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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)

2023 ANNUAL RESULTS ANNOUNCEMENT

SUMMARY OF RESULTS

- Revenue of the Group for the year ended 31 December 2023 amounted to approximately RMB635.0 million, representing an increase of approximately 13.0% as compared with approximately RMB561.9 million for the year ended 31 December 2022.

- Profit attributable to the owners of the Company for the year ended 31 December 2023 amounted to approximately RMB171.1 million, representing an increase of approximately 10.9% as compared with approximately RMB154.3 million for the year ended 31 December 2022.

- Net operating cash flows of the Group for the year ended 31 December 2023 amounted to approximately RMB299.3 million, representing an increase of approximately 84.9% as compared with approximately RMB161.9 million for the year ended 31 December 2022.

- The Board recommends the payment of a final dividend of HK13 cents per ordinary share for the year ended 31 December 2023, representing a payout ratio of approximately 70.0%.

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 2023, together with comparative figures for the year ended 31 December 2022, as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
Revenue	*4*	**635,006**	561,854
Cost of services		**(301,451)**	(248,815)
Gross profit		**333,555**	313,039
Other income		**42,767**	40,031
Other gains and losses		**3,076**	15,473
Reversal of impairment losses (impairment losses recognised) under expected credit loss model, net		**9,477**	(21,415)
Selling expenses		**(20,181)**	(11,972)
Administrative expenses		**(75,805)**	(82,595)
Finance costs		**(38,285)**	(23,342)
Gain on disposal of subsidiaries		**300**	–
Share of result of a joint venture		**(16,075)**	(20,874)
Profit before tax		**238,829**	208,345
Income tax expense	*5*	**(76,524)**	(59,463)
Profit and total comprehensive income for the year	*6*	**162,305**	148,882
Profit (loss) for the year attributable to:			
– Owners of the Company		**171,097**	154,275
– Non-controlling interests		**(8,792)**	(5,393)
		162,305	148,882
Earnings per share	*7*		
– Basic *(RMB cents)*		**16.84**	15.15

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
Non-current assets			
Property and equipment		**1,578**	4,501
Investment properties		**791,383**	767,451
Rental deposits	*9*	**25,542**	10,542
Deposits paid for acquisition of property and equipment		**–**	2,620
Finance lease receivables		**5,371**	6,042
Deferred tax assets		**31,566**	21,600
Interest in a joint venture		**–**	–
Loans to a joint venture		**74**	1,149
Restricted bank balance		**–**	5,000
		855,514	818,905
Current assets			
Finance lease receivables		**671**	604
Trade and other receivables	*9*	**28,198**	46,300
Financial assets at fair value through profit or loss ("**FVTPL**")		**21,136**	–
Amounts due from related parties		**3,690**	4,090
Restricted bank balance		**5,000**	–
Short-term bank deposits		**863,523**	780,365
Cash and cash equivalents		**546,914**	482,835
		1,469,132	1,314,194
Assets classified as held-for-sale		**–**	8,758
		1,469,132	1,322,952
Current liabilities			
Trade and other payables	*10*	**286,984**	208,054
Lease liabilities		**36,202**	28,321
Contract liabilities		**15,576**	19,090
Amounts due to related parties		**1,901**	1,700
Tax payable		**27,181**	31,321
		367,844	288,486
Liabilities associated with assets classified as held-for-sale		**–**	4,335
		367,844	292,821
Net current assets		**1,101,288**	1,030,131
Total assets less current liabilities		**1,956,802**	1,849,036

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Capital and reserves		
Share capital	**8,506**	8,533
Reserves	**1,248,259**	1,145,864
Equity attributable to owners of the Company	**1,256,765**	1,154,397
Non-controlling interests	**14,905**	26,306
Total equity	**1,271,670**	1,180,703
Non-current liabilities		
Deferred tax liabilities	**25,927**	6,123
Lease liabilities	**659,205**	662,210
	685,132	668,333
	1,956,802	1,849,036

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 on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 26 January 2021. 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 in the People's Republic of China (the "**PRC**") is 32nd Floor, Building A Galaxy World, 1 Yabao Road, Longgang District, Shenzhen Guangdong Province, 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")

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and 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 2023 for the preparation of the consolidated financial information:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and 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 this consolidated financial information.

Impacts on application of Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group has applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 "Income Taxes" ("**HKAS 12**") so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

In accordance with the transition provision:

(i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022;

(ii) the Group also, as at 1 January 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities respectively.

The application of the amendments has had no material impact on the Group's financial position and performance, except that, on 1 January 2022, the Group recognised the related deferred tax assets of RMB17,182,000 and deferred tax liabilities of RMB12,612,000 on a gross basis but it has no impact on the retained profits and on 31 December 2022, the Group recognised the related deferred tax assets of RMB172,633,000 and deferred tax liabilities of RMB160,867,000 on a gross basis but it has no impact on the retained profits.

Amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKAS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after 1 January 2025.

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

3. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL INFORMATION

Basis of preparation of consolidated financial information

The consolidated financial information has been prepared in accordance 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 includes 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, if applicable.

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

	2023	2022
	RMB'000	*RMB'000*
Entrusted management services	**406,372**	381,701
Brand and management output services	**145,026**	137,904
Sublease services	**83,608**	42,249
	635,006	561,854
Comprise of:		
– Revenue from contracts with customers	**592,270**	540,330
– Revenue from leases	**42,736**	21,524
	635,006	561,854

(i) Disaggregation of revenue from contracts with customers:

	2023	2022
	RMB'000	*RMB'000*
Commercial property operational services:		
– Market positioning, design and construction consultancy and tenant sourcing services	**145,148**	94,382
– Operational management services	**344,508**	359,489
– Value-added services	**102,614**	86,459
	592,270	540,330

(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 lease agreements with the property owners of commercial properties and subleases the commercial spaces within the commercial properties to tenants.

	2023	2022
	RMB'000	*RMB'000*
For operating leases:		
Lease payments that are fixed	**27,741**	15,585
Variable lease payments	**14,744**	5,665
	42,485	21,250
For finance leases:		
Finance income on the net investment in the lease	**251**	274
Total revenue arising from leases	**42,736**	21,524

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:

	2023	2022
	RMB'000	*RMB'000*
Customer A *(Note)*	**227,223**	174,239

Note: Customer A represents a group of related parties of the Group under common control of Mr. Huang.

5. INCOME TAX EXPENSE

	2023	2022
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax, net	**66,686**	65,890
Deferred tax	**9,838**	(6,427)
	76,524	59,463

6. PROFIT FOR THE YEAR

	2023	2022
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration:		
– Auditor of the Company	**1,360**	1,486
– Other auditor	**–**	363
– Non-audit services	**450**	539
	1,810	2,388
Depreciation of property and equipment	**4,165**	4,686
Depreciation of investment properties	**42,372**	22,669
Staff costs (including directors' emoluments):		
Salaries and other benefits	**185,838**	163,379
Equity-settled share-based payments	**1,010**	–
Retirement benefits schemes contributions	**21,794**	18,943
Total staff costs	**208,642**	182,322
Gain on fair value changes of financial assets at FVTPL (included in other gains and losses)	**(1,136)**	(28)
Gain on disposal of property and equipment (included in other gains and losses)	**(122)**	(20)
Net exchange gain (included in other gains and losses)	**(1,882)**	(15,440)
Gross rental income from investment properties	**(42,485)**	(21,250)
Less: direct operating expenses incurred for investment properties during the year	**38,978**	27,878
	(3,507)	6,628

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

	2023	2022
	RMB'000	*RMB'000*
Earnings for the purpose of basic earnings per share:		
Profit for the year attributable to owners of the Company	**171,097**	154,275

Number of shares

	2023	2022
	'000	*'000*
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,016,073**	1,018,009

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

8. DIVIDEND

	2023	2022
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2023 interim dividend of nil (2022: 2022 interim dividend of HK3.5 cents) per ordinary share	**–**	31,187
2022 final dividend of HK7 cents (2022: 2021 final dividend of HK10 cents) per ordinary share	**64,802**	87,065
	64,802	118,252

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2023 of HK13 cents per ordinary share, in an aggregate amount of approximately HK$132,185,000, 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

	2023	2022
	RMB'000	*RMB'000*
Trade and other receivables		
– Trade receivables	**12,911**	32,660
– Other receivables	**40,829**	24,182
	53,740	56,842
Analysed as:		
Non-current	**25,542**	10,542
Current	**28,198**	46,300
	53,740	56,842

	2023	2022
	RMB'000	*RMB'000*
Trade receivables		
Contracts with customers		
– Third parties	**38,575**	70,266
– Related parties	**426**	269
Allowance for credit losses	**(29,408)**	(38,885)
	9,593	31,650
Operating lease receivables – third parties	**3,318**	1,010
	12,911	32,660

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:

	2023	2022
	RMB'000	*RMB'000*
0 – 10 days	**12,316**	8,999
11 – 30 days	**215**	2,029
31 – 60 days	**–**	4,432
61 – 90 days	**–**	2,690
Over 90 days	**380**	14,510
	12,911	32,660

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

	2023	2022
	RMB'000	*RMB'000*
0-10 days	**3,318**	1,010

	2023	2022
	RMB'000	*RMB'000*
Other receivables recognised as non-current assets:		
Rental deposits	**25,542**	10,542
Other receivables recognised as current assets:		
Receivables from third-party payment platforms	**3,025**	2,561
Payments on behalf of tenants	**656**	772
Advance to employees	**234**	269
Other tax recoverable	**7,756**	8,029
Deposits	**797**	298
Prepayment	**1,260**	807
Others	**1,559**	904
	15,287	13,640
Total other receivables	**40,829**	24,182

10. TRADE AND OTHER PAYABLES

	2023	2022
	RMB'000	*RMB'000*
Trade and other payables		
– Trade payables	**27,177**	20,851
– Other payables	**259,807**	187,203
	286,984	208,054

	2023	2022
	RMB'000	*RMB'000*
Trade payables		
Contracts with suppliers		
– Third parties	**24,606**	18,799
– Related parties	**2,571**	2,052
	27,177	20,851

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:

	2023	2022
	RMB'000	*RMB'000*
0 – 30 days	**26,971**	14,048
31 – 60 days	**–**	2,375
61 – 90 days	**–**	690
Over 90 days	**206**	3,738
	27,177	20,851

	2023	2022
	RMB'000	*RMB'000*
Other payables		
Receipts on behalf of tenants	**84,176**	59,721
Deposits received	**54,677**	39,266
Payables for leasehold improvements (included in investment properties)	**59,276**	42,127
Salary payables	**38,672**	32,309
Accrual and others	**18,910**	6,223
Other tax payables	**4,096**	5,443
Deposit received in respect of disposal of subsidiaries	**–**	2,114
	259,807	187,203

11. SHARE CAPITAL

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

	Number of shares	Share capital *HK$'000*	Share capital *RMB'000*
Ordinary shares of HK$0.01 each			
Authorised			
At 1 January 2022, 31 December 2022 and 31 December 2023	2,000,000,000	20,000	16,755
Issued and fully paid			
At 1 January 2022 and 31 December 2022	1,020,039,000	10,200	8,533
Cancellation of shares *(note (i))*	(915,000)	(9)	(8)
Repurchase and cancellation of shares *(note (ii))*	(2,317,000)	(23)	(19)
At 31 December 2023	1,016,807,000	10,168	8,506

The Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares of HK$0.01 each	Price per share Lowest *HK$*	Price per share Highest *HK$*	Aggregate consideration paid *HK$'000*	Aggregate consideration paid *RMB'000*
November 2022	915,000	1.19	1.67	1,351	1,233
January 2023	237,000	2.07	2.22	511	447
April 2023	365,000	1.54	1.64	580	508
May 2023	163,000	1.32	1.38	221	199
August 2023	311,000	1.39	1.43	439	401
September 2023	1,241,000	1.44	1.53	1,856	1,703
December 2023	1,530,000	1.11	1.24	1,817	1,651

Notes:

(i) The ordinary shares repurchased in November 2022 were cancelled in January 2023.

(ii) The ordinary shares repurchased from January 2023 to September 2023 were cancelled during the year and the ordinary shares repurchased in December 2023 have been cancelled in February 2024.

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 2023, the Group entered into contracts to provide services for 55 commercial property projects (including 8 consultancy services projects) located in 21 cities in the People's Republic of China ("**China**" or "**PRC**"), with an aggregate contracted gross floor area ("**GFA**") of approximately 2.8 million square meters ("**sq.m.**") (excluding the area under 8 consultancy services projects), 48.9% of which was developed or owned by independent third parties. Among them, 27 retail commercial properties have been opened with an aggregate opened GFA of approximately 1.7 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. In 2023, the Group was listed on both the "Mall China Golden Mall List of Excellent Commercial Management 2023" (2023年度商業管理公司卓越榜) and the "Mall China Golden Mall List of Excellent Marketing 2023" (2023年度營銷企劃卓越榜) by Mall China (中購聯), Shenzhen Futian Galaxy COCO Park (深圳福田星河COCO Park) was selected into the list of "National Demonstration Smart Store" (全國示範智慧商店) and occupied the first place of the list of the top ten internet popular brands in Shenzhen and Hong Kong, and Xiamen Galaxy COCO Park (廈門星河COCO Park) was also listed on the "Mall China Golden Mall List of Shopping Centers to Be Opened in the Year" (中購聯購物中心行業「年度待開業購物中心星秀榜」). At the same time, the Group's marketing campaign IP, E-Star's Seventh Shopping Festival (星盛商業第七屆大搶節), was also awarded the "High Quality Creativity Award 2023" (2023年度高質量創意獎) of the Weekly Marketing Awarding Ceremony (時代營銷盛典) by Times Media Group.

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.

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 2023		As of 31 December 2022	
	Number of properties	**Contracted GFA** *(000'sq.m.)*	Number of properties	Contracted GFA *(000'sq.m.)*
Entrusted management service	**13**	**998**	13	965
Brand and management output service	**35**	**1,432**	45	2,323
Sublease service	**7**	**412**	7	412
Total	**55**	**2,842**	65	3,700

Notes:

(1) Contracted GFA as of 31 December 2023 and 31 December 2022 excluded the GFA of 8 and 13 consultancy service projects, respectively.

(2) In 2023, the Company adjusted its strategy in a timely manner in respond to changes in the real estate industry. After 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 third party projects (i.e. Puning Galaxy COCO City (普寧星河COCO City), Shenzhen Longgang Galaxy iCO (深圳龍崗星河iCO), Shanwei Galaxy COCO City (汕尾星河COCO City), Foshan Changhua Galaxy COCO City (佛山長華星河COCO City), Guannan Hengji Galaxy COCO City (灌南恒基星河COCO City) and Enshi Galaxy COCO City (恩施星河COCO City)) and completed the rescission of these contracts. It is the Company's view that 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 2023, the Group provided services to 55 commercial property projects (including 8 consultancy service projects), with a contracted GFA of approximately 2.8 million sq.m. (excluding the GFA of 8 consultancy service projects). The reserve of consultancy 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 31 December,							
	2023				2022			
	No. of properties	**contracted GFA[5] sq.m.**	**Revenue RMB**	**%**	No. of properties	contracted GFA[5] sq.m.	Revenue RMB	%
	(in thousands, except for numbers of properties and percentages)							
Greater Bay Area[1]	**34**	**1,588**	**503,853**	**79.3**	39	1,803	457,541	81.4
– *Shenzhen*	*18*	*777*	*454,867*	*71.6*	*20*	*836*	*421,090*	*74.9*
Yangtze River Delta[2]	**9**	**418**	**71,011**	**11.2**	9	540	55,186	9.8
Central China region[3]	**1**	**–**	**5,901**	**0.9**	1	142	14,690	2.6
Other regions[4]	**11**	**836**	**54,241**	**8.6**	16	1,215	34,437	6.2
Total	**55**	**2,842**	**635,006**	**100.0**	65	3,700	561,854	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 Enshi and Wuhan.

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

(5) Contracted GFA as of 31 December 2023 and 31 December 2022 excluded the GFA of 8 and 13 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 2023.

Product category	As of 31 December Average occupancy rate[(1)] 2023 %	2022 %	As of 31 December 2023 Area of shopping centers in operation[(2)] *(000' sq.m.)*
COCO Park	**94.2**	96.0	**378**
COCO City and iCO	**91.0**	91.1	**643**
Others	**94.5**	94.8	**241**
Total	**92.8**	92.5	**1,262**

(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 park.

Projects in Operation

The table below sets forth the opened retail commercial property projects of the Group as at 31 December 2023:

	Commercial property	Location	Opening date	Shopping Mall	Car Park	Total GFA in operation	Operational model	Property owner
			(Month-Year)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*		
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 Longhua Galaxy COCO Garden (深圳龍華星河COCO Garden)	Shenzhen	August 2020	3,618	–	3,618	Entrusted management service	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.	Ordos Galaxy COCO City (鄂爾多斯星河COCO City)	Ordos	October 2017	81,522	–	81,522	Brand and management output service	Independent Third Party property developers
14.	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	Independent Third Party property developers
15.	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
16.	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

	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
17.	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
18.	Asian Financial Center Project (亞洲金融中心項目)	Guangzhou	November 2022	31,301	938	32,239	Brand and management output service	Galaxy Holding and its associates
19.	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
20.	Jiaxing Galaxy COCO City (嘉興星河COCO City)	Jiaxing	July 2022	81,504	–	81,504	Sublease service	Independent Third Party property developers
21.	Commercial facilities of Shenzhen Galaxy WORLD Industrial Park (深圳星河WORLD產業園底商)	Shenzhen	April 2023	7,515	–	7,515	Brand and management output service	Galaxy Holding and its associates
22.	Xiamen Galaxy COCO Park (廈門星河COCO Park)	Xiamen	May 2023	73,507	28,834	102,341	Sublease service	Independent Third Party property developers
23.	Rizhao Galaxy iCO (日照星河iCO)	Rizhao	September 2023	56,611	–	56,611	Entrusted management service	Independent Third Party property developers
24.	Shanshui Outlets • Lu'an Galaxy COCO City (山水奧萊 • 六安星河COCO City)	Lu'an	December 2023	75,692	–	75,692	Brand and management output service	Independent Third Party property developers
25.	Guangzhou Nansha Galaxy COCO Park (廣州南沙星河COCO Park)	Guangzhou	December 2023	96,018	–	96,018	Entrusted management service	Galaxy Holding and its associates
26.	Jiangyin Galaxy COCO City (江陰星河COCO City)	Wuxi	December 2023	51,226	–	51,226	Sublease service	Galaxy Holding and its associates
27.	Jining Galaxy iCO (濟寧星河iCO)	Jining	December 2023	66,700	44,919	111,619	Entrusted management service	Independent Third Party property developers
	Total			1,262,237	388,367	1,650,604		

WORK PLAN FOR 2024

In 2024, under the theme of "year of quality", the Group will continue to maintain our "strategic focus" and adhere to the "1234 Strategy", namely, "1 major event - to secure opening for stable operation, 2 focuses - strategic focus and regional focus, 3 optimizations - core assets optimization, expansion mode optimization and organizational capability optimization, and 4 improvements – productivity improvement, resource improvement, digitalization improvement and innovation improvement", and stress the importance of the enhancement of both quality and management in order to achieve the sustainable development of the Group. As such, the core work of the Group in 2024 will be carried out in the following four aspects:

I. Improve product portfolio quality

In 2024, the Group will continue to strengthen the brand power of its flagship product line, COCO Park, and further improve COCO Park's brand positioning as being "youthful and trendy" in order to attract more attention from younger consumers.

In addition, the Group will continue to develop product features, improve product quality, and refine consumer research based on continuous research on the market, competitive products and consumers to enable our products to have an accurate positioning and make a breakthrough in innovation. Meanwhile, the Group will pursue a good balance between product innovation and cost control, and ensure that our boutique products will be constructed as designed in order to increase consumers' experience and loyalty.

The Group will continue to observe the principle of "one policy for one store" and optimize tenant mix and improve portfolio quality on the basis of accurate project positioning. The Group will deepen strategic collaboration and reinforce the "one for more" (一帶多) capability of each brand to provide brand reserves and support for projects. And new brands and innovative forms of business will be introduced with strong efforts. Besides, the Group will return to the basics of operation to stabilize the fundamentals of projects, allowing projects to refine and solidify their operating highlights and form their own operating characteristics. Efforts will also be made to bring in good brands and new brands, develop benchmark business tenants, and create "million yuan stores", "10 million yuan stores" and "100 million yuan stores" to boost the performance of projects.

II. Improve operation service quality

In 2024, with continuous efforts to optimize the "Five Friendly" (五大友好) customer service systems and relying on the comprehensively upgraded membership system and the member-side digital system, the Group will consolidate the refined operation foundation and significantly enhance the membership operation capability and service quality by setting specific targets and implementation measures regarding operation matrix, member absorption and retention, precise marketing and other aspects of membership operation, and implementing the innovative thinking of the "big service systems" to improve the management and service of the Group and provide customers with warm services. In the meantime, capitalizing on the northbound spending fever of Hong Kong customers, the Group will work on developing a number of projects into "consumption destinations of Hong Kong customers".

III. Optimize management and innovation

First, the Group will optimize management processes and efficiency, and build a flat and agile organization to improve decision-making and execution. Second, the Group will deepen innovation mechanism and culture by focusing on product and service innovation in order to create a differentiated competitive advantage. Third, the Group will develop intelligent retail by deepening data insights, using data technology to tap into value and grasping market and consumer demand. Besides, the online and offline integration will be fortified to break through physical constraints and expand the seamless shopping experience. With a data-driven decision-making process, the Group is committed to improving our retail business and create more commercial value.

IV. Improve expansion quality

In 2024, on the premise of quality improvement, the Group will stick to its strategic focus, value quality over quantity, adhere to the circle of competence and identify an expansion method suitable for E-Star and in its own distinctive mode. Through forward-looking positioning, business tenant sourcing and operation, we will develop projects with first-mover advantage and influence in the area.

- Stick to the safety bottom line. Follow the “Five Don’ts Principle” (五不做原則): don’t do things uncontrollable, don’t do things unaffordable, don’t do things unfulfillable, don’t do things unmarketable, and don’t do things outside the target areas.

- Optimize expansion mode and focus on target markets. Deepen regions where we have advantages, with “two centers in the Bay Area and development of the Yangtze River Delta” as the main direction of expansion. In the Greater Bay Area, focus on Shenzhen and Guangzhou as the centers and expand to Zhuhai, Dongguan, Foshan, Zhongshan and other major cities; in the Yangtze River Delta, focus on Nanjing as the base; and expand into Xiamen, Shandong and other major cities that have already been deployed in a selective manner.

In view of the foregoing, in 2024, the Group will implement the above measures at a stable pace and in a well-planned manner for a benign development that “one project will be successful should it commence and the next will be better than the last”. Additionally, the Group will continue to explore and innovate, and maintain its sensitivity to new consumption, new trends and new situations, thereby injecting more vitality into the long-term development of the Group.

FINANCIAL REVIEW

Revenue

During the year ended 31 December 2023, the Group's revenue amounted to approximately RMB635.0 million, representing a year-on-year increase of approximately 13.0%.

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

	Year ended 31 December			
	2023		2022	
	RMB'000	*%*	*RMB'000*	*%*
Entrusted management services	**406,372**	**64.0**	381,701	67.9
Brand and management output services	**145,026**	**22.8**	137,904	24.6
Sublease services	**83,608**	**13.2**	42,249	7.5
Total	**635,006**	**100.0**	561,854	100.0

- Entrusted management services: For the year ended 31 December 2023, revenue from entrusted management services amounted to approximately RMB406.4 million, representing a year-on-year increase of approximately 6.5%, accounted for approximately 64.0% of the Group's total revenue. The revenue from entrusted management service was increased primarily due to the increase in the revenue from services during the preparation stage of newly opened projects, and the increase in the revenue from operational management services after the opening of newly opened projects (Rizhao Galaxy iCO (日照星河 iCO) opened in September 2023, Guangzhou Nansha Galaxy COCO Park (廣州南沙星河 COCO Park) opened in December 2023 and Jining Galaxy iCO (濟寧星河 iCO) opened in December 2023).

- Brand and management output services: For the year ended 31 December 2023, revenue from brand and management output services amounted to approximately RMB145.0 million, representing a year-on-year increase of approximately 5.2%, accounted for approximately 22.8% of the Group's total revenue. The increase in revenue from brand and management output services was primarily attributable to the increase in the revenue from market positioning, construction consultancy and tenant sourcing services of the new projects during the year, partly offset by the decrease in revenue resulting from the rescission of contracts of certain projects during the year.

- Sublease services: For the year ended 31 December 2023, revenue from sublease services amounted to approximately RMB83.6 million, representing a year-on-year increase of approximately 97.9%, accounted for approximately 13.2% of the Group's total revenue. The increase in revenue from sublease services was mainly due to the increase in operating income of new sublease projects opened in recent years (Jiaxing Galaxy COCO City (嘉興星河 COCO City) opened in July 2022, Xiamen Galaxy COCO Park (廈門星河 COCO Park) opened in May 2023 and Jiangyin Galaxy COCO City (江陰星河 COCO City) opened in December 2023).

Cost of Services

For the year ended 31 December 2023, the Group's cost of services amounted to approximately RMB301.5 million, representing a year-on-year increase of approximately 21.2%, which was primarily attributable to the increase in operating costs of the corresponding projects as a result of the increase in sublease projects opened in recent years and entrusted management projects, and the increase in the depreciation of right-of-use assets of sublease projects recognised in accordance with HKFRS 16.

Gross Profit and Gross Profit Margin

As a result of the foregoing, for the year ended 31 December 2023, the Group's gross profit amounted to approximately RMB333.6 million, representing a year-on-year increase of approximately 6.6%.

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			
	2023		2022	
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin
	RMB'000	***%***	*RMB'000*	*%*
Entrusted management services	**217,676**	**53.6**	205,686	53.9
Brand and management output services	**109,960**	**75.8**	101,134	73.3
Sublease services	**5,919**	**7.1**	6,219	14.7
Total/Overall	**333,555**	**52.5**	313,039	55.7

For the year ended 31 December 2023, the Group's gross profit margin amounted to approximately 52.5%, representing a decrease of approximately 3.2 percentage points as compared with approximately 55.7% for the same period of 2022, primarily attributable to the increase in revenue contribution from sublease services with relatively lower gross profit margin for the year ended 31 December 2023.

- Entrusted management services: For the year ended 31 December 2023, the gross profit margin remained relatively stable as compared with the same period of 2022.

- Brand and management output services: For the year ended 31 December 2023, the gross profit margin amounted to approximately 75.8%, representing an increase of 2.5 percentage points as compared with approximately 73.3% for the same period of 2022. The increase in the gross profit margin was mainly due to the higher gross profit margin as a result of the increase in the revenue from market positioning, construction consultancy and tenant sourcing services of the new projects during the year.

- Sublease services: For the year ended 31 December 2023, the gross profit margin amounted to approximately 7.1%, representing a decrease of approximately 7.6 percentage points as compared with approximately 14.7% for the same period of 2022, the decrease in the gross profit margin was primarily due to the rent-free operating period granted to merchants in new sublease projects opened in recent years and relatively stable leasing costs pursuant to HKFRS 16, resulting a decrease in gross profit margin.

Other Income

For the year ended 31 December 2023, other income amounted to approximately RMB42.8 million, representing a year-on-year increase of approximately 6.8%, 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 2023, other gains amounted to approximately RMB3.1 million, mainly represents foreign currency exchange gains.

Reversal of impairment losses (impairment losses recognised) under expected credit loss model, net

For the year ended 31 December 2023, the Group's reversal of impairment under expected credit loss model amounted to approximately RMB9.5 million (for the year ended 31 December 2022: impairment losses under expected credit loss model, net of reversal amounted to approximately RMB21.4 million), primarily attributable to the recovery of trade receivables during the year that had previously provided for impairment losses under expected credit loss model as a result of the Group's active collection of receivables.

Selling Expenses

For the year ended 31 December 2023, the Group's selling expenses amounted to approximately RMB20.2 million, representing a year-on-year increase of approximately of 68.6%, primarily due to the increase in new sublease projects opened in recent years and the increase in marketing and promotional expenses.

Administrative Expenses

For the year ended 31 December 2023, the Group's administrative expenses amounted to approximately RMB75.8 million, representing a year-on-year decrease of approximately 8.2%, primarily due to the decrease in the expenses incurred during the preparation stage of the sublease projects, such as the depreciation of right-of-use assets recognised in accordance with HKFRS 16 for the year was included in costs of service due to the opening 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), resulting in a decrease in administrative expenses.

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 2023, the Group's finance costs amounted to approximately RMB38.3 million, representing a year-on-year increase of approximately 64.0%, 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) in May 2022.

Share of Result of a Joint Venture

For the year ended 31 December 2023, the Group's share of result of a joint venture recorded a loss of approximately RMB16.1 million, representing a year-on-year decrease of 23.0%, which was mainly due to the decrease in 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 as a result of partial rent concessions granted by the owner of the sublease project of Guangzhou Health Port Galaxy COCO Park (廣州健康港星河COCO Park), resulting in a decrease in loss of the joint venture.

Income Tax Expenses

For the year ended 31 December 2023, the Group's income tax expenses amounted to approximately RMB76.5 million, representing a year-on-year increase of 28.7%. This increase was primarily attributable to the increase in profit before tax.

Profit for the Year

For the year ended 31 December 2023, the Group's profit for the year was approximately RMB162.3 million, representing an increase of approximately 9.0% as compared with the profit of approximately RMB148.9 million for the year ended 31 December 2022. Profit attributable to the owners of the Company amounted to approximately RMB171.1 million, representing an increase of approximately 10.9% as compared with approximately RMB154.3 million for the year ended 31 December 2022.

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 2023, the Group's current portion of trade and other receivables were approximately RMB28.2 million, representing a decrease of approximately 39.1% as compared with that of approximately RMB46.3 million as at 31 December 2022, primarily attributable to the decrease in trade receivables as a result of the Group's active collection of various receivables.

Financial assets at fair value through profit or loss

As at 31 December 2023, the Group's financial assets at fair value through profit or loss were approximately RMB21.1 million, representing the wealth management product with a principal amount of RMB20.0 million purchased from Postal Savings Bank of China.

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 2023, the Group's trade and other payables amounted to approximately RMB287.0 million, representing a year-on-year increase of approximately 37.9% as compared with approximately RMB208.1 million as at 31 December 2022, which was mainly due to the increase in deposits received from tenants and receipts on behalf of tenants as a result of the increase in opened projects, and the increase in construction cost payables as a result of the increase in decoration expenses of sublease projects.

Investment properties

The Group's investment properties mainly refer to the right-of-use assets recognised in accordance with HKFRS 16 in respect of subleased projects. As at 31 December 2023, the Group's investment properties amounted to approximately RMB791.4 million, representing a year-on-year increase of approximately 3.1% as compared with approximately RMB767.5 million as at 31 December 2022, which was mainly due to the increase in decoration expenses of sublease projects and the depreciation of right-of-use assets.

Charge of assets

As at 31 December 2023, none of the assets of the Group were being charged.

Contingent liabilities

As at 31 December 2023, 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 2023, the Group's bank balances and cash amounted to approximately RMB546.9 million, representing an increase of approximately 13.3% as compared with that of approximately RMB482.8 million as at 31 December 2022. This was primarily attributable to the increase in the proceeds from operation of the Group for the year ended 31 December 2023, 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 2023 (31 December 2022: Nil).

Gearing ratio

Gearing ratio is calculated based on total liabilities as at 31 December 2023 divided by total assets as at 31 December 2023. As at 31 December 2023, gearing ratio was approximately 45.3%, remaining relatively stable as compared with approximately 44.9% as at 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 2023, 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.

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 2023, 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)*	**Unutilised Net Proceeds as at 1 January 2023** *(RMB million)*	**Utilised Net Proceeds For the twelve months ended 31 December 2023** *(RMB million)*	**Unutilised Net Proceeds as at 31 December 2023** *(RMB million)*	**Expected time of full utilisation**
For lease expenses and renovation of retail commercial properties under the sublease service model	631.4	534.6	74.2	460.4	by end of 31 December 2025
To make minority investment in the project companies which own quality commercial properties	84.2	60.2	15.0	45.2	by end of 31 December 2025
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	19.6	0.3	19.3	by end of 31 December 2025
– to improve customers services	21.0	18.0	1.5	16.5	by end of 31 December 2025
For general business purpose and working capital	84.2	–	–	–	
Total	841.8	632.4	91.0	541.4	

As of 31 December 2023, save as disclosed above, the Directors are not aware of any material change in the planned use of the Net Proceeds. The remaining Net Proceeds which had not been utilized were deposited with licensed financial institution. The unutilised Net Proceeds and the above timeline of intended utilization will be applied in the manners disclosed by the Company. However, the expected timeline for the unutilised Net Proceeds is based on the Directors' best estimation barring unforeseen circumstances, and would be subject to change based on the future development of the Group's business and the market conditions.

NUMBER OF EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, the total number of employees of the Group was 901 (2022: 826). 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.

Except for the share option scheme and award of restricted share units under the restricted share unit scheme adopted by the Company on 4 November 2021, the ultimate controlling shareholder, Mr. Huang Chu-Long adopted a share award scheme on 17 April 2023 to encourage and reward the eligible employees (including the Directors) for their contributions to the Group's results and business development. Share awards to certain employees, senior management and directors of the Group who make significant contribution to the Group were granted by Mr. Huang Chu-Long on 17 April 2023.

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 2023.

SUBSEQUENT EVENTS

After the year ended 31 December 2023 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 HK13 cents per ordinary share for the year ended 31 December 2023. 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 scheduled to be convened and held on Friday, 7 June 2024 (the "**AGM**").

ANNUAL GENERAL MEETING

The 2024 AGM will be convened and held on Friday, 7 June 2024. A circular containing the notice of the 2024 AGM and information regarding, inter alia, the re-election of the retiring Directors and the granting of the general mandates to the Directors to issue new shares and to repurchase shares will be published and despatched to the shareholders of the Company in due course.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed during the following periods:

(a) Attending the 2024 AGM

For the purpose of determining the shareholders' rights to attend and vote at the 2024 AGM, the register of members of the Company will be closed from Tuesday, 4 June 2024 to Friday, 7 June 2024, both days inclusive, during which period no transfer of Shares will be registered.

For the purpose of determining the entitlement to attend and vote at the 2024 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 Monday, 3 June 2024.

(b) Payment of the proposed final dividend

For the purpose of determining the shareholders' entitlement to the proposed final dividend for the year ended 31 December 2023, the register of members of the Company will be closed from Friday, 14 June 2024 to Monday, 17 June 2024, both days inclusive, during which period no transfer of shares of the Company will be registered.

For the purpose of determining the entitlement to the proposed final dividend for the year ended 31 December 2023, 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 Thursday, 13 June 2024.

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 C3 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 2023.

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

By the shareholders' resolution passed by the shareholder of the Company at the annual general meeting of the Company held on 8 June 2023, the Directors were granted a general mandate to buy back up to 101,852,200 Shares, representing 10% of the total number of issued Shares as at 8 June 2023.

For the year ended 31 December 2023, the Company had repurchased a total of 3,847,000 Shares on the Stock Exchange for an aggregate consideration of approximately HK$5.42 million excluding expenses. The above-mentioned repurchased Shares were cancelled during the year and in February 2024 respectively. The Company considered the repurchases could enhance the net asset value per Share and earnings per Share, therefore, the repurchases were in the best interest of the Company and its shareholders as a whole.

Details of the Shares repurchased during the year ended 31 December 2023 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$)*
5 January 2023	68,000	2.16	2.13	146,020
9 January 2023	83,000	2.22	2.14	181,100
11 January 2023	86,000	2.16	2.07	183,980
18 April 2023	250,000	1.58	1.54	392,050
19 April 2023	115,000	1.64	1.63	188,090
29 May 2023	163,000	1.38	1.32	220,588
31 August 2023	311,000	1.43	1.39	438,570
4 September 2023	120,000	1.47	1.44	176,150
5 September 2023	274,000	1.48	1.48	405,520
6 September 2023	150,000	1.50	1.50	225,000
7 September 2023	343,000	1.53	1.52	522,560
11 September 2023	100,000	1.50	1.50	150,000
13 September 2023	156,000	1.51	1.48	232,560
19 September 2023	98,000	1.49	1.44	144,490
19 December 2023	185,000	1.16	1.12	207,800
20 December 2023	200,000	1.15	1.11	225,310
21 December 2023	200,000	1.19	1.16	236,250
22 December 2023	200,000	1.20	1.20	240,000
27 December 2023	200,000	1.20	1.17	236,950
29 December 2023	545,000	1.24	1.22	671,000
	3,847,000			5,423,988

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 2023.

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 2023, 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 C1 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 2023.

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 2023.

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 2023 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 20 March 2024. 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 2023 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, 20 March 2024

As at the date of this announcement, the Board of the Company comprises Mr. Huang De-Lin Benny, Mr. Chen Qunsheng and Mr. Ma Chaoqun as executive Directors; Mr. Huang De'An Tony and Mr. Liu Jun 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*