

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

2022 ANNUAL RESULTS ANNOUNCEMENT

SUMMARY OF RESULTS

- Revenue of the Group for the year ended 31 December 2022 amounted to approximately RMB561.9 million, representing a decrease of approximately 1.8% as compared with approximately RMB572.2 million for the year ended 31 December 2021.
- Gross profit of the Group for the year ended 31 December 2022 amounted to approximately RMB313.0 million, representing a decrease of approximately 5.3% as compared with approximately RMB330.4 million for the year ended 31 December 2021.
- The Group's gross profit margin for the year ended 31 December 2022 was 55.7%, representing a decrease of approximately 2.0 percentage points as compared with 57.7% for the year ended 31 December 2021.
- Profit attributable to the owners of the Company for the year ended 31 December 2022 amounted to approximately RMB154.3 million, representing a decrease of approximately 16.6% as compared with approximately RMB184.9 million for the year ended 31 December 2021. Core profit attributable to the owners of the Company (calculated based on profit attributable to the owners of the Company plus the depreciation of right-of-use assets provided and the interest expense on lease liabilities recognized, after deducting the current rent costs according to the lease contracts) amounted to approximately RMB198.9 million, representing an increase of approximately 6.0% as compared with approximately RMB187.6 million for the year ended 31 December 2021.
- As at 31 December 2022, the contracted GFA of the Group's commercial operational services amounted to approximately 3.7 million sq.m. (60.0% of which are developed, or owned by independent third party). As at 31 December 2022, the GFA in operation of the Group's commercial operational services amounted to approximately 1.908 million sq.m..
- The Board recommends the payment of a final dividend of HK\$0.07 per ordinary share for the year ended 31 December 2022. Including the interim dividend of HK\$0.035 per ordinary share for the six months ended 30 June 2022 declared and paid, the total dividend paid/payable for the year ended 31 December 2022 is expected to be HK\$0.105 per ordinary share.

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 2022, together with comparative figures for the year ended 31 December 2021, as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December	
		2022	2021
	Notes	RMB'000	RMB'000
Revenue	4	561,854	572,209
Cost of services		<u>(248,815)</u>	<u>(241,777)</u>
Gross profit		313,039	330,432
Other income		40,031	31,141
Other gains and losses		15,473	(5,147)
Impairment losses under expected credit loss model, net of reversal		(21,415)	(10,294)
Selling expenses		(11,972)	(8,468)
Administrative expenses		(82,595)	(71,141)
Finance costs		(23,342)	(3,869)
Listing expenses		–	(8,281)
Share of result of a joint venture		<u>(20,874)</u>	<u>(1,977)</u>
Profit before tax		208,345	252,396
Income tax expense	5	<u>(59,463)</u>	<u>(68,474)</u>
Profit and total comprehensive income for the year	6	148,882	183,922
Profit (loss) for the year attributable to:			
– Owners of the Company		154,275	184,924
– Non-controlling interests		<u>(5,393)</u>	<u>(1,002)</u>
		148,882	183,922
Earnings per share	7		
– Basic (RMB cents)		<u>15.15</u>	<u>18.48</u>
– Diluted (RMB cents)		<u>15.15</u>	<u>18.46</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	Year ended 31 December	
		2022	2021
		<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Property and equipment		4,501	4,469
Investment properties		767,451	47,524
Rental deposits	9	10,542	5,542
Deposits paid for acquisition of property and equipment		2,620	16,546
Finance lease receivables		6,042	6,646
Deferred tax assets		21,600	9,279
Interests in a joint venture		–	7,023
Loan to a joint venture		1,149	15,000
Restricted bank balances		5,000	–
		818,905	112,029
Current assets			
Finance lease receivables		604	542
Trade and other receivables	9	46,300	45,837
Financial assets at fair value through profit or loss		–	1,990
Amounts due from related parties		4,090	1,387
Restricted bank balances		–	10,000
Short-term bank deposits		780,365	814,212
Bank balances and cash		482,835	446,349
		1,314,194	1,320,317
Assets classified as held-for-sale		8,758	–
		1,322,952	1,320,317
Current liabilities			
Trade and other payables	10	208,054	171,953
Lease liabilities		28,321	5,373
Contract liabilities		19,090	11,378
Amounts due to related parties		1,700	1,069
Tax payable		31,321	40,570
		288,486	230,343
Liabilities associated with assets classified as held-for-sale		4,335	–
		292,821	230,343
Net current assets		1,030,131	1,089,974
Total Assets less current liabilities		1,849,036	1,202,003

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Capital and reserves		
Share capital	8,533	8,533
Reserves	1,145,864	1,112,615
	<hr/>	<hr/>
Equity attributable to owners of the company	1,154,397	1,121,148
Non-controlling interests	26,306	17,501
	<hr/>	<hr/>
Total equity	1,180,703	1,138,649
	<hr/>	<hr/>
Non-current liabilities		
Deferred tax liabilities	6,123	–
Lease liabilities	662,210	63,354
	<hr/>	<hr/>
	668,333	63,354
	<hr/>	<hr/>
	1,849,036	1,202,003
	<hr/>	<hr/>

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 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 (hereinafter referred to as “**Mr. Huang**” or the “**Ultimate Controlling Shareholder**”) 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 Group’s annual period beginning on 1 January 2022 for the preparation of the 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 year has 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 statements.

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 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKAS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1	Non-current Liabilities with Covenants ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2024.

Except for the amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements 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 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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
By type of operational model:		
Entrusted management services	381,701	351,650
Brand and management output services	137,904	198,495
Sublease services	42,249	22,064
	<u>561,854</u>	<u>572,209</u>
Comprise of:		
– Revenue from contracts with customers	540,330	559,155
– Revenue from leases	21,524	13,054
	<u>561,854</u>	<u>572,209</u>

(i) Disaggregation of revenue from contracts with customers:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Commercial property operational services:		
– Market positioning, design and construction consultancy and tenant sourcing services	94,382	143,549
– Operational management services	359,489	334,125
– Value-added services	86,459	81,481
	<u>540,330</u>	<u>559,155</u>

(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.

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
For operating leases:		
Lease payments that are fixed	15,585	9,520
Variable lease payments	<u>5,665</u>	<u>3,242</u>
	<u>21,250</u>	<u>12,762</u>
For finance leases:		
Finance income on the net investment in the lease	<u>274</u>	<u>292</u>
Total revenue arising from leases	<u>21,524</u>	<u>13,054</u>

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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Customer A	<u>174,239</u>	<u>167,975</u>

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

5. INCOME TAX EXPENSES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current tax:		
PRC Enterprise Income Tax	65,890	72,111
Deferred tax	<u>(6,427)</u>	<u>(3,637)</u>
	<u>59,463</u>	<u>68,474</u>

6. PROFIT FOR THE YEAR

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration:		
– Auditor of the Company	1,486	1,418
– Other auditor	363	298
– Non-audit services	<u>539</u>	<u>–</u>
	<u>2,388</u>	<u>1,716</u>
Depreciation of property and equipment	4,686	4,101
Depreciation of investment properties	22,669	3,230
Staff costs (including directors' emoluments):		
Salaries and other benefits	163,379	144,054
Retirement benefits schemes contributions	<u>18,943</u>	<u>13,191</u>
Total staff costs	<u>182,322</u>	<u>157,245</u>
(Gain) loss on fair value changes of financial assets at FVTPL (included in other gains and losses)	(28)	920
(Gain) loss on disposal of property and equipment (included in other gains and losses)	(20)	23
Gross rental income from investment properties	21,250	12,762
Less: direct operating expenses incurred for investment properties during the year	<u>(27,878)</u>	<u>(5,312)</u>
	<u>(6,628)</u>	<u>7,450</u>

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Earnings for the purpose of basic and diluted earnings per share:		
Profit for the year attributable to owners of the Company	<u>154,275</u>	<u>184,924</u>

Number of shares

	2022 '000	2021 '000
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,018,009	1,000,534
Effect of dilutive potential ordinary shares:		
Over-allotment option	<u>–</u>	<u>1,300</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>1,018,009</u>	<u>1,001,834</u>

The weighted average number of ordinary shares for the purpose of basic earnings per share for the years ended 31 December 2022 and 2021 has been adjusted for the repurchase of shares.

8. DIVIDEND

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Dividends recognised as distribution during the year:		
2022 interim dividend of HK3.5 cents per ordinary share (2021: nil)	31,187	–
2021 final dividend of HK10 cents per ordinary share (2021: 2020 final dividend of HK4.5 cents per ordinary share)	87,065	37,930
2020 special dividend of HK1.5 cents per ordinary share	<u>–</u>	<u>12,644</u>
	<u>118,252</u>	<u>50,574</u>

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2022 of HK\$7 cents per ordinary share, in an aggregate amount of approximately HK\$71,339,000, has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

9. TRADE AND OTHER RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade and other receivables		
– Trade receivables	32,660	29,139
– Other receivables	24,182	22,240
	<u>56,842</u>	<u>51,379</u>
 Analysed as:		
Current	46,300	45,837
Non-current	10,542	5,542
	<u>56,842</u>	<u>51,379</u>
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables		
<i>Contracts with customers</i>		
– Third parties	70,266	47,520
– Related parties	269	6
Allowance for credit losses	<u>(38,885)</u>	<u>(18,387)</u>
	31,650	29,139
 Operating lease receivables – third parties	<u>1,010</u>	–
	<u>32,660</u>	<u>29,139</u>

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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
0 – 10 days	8,999	10,288
11 – 30 days	2,029	2,578
31 – 60 days	4,432	2,324
61 – 90 days	2,690	1,696
Over 90 days	14,510	12,253
	32,660	29,139

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
0 – 10 days	1,010	–

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Other receivables		
Receivables from third-party payment platforms	2,561	2,624
Payments on behalf of tenants	772	630
Advance to employees	269	15
Rental Prepayment	682	8,262
Rental deposits	10,542	5,542
Other tax recoverable	8,029	1,284
Deposits	298	3,266
Prepayment	807	572
Others	222	45
	24,182	22,240

10. TRADE AND OTHER PAYABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade and other payables		
– Trade payables	20,851	24,493
– Other payables	187,203	147,460
	<u>208,054</u>	<u>171,953</u>

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade payables		
<i>Contracts with suppliers</i>		
– Third parties	18,799	22,481
– Related parties	2,052	2,012
	<u>20,851</u>	<u>24,493</u>

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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
0 – 30 days	14,048	21,375
31 – 60 days	2,375	1,968
61 – 90 days	690	636
Over 90 days	3,738	514
	<u>20,851</u>	<u>24,493</u>

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Other payables		
Receipts on behalf of tenants	59,721	73,017
Deposits received	39,266	29,239
Construction cost payables	42,127	–
Salary payables	32,309	32,237
Accruals	6,223	6,239
Accrued listing expenses	–	646
Other tax payables	5,443	6,082
Deposit received regarding disposal of subsidiaries	2,114	–
	<u>187,203</u>	<u>147,460</u>

11. SHARE CAPITAL

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

	Number of shares	Share capital <i>HK\$'000</i>	Share capital <i>RMB'000</i>
Ordinary shares of HK\$0.01 each			
Authorised			
At 1 January 2021	38,000,000	380	340
Increase	<u>1,962,000,000</u>	<u>19,620</u>	<u>16,415</u>
At 31 December 2021 and 2022	<u>2,000,000,000</u>	<u>20,000</u>	<u>16,755</u>
Issued and fully paid			
1 January 2021	1,000	– ^	– *
Capitalisation issue (<i>note (i)</i>)	749,999,000	7,500	6,275
Issuance of ordinary shares (<i>note (ii)</i>)	250,000,000	2,500	2,091
Issuance of ordinary shares upon exercise of over-allotment options (<i>note (iii)</i>)	20,640,000	206	172
Repurchase and cancellation of shares (<i>note (iv)</i>)	<u>(601,000)</u>	<u>(6)</u>	<u>(5)</u>
At 31 December 2021 and 2022 (<i>note (iv)</i>)	<u>1,020,039,000</u>	<u>10,200</u>	<u>8,533</u>

^ *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 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 HK\$	Highest HK\$	HK\$'000	RMB'000
August 2021	601,000	3.89	4.20	2,440	2,032
November 2022	915,000	1.19	1.67	1,351	1,233

The ordinary shares repurchased in August 2021 were cancelled upon repurchase and the ordinary shares repurchased in November 2022 were cancelled in January 2023 subsequently.

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 2022, the Group entered into contracts to provide services for 65 commercial property projects (including 13 consultancy services projects) located in 24 cities in the People's Republic of China (“China” or “PRC”), with an aggregate contracted gross floor area (“GFA”) of approximately 3.700 million square meters (“sq.m.”) (excluding the area under 13 consultancy services projects), 60.0% of which was developed or owned by independent third parties. Among them, 26 retail commercial properties have been opened with an aggregate opened GFA of approximately 1.908 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 the China Index Academy, the Group was ranked 10th among the “2022 Top 100 Commercial Property Companies in China” in terms of overall strength, and awarded the “2022 China Top 10 Commercial Property Operator” (2022年中國商業地產運營十強企業), the “2022 Remarkable Brand for Commercial Property Operation in China” (2022中國商業地產運營優秀品牌) and the “2022 Top 10 Commercial Property Companies in China in Terms of Brand Value” (2022中國商業地產公司品牌價值Top10); the COCO Park brand was also awarded the “2022 Top10 Commercial Property Project in China in Terms of Brand Value” (2022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 “2022 Pioneer • Enterprise with Excellent Influence in Digital and Intelligent Operation” (2022年度引光者•數智化運營卓越影響力企業) by Winshang.com in 2022; Shenzhen Futian Galaxy COCO Park (深圳福田星河COCO Park) was also awarded the “Annual Landmark Project for Night Economy” (年度夜經濟地標項目) in Golden Censer Prize for Commercial Properties in China (中國商業地產金鼎獎).

On a mission to “build prosperous cities with business acumen (以商業智慧構築城市繁榮)”, the Group will be forward-looking, decisive, aggressive and creative with a high starting point, focus on the business opportunities and development concerned by customers, provide competitive products and services and continue to create outstanding value for consumers, partners and shareholders.

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 value-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 2022, the related parties of the Group contributed a new contracted area of 32,000 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 408,000 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 2022.

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 Group Co., Ltd. ("Galaxy Holding") and its associates								
1	Asian Financial Center (亞洲金融中心)	Guangzhou	Galaxy Holding and its associates	Brand and management output	November 2022	31	1	32
						<u>31</u>	<u>1</u>	<u>32</u>
Independent Third Party Property Developers								
1	Xinyi Galaxy COCO City (信宜星河COCO City)	Maoming	Independent Third Party property developers	Brand and management output	January 2022	80	-	80
2	Jining Galaxy COCO City (濟寧星河COCO City)	Jining	Independent Third Party property developers	Entrusted management	March 2022	77	-	77
3	Jining Galaxy iCO (濟寧星河iCO)	Jining	Independent Third Party property developers	Entrusted management	March 2022	67	-	67
4	Shanshui Outlets • Lu'an Galaxy COCO City (山水奧萊•六安星河COCO City)	Lu'an	Independent Third Party property developers	Brand and management output	June 2022	76	-	76
5	Zhuhai Lailai Galaxy COCO City (珠海來來星河COCO City)	Zhuhai	Independent Third Party property developers	Brand and management output	September 2022	68	40	108
						<u>368</u>	<u>40</u>	<u>408</u>
Total						<u>399</u>	<u>41</u>	<u>440</u>

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 2022		As of 31 December 2021	
	Number of properties	Contracted GFA (000’sq.m.)	Number of properties	Contracted GFA (000’sq.m.)
Entrusted management service	13	965	18	1,182
Brand and management output service	45	2,323	63	2,491
Sublease service	7	412	3	227
Total	65	3,700	84	3,900

Note:

- (1) Contracted GFA as of 31 December 2022 and 31 December 2021 excluded the GFA of 13 and 32 consultancy service projects, respectively. The decrease of 19 consultancy projects was primarily due to the decrease in the Group’s preliminary consultancy service projects as impacted by the real estate market.
- (2) In 2022, through negotiation with the related parties, the Group changed the operation model of 4 projects in preparation (i.e. Shenzhen Galaxy WORLD COCO Park Phase II (深圳星河WORLD COCO Park二期), Shenzhen Guangming Galaxy COCO City (深圳光明星河COCO City), Nanjing Galaxy COCO City (南京星河COCO City), and Jiangyin Galaxy COCO City (江陰星河COCO City)) from “entrusted management service” to “sublease service” and calculated the sublease rental by way of percentage rental (without fixed rental).
- (3) In 2022, the Company adjusted its strategy in a timely manner with changes in the real estate industry. Conducting an in-depth survey on all projects and based on comprehensive assessment from the perspective of its interests as a whole, the Company took the initiative to negotiate with the owners of 6 projects (i.e. Zhanjiang Galaxy COCO City (湛江星河COCO City), Nanchang Boneng Galaxy iCO (南昌博能星河iCO), Nanchang Shanglian Galaxy COCO Park (南昌商聯星河COCO Park), Shanghai Bowan Lanyun Galaxy COCO City (上海博萬蘭韻星河COCO City), Putian Galaxy COCO Park (莆田星河COCO Park) and Ningxiang Galaxy COCO City (寧鄉星河COCO City)) and completed the rescission of contracts. Focusing more resources on the development and improvement of quality projects will facilitate the Company’s high-quality and sustainable development.

As of 31 December 2022, the Group provided services to 65 commercial property projects (including 13 consultancy service projects), with a contracted GFA of approximately 3.700 million sq.m. (excluding the area under 13 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,							
	2022				2021			
	No. of properties	contracted GFA ⁽⁵⁾	Revenue		No. of properties	contracted GFA ⁽⁵⁾	Revenue	
		sq.m.	RMB	%		sq.m.	RMB	%
<i>(in thousands, except for numbers of properties and percentages)</i>								
Greater Bay Area ⁽¹⁾	39	1,803	457,541	81.4	57	1,587	494,707	86.5
– Shenzhen	20	836	421,090	74.9	21	845	423,177	74.0
Yangtze River Delta ⁽²⁾	9	540	55,186	9.8	9	531	36,784	6.4
Central China region ⁽³⁾	1	142	14,690	2.6	4	413	10,285	1.8
Other regions ⁽⁴⁾	16	1,215	34,437	6.2	14	1,369	30,433	5.3
Total	65	3,700	561,854	100.0	84	3,900	572,209	100.0

Notes:

- (1) Include Shenzhen, Guangzhou, Zhongshan, Huizhou, Foshan, Zhuhai, Dongguan and Maoming.
- (2) Include Shanghai, Nanjing, Changzhou, Wuxi, Jiaxing, Lianyungang and Lu'an.
- (3) Include Nanchang, Enshi and Changsha.
- (4) Include Shanwei, Jieyang, Tianjin, Putian, Xi'an, Ordos, Chengdu, Rizhao, Xiamen, Zhanjiang and Jining.
- (5) Contracted GFA as of 31 December 2022 and 31 December 2021 excluded the GFA of 13 and 32 consultancy service projects, respectively.

The table below sets forth average occupancy rate and GFA in operation of retail commercial property that commenced operation as at 31 December 2022.

Product category	As at 31 December ⁽¹⁾		As at 31 December 2022 Area of shopping centers in operation (000' sq.m.)
	Average occupancy rate		
	2022	2021	
	%	%	
COCO Park	96.0	98.3	208
COCO City and iCO	91.1	92.4	976
Others	94.8	95.0	267
Total	92.5	94.0	1,452⁽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 2022:

Commercial property	Location	Opening date (Month-Year)	Shopping Mall (sq.m.)	Car Park (sq.m.)	Total GFA in	Operational model	Property owner
					operation (sq.m.)		
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 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
7. 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
8. 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
9. 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
10. 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
11. 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
12. 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
13. 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
14. 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

Commercial property	Location	Opening date (Month-Year)	Total			Operational model	Property owner
			Shopping Mall (sq.m.)	Car Park (sq.m.)	GFA in operation (sq.m.)		
15. 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
16. 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
17. 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
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. 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
20. 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
21. 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
22. Guangzhou Nansha Dachong Galaxy COCO Garden (廣州南沙大涌星河COCO Garden)	Guangzhou	October 2022	18,029	–	18,029	Brand and management output service	Galaxy Holding and its associates
23. Guannan Hengji Galaxy COCO City (灌南恆基星河COCO City)	Lianyungang	October 2022	100,000	26,000	126,000	Brand and management output service	Independent Third Party property developers
24. Asian Financial Center Project (亞洲金融中心項目)	Guangzhou	November 2022	31,301	938	32,238	Brand and management output service	Galaxy Holding and its associates
25. 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
26. Jiaxing Galaxy COCO City (嘉興星河COCO City)	Jiaxing	July 2022	81,504	–	81,504	Sublease service	Independent Third Party property developers
Total			<u>1,451,867</u>	<u>456,612</u>	<u>1,908,480</u>		

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 a decrease in GFA in operation of 48,000 sq.m..

WORK PLAN FOR 2023

In 2023, against the creation of the “year of operation”, the Group will focus on the dual improvement of quality and efficiency, in order to achieve the high-quality development of the Group. As such, the core focus of the Group in 2023 will be on the following three aspects:

I. To insist on operation for a long run and to create the “year of operation”

The Group has always insisted on its operation for a long run and will be committed to creating the “year of operation” in 2023.

1. Many measures to stabilize and support business will be carried out to improve the occupancy rate of projects: in 2023, the Group will further identify strategic collaboration opportunities and reinforce the “one for more (一帶多)” capability of the brand to provide brand reserve and support for projects in preparation. Meanwhile, the Group will make great efforts to promote the introduction of new brands and innovative forms of business so as to achieve the target occupancy rate of not less than 95%.
2. The needs of consumers will be further identified to pave a solid foundation for the competitiveness of products: in 2023, the Group will continue to follow the hot spots in the industry to create product features. The Group will adhere to its principle of “one policy for one store” and it will refine its investigation and research on consumers, so as to breakthrough in product innovation. At the same time, the Group will pursue good balance between innovative design and cost control and ensure high quality of projects built, in order to enhance consumers’ experience and loyalty.
3. Return to the essence of operation and carry out operation in a refinement manner: from the perspective of “altruistic thinking”, “user thinking” and “craftsmanship spirit”, the Group will, on one hand, achieve standardization in areas such as communication mechanics, digital operation and smart operation to lay a foundation of efficient operation. On the other hand, the Group will enhance the value of the members’ management system to make it the “cornerstone” for ensuring the performance of shopping malls. Meanwhile, the Group will return to the essence of operation and help projects to conclude and solidify their own operational highlights so as to form operational characteristics, create benchmark commercial tenants such as “million yuan stores” and “ten million yuan stores” in various projects, and enable performance improvement.

II. To conduct the “high-quality opening of projects” through win-win collaboration with the priority of efficiency

In 2023, the Group plans to complete the grand openings of 5 to 7 projects. For such purpose, the Group will continue to secure the opening of the projects in preparation as scheduled through the working mechanism of “dedicating a specified team responsible for opening-related matters”.

Putting priority on efficiency, the Group promotes collaboration in three levels of “headquarters, region and project”. Meanwhile, leveraging on the synergy effect from the cooperation across various functions and 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. Through the strategy of “one policy for one store”, the Group achieves “local operation” of projects and secures the accuracy of project positioning, which facilitates precise tenant sourcing and could eventually achieve high-quality opening of the projects in preparation.

III. To achieve the “high-quality expansion” in a focused and orderly manner with the priority of quality.

Taking into account the combined effect of the ranking of commercial charm of cities, the management radius of the Company and the strategic layout, the Group conducts optimized classification of the first-tier and second-tier cities previously determined and designates 4 “breakthrough cities” in the first tier, 23 “cities for further development” in the second tier and 8 “reserve cities”.

In 2023, under the development strategy of the “priority of quality”, the Group will focus on the first-tier and second-tier cities previously determined to continue to acquire premium projects. It will focus on core cities and achieve high-quality 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 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.

All in all, during 2023, the Group will implement all works at our pace as scheduled through above-mentioned measures, committed to developing a batch of benchmarking projects with strong influence in the cities or regions where such projects are located, and ultimately form a healthy development that “one project will be successful should it commence and the next will be better than the last”.

FINANCIAL REVIEW

Revenue

During the year ended 31 December 2022, the Group's revenue amounted to approximately RMB561.9 million, representing a year-on-year decrease of approximately 1.8%.

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

	Year ended 31 December			
	2022		2021	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Entrusted management services	381,701	67.9	351,650	61.5
Brand and management output services	137,904	24.6	198,495	34.7
Sublease services	42,249	7.5	22,064	3.8
Total	561,854	100.0	572,209	100.0

- **Entrusted management services:** For the year ended 31 December 2022, revenue from entrusted management services amounted to approximately RMB381.7 million, representing a year-on-year increase of approximately 8.5%, accounted for approximately 67.9% of the Group's total revenue. The revenue from entrusted management service was increased due to the increase in the revenue from positioning, construction consultancy and tenant sourcing services provided as a result of the increase in the revenue from commercial operational management services of projects in operation and the increase in the number of projects under entrusted management during the preparation stage.
- **Brand and management output services:** For the year ended 31 December 2022, revenue from brand and management output services amounted to approximately RMB137.9 million, representing a year-on-year decrease of approximately 30.5%, accounted for approximately 24.6% of the Group's total revenue. The decrease in revenue from brand and management output services was primarily attributable to the decrease in the number of preliminary consultation services projects of the Group 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 year ended 31 December 2022, revenue from sublease services amounted to approximately RMB42.2 million, representing a year-on-year increase of approximately 91.5%, accounted for approximately 7.5% of the Group's total revenue. The increase in revenue from sublease services was mainly due to the increase in operating income as a result of the grand opening of Jiaying Galaxy COCO City (嘉興星河 COCO City) in July 2022.

Cost of Services

For the year ended 31 December 2022, the Group's cost of services amounted to approximately RMB248.8 million, representing a year-on-year increase of approximately 2.9%, which was primarily attributable to the increase in operating cost as a result of the grand opening of the sublease projects of Jiaying Galaxy COCO City (嘉興星河COCO City) in July 2022 and the increase in the depreciation of right-of-use assets recognised in accordance with HKFRS 16.

Gross Profit and Gross Profit Margin

As a result of the foregoing, for the year ended 31 December 2022, the Group's gross profit amounted to approximately RMB313.0 million, representing a year-on-year decrease of approximately 5.3%.

The table below sets forth the gross profit 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			
	2022		2021	
	<i>Gross profit</i>	<i>Gross profit</i>	<i>Gross profit</i>	<i>Gross profit</i>
	<i>margin</i>	<i>margin</i>	<i>margin</i>	<i>margin</i>
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Entrusted management services	205,686	53.9	172,559	49.1
Brand and management output services	101,134	73.3	148,820	75.0
Sublease services	6,219	14.7	9,053	41.0
Total/Overall	<u>313,039</u>	55.7	<u>330,432</u>	57.7

For the year ended 31 December 2022, the Group's gross profit margin amounted to 55.7%, representing a decrease of approximately 2.0 percentage points as compared with 57.7% for the year ended 31 December 2021, primarily attributable to the decrease in revenue contribution from brand and management output services with relatively higher gross profit margin for the year ended 31 December 2022 and the decrease in gross profit margin of the sublease projects affected by the pandemic and newly opened projects.

- Entrusted management services: For the year ended 31 December 2022, the gross profit margin amounted to 53.9%, representing an increase of 4.8 percentage points as compared with approximately 49.1% 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 year ended 31 December 2022, the gross profit margin remained relatively stable as compared with the same period of 2021.
- Sublease services: For the year ended 31 December 2022, the gross profit margin amounted to approximately 14.7%, representing a decrease of approximately 26.3 percentage points as compared with approximately 41.0% for the same period of 2021, the decrease in the gross profit margin was primarily due to the implementation of the merchant support plan and reduction in rentals during the outbreak of COVID-19 pandemic, as well as the rent-free operating period granted to merchants in the newly opened Jiaying Galaxy COCO City (嘉興星河COCO City) and relatively stable leasing costs, resulting a decrease in gross profit margin.

Other Income

For the year ended 31 December 2022, other income amounted to approximately RMB40.0 million, representing a year-on-year increase of approximately 28.5%, 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 2022, other gains amounted to approximately RMB15.5 million, mainly represents foreign currency exchange gains.

Impairment Losses under Expected Credit Loss Model, Net of Reversal

For the year ended 31 December 2022, the Group's impairment losses under expected credit loss model, net of reversal amounted to approximately RMB21.4 million, representing a year-on-year increase of approximately 108.0%, 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 2022, the Group's selling expenses amounted to approximately RMB12.0 million, representing a year-on-year increase of approximately of 41.4%, primarily due to the opening of the sublease project of Jiaxing Galaxy COCO City (嘉興星河COCO City) and the increase in marketing and promotional expenses for such project.

Administrative Expenses

For the year ended 31 December 2022, the Group's administrative expenses amounted to approximately RMB82.6 million, representing a year-on-year increase of approximately 16.1%, 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 HKFRS 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 represent interest expense on lease liabilities recognized pursuant to HKFRS 16 in respect of sublease projects. For the year ended 31 December 2022, the Group's finance costs amounted to approximately RMB23.3 million, representing a year-on-year increase of approximately of 503.3%, primarily attributable to the increase in interest expense on lease liabilities recognized in respect of the delivery of 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 year.

Share of Result of a Joint Venture

For the year ended 31 December 2022, the Group's share of result of a joint venture recorded a loss of approximately RMB20.9 million, which was mainly caused by the delivery of the sublease project of Guangzhou Health Port Galaxy COCO Park (廣州健康港星河COCO Park), the expenses incurred during the preparation stage as well as the depreciation of right-of-use assets and the interest expense on lease liabilities recognized pursuant to HKFRS 16 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.

Income Tax Expenses

For the year ended 31 December 2022, the Group's income tax expenses amounted to approximately RMB59.5 million, representing a year-on-year decrease of approximately of 13.2%. This decrease was primarily attributable to the decrease in profit before tax.

Profit for the Year

For the year ended 31 December 2022, the Group's profit for the year was approximately RMB148.9 million, representing a decrease of approximately 19.1% as compared with the profit for the year of approximately RMB183.9 million for the year ended 31 December 2021. Profit attributable to the owners of the Company amounted to approximately RMB154.3 million, representing a decrease of approximately 16.6% as compared with approximately RMB184.9 million for the year ended 31 December 2021.

Core Profit Attributable to the Owners of the Company

According to HKFRS 16, the Group recognizes the right-of-use assets and lease liabilities upon the delivery of the sublease projects, and commences to provide for the depreciation of the right-of-use assets and recognize the interest expense on lease liabilities. However, the actual projects still take time for decoration, preparation and tenant sourcing before they are officially put into operation and generate revenue. Therefore, the management believes that the performance excluding the influence of leasing standards will better reflect the operating results of the Company during the current period, thus the Group takes the profit attributable to the owners of the Company plus the depreciation of right-of-use assets provided and the interest expense on lease liabilities recognized, after deducting the current rent costs according to the lease contracts as core profit attributable to the owners of the Company. Core profit attributable to the owners of the Company amounted to approximately RMB198.9 million, representing an increase of approximately 6.0% as compared with approximately RMB187.6 million for the year ended 31 December 2021.

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 2022, the Group's current portion of trade and other receivables were approximately RMB46.3 million, representing an increase of approximately 1.0% as compared with that of approximately RMB45.8 million as at 31 December 2021, primarily attributable to the increase in trade receivables of the Group.

Financial assets at fair value through profit or loss

As at 31 December 2022, the Group had no financial assets at fair value through profit or loss as the financial products acquired in 2021 were fully redeemed during the year ended 31 December 2022.

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 construction cost payables and others. As at 31 December 2022, the Group's trade and other payables amounted to approximately RMB208.1 million, representing a year-on-year increase of approximately 21.0% as compared with approximately RMB172.0 million as at 31 December 2021, which was mainly due to the increase in decoration project payable for sublease projects.

Investment properties

The Group's investment properties refer to the leased assets recognised in accordance with HKFRS 16 in respect of subleased projects. As at 31 December 2022, the Group's investment properties amounted to approximately RMB767.5 million, representing a year-on-year increase of approximately 1,515.0% as compared with approximately RMB47.5 million as at 31 December 2021, which was mainly due to additional leased assets recognised in accordance with HKFRS 16 during the current period, namely Jiaxing Galaxy COCO City (嘉興星河 COCO City) and Xiamen Galaxy COCO Park (廈門星河COCO Park).

Charge of assets

As of 31 December 2022, none of the assets of the Group were being charged.

Contingent liabilities

As of 31 December 2022, the Group did not have any material contingent liabilities.

Liquidity and capital resources

The Group has maintained stable financial position and sufficient liquidity and bank balances. As at 31 December 2022, the Group's bank balances and cash amounted to approximately RMB482.8 million, representing an increase of approximately 8.2% as compared with that of approximately RMB446.3 million as at 31 December 2021. This was primarily attributable to the increase in the proceeds from operation of the Group for the year ended 31 December 2022, which was partly offset by decoration expenses of the sublease projects and cash dividend payments. 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.

Bank loans and other borrowings

There are no bank loans and other borrowings of the Group as at 31 December 2022 (31 December 2021: Nil).

Gearing ratio

Gearing ratio is calculated based on total liabilities as at 31 December 2022 divided by total assets as at 31 December 2022. As at 31 December 2022, gearing ratio was approximately 44.9%, representing a substantial increase as compared with approximately 20.5% as at 31 December 2021. This was primarily attributable to the recognition of significant amount of lease assets and lease liabilities upon the delivery of sublease projects of Jiaying Galaxy COCO City (嘉興星河COCO City) and Xiamen Galaxy COCO Park (廈門星河COCO Park) during the year ended 31 December 2022.

Foreign exchange risk

The Group primarily operates in the PRC and its businesses are principally conducted in RMB. As at 31 December 2022, 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

A total of 270,640,000 ordinary shares of HK\$0.01 each in the share capital of the Company (the “**Share(s)**”) were issued at HK\$3.86 per Share in connection with the listing (the “**Listing**”) of the Shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 26 January 2021 (the “**Listing Date**”), including the Over-allotment Option (as defined in the prospectus of the Company dated 14 January 2021 (the “**Prospectus**”)), with a total net proceeds of RMB841.8 million (the “**Net Proceeds**”) raised.

By using the allocations basis as stated in the Prospectus, the Group intended to use the Net Proceeds as follows: (i) approximately 55%, or approximately RMB463 million, for pursuing 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 (the “**Intended Acquisitions**”); (ii) approximately 20%, or approximately RMB168.4 million, for renovation of retail commercial properties under the sublease service model; (iii) approximately 10%, or approximately RMB84.2 million, for making minority equity investment in the project companies which own quality commercial properties; (iv) approximately 5%, or approximately RMB42 million, for upgrading internet-based and information systems to raise its management service quality, reduce labour costs and improve internal control; and approximately 10%, or approximately RMB84.2 million, for its general business purpose and working capital.

Despite the Company has been actively identifying potential acquisition targets for the Intended Acquisitions, the changes in market circumstances including the market downturn of the real estate industry in the PRC from the fourth quarter of 2021 and the resurgence of the pandemic since the beginning of 2022, the Company became aware since the second quarter of 2022 that the number of acquisition targets which may be suitable for the Intended Acquisitions had substantially decreased.

Therefore, on 25 August 2022, the Board resolved to change the proposed use of the Net Proceeds in the following manner: (i) the original proposed allocation of approximately 55% of the Net Proceeds for the Intended Acquisitions will be re-allocated for lease expenses and renovation of retail commercial properties under the sublease service model; and (ii) the original proposed use of Net Proceeds for renovation of retail commercial properties under the sublease service model will be expanded to cover also lease expenses of retail commercial properties under the sublease service model (collectively, the “**Intended Renovations**”). For details, please refer to the interim results announcement of the Company dated 25 August 2022 (the “**Announcement**”) and the 2022 interim report of the Company.

As of 31 December 2022, an analysis of the utilisation of Net Proceeds is as follows:

Revised use of Net Proceeds as set out in the Announcement	Approximate amount of Net Proceeds after reallocation (RMB million)	Utilised Net Proceeds			Expected time of full utilisation
		Unutilised Net Proceeds as at 1 January 2022 (RMB million)	For the twelve months ended 31 December 2022 (RMB million)	Unutilised Net Proceeds as at 31 December 2022 (RMB million)	
For lease expenses and renovation of retail commercial properties under the sublease service model	631.4	614.3 ⁽¹⁾	79.7	534.6	by end of 31 December 2024
To make minority investment in the project companies which own quality commercial properties	84.2	60.2	-	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 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	20.2	0.6	19.6	by end of 31 December 2024
- to improve customers services	21.0	19.4	1.4	18.0	by end of 31 December 2024
For general business purpose and working capital	84.2	-	-	-	by end of 31 December 2024
Total	841.8	714.1	81.7	632.4	

(1) Opening balance being restated in accordance with the reallocation of Net Proceeds as stated in the Announcement.

NUMBER OF EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, the total number of employees of the Group was 826 (2021: 436). The significant increase was mainly due to the increase in the self-managed property services and projects in preparation. 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 HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Company has no significant investments held and no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended and as at 31 December 2022.

SUBSEQUENT EVENTS

After the year ended 31 December 2022 and up to the date of this announcement, the Group had no significant events occurred which have material impact on the Group.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK\$0.07 per ordinary share for the year ended 31 December 2022. Such proposed final dividend is subject to the approval by the shareholders of the Company (the “**Shareholder(s)**”) at the forthcoming annual general meeting of the Company to be convened and held on Thursday, 8 June 2023 (the “**AGM**”).

ANNUAL GENERAL MEETING

The AGM will be convened and held on Thursday, 8 June 2023. 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 in due course.

CLOSURE OF REGISTER OF MEMBERS

(a) Attending the AGM

The register of members of the Company will be closed from Monday, 5 June 2023 to Thursday, 8 June 2023, both days inclusive, during which period no transfer of Shares will be registered. For the purpose of determining the Shareholders’ 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Friday, 2 June 2023.

(b) Payment of the proposed final dividend

The register of members of the Company will be closed from Thursday, 15 June 2023 to Friday, 16 June 2023, both days inclusive, during which period no transfer of Shares will be registered. For the purpose of determining the Shareholders' entitlement to the proposed final dividend for the year ended 31 December 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 Wednesday, 14 June 2023. It is expected that the proposed final dividend will be paid on or before Friday, 7 July 2023 to those Shareholders whose names appear on the register of members of the Company at the close of business on Friday, 16 June 2023.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 during the year ended 31 December 2022.

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

By the shareholders' resolution passed by the Shareholder at the annual general meeting of the Company convened and held on 10 June 2022, the Directors were granted a general mandate to buy back up to 102,003,900 Shares, representing 10% of the total number of issued Shares as at 10 June 2022.

For the year ended 31 December 2022, the Company had repurchased a total of 915,000 Shares on the Stock Exchange for an aggregate consideration of approximately HK\$1.35 million excluding expenses. The above-mentioned repurchased Shares were cancelled on 17 January 2023. 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 the Shareholders as a whole.

Details of the Shares repurchased during the year ended 31 December 2022 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\$)
4 November 2022	100,000	1.19	1.19	119,000
8 November 2022	45,000	1.25	1.24	56,169
9 November 2022	200,000	1.28	1.25	255,180
16 November 2022	82,000	1.67	1.67	136,940
17 November 2022	100,000	1.71	1.62	167,380
18 November 2022	120,000	1.69	1.58	195,048
22 November 2022	100,000	1.55	1.51	153,424
23 November 2022	68,000	1.58	1.53	105,491
24 November 2022	100,000	1.64	1.60	162,740
	<u>915,000</u>			<u>1,351,372</u>

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 year ended 31 December 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 as well as enhancing the transparency and accountability to the stakeholders.

During the year ended 31 December 2022, the Directors are of the view that the Company had applied the principles of good corporate governance and complied with the code provisions as set out in Part 2 of the Corporate Governance Code as contained in Appendix 14 to the Listing Rules. 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 2022.

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 2022.

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 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board of Directors on 30 March 2023. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary 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 2022 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 2023

As at the date of this announcement, the Board comprises Mr. Huang De-Lin Benny, Mr. Tao Muming 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*