星盛商業
E-STAR COMMERCIAL

星盛商業管理股份有限公司
E-STAR COMMERCIAL MANAGEMENT COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 6668

Annual Report 2020

CONTENTS

GROUP INTRODUCTION

E-Star Commercial Management Company Limited ("**E-Star**"or the "**Company**") together its subsidiaries (the "**Group**") is a leading commercial property operational service provider in the Greater Bay Area with a national presence. As of 31 December 2020, the Group entered into contracts to provide services for 53 commercial property projects located in 20 cities in China, with an aggregate contracted gross floor area ("**GFA**") of approximately 3.28 million sq.m., 61.6% of which was developed or owned by independent third parties. Among them, 22 retail commercial properties have been opened with an aggregate opened GFA of approximately 1.57 million sq.m..

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

The Group has been widely recognised in the market for its brand system and operating strength and also received various honours. According to China Index Academy, the Group was ranked 13th among the "2021 Top 100 Commercial Property Companies in China" in terms of overall strength and ranked as "2021 China Top 10 Commercial Property Operator" (2021年中國商業地產運營十強企業). Besides, it won the "2020 Outstanding Commercial Property Operational Service Brand in the Greater Bay Area (2020年粵港澳大灣區商業運營品牌優秀企業) and ranked 4th among the "2020 Commercial Property Operational Service Providers in China in Terms of Brand Value" (2020中國商業地產公司品牌價值TOP 10) in 2020.

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, focuses on the business opportunities and development concerned by customers, provides competitive products and services and continue to create outstanding value in order to satisfy investors, improve social harmony and facilitate city development.

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Huang De-Lin Benny *(Chairman of the Board)*
Mr. Tao Muming *(President)*
Mr. Niu Lin
Ms. Wen Yi

Non-executive Directors

Mr. Guo Limin
Mr. Huang De'An Tony

Independent non-executive Directors

Mr. Zhang Liqing
Mr. Guo Zengli
Mr. Tse Yat Hong

AUDIT COMMITTEE

Mr. Tse Yat Hong *(Chairman)*
Mr. Guo Limin
Mr. Guo Zengli

REMUNERATION COMMITTEE

Mr. Guo Zengli *(Chairman)*
Mr. Guo Limin
Mr. Tse Yat Hong

NOMINATION COMMITTEE

Mr. Huang De-Lin Benny *(Chairman)*
Mr. Guo Zengli
Mr. Zhang Liqing

COMPANY SECRETARY

Mr. Wong Kai Hing

AUTHORISED REPRESENTATIVES

Ms. Wen Yi
Mr. Wong Kai Hing

REGISTERED OFFICE

71 Fort Street
PO Box 500
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Grand Cayman
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Cayman Islands

PLACE OF BUSINESS IN HONG KONG

1201-02, 12th Floor
Agricultural Bank of China Tower
50 Connaught Central
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

32nd Floor, Building A
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Guangdong Province
PRC

PRINCIPAL SHARE REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR

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

PRINCIPAL BANKS

China CITIC Bank, Shenzhen Branch
China Construction Bank, Shenzhen Jianshe Road Branch
Bank of China, Shenzhen Zhongxin Branch

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors
35th Floor, One Pacific Place
88 Queensway
Hong Kong

COMPLIANCE ADVISOR

China Securities (International) Corporate Finance Company Limited
18th Floor, Two Exchange Square
8 Connaught Place
Central
Hong Kong

COMPANY'S HONG KONG LEGAL ADVISOR

Sidley Austin

COMPANY'S WEBSITE

www.g-cre.com

AWARDS AND RECOGNITIONS

The table below sets forth a selection of the notable awards and accreditations we received:

1. 2020
   Innovative Commercial Property Management and Operation in China
   China Real Estate Chamber of Commerce

2. 2020
   Commercial Property Social Impact Achievement in China
   China Real Estate Chamber of Commerce

3. 2020
   2020 Top 100 China Commercial Real Estate
   Guandian Index Academy

4. 2020
   Most Impressive Commercial Property Enterprise in China
   Guandian Index Academy

5. 2020
   2020 Top 30 China Commercial Real Estate in terms of management
   Guandian Index Academy

6. 2020
   2020 Top 10 Commercial Real Estate Project in China in Terms of Brand Value
   Real Estate Top 10 Research Team

7. 2020
   2020 Outstanding Commercial Property Operational Service Brand in the Guangdong-Hong Kong-Macau Greater Bay Area
   Real Estate Top 10 Research Team

8. 2020
   2020 Top 100 Commercial Property Companies in China
   China Index Academy

9. 2020
   2020 China Top 10 Commercial Property Operator
   China Index Academy

AWARDS

⑪ ⑩ ⑭ ⑫ ⑰

⑯ ⑬ ⑮ ⑨

⑩ 2019-2020
2019-2020 Outstanding Commercial Real Estate Operational Service Provider

Commercial Real Estate Golden Awards Evaluation Committee and Winshang.com

⑪ 2019-2020
2019-2020 Attractive Commercial Property Project

Commercial Real Estate Golden Awards Evaluation Committee and Winshang.com

⑫ 2019-2020
2019-2020 Long-awaited Commercial Property Project

Commercial Real Estate Golden Awards Evaluation Committee and Winshang.com

⑬ 2018-2020
Top 10 Commercial Property Operational Service Providers in China in Terms of Brand Value

Real Estate Top 10 Research Team

⑭ 2019
2019 Outstanding Service Provider in Shenzhen (Commercial Property)

CRIC of E-House (China) Enterprise Holding Limited

⑮ 2019
2019 Top 100 Commercial Property Companies in China

China Index Academy

⑯ 2019
2019 Outstanding Commercial Property Operational Service Brand in the Guangdong-Hong Kong-Macau Greater Bay Area

Real Estate Top 10 Research Team

⑰ 2019
Outstanding Commercial Property Operator of the Year

Winshang.com

2020 was a very extraordinary year due to the enormous challenges brought about by the sudden outbreak of coronavirus disease ("**COVID-19**") COVID-19. Against this backdrop, the Group managed to prevent and control the pandemic while working hard for the resumption of work and production. Resisting the downwards trend, the Group started a new chapter by its official listing (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 26 January 2021 (the "**Listing Date**"). The access to capital market will further enable the Group to seize the opportunities for expansion in the commercial property operation services sector, facilitate further expansion, improve operational efficiency and create higher values for shareholders. I am pleased to present to the shareholders the annual results review for the year ended 31 December 2020 and outlook of the Group.

REVIEW ON 2020

In 2020, the COVID-19 pandemic spread all over the world. China and even the whole world experienced an economic downturn. Consumers' willingness to pay was declining and consumption as a driving force of economy was slowing down. However, for the commercial property industry, it offered both challenges and opportunities.

As an important carrier of new consumptions, new services and new technologies, and as a sector most associated with a better life, the shopping centers is becoming increasingly prominent in the urban business landscape. Adhering to the mission of "build prosperous cities with business acumen" (以商業智慧構築城市繁榮), amidst the increasingly complex industry conditions and the frequently-occurred pandemic, the Group developed at a moderate pace to improve its comprehensive strengths and was determined to win the battle against the COVID-19 pandemic. As a result, the Group launched various commercial spaces and lifestyle contents integrating comprehensive service capabilities.

In 2020, during the fight against COVID-19, E-Star initiated the pandemic management and controls quickly and no employee of the Group and tenant of the then-operating projects were infected. It extended various supports to the tenants, including offering direct rent relief together with the property owners, to help them make through the hard times. It also followed up the policy updates closely for the application of kinds of relieves and subsidies for each project under the management of the Company. In support of economy recovery, it organized the "Crazy Sales Festival" (大搶節), an original IP activity designed to boost consumption. Together with other innovative marketing campaigns, it accelerated the release of consumption momentum and helped the rapid recovery of passenger flows and sales of our operating projects.

With proactive and effective anti-pandemic measures and recovery strategies, notwithstanding the pandemic, the Group's each operation indicator for 2020 was generally flat from the previous year and the shopping centers under the management of the Group also had satisfiable performance in both customer flows and sales. For the year ended 31 December 2020, total revenue of the Group amounted to approximately RMB442.0 million, representing a year-on-year increase of approximately 14.1%. Profit attributable to owners of the Company amounted to approximately RMB126.8 million, representing a year-on-year increase of approximately 50.0%; excluding listing expenses, the net core profit attributable to owners of the Company would amount to approximately RMB142.5 million. Except for the above, the fast response and strong strategic execution of the Group, as well as the extensive experience and resources accumulated by the Group from its commercial operation for years, are also reasons for its stable results performance during the pandemic.

Focusing on the development strategy of "Greater Bay Area-focused nation-wide expansion", the Group maintained business expansion in a fast manner. In 2020, it entered into agreements with Foshan Changhua Galaxy COCO City, Jiaxing Galaxy COCO City and Guannan Galaxy COCO City to expand its business landscape continuously. In 2020, the grand opening of Zhongshan Tianyi Galaxy COCO City, another premium project of the Group in the Greater Bay Area, further consolidated the leading position of the Company in the commercial operation services in the Greater Bay Area.

Against the challenge of the pandemic, the Company focused on technology empowerment. The Group established a data operation center and developed a digital management system to dynamically display all project data under management in real time manner, and applied intelligent tools to connect consumers, brands and operators. It truly and effectively enhanced its commercial service capabilities by data-driven business decision-making and targeted marketing based on an intelligent algorithm model. In 2020, the Company held the initial strategic cooperation ceremony with Alibaba Local Services (阿里本地生活) in China, announcing the first nation-wide launch of "Smart Business Circle" (智慧商圈) of Alibaba Local Services, symbolizing a new milestone in the digital construction of the Group. Meanwhile, aiming to improve service and customer experience with digital operation, it opened the COCO GO mini program as the core platform for the digitalization of customer end and connected the access to private domains, such as "WeChat Community (微信社群), Official Account (公眾號), Mini Program Live Streaming (小程序直播) and Cloud Shopping Platform (雲購物平台)", and public domains, such as TikTok Short Video Official Account (抖音小視頻官方號), Tencent Smart Retail Mini Program (騰訊智慧零售小程序) and Koubei Business Circle (口碑商圈), thus forming a closed loop of consumption from diversion, transformation and fission to the retaining of online traffic flows.

FUTURE OUTLOOK FOR 2021

In 2021, China will step into a new stage of development by promoting a new pattern of development, according to which domestic circulation will play a leading role while domestic and international dual circulations will complement one another. We will seek key national regional strategies and new urbanization opportunities to focus on such regions as the Guangdong-Hong Kong-Macau Greater Bay Area, the Yangtze River Delta and Chengdu-Chongqing Economic Circles, as well as to achieve high-quality development through a combination of national presence and digital operations.

The generational change of commercial operation services industry is progressing at an increasingly faster pace, whilst consumers' habits are also making changes. Meanwhile, we have to face the normalization of the COVID-19 pandemic, which also requires us to seek opportunities in the crisis of the commercial real estate industry and secure more options from the challenges of business operations. E-Star has operated for 17 years since its preparation for the first shopping mall Shenzhen Futian Galaxy COCO Park, which gave rise to a business management team that "can fight, know fight and fight a hard battle (能打仗、會打仗、打硬仗)". Adhering to the directions of "consolidating our position in the Greater Bay Area, strengthening technology empowerment, improving full value chain service and expanding channels for growth", we are committed to providing better business experience for consumers by relying on the collaboration among the Galaxy ecosystem and different departments, utilizing our professionalism of making the best out of the best, refining our deployments in a professional and precise manner and continuously enhancing our service quality.

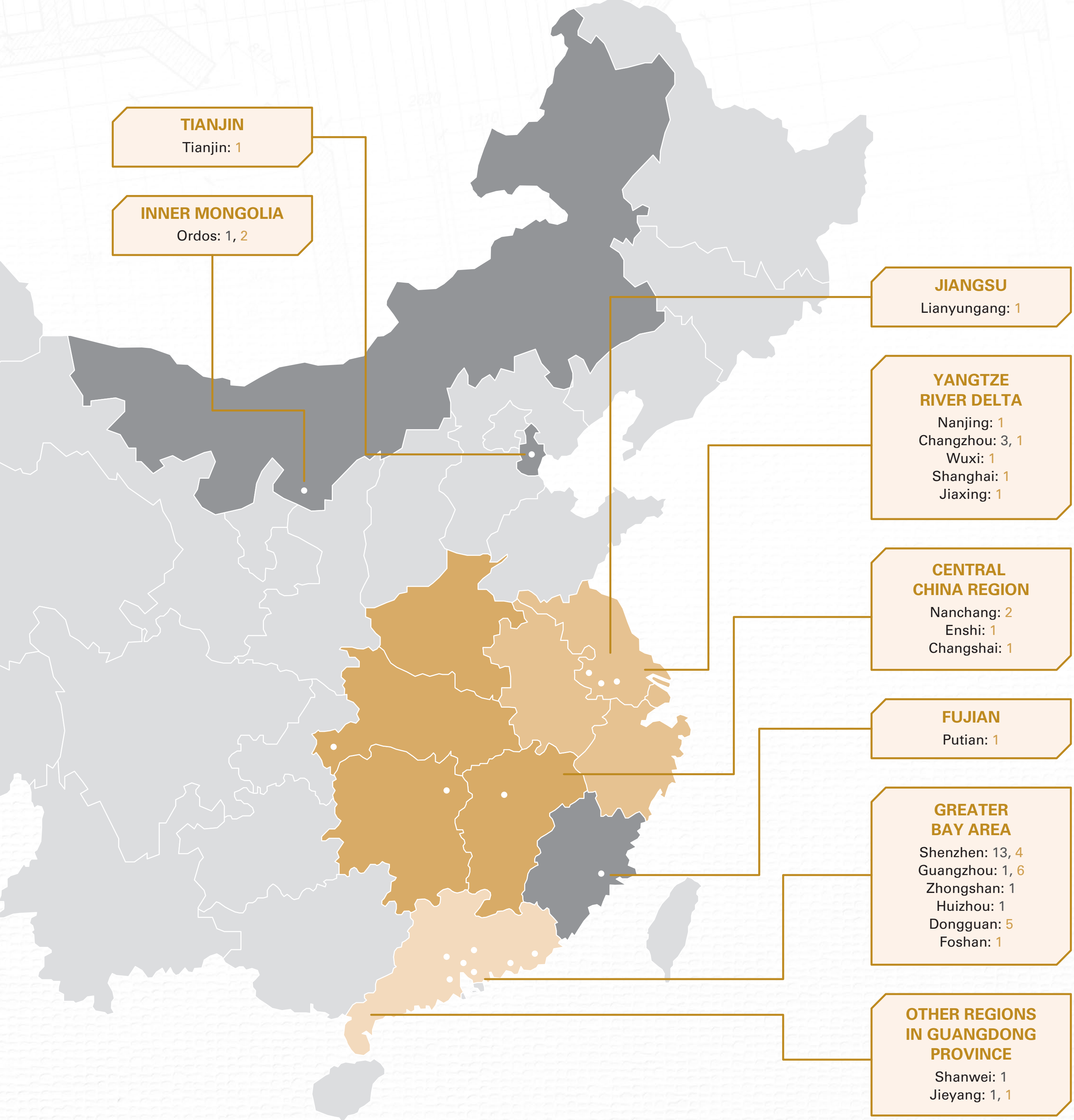
Looking ahead to 2021, E-Star has successfully entered into the international capital market and officially marched towards a new era of development. E-Star will further consolidate its leading position in the Greater Bay Area, expand its business nationwide, seek high-quality development based on the strategic insight and pragmatic culture of its core team, and continue to build prosperous cities with business acumen.

Although the road is challenging, we will explore right ways to move forward. In 2021, we will remain true to our original aspirations and move forward with perseverance.

Huang De-Lin Benny
Chairman

30 March 2021

OVERVIEW OF BUSINESS



- Projects of Commercial Properties in Operation
- Projects of Commercial Properties Not yet in Operation

BUSINESS REVIEW

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

- positioning, construction consultancy and tenant sourcing services: primarily including market positioning, business planning consultancy, design and construction consultancy and tenant sourcing services;
- operational management services: primarily including formulating operation strategies, conducting marketing and promotional events, tenant management services, property management services and rent collection services;
- property leasing services: including sublease of commercial spaces in the commercial properties managed under the sublease service model to tenants; and
- value-added services: primarily including management of common areas in the shopping centers which customers can rent for a short period for pop-up shops and promotional settings, and management of advertising spaces, such as LED boards and interior and exterior facades of the shopping centers.

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

Entrusted management service model

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

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

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

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

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

The entrusted management service model offers the Group a higher level of autonomy in managing the project, which it believes 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) positioning, construction consultancy and tenant sourcing services, (ii) operational management services, (iii) land sourcing assistance, and (iv) use of the Group's trademark and logo.

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

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

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

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

Sublease service model

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

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

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

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

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

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

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

	As of 31 December			
	2020		2019	
	No. of properties	Contracted GFA sq.m.	No. of properties	Contracted GFA sq.m.
	(in thousands, except for numbers of properties)			
Entrusted management services	17	1,124	17	1,117
Brand and management output services	34	2,035	24	1,809
Sublease services	2	125	1	44
Total	53	3,284	42	2,970

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							
	2020				2019			
	No. of properties	contracted GFA sq.m.	Revenue RMB	%	No. of properties	contracted GFA sq.m.	Revenue RMB	%
	(in thousands, except for numbers of properties and percentages)							
Greater Bay Area[1]	**32**	**1,336**	**365,309**	**82.7**	23	1,306	344,148	88.9
– Shenzhen	17	842	335,860	76.0	17	981	333,734	86.2
Yangtze River Delta[2]	**9**	**514**	**40,676**	**9.2**	7	300	22,931	5.9
Central China region[3]	**4**	**413**	**14,520**	**3.3**	5	453	5,125	1.3
Other regions[4]	**8**	**1,021**	**21,448**	**4.8**	7	911	15,110	3.9
Total	**53**	**3,284**	**441,953**	**100.0**	42	2,970	387,314	100.0

Notes:

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

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

(3) Include Nanchang, Enshi and Changsha.

(4) Include Shanwei, Jieyang, Putian, Tianjin and Ordos.

The table below sets forth average occupancy rate and GFA in operation of retail commercial property that commenced operation as at 31 December 2020.

Product category	Average occupancy rate[1] As of 31 December 2020[2] %	2019 %	GFA in operation (000' sq.m.)
Commercial property	**94.3**	95.6	1,573

(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) Excluding the projects newly commenced in 2020, the average occupancy rate is 94.9%. In the post-pandemic era, the Company optimises tenant mix in its shopping malls, leading to a fluctuation in the occupancy rate with a slight decrease seen.

THE PROJECTS IN OPERATION

The table below sets forth the opened retail commercial property projects of the Group during the year ended 31 December 2020:

	Commercial property	Location	Opening date (Month-Year)	Shopping Mall (sq.m.)	Car Park (sq.m.)	Total GFA in operation (sq.m.)	Revenue model	Property owner
1.	Shenzhen Futian Galaxy COCO Park (North) (深圳福田星河COCO Park (北區))	Shenzhen	September 2006	45,987	21,658	67,645	Entrusted management service	Galaxy Holding and its associates
2.	Shenzhen Galaxy Top Living (深圳星河第三空間)	Shenzhen	May 2007	27,988	–	27,988	Entrusted management service	Galaxy Holding and its associates
3.	Shenzhen Longgang Galaxy COCO Park (深圳龍崗星河COCO Park)	Shenzhen	September 2012	79,506	94,871	174,377	Entrusted management service	Galaxy Holding and its associates
4.	Shenzhen Longhua Galaxy COCO City (深圳龍華星河COCO City)	Shenzhen	November 2014	45,182	123,222	168,404	Entrusted management service	Galaxy Holding and its associates
5.	Shenzhen Galaxy WORLD • COCO Park (深圳星河WORLD • COCO Park)	Shenzhen	September 2018	39,721	–	39,721	Entrusted management service	Galaxy Holding and its associates
6.	Shenzhen Galaxy Center (深圳星河中心)	Shenzhen	April 2008	72,605	–	72,605	Brand and management output service	Galaxy Holding and its associates
7.	Shenzhen Longhua Galaxy iCO (深圳龍華星河iCO)	Shenzhen	December 2015	54,037	–	54,037	Brand and management output service	Independent Third Party property developers
8.	Shenzhen Yinhai Project (深圳銀海項目)	Shenzhen	April 2016	29,810	–	29,810	Brand and management output service	Galaxy Holding and its associates
9.	Changzhou Galaxy International Phase I Project (常州星河國際一期項目)	Changzhou	August 2016	2,494	–	2,494	Brand and management output service	Galaxy Holding and its associates
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	129,795	–	129,795	Brand and management output service	Independent Third Party property developers
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.	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
19.	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
20.	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
21.	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
22.	Zhongshan Tianyi Galaxy COCO City (中山天奕星河COCO City)	Zhongshan	November 2020	80,909	66,000	146,909	Brand and management output service	Independent Third Party property developers
	Total			1,193,679	379,886	1,573,565		

WORK PLAN FOR 2021

Upon its successful listing on the Main Board of the Stock Exchange of Hong Kong on 26 January 2021 (the "**Listing**"), the Company became the first pure commercial property operational service provider on the Hong Kong stock market. It also signified a new stage in the development of the Company.

Looking back at 2020, the outbreak of COVID-19 at the beginning of the year has had a profound impact on the industry, and has caused deep concern to both central and local governments, which implemented a series of emergency initiatives to quickly control the spread of the pandemic. Despite that the Group still has to face the challenge of the normalisation of COVID-19 globally, it is relatively optimistic about China's anti-pandemic capacity. Looking forward to 2021, with orderly roll-out of the COVID-19 vaccines, COVID-19 will continue to be under effective control in China. The management of the Group is full of confidence towards the business operation and management industry and the long-term development of the Group in the future. In the future, the Group will fully leverage its existing strengths to improve its revenue scale and profitability through business expansion, operation reinforcement and organisation enhancement. The Group's strategies are as follows:

1. Business expansion: high-quality expansion via multiple channels

The Group will continue to allocate superior resources in the Greater Bay Area to further consolidate its leading position in the area, and achieve high-quality expansion via multiple channels by implementing the expansion strategies of "consolidating the Group's development in the greater bay area, intensifying its presence in the Yangtze River Delta, penetrating into the markets in Southwestern China by taking advantage of favorable situations and stepping into premium cities when opportunities arise". While preparing for the opening of its projects, the Group will continue to actively promote three operating modes of entrusted management, brand management and output and overall leasing to acquire more commercial properties. The Group will also proactively seek merger targets, including planned acquisitions or investment in commercial property operation service providers that meet its internal standards.

2. Operation reinforcement: high-quality development via multi-dimensional empowerment

The Group will continue to strengthen its comprehensive operation and management capabilities, build regional benchmarks to enhance the brand influence of the Company, and support its national layout through product innovation and business pattern innovation.

Strengthen tailor-made research and strategy capabilities. Taking into consideration of the local economic development, competitive landscape, characteristics of commercial properties and target customer base, the Group seeks to achieve precise positioning and adopt "one mall, one plan (一店一策)". Meanwhile, it will continuously improve its ability of tenant solicitation and maintain a relatively high occupancy rate based on its large and growing tenant brands and the substantial implementation of brand strategic alliance.

Improve digitalised operation capabilities. The Group is committed to continuously improving its operation and management services through comprehensive application of digitisation and intelligence: upgrade and optimise its data operation center, build a data center and a data-aided decision support system, establish a refined digitalised operation and management system to materialise data-driven operations; and establish a digitalised customer platform and a digitalised marketing platform, develop an omni-channel flow system to collect members' data, explore members' value and realise targeted marketing, so as to bring a convenient experience for consumers and identify additional new modes to monetise flows.

Digitalised operation is expected to improve operational efficiency, reduce operational costs and enable the Company to maintain strong profitability.

3. **Organisation enhancement: construction of regional multi-tiered talent team**

In line with the Group's development strategy, the Group will strengthen the Southern China region, consolidate the Eastern China region and Eastern region, and set up new regional companies, such as in the Southwest region and Central China region, to match the Group's multi-channel development strategy and continue to expand its business scale.

Meanwhile, in order to meet the requirements of future business expansion, the Group plans to continue to develop and implement multi-tiered talent team construction to better attract, develop and retain talent through competitive compensation packages and performance appraisal systems, development of medium and long-term incentives and provision of long-term promotion opportunities, so as to build a high-quality business operation and management team that "can fight, will fight and fight hard (能打仗、會打仗、打硬仗)".

Going forward, eligible employees of the Group will be able to participate in the Company's share incentive scheme and share option scheme.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by 14.1% from RMB387.3 million for the year ended 31 December 2019 to RMB442.0 million for the year ended 31 December 2020. This increase was primarily attributable to (i) the increase in revenue from positioning, construction consultancy and tenant sourcing services; and (ii) the increase in revenue from the preparation for project opening.

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

	Year ended 31 December			
	2020		2019	
	RMB'000	%	RMB'000	%
Entrusted management services	308,821	69.9%	294,970	76.2%
Brand and management output services	113,920	25.8%	72,606	18.7%
Sublease services	19,212	4.3%	19,738	5.1%
Total	441,953	100.0%	387,314	100.0%

- Entrusted management services: Revenue from entrusted management services stayed relatively stable at RMB295.0 million for the year ended 31 December 2019 and RMB308.8 million for the year ended 31 December 2020, which was primarily attributable to the fact that the increase in revenue from positioning, construction consultancy and tenant sourcing services provided in the preparatory stage as well as the increase in revenue from the preparation for project opening were offset by the impact of the COVID-19 pandemic.

- Brand and management output services: Revenue from brand and management output services increased by 56.9% from RMB72.6 million for the year ended 31 December 2019 to RMB113.9 million for the year ended 31 December 2020, which was primarily attributable to increase in revenue from (i) positioning, construction consultancy and tenant sourcing services; and (ii) the revenue from the preparation for project opening.

- Sublease services: This was primarily attributable to the fact that the average rent from Changzhou Wujin Hutang Galaxy COCO City (常州武進湖塘星河COCO City) increased due to the increase in its market recognition and improvement of tenant mix, which was offset by the rent reduction caused by the pandemic.

Cost of Services

The Group's cost of services increased from RMB186.7 million for the year ended 31 December 2019 to RMB193.3 million for the year ended 31 December 2020, which remained relatively stable. The increase was primarily attributable to the expansion of the Group's business throughout the year ended 31 December 2020 which was slightly affected by COVID-19 pandemic.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the Group's gross profit increased by 23.9% from RMB200.6 million for the year ended 31 December 2019 to RMB248.6 million for the year ended 31 December 2020.

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

	Year ended 31 December			
	2020		2019	
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %
Entrusted management services	155,262	50.3%	143,213	48.6%
Brand and management output services	85,644	75.2%	48,620	67.0%
Sublease services	7,729	40.2%	8,770	44.4%
Total/Overall	248,635	56.3%	200,603	51.8%

The gross profit margin increased from 51.8% for the year ended 31 December 2019 to 56.3% for the year ended 31 December 2020, primarily due to the increase in gross profit margin for projects under brand and management output services as a result of the increase in revenue from positioning, construction consultancy and tenant sourcing services, which had relatively higher gross profit margin.

- Entrusted management services: Gross profit margin for entrusted management services increased from 48.6% for the year ended 31 December 2019 to 50.3% for the year ended 31 December 2020, primarily due to the increase in revenue from positioning, construction consultancy and tenant sourcing services provided in the preparatory stage, which had higher gross profit margin.

- Brand and management output services: Gross profit margin for brand and management output services increased from 67.0% for the year ended 31 December 2019 to 75.2% for the year ended 31 December 2020, primarily due to the increases in positioning, construction consultancy and tenant sourcing services, which had higher gross profit margin.

- Sublease services: Gross profit margin for sublease services decreased from 44.4% for the year ended 31 December 2019 to 40.2% for the year ended 31 December 2020, which was primarily attributable to the rental concession provided to tenants during the COVID-19 pandemic.

Other Income

Other income decreased by 38.4% from RMB18.8 million for the year ended 31 December 2019 to RMB11.6 million for the year ended 31 December 2020. The decrease was primarily due to the decrease in investment income in financial assets at fair value through profit or loss.

Other Gains and Losses

Other gains and losses decreased by 83.6% from RMB5.0 million for the year ended 31 December 2019 to RMB0.8 million for the year ended 31 December 2020. The decrease was primarily due to the gain on disposal of a subsidiary, namely Shenzhen Galaxy Quhui Innovation Development Co., Ltd.* (深圳市星河趣滙創新發展有限公司) ("**Quhui**"), amounting to RMB4.4 million in 2019 and no such gain in 2020.

Impairment Losses under Expected Credit Loss Model, Net of Reversal

The Group recorded net impairment losses under expected credit loss model, net of reversal of RMB4.2 million for the year ended 31 December 2019 and RMB3.7 million for the year ended 31 December 2020.

Selling Expenses

The Group's selling expenses remained relatively stable at RMB5.3 million for the year ended 31 December 2019 and RMB5.7 million for the year ended 31 December 2020.

Administrative Expenses

The Group's administrative expenses decreased by 17.8% from RMB69.1 million for the year ended 31 December 2019 to RMB56.8 million for the year ended 31 December 2020, primarily due to decrease in various administrative expenses as a results of COVID-19 pandemic.

Finance Costs

The Group's finance costs increased by 31.6% from RMB3.2 million for the year ended 31 December 2019 to RMB4.1 million for the year ended 31 December 2020. This increase was primarily due to the increase in interest on lease liabilities primarily related to the three-year lease agreement for the office at Shenzhen Galaxy WORLD (深圳星河WORLD).

Income Tax Expenses

The Group's income tax expenses increased by 42.6% from RMB33.3 million for the year ended 31 December 2019 to RMB47.5 million for the year ended 31 December 2020. This increase was primarily attributable to (i) the increase in profit before tax; and (ii) the gain on disposal of Quhui in 2019 which was non-taxable in nature.

Profit for the year

For the year ended 31 December 2020, the Group's profit for the year was approximately RMB127.6 million. The profit for the year of the Group increased by approximately 33.5% as compared with the profit for the year of approximately RMB95.6 million for the year ended 31 December 2019. For the year ended 31 December 2020, the Group's profit for the year attributable to the owners of the Company was approximately RMB126.8 million. The profit for the year attributable to the owners of the Company increased by approximately 50.0% as compared with the profit for the year of approximately RMB84.6 million for the year ended 31 December 2019.

Trade and other receivables

The Group's trade and other receivables primarily arisen from commercial property operational services within the shopping centers, shopping streets and commercial complexes. As at 31 December 2020, the Group's trade and other receivables were approximately RMB36.6 million, representing an increase of 57.1% as compared with that of approximately RMB23.3 million as at 31 December 2019, primarily attributable to the business growth of the Group.

Financial assets at fair value through profit or loss

The Group's financial assets at fair value through profit or loss were approximately RMB187.9 million, representing an increase of 184.7% as compared with that of approximately RMB66.0 million as at 31 December 2019, primarily attributable to the net impact of acquisition of a wealth management investment and listed bonds with an aggregated principal amount of RMB187.0 million from banks in the PRC and redemption of a wealth management investment with principal amount of RMB66.0 million from a company engaged in asset management business in the PRC. These investments were unsecured and unguaranteed and the expected range of returns for these investments were pre-determined. By investing in these products, the Group would earn better returns than placing demand deposits generally with PRC commercial banks.

As at 31 December 2020, the Group's financial assets at fair value through profit or loss primarily consisted of four contracts which were wealth products acquired from PRC banks:

(1) a 30-day contract with a principal amount of RMB70 million with an expected rate of return of 2.5% per annum;

(2) two 90-day contracts with a principal amount of RMB70 million and RMB20 million, both with an expected rate of return of 2.65% per annum; and

(3) a 90-day contract with a principal amount of RMB25 million with an expected rate of return of 3.05% per annum.

During the year ended 31 December 2020, the total fair value gains derived from these four contracts amounted to approximately RMB0.9 million.

Trade and other payables

The Group's trade and other payables primarily represent amounts due to suppliers/subcontractors as well as related parties for the purchase of services and goods, receipts on behalf of tenants, deposits received from tenants, payroll payables and accrued listing expenses and others. As at 31 December 2020, the Group's trade and other payables amounted to approximately RMB170.2 million, representing an increase as compared with approximately RMB162.3 million as at 31 December 2019. Such increase was primarily attributable to the business growth of the Group.

Contingent liabilities

As of 31 December 2020, the Group did not have any contingent liabilities.

Liquidity and capital resources

The Company has maintained stable financial position and sufficient liquidity and bank balances. As at 31 December 2020, the Group's cash and cash equivalents amounted to approximately RMB141.7 million, representing an increase of 5.8% as compared with approximately RMB133.9 million as at 31 December 2019. This was primarily attributable to business growth of the Group. The management believes that the Group's financial resources and future revenue will be sufficient to support the current working capital requirement and future expansion of the Group.

Gearing ratio

Gearing ratio is calculated based on total liabilities as at 31 December 2020 divided by total assets as at 31 December 2020. As at 31 December 2020, gearing ratio was 63.0%, representing a substantial decrease as compared with 87.9% as at 31 December 2019. This was primarily attributable to increase in equity as a result of increase in revenue from the operation during the year. The Group do not have any bank loans as at 31 December 2020.

Foreign exchange risk

The Group primarily operates in the PRC and its businesses are principally conducted in RMB. As at 31 December 2020, 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.

Listing expenses

The listing expenses for the year ended 31 December 2020 amounted to RMB15.7 million, which was primarily attributable to the legal and professional fees in connection with the Listing. During the year ended 31 December 2019, the listing expenses were RMB13.7 million.

Net proceeds from the Listing

The net proceeds from the Listing was approximately RMB841.8 million.

As set out in the prospectus of the Company dated 14 January 2021 (the "**Prospectus**"), the Company intended to use such proceeds for the purposes as follows: (i) approximately 55% will be used to pursue strategic acquisition of and investment in other small- to mid-sized commercial property operational service providers in order to scale up its commercial property operational service business and expand its commercial property operational service portfolio; (ii) approximately 20% will be used for the renovation of retail commercial properties under the sublease service model; (iii) approximately 10% will be used to make minority equity investment in the project companies which own quality commercial properties; (iv) approximately 5% will be used to upgrade Internet-based and information systems to raise its management service quality, reduce labor costs and improve internal control; and (v) approximately 10% will be used for general business purpose and working capital.

At at the date of this annual report, the Board intended to apply the net proceeds from the Listing in the manner as disclosed above.

NUMBER OF EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the total number of employees of the Group was 387 (2019: 397). 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 and retirement schemes.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group intends to utilise the net proceeds raised from the Listing according to the plans set out in the section headed "Net proceeds from the Listing" in this annual report.

Save as disclosed in this annual report, the Company did not have other plans for material investments or capital assets as at the date of this annual report.

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

As at 31 December 2020, save for the right-of-use assets recognised as investment properties in accordance with HKFRS 16 in respect of various lease agreements, details of which are set out in the Prospectus, and the financial assets at fair value through profit or loss as set out in this annual report, the Company has no other significant investments or significant acquisitions, and has no disposal of subsidiaries, associates and joint ventures during the year ended 31 December 2020.

The Board consists of four executive directors of the Company (the "**Directors**"), two non-executive Directors and three independent non-executive Directors.

DIRECTORS

Executive Directors

Mr. Huang De-Lin Benny (黃德林), aged 37, was appointed as the Director on 13 September 2019 and was re-designated as the executive Director and the chairman of the Board on 20 December 2019. He is primarily responsible for the overall business development, formulation and implementation of business strategies of the Group. He joined the Group in October 2014 as the deputy general manager of Shenzhen Galaxy Commercial Property Group Co., Ltd.* (深圳市星河商置集團有限公司) ("**Galaxy Commercial Property Group**"), where he has been primarily responsible for assisting the day-to-day operation, as well as in charge of the investment department and corporate planning department of the Group.

Prior to joining the Group, from August 2008 to September 2014, Mr. Huang De-Lin Benny worked as an assistant to general manager in Shenzhen Galaxy Suhuo Park Industrial Co., Ltd.* (深圳市星河蘇活公園實業有限公司) ("**Galaxy Suhuo Park Industrial**"), a property developer founded and controlled by Mr. Huang, the ultimate controlling shareholder of the Company, where he was primarily responsible for assisting the day-to-day operation of such company. Since February 2015, Mr. Huang De-Lin Benny has also been working in Galaxy Holding Group Co., Ltd.* (星河控股集團有限公司) ("**Galaxy Holding**"), a comprehensive investment group controlled by Mr. Huang, with his current position as vice president to the director and was primarily responsible for assisting in daily operation of Galaxy Holding.

Mr. Huang De-Lin Benny has been the vice chairman of Shenzhen Chaoshan Junior Chamber of Commerce (深圳市潮汕青年商會) since November 2019. He obtained a bachelor's degree in business administration from York University in Canada in June 2008. He also obtained a master's degree in enterprise management from Peking University HSBC Business School (北京大學匯豐商學院) in the People's Republic of China ("**PRC**") in July 2016.

Mr. Huang De-Lin Benny is the brother of Mr. Huang De'An Tony, the non-executive Director.

Mr. Tao Muming (陶慕明), aged 60, was appointed as the executive Director and president on 20 December 2019 and is primarily responsible for overseeing business development, implementation of business strategies and the day-to-day operations of the Group. He joined the Group in October 2014 as the general manager of Galaxy Commercial Property Group and subsequently served as a director in May 2016, where he was primarily responsible for the day-to-day operations of the Group.

Prior to joining the Group, from September 1993 to January 2012, he worked in Shenzhen China Merchants Real Estate Co., Ltd. (深圳招商房地產有限公司), a property development company, with his last position as a general manger in commercial property center. From January 2012 to June 2012, he worked in Shenzhen China Merchants Commercial Property Investment Co., Ltd. (深圳招商商置投資有限公司), a property management company, with his last position as deputy general manager. From July 2012 to September 2014, Mr. Tao worked as a general manager at Galaxy Suhuo Park Industrial, a property developer, where he was primarily responsible for overall management of such company.

Mr. Tao was awarded various honors and awards, including 2013 Chinese Commercial Real Estate Influential Person (2013年度中國商業地產風雲人物) by Chinese Commercial Real Estate Golden Awards Evaluation Committee (中國商業地產金座標獎評選委員會) in 2013, China Commercial Property Influential Person (中國商業地產影響力人物) by China Commercial Real Estate Summit (中國商業地產行業發展論壇) in 2016, Times Person (時代人物) by China Experience Commercial Real Estate Development Forum (中國體驗式商業地產發展論壇) in October 2018, Mall China Golden Mall Awards 2019 Professional Leader Award (中購聯2019年度購物中心行業專業領袖獎) by China Shopping Center Development Association of Mall China (中購聯購物中心發展委員會) in 2019 and Chinese Commercial Real Estate Industry Development Award (中國商業地產行業發展推動獎) by China Commercial Real Estate Summit in April 2019.

Mr. Tao obtained a bachelor's degree in electrical engineering and automation from Nanchang University (南昌大學) (formerly known as Jiangxi Institute of Technology (江西工學院)) in the PRC in January 1982. He also obtained Engineer Certification recognized by the Bureau of Jiangxi Electricity and Industry (江西省電力工業局) in September 1989.

Mr. Niu Lin (牛林), aged 44, was appointed as the executive Director and executive deputy general manager on 20 December 2019 and is primarily responsible for the implementation of the business strategies and operational targets of the Group, the management of brand and all commercial property operational projects of the Group. He joined the Group as the chief of the planning department and project manager of Galaxy Commercial Property Group in October 2014 and has held senior positions within the Group, including deputy general manager, board secretary, executive deputy general manager and director.

Prior to joining the Group, from December 2004 to September 2014, Mr. Niu worked in Galaxy Suhuo Park Industrial with his last position as the deputy director of the planning department, where he was primarily responsible for the promotion of company brand and corporate planning.

Mr. Niu was awarded Well-known Trader in PRC Commercial Property (中國商業地產知名操盤手) by China Commercial Real Estate Summit in March 2014, 2017 Mall China Golden Mall Awards Youth Professional Leader (中購聯中國購物中心2017年度青年專業領袖) by China Shopping Center Development Association of Mall China in September 2017 and 2019 Annual Experiential Commercial Real Estate Influential Leading Person (2019年度體驗商業地產影響力領航人物) by Winshang.com (贏商網) in October 2019.

Mr. Niu obtained a master's degree in real estate from University of Greenwich in Britain in April 2018. He is currently pursuing an executive master of business administration (EMBA) degree from Cheung Kong Graduate School of Business in the PRC.

Ms. Wen Yi (文藝), aged 52, was appointed as the executive Director, deputy general manager and financial director on 20 December 2019 and is primarily responsible for the overall accounting management, information technology systems management, legal affairs and contract management of the Group. She joined the Group as the director of financial management department of Galaxy Commercial Property Group in October 2014 and has held senior positions within the Group, including the assistant to general manager, deputy general manager and director.

Prior to joining the Group, from March 1987 to December 1997, Ms. Wen worked in the financial department of Hunan Dong'an Department Store Textile Group Co., Ltd. (湖南省東安縣百貨紡織品集團有限公司), a department store. From December 2002 to August 2004, Ms. Wen worked in Shenzhen Minrun Agriculture Product Delivery Chain Commercial Co., Ltd. (深圳市民潤農產品配送連鎖商業有限公司), a supermarket chain, where she was primarily responsible for financial management. From August 2004 to July 2005, Ms. Wen worked as a director of financial management department settlement center in Shenzhen Yihaojia Commercial Chain Co., Ltd. (深圳易好家商業連鎖有限公司), a home appliance chain, where she was primarily responsible for financial settlement management. From August 2005 to March 2007, Ms. Wen worked as financial director in Shenzhen Lilian Sun Department Store Co., Ltd. (深圳市利聯太陽百貨有限公司), a department store, where she was primarily responsible for financial management. From April 2007 to May 2012, Ms. Wen worked in Galaxy Suhuo Park Industrial with her last position as a vice director of the financial department and was primarily responsible for financial management. From May 2012 to September 2012, Ms. Wen worked as a director of the financial department in Sanya Ocean Sonic Group Co., Ltd. (三亞海韻集團有限公司), a commercial service company where she was primarily responsible for financial management. In September 2012, Ms. Wen rejoined Galaxy Suhuo Park Industrial with her last position as chief of the financial management department and was primarily responsible for financial management.

Ms. Wen obtained a diploma in computerized accounting from Hunan Radio and TV University (湖南廣播電視大學) in the PRC in June 2000. She also obtained a master's degree in business administration from the University of Wales in Britain in November 2013. She obtained the qualification of accountant recognized by Ministry of Finance of the PRC (中華人民共和國財政部) in May 1997.

Non-executive Directors

Mr. Guo Limin (郭立民), aged 58, was appointed as the non-executive Director on 20 December 2019. Mr. Guo is primarily responsible for providing guidance for the overall development of the Group.

From August 2001 to January 2003, Mr. Guo worked as a deputy director of Development and Reform Commission of Shenzhen Municipality (深圳市發展和改革委員會) (formerly known as Development and Planning Bureau of Shenzhen Municipality (深圳市發展計畫局)), a governmental department coordinating the economic and social development of Shenzhen, where he was primarily responsible for the daily operation of the department. From January 2003 to April 2004, Mr. Guo worked as the chairman of Shenzhen Airport (Group) Co., Ltd. (深圳市機場(集團)有限公司), an airport company, where he was primarily responsible for the decision-making and the overall management. From May 2003 to May 2004, Mr. Guo worked as the chairman of Shenzhen Airport Co., Ltd. (深圳市機場股份有限公司), a subsidiary of Shenzhen Airport (Group) Co., Ltd., whose shares are listed on the Shenzhen Stock Exchange (stock code: 000089), where he was primarily responsible for the decision-making and the overall management. In April 2004, Mr. Guo was appointed as the chairman of State-owned Assets Supervision and Administration Commission of the People's Government of Shenzhen Municipal (深圳市人民政府國有資產監督管理委員會), a governmental department supervising the state-owned assets, where he was primarily responsible for the daily operation of the department. From August 2009 to February 2013, Mr. Guo worked as a chairman of the board in Shum Yip Group Ltd. (深業集團有限公司), a real estate development company, where he was primarily responsible for the decision-making and the overall management. From February 2012 to July 2015, Mr. Guo worked as a director of the Bureau of Industry and Information Technology of Shenzhen (深圳市工業和信息化局) (formerly known as Economy, Trade and Information Commission of Shenzhen Municipal (深圳市經濟貿易和信息化委員會)), a governmental department providing development strategies and policy for industrial and information technology industry, where he was primarily responsible for the daily operation of the department.

Mr. Guo obtained a bachelor's degree in chemical engineering from Beijing University of Chemical Technology (北京化工大學) in the PRC in July 1985. He also obtained a master's degree in international trade from Hunan University (湖南大學) in the PRC in December 1999 and an executive master of business administration (EMBA) degree from The Hong Kong University of Science and Technology (香港科技大學) in Hong Kong in June 2012. He also obtained the qualification of senior engineer granted by Central Research Institute of China Chemical Science and Technology (化學工業部科學技術研究總院).

Mr. Huang De'An Tony (黃德安), aged 39, was appointed as the non-executive Director on 20 December 2019. Mr. Huang De'An Tony is primarily responsible for providing guidance for the overall development of the Group. Since February 2008, he has been serving in Galaxy Holding with his current position as executive vice president, where he has been primarily responsible for assisting the overall operation management of Galaxy Holding.

Mr. Huang De'An Tony obtained a bachelor's degree in architecture from Ryerson University in Canada in June 2005. He obtained a master's degree in business administration from Sun Yat-sen University (中山大學) in the PRC in December 2010. He also obtained an executive master of business administration (EMBA) degree from Cheung Kong Graduate School of Business in the PRC in September 2014.

Mr. Huang De'An Tony is the brother of Mr. Huang De-Lin Benny, the executive Director.

Independent non-executive Directors

Mr. Zhang Liqing (張禮卿), aged 57, was appointed as the independent non-executive Director on 21 December 2020. Mr. Zhang is primarily responsible for providing independent advice on the operations and management to the Board.

Since July 1987, he has been engaged in teaching and research in Central University of Finance and Economics (中央財經大學) (formerly known as Central Institute of Banking and Finance (中央財政金融學院)) in the PRC. He became an associate professor and professor in Central University of Finance and Economics in 1994 and 1999, respectively.

Mr. Zhang is currently an independent non-executive director in Gome Finance Technology Co., Ltd. (國美金融科技有限公司), a financial factoring and financial leasing company whose shares are listed on the Stock Exchange (stock code: 0628) from September 2016, and an independent director of Zhejiang Shaoxing Ruifeng Rural Commercial Bank Co., Ltd. (浙江紹興瑞豐農村商業銀行股份有限公司), a commercial bank, from April 2016. Mr. Zhang has been a consultant of PricewaterhouseCoopers China since January 2020. He has also been an external supervisor of China Minsheng Bank Corp., Ltd. (中國民生銀行股份有限公司), a commercial bank in the PRC whose shares are listed on the Stock Exchange (stock code: 1988) and the Shanghai Stock Exchange (stock code: 600016) since October 2020. From February 2008 to September 2015, Mr. Zhang served as an independent director in Chongqing Three Gorges Bank Co., Ltd. (重慶三峽銀行股份有限公司), a commercial bank in Chongqing. From December 2008 to April 2015, Mr. Zhang served as an independent non-executive director in CSC Financial Co., Ltd. (中信建投證券股份有限公司), a full-service investment bank in the PRC whose shares are listed on the Stock Exchange (stock code: 6066) and the Shanghai Stock Exchange (stock code: 601066). From March 2011 to September 2018, Mr. Zhang also served as an independent director in Poly Real Estate Group Co., Ltd. (保利發展控股集團股份有限公司), a real estate development company whose shares are listed on the Shanghai Stock Exchange (stock code: 600048).

Mr. Zhang obtained a bachelor's degree in global economics, a master's degree in economics and a doctor's degree in global economics from Renmin University of China (中國人民大學) in July 1984, November 1988 and January 2003, respectively. He is an executive member of the fifth executive council of the China International Finance Society (中國國際金融學會) and China Urban Financial Society (中國城市金融學會) and a vice president of China Society of Global Economics (中國世界經濟學會).

Mr. Guo Zengli (郭增利), aged 51, was appointed as the independent non-executive Director on 21 December 2020. Mr. Guo is primarily responsible for providing independent advice on the operations and management to the Board.

From July 1992 to March 1994, Mr. Guo worked at Chinese Academy of business scientific. From March 1994 to March 2001, Mr. Guo worked at Ministry of Internal Trade of the PRC (中華人民共和國國內貿易部) with his last position as a commissioner of commercial development center management department. From April 2001 to April 2008, Mr. Guo worked as a general manager in Beijing Xundian Technology Co., Ltd. (北京訊典科技有限公司), where he was primarily responsible for the industry research of the shopping center websites. Since April 2008, Mr. Guo has worked as a general manager in Beijing Mall China Information Technology Co., Ltd. (北京中購聯信息技術有限公司), a shopping center industry service company, where he is primarily responsible for the overall management and operation of such company.

Mr. Guo obtained an associate's degree in economics management from Beijing Youth Politics College (北京青年政治學院) in July 1992. He also obtained a master's degree in economics from Party School of the Central Committee of the Communist Party of China (中共中央黨校) in the PRC in July 2002. He obtained the qualification certificate of speciality in intermediate commercial economic management granted by MOHRSS. Currently, he is a vice president of China Shopping Center Development Association of Mall China and a vice president of China Federation of Urban Commercial Outlets Construction Administration (中國城市商業網點建設管理聯合會).

Mr. Tse Yat Hong (謝日康), aged 51, was appointed as the independent non-executive Director on 21 December 2020. Mr. Tse is primarily responsible for providing independent advice on the operations and management to the Board.

From January 1994 to May 2000, Mr. Tse worked as an audit manager in PricewaterhouseCoopers, an accounting firm, where he was primarily responsible for providing audit and other accounting related services to a portfolio of clients comprising listed and multi-national corporations. From June 2000 to May 2019, Mr. Tse worked as the chief financial officer in Shenzhen International Holdings Limited (深圳國際控股有限公司), a company engages in the investment, construction and operation of logistics infrastructure facilities, whose shares are listed on the Stock Exchange (stock code: 0152), where he was primarily responsible for the overall financial management and capital market operation of such company. From August 2000 to March 2008, Mr. Tse also worked as the company secretary of Shenzhen International Holdings Limited. From September 2004 to September 2007, Mr. Tse worked as a joint company secretary of Shenzhen Expressway Company Limited (深圳高速公路股份有限公司).

Mr. Tse is currently an independent non-executive director of China Bohai Bank Co., Ltd. (渤海銀行股份有限公司), a national joint-stock commercial bank in China (stock code: 9668), Radiance Holdings (Group) Company Limited (金輝控股(集團)有限公司), a property developer in China (stock code: 9993), China Huirong Financial Holdings Limited (中國匯融金融控股有限公司), a company engages in the provision of diversified financial services in China, whose shares are listed on the Stock Exchange (stock code: 1290) and an independent non-executive director of Sky Light Holdings Limited (天彩控股有限公司), a developer and manufacturer of home surveillance cameras and other digital imaging products, whose shares are listed on the Stock Exchange (stock code: 3882). Mr. Tse served as a non-executive director of Shenzhen Expressway Company Limited from January 2009 to December 2017, a toll road operator in China, whose shares are listed on the Stock Exchange (stock code: 0548) and the Shanghai Stock Exchange (stock code: 600548).

Mr. Tse obtained a bachelor's degree in science from Monash University in Australia in April 1992. He is a Fellow of the Hong Kong Institute of Certified Public Accountants (HKICPA) and a FCPA of CPA Australia.

SENIOR MANAGEMENT

Mr. Ling Yun (淩雲), aged 47, was appointed as the deputy general manager in March 2018 and is primarily responsible for the external projects development of the Group. Mr. Ling joined the Group as the assistant to deputy general manger of Galaxy Commercial Property Group in January 2016.

Prior to joining the Group, from October 1999 to May 2002, Mr. Ling worked as a project manager in Walmart China (Investment) Co., Ltd. (沃爾瑪中國(投資)有限公司), an investment company, where he was primarily responsible for assisting to develop new projects. From November 2004 to February 2006, Mr. Ling worked in China Resources Vanguard Co., Ltd. (華潤萬家有限公司), a retail corporation that operates supermarket chains of China Resources and a subsidiary of China Resources Beer (Holdings) Co., Ltd. (華潤啤酒(控股)有限公司), whose shares are listed on the Stock Exchange (stock code: 291), where he was primarily responsible for assisting to develop new supermarkets in South China. From April 2006 to June 2010, Mr. Ling worked in Shenzhen Jiuzhou Prospect Real Estate Co., Ltd. (深圳九洲遠景置業有限公司), a commercial property operational service company, where he was primarily responsible for the positioning and consulting of the commercial property operational projects. From September 2012 to February 2013, Mr. Ling worked as a deputy general manager of Shenzhen Huaqiang Commercial Management Co., Ltd. (深圳華強商業管理有限公司), a real estate development and operation company and is a subsidiary of Shenzhen Huaqiang Industrial Co., Ltd. (深圳華強實業股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (stock code: 000062), where he was primarily responsible for assisting the management of such company. From July 2013 to March 2015, Mr. Ling worked in Shanghai Aegean Commercial Group Co., Ltd. (上海愛琴海商業集團) (formerly known as Shanghai Red Star Macalline Group Corporation Co., Ltd. (上海紅星美凱龍商業管理有限公司)), a commercial property operational service company focusing on shopping centers.

Mr. Ling obtained a bachelor's degree in public business management from Southwest University (西南大學) in the PRC in January 2006.

Ms. Li Xiaoqin (李小琴), aged 43, was appointed as the assistant to the general manager in February 2018 and is primarily responsible for the management of human resources and administrative department of Galaxy Commercial Property Group. Ms. Li joined the Group as the director of Galaxy Commercial Property Group in November 2013.

Prior to joining the Group, from November 1999 to March 2005, Ms. Li worked as a director of human resources department in Shenzhen Galaxy Smart Living Co., Ltd. (深圳星河智善生活股份有限公司) (formerly known as Shenzhen Galaxy Property Management Co., Ltd. (深圳星河物業管理有限公司)), a property management company whose shares are quoted on National Equities Exchange and Quotations Co., Ltd. (stock code: 836397) which is also controlled by Mr. Huang, one of the controlling shareholder of the Company, where she was primarily responsible for the administration and human resources management. From March 2005 to July 2008, Ms. Li worked as a director of human resources department in Shenzhen Galaxy Real Estate Development Co., Ltd. (深圳星河房地產開發有限公司), where she was primarily responsible for the human resources management. From August 2008 to September 2014, Ms. Li worked in Galaxy Suhuo Park Industrial with her last position as the manager of the human resources department, where she was primarily responsible for the human resources management.

Ms. Li obtained a bachelor's degree in human resources management from South China Normal University (華南師範大學) in the PRC in December 2005. She also obtained the Certificate of Assistant Human Resources Manager recognized by Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部) in November 2003.

COMPANY SECRETARY

Mr. Wong Kai Hing (黃繼興), aged 46, was appointed as the company secretary on 20 December 2019 and is responsible for company secretarial matters of the Group.

Mr. Wong has extensive experience in accounting, auditing and company secretarial practice in Hong Kong. From September 1997 to March 2012, Mr. Wong worked at KPMG, Shun Tak Holdings Limited (信德集團有限公司), Kwonnie Electrical Products (光榮電業產品有限公司), Tse Sui Luen Jewellery (International) Limited (謝瑞麟珠寶(國際)有限公司) and ITC Properties Group Limited (德祥地產集團有限公司) and was primarily responsible for auditing and accounting. From April 2012 to October 2015, Mr. Wong worked as financial controller, investor relationship director and company secretary in China Modern Dairy Holdings Ltd. (中國現代牧業控股有限公司), a raw milk producer whose shares are listed on the Stock Exchange (stock code: 1117). From November 2015 to October 2019, Mr. Wong worked as chief financial officer and company secretary in Xiwang Special Steel Company Limited (西王特鋼有限公司), an integrated steel manufacturer whose shares are listed on the Stock Exchange (stock code: 1266). From November 2015 to October 2019, Mr. Wong worked as chief financial officer and company secretary in Xiwang Property Holdings Company Limited (西王置業控股有限公司), a real estate development company whose shares are listed on the Stock Exchange (stock code: 2088).

Mr. Wong obtained a bachelor's degree in accounting and a master's degree in business administration from the Chinese University of Hong Kong (香港中文大學) in May 1997 and December 2006, respectively. Currently, he is a member of Hong Kong Institute of Certified Public Accountants (香港會計師公會) and a Chartered Financial Analyst (CFA) charter holder.

The Board of Directors is pleased to present the corporate governance report for the Company for the year ended 31 December 2020.

CORPORATE GOVERNANCE PRACTICES

The Company recognizes the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability.

The Company has applied the principles and adopted the code provisions stated in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The Company is committed to the view that the Board should include a balanced composition of executive Directors and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

The Company has complied with all applicable code provisions set out in the CG Code throughout the period from the Listing Date up to the date of this annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own securities dealing code to regulate all dealings by Directors and relevant employees of securities in the Company and other matters covered by the Model Code since the Listing Date.

As the Company was listed on 26 January 2021, it was not required to comply with the Model Code during the year ended 31 December 2020.

BOARD OF DIRECTORS

During the period from the Listing Date up to the date of this annual report, the Board comprises four executive Directors, two non-executive Directors and three independent non-executive Directors.

The composition of the Board is as follows:

Executive Directors

Mr. Huang De-Lin Benny *(Chairman of the Board)*
Mr. Tao Muming *(President)*
Mr. Niu Lin
Ms. Wen Yi

Non-executive Directors

Mr. Guo Limin
Mr. Huang De'An Tony

Independent non-executive Directors

Mr. Zhang Liqing
Mr. Guo Zengli
Mr. Tse Yat Hong

The biographical details of the Directors are set out in the section headed "Directors and Senior Management" on pages 21 to 25 of this annual report.

Mr. Huang De-Lin Benny is brother of Mr. Huang De'An Tony.

Except as disclosed above, there is no other relationship (including financial, business, family or other material/relevant relationship(s)) between the Board members.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Under the current organisation structure of the Company, Mr. Huang De-Lin Benny is the chairman of the Board and Mr. Tao Muming is the chief executive officer of the Company.

DIRECTORS' AND SENIOR MANAGEMENT'S LIABILITY INSURANCE AND INDEMNITY

The Company has arranged appropriate liability insurance to indemnify the Directors and senior management of the Company for their liabilities arising out of corporate activities. The insurance coverage will be reviewed on an annual basis.

BOARD MEETINGS AND COMMITTEE MEETINGS

Code provision A.1.1 of the CG Code stipulates that board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors, either in person or through electronic means of communications.

The Board held one meeting during the year ended 31 December 2020 before the Listing Date of 26 January 2021. The Directors expects to convene at least four regular Board meetings in each financial year at approximately quarterly intervals in accordance with code provision A.1.1 of the CG Code.

A summary of the attendance record of the Directors at Board meetings and committee meetings is set out below:

	Number of meeting(s) attended/number of meeting(s) held up to 31 December 2020			
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors				
Mr. Huang De-Lin Benny *(Chairman of the Board)*	1/1	0/0	0/0	0/0
Mr. Tao Muming *(President)*	1/1	0/0	0/0	0/0
Mr. Niu Lin	1/1	0/0	0/0	0/0
Ms. Wen Yi	1/1	0/0	0/0	0/0
Non-executive Directors				
Mr. Guo Limin	1/1	0/0	0/0	0/0
Mr. Huang De'An Tony	1/1	0/0	0/0	0/0
Independent non-executive Directors				
Mr. Zhang Liqing	1/1	0/0	0/0	0/0
Mr. Guo Zengli	1/1	0/0	0/0	0/0
Mr. Tse Yat Hong	1/1	0/0	0/0	0/0

As the Company was listed on the Main Board of the Stock Exchange on 26 January 2021, each of the audit committee (the "**Audit Committee**"), remuneration committee (the "**Remuneration Committee**") and nomination committee (the "**Nomination Committee**") of the Company did not hold any meeting, and the Company was not required to hold annual general meeting during the year ended 31 December 2020.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for an initial term of 3 years with effect from the Listing Date.

Each of the non-executive Directors and independent non-executive Directors has signed a letter of appointment with the Company for an initial term of 3 years with effect from the Listing Date.

All the Directors are subject to retirement by rotation and re-election at annual general meeting of the Company. Pursuant to the memorandum and articles of association of the Company (the "**Articles of Association**"), one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office and be eligible for re-election at each annual general meeting of the Company, provided that every Director is subject to retirement by rotation at least once every 3 years. In addition, any new Director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting.

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board is the primary decision making body of the Company and is responsible for overseeing the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board makes decisions objectively to safeguard in the interests of the Company and its shareholders (the "**Shareholders**"). The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. Before entering into any significant transactions or commitments on behalf of the Company, senior management should obtain prior approval and authorization from the Board.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. Each of these committees is established with defined written terms of reference. The terms of reference of each of these committees are available on the websites of the Company and the Stock Exchange.

Audit Committee

The Company has established the Audit Committee in compliance with Rule 3.21 of the Listing Rules and the CG Code. The primary duties of the Audit Committee include, but not limited to (i) review and supervise the financial reporting precess and internal control system of the Group, risk management and internal audit; (ii) provide advice and comments to the Board; and (iii) perform other duties and responsibilities as may be assigned by the Board.

The Audit Committee comprises two independent non-executive Directors, namely Mr. Guo Zengli and Mr. Tse Yat Hong, and one non-executive Director, namely Mr. Guo Limin. Mr. Tse Yat Hong is the chairman of the Audit Committee.

The Company was listed on the Main Board of the Stock Exchange on 26 January 2021 and the Audit Committee was established on 21 December 2020. The Audit Committee did not hold any meeting during the year ended 31 December 2020.

On 30 March 2021, the Audit Committee held a meeting to review the Group's policies on corporate governance and discussed the same with the Board, to review the Company's financial reporting system, compliance procedures, internal control and risk management systems (including operation, tenant sourcing, procurement and cost, financial control and risk management) and associated processes, and discussed the reappointment of the external auditor. The Audit Committee also reviewed the annual results announcement of the Company and annual report of the Company for the year ended 31 December 2020.

During the period from the Listing Date up to the date of this annual report, the Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of external auditor.

There are proper arrangements for employees, in confidence, to raise concerns about possible improprieties in financial reporting, internal control and other matters.

Remuneration Committee

The Company established the Remuneration Committee in compliance with Rule 3.25 of the Listing Rules and the CG Code. The primary duties of the Remuneration Committee include, but not limited to (i) establishing, reviewing and providing advices to the Board on the policy and structure concerning remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration; (ii) determining the terms of the specific remuneration package of each Director and senior management; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Directors from time to time.

The Remuneration Committee comprises two independent non-executive Directors, namely Mr. Guo Zengli and Mr. Tse Yat Hong, and one non-executive Director, namely Mr. Guo Limin. Mr. Guo Zengli is the chairman of the Remuneration Committee.

The Company was listed on the Main Board of the Stock Exchange on 26 January 2021 and the Remuneration Committee was established on 21 December 2020. The Remuneration Committee did not hold any meeting during the year ended 31 December 2020.

Details of the remuneration payable to each Director for the year ended 31 December 2020 are set out in Note 12 to the Consolidated Financial Statements.

The remuneration of the members of senior management by band for the year ended 31 December 2020 is set out below:

Remuneration bands (HKD)	Number of persons
1,000,001 to 1,500,000	1
1,500,001 to 2,000,000	–
2,000,001 to 2,500,000	1
Total	2

Nomination Committee

The Company has established the Nomination Committee in compliance with the CG Code. The primary duties of the Nomination Committee include,but not limited to (i) review the structure, size and composition of the Board on a regular basis and make recommendations to the Board regarding any proposed changes to the composition of the Board; (ii) identify, select or make recommendations to the Board on the selection of individuals nominated for directorship, and ensure the diversity of the Board members; (iii) assess the independence of the independent non-executive Directors; and (iv) make recommendations to the Board on relevant matters relating to the appointment, re-appointment and removal of our Directors and succession planning for the Directors.

The Nomination Committee comprises one executive Director, namely Mr. Huang De-Lin Benny, and two independent non-executive Directors, namely Mr. Guo Zengli and Mr. Zhang Liqing. Mr. Huang De-Lin Benny is the chairman of the Nomination Committee.

The Company was listed on the Main Board of the Stock Exchange on 26 January 2021 and the Nomination Committee was established on 21 December 2020. The Nomination Committee did not hold any meeting during the year ended 31 December 2020.

Nomination Policy

The Company has adopted a nomination policy (the "**Nomination Policy**") which sets out the selection criteria and procedures to nominate board candidates. The Nomination Policy aims to nominate suitable candidates to the Board.

Pursuant to the Nomination Policy, the Nomination Committee shall identify suitable board candidates and make recommendation to the Board, after assessing a number of factors of a candidate, including, but not limited to, reputation for integrity, accomplishment and experience, commitment in respect of available time and attention on relevant matters, independence of proposed independent non-executive Directors and diversity in all aspects. The Board shall have the final decision in relation to its nomination of any candidates to stand for election at a general meeting.

The Nomination Committee will review the Nomination Policy, as appropriate, and recommend revision to the Board for consideration and approval.

Dividend Policy

The Company has adopted a dividend policy (the "**Dividend Policy**") which aims to increase or maintain the value of dividends per share of the Company, to provide reasonable return in investment of investors, and to allow Shareholders to assess its dividend payout trend and intention.

Pursuant to the Dividend Policy, any declaration and payment as well as the amount of dividends will be subject to the Company's constitutional documents and the relevant laws. The Board intends to recommend at the relevant Shareholders' meetings an annual dividend of no less than 30% of the profits available for distribution generated in each financial year beginning from the year ended 31 December 2020. The recommendation of the payment of dividend is subject to the absolute discretion of the Board, and any declaration of final dividend for the year will be subject to the approval of the Shareholders.

The Board will continue to review and amend the Dividend Policy as appropriate and from time to time.

Board Diversity Policy

The Company has adopted a board diversity policy (the "**Diversity Policy**") which sets out the approach to achieve diversity of the Board. The Company recognizes the benefits of having a diversified Board.

The Company has adopted the Diversity Policy with the aim of achieving an appropriate level of diversity among Board members according to the circumstances of the Group from time to time. In summary, the Diversity Policy sets out that when considering the nomination and appointment of a Director, with the assistance of our Nomination Committee, the Board would consider a range of diversity of perspectives, including but not limited to the skills, knowledge, professional experience and qualifications, cultural and educational background, age, gender and the potential contributions that the candidate is expected to bring to the Board, in order to better serve the needs and development of the Company. All Board appointments will be based on merits and candidates will be considered against objective criteria, having due regard to the benefits of diversity to the Board.

The Nomination Committee will review the Diversity Policy from time to time to ensure its continued effectiveness.

CORPORATE GOVERNANCE FUNCTION

The Board has delegated the functions set out in code provision D.3.1 of the CG Code to the Audit Committee.

The Audit Committee would review the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, and the Company's compliance with the CG Code and disclosure in its Corporate Governance Report.

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The company secretary of the Company may from time to time and as the circumstances require provide updated written training materials relating to the roles, functions and duties of a director of a company listed on the Stock Exchange.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2020.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors shall keep abreast of the responsibilities as a Director and of the conduct, business activities and development of the Company.

The Company acknowledges the importance of directors participating in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant internally-facilitated briefings for the Directors have been arranged and reading material on relevant topics would be issued to the Directors where appropriate. They are encouraged to attend relevant training course at the Company's expenses.

During the year ended 31 December 2020 and prior to the Listing, all of the Directors, namely, Mr. Huang De-Lin Benny, Mr. Tao Muming, Mr. Niu Lin, Ms. Wen Yi, Mr. Guo Limin, Mr. Huang De'An Tony, Mr. Zhang Liqing, Mr. Guo Zengli and Mr. Tse Yat Hong participated in a training session conducted by Sidley Austin, the legal adviser of the Company as to Hong Kong law, on directors' duties, responsibilities and obligations under the Listing Rules and the Securities and Futures Ordinance ("**SFO**").

The Company will arrange regular seminars to provide Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

AUDITOR'S RESPONSIBILITY AND REMUNERATION

The Company appointed Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong ("**DTT**") as the external auditor for the year ended 31 December 2020. A statement by DTT about their reporting responsibilities for the financial statements is included in the section headed "Independent Auditor's Report" of this annual report.

Details of the fees paid/payable in respect of the audit and non-audit services provided by DTT for the year ended 31 December 2020 are set out in the table below:

Services rendered	(RMB' million)
Audit services:	
Annual audit	1.1
Non-audit services:	
Reporting accountant services	2.2
Other non-audit services in respect of the Listing	0.5

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for overseeing the Company's risk management and internal control systems and reviewing their effectiveness at least annually. The Audit Committee, on behalf of the Board, regularly reviews the scope and quality of the risk management framework and effectiveness of the internal control systems. The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Group has adopted a three-tier risk management approach to identify, assess and manage different types of risks. As the first line of defense, business units are responsible for identifying, assessing and monitoring risk associated with each business or transaction. The management, as the second line of defense, defines rule sets and models, provides technical support, develops new systems and oversees portfolio management. It ensures that risks are within an acceptable range and that the first line of defense is effective. As the final line of defense, the internal audit function (either in-house or outsourced) assists the Audit Committee to review the first and second lines of defense.

The Audit Committee and management together monitor the implementation of the risk management policies (the "**Risk Management Policies**") on an ongoing basis to ensure the policies and implementation are effective and sufficient. The Group is committed to the identification, evaluation and management of significant risks including operation, tenant sourcing, procurement and cost, financial control and risk management through ongoing assessment of a risk register, by considering the likelihood and impact of each identified risk. The Company's management, under the supervision of the Board or a committee of the Board, takes reasonable steps to (i) monitor compliance with the Risk Management Policies, and (ii) when appropriate, impose and enforce appropriate disciplinary measures for violations of the Risk Management Policies.

The Group has established an internal audit function to assist the Board and the Audit Committee in identifying and monitoring the Group's risks and internal control issues and recommend proposals for improvement. Significant risk management and internal control deficiencies will be reported to the Audit Committee and the Board on a timely basis to ensure prompt remediation actions are taken. Management and staff will execute the agreed remedial actions to mitigate the significant risk identified and to resolve material internal control defects. The internal control function will also conduct follow-up reviews regarding the implementation of the remedial actions for the correction of the internal control defects.

Through the Audit Committee, the Board has conducted a review of the effectiveness of the risk management and internal control systems of the Company in respect of the year ended 31 December 2020 covering all material controls, including financial, operational and compliance control. The Audit Committee has reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting, internal audit and financial reporting functions on an annual basis. No significant control failings or weaknesses had been identified during the reporting period. The Board considers that the existing risk management and internal control systems are reasonably effective and adequate.

DISCLOSURE OF INSIDE INFORMATION

The Group has in place a framework for the disclosure of inside information by reference to the Guidelines on Disclosure of Inside Information issued by the Securities and Futures Commission. The framework sets out the procedures and internal controls for the handling and dissemination of inside information in an appropriate and timely manner, such as steps to ascertain sufficient details, conduct an internal assessment of the matter and its likely impact on the Company, seek professional advice where required and verification of the facts. Before the information is fully disclosed to the public, any persons who possess the knowledge of such information must ensure strict confidentiality and must not deal in any of the Company's securities.

COMPANY SECRETARY

The Company Secretary provides advice and services to the Board in relation to the compliance with all the Board procedures and all applicable rules and regulations. The Company Secretary notifies the Board of rule amendments and updates in respect of corporate governance practices, to assist the Directors to fulfill their responsibilities.

The Company Secretary has sufficient relevant professional training during the year ended 31 December 2020 as required under Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

Convening of Extraordinary General Meetings ("EGM") by Shareholders

Pursuant to article 64 of the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any one or more members holding together, as at the date of deposit of the requisition, shares representing not less than one-tenth of the paid up capital of the Company which carry the right of voting at general meetings of the Company. The written requisition shall be deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, specifying the objects of the meeting and signed by the requisitionist(s).

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting, the requisitionist(s) themselves may convene the general meeting in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Putting forward proposals at Shareholders' meetings

There are no provisions in the Articles of Association for the Shareholders to put forward proposals at general meetings. Shareholders who wish to put forward proposals may request the Company to convene an EGM in accordance with the procedures set out in the above paragraph headed "Convening of Extraordinary General Meetings ("**EGM**") by Shareholders".

Putting Forward Enquiries to the Board and Contact Details

For putting forward any enquiries to the Board of the Company, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	Room 1201-02, 12th Floor, Agricultural Bank of China Tower, 50 Connaught Road Central, Hong Kong
Telephone:	(852) 3643 1525
E-mail address:	info@chngalaxy.com

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the forthcoming annual general meeting, Directors (or their delegates as appropriate) will be available to meet Shareholders and answer their enquiries.

CHANGES IN CONSTITUTIONAL DOCUMENTS

The Articles of Association has been amended and restated with effect from the Listing Date, and are available on the respective website of the Stock Exchange and the Company.

The Board of the Company is pleased to present this report of Directors together with the consolidated financial statements of the Group for the year ended 31 December 2020.

DIRECTORS

The Directors who held office during the year ended 31 December 2020 and up to the date of this annual report are:

Executive Directors

Mr. Huang De-Lin Benny *(Chairman of the Board)*
Mr. Tao Muming *(President)*
Mr. Niu Lin
Ms. Wen Yi

Non-executive Directors

Mr. Guo Limin
Mr. Huang De'An Tony

Independent non-executive Directors

Mr. Zhang Liqing
Mr. Guo Zengli
Mr. Tse Yat Hong

Biographical details of the Directors and senior management of the Company are set out in the section headed "Directors and Senior Management" on pages 9 to 14 of this annual report.

GLOBAL OFFERING

The Company was incorporated in the Cayman Islands on 13 September 2019 as an exempted limited liability company under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares were listed on the Main Board of the Stock Exchange on 26 January 2021.

PRINCIPAL ACTIVITIES

The Group is a leading commercial operational service provider in China with principal business lines including:

- 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.

Analysis of the principal activities of the Group during the year ended 31 December 2020 is set out in the section headed "Management Discussion and Analysis" of this annual report.

BUSINESS REVIEW

A fair review of the business of the Group including an analysis of the Group's financial performance and an indication of likely future developments in the Group's business is set out in the section headed "Management Discussion and Analysis" of this annual report. These discussions form part of the Report of the Directors. The Group's key relationship with its stakeholders (including employees, customers and suppliers) who have a significant impact on the Group and on which the Group's success depends, is set out in this report. Events affecting the Group that have occurred since the end of the financial year ended 31 December 2020 is set out in the section headed "Important Events After The Reporting Period" in this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

The following list is a summary of certain principal risks and uncertainties facing the Group:

- changes in the PRC's economic conditions in general and the real estate market in particular;
- changes in disposable personal income in the PRC;
- changes in government regulations;
- changes in the supply of and demand for retail commercial operational services;
- the ability to generate sufficient liquidity internally and obtain external financing;
- the ability to recruit and train competent employees;
- the ability to select and work with suitable third-party subcontractors and suppliers;
- the ability to understand the needs of tenants in the commercial properties where we provide commercial operational services;
- the ability to adapt to new markets where we have no prior experience and in particular, whether we can adapt to the administrative, regulatory and tax environments in such markets;
- the ability to leverage our brand names and to compete successfully in new markets, particularly against the incumbent players in such markets who might have more resources and experience than we do; and
- the ability to improve our administrative, technical, operational and financial infrastructure.

However, the above is not an exhaustive list. Investors are advised to make their own judgment or consult their own investment advisors before making any investment in the shares of the Company.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to operate its business in compliance with applicable environmental protection laws and regulations and has implemented relevant environmental protection measures in compliance with the required standards under applicable PRC laws and regulations.

Further details of the Group's environmental policies and performance will be disclosed in the environmental, social and governance report of the Company for the year ended 31 December 2020 to be published in due course.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended 31 December 2020, there was no material breach of, or non-compliance, with applicable laws and regulations by the Group.

HUMAN RESOURCES

The Group believes that the expertise, experience and professional development of the employees contribute to the growth of the Group. The human resources department of the Group manages, trains and hires employees. As at 31 December 2020, the Group had 387 (2019: 397) employees. The Group believes in the importance of attraction, recruitment and retention of quality employees in achieving the Group's success. Our success depends on our ability to attract, retain and motivate qualified personnel. As part of our retention strategy, we offer employees performance-based cash bonuses and other incentives in addition to base salaries. As of 31 December 2020, the detailed terms of the employee share incentive scheme has not been confirmed and adopted. The total remuneration expenses, for the year ended 31 December 2020 were RMB111.3 million, representing a decrease of 3.4% as compared to the previous year. The Group also participates in various employee social security plans for its employees, including housing provident fund, pension, medical insurance, social insurance and unemployment insurance.

RETIREMENT BENEFIT SCHEME

The employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. There are no provisions under the scheme whereby forfeited contributions may be used to reduce future contributions. The employees of the PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to this retirement benefits scheme is to make the required contributions under the scheme.

Details of the pension obligations of the Group are set out in Note 11 to the consolidated financial statements in this annual report.

CONTINUING CONNECTED TRANSACTIONS

The following transactions constituted continuing connected transactions of the Group since the Listing Date, which are subject to the reporting and annual review requirements under Chapter 14A of the Listing Rules:

1. Tenant Management Services

On 22 December 2020, the Company entered into a tenant management services framework agreement (the "**Tenant Management Services Framework Agreement**") with Mr. Huang Chu-Long ("**Mr. Huang**"), pursuant to which the Group agreed to provide (i) operational management services, including but not limited to commercial property operational management and property management services to stores and cinemas owned or operated by associates of Mr. Huang ("**Mr. Huang's Companies**") and located in the shopping centers managed by the Group; and (ii) management services in respect of common area of shopping centers managed by the Group to Mr. Huang's Companies for marketing and promotion activities (the "**Tenant Management Services**"). The Tenant Management Services Framework Agreement has a term commencing from the Listing Date to 31 December 2022.

The maximum annual amounts of service fee payable by Mr. Huang's Companies in relation to the Tenant Management Services for the two years ending 31 December 2022 will not exceed RMB11.6 million and RMB18.5 million, respectively.

2. Commercial Property Operational Services

On 22 December 2020, the Company entered into a commercial property operational services framework agreement (the "**Commercial Property Operational Services Framework Agreement**") with Mr. Huang, pursuant to which the Group agreed to provide to Mr. Huang's Companies commercial property operational services with respect to shopping centers and commercial complexes owned by Mr. Huang's Companies, including but not limited to (i) site selection consultancy, land sourcing assistance, construction consultancy, positioning, layout design and tenant sourcing services prior to the opening of such properties; (ii) operational management services after the opening of such properties; and (iii) licensing the Group's trademarks which will be used in the commercial properties managed by the Group with a term commencing from the Listing Date to 31 December 2022.

The maximum annual fee payable by Mr. Huang's Companies under the Commercial Property Operational Services Framework Agreement for each of the two years ending 31 December 2022 will not exceed RMB138.3 million and RMB155.5 million, respectively. For details, please refer to the table below.

	For the year ending 31 December	
	2021 RMB'000	2022 RMB'000
Positioning, construction consultancy and tenant sourcing services	49,057	61,947
Operational management services	89,219	93,586
Total	138,276	155,533

3. Master Services Procurement

On 22 December 2020, the Company entered into a master services procurement agreement (the "**Master Services Procurement Agreement**") with Mr. Huang, pursuant to which the Group agreed to engage Mr. Huang's Companies to provide services, including but not limited to (i) property management services for properties managed or operated by the Group provided by Shenzhen Galaxy Smart Living Co., Ltd. and its subsidiaries and associates ("**Galaxy Smart Living Group**"); (ii) catering services to employees of the Group as the Group's employee benefits provided by Galaxy Smart Living Group; and (iii) hotel accommodation services to the Group for its employees or its clients during their business trips provided by Galaxy Holding and its associates (the "**Purchased Services**"). The Master Services Procurement Agreement has a term commencing from the Listing Date to 31 December 2022.

The maximum annual caps of service fee payable by the Group in relation to the Purchased Services for the two years ending 31 December 2022 will not exceed RMB26.4 million and RMB23.6 million, respectively. Please refer to the table below for an estimated breakdown of such annual caps.

	For the year ending 31 December	
	2021 RMB'000	2022 RMB'000
Property management services	23,392	20,362
Catering and hotel accommodation services	3,053	3,205
Total	26,445	23,567

Mr. Huang is a controlling shareholder of the Company and is therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under each of (i) Tenant Management Services Framework Agreement, (ii) the Commercial Property Operational Services Framework Agreement and (iii) Master Services Procurement Agreement constitute continuing connected transactions of the Group under Chapter 14A of the Listing Rules with effect from the Listing Date.

Further details of the Tenant Management Services Framework Agreement, the Commercial Property Operational Services Framework Agreement and the Master Services Procurement Agreement are set out under the section headed "Connected Transactions" in the Prospectus.

As the Company was listed on 26 January 2021, the continuing connected transactions under the Tenant Management Services Framework Agreement, the Commercial Property Operational Services Framework Agreement and the Master Services Procurement Agreement as mentioned above only commenced on 26 January 2021, the Company will comply with the reporting and annual review requirements in accordance with the Listing Rules in its subsequent annual report.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the year ended 31 December 2020 are set out in Note 31 to the consolidated financial statements.

As the Company was listed on 26 January 2021, none of the related party transactions set out in Note 31 to consolidated financial statements for the year ended 31 December 2020 constitutes connected transaction or continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year ended 31 December 2020 was the Company, its holding company, or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities including debentures of, the Company or any other body corporate.

MAJOR CUSTOMERS AND SUPPLIERS

Our customers primarily consist of property developers and tenants.

For the year ended 31 December 2020, the revenue amounts from the Group's five largest customers accounted for 35.8% (2019: 32.8%) of the Group's total revenue and the revenue amount from the Group's single largest customer, accounted for 28.5% (2019: 24.6%) of the Group's total revenue.

None of the Directors, Shareholders, members of senior management, the close associates of the aforementioned or any other member of the Group who owned more than 5% of the Company's issued share capital held any interest in any of the Group's five largest customers other than the Galaxy Holding and its related companies. For the year ended 31 December 2020, revenue derived from Galaxy Holdings and its related companies amounted to RMB126.1 million, accounted for 28.5% of the Group's total revenue (2019: RMB95.2 million, accounted for 24.6% of the Group's total revenue in 2019).

The Group's suppliers include companies providing comprehensive or specific property management services and property owners under our sublease service model.

For the year ended 31 December 2020, the purchases amount from the Group's five largest suppliers accounted for 40.6% (2019: 38.9%) of the Group's total purchases and the purchases amount from the Group's single largest customer, accounted for 30.8% (2019: 30.7%) of the Group's total purchases.

None of the Directors, supervisors, their close associates or any Shareholders who, to the knowledge of the Directors, owned more than 5% of the Company's issued share capital, had any interest in any of the Group's five largest suppliers.

FINANCIAL SUMMARY

A summary of the audited consolidated results and the assets and liabilities of the Group for the last four financial years, as extracted from the audited consolidated financial statements, is set out on page 124 of this Annual Report. This summary does not form part of the audited consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to the existing Shareholders.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

The Company is not aware of any tax relief or exemption available to the Shareholders by reason of their respective holding of the Company's securities.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 33 to the consolidated financial statements.

PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Company and the Group during the year ended 31 December 2020 are set out in Note 16 to the consolidated financial statements.

SHARE CAPITAL AND SHARES ISSUED

Details of movements in the share capital of the Company for the year ended 31 December 2020 and details of the shares of the Company issued during the year ended 31 December 2020 are set out in Note 26 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this annual report, the Company has maintained the public float as required under the Listing Rules.

DEBENTURE ISSUED

The Group did not issue any debenture during the year ended 31 December 2020.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Group or existed during the year ended 31 December 2020.

RESULTS AND DIVIDENDS

The consolidation results of the Group for the year ended 31 December 2020 are set out on pages 54 of consolidated statement of comprehensive income.

The Board recommended the payment of a final dividend of HK$0.045 per ordinary share and the payment of a special dividend of HK$0.015 per ordinary share for the year ended 31 December 2020. Total amount of final dividend and special dividend would be HK$45,928,800 and HK$15,309,600 respectively which is calculated according to the ordinary shares in issue as at 26 January 2021, and has taken into account the effects of the exercise of the over-allotment option in connection with the Listing in February 2021. Such dividend is subject to approval by the Shareholders at the forthcoming annual general meeting of the Company (the "**2021 AGM**") to be held on 4th June 2021. These consolidated financial statements do not reflect this dividend payable.

There is no arrangement that a shareholder of the Company has waived or agreed to waive any dividend.

PERMITTED INDEMNITY

Pursuant to the Articles of Association and subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices.

Such permitted indemnity provision has been in force for the year ended 31 December 2020. The Company has taken out liability insurance to provide appropriate coverage for the Directors.

RESERVES

Details of the movements in the reserves of the Group and of the Company during the year ended 31 December 2020 are set out in the consolidated statement of changes in equity and Note 35 to the consolidated financial statements. In respect of the Company, there is no reserves available for distribution under the Company Laws of the Cayman Islands as at 31 December 2020.

BANK LOANS AND OTHER BORROWINGS

There are no bank loans and other borrowings of the Group as at 31 December 2020.

DIRECTORS' SERVICE CONTRACTS AND APPOINTMENT LETTERS

Each of the executive Directors has entered into a service contract with the Company for an initial term of 3 years with effect from 11 January 2021.

Each of the non-executive Directors and independent non-executive Directors has signed a letter of appointment with the Company for an initial term of 3 years with effect from 11 January 2021.

None of the Directors has a service contract with members of the Group that is not terminable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

None of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year ended 31 December 2020.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Group, other than being a director of the Company and/or its subsidiaries.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The emoluments of the Directors and senior management of the Group are decided by the Board with reference to the recommendation given by the Remuneration Committee, having regard to their skills and knowledge, their job responsibilities, level of their involvement in the Group's affairs, their individual performance and comparable market statistics.

Details of the Directors' emoluments and emoluments of the five highest paid individuals (included three directors) in the Group are set out in Note 12 and Note 13 to the consolidated financial statements.

There are no director fees for the executive Directors and the non-executive Directors. The director fee for each of the independent non-executive Directors is RMB300,000 per annum.

For the year ended 31 December 2020, no emoluments were paid by the Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived or agreed to waive any emoluments for the year ended 31 December 2020.

Except as disclosed above, no other payments have been made or are payable, for the year ended 31 December 2020, by the Group to or on behalf of any of the Directors.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

Other than disclosed in the sections headed "Continuing Connected Transactions", "Related Party Transactions" and "Management Discussion and Analysis" and Note 31 to the consolidated financial statements contained in this annual report, no contract of significance was entered into between the Company or any of its subsidiaries and the controlling shareholders of the Company or any of its subsidiaries during the year ended 31 December 2020 or subsisted at the end of the year and no contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder of the Company or any of its subsidiaries was entered into during the year ended 31 December 2020 or subsisted at the end of the year.

DEED OF NON-COMPETITION

On 12 January 2021, Mr. Huang entered in to a deed of non-competition (the "**Deed of Non-competition**") in favor of the Company, pursuant to which, Mr. Huang has, among other things, irrevocably and unconditionally undertaken to the Company that he will not, and will procure his close associates not to compete with the Group's business. Details of the Deed of Non-competition are set out in the section headed "Relationship with our Controlling Shareholders – Deed of Non-Competition" in the Prospectus.

The Company will make appropriate disclosure regarding the compliance of the Deed of Non-competition in its subsequent annual report.

RELATIONSHIP WITH STAKEHOLDERS

The Group recognizes that employees, customers and business partners are keys to its sustainable development. The Group is committed to establishing a close and caring relationship with its employees, providing quality services to its customers and enhancing cooperation with its business partners. The Company provides a fair and safe workplace, promotes diversity to its staff, provides competitive remuneration and benefits and career development opportunities based on their merits and performance. The Group also puts ongoing efforts to provide adequate trainings and development resources to the employees so that they can keep abreast of the latest development of the market and the industry and, at the same time, improve their performance and self-fulfillment in their positions. Further details in relation to the development and remuneration of the Group's employees are set out in the paragraph headed "Human Resources" in this report.

The Group understands that it is important to maintain good relationship with customers and provide the products in a way that satisfies needs and requirements of the customers. The Group enhances the relationship by continuous interaction with customers to gain insight on the changing market demand for the products so that the Group can respond proactively. The Group has also established procedures in place for handling customers' complaints to ensure customers' complaints are dealt with in a prompt and timely manner.

The Group is also dedicated to developing good relationship with suppliers and contractors as long-term business partners to ensure stability of the Group's business. The Group reinforces business partnerships with suppliers and contractors by ongoing communication in a proactive and effective manner so as to ensure quality and timely delivery.

MANAGEMENT CONTRACTS

No contract, concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 December 2020.

AUDITOR

The Company's shares were only listed on the Stock Exchange on 26 January 2021, and there has been no change in auditors since the Listing Date. The consolidated financial statements for the year ended 31 December 2020 have been audited by DTT, Certified Public Accountants, who are proposed for reappointment at the 2021 AGM.

ANNUAL GENERAL MEETING

The 2021 AGM will be held on Friday, 4 June 2021. Notice of the 2021 AGM and all other relevant documents will be published and despatched to Shareholders 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 2021 AGM

For the purpose of determining the shareholders' rights to attend and vote at the 2021 AGM, the register of members of the Company will be closed from Tuesday, 1 June 2021 to Friday, 4 June 2021, both days inclusive, during which period no transfer of shares of the Company will be registered.

For the purpose of determining the entitlement to attend and vote at the 2021 AGM, all transfer document accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 31 May 2021.

(b) Payment of the proposed final dividend and special dividend

For the purpose of determining the shareholders' entitlement to the proposed final dividend and special dividend for the year ended 31 December 2020, the register of members of the Company will be closed from Thursday, 10 June 2021 to Friday, 11 June 2021, 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 and special dividend for the year ended 31 December 2020, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 9 June 2021.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

The Company's shares were not listed on the Stock Exchange as at 31 December 2020. Accordingly, the Listing Rules and the SFO were not applicable to the Company. As at the date of this annual report, the interests and short positions of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as contained in Appendix 10 to the Listing Rules were as follows:

Interest in the Company

Name of Director	Nature of interest	Number of shares[2]	Approximate percentage of shareholding[1]
Mr. Huang De-Lin Benny[3]	Interest in a controlled corporation	150,000,000 (L)	14.70%

Notes:

(1) The calculation is based on the total number of 1,020,640,000 Company's shares in issue as at 30 March 2021.

(2) The letter "L" denotes the person's long position in the shares of the Company.

(3) The entire issued share capital of Virtue Investment Development Limited (德瑞投資發展有限公司) ("**Virtue Investment**") is held by Mr. Huang De-Lin Benny, who was entrusted by Mr. Huang to hold such shares of the Company for the purpose of a share incentive scheme to be adopted after Listing.

Save as disclosed above, as at the date of this annual report, none of the Directors or the chief executives of the Company had, or were deemed to have, any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (b) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code and Divisions 7 and 8 of Part XV of the SFO.

INTERESTS AND SHORT POSITIONS OF PERSONS OTHER THAN DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY IN SHARES AND UNDERLYING SHARES

The Company's shares were not listed on the Stock Exchange as at 31 December 2020. Accordingly, section 336 of the SFO was not applicable to the Company as at 31 December 2020. As at the date of this annual report, so far as the Directors are aware, the following persons (other than the Directors or chief executives of the Company) and companies had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

(i) Long position in shares of the Company

Name of Shareholder	Capacity/Nature of interest	Number of ordinary shares(2)	Approximate percentage of holding(1)
Mr. Huang(3)(4)	Settlor and protector of a trust and interest in a controlled corporation	750,000,000 (L)	73.48%
TMF (Cayman) Ltd ("**TMF (Cayman)**")(3)	Trustee of a trust	600,000,000 (L)	58.79%
Long Harmony Holding Limited ("**Long Harmony**")(3)	Interest in a controlled corporation	600,000,000 (L)	58.79%
Go Star Investment Holding Limited ("**Go Star**")	Beneficial owner	600,000,000 (L)	58.79%
Virtue Investment	Beneficial owner	150,000,000 (L)	14.70%

Notes:

1. The calculation is based on the total number of 1,020,640,000 Company's shares in issue as at 30 March 2021.

2. The letter "L" denotes a long position in the shares of the Company.

3. The entire issued share capital of Go Star is held by Long Harmony, a company incorporated in the BVI by TMF (Cayman), the trustee of the family trust, which is a discretionary trust established by Mr. Huang as the settlor and protector. The beneficiaries of the family trust are Mr. Huang's family members. Accordingly, each of Mr. Huang, TMF (Cayman) and Long Harmony is deemed to be interested in the shares of the Company held by Go Star under the SFO.

4. The entire issued share capital of Virtue Investment is held by Mr. Huang De-Lin Benny, who was entrusted by Mr. Huang to hold such shares of the Company for the purpose of a share incentive scheme to be adopted after the Listing. Pursuant to the confirmation letter signed by Mr. Huang De-Lin Benny and Mr. Huang, Mr. Huang De-Lin Benny will exercise the voting rights in Virtue Investment or exercise the voting rights in the Company through Virtue Investment in accordance with the instructions of Mr. Huang. Therefore, each of Mr. Huang and Mr. Huang De-Lin Benny is deemed to be interested in the shares of the Company held by Virtue Investment under the SFO.

Save as disclosed above, as at the date of this annual report, the Directors were not aware of any interests or short positions owned by any persons (other than the Directors or chief executives of the Company) in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE INCENTIVE SCHEME

For the purpose of implementing the share incentive scheme to retain talent, promote the long-term sustainable development of the Group and achieve mutual gain for the Company, employees and Shareholders, on 1 August 2019, Virtue Investment. was incorporated in the BVI as a special purpose vehicle to hold shares to be granted to eligible grantees under a share incentive scheme to be adopted at least six months after the Listing.

As at the date of this annual report, the detailed terms of the employee share incentive scheme has not been confirmed and has not yet been adopted.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "**Share Option Scheme**") on 21 December 2020 for the purpose of providing incentives and rewards to eligible participants for their contribution or would be contribution to the Group so as to encourage them to participate in the long-term development of the Group and to share common interests and objectives with the Group and/or to enable the Group to recruit and retain high calibre employees and attract human resources that are valuable to the Group.

(1) Eligible Participants to the Share Option Scheme

The Directors may, at their absolute discretion, invite any eligible participants (the "**Eligible Participants**"), to take up options (the "**Options**") to subscribe for Shares at a price calculated in accordance with paragraph (7) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

Any individual, being an employee, executive, director, officer, consultant, advisor, distributor, customer, supplier of the Group or such other person who the Board considers, in their sole discretion, to have contributed or will contribute to the Group is entitled to be offered and granted options.

(2) Maximum Number of Shares Available for Exercise

(a) The maximum number of Shares to be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 30 per cent of the total number of Shares in issue from time to time.

(b) The total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 100,000,000 Shares (the "**General Scheme Limit**"), representing 10 per cent of the Shares in issue on which trading of the Shares commences on the Stock Exchange, representing approximately 9.8% of the total Shares in issue as at the date of this annual report.

(c) Subject to paragraph (a) above and without prejudice to paragraph (d) below, the Company may seek approval of the Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 10 per cent of the Shares in issue as at the date of approval of refreshing the General Scheme Limit. For the purpose of calculating the General Scheme Limit, Options previously granted (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option schemes of the Company) will not be counted.

(d) Subject to paragraph (a) above and without prejudice to paragraph (c) above, the Company may issue a circular to the Shareholders and seek separate Shareholders' approval in general meeting to grant Options beyond the General Scheme Limit or, if applicable, the limit referred to in paragraph (c) above to the Eligible Participants specifically identified by the Company before such approval is sought.

(3) Maximum Entitlement of each Eligible Participant

The total number of Shares in issue and which may fall to be issued upon exercise of the Options granted under the Share Option Scheme and any other share option schemes of the Company (including exercised, cancelled and outstanding Options) to each Eligible Participant in any 12 month period shall not exceed 1 per cent of the total number of the relevant class of shares of the Company (the "**Individual Limit**"). Any further grant of options in excess of the Individual Limit in any 12 month period up to and including the date of such further grant, shall be subject to the issue of a circular to the Shareholders and the Shareholders' approval in general meeting of the Company with such Eligible Participant and his associates abstaining from voting.

(4) Grant of Options to Connected Persons

(a) Any grant of Options under the Share Option Scheme to a Director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options).

Where any grant of Options to a substantial shareholder or an independent non-executive Director, or any of their respective associates, would result in the Company's shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12 month period up to and including the date of such grant:

(i) representing in aggregate over 0.1 per cent of the total number of Company's shares in issue on the date of offer of the Options;

(ii) having an aggregate value on the closing price of the Company's shares at the date of each grant, in excess of HK$5 million;

such further grant of Options must be approved by the Shareholders. The Company must send a circular to the Shareholders. The grantee, his associates and all core connected persons of the Company must abstain from voting in favour at such general meeting. Any vote take at the meeting to approve the grant of such options must be taken on a poll.

(5) Time of Acceptance and Exercise of an Option

An offer of grant of an Option may be accepted by an Eligible Participant within 30 days from the date of the offer of grant of the Option. A consideration of HK$1.00 is payable on acceptance of the offer of grant of an Option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on the date on which the offer for the grant of Options is made but shall end in any event not later than 10 years from the date of grant of the Option. No minimum period for which the Option has to be held before it can be exercised is specified in the Share Option Scheme.

(6) Performance Targets

Unless otherwise determined and stated by the Directors in the offer of the grant of Options to an Eligible Participant, an Eligible Participant is not required to achieve any performance targets before any Options granted under the Share Option Scheme can be exercised.

(7) Subscription Price for Shares

The subscription price for Shares under the Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of Shares as stated in the Stock Exchange's daily quotation sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of the offer of grant; and (iii) the nominal value of a Share (if applicable).

(8) Restrictions on the Time of Grant of Options

A grant of Option under the Share Option Scheme shall not be made after inside information has come to the knowledge of the Company until the information has been announced. In particular, no Option should be granted during the period commencing one month immediately preceding the earlier of (i) the date of the Board meeting (as such is first notified to the Exchange in accordance with the Listing Rules) for approval of the Company's results for any year, half year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for the Company to publish an announcement of its results for any year or half year under the Listing Rules, or quarterly or any other interim period (whether or not under the Listing Rules).

The Directors may not grant any Option to an Eligible Participant who is a Director during the periods or times in which Directors are prohibited from dealing in shares pursuant to the Model Code or any corresponding code or securities dealing restrictions adopted by the Company.

(9) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the Listing Date. As at the date of this annual report, the remaining life of the Share Option Scheme is approximately 9 years and 9 months.

As at the date of this annual report, no Options have been granted, while 100,000,000 share options are still available for future grant, representing 9.8% of the total Shares in issue as at the date of this annual report.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

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 as well as enhancing the transparency and accountability to the stakeholders.

The Company has adopted the CG Code as its own code on corporate governance since the Listing. As the Company was listed on 26 January 2021, it was not required to comply with the CG Code during the year ended 31 December 2020.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct for Directors in their dealings in the securities of the Company since the Listing. As the Company was listed on 26 January 2021, the Company was not required to comply with the Model Code during the year ended 31 December 2020.

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

The Company's shares were listed on the Stock Exchange on the Listing Date. Save for that the Company had issued new shares in connection with the Listing as disclosed in this annual report, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the the year ended 31 December 2020 and up to the date of this annual report.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

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.

IMPORTANT EVENTS AFTER THE END OF THE REPORTING PERIOD

Save as disclosed elsewhere in this annual report, the Group has the following events after the end of the reporting period:

(i) Pursuant to the written resolutions of the Shareholders passed on 21 December 2020, and subject to the share premium account of the Company being credited as a result of the issue of offer shares pursuant to the Hong Kong public offering and the international public offering (collectively as the "**Global Offering**"), an aggregate of 749,999,000 shares of the Company credited as fully paid at par were allotted and issued on the Listing Date to the holders of ordinary shares on the register of members of the Company in the Cayman Islands at the close of business on the business day preceding the Listing Date of the Global Offering;

(ii) On 26 January 2021, the Company was successfully listed on the Main Board of the Stock Exchange following the completion of issue of 250,000,000 new shares of par value of HK$0.01 each at the offer price of HK$3.86 per share. The net proceeds arising from the listing amounted to approximately HK$928.8 million (equivalent to approximately RMB777.0 million). On 18 February 2021, the international underwriters of the Global Offering partially exercised the over-allotment option, pursuant to which the Company is required to allot and issue the option shares, being 20,640,000 shares of the Company, representing approximately 8.26% of the total number of shares initially available under the Global Offering, at the offer price under the Global Offering. The net proceeds from the exercise of the over-allotment option were approximately HK$77.8 million (equivalent to approximately RMB64.8 million). The net proceeds raised for the Global Offering (including the partial exercise of the over-allotment option) amounted to approximately RMB841.8 million will be applied in the manner as disclosed in the Prospectus.

Save as disclosed above, no important events affecting the Company occurred since the Listing Date and up to the date of this annual report.

On behalf of the Board

Huang De-Lin Benny
Chairman

Hong Kong, 30 March 2021

Deloitte. 德勤

TO THE SHAREHOLDERS OF
E-STAR COMMERCIAL MANAGEMENT COMPANY LIMITED
星盛商業管理股份有限公司
(incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of E-Star Commercial Management Company Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 54 to 123, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables in respect of contracts with customers	
We identified the impairment assessment of trade receivables in respect of contracts with customers (the "**Trade Receivables**") as a key audit matter due to the estimation uncertainty associated with determining the expected credit losses ("**ECL**") on the Trade Receivables. The Group's Trade Receivables primarily arise from the services rendered under the brand and management output services model. As set out in note 19 to the consolidated financial statements as at 31 December 2020, the Trade Receivables amounted to RMB23,210,000 (net of accumulated allowance for credit losses of RMB8,093,000), which represented approximately 6.3% of the current assets of the Group, and, out of which, trade debtors with aggregate carrying amount of RMB14,594,000 were past due. As further disclosed in note 30 to the consolidated financial statements, the Group measured ECL on the Trade Receivables individually by applying internal credit rating for each of its trade debtors, which are primarily the owners of commercial properties managed by the Group, under this model and were assessed with reference to past default experience, current past due exposure of the trade debtors and, where applicable, an analysis of current financial information of the relevant commercial properties managed by the Group. In calculating the ECL, the loss rates were estimated based on internal credit ratings of the trade debtors, comparable probability of default and recovery rates quoted from an international credit-rating agency and were adjusted for forward-looking information, including but not limited to the reviving economic condition and consumption level in the People's Republic of China (the "**PRC**") and the expected consumer traffic of the relevant commercial properties managed by the Group without undue cost or effort. During the year ended 31 December 2020, an impairment loss of RMB3,693,000 and a reversal of impairment loss of RMB5,000 under ECL model were recognised for the Trade Receivables.	Our procedures in respect of impairment assessment of the Trade Receivables included: • Obtaining an understanding of key controls relating to the management of the Group's determination of ECL on the Trade Receivables; • Testing, on a sample basis, the integrity of information used by the management of the Group by checking settlement records of the trade debtors and checking probability of default and recovery rates used in the ECL model against the industry's corporate default rate forecast and defaulted corporate bond and loan recoveries respectively published by an international credit-rating agency; • Challenging the management of the Group's basis and judgment in application of its internal credit rating over the trade debtors and, in particular, their identification of credit-impaired Trade Receivables by evaluating trade debtors' background through internet and company searches and their repayment history; • Evaluating the management of the Group's assessment on the existing market conditions and forward-looking information, which form part of the determination of estimated loss rates, with reference to our understanding of the general economy in the PRC obtained through market research on publicly available information and by observing, on a sample basis, consumer traffic of the relevant commercial properties managed by the Group; and • Testing, on a sample basis, the subsequent settlement of the Trade Receivables to cash receipts and the related supporting documents.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Chu, Johnny Chun Yin.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 30 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Revenue	6	**441,953**	387,314
Cost of services		**(193,318)**	(186,711)
Gross profit		**248,635**	200,603
Other income	7	**11,582**	18,807
Other gains and losses		**825**	5,040
Impairment losses under expected credit loss model, net of reversal	9	**(3,652)**	(4,245)
Selling expenses		**(5,663)**	(5,321)
Administrative expenses		**(56,775)**	(69,074)
Finance costs	8	**(4,145)**	(3,150)
Listing expenses		**(15,672)**	(13,718)
Profit before tax		**175,135**	128,942
Income tax expense	10	**(47,549)**	(33,342)
Profit and total comprehensive income for the year	11	**127,586**	95,600
Profit for the year attributable to:			
– Owners of the Company		**126,839**	84,632
– Non-controlling interests		**747**	10,968
		127,586	95,600
Earnings per share	15		
– Basic (RMB cents)		**16.91**	12.54

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Non-current assets			
Property and equipment	16	**7,928**	1,605
Investment properties	17	**50,754**	55,296
Finance lease receivables	18	**7,188**	7,672
Deferred tax assets	23	**6,338**	5,251
		72,208	69,824
Current assets			
Finance lease receivables	18	**484**	432
Trade and other receivables	19	**36,613**	23,338
Financial assets at fair value through profit or loss	20	**187,910**	65,995
Amounts due from related parties	31	**2,305**	1,835
Bank balances and cash	21	**141,660**	133,909
		368,972	225,509
Current liabilities			
Trade and other payables	22	**170,233**	162,294
Lease liabilities	24	**4,684**	1,503
Contract liabilities	25	**3,382**	9,017
Amounts due to related parties	31	**4,881**	686
Tax payable		**25,322**	18,582
		208,502	192,082
Net current assets		**160,470**	33,427
Total assets less current liabilities		**232,678**	103,251

As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Capital and reserves			
Share capital	26	–*	–*
Reserves		159,752	32,913
Equity attributable to owners of the Company		159,752	32,913
Non-controlling interests		3,503	2,756
Total equity		163,255	35,669
Non-current liabilities			
Deferred tax liabilities	23	696	466
Lease liabilities	24	68,727	67,116
		69,423	67,582
		232,678	103,251

* *Less than RMB1,000.*

The consolidated financial statements on pages 54 to 123 were approved and authorised for issue by the Board of Directors on 30 March 2021 and are signed on its behalf by:

Huang De-Lin Benny
Director

Wen Yi
Director

For the year ended 31 December 2020

	Attributable to owners of the Company							
	Share capital/paid in capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000 (note (i))	Other reserve RMB'000 (note (iv))	Accumulated profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2019	30,000	28,026	14,947	–	115,336	188,309	30,298	218,607
Profit and total comprehensive income for the year	–	–	–	–	84,632	84,632	10,968	95,600
Disposal of a subsidiary (Note 27)	–	–	–	–	–	–	104	104
Acquisition of non-controlling interests in a subsidiary (note (ii))	5,300	2,797	7,221	–	26,246	41,564	(41,564)	–
Capitalisation of a subsidiary (note (iii))	44,700	(30,823)	(8,825)	–	(5,052)	–	–	–
Deemed distribution as a part of the Group's reorganisation (note (iv))	(80,000)	–	–	(1,088)	–	(81,088)	–	(81,088)
Transfer	–	–	12,650	–	(12,650)	–	–	–
Dividends recognised as distribution (Note 14)	–	–	–	–	(200,504)	(200,504)	–	(200,504)
Capital contribution from a non-controlling shareholder upon establishment of a subsidiary (note (v))	–	–	–	–	–	–	2,950	2,950
At 31 December 2019	–*	–	25,993	(1,088)	8,008	32,913	2,756	35,669
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**126,839**	**126,839**	**747**	**127,586**
Transfer	**–**	**–**	**11,013**	**–**	**(11,013)**	**–**	**–**	**–**
At 31 December 2020	**–***	**–**	**37,006**	**(1,088)**	**123,834**	**159,752**	**3,503**	**163,255**

* *Less than RMB1,000.*

Notes:

(i) Pursuant to the relevant laws in the People's Republic of China (the "**PRC**"), a company established in the PRC is required to transfer 10% of its profit after tax to the statutory surplus reserve. Contribution to the statutory surplus reserve is discretionary when the reserve balance reaches 50% of the registered capital of the respective company and can be used to make up for previous years' losses or, expand the existing operations or can be converted into additional capital of the company.

(ii) On 2 September 2019, 深圳市星河商用置業投資有限公司 (Shenzhen Galaxy Commercial Property Investment Co., Ltd*) ("**Galaxy Commercial Property Investment**") entered into share transfer agreements with 深圳市宏達利興投資有限合夥企業(有限合夥) (Shenzhen Hongda Lixing Investment Partnership (Limited Partnership)*) ("**Hongda Lixing**") and 深圳市永興宏泰企業管理諮詢合夥企業(有限合夥) (Shenzhen Yongxing Hongtai Corporate Management Consulting Partnership (Limited Partnership)*) ("**Yongxing Hongtai**"), pursuant to which Hongda Lixing and Yongxing Hongtai agreed to transfer 10.59% and 3.00%, respectively, in the share capital of 深圳市星河商置集團有限公司 (Shenzhen Galaxy Commercial Property Group Co., Ltd.*) ("**Galaxy Commercial Property Group**") to Galaxy Commercial Property Investment. On the same day, 深圳市安林珊資產管理有限公司 (Shenzhen Anlinshan Asset Management Co., Ltd*) ("**Anlinshan Asset Management**") entered into a share transfer agreement with Yongxing Hongtai, pursuant to which Yongxing Hongtai agreed to transfer approximately 1.42% in the share capital of Galaxy Commercial Property Group to Anlinshan Asset Management. The transactions were completed on 2 September 2019 and, as the result, Galaxy Commercial Property Group became wholly owned by the Ultimate Controlling Shareholder (as defined in Note 1) where, to be specific, 90.08% owned by Galaxy Commercial Property Investment and 9.92% owned by Anlinshan Asset Management.

(iii) On 6 December 2019, the paid-in capital of Galaxy Commercial Property Group was increased from RMB35,300,000 to RMB80,000,000 by way of capitalisation of share premium, statutory surplus reserve and accumulated profits of Galaxy Commercial Property Group.

(iv) On 16 December 2019, Galaxy Commercial Property Investment and Anlinshan Asset Management entered into an equity interest transfer agreement with Xinghan Commercial (as defined in Note 33), respectively, pursuant to which Galaxy Commercial Property Investment and Anlinshan Asset Management agreed to transfer their respective entire equity interest in Galaxy Commercial Property Group to Xinghan Commercial at a total consideration of RMB81,088,300. The consideration was fully settled on 30 December 2019 and was accounted for as a deemed distribution to the then shareholders of Galaxy Commercial Property Group during the year ended 31 December 2019. The difference between the paid-in capital of Galaxy Commercial Property Group of RMB80,000,000 and the cash consideration of RMB81,088,300 was recognised as other reserve.

(v) During the year ended 31 December 2019, Shanghai Xinglian (as defined in Note 33) was established by the Group with a registered capital of RMB10,000,000, of which an amount of RMB2,950,000 was contributed by non-controlling shareholders.

* *The English name of this company is translated from its registered Chinese name for identification purpose only.*

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
OPERATING ACTIVITIES			
Profit before tax		**175,135**	128,942
Adjustments for:			
Depreciation of property and equipment		**4,149**	1,383
Depreciation of investment properties		**3,244**	2,638
Impairment losses under expected credit loss model, net of reversal		**3,652**	4,245
Finance income on the net investment in the lease		**(304)**	(319)
Interest income		**(1,492)**	(1,148)
Investment income of financial assets at fair value through profit or loss		**(4,191)**	(12,905)
Gain on fair value changes of financial assets at fair value through profit or loss		**(920)**	(995)
Loss on disposal of property and equipment		**129**	–
Gain on disposal of a subsidiary		**–**	(4,403)
Listing expenses		**15,672**	13,718
Finance costs		**4,145**	3,150
Operating cash flow before movements in working capital		**199,219**	134,306
(Increase) decrease in trade and other receivables		**(13,801)**	2,007
(Decrease) increase in contract liabilities		**(5,635)**	7,504
Decrease in trade and other payables		**(7,474)**	(6,871)
(Increase) decrease in amounts due from related parties		**(470)**	1,084
Increase in amounts due to related parties		**2,756**	58
Decrease in finance lease receivables		**479**	162
Cash generated from operations		**175,074**	138,250
Income tax paid		**(41,666)**	(27,974)
Finance income on the net investment in the lease		**257**	133
NET CASH FROM OPERATING ACTIVITIES		**133,665**	110,409
INVESTING ACTIVITIES			
Interest received		**5,683**	14,053
Purchases of property and equipment		**(1,859)**	(563)
Proceeds on disposal of property and equipment		**–**	74
Purchases of financial assets at fair value through profit or loss		**(762,780)**	(783,000)
Redemption of financial assets at fair value through profit or loss		**641,785**	993,000
Net cash outflow on disposal of a subsidiary	27	**–**	(868)
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(117,171)**	222,696

For the year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
FINANCING ACTIVITIES		
Capital contribution from a non-controlling interest upon establishment of a subsidiary	–	2,950
Interest paid	(4,145)	(3,150)
Repayment of lease liabilities	(2,653)	(2,086)
Dividend paid	–	(200,504)
Distribution to shareholders under the Reorganisation (as defined in Note 2)	–	(81,088)
Advances from a related party	1,439	–
Payment of accrued issue costs	(3,384)	(2,180)
NET CASH USED IN FINANCING ACTIVITIES	(8,743)	(286,058)
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,751	47,047
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	133,909	86,862
CASH AND CASH EQUIVALENTS AT END OF THE YEAR represented by bank balances and cash	141,660	133,909

1. GENERAL INFORMATION

E-Star Commercial Management Company Limited (the "**Company**") was incorporated as an exempted company with limited liability in the Cayman Islands on 13 September 2019 and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 26 January 2021. The addresses of the Company's registered office and principal place of business are disclosed in the section headed "Corporate Information" in the annual report.

Upon completion of the Reorganisation (as set out in Note 2), the immediate holding company and the ultimate holding company of the Company are Go Star Investment Holding Limited ("**Go Star**") and Long Harmony Holding Limited ("**Long Harmony**") respectively. Go Star was incorporated in the British Virgin Islands ("**BVI**") with limited liability. Long Harmony was incorporated in the BVI by TMF (Cayman) Ltd., the trustee of the family trust. The family trust is a discretionary trust established on 4 December 2019 by Mr. Huang Chu-Long (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 Company is an investment holding company and the subsidiaries of the Company (collectively referred to as the "**Group**") are principally engaged in provision of commercial property operational services to either owners or tenants in respect of commercial properties, which include primarily 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 statements.

2. GROUP REORGANISATION AND BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Historically, the Group's operation was carried out by Galaxy Commercial Property Group and its subsidiaries.

Before the group reorganisation as stated below, Galaxy Commercial Property Group, the operating subsidiary of the Group was 84.99% owned by Mr. Huang, of which 76.49% held by Galaxy Commercial Property Investment and 8.5% held by Anlinshan Asset Management which were indirectly wholly-owned by Mr. Huang at the time and 15.01% owned by the then non-controlling shareholders, of which 10.59% held by Hongda Lixing and 4.42% held by Yongxing Hongtai.

In preparation of the listing of the Company's shares on the Stock Exchange (the "**Listing**"), the companies now comprising the Group underwent the group reorganisation (the "**Reorganisation**"). Details of the principal steps of the Reorganisation are set out in Note 2 to the accountants' report as included in the prospectus (the "**Prospectus**") of the Company dated 14 January 2021. The Reorganisation was completed in December 2019.

2. GROUP REORGANISATION AND BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

The Group comprising the Company and its subsidiaries resulting from the Reorganisation have been under common control of the Ultimate Controlling Shareholder and is regarded as continuing entity and merger accounting has been applied for the preparation of the consolidated financial statements.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 2019 include the results, changes in equity and cash flows of the companies comprising the Group as if the current group structure had been in existence throughout the year ended 31 December 2019, or since their respective dates of incorporation, where there is a shorter period taking into account the interest held by non-controlling shareholders in Galaxy Commercial Property Group.

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

The Group has consistently applied Hong Kong Accounting Standards ("**HKAS**"), HKFRSs and amendments issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), which are effective for the accounting period beginning on 1 January 2020 throughout the years ended 31 December 2020 and 2019.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments[1]
Amendment to HKFRS 16	COVID-19-Related Rent Concessions[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[2]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 June 2020
5 Effective for annual periods beginning on or after 1 January 2021

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(Continued)*

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

Except as described below, the management of the Group anticipates that the application of other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendment to HKFRS 16 COVID-19-Related Rent Concessions

The amendment is effective for annual periods beginning on or after 1 June 2020.

The amendment introduces a new practical expedient for lessees to elect not to assess whether a COVID-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes were not a lease modification. Forgiveness or waiver of lease payment are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs. The Group has not received any COVID-19 – related rent concessions since 1 June 2020 and up to the end of the reporting period. Accordingly, in the opinion of the management of the Group, the impact about application of this amendment to the Group cannot be estimated as at 31 December 2020.

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

4.1 Basis of preparation of the consolidated financial statements

The consolidated financial statements have been prepared based on the accounting policies set out below which conform with HKFRSs issued by HKICPA and the principles of merger accounting under Accounting Guideline 5 "Merger Accounting for Common Control Combination" issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements 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 statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, 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.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16 "Leases", and measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36 "Impairment of Assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

4.2 Significant accounting polices

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

4. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 Significant accounting polices *(Continued)*

Basis of consolidation *(Continued)*

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statement of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

4. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 Significant accounting polices *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries *(Continued)*

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs).

Merger accounting for business combination involving businesses under common control

The consolidated financial statements incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under control of the controlling party.

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a service (or a bundle of services) that is distinct or a series of distinct services that are substantially the same.

Except for granting of a license (i.e. trademark and logo of the Group) that is distinct from other promised services, control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

4. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 Significant accounting polices *(Continued)*

Revenue from contracts with customers *(Continued)*

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct service.

For granting of a license (i.e. trademark and logo of the Group) that is distinct from other promised services, the nature of the Group's promise in granting a license is a promise to provide a right to access the Group's intellectual property if all of the following criteria are met:

- the contract requires, or the customer reasonably expects, that the Group will undertake activities that significantly affect the intellectual property to which the customer has rights;
- the rights granted by the license directly expose the customer to any positive or negative effects of the Group's activities; and
- those activities do not result in the transfer of a good or a service to the customer as those activities occur.

If the criteria above are met, the Group accounts for the promise to grant a license as a performance obligation satisfied over time. Otherwise, the Group considers the grant of license as providing the customers the right to use the Group's intellectual property and the performance obligation is satisfied at a point in time at which the license is granted.

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised services to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of services.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date, the Group recognises revenue in the amount to which the Group has the right to invoice.

4. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 Significant accounting polices *(Continued)*

Revenue from contracts with customers *(Continued)*

Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified services itself (i.e. the Group is a principal) or to arrange for those services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified service before that service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified service by another party. In this case, the Group does not control the specified service provided by another party before that service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified services to be provided by the other party.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

4. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 Significant accounting polices *(Continued)*

Leases *(Continued)*

The Group as a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases of office premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability; and
- any initial direct costs incurred by the Group.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property in "property and equipment", the same line item within which the corresponding underlying assets would be presented if they were owned. Right-of-use assets that meet the definition of investment property are presented within "investment properties".

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, if any.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) when the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate item on the consolidated statement of financial position.

4. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 Significant accounting polices *(Continued)*

Leases *(Continued)*

The Group as a lessee (Continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivables, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

4. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 Significant accounting polices *(Continued)*

Leases *(Continued)*

The Group as a lessor (Continued)

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term. Variable lease payments for operating leases that depend on an index or a rate are estimated and included in the total lease payments to be recognised on a straight-line basis over the lease term. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise. When a lease contract contains a specific clause that provides for rent reduction or suspension of rent in the event that the underlying assets (or any part thereof) are affected by adverse events beyond the control of the Group and the lessee so as to render the underlying assets unfit or not available for use, the relevant rent reduction or suspension of rent resulting from the specific clause is accounted for as part of the original lease and not as a lease modification. Such rent reduction or suspension of rent is recognised in profit or loss in the period in which the event or condition that triggers those payments to occur.

Rental income which is derived from the Group's ordinary course of business is presented as revenue.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 "Revenue from Contracts with Customers" ("**HKFRS 15**") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

4. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 Significant accounting polices *(Continued)*

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Retirement benefit costs

Payments to state-managed retirement benefit plan, which is defined contribution retirement benefit plan, are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

Taxation represents the sum of the income tax expense currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

4. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 Significant accounting polices *(Continued)*

Taxation *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

Property and equipment

Property and equipment are tangible assets that are held for use in the supply of services, or for administrative purposes. Property and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

4. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 Significant accounting polices *(Continued)*

Property and equipment *(Continued)*

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals.

Investment properties also include leased properties which are being recognised as right-of-use assets and subleased by the Group under operating leases.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. A leased property which is recognised as a right-of-use asset is derecognised if the Group as intermediate lessor classifies the sublease as a finance lease. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Impairment on property and equipment and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property and equipment and right-of-use assets is estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

4. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 Significant accounting polices *(Continued)*

Impairment on property and equipment and right-of-use assets *(Continued)*

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("**FVTPL**")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

4. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 Significant accounting polices *(Continued)*

Financial instruments *(Continued)*

Interest income which is derived from the Group's ordinary course of business (i.e. finance lease) is presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

4. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 Significant accounting polices *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item, if any.

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade receivables, other receivables and deposits, amounts due from related parties and bank balances), and other items (operating and finance lease receivables), which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and lease receivables (both operating and finance lease). The ECL on these assets are assessed individually.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

4. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 Significant accounting polices *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 *(Continued)*

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

4. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 Significant accounting polices *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 *(Continued)*

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

4. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 Significant accounting polices *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 *(Continued)*

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and lease receivables (both operating and finance lease) where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

4. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 Significant accounting polices *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity (Continued)

Financial liabilities at amortised cost

Financial liabilities including trade and other payables and amounts due to related parties are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the management of the Group are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment assessment of of trade receivables in respect of contracts with customers

The Group's trade receivables in respect of contracts with customers primarily arise from the services rendered under brand and management output service model. As set out in Note 30 to the consolidated financial statements, the Group measured ECL on trade receivables in respect of contracts with customers individually by applying internal credit rating for each of its trade debtors, which are primarily the owners of commercial properties managed by the Group, under this model and were assessed with reference to past default experience, current past due exposure of the trade debtors and, where applicable, an analysis of current financial information of the relevant commercial properties managed by the Group. In calculating the ECL, the loss rates were estimated based on internal credit ratings of the trade debtors, comparable probability of default and recovery rates quoted from an international credit-rating agency and were adjusted for forward-looking information, including but not limited to the reviving economic condition and consumption level in the PRC and the expected consumer traffic of the relevant commercial properties managed by the Group without undue cost or effort.

6. REVENUE AND SEGMENT INFORMATION

The Group generates revenue primarily from provision of commercial property operational services to either owners or tenants in respect of the 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

	2020 RMB'000	2019 RMB'000
Entrusted management services	308,821	294,970
Brand and management output services	113,920	72,606
Sublease services	19,212	19,738
	441,953	387,314
Comprise of:		
– Revenue from contracts with customers	430,987	375,286
– Revenue from leases	10,966	12,028
	441,953	387,314

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

A. Revenue *(Continued)*

(i) Disaggregation of revenue from contracts with customers:

	2020 RMB'000	2019 RMB'000
Commercial property operational services:		
– Positioning, construction consultancy and tenant sourcing services	78,350	26,850
– Operational management services	293,973	279,066
– Value-added services (note)	58,664	69,370
	430,987	375,286
Timing of revenue recognition:		
– Over time	423,049	368,535
– A point in time	7,938	6,751
	430,987	375,286
Type of customers:		
– Property owners	186,071	131,153
– Tenants and other customers	244,916	244,133
	430,987	375,286

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

Note: Included in the value-added services, there is an amount of RMB558,000 (2019: RMB3,074,000) where the Group acts as an agent.

(ii) Performance obligations for contracts with customers

Entrusted management service model

The contracts under entrusted management service model represent property related management services rendered in respect of commercial properties owned by related parties. The services under this model comprise (i) consultancy services provided to property owners; (ii) tenant sourcing services provided to property owners; (iii) operational management services provided to property owners; (iv) operational management services provided to tenants; and (v) value-added services provided to tenants and/or other customers.

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

A. Revenue *(Continued)*

(ii) Performance obligations for contracts with customers *(Continued)*

Brand and management output service model

The contracts under brand and management output service model represent property related management services rendered in respect of commercial properties owned by related parties or independent third parties. The operating costs of managing the commercial properties are borne by the property owners instead of the Group. The services under this model comprise (i) consultancy services provided to property owners; (ii) tenant sourcing services provided to property owners; (iii) operational management services provided to property owners (without rent collection); (iv) value-added services provided to tenants and/or other customers; (v) land sourcing assistance; and (vi) use of the Group's trademark and logo.

Sublease service model

The contracts under sublease service model represent leasing of commercial spaces within a commercial property to tenants (as described below in note (iv)) and property related management services in respect of commercial spaces leased by tenants. The services under this model comprise (i) operational management services provided to tenants and (ii) value-added services provided to tenants and/or other customers. The commercial property is leased from a property owner, who is a related party of the Group, and subleases to the tenants.

The details of each service and revenue recognition process are set out below:

1. Consultancy services, such as market positioning, business planning consultancy services and design and construction consultancy services, provided to property owners. The transaction price is fixed for each service and the revenue is recognised overtime in rendering of these services based on the progress of services using output method. The transaction price received before providing consultancy services to property owners is recognised as contract liabilities and released over the period of service.

2. Tenant sourcing services provided to property owners. The Group charges a pre-agreed amount in respect of each lease agreement entered and the revenue is recognised at a point in time when a tenant enters into a lease agreement with the property owner.

3. Operational management services provided to property owners, such as overall business operation management and rent collection. The Group charges an operational management fee based on a pre-agreed percentage of revenue and/or profit from property owners. The revenue is recognised over time as the customers simultaneously receive and consume the benefits in relation to services provided by the Group.

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

A. Revenue *(Continued)*

(ii) Performance obligations for contracts with customers *(Continued)*

4. Operational management services provided to tenants, such as property management and marketing and promotion. The Group charges an operational management fee based on a per sq.m. basis or a pre-agreed fixed fee from tenants. The revenue is recognised over time as the customers simultaneously receive and consume the benefits in relation to services provided by the Group.

5. Value-added services provided to tenants and/or other customers, primarily including management of common areas and advertising spaces in the shopping centers. The Group charges a fixed fee for the use of these common areas and advertising spaces and the revenue is recognised over time as the tenants and/or other customers simultaneously receive and consume the benefits in relation to services provided by the Group. The transaction price received before providing value-added services to tenants and/or customers is recognised as contract liabilities and released on a straight-line basis over the period of service.

6. Land sourcing assistance services provided to customers. The Group charges monthly service fees for provision of such services and the revenue is recognised over time as the customers simultaneously receive and consume the benefits in relation to the services provided by the Group. Depending on the terms set out in each land sourcing assistance contract entered into with the customer, it may include a consideration where the amount and the payment depend on the occurrence of a future event. The recognition of such revenue, which is subject to constrained as detailed above, is according to the Group's accounting policy set out in Note 4 under the heading "variable consideration".

7. Right of using of the Group's trademark and logo granted to property owners. The Group charges a fixed annual fee for use of these trademark and logo and the revenue is recognised over time.

(iii) Transaction price allocated to the remaining performance obligations

The Group has elected to apply the practical expedient under HKFRS 15 for not to disclose the information of remaining performance obligations which are part of a contract that has an original expected duration of one year or less; or from satisfaction of which the Group recognises revenue in the amount that corresponds directly with the value to the customers of the Group's performance completed to date which the Group has the right to invoice. The transaction price allocated to the remaining performance obligations where the aforementioned practical expedients are not applicable is approximately RMB635 million (2019: RMB397 million) as at 31 December 2020 and is expected to recognise as revenue within 12 (2019: 13) years as at 31 December 2020.

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

A. Revenue *(Continued)*

(iv) 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.

	2020 **RMB'000**	2019 RMB'000
For operating leases:		
Lease payments that are fixed	**8,549**	8,918
Variable lease payments	**2,113**	2,791
	10,662	11,709
For finance leases:		
Finance income on the net investment in the lease	**304**	319
Total revenue arising from leases	**10,966**	12,028

Included in the operating lease income there is a contingent rental of RMB2,113,000 (2019: RMB2,791,000) for the year ended 31 December 2020.

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 prepared based on same accounting policies set out in Note 4. 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).

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

B. Segment information *(Continued)*

Information about major customers

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

	2020 RMB'000	2019 RMB'000
Customer A (note)	126,082	95,152

Note: Customer A represents a group of related parties of the Group. Details of the transactions with these related parties are set out in Note 31(b).

7. OTHER INCOME

	2020 RMB'000	2019 RMB'000
Interest income from bank deposits	1,492	1,148
Investment income of financial assets at FVTPL	4,191	12,905
Government grants (note)	5,114	2,355
Compensation and penalty received from tenants	785	2,399
	11,582	18,807

Note: The government grants refer to unconditional subsidies granted by the government authorities in the PRC. During the year ended 31 December 2020, the Group recognised government grants of RMB3,082,000 (2019: nil) in respect of COVID-19 related subsidies.

8. FINANCE COSTS

	2020 RMB'000	2019 RMB'000
Interest on lease liabilities	4,145	3,150

9. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2020 RMB'000	2019 RMB'000
Net impairment losses (reversal of impairment losses) recognised on:		
– trade receivables	3,688	4,248
– lease receivables	(36)	(3)
	3,652	4,245

Details of impairment assessment are set out in Note 30.

10. INCOME TAX EXPENSE

	2020 RMB'000	2019 RMB'000
Current tax:		
PRC Enterprise Income Tax ("**EIT**")	48,406	34,578
Deferred tax (Note 23)	(857)	(1,236)
	47,549	33,342

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduced the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of assessable profits of a qualifying group entity will be taxed at 8.25%, and assessable profits above HK$2,000,000 will be taxed at 16.5%. The assessable profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. No provision for Hong Kong Profits Tax has been made for both years as the subsidiaries operating in Hong Kong have no assessable profits.

Under the Law of the PRC on EIT (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the entities operating in the PRC is 25% for both years.

The income tax expense for both years can be reconciled to the profit before tax as follows:

	2020 RMB'000	2019 RMB'000
Profit before tax	175,135	128,942
Tax at PRC EIT rate of 25%	43,734	32,236
Tax effect of expense not deductible for tax purpose	3,898	3,374
Effect of disposal of a subsidiary	–	(2,351)
Tax effect of tax losses not recognised	–	83
Utilisation of tax losses previously not recognised	(83)	–
Income tax expense	47,549	33,342

11. PROFIT FOR THE YEAR

	2020 RMB'000	2019 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration:		
– Auditor of the Company	1,100	–
– Other auditors	1,478	2,246
	2,578	2,246
Depreciation of property and equipment	4,149	1,383
Depreciation of investment properties	3,244	2,638
Staff costs (including directors' emoluments as disclosed in Note 12):		
Salaries and other benefits	106,100	108,308
Retirement benefits schemes contributions	5,244	6,972
Total staff costs	111,344	115,280
Gain on disposal of a subsidiary (included in other gains and losses)	–	(4,403)
Gain on fair value changes of financial assets at FVTPL (included in other gains and losses)	(920)	(995)
Loss on disposal of property and equipment (included in other gains and losses)	129	–
Gross rental income from investment properties	10,966	12,028
Less: direct operating expenses incurred for investment properties during the year	(4,946)	(4,914)
	6,020	7,114

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the nine (2019: six) directors of the Company, including the chief executives during both years are as follows:

For the year ended 31 December 2020

	Directors' fee RMB'000	Salaries and other benefits RMB'000	Performance related bonus RMB'000	Retirement benefit schemes contributions RMB'000	Total RMB'000
Executive directors					
Huang De-Lin Benny (note (i))	–	–	–	–	–
Tao Muming (note (i))	–	2,108	717	39	2,864
Niu Lin (note (i))	–	1,739	593	45	2,377
Wen Yi (note (i))	–	1,253	495	22	1,770
Non-executive directors					
Guo Limin (note (ii))	–	–	–	–	–
Huang De-An Tony (note (ii))	–	–	–	–	–
Independent non-executive directors					
Zhang Liqing (note (iii))	–	–	–	–	–
Guo Zengli (note (iii))	–	–	–	–	–
Tse Yat Hong (note (iii))	–	–	–	–	–
Total emoluments	–	5,100	1,805	106	7,011

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

For the year ended 31 December 2019

	Directors' fee RMB'000	Salaries and other benefits RMB'000	Performance related bonus RMB'000	Retirement benefit schemes contributions RMB'000	Total RMB'000
Executive directors					
Huang De-Lin Benny (note (i))	–	–	–	–	–
Tao Muming (note (i))	–	943	471	73	1,487
Niu Lin (note (i))	–	2,007	541	73	2,621
Wen Yi (note (i))	–	1,587	556	25	2,168
Non-executive directors					
Guo Limin (note (ii))	–	–	–	–	–
Huang De-An Tony (note (ii))	–	–	–	–	–
Total emoluments	–	4,537	1,568	171	6,276

Notes:

(i) Mr. Huang De-Lin Benny was appointed as an executive director of the Company on 13 September 2019 and Mr. Tao Muming, Mr. Niu Lin and Ms. Wen Yi were appointed as executive directors of the Company on 20 December 2019, respectively. Mr. Huang De-Lin Benny is also the chief executive of the Company.

(ii) Mr. Guo Limin and Mr. Huang De-An Tony were appointed as non-executive directors of the Company on 20 December 2019 and no emoluments were paid to the non-executive directors by the Group during both years.

(iii) Mr. Zhang Liqing, Mr. Guo Zengli and Mr. Tse Yat Hong were appointed as independent non-executive directors of the Company on 21 December 2020.

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

The executive directors' emoluments were for their services in connection to the management of the affairs of the Company and the Group.

The non-executive directors' emoluments were for their services as directors of the Company and its subsidiaries, if applicable.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

The performance related bonus are determined by reference to the individual performance.

During both years, no remuneration was paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company has waived any remuneration during both years.

13. FIVE HIGHEST PAID EMPLOYEES

Of the five individuals with the highest emoluments in the Group, three were the directors of the Company for the years ended 31 December 2020 and 2019. Details of their emoluments are included in Note 12. The emoluments of the remaining two individuals for both years are as follows:

	2020 **RMB'000**	2019 RMB'000
Salaries and other benefits	**2,211**	2,890
Performance related bonus	**680**	973
Retirement benefit schemes contributions	**90**	146
	2,981	4,009

Their emoluments are within the following bands:

	2020	2019
HK$1,000,001 to HK$1,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**1**	–
HK$2,500,001 to HK$3,000,000	**–**	1
HK$4,500,001 to HK$5,000,000	**–**	–

During both years, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

14. DIVIDENDS

During the year ended 31 December 2019, Galaxy Commercial Property Group, the then holding company of the entities comprising the Group, declared and paid dividend of RMB200,504,000 to its then shareholders. The rate of dividends and number of shares ranking for the above dividends are not presented as such information is not considered meaningful having regard to the purpose of these consolidated financial statements.

Other than disclosed above, no dividend was paid or declared by the Company since its incorporation during both years.

Subsequent to the end of the reporting period, a final dividend of HK$0.045 per ordinary share and a special dividend of HK$0.015 per ordinary share, in respect of the year ended 31 December 2020, have been proposed by the directors of the Company and are subject to the shareholders' approval in the forthcoming general meeting.

15. 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

	2020 RMB'000	2019 RMB'000
Earnings for the purpose of calculating basic earnings per share: Profit for the year attributable to owners of the Company	126,839	84,632

Number of shares

	2020 '000	2019 '000
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	750,000	674,744

The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that (i) the Company had been the holding company of the subsidiaries with shares issued and outstanding consistent with the basis of consolidation throughout the years ended 31 December 2020 and 2019; (ii) the Reorganisation completed as described in the section headed "History, Reorganisation and Corporate Structure" to the Prospectus had been effective on 1 January 2019; and (iii) the capitalisation issue as set out in Note 37(i) had been effective on 1 January 2019.

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

16. PROPERTY AND EQUIPMENT

	Machine and equipment RMB'000	Motor vehicles RMB'000	Electronic equipment RMB'000	Office equipment RMB'000	Other equipment RMB'000	Leased property RMB'000 (note)	Total RMB'000
COST							
At 1 January 2019	139	1,812	4,544	1,630	3,761	–	11,886
Additions	–	–	155	400	8	–	563
Disposals	–	(9)	(156)	(80)	(44)	–	(289)
Disposal of a subsidiary (Note 27)	–	–	(76)	(754)	(3,269)	–	(4,099)
At 31 December 2019	139	1,803	4,467	1,196	456	–	8,061
Additions	–	7	149	227	1,476	8,865	10,724
Disposals	–	(9)	(2,490)	(137)	(2)	–	(2,638)
Lease modification	–	–	–	–	–	(123)	(123)
At 31 December 2020	**139**	**1,801**	**2,126**	**1,286**	**1,930**	**8,742**	**16,024**
DEPRECIATION							
At 1 January 2019	44	543	3,829	855	433	–	5,704
Provided for the year	13	350	537	397	86	–	1,383
Eliminated on disposals	–	(9)	(153)	(26)	(27)	–	(215)
Disposal of a subsidiary (Note 27)	–	–	(76)	(183)	(157)	–	(416)
At 31 December 2019	57	884	4,137	1,043	335	–	6,456
Provided for the year	14	371	167	108	596	2,893	4,149
Eliminated on disposals	–	(9)	(2,369)	(129)	(2)	–	(2,509)
At 31 December 2020	**71**	**1,246**	**1,935**	**1,022**	**929**	**2,893**	**8,096**
CARRYING AMOUNTS							
At 31 December 2020	**68**	**555**	**191**	**264**	**1,001**	**5,849**	**7,928**
At 31 December 2019	82	919	330	153	121	–	1,605

Note: During the year ended 31 December 2020, the Group leased two office premises from a related party for its operation. The lease contracts are entered into for fixed terms of 2.39 and 3 years respectively. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable. Accordingly, the Group recognised right-of-use assets and lease liabilities of RMB8,865,000 respectively. The lease agreement does not impose any covenants (other than the security interest in the leased asset that is held by the lessor). The leased asset may not be used as a security for borrowing purpose. The cash outflows for the leases for the year ended 31 December 2020 is RMB2,871,000 (2019: RMB3,712,000).

16. PROPERTY AND EQUIPMENT *(Continued)*

The above items of property and equipment are depreciated on a straight-line basis at the following rates per annum:

Machine and equipment	10%
Motor vehicles	20%
Electronic equipment	33%
Office equipment	20%
Other equipment	20%
Leased property	Over the lease term

17. INVESTMENT PROPERTIES

	Investment properties RMB'000
COST	
At 1 January 2019	52,860
Addition related to the lease modification	12,427
At 31 December 2019	65,287
Decrease related to the lease modification	(1,298)
At 31 December 2020	**63,989**
DEPRECIATION	
At 1 January 2019	7,353
Provided for the year	2,638
At 31 December 2019	9,991
Provided for the year	3,244
At 31 December 2020	**13,235**
CARRYING VALUES	
At 31 December 2020	**50,754**
At 31 December 2019	55,296

17. INVESTMENT PROPERTIES *(Continued)*

The Group as a lessee

The Group leased a commercial property in Changzhou of the PRC from a property owner, which is a related party of the Group, in April 2016 for a fixed term of 20 years. The Group has an option to extend the lease beyond the initial agreed period but it is subject to the mutual agreement between the Group and the property owner. When recognising the investment properties, the Group applied the incremental borrowing rate of the relevant group entity. The incremental borrowing rate applied at lease commencement date was 5.64%. The Group recognised right-of-use assets that meet the definition of investment properties and lease liabilities of RMB58,640,000 respectively at the lease commencement date.

In December 2019, the Group entered into a lease modification agreement with the property owner of the commercial property in Changzhou, pursuant to which the rental will increase 3% per year since 2021. This lease modification was not accounted for as a separate lease, the Group remeasured the right-of-use assets that meet the definition of investment properties and lease liabilities of RMB12,427,000 respectively based on the revised lease payments using a revised discount rate at the effective date of the modification.

During the year ended 31 December 2020, the property owner of the commercial property in Changzhou provided rent concession to the Group through reduction in rentals. The Group opted not to apply the practical expedient under HKFRS 16.46A and concluded the changes in lease payments constitute a lease modification. The reduction of the Group's lease liabilities of RMB1,298,000 and a corresponding adjustment of the same amount to the investment properties were recognised.

The lease agreement does not impose any particular covenants except for pre-approval from the property owner is required for, among others, the change of use or structure of the property.

Expenses relating to short-term leases with lease terms end within 12 months were nil for year ended 31 December 2020 (2019: RMB3,712,000).

The Group regularly entered into short-term leases for office premises. As at 31 December 2019, the portfolio of short-term leases was similar to the portfolio of short-term leases to which the short-term lease expenses disclosed in this note above. During the year ended 31 December 2020, the Group entered into two long-term lease agreements with a related party for office premises. Details are set out in Note 16.

17. INVESTMENT PROPERTIES *(Continued)*

The Group as a lessor

The Group leased out retail stores of a commercial property in Changzhou of the PRC as described above under subleasing arrangements to receive rental income. The leases typically run for an initial period of 1 to 15 years and the lessees have the option to extend the lease beyond initial agreed period but it is subject to mutual agreement between the Group and the lessees. The extension option is subject to market review clauses in the event the lessee exercises the option.

Leases of retail stores are either with only fixed lease payments or contain variable lease payments that are based on pre-agreed percentage of sales recognised by the tenants and the minimum annual lease payment that are fixed over the lease term.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in RMB which is the functional currency of the respective group entity. The lease contracts of the head lease and sublease do not contain residual value guarantee nor lessee's option to purchase the property at the end of lease term.

Total cash outflows for the leases, including the leased properties disclosed in Note 16, for year ended 31 December 2020 are RMB6,798,000 (2019: RMB8,948,000) which consist of RMB3,927,000 (2019: RMB5,236,000) paid for leased properties under sub-leases respectively. The income from subleasing of properties for both years are set out in Note 6(iv).

The fair value of the Group's investment properties as at 31 December 2020 was RMB129,400,000 (2019: RMB130,000,000). The fair value as at 31 December 2020 has been arrived at based on the determination of the management of the Group who made reference to the valuation carried out by Savills Valuation and Professional Services Limited (the "**Valuer**"), independent valuers not connected with the Group, on these investment properties as at 31 December 2020. The fair value of these investment properties as at 31 December 2019 was arrived at based on the valuation carried out by the Valuer as at 31 December 2019.

The fair value of the Group's investment properties was determined based on the income approach, where the market rentals of all lettable units of the properties are assessed and discounted at the market yield expected by investors for this type of properties. The market rentals are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties in the neighbourhood. The discount rate is determined by reference to the yields derived from analysing the sales transactions of similar commercial properties in the PRC and adjusted to take into account the market expectation form property investors to reflect factors specific to the Group's investment properties. There has been no change from the valuation technique used in the previous years.

In estimating the fair value of the Group's investment properties, the highest and best use of the properties is their current use.

The above investment properties are depreciated on a straight-line basis over the lease term.

18. FINANCE LEASE RECEIVABLES

The Group entered into a finance lease contract as a lessor for certain units located in a commercial property, which was leased by the Group from a property owner as disclosed in Note 17. The term of the finance lease entered into is 15 years starting from August 2016. The interest rate inherent in the lease is fixed at the contract date over the lease term.

	Minimum lease payments 31.12.2020 RMB'000	Present value of minimum lease payments 31.12.2020 RMB'000
Finance lease receivables comprise:		
Within one year	777	484
In the second year	816	542
In the third year	856	604
In the fourth year	900	671
In the fifth year	944	741
After five years	5,153	5,079
	9,446	8,121
Gross investment in the lease	9,446	N/A
Less: unearned finance income	(1,325)	N/A
Present value of minimum lease payment receivable	8,121	8,121
Less: Allowance for credit loss		(449)
		7,672
Analysed as:		
Non-current		7,188
Current		484
		7,672

18. FINANCE LEASE RECEIVABLES *(Continued)*

	Minimum lease payments 31.12.2019 RMB'000	Present value of minimum lease payments 31.12.2019 RMB'000
Finance lease receivables comprise:		
Within one year	740	432
In the second year	777	484
In the third year	816	542
In the fourth year	856	604
In the fifth year	900	671
After five years	6,096	5,820
	10,185	8,553
Gross investment in the lease	10,185	N/A
Less: unearned finance income	(1,632)	N/A
Present value of minimum lease payment receivable	8,553	8,553
Less: Allowance for credit loss		(449)
		8,104
Analysed as:		
Non-current		7,672
Current		432
		8,104

As at 31 December 2020, the interest rate implicit in the above finance lease was approximately 0.3% (2019: 0.3%) per month.

19. TRADE AND OTHER RECEIVABLES

	2020 RMB'000	2019 RMB'000
Trade and other receivables		
– Trade receivables	25,073	10,957
– Other receivables	11,540	12,381
	36,613	23,338

	2020 RMB'000	2019 RMB'000
Trade receivables		
Contracts with customers		
– Third parties	30,539	15,978
– Related parties (note)	764	347
Less: Allowance for credit losses	(8,093)	(7,231)
	23,210	9,094
Lease receivable – third parties	1,863	1,863
	25,073	10,957

Note: The related parties are companies under common control of the Ultimate Controlling Shareholder.

As at 1 January 2019, the trade receivables in respect of contracts with customers and lease receivables, net of allowance for credit losses, amounted to RMB13,820,000 in total.

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

	2020 RMB'000	2019 RMB'000
0 – 10 days	6,058	4,736
11 – 30 days	2,558	1,335
31 – 60 days	4,420	160
61 – 90 days	2,304	762
Over 90 days	7,870	2,101
	23,210	9,094

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

	2020 RMB'000	2019 RMB'000
0 – 10 days	1,863	1,863

19. TRADE AND OTHER RECEIVABLES *(Continued)*

Included in the Group's trade receivables in respect of contracts with customers as at 31 December 2020 are past due trade debtors with aggregate carrying amount of RMB14,594,000 (2019: RMB3,023,000), of which an amount of RMB7,870,000 (2019: RMB2,101,000) were past due 90 days or more and not considered as in default. The Group rebutted the presumption of default under expected credit loss model for the trade receivables in respect of contracts with customers past due over 90 days as the trade debtors had no significant change in credit quality after understanding their background, good repayment records and continuous business relationship with the Group and were adjusted for forward-looking information, including but not limited to the reviving economic condition and consumption level in the PRC and the expected consumer traffic of the commercial properties managed by the Group without undue cost or effort. The Group does not hold any collateral over these balances.

In November 2019, a trade debtor of the Group, the property owner of Enshi Galaxy COCO City* (恩施星河COCO City) experienced financial difficulty and had applied for bankruptcy restructuring with the local people's court. The management of the Group was of the opinion that the revenue from this trade debtor might be subject to significant reversal and the relevant trade receivables were credit-impaired. Therefore, the Group ceased to recognise the revenue arising from this trade debtor during 2019 amounting to RMB3.85 million and the trade receivables with gross amount of RMB4.29 million as at 31 December 2019 were fully impaired. As at 31 December 2020, the bankruptcy restructuring of this customer had not been completed and the opening date of the commercial property of this project had not been determined.

	2020 RMB'000	2019 RMB'000
Other receivables		
Receivables from third-party payment platforms (note (i))	2,714	3,313
Payments on behalf of tenants (note (ii))	704	4,096
Advance to employees (note (iii))	19	211
Prepayment	74	63
Other tax recoverable	603	468
Deposits	11	11
Deferred issue costs	7,320	4,194
Others	95	25
	11,540	12,381

Notes:

(i) Customers usually pay the bills of tenants through third-party payment platforms in the commercial properties managed by the Group. The third party payment platforms normally settle the amounts received, net of handling charges, within a week after trade date. The Group will hold the money on behalf of tenants and repay to them upon monthly settlement. All receivables from third-party payment platforms were aged within one month and not past due.

(ii) The Group may pay the utilities expenses on behalf of tenants before their commencement of operations. These amounts have no specific repayment terms and will normally be settled when the tenants commence their operations.

(iii) The amount represents advancements to employees for the Group's daily operations.

Details of impairment assessment of trade and other receivables are set out in Note 30.

* *The English name of this company is translated from its registered Chinese name for identification purpose only.*

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 RMB'000	2019 RMB'000
Current assets		
Financial assets at FVTPL	187,910	65,995

The amount represents contracts of wealth management investments with a company engaged in asset management business and a bank in the PRC. The principals of RMB185,000,000 (2019: RMB65,000,000) as at 31 December 2020 were unsecured and unguaranteed and the expected range of returns for these products are pre-determined.

In the opinion of the management of the Group, the fair values of the wealth management investments as at 31 December 2020 were RMB185,920,000 (2019: RMB65,995,000), including fair value changes of RMB920,000 (2019: RMB995,000) during the year. The wealth management investments will mature within twelve months from the date of purchase. Therefore, they are classified as current assets.

During the year ended 31 December 2020, the Group purchased listed bonds issued by China Development Bank through a commercial bank of RMB1,990,000. The bonds carry a fixed interest rate of 3.23% per annum and have a maturity date on 10 January 2025. In the opinion of the management of the Group, the bonds may be disposed of in the market for acceptable return at any time prior to maturity. Therefore, they are classified as current assets. As at 31 December 2020, the fair value of the bonds approximated to the purchase amount of RMB1,990,000.

21. BANK BALANCES AND CASH

Bank balances and cash held by the Group are with maturity of three months or less and carry interest at prevailing market rates ranging from 0.01% to 2.1% (2019: 0.3% to 1%) per annum at 31 December 2020.

All of the Group's bank balances and cash are denominated in RMB and Hong Kong Dollars.

22. TRADE AND OTHER PAYABLES

	2020 RMB'000	2019 RMB'000
Trade and other payables		
– Trade payables	20,180	20,782
– Other payables	150,053	141,512
	170,233	162,294

22. TRADE AND OTHER PAYABLES *(Continued)*

	2020 RMB'000	2019 RMB'000
Trade payables		
Contracts with suppliers		
– Third parties	16,598	18,309
– Related parties (note)	3,582	2,473
	20,180	20,782

Note: The related parties are companies under common control of the Ultimate Controlling Shareholder.

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

	2020 RMB'000	2019 RMB'000
0 – 30 days	15,078	16,046
31 – 60 days	3,711	700
61 – 90 days	555	664
Over 90 days	836	3,372
	20,180	20,782

	2020 RMB'000	2019 RMB'000
Other payables		
Receipts on behalf of tenants (note (i))	95,382	88,560
Deposits received (note (ii))	18,071	14,901
Payroll payables	22,162	25,930
Accruals	2,181	1,093
Accrued listing expenses (note (iii))	7,364	7,124
Accrued issue costs (note (iii))	1,756	2,014
Other tax payables	3,137	1,890
	150,053	141,512

22. TRADE AND OTHER PAYABLES *(Continued)*

Notes:

(i) The balance represents the funds received centrally in the commercial properties on behalf of the tenants when they carry out the business activities in the commercial properties and the balance is returned to tenants monthly.

(ii) The balance mainly represents security deposits received from tenants and suppliers and rental deposits from lessees.

(iii) The balance represents the listing expenses and issue costs accrued by the Company.

23. DEFERRED TAX ASSETS/LIABILITIES

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2020 RMB'000	2019 RMB'000
Deferred tax assets	**6,338**	5,251
Deferred tax liabilities	**(696)**	(466)
	5,642	4,785

The following are the major deferred tax assets and liabilities recognised and movements thereon during both years:

	Timing difference on recognition of revenue from leases RMB'000	**ECL provision** RMB'000	**Leases** RMB'000	**Other** RMB'000	**Total** RMB'000
At 1 January 2019	(503)	859	3,193	–	3,549
Credit to profit or loss	37	1,061	138	–	1,236
At 31 December 2019	(466)	1,920	3,331	–	4,785
Credit (charge) to profit or loss	–	216	871	(230)	857
At 31 December 2020	**(466)**	**2,136**	**4,202**	**(230)**	**5,642**

As at 31 December 2020, the Group has no unused tax losses. As at 31 December 2019, the Group had the unrecognised tax losses of RMB332,000 which were related to a subsidiary operating continuously and no deferred tax assets were recognised due to the unpredictability of its future profit stream.

23. DEFERRED TAX ASSETS/LIABILITIES *(Continued)*

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. As at 31 December 2020, the accumulated profits of the PRC subsidiaries of the Group are RMB139,259,000 (2019: RMB22,731,000).

24. LEASE LIABILITIES

	2020 **RMB'000**	2019 RMB'000
Lease liabilities:		
Within one year	**4,684**	1,503
More than one year but less than two years	**5,373**	1,749
More than two years but less than five years	**7,832**	6,914
More than five years	**55,522**	58,453
	73,411	68,619
Minimum lease payment due:		
Within one year	**8,605**	5,236
More than one year but less than two years	**9,018**	5,393
More than two years but less than five years	**17,684**	17,169
More than five years	**73,772**	79,842
	109,079	107,640
Less: future finance charge	**(35,668)**	(39,021)
Present value of lease liabilities	**73,411**	68,619

	2020 **RMB'000**	2019 RMB'000
Current	**4,684**	1,503
Non-current	**68,727**	67,116
	73,411	68,619

All the lease liabilities as at 31 December 2020 and 2019 were due to related parties of the Group.

The weighted average incremental borrowing rates applied to lease liabilities range from 5.64% to 5.7% during both years.

25. CONTRACT LIABILITIES

	2020 RMB'000	2019 RMB'000
Positioning and construction consultancy services	3,373	8,988
Value-added services	9	29
	3,382	9,017

As at 1 January 2019, contract liabilities amounted to RMB1,513,000.

Contract liabilities of the Group mainly arose from the advance payments made by the customers while the underlying services are yet to be provided. The amounts to be received from customers prior to the performance of services are negotiated with customers on contract by contract basis.

For the contract liabilities as at 1 January 2020 and 2019, the entire balances were recognised as revenue in the profit or loss during the years ended 31 December 2020 and 2019 respectively.

26. SHARE CAPITAL

The share capital as at 1 January 2019 represented the share capital of Galaxy Commercial Property Group, the then holding company of the entities comprising the Group, attributable to the Ultimate Controlling Shareholder.

The share capital as at 31 December 2020 and 2019 represented the share capital of the Company.

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 13 September 2019 (date of incorporation) and 31 December 2019	38,000,000	380	340
Issued and fully paid			
At 13 September 2019 (date of incorporation)	1	–	–*
Issue of shares	999	–	–*
At 31 December 2019 and 31 December 2020	1,000	–	–*

* *Less than RMB1,000*

Details of the subsequent changes in share capital are set out in Note 37.

27. DISPOSAL OF A SUBSIDIARY

深圳市星河趣滙創新發展有限公司 (Shenzhen Galaxy Quhui Innovation Development Co., Ltd.^) ("**Quhui Innovation**"), which was a parent company of 深圳市星河兔加熊健康服務有限公司 (Shenzhen Galaxy Rabbit & Bear Health Service Company Limited^) ("**Rabbit & Bear**"), and had an interest in an associate, was established on 20 February 2017 for the purpose of providing sports and children's entertainment facilities services. As its business was not in line with the business development strategy of the Group, on 16 January 2019, the Group entered into an equity transfer agreement with 星河置業集團有限公司 (Galaxy Property Group Co., Ltd^) ("**Galaxy Property Group**"), a company controlled by Mr. Huang, pursuant to which the Group transferred the entire equity interest in Quhui Innovation to Galaxy Property Group at a consideration of RMB1 which was fully settled in cash. The disposal was completed on 16 January 2019, on which date the control of Quhui Innovation was passed to Galaxy Property Group.

On 16 January 2019, the Group discontinued its operation in sports and children entertainment facilities services at the time of disposal of its subsidiary, Quhui Innovation. The net assets of Quhui Innovation at the date of disposal were as follows:

	RMB'000
Consideration received:	
Cash received (RMB1)	–*

	16 January 2019 RMB'000
Analysis of assets and liabilities over which control was lost:	
Property and equipment	3,683
Investment in an associate	543
Deposit paid for acquisition of property and equipment	1,115
Other receivables	1,854
Bank balances and cash	868
Trade and other payables	(12,570)
Net liabilities disposed of	(4,507)
Gain on disposal of a subsidiary:	
Consideration received (RMB1)	–*
Net liabilities disposal of	4,507
Non-controlling interests	(104)
Gain on disposal	4,403
Net cash outflow arising on disposal:	
Cash consideration (RMB1)	–*
Less: bank balances and cash disposal of	(868)
	(868)

^ *The English name of this company is translated from its registered Chinese name for identification purpose only.*

* *Less than RMB1,000*

Quhui Innovation had immaterial impact to the Group's results and cash flows during the year ended 31 December 2019.

28. RETIREMENT BENEFITS SCHEMES

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions, which are calculated as a percentage of the employees' salaries, to these plans.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The Group's contributions to the defined contribution retirement schemes (as set out in Note 11) are recognised as an expense when employees have rendered services entitling them to the contributions as incurred.

29. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance. The overall strategy remains unchanged during both years.

The capital structure of the Group consists of net debt, which includes lease liabilities as disclosed in Note 24, net of cash and cash equivalents and equity attributable to owners of the Company, comprising share capital, share premium, accumulated profits and other reserves.

Management of the Group reviews the capital structure regularly taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through issuance of new shares and the raise of borrowings.

30. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2020 **RMB'000**	2019 RMB'000
Financial assets at amortised cost	**170,718**	152,494
Financial assets at FVTPL	**187,910**	65,995
Financial liabilities at amortised cost	**149,815**	135,160

30. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, financial assets at FVTPL, bank balances and cash, trade and other payables and amounts due from/to related parties. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to the Group's lease liabilities as at 31 December 2020 and 2019. Details of the lease liabilities are set out in Note 24.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances as at 31 December 2020 and 2019. Details are set out in Note 21.

The Group currently does not have interest rate risk hedging policy. However, management of the Group closely monitors its exposure to future cash flow interest rate risk as a result of change on market interest rate and will consider hedging changes in market interest rates should the need arise.

No sensitivity analysis is provided on bank balances as the management of the Group considered that the interest rate fluctuation on bank balances is minimal.

Other price risk

The Group is exposed to instrument price risk arising from changes in the fair value of its financial assets at FVTPL (both listed and unlisted).

No sensitivity analysis on other price risk is presented for the financial assets at FVTPL as the management of the Group considered that a reasonable possible change to the fair value of these financial instruments will not have a significant effect to the Group's profit or loss.

Credit risk and impairment assessment

The Group's credit risk is primarily attributable to its trade and other receivables, amounts due from related parties, bank balances and lease receivables (including operating and finance lease receivables).

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets and lease receivables (including operating and finance lease receivables) as stated in the consolidated statement of financial position. The Group does not hold any collateral or other credit enhancement to cover its credit risks associated with its financial assets.

30. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Trade receivables in respect of contracts with customers and lease receivables

The Group does not have concentration of credit risks with exposure spread over a number of counterparties. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

In addition, the Group performs impairment assessment under ECL model on the trade receivables in respect of contracts with customers and lease receivables individually. Details of the quantitative disclosures are set out below in this note.

The Group's trade receivables in respect of contracts with customers primarily arise from the services rendered under the brand and management output service model. The Group applies simplified approach on the trade receivables in respect of contracts with customers to assess for lifetime ECL prescribed by HKFRS 9. To measure ECL of the trade receivables at amortised cost, the Group applies internal credit rating for each of its trade debtors, which are primarily the owners of commercial properties managed by the Group, under this model and are assessed with reference to past default experience, current past due exposure of the trade debtors and, where applicable, an analysis of current financial information of the relevant commercial properties managed by the Group. In calculating the ECL, the loss rates are estimated based on internal credit ratings of the trade debtors, comparable probability of default and recovery rates quoted from an international credit-rating agency and are adjusted for forward-looking information, including but not limited to reviving economic condition and consumption level in the PRC and the expected consumer traffic of the relevant commercial properties managed by the Group without undue cost or effort. Such forward-looking information is used by the management of the Group to assess both the current and the forecast direction of conditions at the end of each reporting period.

Based on the assessment performed by the management of the Group, it is considered that the loss rates for the trade receivables in respect of contracts with customers ranged not more than 10% as at 31 December 2020 (2019: not more than 3%). The ECL loss rate of the trade receivables in respect of contracts with customers is determined on debtor by debtor basis. The trade receivables in respect of contracts with customers which were credit-impaired have been provided to the extent of the amount that are expected to be unrecoverable.

The Group applies the simplified approach on lease receivables, both operating and finance leases, as prescribed by HKFRS 9, which uses the lifetime ECL provision. To measure ECL of the operating and finance lease receivables, the Group applies internal credit rating for each of its trade debtors, which are primarily the tenants of the commercial property leased by the Group, under sublease service model and are assessed with reference to past default experience and current past due exposure of the trade debtors. In calculating the ECL, the loss rates are estimated based on internal credit ratings of trade debtors, comparable probability of default and recovery rates quoted from an international credit-rating agency and are adjusted for forward-looking information, including but not limited to reviving economic condition and consumption level in the PRC and the expected customers traffic of the relevant commercial properties managed by the Group without undue cost or effort. Such forward-looking information is used by the management of the Group to assess both the current and the forecast direction of conditions at the end of each reporting period.

Based on the assessment performed by the management of the Group, it is considered that the loss rate for the lease receivables was not more than 1% as at 31 December 2020 (2019: not more than 2%). The ECL of lease receivables is determined on debtor by debtor basis and is considered to be insignificant at the end of each reporting period.

30. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Other receivables and amounts due from related parties

For other receivables and amounts due from related parties, the management of the Group makes periodic individual assessment on the recoverability of these amounts based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management of the Group believes that there is no significant increase in credit risk of these amounts since initial recognition and the management assessed the loss allowance based on 12m ECL, and considered them to have low credit risk, and thus no loss allowance was recognised.

Bank balances

Credit risk on bank balances is limited because the counterparties are reputable banks and/or have high credit ratings assigned by credit agencies. The Group assessed 12m ECL for bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on bank balances is considered to be was insignificant.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables and lease receivables	Other financial assets at amortised cost
Low risk	The counterparty has a low risk of default. The balance has not past-due or has past-due but frequently repays after due dates and usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor does not frequently repay at due dates but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There has been significant increase in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating that the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

30. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The tables below detail the credit risk exposures of the Group's financial assets and lease receivables which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	As at 31 December 2020 Gross carrying amounts RMB'000	As at 31 December 2019 Gross carrying amounts RMB'000
Financial assets at amortised cost						
Trade receivables in respect of contracts with customers	19	N/A	Low risk	Lifetime ECL (not credit-impaired)	**3,318**	4,830
		N/A	Watch list	Lifetime ECL (not credit-impaired)	**2,894**	–
		N/A	Doubtful	Lifetime ECL (not credit-impaired)	**15,996**	4,418
		N/A	Loss	Lifetime ECL (credit-impaired)	**9,095**	7,077
Other receivables and deposits	19	N/A	Low risk	12m ECL (not credit-impaired)	**3,543**	7,656
Amounts due from related parties	31	N/A	Low risk	12m ECL (not credit-impaired)	**2,305**	1,835
Bank balances	21	A3-Aa3	N/A	12m ECL (not credit-impaired)	**141,660**	133,909
Other items						
Finance lease receivables	18	N/A	Low risk	Lifetime ECL (not credit-impaired)	**8,121**	8,553
Operating lease receivables	19	N/A	Low risk	Lifetime ECL (not credit-impaired)	**1,863**	1,863

30. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The following table shows the movement in lifetime ECL that has been recognised for the trade receivables in respect of contracts with customers and lease receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
At 1 January 2019	196	2,790	2,986
Changes due to financial instruments recognised as at 1 January 2019:			
– Impairment losses recognised	–	2,319	2,319
– Impairment losses reversed	(172)	–	(172)
New financial assets originated	130	1,968	2,098
At 31 December 2019	154	7,077	7,231
Changes due to financial instruments recognised as at 1 January 2020:			
– Write-offs	**–**	**(2,790)**	**(2,790)**
– Impairment losses reversed	**(41)**	**–**	**(41)**
New financial assets originated	**1,289**	**2,404**	**3,693**
At 31 December 2020	**1,402**	**6,691**	**8,093**

As at 31 December 2020, the allowance of credit loss for finance lease receivables is RMB449,000 (2019: RMB449,000).

During the year ended 31 December 2020, the Group recognised an impairment loss of RMB3,693,000 (2019: RMB4,417,000) and a reversal of impairment loss of RMB5,000 (2019: RMB169,000) for trade receivables in respect of contracts with customers and a reversal of impairment loss of RMB36,000 (2019: RMB3,000) for lease receivables.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the Group's operations and mitigate the effects of unexpected fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

30. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

	Weighted average effective	On demand or within three months	More than three months but less than one year	More than one year but less than two years	More than two years but less than five years	More than five years	Total undiscounted cash flows	Total carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2020								
Trade payables	N/A	20,180	–	–	–	–	20,180	20,180
Other payables	N/A	121,679	715	579	1,774	7	124,754	124,754
Amounts due to related parties	N/A	4,881	–	–	–	–	4,881	4,881
		146,740	715	579	1,774	7	149,815	149,815
Lease liabilities	5.64	2,107	6,498	9,018	17,684	73,772	109,079	73,411
As at 31 December 2019								
Trade payables	N/A	20,782	–	–	–	–	20,782	20,782
Other payables	N/A	111,288	238	583	1,579	4	113,692	113,692
Amounts due to related parties	N/A	686	–	–	–	–	686	686
		132,756	238	583	1,579	4	135,160	135,160
Lease liabilities	5.64	1,309	3,927	5,393	17,169	79,842	107,640	68,619

Fair value of the Group's financial assets and financial liabilities that are measured at amortised cost

The management of the Group considers that the carrying amounts of the financial assets and financial liabilities of the Group recorded at amortised cost in the consolidated financial statements at the end of each reporting period approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

30. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Certain of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique and inputs used).

	Fair value at			
Financial assets	**31 December 2020**	31 December 2019	Fair hierarchy	Valuation technique value and key impacts
Financial assets at FVTPL	**Wealth management investments in the PRC: RMB185,920,000**	Wealth management investments in the PRC: RMB65,995,000	Level 2	Market price quoted from a company engaged in asset management business and a bank
	Investments in listed bonds: RMB1,990,000	N/A	Level 1	Quoted bid prices in an active market

There were no transfer between Level 1 and 2 during both years.

31. RELATED PARTY DISCLOSURES

(a) Related party balances

(i) Amounts due from related parties

Details of amounts due from related parties are stated as follows:

Nature of related parties	**2020 RMB'000**	2019 RMB'000
Fellow subsidiaries (note)	**2,305**	1,835

Note: The related parties are companies under common control of the Ultimate Controlling Shareholder.

The entire balance of amount due from related parties are trade in nature. Details of impairment assessment of this balance are set out in Note 30.

31. RELATED PARTY DISCLOSURES *(Continued)*

(a) Related party balances *(Continued)*

(i) Amounts due from related parties *(Continued)*

The following is an ageing analysis of amount due from related parties presented based on the invoice dates at the end of each reporting period:

	2020 **RMB'000**	2019 RMB'000
0 to 10 days	**2,305**	1,835

(ii) Amounts due to related parties

	2020 **RMB'000**	2019 RMB'000
Fellow subsidiaries (note (i))	**3,442**	686
A director (note (ii))	**1,439**	–
	4,881	686

Notes:

(i) The related parties are companies under common control of the Ultimate Controlling Shareholder. Included in the balance of amounts due to related parties as at 31 December 2019, an amount of RMB112,000 was non-trade in nature, which arose from some offshore company incorporation related expenses paid by a fellow subsidiary on behalf of the Company, and expected to be settled on or before the Listing. The remaining balances as at 31 December 2020 and 2019 are trade in nature and mainly represent the rental and other deposits paid by the fellow subsidiaries with respect to usage of common areas in the shopping centers and payable to fellow subsidiaries for reimbursements of staff welfare expenses incurred by the Group.

(ii) The amount is non-trade in nature which refers to advances from Mr. Huang De-Lin Benny to the Company for payment of expenses incurred before the Listing. The amount is interest-free, unsecured and unguaranteed. Besides, the amount has no fixed repayment term but it is expected to be settled on or before the Listing.

31. RELATED PARTY DISCLOSURES *(Continued)*

(b) Related parties transactions

In additional to the transactions or information disclosed elsewhere in these consolidated financial statements, the Group entered into the following material transactions with related parties, which are fellow subsidiaries under common control of the Ultimate Controlling Shareholder:

	2020 RMB'000	2019 RMB'000
Revenue:		
– Commercial property operational and related services (note (i))	118,120	89,511
– Tenant management services (note (ii))	7,962	5,641
Expense:		
– Property management and related services (note (iii))	62,221	61,416
– Expenses relating to short-term leases for office and other premises	–	3,712
– Interest expenses on lease liabilities (note (iv))	4,145	3,150

Notes:

(i) This category includes positioning, construction consultancy and tenant sourcing services, operational management and property leasing services.

(ii) This category includes operational management services and value-added services.

(iii) This category includes property management services, catering services and hotel accommodation services.

(iv) The lease repayments of RMB6,798,000 (2019: RMB5,236,000) were made for the year ended 31 December 2020. Included in the lease repayments there were interests paid of RMB4,145,000 (2019: RMB3,150,000) for the year ended 31 December 2020.

Under the entrusted management service model, the Group has used three offices in the shopping centers owned by fellow subsidiaries. These shopping centers are managed by the Group for free, during both years.

Compensation of key management personnel

The remuneration of the senior management of the group entities prior to becoming directors of the Company and other members of key management of the Group during both years were as follows:

	2020 RMB'000	2019 RMB'000
Short-term benefits	7,311	7,427
Performance related bonuses	2,485	2,541
Retirement benefits schemes contributions	196	317
	9,992	10,285

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Accrued issue costs RMB'000	Dividend payable RMB'000	Lease liabilities RMB'000	Amount due to a related party RMB'000	Total RMB'000
At 1 January 2019	–	–	58,278	–	58,278
Financing cash flows (note)	(2,180)	(200,504)	(5,236)	–	(207,920)
Finance costs	–	–	3,150	–	3,150
Addition due to lease modification	–	–	12,427	–	12,427
Dividend declared	–	200,504	–	–	200,504
Issue costs accrued	4,194	–	–	–	4,194
At 31 December 2019	2,014	–	68,619	–	70,633
Financing cash flows (note)	**(3,384)**	**–**	**(6,798)**	**1,439**	**(8,743)**
Finance costs	**–**	**–**	**4,145**	**–**	**4,145**
Addition due to new lease agreements	**–**	**–**	**8,866**	**–**	**8,866**
Decrease due to lease modification	**–**	**–**	**(1,421)**	**–**	**(1,421)**
Issue costs accrued	**3,126**	**–**	**–**	**–**	**3,126**
At 31 December 2020	**1,756**	**–**	**73,411**	**1,439**	**76,606**

Note: The financing cash-flows include repayments of lease liabilities and interest, payments of dividend and accrued issue costs and advances from a related party.

33. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries at the date of these consolidated financial statements are as follows:

				Proportion of ownership interest						
				As at 31 December 2020			As at 31 December 2019			
Name of subsidiary	Place and date of incorporation/ establishment	Place of operation	Registered/ issued and full paid share capital	The Group's effective interest	Held by the Company	Held by a subsidiary	The Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities	Notes
Sincerity Commercial Management Limited ("**Sincerity Commercial**")	BVI/ 17 October 2019	Hong Kong	US$100	100%	100%	N/A	100%	100%	N/A	Investment holding	(d)
Luxuriant Commercial Management Limited ("**Luxuriant Commercial**")	Hong Kong/ 12 November 2019	Hong Kong	HK$100	100%	N/A	100%	100%	N/A	100%	Investment holding	(e)
深圳市星瀚商業管理有限公司 Shenzhen Xinghan Commercial Management Co., Ltd.* ("**Xinghan Commercial**")	The PRC/ 12 December 2019	Shenzhen	RMB5,000,000	100%	N/A	100%	100%	N/A	100%	Investment holding	(c)
深圳市星河商置集團有限公司 Galaxy Commercial Property Group*	The PRC/ 14 November 2014	Shenzhen	RMB80,000,000	100%	N/A	100%	100%	N/A	100%	Commercial property operational services	(f)
深圳市星河商業管理有限公司 Shenzhen Galaxy Commercial Management Co., Ltd.*	The PRC/ 14 November 2014	Shenzhen	RMB5,000,000	100%	N/A	100%	100%	N/A	100%	Commercial property operational services	(f)
廣州市星通商用置業有限公司 Guangzhou Xingtong Commercial Property Co., Ltd.*	The PRC/ 2 August 2015	Guangzhou	RMB10,000,000	100%	N/A	100%	100%	N/A	100%	Commercial property operational services	(f)
常州市星河商業管理有限公司 Changzhou Galaxy Commercial Management Co., Ltd.*	The PRC/ 5 May 2016	Changzhou	RMB3,000,000	100%	N/A	100%	100%	N/A	100%	Commercial property operational services	(f)
上海星聯商業管理有限公司 Shanghai Xinglian Commercial Management Co., Ltd.* ("**Shanghai Xinglian**")	The PRC/ 24 June 2019	Shanghai	RMB10,000,000	41%	N/A	41%	41%	N/A	41%	Commercial property operational services	(a), (f)
南昌星恒商業管理有限公司 Nanchang Xingheng Commercial Management Co., Ltd.* ("**Nanchang Xingheng**")	The PRC/ 12 November 2019	Nanchang	RMB200,000	41%	N/A	100%	41%	N/A	100%	Commercial property operational services	(b), (f)
南京星恒商業管理有限公司 Nanjing Xingheng Commercial Management Co. Ltd*	The PRC/ 9 November 2020	Nanjing	RMB5,000,000	100%	N/A	100%	N/A	N/A	N/A	Commercial property operational services	(f)

33. PARTICULARS OF SUBSIDIARIES *(Continued)*

Notes:

(a) Shanghai Xinglian is accounted for as a subsidiary of the Company because Galaxy Commercial Property Group owns 53% of the voting rights in Shanghai Xinglian pursuant to a voting rights assignment agreement entered into between Galaxy Commercial Property Group and 深圳市星協成企業管理諮詢合夥企業 (Shenzhen Xingxiecheng Corporate Management Consulting Partnership (Limited Partners)*) which is a non-controlling shareholder of Shanghai Xinglian.

(b) Nanchang Xingheng is 100% owned by Shanghai Xinglian, as explained in note (a).

(c) This company was established in the PRC in the form of a wholly-owned foreign enterprise.

(d) This company was established in BVI in the form of a limited liability company.

(e) This company was established in Hong Kong in the form of a limited liability company.

(f) This company was established in the PRC in the form of a limited liability company.

* *The English name of this company is translated from its registered Chinese name for identification purpose only.*

None of the subsidiaries of the Company had any debt securities subsisting at the end of the reporting period or at any time during the year.

34. DETAILS OF A NON-WHOLLY OWNED SUBSIDIARY THAT HAS MATERIAL NON-CONTROLLING INTERESTS

The table below shows details of a non-wholly subsidiary of the Group that has material non-controlling interests at the end of the reporting period:

Name of subsidiary	Place of operation	Proportion of ownership and voting rights held for non-controlling interests		Profit(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2020	2019	**2020**	2019	**2020**	2019
Shanghai Xinglian and its subsidiary	Shanghai and Nanchang, the PRC	**59%**	59%	**747**	(194)	**3,503**	2,756

Summarised financial information in respect of each of the Group's subsidiary that has material non-controlling interests is set out below.

The summarised financial information below represents amounts shown in Shanghai Xinglian's consolidated financial statements prepared in accordance with HKFRSs and before intragroup eliminations.

34. DETAILS OF A NON-WHOLLY OWNED SUBSIDIARY THAT HAS MATERIAL NON-CONTROLLING INTERESTS *(Continued)*

Shanghai Xinglian and its subsidiaries

	2020 RMB'000	2019 RMB'000
Non-current assets	–	–
Current assets	5,988	9,740
Current liabilities	51	5,070
Equity attributable to owners of Shanghai Xinglian	2,434	1,914
Non-controlling interests of Shanghai Xinglian	3,503	2,756
Revenue	6,635	–
Expenses	(5,368)	(330)
Profit (loss) for the year	1,267	(330)
Profit (loss) and total comprehensive income (expense) for the year attributable to:		
– Owners of Shanghai Xinglian	520	(136)
– Non-controlling interests of Shanghai Xinglian	747	(194)
	1,267	(330)
Net cash (outflow) inflow from operating activities	(3,077)	1,912
Net cash inflow from investing activities	–	2,050
Net cash inflow from financing activities	–	2,950
Net cash (outflow) inflow	(3,077)	6,912

35. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2020 RMB'000	2019 RMB'000
Non-current asset		
Investment in a subsidiary	–*	–*
Current assets		
Other receivables	7,378	4,194
Bank balances and cash	614	–
	7,992	4,194
Current liabilities		
Other payables	9,121	9,138
Amount due to related parties	28,014	8,774
	37,135	17,912
Net current liabilities	(29,143)	(13,718)
Total assets less current liabilities	(29,143)	(13,718)
Capital and reserves		
Share capital	–*	–*
Accumulated losses	(29,143)	(13,718)
	(29,143)	(13,718)

* *Less than RMB1,000*

Movement in the Company's accumulated losses

	2020 RMB'000	2019 RMB'000
At beginning of the year (2019: 13 September 2019 (date of incorporation))	(13,718)	–
Loss and total comprehensive expense for the year/period	(15,425)	(13,718)
At end of the year	(29,143)	(13,718)

36. OPERATING LEASING ARRANGEMENTS

The Group as lessor

As at 31 December 2020, all of the properties held for rental purposes have committed lessees for the next 1 to 11 years (2019: 1 to 12 years).

Minimum lease payments receivable on leases are as follow:

	2020 RMB'000	2019 RMB'000
Within one year	**11,858**	11,350
In the second year	**7,908**	8,514
In the third year	**5,538**	5,789
In the fourth year	**3,235**	3,645
In the fifth year	**1,569**	2,008
After five years	**5,615**	946
	35,723	32,252

37. EVENTS AFTER THE END OF THE REPORTING PERIOD

Save as disclosed elsewhere in these consolidated financial statements, the Group has the following events after the end of the reporting period:

(i) Pursuant to the written resolutions of the shareholders of the Company passed on 21 December 2020, and subject to the share premium account of the Company being credited as a result of the issue of offer shares pursuant to the Hong Kong public offering and the international public offering (collectively as the "**Global Offering**"), an aggregate of 749,999,000 shares of the Company credited as fully paid at par were allotted and issued on 26 January 2021 (the "**Listing Date**") to the holders of ordinary shares on the register of members of the Company in the Cayman Islands at the close of business on the business day preceding the Listing Date of the Global Offering. The shares allotted and issued pursuant to this resolution rank pari passu in all respects with the then existing issued shares of the Company;

(ii) On 26 January 2021, the Company was successfully listed on the Main Board of the Stock Exchange following the completion of issue of 250,000,000 new shares of par value of HK$0.01 each at the offer price of HK$3.86 per share. The net proceeds arising from the Listing amounted to approximately HK$928.8 million (equivalent to approximately RMB777.0 million); and

(iii) On 18 February 2021, the international underwriters of the Global Offering partially exercised the over-allotment option, pursuant to which the Company is required to allot and issue the option shares, being 20,640,000 shares of the Company, representing approximately 8.26% of the total number of shares initially available under the Global Offering, at the offer price under the Global Offering. The net proceeds arising from the exercise of the over-allotment option amounted to approximately HK$77.8 million (equivalent to approximately RMB64.8 million).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December			
	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
Assets				
Non-current assets	**72,208**	69,824	65,321	80,049
Current assets	**368,972**	225,509	392,189	268,186
Total assets	**441,180**	295,333	457,510	348,235
EQUITY AND LIABILITIES				
Total equity	**163,255**	35,669	218,607	140,812
Liabilities				
Non-current liabilities	**69,423**	67,582	56,695	58,798
Current liabilities	**208,502**	192,082	182,208	148,625
Total liabilities	**277,925**	259,664	238,903	207,423
Total equity and liabilities	**441,180**	295,333	457,510	348,235

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December			
	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
Continuing operations:				
Revenue	**441,953**	387,314	328,694	278,067
Cost of services	**(193,318)**	(186,711)	(158,712)	(139,341)
Gross profit	**248,635**	200,603	169,982	138,726
Other income	**11,582**	18,807	13,512	10,023
Other gains and losses	**825**	5,040	48	(25)
Impairment losses under expected credit loss model, net of reversal	**(3,652)**	(4,245)	–	(2,288)
Selling expenses	**(5,663)**	(5,321)	(5,592)	(7,834)
Administrative expenses	**(56,775)**	(69,074)	(60,971)	(67,946)
Finance costs	**(4,145)**	(3,150)	(3,261)	(3,323)
Listing expenses	**(15,672)**	(13,718)	–	–
Profit before tax	**175,135**	128,942	113,718	67,333
Income tax expense	**(47,549)**	(33,342)	(28,660)	(16,909)
Profit and total comprehensive income for the year from continuing operations	**127,586**	95,600	85,058	50,424
Discontinued operation:				
Loss for the year/period from discontinued operation	**–**	–	(7,263)	(2,484)
Profit for the year/period	**127,586**	95,600	77,795	47,940
Profit (loss) for the year/period attributable to owners of the Company				
– Continuing operations	**126,839**	84,632	73,367	43,203
– Discontinued operation	**–**	–	(7,117)	(2,286)
	126,839	84,632	66,250	40,917
Profit (loss) for the year/period attributable to non-controlling interests				
– Continuing operations	**747**	10,968	11,691	7,221
– Discontinued operation	**–**	–	(146)	(198)
	747	10,968	11,545	7,023
	127,586	95,600	77,795	47,940

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