星盛商業
E-STAR COMMERCIAL

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)

(1) INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022 AND (2) CHANGE IN USE OF PROCEEDS FROM THE GLOBAL OFFERING

SUMMARY OF RESULTS

- Revenue of the Group for the six months ended 30 June 2022 amounted to approximately RMB259.6 million, representing a period-on-period increase of approximately 0.8%.

- Gross profit of the Group for the six months ended 30 June 2022 amounted to approximately RMB149.7 million, representing a period-on-period increase of approximately 2.6%. Gross profit margin increased to approximately 57.7% from approximately 56.7% of the corresponding period in 2021.

- Profit attributable to the owners of the Company for the six months ended 30 June 2022 amounted to approximately RMB96.1 million, representing a period-on-period increase of approximately 15.7%.

- As at 30 June 2022, the contracted GFA of the Group's commercial operational services amounted to approximately 4.2 million sq.m. (approximately 65.3% of which are developed or owned by independent third party). As at 30 June 2022, the GFA in operation of the Group's commercial operational services amounted to approximately 1.9 million sq.m..

- The Board recommended the payment of an interim dividend of HK$0.035 per ordinary share for the six months ended 30 June 2022.

(1) INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of E-Star Commercial Management Company Limited (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2022, together with comparative figures for the corresponding period in 2021, as follows.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2022	2021
		RMB'000	*RMB'000*
	Notes	**(Unaudited)**	(Unaudited)
Revenue	*3*	**259,586**	257,411
Cost of services		**(109,856)**	(111,471)
Gross profit		**149,730**	145,940
Other income		**19,315**	11,234
Other gains and losses		**9,757**	(413)
Impairment losses under expected credit loss model, net of reversal		**(5,173)**	(3,897)
Selling expenses		**(1,597)**	(2,792)
Administrative expenses		**(28,102)**	(26,191)
Finance costs		**(4,633)**	(1,993)
Listing expenses		**–**	(8,281)
Share of result of a joint venture		**(10,047)**	–
Profit before tax		**129,250**	113,607
Income tax expense	*4*	**(34,841)**	(31,084)
Profit and total comprehensive income for the period	*5*	**94,409**	82,523
Profit for the period attributable to:			
– Owners of the Company		**96,089**	83,065
– Non-controlling interests		**(1,680)**	(542)
		94,409	82,523
Earnings per share			
– Basic *(RMB cents)*	*7*	**9.43**	8.47

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Non-current assets			
Property and equipment	*8*	**2,844**	4,469
Investment properties	*8*	**657,537**	47,524
Rental deposits	*9*	**5,542**	5,542
Deposits paid for acquisition of property and equipment		**35,966**	16,546
Finance lease receivables		**6,350**	6,646
Deferred tax assets		**10,912**	9,279
Interest in a joint venture		**–**	7,023
Loan to a joint venture		**11,976**	15,000
		731,127	112,029
Current assets			
Finance lease receivables		**572**	542
Trade and other receivables	*9*	**59,054**	45,837
Financial assets at fair value through profit or loss ("**FVTPL**")		**1,990**	1,990
Amounts due from related parties		**1,151**	1,387
Restricted bank balance		**5,000**	10,000
Short-term bank deposit		**680,885**	814,212
Bank balances and cash		**630,018**	446,349
		1,378,670	1,320,317
Current liabilities			
Trade and other payables	*10*	**135,048**	171,953
Lease liabilities		**3,889**	5,373
Contract liabilities		**22,008**	11,378
Amounts due to related parties		**897**	1,069
Tax payable		**29,494**	40,570
Dividend payable		**87,233**	–
		278,569	230,343
Net current assets		**1,100,101**	1,089,974
Total assets less current liabilities		**1,831,228**	1,202,003

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	Note	**30 June 2022** *RMB'000* **(Unaudited)**	31 December 2021 *RMB'000* (Audited)
Capital and reserves			
Share capital	*11*	**8,533**	8,533
Reserves		**1,120,107**	1,112,615
Equity attributable to owners of the company		**1,128,640**	1,121,148
Non-controlling interests		**30,821**	17,501
Total equity		**1,159,461**	1,138,649
Non-current liabilities			
Deferred tax liabilities		**1,006**	–
Lease liabilities		**670,761**	63,354
		671,767	63,354
		1,831,228	1,202,003

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND BASIS OF PREPARATION

E-Star Commercial Management Company Limited (the "**Company**") was incorporated as an exempted company with limited liability in the Cayman Islands on 13 September 2019 and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 26 January 2021.

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements 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.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2021.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatory effective for the Group's annual period beginning on or after 1 January 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

The Group generates revenue primarily from provision of commercial operational services to either owners or tenants of the commercial properties in the People's Republic of China (the "PRC") under three commercial operational models as described below:

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

Revenue

Revenue from commercial property operational services by type of operational model

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Entrusted management services	**188,802**	170,996
Brand and management output services	**58,807**	74,015
Sublease services	**11,977**	12,400
	259,586	257,411
Comprise of:		
– Revenue from contracts with customers	**252,804**	249,629
– Revenue from leases	**6,782**	7,782
	259,586	257,411

Revenue (continued)

Revenue from commercial property operational services by type of operational model (continued)

Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Commercial property operational services:		
– Market positioning, design and construction consultancy and tenant sourcing services	**38,716**	47,826
– Operational management services	**175,737**	162,475
– Value-added services *(note)*	**38,351**	39,328
	252,804	249,629
Timing of revenue recognition:		
– Over time	**245,830**	245,695
– A point in time	**6,974**	3,934
	252,804	249,629
Type of customers:		
– Property owners	**107,224**	104,122
– Tenants and other customers	**145,580**	145,507
	252,804	249,629

The Group acts as a principal for all of the services rendered except for certain portion of revenue generated from value-added services.

Note: Included in the value-added services, there is an amount of RMB297,000 (six months ended 30 June 2021: RMB373,000) where the Group acts as an agent.

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).

4. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax:		
PRC Enterprise Income Tax ("EIT")	**35,468**	32,111
Deferred tax	**(627)**	(1,027)
	34,841	31,084

5. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period is arrived at after charging (crediting):		
Staff costs (including directors' emoluments)		
– Salaries and other benefits	**68,955**	67,790
– Retirement benefit scheme contributions	**4,598**	4,361
Total staff costs	**73,553**	72,151
Depreciation of property and equipment	**1,984**	2,008
Depreciation of investment properties	**4,174**	1,615
	6,158	3,623
Gross rental income from investment properties	**6,782**	7,782
Less: direct operating expenses incurred for investment properties during the period	**(2,371)**	(2,519)
	4,411	5,263

6. DIVIDENDS

Dividends recognised as distribution during the period:

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
2021 final dividend of HK10 cents per share	**87,065**	–
2020 final dividend of HK4.5 cents per share	**–**	37,930
2020 final special dividend of HK1.5 cents per share	**–**	12,644
	87,065	50,574

A final dividend of HK$0.10 per ordinary share for the year ended 31 December 2021, in an aggregate amount of approximately HK$102,004,000 (equivalent to approximately RMB87,065,000), was declared, which had been paid on 8 July 2022.

During the six months ended 30 June 2021, a final dividend and a special dividend of HK$0.045 per ordinary share and HK$0.015 per ordinary share respectively, in an aggregate amount of approximately HK$61,238,000 (equivalent to approximately RMB50,574,000), were declared and had been paid on 6 July 2021.

An interim dividend of HK$0.035 per ordinary share was proposed for the six months ended 30 June 2022, in an aggregate amount of approximately HK$35,701,000 (equivalent to approximately RMB30,531,000).

7. EARNINGS PER SHARE

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

Earnings

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings for the purpose of calculating basic earnings per share:		
Profit for the period attributable to owners of the Company	**96,089**	83,065

Number of shares

	Six months ended 30 June	
	2022	2021
	thousands share	*thousands share*
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,018,610**	980,636
	1,018,610	980,636

No diluted earnings per share for both interim periods were presented as there were no potential ordinary shares in issue.

8. PROPERTY AND EQUIPMENT AND INVESTMENT PROPERTIES

During the six months ended 30 June 2022, the Group acquired new property and equipment of approximately RMB329,000 (six months ended 30 June 2021: RMB337,000).

During the current interim period, two long-term leases for operating the commercial property operational services business have commenced. The leases met the definition of investment property held by a lessee as a right-of-use assets and accordingly, the Group recognised investment property of RMB614,187,000 and lease liabilities of RMB605,767,000.

9. TRADE AND OTHER RECEIVABLES

	30 June	31 December
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade and other receivables		
– Trade receivables	**49,113**	29,139
– Other receivables	**15,483**	22,240
	64,596	51,379
Analysed as:		
Current	**59,054**	45,837
Non-current	**5,542**	5,542

	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables		
Contracts with customers		
– Third parties	**70,943**	47,520
– Related parties *(note)*	**1,730**	6
Less: Allowance for credit losses	**(23,560)**	(18,387)
	49,113	29,139

Note: The related parties are companies under common control of Mr. Huang Chu-Long, the ultimate controlling shareholder.

As at 1 January 2021, the trade receivables in respect of contracts with customers and operating lease receivables, net of allowance for credit losses, amounted to RMB25,073,000 in total.

The Group grants credit terms of 10 to 30 days to its customers from the date of invoices. The following is an ageing 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:

	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0 – 10 days	**15,218**	10,288
11 – 30 days	**9,753**	2,578
31 – 60 days	**3,814**	2,324
61 – 90 days	**3,127**	1,696
Over 90 days	**17,201**	12,253
	49,113	29,139

10. TRADE AND OTHER PAYABLES

	30 June 2022 *RMB'000* **(Unaudited)**	31 December 2021 *RMB'000* (Audited)
Trade and other payable		
– Trade payables	**25,265**	24,493
– Other payables	**109,783**	147,460
	135,048	171,953

	30 June 2022 *RMB'000* **(Unaudited)**	31 December 2021 *RMB'000* (Audited)
Trade payables		
Contracts with suppliers		
– Third parties	**23,313**	22,481
– Related parties *(note)*	**1,952**	2,012
	25,265	24,493

Note: The related parties are companies under common control of Mr. Huang Chu-Long, the ultimate controlling shareholder.

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

	30 June 2022 *RMB'000* **(Unaudited)**	31 December 2021 *RMB'000* (Audited)
0 – 30 days	**21,318**	21,375
31 – 60 days	**2,459**	1,968
61 – 90 days	**636**	636
Over 90 days	**852**	514
	25,265	24,493

11. SHARE CAPITAL

	Number of shares	Share capital *HK$'000*	Share capital *RMB'000*
Ordinary shares of HK$0.01 each			
Authorised			
At 1 January 2021	38,000,000	380	340
Increase	1,962,000,000	19,620	16,415
At 30 June 2021, 31 December 2021 and 30 June 2022	2,000,000,000	20,000	16,755
Issued and fully paid			
1 January 2021	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
At 30 June 2021	1,020,640,000	10,206	8,538
Repurchase and cancellation of shares *(note (iv))*	(601,000)	(6)	(5)
At 31 December 2021 and 30 June 2022	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 net 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 net 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 repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	**No. of ordinary shares of HK$0.01 each**	**Price per share**		**Aggregate consideration paid**	
		Lowest	**Highest**		
		HK$	HK$	HK$000	RMB'000
August 2021	601,000	3.89	4.20	2,441	2,029

The above ordinary shares were cancelled upon repurchase.

OVERVIEW

The Group is a leading commercial property operational service provider in the Greater Bay Area with a national presence. As at 30 June 2022, the Group provided services for 92 commercial property projects located in 29 cities in China, with an aggregate contracted gross floor area (the "**GFA**") of approximately 4.2 million square meters ("**sq.m.**"). (excluding the GFA under 36 consultancy services projects), approximately 65.3% of which was developed or owned by independent third parties. Among them, 25 retail commercial properties have been opened for business, with a total GFA of approximately 1.9 million sq.m.. According to China Index Academy, in March 2022, the Group was ranked 10th among the "2022 China Top 100 Commercial Real Estate Developers" (2022年中國商業地產百強企業) in terms of overall strength; it was ranked 6th among the "2022 China Top 10 Commercial Real Estate Operator" (2022年中國商業地產運營十強企業), and it was awarded the 2021-2022 Outstanding Enterprise Award in Commercial Property" (2021-2022年度商業地產卓越企業) by Winshang.com in July 2022.

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.

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 positioning, 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 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) positioning, 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.

During the process of outward expansion, the Group has the flexibility to select diversified cooperation models including entrusted management, brand and management output and sublease services based on the assessment on projects and the requirements of property owners, and has delivered sound performance in operation. As at 30 June 2022, the Group provided services for 92 commercial property projects, with contracted GFA amounted to approximately 4.2 million sq.m. (excluding the GFA under 36 consultancy services projects).

Currently, the majority of the Group's consultancy services projects are still at the early stage of land acquisition and land planning. Such projects are a major source of the Group's projects pipeline in the coming future, which will provide driving force for the Group's sustainable growth. If the commercial area related to the entire consultancy services projects are included, the contracted GFA of the Group will increase substantially.

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 period indicated:

	As of 30 June 2022		As of 30 June 2021	
	Number of properties	***Contracted GFA (000'sq.m.)***	*Number of properties*	*Contracted GFA (000'sq.m.)*
Entrusted management services	**19**	**1,266**	18	1,181
Brand and management output services[(1)]	**69**	**2,651**	48	2,099
Sublease services[(2)]	**4**	**279**	3	199
Total	**92**	**4,196**	69	3,479

Notes:

(1) The contracted GFA excludes that of the 36 consultancy services projects.

(2) During the six months ended 30 June 2022, upon negotiation with the related parties, the operational model in respect of Jiangyin Galaxy COCO City (江陰星河COCO City), the project in preparation, has been changed from "entrusted management services" to "sublease services", which adopts a percentage rent instead of a fixed rent.

Projects in Operation

The table below sets forth the opened retail commercial property projects of the Group as at 30 June 2022:

	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	81,522(1)	–	81,522	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
15.	Shenzhen Longgang Galaxy COCO Garden (深圳龍崗星河 COCO Garden)	Shenzhen	June 2019	19,930	–	19,930	Brand and management output service	Galaxy Holding and its associates

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
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 Longhua Galaxy COCO Garden (深圳龍華星河 COCO Garden)	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	86,938	64,790	151,728	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	59,152	10,689	69,841	Brand and management output service	Independent Third Party property developers
25. Enshi Galaxy COCO City (恩施星河 COCO City)	Enshi	May, 2022	91,000	51,000	142,000	Brand and management output service`	Independent Third Party property developers
Total			1,414,171	500,365	1,914,536		

Notes: (1) The phase I of Ordos Galaxy COCO City (鄂爾多斯星河 COCO City) was temporarily closed due to an accident, which caused an decrease in GFA in operation of 48,000 sq.m..

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

	As at/for the period ended 30 June 2022				As at/for the year ended 30 June 2021			
	No. of properties	Contracted GFA sq.m.	Revenue RMB	%	No. of properties	Contracted GFA sq.m.	Revenue RMB	%
	(in thousands, except for numbers of properties and percentages)							
Greater Bay Area[1]	**59**	**1,671**	**213,091**	**82.1**	44	1,380	223,101	86.7
– Shenzhen	***22***	***845***	***194,783***	***75.0***	*20*	*845*	*206,381*	*80.2*
Yangtze River Delta[2]	**10**	**599**	**18,170**	**7.0**	10	534	17,447	6.8
Central China region[3]	**4**	**413**	**10,229**	**3.9**	4	413	4,309	1.7
Other regions[4]	**19**	**1,513**	**18,096**	**7.0**	11	1,152	12,554	4.8
Total[5]	**92**	**4,196**	**259,586**	**100.0**	69	3,479	257,411	100.0

Notes:

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

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

(3) Include Nanchang, Enshi and Changsha.

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

(5) The contracted GFA excludes the GFA of the 36 consultancy service projects.

The table below sets forth average occupancy rate and GFA in operation of retail commercial property that have commenced operation as at 30 June 2022.

Product category	Average occupancy rate[1] 30 June 2022 %	31 December 2021 %	Area of shopping centers in operation as at 30 June 2022 *(000' sq.m.)*
COCO Park	**95.9**	98.3	208
COCO City and iCO	**91.0**	92.4	988
Others	**94.6**	95.0	218
Total	**92.3**	94.0	1,414[2]

Notes:

(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 area.

FUTURE OUTLOOK

In 2022, the Group established 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), with a focus on the improvement of both quality and efficiency in order to achieve the sustainable and healthy development of the Group. As such, the Group will continue to focus on the aforesaid as its major tasks in the second half of 2022:

I. Continue to promote the large-scale expansion of the Group on the premise of ensuring quality.

Economic development, population and spending power are the key factors that determine the success of a business. Adhering 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. In the future, the Group will continue to focus on 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 in respect of local projects with unique location advantages as appropriate to seize market opportunities in a rapid and precise manner. With its forward-looking positioning, tenant sourcing and operation, the Group is expected to develop local projects with first-mover advantages and influence.

Since 2021, the Group has successively established cooperation with Shanghai Construction Group Co., Ltd. (上海建工集團股份有限公司), 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), Guangzhou Liby Enterprise Group Co., Ltd.* (廣州立白企業集團有限公司), Jining Chengtou Holding Group Co., Ltd. (濟寧城投控股集團有限公司), Shenzhen SEZ Construction and Development Group Co., Ltd. (深圳市特區建設發展集團有限公司) and their respective related companies. In the future, the Group will continue to develop partnerships, and in particular, establish strategic collaborations with state-owned enterprises, large-scale group companies and other high-quality resource platforms, and ensure that the target of no less than 700,000 sq.m. of contract area for the whole year of 2022 is achieved.

* *For identification purpose only*

II. Conduct professional win-win collaborations to ensure high-quality opening of projects in preparation.

In the first half of 2022, the nationwide recurring COVID-19 pandemic greatly affected the opening of shopping malls in many places across the country. In order to facilitate the successful achievement of the Group's targets for new projects opening in 2022, the Group established a dedicated team at the beginning of the year, responsible for opening-related matters to secure the opening of the projects in preparation as scheduled. The grand opening of Enshi Galaxy COCO City (恩施星河 COCO City) and Jiaxing Galaxy COCO City (嘉興星河 COCO City) on 1 May and 30 July 2022, respectively raised the curtain to the opening of new projects of the Group this year with remarkable results performance.

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. In addition, the Group continues to adhere to the strategy of "one policy for one store" for differentiated customer experiences and effects, while carrying out precise tenant sourcing to achieve the high-quality opening of the projects in preparation eventually.

III. 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 the second half of the year, the Group will continue to implement a hierarchical mechanism for tenant sourcing and realize cross-region brand 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 the second half of the year, the Group will further improve the repurchase and sales ratio of members through continuous membership operation, and establish a sales support scheme for commercial tenants on an individual basis to achieve a win-win outcome with such 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. **Explore, innovate and keep up with the development trend of consumption and business.**

“Seeking continuous change” is the core of business and consumption. In the second half of the year, the Group will have more 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 continuously carrying the good aspirations of consumers and expressions of business brands.

Secondly, the Group has established a special taskforce for community business pilot projects and will continue to promote the exploration and implementation of community business model in the second half of the year. Different from large shopping malls, 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 the second half of the year, 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 and operation cooperation, to expand the scope for business development and sources for profit growth.

Based on the foregoing, in the future, with the implementation of the aforesaid measures, the Group will continue to work hard and 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”. 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 Group.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2022, the Group’s revenue amounted to approximately RMB259.6 million, representing a period-on-period increase of approximately 0.8%.

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

	For the six months ended 30 June			
	2022		2021	
	RMB'000	***%***	*RMB'000*	*%*
Entrusted management services	**188,802**	**72.7**	170,996	66.4
Brand and management output services	**58,807**	**22.7**	74,015	28.8
Sublease services	**11,977**	**4.6**	12,400	4.8
Total	**259,586**	**100.0**	257,411	100.0

- Entrusted management services: For the six months ended 30 June 2022, revenue from entrusted management services amounted to approximately RMB188.8 million, representing a period-on-period increase of approximately 10.4% and accounting for approximately 72.7% of the total revenue of the Group. The increase in the revenue from entrusted management services was due to (1) the increase in the revenue from operational management services of projects in operation, and (2) the increase in the revenue from preliminary positioning, construction consultancy and services during the preparation stage resulting from the increase in the number of projects in preparation.

- Brand and management output services: For the six months ended 30 June 2022, revenue from brand and management output services amounted to approximately RMB58.8 million, representing a period-on-period decrease of approximately 20.5% and accounting for approximately 22.7% of the total revenue of the Group. The decrease in the revenue from brand and management output services was primarily due to the decrease in the number of new preliminary consultation services projects of the Group during the period as affected by the real estate market, which caused the decrease in the revenue from positioning, construction consultancy and tenant sourcing services provided.

- Sublease services: For the six months ended 30 June 2022, revenue from sublease services amounted to approximately RMB12.0 million, representing a period-on-period decrease of approximately 3.4% and accounting for approximately 4.6% of the total revenue of the Group. The decrease 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 of the COVID-19 pandemic was eliminated.

Cost of Services

For the six months ended 30 June 2022, the Group's cost of services amounted to approximately RMB109.9 million, representing a period-on-period decrease of approximately 1.4%.

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2022, the Group's gross profit amounted to approximately RMB149.7 million, representing a period-on-period increase of approximately 2.6%.

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

	For the six months ended 30 June			
	2022		2021	
	(Unaudited)		(Unaudited)	
	RMB'000	*%*	*RMB'000*	*%*
Entrusted management services	**101,427**	**53.7**	85,809	50.2
Brand and management output services	**42,946**	**73.0**	54,395	73.5
Sublease services	**5,357**	**44.7**	5,736	46.3
Total/Overall	**149,730**	**57.7**	145,940	56.7

For the six months ended 30 June 2022, the overall gross profit margin amounted to approximately 57.7%, representing an increase of approximately 1.0% as compared with approximately 56.7% for the same period of 2021.

- Entrusted management services: For the six months ended 30 June 2022, the gross profit margin amounted to 53.7%, representing an increase of 3.5% as compared with approximately 50.2% for the same period of 2021. The increase in the gross profit margin was mainly due to (1) the higher gross profit margin as a result of the increase in the revenue from operational management services of projects in operation, coupled with effective cost controls; and (2) the higher gross profit margin as a result of the increase in the revenue from the preliminary positioning, construction consultancy and services during the preparation stage resulting from the increase in the number of projects in preparation in the first half of the year.

- Brand and management output services: For the six months ended 30 June 2022, the gross profit margin remained relatively stable as compared with the same period of 2021.

- Sublease services: For the six months ended 30 June 2022, the gross profit margin amounted to approximately 44.7%, representing a decrease of approximately 1.6% as compared with approximately 46.3% for the same period of 2021, the decrease in the gross profit margin was primarily as a result of the decrease in the revenue from sublease services and leasing costs were relatively stable.

Other Income

For the six months ended 30 June 2022, other income amounted to approximately RMB19.3 million, representing a period-on-period increase of approximately 71.9%, primarily attributable to the increased bank interest income as a result of the increase in the average balance of fixed-term deposits in banks.

Other Gains and Losses

For the six months ended 30 June 2022, net other gains amounted to approximately RMB9.8 million, mainly representing foreign exchange gains.

Impairment Losses under Expected Credit Loss Model, Net of Reversal

For the six months ended 30 June 2022, the Group's impairment losses under expected credit loss model, net of reversal amounted to approximately RMB5.2 million, representing a period-on-period increase of approximately 32.7%, mainly due to the fact that the Group increased the provision for the expected credit loss of some projects considering the increasing capital risk in the real estate industry.

Selling Expenses

For the six months ended 30 June 2022, the Group's selling expenses amounted to approximately RMB1.6 million, representing a period-on-period decrease of approximately 42.8%, primarily due to the decrease in brand-building activities as affected by the COVID-19 pandemic.

Administrative Expenses

For the six months ended 30 June 2022, the Group's administrative expenses amounted to approximately RMB28.1 million, representing a period-on-period increase of approximately 7.3%, primarily due to the increase in the expenses incurred during the preparation stage of the sublease projects, such as the increase in the depreciation of right-of-use assets recognised in accordance with HKAS 16 in respect of the sublease projects of Jiaxing Galaxy COCO City (嘉興星河COCO City) and Xiamen Galaxy COCO Park (廈門星河COCO Park) for the period.

Finance Costs

The Group's finance costs refer to interest expense on lease liabilities recognised in accordance with HKAS 16 in respect of subleased projects.

For the six months ended 30 June 2022, the Group's finance costs amounted to approximately RMB4.6 million, representing a period-on-period increase of approximately 132.5%, primarily due to the increase in the interest expense on lease liabilities recognised upon the delivery of the sub-lease projects of Jiaxing Galaxy COCO City (嘉興星河COCO City) and Xiamen Galaxy COCO Park (廈門星河COCO Park) during the six months ended 30 June 2022.

Share of Result of a Joint Venture

For the six months ended 30 June 2022, the Group's share of result of a joint venture recorded a loss of approximately RMB10.0 million, which was mainly caused by the depreciation of right-of-use assets and the interest expense on lease liabilities recognized by Guangzhou Kaixing Business Management Co., Ltd. (廣州凱星商業管理有限公司), a joint venture invested by the Group pursuant to the joint venture agreement entered into by the Group dated 28 July 2021, pursuant to HKAS 16 upon the delivery of the sublease project of Guangzhou Health Port Galaxy COCO Park (廣州健康港星河COCO Park).

Income Tax Expense

For the six months ended 30 June 2022, the Group's income tax expense amounted to approximately RMB34.8 million, representing a period-on-period increase of approximately 12.1%, primarily attributable to the increase in assessable profits.

Profit for the period

The Group's profit for the six months ended 30 June 2022 amounted to approximately RMB94.4 million, representing a period-on-period increase of approximately 14.4%.

Trade and other receivables

The Group's trade and other receivables primarily arose from commercial property operational services within the shopping centers, shopping streets and commercial complexes. As at 30 June 2022, the Group's trade and other receivables were approximately RMB59.1 million, representing an increase of approximately 28.8% as compared with that as at 31 December 2021, primarily due to the increase in trade receivables of the Group.

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 others. As at 30 June 2022, the Group's trade and other payables amounted to approximately RMB135.0 million, representing a decrease of approximately 21.5% as compared with that as at 31 December 2021, primarily due to the decrease in receipts on behalf of tenants and the decrease in payroll payables to employees as a result of the payment of the year-end bonus provided in the previous year.

Contingent liabilities

As at 30 June 2022, the Group did not have any significant contingent liabilities.

Liquidity and capital resources

The Group has maintained stable financial position and sufficient liquidity and bank balances. As at 30 June 2022, the Group's cash and cash equivalents and time deposits amounted to approximately RMB1,310.9 million (including fixed deposits with original maturity over three months of approximately RMB680.9 million), representing an increase of approximately 4.0% as compared with that as at 31 December 2021, primarily attributable to the increase in revenue from the operation of the Group during the six months ended 30 June 2022. The management believes that the Group's financial resources and future revenue will be sufficient to support the current working capital requirements and future expansion of the Group.

Bank loans and other borrowings

As at 30 June 2022, the Group had no bank loans and other borrowings (31 December 2021: nil).

Gearing ratio

Gearing ratio is calculated based on total liabilities divided by total assets. As at 30 June 2022, gearing ratio was approximately 45.0%, representing a substantial increase as compared with approximately 20.5% as at 31 December 2021. This was primarily due to the recognition of large amounts of lease assets and lease liabilities upon delivery of the sublease projects of Jiaxing Galaxy COCO City (嘉興星河COCO City) and Xiamen Galaxy COCO Park (廈門星河COCO Park) during the six months ended 30 June 2022.

Foreign exchange risk

The Group primarily operates in Mainland China and its businesses are principally conducted in RMB. As at 30 June 2022, assets and liabilities denominated in currencies other than RMB were mainly cash and cash equivalents denominated 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 Global Offering and Over-allotment Option

The net proceeds from the Global Offering (as defined in the prospectus of the Company dated 14 January 2021, the "**Prospectus**") amounted to approximately RMB777.0 million and the additional net proceeds received by the Company from the partial exercise of the Over-allotment Option (as defined in the Prospectus) on 18 February 2021 was approximately RMB64.8 million (collectively, the "**Net Proceeds**").

As of 30 June 2022, 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 (RMB million)	Utilised Net Proceeds as of 30 June 2022 (RMB million)	Unused Net Proceeds as of 30 June 2022 (RMB million)	Expected time of full utilisation
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	37.9	130.5	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 information technology systems to raise the Group's management service quality, reduce labor costs and improve internal control, among which:					
– to enhance intelligent operation of data centers, which includes real time remote onsite monitoring, tenant's business data analysis, operational early-warning and tenant mix optimization based on tenant's business data analysis	2.5	21.0	0.9	20.1	by end of 31 December 2024
– to improve customer services	2.5	21.0	2.5	18.5	by end of 31 December 2024
For general business purpose and working capital	10	84.2	84.2	–	–
Total	100	841.8	149.5	692.3	

The unutilised Net Proceeds have been placed with licensed banks as at the date of this announcement.

On 25 August 2022, the Board resolved to change the proposed use of the Net Proceeds. For details, please refer to the section headed "(2) CHANGE IN USE OF PROCEEDS FROM THE GLOBAL OFFERING" in this announcement.

NUMBER OF EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, the total number of employees of the Group was 457 (31 December 2021: 436). Employees are remunerated according to their qualifications and experience, job nature and performance, and under the pay scales aligned with market conditions. As part of the Group's retention strategy, it offers employees performance-based cash bonuses and other incentives in addition to base salaries including 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

During the six months ended 30 June 2022, save for the expansion plans as set out in the section headed "Future Plans and Use of Proceeds – Use of Proceeds" in the Prospectus, the Group had no specific plan for material investment or acquisition of major capital assets or other businesses.

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

The Group did not have any significant investments, material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2022.

ASSET CHARGES

As of 30 June 2022, none of the assets of the Group were pledged (31 December 2021: nil).

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 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") as its own code of conduct for Directors in their dealings in the securities of the Company. Having made specific inquiries with all the Directors, each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code for the six months ended 30 June 2022.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2022.

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 (the "**Shareholder(s)**") as well as enhancing the transparency and accountability to the stakeholders.

The Company has complied with all applicable code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Part 2 of Appendix 14 to the Listing Rules for the six months ended 30 June 2022. The Company will continue to review and enhance its corporate governance practices to ensure the compliance with the CG Code.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board resolved to declare the payment of an interim dividend of HK$0.035 per ordinary share of the Company (the "**Share(s)**") for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

The register of members of the Company will be closed from Tuesday, 29 November 2022 to Wednesday, 30 November 2022, both days inclusive, during which period no transfer of Shares will be registered. For the purpose of determining the entitlement to the proposed interim dividend for the six months ended 30 June 2022, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Monday, 28 November 2022. It is expected that the proposed interim dividend will be paid on or around Thursday, 15 December 2022 to the Shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 30 November 2022.

REVIEW OF INTERIM RESULTS

The unaudited interim financial information for the six months ended 30 June 2022 has been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, by Deloitte Touche Tohmatsu, the auditor of the Company. The audit committee of the Company (comprising Mr. Guo Limin, a non-executive Director, and Mr. Tse Yat Hong and Mr. Guo Zengli, each an independent non-executive Director) has reviewed with the management of the Company the accounting principles and practice adopted by the Group and discussed internal controls, risk management and financial reporting matters including the review of the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2022.

PUBLICATION OF INTERIM RESULTS AND INTERIM 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 interim report of the Company for the six months ended 30 June 2022 will be despatched to the Shareholders and made available on the websites of the Stock Exchange and the Company in due course.

(2) CHANGE IN USE OF PROCEEDS FROM THE GLOBAL OFFERING

Reference is made to the Prospectus and the section headed "Net Proceeds from the Global Offering and Over-allotment Option" in this announcement in relation to the proposed use of Net Proceeds amounting to approximately RMB841.8 million.

On 25 August 2022, the Board has resolved to change the proposed use of the Net Proceeds in the following manner:

- the original proposed allocation of approximately 55% of the Net Proceeds to pursue strategic acquisition of and investment in other small- to mid-sized commercial property operational service providers as described in category (a) in the table below will now be re-allocated for lease expenses and renovation of retail commercial properties under the sublease service model (i.e. category (b) in the table below); and

- the original proposed use of Net Proceeds for renovation of retail commercial properties under the sublease service model as described in category (b) in the table below will be expanded to cover also lease expenses of retail commercial properties under the sublease service model.

Details of the original allocation and the revised allocation of the Net Proceeds are set out as follows:

	Use of the Net Proceeds	**Original allocation of the Net Proceeds as set out in the Prospectus**	**Utilised Net Proceeds as at the date of this announcement**	**Unutilised Net Proceeds as at the date of this announcement**	**Revised allocation of the Net Proceeds**
		RMB million	*RMB million*	*RMB million*	*RMB million*
(a)	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	463.0	–	463.0	–
(b)	For renovation of retail commercial properties under the sublease service model	168.4	37.9	130.5	593.5
(c)	To make minority equity investment in the project companies which own quality commercial properties	84.2	24.0	60.2	60.2

	Use of the Net Proceeds	Original allocation of the Net Proceeds as set out in the Prospectus *RMB million*	Utilised Net Proceeds as at the date of this announcement *RMB million*	Unutilised Net Proceeds as at the date of this announcement *RMB million*	Revised allocation of the Net Proceeds *RMB million*
(d)	To upgrade information technology systems to raise the Group's management service quality, reduce labor costs and improve internal control, among which:				
	– to enhance intelligent operation data center, which includes real time remote onsite monitoring, tenant's business data analysis, operational early-warning and tenant mix optimization based on tenant's business data analysis	21.0	0.9	20.1	20.1
	– to improve customers services	21.0	2.5	18.5	18.5
(e)	For general business purpose and working capital	84.2	84.2	–	–
	Total	**841.8**	**149.5**	**692.3**	**692.3**

Reasons for the Change in Use of Proceeds from the Global Offering

Since the listing of the Shares on the Stock Exchange on 26 January 2021, the Group has always been proactively seeking for appropriate target(s) for acquisition. However, in light of resurgence of the pandemic, the Group considers it will be exposed to increased risk when pursuing such acquisition opportunities. Meanwhile, the real estate industry in the PRC is currently experiencing dynamic changes. Certain commercial property developers are generally less willing to invest in renovation of self-operated commercial property. As a result, various opportunities of long-term lease assets with high quality and low price emerge in the market. In order to improve the Group's funds utilization and to generate greater return to the Group and its Shareholders, the Board resolved to change the proposed use of the Net Proceeds to capture the opportunities in the sublease service market and enable the Group to enjoy long-term sustainable revenue from sublease projects.

The Board considers that the change in the use of Net Proceeds is in the best interest of the Group and the Shareholders as a whole and will not have a material adverse effect on the existing business operations of the Group. The Board also confirms that there is no material change in the business nature of the Group as set out in the Prospectus.

By order of the Board
E-Star Commercial Management Company Limited
Huang De-Lin Benny
Chairman and executive Director

Hong Kong, 25 August 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.