7 | 714.1 | |

## NUMBER OF EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the total number of employees of the Group was 436 (2020: 387). Employees are remunerated according to their qualifications and experience, job nature and performance, and under the pay scales aligned with market conditions. Other benefits to employees include medical scheme, insurance coverage, retirement schemes, share option scheme and award of restricted share units under the restricted share unit scheme adopted by the Company on 4 November 2021.

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Company did not have other plans for material investments or capital assets as at the date of this announcement.

## SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

### 1. Discloseable transaction – acquisition of right-of-use asset in relation to a lease agreement

On 28 June 2021, Shenzhen Galaxy Commercial Property Group Co., Ltd.* (深圳市星河商置集團有限公司) (the "**Lessee**", an indirect wholly-owned subsidiary of the Company) entered into a lease agreement (the "**Lease Agreement**") with Xiamen Special Economic Zone Real Estate Development Group Co., Ltd.* (廈門經濟特區房地產開發集團有限公司) (the "**Lessor**"), in respect of the lease of the lower ground floor Level 1 and upper ground floor Level 1 to Level 5 of Tefang Boteman Fortune Plaza, Siming District, Xiamen City, Fujian Province, PRC (including certain car park spaces, outdoor and rooftop spaces and exterior facade advertisement spaces) (the "**Premises**") for a term of twenty (20) years commencing on the delivery date for the commercial property operational services business of the Group. The aggregated rental payment under the Lease Agreement is approximately RMB444.6 million (inclusive of VAT). The aggregated management and other miscellaneous fees under the Lease Agreement is approximately RMB75.3 million (inclusive of VAT).

The entering of the Lease Agreement constitutes a discloseable transaction of the Company under the Listing Rules. Details of the Lease Agreement are set out the announcement of the Company dated 28 June 2021.

### 2. Discloseable transaction – formation of joint venture company in relation to the Lease Agreement

As stipulated in the Lease Agreement, a joint venture company shall be formed to take over the Lease Agreement for provision of commercial property operational services in relation to the Premises. On 15 July 2021, the Lessee and Shennan United (Xiamen) Industrial Investment Co., Ltd.* (深南聯合(廈門)產業投資有限公司) (the "**JV Partner**") entered into a joint venture agreement (the "**1st Joint Venture Agreement**") in relation to the formation of a joint venture company, Xingsheng Shennan (Xiamen) Business Management Co., Ltd.* (星盛深南(廈門)商業管理有限公司) ("**Xingsheng Shennan**"). Pursuant to the terms of the 1st Joint Venture Agreement, the Lessee and the JV Partner shall contribute RMB70.0 million and RMB30.0 million, respectively, to Xingsheng Shennan.

The Joint Venture Agreement, when aggregated with the Lease Agreement, constitutes a discloseable transaction of the Company. Details of the 1st Joint Venture Agreement are set out in the announcement of the Company dated 15 July 2021.

As at the date of this announcement, establishment of Xingsheng Shennan has been completed and it is a non-wholly owned subsidiary of the Group, owned as to 70% by the Lessee and 30% by the JV Partner. The financial results of Xingsheng Shennan have been consolidated into the Group's consolidated financial statements. On 12 October 2021, a supplemental agreement has been entered into among the Lessor, the Lessee and Xingsheng Shennan, pursuant to which the Lessee shall assign and novate all its rights and obligations under the Lease Agreement to Xingsheng Shennan.

**3. Discloseable transaction – formation of joint venture company**

On 28 July 2021, Guangzhou Xingtong Commercial Property Co., Ltd.* (廣州市星通商用置業有限公司) ("**Guangzhou Xingtong**", an indirectly wholly-owned subsidiary of the Company) and Guangzhou International Pharmaceutical Port Health City Management Co., Ltd. (廣州國際醫藥港健康城管理有限公司) ("**Guangzhou Health City Management**") entered into a joint venture agreement (the "**2nd Joint Venture Agreement**"), pursuant to which, the parties agreed to establish a limited liability company, Guangzhou Kaixing Business Management Co., Ltd. (廣州凱星商業管理有限公司) ("**Guangzhou Kaixing**"), in Guangzhou, PRC to provide commercial property operational services in relation to the Guangzhou International Pharmaceutical Port Shopping Center (the "**Project Property**"). The registered capital of Guangzhou Kaixing is RMB30.0 million, of which, Guangzhou Health City Management and Guangzhou Xingtong will contribute RMB21.0 million and RMB9.0 million respectively. In addition, Guangzhou Health City Management and Guangzhou Xingtong will provide shareholders' loans of RMB70.0 million and RMB30.0 million to Guangzhou Kaixing, respectively.

The 2nd Joint Venture Agreement constitutes a discloseable transaction of the Company under the Listing Rules. Details of the 2nd Joint Venture Agreement are set out in the announcement of the Company dated 28 July 2021.

As at the date of this announcement, establishment of Guangzhou Kaixing has been completed. On 18 August 2021, a lease agreement has been entered into between the Guangzhou Kaixing and Guangdong Guangzhou International Yiyaogang Co., Ltd.* (廣東省廣州國際醫藥港有限公司) (the developer and owner of the Project Property, and holds the entire interest of Guangzhou Health City Management), pursuant to which the Guangzhou Kaixing shall lease the Project Property for a duration of 15 years. On 18 August 2021, a management agreement has also been entered into between Guangzhou Kaixing and Guangzhou Xingtong in relation to the provision of the commercial property operational services by Guangzhou Xingtong in respect of the Project Property.

As at 31 December 2021, save as disclosed above and the right-of-use assets recognised as investment properties in accordance with HKFRS 16 in respect of various lease agreements (details of which are set out in the Prospectus), the Company has no other significant investments or significant acquisitions, and has no disposal of subsidiaries, associates and joint ventures during the year ended 31 December 2021.

## SUBSEQUENT EVENTS

After the year ended 31 December 2021 and up to the date of this announcement, the Group had no significant events occurred which have material impact on the performance and the value of the Group.

## ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Friday, 10 June 2022 (the "**AGM**"). A circular containing the notice of the AGM and information regarding, inter alia, the re-election of the retiring Directors and the granting of the general mandates to the Directors to issue new shares and to repurchase shares will be published and despatched to the shareholders of the Company in due course.

## CLOSURE OF REGISTER OF MEMBERS

### (a) Attending the AGM

The register of members of the Company will be closed from Tuesday, 7 June 2022 to Friday, 10 June 2022, both days inclusive, during which period no transfer of shares of the Company will be registered. For the purpose of determining the entitlement to attend and vote at the AGM, all transfer document accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 6 June 2022.

**(b) Payment of the proposed final dividend**

The register of members of the Company will be closed from Thursday, 16 June 2022 to Friday, 17 June 2022, both days inclusive, during which period no transfer of shares of the Company will be registered. For the purpose of determining the entitlement to the proposed final dividend for the year ended 31 December 2021, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 15 June 2022. It is expected that the proposed final dividend will be paid on or around Friday, 8 July 2022 to those shareholders of the Company whose names appear on the register of members of the Company at the close of business on Friday, 17 June 2022.

## COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as the code for dealing in securities of the Company by the Directors. Having made specific enquiry by the Company to all the Directors, the Directors confirmed that they were in compliance with the required standard as set out in the Model Code since the Listing Date and up to 31 December 2021.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

By the shareholders' resolution passed by the shareholder of the Company at the annual general meeting of the Company held on 4 June 2021, the Directors were granted a general mandate to buy back up to 102,064,000 Shares, representing 10% of the total number of issued Shares as at 4 June 2021.

Since the Listing Date and up to 31 December 2021, the Company had repurchased a total of 601,000 Shares on the Stock Exchange for an aggregate consideration of approximately HK$2.44 million excluding expenses. The above-mentioned repurchased Shares were cancelled on 15 October 2021. The Company considered the repurchases could enhance the net asset value per Share and earnings per Share, therefore, the repurchases were in the best interest of the Company and its shareholders as a whole.

Details of the Shares repurchased during the year ended 31 December 2021 are as follows:

| Date of repurchases | No. of ordinary shares | Highest price paid per share *(HK$)* | Lowest price paid per share *(HK$)* | Aggregate Consideration *(HK$)* |
|---|---|---|---|---|
| 27 August 2021 | 200,000 | 4.01 | 3.89 | 793,500 |
| 30 August 2021 | 201,000 | 4.15 | 3.97 | 814,780 |
| 31 August 2021 | 200,000 | 4.20 | 4.12 | 832,000 |
| | 601,000 | | | 2,440,280 |

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the from the Listing Date and up to 31 December 2021.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standard of corporate governance practices and procedures and complying with the statutory and regulatory requirements with an aim to maximising the values and interests of the shareholders of the Company as well as enhancing the transparency and accountability to the stakeholders.

Since the Listing Date and up to 31 December 2021, the Directors are of the view that the Company had complied with all applicable code provisions contained in Appendix 14 of the Listing Rules in force during the year ended 31 December 2021 and as at 31 December 2021. Further information about the corporate governance practices of the Company will be set out in the annual report of the Company for the year ended 31 December 2021.

## REVIEW OF ANNUAL RESULTS

The audit committee of the Company has reviewed with the management and the Company's auditor the accounting principles and practices adopted by the Group and discussed auditing, financial reporting process and internal control matters including a review of the annual results of the Group for the year ended 31 December 2021.

## SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

## PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) as well as the website of the Company (www.g-cre.com).

The annual report of the Company for the year ended 31 December 2021 will be despatched to the shareholders of the Company and made available on the websites of the Stock Exchange and the Company in due course.

## APPRECIATION

I would like to take this opportunity to express my appreciation to the shareholders of the Company for their support, to the fellow Board members, management and staff for their dedicated efforts to the Group and to its clients, consultants and business partners for all their valuable assistance offered during the year.

On behalf of
Board of Directors of
**E-Star Commercial Management Company Limited**
**Huang De-Lin Benny**
*Chairman and executive Director*

Hong Kong, 30 March 2022

*As at the date of this announcement, the Board comprises Mr. Huang De-Lin Benny, Mr. Tao Muming, Mr. Niu Lin and Ms. Wen Yi as executive Directors; Mr. Guo Limin and Mr. Huang De'An Tony as non-executive Directors; and Mr. Zhang Liqing, Mr. Guo Zengli and Mr. Tse Yat Hong as independent non-executive Directors.*

* *for identification purpose only*