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

INTERIM REPORT 2021

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Huang De-Lin Benny *(Chairman)*
Mr. Tao Muming *(Chief Executive officer)*
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

COMMITTEES

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

AUTHORISED REPRESENTATIVES

Ms. Wen Yi
Mr. Wong Kai Hing

COMPANY SECRETARY

Mr. Wong Kai Hing

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

REGISTERED OFFICE

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Cayman Islands

PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Guangdong Province
PRC

PRINCIPAL SHARE REGISTRAR

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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
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Hong Kong

PRINCIPAL BANKS

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

AUDITOR

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COMPLIANCE ADVISOR

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COMPANY'S HONG KONG LEGAL ADVISOR

Sidley Austin

COMPANY'S WEBSITE

www.g-cre.com

MANAGEMENT DISCUSSION & ANALYSIS

OVERVIEW

E-Star Commercial Management Company Limited (the "Company", together with its subsidiaries, the "Group") is a leading commercial property operational service provider in the Greater Bay Area with a national presence. As of 30 June 2021, the Group provided services for 69 commercial property projects located in 24 cities in China, with an aggregate contracted gross floor area (the "GFA") of approximately 3.5 million sq.m. (excluding the GFA under 22 consultancy services projects), 61.9% of which was developed or owned by independent third parties. Among them, 22 retail commercial properties have been opened for business, with a total GFA of approximately 1.7 million sq.m.. According to China Index Academy, in March 2021, the Group was ranked 13th among the "2021 China Top 100 Commercial Real Estate Developers" (2021年中國商業地產百強企業) in terms of overall strength; it was ranked 7th among the "2021 China Top 10 Commercial Real Estate Operator" (2021年中國商業地產運營十強企業) by China Real Estate Top 10 Research Team in March 2021, and it was awarded the "2020-2021 Outstanding Light Asset Operator" (2020-2021年度優秀輕資產運營商) by Winshang.com in May 2021.

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

BUSINESS REVIEW

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

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

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

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

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

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

BUSINESS REVIEW *(Continued)*

Entrusted management service model

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

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

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

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

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

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

Brand and management output service model

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

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

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

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

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

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

BUSINESS REVIEW *(Continued)*

Sublease service model

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

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

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

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

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

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

During the process of outward expansion, the Group has the flexibility to select diversified cooperation models including entrusted management, brand and management output and sublease services based on the assessment on projects and the requirements of property owners, and has delivered sound performance in operation. As of 30 June 2021, the Group provided services for 69 commercial property projects, with contracted GFA amounted to approximately 3.5 million sq.m. (excluding the GFA under 22 consultancy services projects).

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

In 2021, the Group further improved the outward expansion strategy from the perspective of organizational structure, talent pool and incentive mechanism, forming an organizational structure at group-level, region-level and project-level. By developing special award scheme, the Group encourages all employees to collect expansion information and integrate and distribute such information. The implementation of outward expansion strategy will finally be followed up at regional level. As the outward expansion mechanism gradually becomes more mature, our project response speed will become significantly improved.

BUSINESS REVIEW *(Continued)*

The Group signed the entrusted management agreement in February 2021 in relation to the Galaxy iCO project in Rizhao, and the sublease agreement in June 2021 in relation to the Galaxy COCO Park project in Xiamen. Xiamen Galaxy COCO Park is located in the prime location of Xiamen city, which is in the eastern exhibition business and trade area and adjacent to Banlam Grand Theater, the largest theater in Fujian Province, and Xiamen International Conference & Exhibition Centre (廈門國際會議展覽中心). In July 2021, the Group also entered into an agreement with Guangzhou International Pharmaceutical Port Co., Ltd. (廣州國際醫藥港有限公司) in relation to the operation of the Guangzhou Health Port project located in Liwan District, Guangzhou with an area of almost 120,000 sq.m.. Details of the sublease agreement in relation to Xiamen Galaxy COCO Park and the agreement regarding the Guangzhou Health Port project are set out in the Company's announcements dated 28 June 2021 and 28 July 2021, respectively.

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

	As of 30 June 2021		As of 31 December 2020	
	No. of properties	Contracted GFA ('000 sq.m.)	No. of properties	Contracted GFA ('000 sq.m.)
Entrusted management services	18	1,181	17	1,124
Brand and management output services [Note]	48	2,099	34	2,035
Sublease services	3	199	2	125
Total	69	3,479	53	3,284

Note The contracted GFA excludes the GFA under the 22 consultancy service projects.

BUSINESS REVIEW *(Continued)*

In terms of regional layout, the Group has intensified development in the Greater Bay Area and gradually expanded its presence to Yangtze River Delta, Central-Western China as well as other regions, thus gradually shaping its business layout in China. At present, the Group has established the business units in five regions, namely Shenzhen, Eastern Guangdong, Southern China, Eastern China and Central-Western China. It will strategically develop the Greater Bay Area and Yangtze River Delta and tap into cities in economically developed Central-Western China and other core areas when opportunities arise.

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 period/year indicated:

	As of/for the period ended 30 June 2021				As of/for the year ended 31 December 2020			
	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]	44	1,380	223,101	86.7	32	1,336	365,309	82.7
– Shenzhen	*20*	*845*	*206,381*	*80.2*	*17*	*842*	*335,860*	*76.0*
Yangtze River Delta[2]	10	534	17,447	6.8	9	514	40,676	9.2
Central China region[3]	4	413	4,309	1.7	4	413	14,520	3.3
Other regions[4]	11	1,152	12,554	4.8	8	1,021	21,448	4.8
Total[5]	69	3,479	257,411	100.0	53	3,284	441,953	100.0

Notes:

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

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

(3) Include Nanchang, Enshi and Changsha.

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

(5) The contracted GFA excludes the GFA of the 22 consultancy service projects.

BUSINESS REVIEW *(Continued)*

While expanding outward and increasing its business scale, the Group also attaches great importance to operating quality and is committed to achieving appreciation in asset value for the property owners through their operation. As of 30 June 2021, the Group's average occupancy rate reached 94.7%, representing an increase of 0.4 percentage point as compared with that at the end of 2020. A high average occupancy rate not only serves as the basis of ensuring rents and other income from operating the commercial properties, but also a demonstration of the Group's core operating strength.

The table below sets forth average occupancy rate and GFA in operation of retail commercial property that commenced operation as at 30 June 2021.

	Average occupancy rate[1]		
Product category	**30 June 2021 %**	31 December 2020 %	**GFA in operation (000' sq.m.)**
Commercial property	**94.7**	94.3	1,713.8

[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.

FUTURE OUTLOOK

There is huge space for integration in commercial operational services in the PRC for their vast market space and low market concentration, providing good opportunities for outstanding commercial operational service providers. The Group will fully leverage its existing strengths and continue to improve its revenue scale and profitability through business expansion, operation reinforcement and organisation enhancement. Our strategies are as follows:

1. Business expansion: high-quality expansion via multiple channels and focusing on regional development with benchmark projects

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 strategy of "consolidating development in the Greater Bay Area, intensifying presence in the Yangtze River Delta, penetrating into the Southwestern China market and expanding into premium cities when opportunities arise". While focusing on regional development, the Group will enhance the position of Shenzhen Futian Galaxy COCO Park (深圳福田星河COCO Park) as a leading benchmark and also develop a benchmarking project in each region to enhance the brand value of the Company.

While preparing for the opening of its projects, the Group will continue to promote three operating modes, i.e. entrusted management, brand management and output and overall leasing, to acquire more commercial properties. The Group will also seek merger targets in a proactive manner, including potential acquisitions or investment in commercial property operational service providers that meet its internal standards.

FUTURE OUTLOOK *(Continued)*

2. Operation reinforcement: high-quality development via multi-dimensional empowerment and scale development with standard services

The Group will continue to strengthen its comprehensive operation and management capabilities, improve product innovation and business pattern innovation, promote the implementation of brand strategic alliance, and comprehensively promote the construction of digital platforms to drive refined operations with digitalization, continue to improve operational efficiency, start commercial AI intelligence research and help improve decision-making efficiency.

The Group has formed a series of standard operation procedures, including expansion, research and strategy, positioning, investment procurement and operation, supported the preparation and operation of various projects concurrently to empower the scale development of the Company, and delivered differentiated customer experience and results based on accurate preliminary research and strategy and positioning capabilities through "one mall, one plan" (一店一策). At the same time, the Group is also actively developing a digital operation platform to integrate the underlying logic of commercial operation into the digital platform through a series of algorithms, thus laying a foundation for the subsequent precise investment procurement, brand positioning and the refined operation of subdivision traffic.

3. Organisation enhancement: implementation of a group-based operation approach and construction of high-quality talent team

The Group continues to implement a group-based operation approach, i.e. "headquarters refinement, regional consolidation and project strengthening", implements a three-level management and control system and improves the organizational structure in Shenzhen, Eastern Guangdong, Southern China, Eastern China and Central-Western China to support the Group's multi-channel expansion strategy and continue to expand its business scale.

Meanwhile, the Group plans to continue to develop and implement the construction of a multi-tiered talent team and gives priority to the introduction of elites in the business industry, as well as young talents with high growth potential, strong adaptability, high recognition and strong innovation. Upon listing, the eligible employees of the Company will be able to participate in the share incentive scheme and share option scheme. Through competitive compensation packages and performance appraisal systems, the Group formulates medium and long-term incentives to further attract, develop and retain talents, establish a talent pool and 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).

Upon its successful listing on the Main Board of the Stock Exchange of Hong Kong on 26 January 2021, the Company became the first pure commercial property operational service provider on the Hong Kong stock market, which also marked the beginning of a new journey in the development of the Company. The Group will surely create value for its owners, tenants and shareholders with great fighting spirit, flexible business model and good service quality. With brilliant galaxy and flourishing age, the Group will uphold its mission and move forward bravely.

FINANCIAL REVIEW

Revenue

During the six months ended 30 June 2021, the Group's revenue amounted to RMB257.4 million, representing an increase of 27.8% as compared with RMB201.4 million in the same period of 2020, primarily due to (1) the increase in revenue from operational management services and value-added services due to the outstanding operation performance of projects opened in recent years; and (2) the increase in revenue from positioning, construction consultancy and tenant sourcing services provided due to the significant increase in number of preliminary consultation services rendered by the Group.

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

	For the six months ended 30 June			
	2021		2020	
	(Unaudited)		(Unaudited)	
	RMB'000	**%**	RMB'000	%
Entrusted management services	**170,996**	**66.4**	141,116	70.0
Brand and management output services	**74,015**	**28.8**	51,296	25.5
Sublease services	**12,400**	**4.8**	8,999	4.5
Total	**257,411**	**100.0**	201,411	100.0

- Entrusted management services: During the six months ended 30 June 2021, revenue from entrusted management services amounted to RMB171.0 million, representing an increase of 21.2% as compared with approximately RMB141.1 million in the same period of 2020, primarily attributable to the increase in revenue from operational management services and value-added services due to the outstanding operation performance of projects opened in recent years, such as Shenzhen Futian Galaxy COCO Park (South) (深圳福田星河COCO Park (南區)) opened in July 2020.

- Brand and management output services: During the six months ended 30 June 2021, revenue from brand and management output services amounted to RMB74.0 million, representing an increase of 44.2% as compared with approximately RMB51.3 million in the same period of 2020, primarily attributable to (1) the increase in revenue from operational management services and value-added services due to the outstanding operation performance of projects opened in recent years, such as Ningxiang Galaxy COCO City (寧鄉星河COCO City) opened in January 2021; and (2) the increase in revenue from positioning, construction consultancy and tenant sourcing services provided due to the significant increase in number of preliminary consultation services rendered by the Group, such as Longhua COSTCO (龍華COSTCO項目).

- Sublease services: During the six months ended 30 June 2021, revenue from sublease services amounted to RMB12.4 million, representing an increase of 37.8% as compared with approximately RMB9.0 million in the same period of 2020, primarily attributable to the increase in the average rent pursuant to the lease agreements with certain tenants and as a result of the Group's adjustments of tenant mix, together with the elimination of the negative effect of waiver of certain rents to assist the Group's tenants to fight against the COVID-19 pandemic in 2020.

Cost of Services

During the six months ended 30 June 2021, the Group's cost of services amounted to RMB111.5 million, representing an increase of 26.0% as compared with approximately RMB88.5 million in the same period of 2020, primarily attributable to the increase in staff cost and subcontracting costs, which was in line with the Group's business expansion for example, the opening of Shenzhen Futian Galaxy COCO Park (South) in July, 2020.

FINANCIAL REVIEW *(Continued)*

Gross profit and gross profit margin

During the six months ended 30 June 2021, the Group's gross profit amounted to RMB145.9 million, representing an increase of 29.2% as compared with approximately RMB112.9 million in the same period of 2020.

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

	For the six months ended 30 June			
	2021		2020	
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %
Entrusted management services	85,809	50.2	70,882	50.2
Brand and management output services	54,395	73.5	37,878	73.8
Sublease services	5,736	46.3	4,119	45.8
Total/Overall	145,940	56.7	112,879	56.0

During the six months ended 30 June 2021, the gross profit margin amounted to 56.7%, representing an increase of 0.7 percentage point as compared with 56.0% in the same period of 2020, primarily attributable to the larger revenue contribution from brand and management output services with relatively higher gross profit margin in the six months ended 30 June 2021.

- Entrusted management services: The gross profit margin during the six months ended 30 June 2021 remained relatively stable as compared with the same period of 2020.
- Brand and management output services: The gross profit margin during the six months ended 30 June 2021 remained relatively stable as compared with the same period of 2020.
- Sublease services: During the six months ended 30 June 2021, the gross profit margin amounted to 46.3%, representing an increase of 0.5 percentage point as compared with 45.8% in the same period of 2020, primarily attributable to the increase in the average rent pursuant to the lease agreements with certain tenants and as a result of the Group's adjustments of its tenant mix, together with the elimination of the negative effect of waiver of certain rents to assist its tenants to fight against the COVID-19 pandemic in 2020.

Other income

Other income mainly represented bank interest income, the various government subsidies income from local governments and the forfeited deposits from tenants due to their early termination of contracts.

During the six months ended 30 June 2021, other income amounted to RMB11.2 million, representing an increase of 148.9% as compared with approximately RMB4.5 million in the same period of 2020, primarily attributable to the increased bank interest income as a result of the increase in the average balance of fixed-term deposits in banks.

FINANCIAL REVIEW *(Continued)*

Other gains and losses

During the six months ended 30 June 2021, net other losses amounted to RMB0.4 million, mainly representing foreign exchange losses.

Impairment losses under expected credit loss model, net of reversal

The Group's net impairment losses on financial assets mainly include the allowance for impairment made in respect of operating leases and trade receivables and other receivables.

During the six months ended 30 June 2021, the Group's impairment losses under expected credit loss model, net of reversal amounted to RMB3.9 million, representing an increase of 44.4% as compared with approximately RMB2.7 million in the same period of 2020, primarily attributable to the increase in the balance of trade receivables with the business expansion of the Company.

Selling expenses

During the six months ended 30 June 2021, the Group's selling expenses amounted to RMB2.8 million, representing an increase of 211.1% as compared with approximately RMB0.9 million in the same period of 2020, primarily due to the increase in brand-building activities as a result of recovery from COVID-19 as compared with the same period of 2020.

Administrative expenses

During the six months ended 30 June 2021, the Group's administrative expenses amounted to RMB26.2 million, representing an increase of 6.9% as compared with approximately RMB24.5 million in the same period of 2020, primarily due to the increase in staff costs and daily administrative activities as a result of recovery of COVID-19 as compared with the same period of 2020.

Finance costs

The Group's finance costs refer to interest expense on lease liabilities.

During the six months ended 30 June 2021, the Group's finance costs amounted to RMB2.0 million, representing a decrease of 4.8% as compared with approximately RMB2.1 million in the same period of 2020, primarily attributable to continuous repayment of the lease liabilities.

Income tax expense

During the six months ended 30 June 2021, the Group's income tax expenses amounted to RMB31.1 million, representing an increase of 42.7% as compared with approximately RMB21.8 million in the same period of 2020, primarily attributable to the increase in profit before tax.

Profit for the period

During the six months ended 30 June 2021, the Group's profit for the period amounted to RMB82.5 million, representing an increase of 40.3% as compared with approximately RMB58.8 million in the same period of 2020.

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 30 June 2021, the Group's trade and other receivables were approximately RMB52.7 million, representing an increase of 44.0% as compared with that as at 31 December 2020, primarily due to the increase in trade receivables with the business expansion of the Group and the increase in interest receivable, prepaid rent of subleased projects and payments form subcontractors.

FINANCIAL REVIEW *(Continued)*

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 30 June 2021, the Group's trade and other payables amounted to approximately RMB132.9 million, representing a decrease of 21.9% as compared with that as at 31 December 2020, primarily due to the decrease in receipts on behalf of tenants, accrued listing expenses and accrued issue costs of the Group, and the decrease in payroll payables to employees as a result of the payment of the year-end bonus of the previous year.

Contingent liabilities

As at 30 June 2021, the Group did not have any contingent liabilities.

Liquidity and capital resources

The Company has maintained stable financial position and sufficient liquidity and bank balances. As at 30 June 2021, the Group's cash and cash equivalents amounted to approximately RMB416.2 million (excluding fixed deposits with original maturity over three months of RMB771.3 million), representing an increase of 193.8% as compared with approximately RMB141.7 million as at 31 December 2020. This was primarily attributable to receipt of proceeds from the issue of offer shares pursuant to the Hong Kong public offering and the international public offering ("Global Offering") and increase in revenue from the operation of the Group during the period. 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 30 June 2021 divided by total assets as at 30 June 2021. As at 30 June 2021, gearing ratio was 22.2%, representing a substantial decrease as compared with 63.0% as at 31 December 2020. This was primarily due to increase in equity as a result of proceeds from the Global Offering and increase in revenue from the operation during the period. The Group does not have any bank loans as at 30 June 2021.

Foreign exchange risk

The Group primarily operates in the PRC and its businesses are principally conducted in RMB. As at 30 June 2021, assets and liabilities denominated in currencies other than RMB were mainly cash and cash equivalents dominated in Hong Kong dollars or United States dollars. The Group did not enter into any forward exchange contract to hedge against foreign exchange risk, but the management will continue to monitor foreign exchange risk and adopt a prudent approach to reduce the foreign exchange risk.

Listing expenses

The listing expenses for the six months ended 30 June 2021 amounted to RMB8.3 million, which was primarily the legal and professional fees in connection with the listing of shares of the Company on The Stock Exchange of Hong Kong Limited ("Listing"). During the six months ended 30 June 2020, the listing expenses were RMB6.5 million.

FINANCIAL REVIEW *(Continued)*

Net Proceeds from the Global Offering and over-allotment option

The net proceeds from the Global Offering amounted to approximately RMB777.0 million. On 18 February 2021, the Company also received net proceeds of approximately RMB64.8 million from the partial exercise of over-allotment option.

The net proceeds from the Global Offering and the exercise of the over-allotment option have been used and will continue to be used in accordance with the plans disclosed in the section headed "Future Plans and Use of Proceeds — Use of Proceeds" in the prospectus of the Company dated 14 January 2021 (the "Prospectus"), which are summarised as follows:

		Net Proceeds (RMB million)		
Item	Percentage	Proceeds from the Global Offering and the over-allotment	Used as at 30 June 2021	Unused as at 30 June 2021
Pursue strategic acquisition of and investment in other small-to mid-sized commercial property operational service providers	55%	463.0	–	463.0
Renovation of retail commercial properties under the sublease service model	20%	168.4	2.6	165.8
Make minority equity investment in the project companies	10%	84.2	–	84.2
Upgrade Internet-based and information systems	5%	42.0	0.8	41.2
Working capital and general corporate purposes	10%	84.2	2.7	81.5
Total	100%	841.8	6.1	835.7

The unutilised net proceeds have been placed with licensed banks as at the date of this report.

NUMBER OF EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, the total number of employees of the Group was 409 (31 December 2020: 387). Employees are remunerated according to their qualifications and experience, job nature and performance, and under the pay scales aligned with market conditions. Other benefits to employees include medical scheme, insurance coverage 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 Global Offering and Over-allotment Option" in this report and "Future Plans and Use of Proceeds — Use of Proceeds" in the Prospectus.

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

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

On 28 June 2021, the Group entered into a lease agreement in respect of a premise in Xiamen for operation of a "Galaxy COCO Park" shopping centre. As at 30 June 2021, the lease term has not commenced as the underlying property was not made available for use by the lessor. Details of the lease agreement are set out in the announcement of the Company dated 28 June 2021.

Save for the above, the Group did not have any other significant investments, acquisitions or disposals of subsidiaries, associates and joint ventures for the six months ended 30 June 2021.

ASSET CHARGES

As of 30 June 2021, none of the assets of the Group were pledged (31 December 2020: nil).

SUBSEQUENT EVENTS

On 15 July 2021 and 28 July 2021, the Group enter into joint venture agreements in relation to formation of a joint venture company in respect of the projects in Xiamen and Guangzhou respectively. Details of the joint venture agreements are set out in the announcements of the Company dated 15 July 2021 and 28 July 2021 respectively.

Save as mentioned above, there were no other significant events up to the date of this report.

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

Save for the shares alloted and issued in connection with the Global Offering as described in the Prospectus and the partial exercise of the over-allotment option on 18 February 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2021.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company has complied with all applicable code provisions as set out 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") since the Listing and up to 30 June 2021. The Company will continue to review and enhance its corporate governance practices to ensure the compliance with the CG Code.

CHANGES IN DIRECTORS' INFORMATION

Save for the change in the information of Directors as set out below, since the date of the Company's 2020 annual report, there is no other change in the information of Directors which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

Mr. Zhang Liqing has resigned as an independent non-executive Director of Gome Finance Technology Co., Ltd. on 10 August 2021.

REVIEW OF INTERIM REPORT BY AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee"), which comprises three independent non-executive Directors, in accordance with the requirements under Rule 3.21 of the Listing Rules.

The Audit Committee has reviewed the unaudited interim report of the Group for the six months ended 30 June 2021 with the Company's management and considered that such information have been prepared in accordance with applicable accounting standards and requirements with sufficient disclosure.

SHARE CAPITAL

The Company's total issued share capital as at 30 June 2021 was 1,020,640,000 ordinary shares.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct for Directors in their dealings in the securities of the Company since the Listing. Having made specific inquiries with all the Directors, each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code since the Listing and up to 30 June 2021.

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

As at 30 June 2021, the Directors and the chief executive of the Company had the following interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), as recorded in the register maintained 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:

Interest in shares of the Company

Name of Director	Capacity/Nature of interest	Number of shares[2]	Approximate percentage of issued share capital[1]
Mr. Huang De-Lin Benny[3]	Interest in a controlled corporation	150,000,000 (L)	14.70%
Mr. Huang De'An Tony	Beneficial owner	770,000 (L)	0.08%

Notes:

(1) The calculation is based on the total number of 1,020,640,000 Company's shares in issue as at 30 June 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 Chu-Long ("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, none of the Directors or the chief executive of the Company had as at 30 June 2021, any interests or short positions in any 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.

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

As at 30 June 2021, the following persons, other than the Directors or the chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholder	Capacity/Nature of interest	Number of shares[2]	Approximate percentage of issued share capital (%)[1]
Mr. Huang[3][4]	Founder of a discretionary trust	600,000,000 (L)	58.79%
	Interest in controlled corporation	150,000,000 (L)	14.70%
TMF (Cayman) Ltd ("TMF (Cayman)")[3]	Trustee	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 June 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 30 June 2021, the Company had not been notified by any other person (other than the Directors or the chief executive of the Company) who had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: 0).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
	Notes	**2021 RMB'000 (unaudited)**	2020 RMB'000 (unaudited)
Revenue	3	**257,411**	201,411
Cost of services		**(111,471)**	(88,532)
Gross profit		**145,940**	112,879
Other income	4	**11,234**	4,471
Other gains and losses		**(413)**	(2)
Impairment losses under expected credit loss model, net of reversal	5	**(3,897)**	(2,734)
Selling expenses		**(2,792)**	(898)
Administrative expenses		**(26,191)**	(24,544)
Finance costs		**(1,993)**	(2,097)
Listing expenses		**(8,281)**	(6,546)
Profit before tax		**113,607**	80,529
Income tax expense	6	**(31,084)**	(21,756)
Profit and total comprehensive income for the period	7	**82,523**	58,773
Profit (loss) for the period attributable to:			
– Owners of the Company		**83,065**	58,084
– Non-controlling interests		**(542)**	689
		82,523	58,773
Earnings per share			
– Basic (RMB cents)	9	**8.47**	7.74

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Non-current assets			
Property and equipment	10	6,258	7,928
Investment properties	10	49,139	50,754
Prepayments and deposits	11B	8,116	–
Finance lease receivables		6,922	7,188
Deferred tax assets		7,135	6,338
		77,570	72,208
Current assets			
Finance lease receivables		513	484
Trade and other receivables	11A	52,743	36,613
Financial assets at fair value through profit or loss	12	1,990	187,910
Amounts due from related parties		1,810	2,305
Bank balances and cash		1,187,532	141,660
		1,244,588	368,972
Current liabilities			
Trade and other payables	13	132,905	170,233
Lease liabilities		5,021	4,684
Contract liabilities		15,979	3,382
Amounts due to related parties		372	4,881
Tax payable		22,669	25,322
Dividend payable		50,574	–
		227,520	208,502
Net current assets		1,017,068	160,470
Total assets less current liabilities		1,094,638	232,678
Capital and reserves			
Share capital	14	8,538	–*
Reserves		1,016,563	159,752
Equity attributable to owners of the company		1,025,101	159,752
Non-controlling interests		2,961	3,503
Total equity		1,028,062	163,255
Non-current liabilities			
Deferred tax liabilities		466	696
Lease liabilities		66,110	68,727
		66,576	69,423
		1,094,638	232,678

* Less than RMB1,000

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company							
	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000 (note (i))	Other Reserve RMB'000 (note (ii))	Accumulated profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2021 (audited)	–*	–	37,006	(1,088)	123,834	159,752	3,503	163,255
Profit and total comprehensive income for the period	–	–	–	–	83,065	83,065	(542)	82,523
Capitalisation issue (Note 14)	6,275	(6,275)	–	–	–	–	–	–
Issuance of shares upon listing (Note 14)	2,091	805,193	–	–	–	807,284	–	807,284
Issuance of ordinary shares upon exercise of over-allotment options (Note 14)	172	66,186	–	–	–	66,358	–	66,358
Transaction costs attributable to issuance of ordinary shares	–	(40,784)	–	–	–	(40,784)	–	(40,784)
Dividends recognised as distributions (note (iii))	–	(50,574)	–	–	–	(50,574)	–	(50,574)
Transfer	–	–	8,538	–	(8,538)	–	–	–
At 30 June 2021	8,538	773,746	45,544	(1,088)	198,361	1,025,101	2,961	1,028,062
At 1 January 2020 (audited)	–*	–	25,993	(1,088)	8,008	32,913	2,756	35,669
Profit and total comprehensive income for the period	–	–	–	–	58,084	58,084	689	58,773
Transfer	–	–	6,652	–	(6,652)	–	–	–
At 30 June 2020 (unaudited)	–*	–	32,645	(1,088)	59,440	90,997	3,445	94,442

* 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 16 December 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") and 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 an equity interest transfer agreement with 深圳市星瀚商業管理有限公司 (Shenzhen Xinghan Commercial Management Co., Ltd.*) ("Xinghan Commercial"), respectively, pursuant to which Galaxy Commercial Property Investment and Anlinshan Asset Management agreed to transfer their respective entire equity interest in 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 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.

(iii) Pursuant to the ordinary resolution passed on 4 June 2021, the Company declared a final dividend of HK$0.045 per ordinary share and a special dividend of HK$0.015 per ordinary share with an aggregate amount of HK$61,238,000 (equivalent to approximately RMB50,574,000), in respect of the year ended 31 December 2020. This distribution was made out of the share premium.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
NET CASH FROM OPERATING ACTIVITIES	**46,183**	23,464
INVESTING ACTIVITIES		
Interest received	**4,764**	1,976
Purchases of property and equipment	**(337)**	(1,392)
Prepaid construction cost of a project under sublease services model	**(2,573)**	–
Purchases of financial assets at fair value through profit or loss	**–**	(339,973)
Redemption of financial assets at fair value through profit or loss	**186,005**	287,983
Placement of fixed deposits	**(771,341)**	–
NET CASH USED IN INVESTING ACTIVITIES	**(583,482)**	(51,406)
FINANCING ACTIVITIES		
Interest paid	**(1,993)**	(2,097)
Repayment of lease liabilities	**(2,280)**	(572)
Payment of accrued listing expenses and issue costs	**(16,755)**	(2,574)
Proceeds from issuance of ordinary shares	**873,642**	–
Transaction costs attributable to issuance of ordinary shares	**(40,784)**	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**811,830**	(5,243)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**274,531**	(33,185)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**141,660**	133,909
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD represented by bank balances and cash (note)	**416,191**	100,724

Note: Cash and cash equivalents as at 30 June 2021 excludes fixed deposits with original maturity over three months of RMB771,341,000.

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments, that are measured at fair values at the end of each reporting period.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2020.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatory effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group's condensed consolidated financial statements:

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

In addition, the Group has early applied the Amendment to HKFRS 16 "COVID-19-Related Rent Concessions beyond 30 June 2021".

2.1 Impacts and accounting policies on application of Amendment to HKFRS 16 "COVID-19-Related Rent Concessions" and early application of Amendment to HKFRS 16 "COVID-19-Related Rent Concessions beyond 30 June 2021"

2.1.1 Accounting policies

Leases

COVID-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the COVID-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- 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 2022; and
- there is no substantive change to other terms and conditions of the lease.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and accounting policies on application of Amendment to HKFRS 16 "COVID-19-Related Rent Concessions" and early application of Amendment to HKFRS 16 "COVID-19-Related Rent Concessions beyond 30 June 2021" *(Continued)*

2.1.1 Accounting policies *(Continued)*

Leases (Continued)

COVID-19-related rent concessions *(Continued)*

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions in the same way it would account for the changes applying HKFRS 16 "Leases" if the changes are not a lease modification. Forgiveness or waiver of lease payments 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 profit or loss in the period in which the event occurs.

2.1.2 Transition and summary of effects

The Group has applied the Amendment to HKFRS 16 "COVID-19-Related Rent Concessions" for the first time and early applied the Amendment to HKFRS 16 "COVID-19-Related Rent Concessions beyond 30 June 2021" in the six months ended 30 June 2021 retrospectively. The application has had no impact to the opening accumulated profits at 1 January 2021.

2.2 Impacts and accounting policies on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 "Interest Rate Benchmark Reform – Phase 2"

2.2.1 Accounting policies

Financial instruments

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (ie the basis immediately preceding the change).

For other changes made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first applies the practical expedient to the changes required by interest rate benchmark reform by updating the effective interest rate. The Group then applies the applicable requirements in HKFRS 9 Financial Instrument on modification of a financial asset or a financial liability to the additional changes to which the practical expedient does not apply.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and accounting policies on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 "Interest Rate Benchmark Reform – Phase 2" *(Continued)*

2.2.1 Accounting policies *(Continued)*

Leases

The Group as a lessee

Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform, the Group applies the practical expedient to remeasure the lease liabilities by discounting the revised lease payments using the unchanged discount rate, unless the change in lease payments results from a change in floating interest rates.

In that case, the Group uses the revised discount rate that reflects change in the interest rate and makes a corresponding adjustment to the related right-of-use assets. A lease modification is required by interest rate benchmark reform if, and only if, both of these conditions are met:

- the modification is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the lease payments is economically equivalent to the previous basis (i.e. the basis immediately preceding the modification).

If lease modifications are made in addition to those lease modifications required by interest rate benchmark reform, the Group applies the applicable requirements in HKFRS 16 to account for all lease modifications made at the same time, including those required by interest rate benchmark reform.

The Group as a lessor

Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform for a finance lease that is not accounted for as a separate lease, the Group applies the same accounting policies as those applicable to financial instruments.

2.2.2 Transition and summary of effects

As at 1 January 2021, the Group did not have any financial assets, financial liabilities, derivatives, finance lease receivables and lease liabilities where the interest of which are indexed to benchmark rates that will or may be subject to interest rate benchmark reform. Therefore, the application has had no impact to the Group's condensed consolidated financial statements for the six months ended 30 June 2021.

3. REVENUE AND SEGMENT INFORMATION

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

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

A. Revenue

Revenue from commercial operational services by type of operational model

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Entrusted management services	**170,996**	141,116
Brand and management output services	**74,015**	51,296
Sublease services	**12,400**	8,999
	257,411	201,411
Comprise of:		
– Revenue from contracts with customers	**249,629**	196,313
– Revenue from leases	**7,782**	5,098
	257,411	201,411

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

A. Revenue *(Continued)*

Revenue from commercial operational services by type of operational model *(Continued)*

(i) Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Commercial property operational services:		
– Positioning, construction consultancy and tenant sourcing services	**47,826**	35,365
– Operational management services	**162,475**	140,217
– Value-added services	**39,328**	20,731
	249,629	196,313
Timing of revenue recognition:		
– Over time	**245,695**	193,990
– A point in time	**3,934**	2,323
	249,629	196,313
Type of customers:		
– Property owners	**104,122**	87,705
– Tenants and other customers	**145,507**	108,608
	249,629	196,313

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

(ii) Leases

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
For operating leases:		
Lease payments that are fixed	**6,165**	4,045
Variable lease payments	**1,338**	924
	7,503	4,969
For finance leases:		
Finance income on the net investment in the lease	**279**	129
Total revenue arising from leases	**7,782**	5,098

Included in the operating lease income there is a contingent rental of RMB1,338,000 (Six months ended 30 June 2020: RMB924,000) for the six months ended 30 June 2021.

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

B. Segment Information

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

Geographical information

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

Information about major customers

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Customer A (Note)	**75,375**	69,113

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 16.

4. OTHER INCOME

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest income from bank deposits	**10,230**	735
Investment income of financial assets at fair value through profit or loss ("FVTPL")	**–**	1,241
Government grants	**891**	1,742
Compensation and penalty received from tenants	**113**	753
	11,234	4,471

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net impairment losses under expected credit loss model recognised on trade receivables	**3,897**	2,734

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax:		
PRC Enterprise Income Tax ("EIT")	**32,111**	22,553
Deferred tax	**(1,027)**	(797)
	31,084	21,756

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 interim periods 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 interim periods.

7. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period is arrived at after charging:		
Staff costs (including directors' emoluments)		
– Salaries and other benefits	**67,790**	50,912
– Retirement benefit scheme contributions	**4,361**	2,520
Total staff costs	**72,151**	53,432
Depreciation of property and equipment	**2,008**	1,801
Depreciation of investment properties	**1,615**	1,618
	3,623	3,419
Gross rental income from investment properties	**7,782**	5,098
Less: direct operating expenses incurred for investment properties during the period	**(2,519)**	(2,215)
	5,263	2,883

8. DIVIDENDS

Dividends recognised as distribution during the period:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
2020 final dividend declared – HK$0.045 (2020: nil for year 2019)	**37,930**	–
2020 special dividend declared – HK$0.015 (2020: nil for year 2019)	**12,644**	–
	50,574	–

A final dividend and a special dividend of HK$0.045 (2020: nil) per ordinary share and HK$0.015 (2020: nil) per ordinary share respectively, in an aggregate amount of approximately HK$61,238,000 (equivalent to approximately RMB50,574,000) (six months ended 30 June 2020: nil), were declared. As at 30 June 2021, the dividend had not been paid.

No 2021 interim dividends were proposed during the six months ended 30 June 2021, nor has any dividend been proposed since the end of the reporting period.

9. EARNINGS PER SHARE

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

Earnings

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings for the purpose of calculating basic earnings per share:		
Profit for the period attributable to owners of the Company	**83,065**	58,084

Number of shares

	Six months ended 30 June	
	2021	2020
	'000	'000
	(unaudited)	(unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**980,636**	750,000

The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the capitalisation issue as set out in Note 14 had been effective on 1 January 2020.

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

10. PROPERTY AND EQUIPMENT AND INVESTMENT PROPERTIES

During the six months ended 30 June 2021, the Group acquired new property and equipment of approximately RMB2,910,000 (six months ended 30 June 2020: RMB1,392,000).

11A. TRADE AND OTHER RECEIVABLES

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Trade and other receivables		
– Trade receivables	32,227	25,073
– Other receivables	20,516	11,540
	52,743	36,613

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Trade receivables		
Contracts with customers		
– Third parties	41,177	30,539
– Related parties (note)	1,815	764
Less: Allowance for credit losses	(11,990)	(8,093)
	31,002	23,210
Lease receivable – third parties	1,225	1,863
	32,227	25,073

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

As at 1 January 2020, the trade receivables in respect of contracts with customers and lease receivables, net of allowance for credit losses, amounted to RMB10,957,000 in total.

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

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
0 – 10 days	7,259	6,058
11 – 30 days	5,459	2,558
31 – 60 days	3,367	4,420
61 – 90 days	2,961	2,304
Over 90 days	11,956	7,870
	31,002	23,210

11A. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
0 – 10 days	1,225	1,863

Included in the Group's trade receivables in respect of contracts with customers as at 30 June 2021 are past due debtors with aggregate carrying amount of RMB18,284,000 (2020: RMB14,594,000), of which an amount of RMB11,956,000 (2020: RMB7,870,000) 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 trade debtors' background, good repayment records, 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 relevant commercial properties managed by the Group without undue cost or effort. The Group does not hold any collateral over these balances.

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Other receivables		
Receivables from third-party payment platforms (note (i))	1,600	2,714
Payments on behalf of tenants (note (ii))	–	704
Advance to employees (note (iii))	189	19
Prepayments (note (iv))	11,750	74
Other tax recoverable	380	603
Deposits	50	11
Deferred issue costs	–	7,320
Interest receivables	5,466	–
Others	1,081	95
	20,516	11,540

11A. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes:

(i) The balance represents the payment usually made by customers through third-party payment platforms, which normally settle the amounts within one working day after trade date.

(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 balance represents advancements to employees for the Group's daily operations.

(iv) As at 30 June 2021, the balance of prepayments include a prepaid rental of RMB8,262,000 to an owner of the properties under the sublease services model and the remaining balance mainly represents prepaid property management and related services fees to a supplier.

11B. PREPAYMENTS AND DEPOSITS

During the six months ended 30 June 2021, the Group made prepayments and deposits, in an aggregate amount of RMB8,116,000, to various suppliers in relation to a potential project which will be operated under sublease service model.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Current assets		
Financial assets at FVTPL	**1,990**	187,910

As at 30 June 2021, the balance of financial assets at FVTPL represents listed bonds issued by China Development Bank through a commercial bank of RMB1,990,000 (31 December 2020: listed bonds of RMB1,990,000 and wealth management investments of RMB185,920,000). 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.

13. TRADE AND OTHER PAYABLES

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Trade and other payable		
– Trade payables	25,171	20,180
– Other payables	107,734	150,053
	132,905	170,233

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Trade payables		
Contracts with suppliers		
– Third parties	21,062	16,598
– Related parties (note)	4,109	3,582
	25,171	20,180

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

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

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
0 – 30 days	20,299	15,078
31 – 60 days	3,649	3,711
61 – 90 days	386	555
Over 90 days	837	836
	25,171	20,180

13. TRADE AND OTHER PAYABLES *(Continued)*

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Other payables		
Receipts on behalf of tenants (note (i))	64,582	95,382
Deposits received (note (ii))	20,839	18,071
Payroll payables	18,127	22,162
Accruals	370	2,181
Accrued listing expenses (note (iii))	646	7,364
Accrued issue costs (note (iii))	–	1,756
Other tax payables	3,170	3,137
	107,734	150,053

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.

14. SHARE CAPITAL

	Number of shares	Share capital HK$'000	Share capital RMB'000
Ordinary shares of HK$0.01 each			
Authorised			
At 1 January 2020, 31 December 2020 and 1 January 2021	38,000,000	380	340
Increase	1,962,000,000	19,620	16,415
At 30 June 2021	2,000,000,000	20,000	16,755
Issued and fully paid			
1 January 2020, 31 December 2020 and 1 January 2021	1,000	–^	–*
Capitalisation issue (note (i))	749,999,000	7,500	6,275
Issuance of ordinary shares (note (ii))	250,000,000	2,500	2,091
Issuance of ordinary shares upon exercise of over-allotment options (note (iii))	20,640,000	206	172
At 30 June 2021	1,020,640,000	10,206	8,538

^ Less than HK$1,000

* Less than RMB1,000

14. SHARE CAPITAL *(Continued)*

Notes:

(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 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 of the Company's shares on the Stock Exchange 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).

15. CAPITAL COMMITMENTS

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Expenditure contracted for but not provided for in the condensed consolidated financial statements	**55,379**	–
	55,379	–

16. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these condensed consolidated financial statements, the Group had the following significant transactions with related parties during the interim period:

(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

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Fellow subsidiaries (note)	**1,810**	2,305

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

16. RELATED PARTY TRANSACTIONS *(Continued)*

(a) Related party balances *(Continued)*

(i) Amounts due from related parties *(Continued)*

Nature of related parties (Continued)

The entire balance of amount due from related parties are trade in nature.

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:

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
0 to 10 days	**1,810**	2,305

(ii) Amounts due to related parties

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Fellow subsidiaries (note (i))	**372**	3,442
A director (note (ii))	**–**	1,439

Notes:

(i) The related parties are companies under common control of Mr. Huang Chu-Long, the ultimate controlling shareholder. The balances 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.

16. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Related parties transactions

In additional to the transactions or information disclosed elsewhere in these condensed consolidated financial statements, the Group entered into the following material transactions with related parties, which are fellow subsidiaries under common control of Mr. Huang Chu-Long, the ultimate controlling shareholder:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue:		
– Commercial property operational and related services (note (i))	**69,149**	66,340
– Tenant management services (note (ii))	**6,226**	2,773
	75,375	69,113
Expense:		
– Property management and related services (note (iii))	**6,116**	25,157
– Interest expenses on lease liabilities (note (iv))	**1,993**	2,097
	8,109	27,254

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 RMB4,273,000 (six months ended 30 June 2020: RMB2,669,000) were made for the six months ended 30 June 2021. Included in the lease repayments there were interests paid of RMB1,993,000 (six months ended 30 June 2020: RMB2,097,000) for the six months ended 30 June 2021.

Under the entrusted management services model, certain shopping centers owned by related parties mentioned above provide office premises to the Group for free.

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 interim periods were as follows:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Short-term benefits	**4,340**	3,710
Performance related bonuses	**115**	–
Retirement benefits schemes contributions	**260**	200

17. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

This note provides information about how the Group determines fair values of various financial assets.

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group may engage an independent qualified professional valuer to perform the valuation. The management of the Group works closely with the valuer, in any, to establish the appropriate valuation techniques and inputs to the model.

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	**30 June 2021**	31 December 2020	Fair Value hierarchy	Valuation technique and key impacts
Financial assets at FVTPL	**Wealth management investments in the PRC: Nil**	Wealth management investments in the PRC: RMB185,920,000	Level 2	Market price quoted from a company engaged in asset management business and a bank
	Investments in listed bonds: RMB1,990,000	Investments in listed bonds: RMB1,990,000	Level 1	Quoted bid prices in an active market

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

18. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 15 July 2021, a subsidiary of the Company (the "Subsidiary A") and Shennan United (Xiamen) Industrial Investment Co., Ltd. (深南聯合(廈門)產業投資有限公司) ("Shennan United") entered into an agreement in relation to the formation of an entity in the PRC. Pursuant to the terms of the agreement, the Subsidiary A and Shennan United shall contribute RMB70 million and RMB30 million, respectively, to that entity. Upon completion of the establishment of the entity, it will be owned as to 70% by the Subsidiary A and 30% by Shennan United and will be a non wholly-owned subsidiary of the Company. Upon establishment of the entity, Xiamen Special Economic Zone Real Estate Development Group Co., Ltd. (廈門經濟特區房地產開發集團有限公司) ("Xiamen Real Estate"), the Subsidiary A and the entity, being the lessor, lessee and joint venture project management company as defined in the lease agreement dated 28 June 2021 entered into between the Subsidiary A and Xiamen Real Estate relating to the lease of a property, shall enter into a supplemental agreement. Pursuant to the supplemental agreement, the Subsidiary A shall assign and novate all its rights and obligations under the lease agreement to the entity. Details about the lease agreement and the formation of the entity are set out in the Company's announcement dated 28 June 2021 and 15 July 2021 respectively.

On 28 July 2021, a subsidiary of the Company (the "Subsidiary B") and Guangzhou International Pharmaceutical Port Health City Management Co., Ltd. (廣州國際醫藥港健康城管理有限公司) ("GZ Health City Management") entered into a joint venture agreement, pursuant to which, the parties agreed to establish a joint venture company in the PRC to provide commercial property operational services in relation to a project property in Guangzhou in the PRC. The registered capital of the joint venture company is RMB30 million, of which, GZ Health City Management and the Subsidiary B will contribute RMB21 million and RMB9 million respectively. In addition, GZ Health City Management and the Subsidiary B will provide shareholders' loans of RMB70 million and RMB30 million to the joint venture company, respectively. Details about the formation of this joint venture company are set out in the Company's announcement dated 28 July 2021.

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