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
2021

CONTENTS

GROUP INTRODUCTION

E-Star Commercial Management Company Limited ("**E-Star**" or the "**Company**") and its subsidiaries, together the ("**Group**") is a leading commercial property operational service provider in the Greater Bay Area with a national presence. As of 31 December 2021, the Group entered into contracts to provide services for 84 commercial property projects (including 32 consultancy services projects) located in 25 cities in China, with an aggregate contracted gross floor area ("**GFA**") of approximately 3.90 million square meter ("**sq.m.**"). (excluding the area under 32 consultancy services projects), 62.4% of which was developed or owned by independent third parties. Among them, 24 retail commercial properties have been opened with an aggregate opened GFA of approximately 1.816 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 awarded the "2021 China Top 10 Commercial Property Operator" (2021年中國商業地產運營十強企業) and the "2021 Remarkable Brand for Commercial Property Operation in China" (2021中國商業地產運營優秀品牌); COCO Park brand was awarded the "2021 Top 10 Commercial Property Project in China in Terms of Brand Value" (2021中國商業地產項目品牌價值Top 10). With great market expansion capabilities and stable business operation capacities, the Group 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 2021; Shenzhen Futian Galaxy COCO Park (深圳福田星河COCO Park) was also awarded the "Annual Experience Landmark" (年度體驗潮地標).

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 for consumers, partners, shareholders.

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

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PO Box 500
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Cayman Islands

PLACE OF BUSINESS IN HONG KONG

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Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Longgang District, Shenzhen
Guangdong Province
PRC

PRINCIPAL SHARE REGISTRAR

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HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
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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
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8 Connaught Place
Central
Hong Kong

COMPANY'S HONG KONG LEGAL ADVISOR

Sidley Austin

COMPANY'S WEBSITE

www.g-cre.com

AWARDS

AWARDS AND RECOGNITIONS

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

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① 2022
"Most Popular New Stock Company Among Investors"
(Zhitong Finance and Royal Flush Finance)

② 2021
"2021 Top 100 Commercial Property Companies in China" (13th)
(China Index Academy)

③ 2021
"2021 China Top 10 Commercial Property Operators"
(China Index Academy)

④ 2021
"2021 Top 10 Commercial Property Companies in China in Terms of Brand Value" (4th)
(China Index Academy)

⑤ 2021
"2021 Remarkable Brand of Commercial Property Operation in China"
(China Index Academy)

⑥ 2021
"2021 Top 100 Best-Performed Commercial Property Companies"
(Guandian Index Academy)

⑦ 2021
"2021 Most Impressive Commercial Property Company in China"
(Guandian Index Academy)

AWARDS

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⑧ 2020-2021
"2020-2021 Outstanding Light Asset Operator"

(Winshang.com)

⑨ 2021
"Most Influential IPO Brand of the Year"

(Gelonghui.com)

⑩ 2021
"Most Potential Listed Company"

(China Financial Market)

⑪ 2021
"Most Valuable Investment Award"

(China Financial Market)

⑫ 2021
COCO Park,
"2021 Top 10 Commercial Property Projects in China in Terms of Brand Value"

(China Index Academy)

⑬ 2021
Shenzhen Futian Galaxy COCO Park,
"Annual Experience Landmark"

(Winshang.com)

CHAIRMAN'S STATEMENT

2021 REVIEW

2021 is the first year of the listing of E-Star. This year has not been easy for us. In fact, we have been on an uneven path from the day we decided to go for an initial public offering. As the first company fully engaged in commercial operations to go public in the Hong Kong stock market, we took more time than others did to communicate with The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in respect of our business model and business logic. Despite various difficulties, we did not give up, and finally we succeeded, just as our people often say, every year is difficult, but we get it through; and everything is difficult, but we make it ok.

Since our listing last year, we have been proactive in further improving organizational structure, market expansion, tenant sourcing and operation and laid a solid foundation for the long-term development of the Company in the future. Meanwhile, in response to the recuring outbreaks of COVID-19 and the complex and dynamic internal and external environment, we adopted corresponding strategies in a timely manner, and achieved good operating results and performance. I am pleased to announce the results of E-Star for the year ended 31 December 2021.

As an important carrier of new consumptions, new services and new technologies, shopping centers are becoming increasingly prominent in the urban business landscape. Adhering to the mission of "building prosperous cities with business acumen" (以商業智慧構築城市繁榮), the Group has launched various commercial spaces and lifestyle contents integrating comprehensive service capabilities. In 2021, the Group maintained a healthy occupancy rate of 94%. Annual same-store sales increased by approximately 21% as compared to 2020. We cooperated with over 4,300 commercial tenants, achieving a healthy circle of brand sourcing, operation improvement and sales growth.

Adhering to the expansion strategy of "deepening the development of the Greater Bay Area, developing the Yangtze River Delta and expanding into the central and western regions", in 2021, the Group entered into commercial operation service contracts in relation to five third-party projects, including Rizhao Galaxy iCO (日照星河iCO), Xiamen Galaxy COCO Park (廈門星河COCO Park), Guangzhou Health Port Galaxy COCO Park (廣州健康港星河COCO Park), Guangzhou Conghua Haiyin Galaxy iCO (廣州從化海音星河iCO) and Zhanjiang Galaxy COCO City (湛江星河COCO City). As at 31 December 2021, the Group's contracted GFA reached 3.90 million sq.m., 62.4% of which were third-party projects, reflecting the Group's marketing ability and industry recognition.

Meanwhile, following the successful cooperation in respect of Shanghai Pudong Costco, in 2021, the Group further assisted Galaxy Holding Group Co., Ltd.* (星河控股集團有限公司) ("**Galaxy Holding**"), a company indirectly wholly-owned by the controlling shareholder of the Company, in the acquisition of the Shenzhen Longhua Costco project with its professional business planning and proposal design. As at 31 December 2021, the Group has provided services for 84 projects, including providing consultancy services to 32 projects. Most consultancy projects are still in the early stage of services, which may be subsequently transformed into contracted projects for sustainable operation and inject more impetus into the long-term development of the Company.

Driven by the above organic and inorganic growth, the Group achieved a revenue of approximately RMB572.2 million for 2021, representing a year-on-year increase of approximately 29.5%. Profit attributable to the owners of the Company amounted to approximately RMB184.9 million, representing a year-on-year increase of approximately 45.8%. The board (the "**Board**") of directors (the "**Directors**") of the Company recommend the payment of a final dividend of HK$0.10 per share of the Company, representing an annual dividend payout ratio of 45%.

2022 OUTLOOK

Looking forward 2022, regarding the future development of E-Star, I also have some thoughts that I would like to share with you. In general, there are three key terms as follows:

I. Sense of crisis

In the past ten years, in addition to the state-owned and private capital, more and more foreign-owned and Hong Kong-owned enterprises have entered the business market in Mainland China. In such open, inclusive and diversified times of business, it is not an easy task to take a share and stand out. Therefore, we must have an awareness for crisis and think about what is the core competitive edge of E-Star and how to find a unique path suitable for E-Star.

The scale of most projects of E-Star range from 50,000 to 100,000 sq.m. and such projects are designed to be "small and beautiful". Therefore, we put higher requirements for precise positioning. In order to achieve precise positioning and capture target customer groups, we have been committed to the establishment of a digital business platform. Business in the future will not only rely on experience, but also on accurate data analysis. Only by leveraging intelligence-empowered business development can we better adapt to the trend and achieve more accurate marketing.

Besides, we need to increase our efforts to develop benchmark projects. Shenzhen Futian Galaxy COCO Park (深圳福田星河COCO Park) is a, but absolutely not our only, benchmark project. In 2022, we will focus on the development of benchmark projects in various regions. For example, Guangzhou Health Port Galaxy COCO Park (廣州健康港星河COCO Park) is located in Guangzhou International Medicine Port with a GFA of nearly 120,000 sq.m., being one of the largest shopping malls in West Guangzhou. It is designed to be a leading mini-vacation lifestyle shopping center in Guangzhou characterized by popular parent-child entertainment, diversified interactive social experience and surging "national tide". Xiamen Galaxy COCO Park (廈門星河COCO Park) is positioned as a life aesthetics shopping center, with target customers primarily from the surrounding high-end residential communities, exhibition center, culture theater and CBD. It intends to provide a social entertainment place integrating multiple elements such as lounge bar and star square, and incorporates sky stage, reading gallery and sky plaza into its preliminary design in order to meet customers' demand for a high-quality life and shopping experience. In the future, both Guangzhou Health Port Galaxy COCO Park (廣州健康港星河COCO Park) and Xiamen Galaxy COCO Park (廈門星河COCO Park) will grow into regional benchmark projects through continuous cultivation and operation.

"Do it, make it and make it better" has always been a commitment of our people, so what we need to do is to develop shopping malls that are suitable for us and suitable for the market with attitude, warmth, strength and profit.

II. COVID-19

Affected by the COVID-19 pandemic in 2021, the consumption habit and consumption need of the public began to change, and also showed some indicators of weakness, which has raised public concerns for consumption growth. Notwithstanding, China's total retail sales of social consumer goods in 2021 hit RMB44 trillion, making consumption become the first driving force for China's economic growth again. As the second largest economy in the world and a consumer power with 1.4 billion people, China's economy has shown strong resilience and huge development potential. With the rising tide of innovation, such as new businesses, new scenarios, new products and new brands, China's new consumer market is still booming.

Meanwhile, throughout human history, countless epidemics and disasters didn't not stop people from yearning for a better life. Therefore, it is not the pandemic that ends consumption, but the complacent attitude and inflexibility put an end to enterprises.

The existence of the pandemic is a fact that cannot be denied. How to adapt to the normalization of the pandemic is what we should think about firstly as a front-line service industry player. With or without the pandemic, our business has to continue.

During the pandemic, we have actively completed the replacement and upgrade of some brands, and also increased investment in brands with stronger comprehensive strength vitality. Meanwhile, our commercial tenant management has also shifted from a node-based model to a normalized one; and from offline-only cooperation to online + offline multi-dimensional cooperation, further improving our business management and control systems. In 2021, we held more than 100 live webcasts through online platforms, accumulating more than 3 million fans online. Therefore, while raising barriers to commercial operations, the pandemic has also strengthened our comprehensive operational capabilities.

III. Seeking change

As Mr. Huang Chu-Long, chairman of Galaxy Holding, always says, business shall follow the trend and product shall follow the market by keeping a half-step forward. And the half step must go forward and must not fall behind.

I hope E-Star to fulfill the following "three requirements":

1. Dare to think: We must break through the original thinking, overcome personal limitations, and think about things that we dared not in the past. The current business model is no longer the same as the previous one. We must do business by considering consumers' mentality, studying consumer behaviors, and meeting the spiritual needs of consumers in a content-focused manner and creating a reason for them to go to the store, for example, guiding interactions among merchants and developing new forms of cross-sector cooperation.

2. Dare to change: Innovation is the source of life. A key requirement for a business operator is to keep pace with the times, keep up with the trend, understand what young people like, know what to play, and more importantly, how to play and how to play well. Therefore, we must learn thinking innovation, expansion method innovation, brand innovation, design innovation, operation innovation, and information dissemination channel innovation. For example, in order to trigger the curiosity effect of the generation Z, we leverage the popular "DNA" of COCO brand and introduce a number of first shows, first releases, first exhibitions and first stores to meet the social needs of young hipsters.

3. Dare to do: Thinking is useless without practice. We must not only dare to think but also dare to do. It may be difficult to break through some inherent concepts, but how could you deny the new model even without a try. As business has no terminal, only with continuous tries, innovations and explorations within the scope of controllable risks can we find the right path to success. For example, there are various forms of business, and community business is right a big blue ocean market. In 2021, we have established a pilot project team to explore and develop community business continuously. In the year to come, we will launch our representative work(s) of new generation community business.

SOLIDIFIED GALAXY

As related companies of the same controlling shareholder, E-Star and Galaxy Holding share the same corporate culture and business philosophy, so finally I would like to tell something about Galaxy Holding.

Since its establishment in 1988, Galaxy Holding has, step by step and in a pragmatic manner, grown from a small self-employed business to a comprehensive enterprise with assets exceeding RMB200 billion and nearly 10,000 employees. In 2021, the controlling body of Galaxy Holdings received an AAA credit rating from authoritative institutions. In the course of 34-year development, we went through different economic cycles and have grown in a stable and healthy manner. We recognize safety is more important than growth and capability is more important than scale. "Stability" itself is the biggest "progress". We are committed to making Galaxy "continue for 500 years but not as top 500". Up to date, we are proud to say that "Galaxy Holding has complied with the Three Red Lines Policy with a healthy financial position and stable operations". Such belief and confidence come from our persistent strategic focus.

Last year, Mr. Huang Chu-Long, chairman of Galaxy Holdings Group, said at the year-end summary conference that he has spent more than 30 years to solidify the position of the enterprise, and he hoped that we would work together to make the enterprise stronger in the next 30 years. In the following time, we will work hard step by step in order to make today better than yesterday and tomorrow better than today.

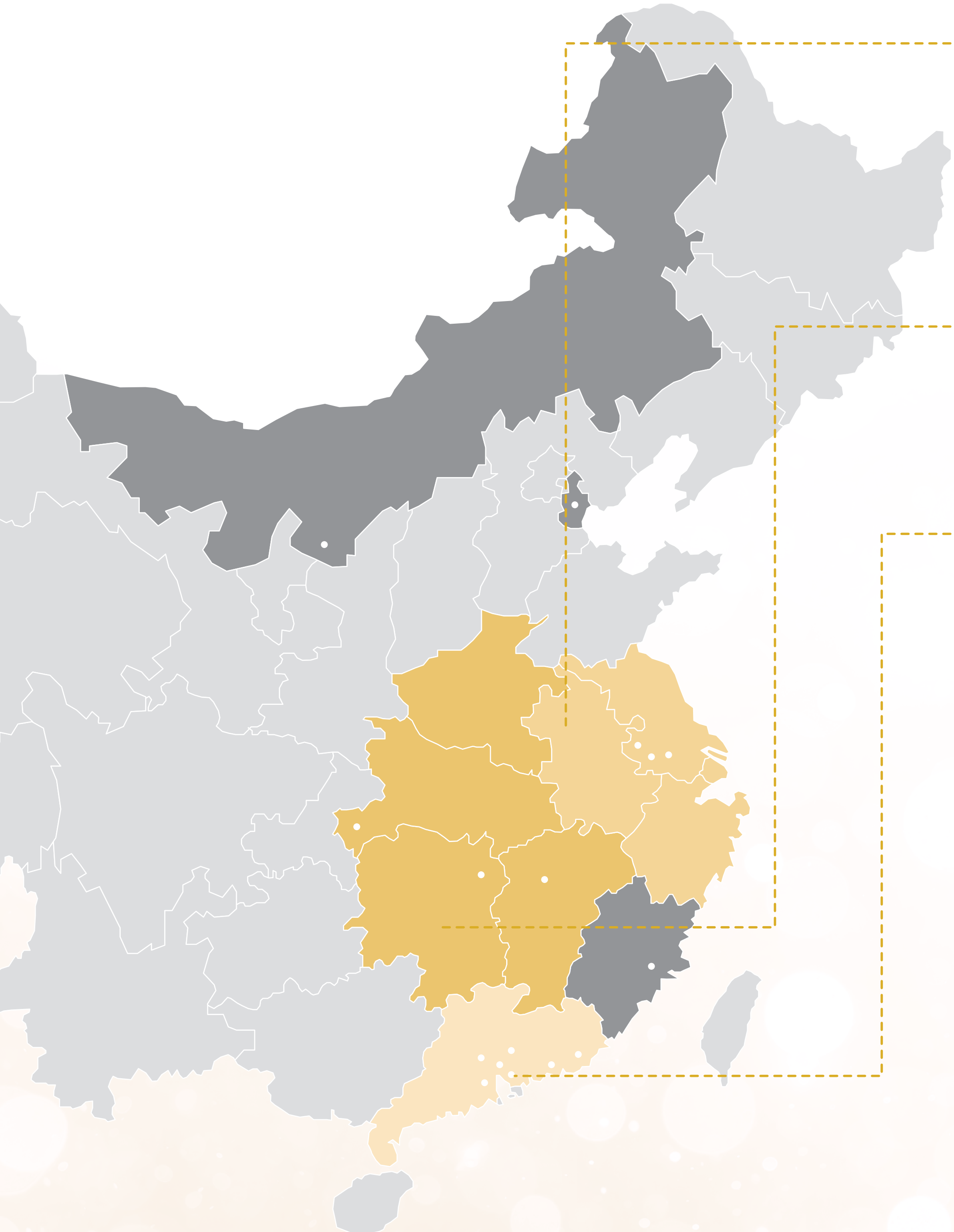
Last but not least, I would like to express my gratitude to the shareholders and investors for their continuous support and trust to E-Star and their willingness to accompany our growth and give us space for development. Though 2022 is full of challenges, on behalf of E-Star, I hereby undertake that we will do our best to live up to everyone's expectations.

Huang De-Lin Benny
Chairman

30 March 2022

OVERVIEW OF BUSINESS

As of 31 December 2021, the Group entered into contracts to provide services for 84 commercial property projects located in 25 cities in China



Yangtze River Delta		Number of projects: 9
Nanjing		1
Changzhou	2	2
Wuxi		1
Shanghai		1
Jiaxing		1
Lianyungang		1

Central China region		Number of projects: 4
Nanchang	1	1
Enshi		1
Changsha	1	

Greater Bay Area		Number of projects: 57
Shenzhen	12	9
Guangzhou	1	22
Zhuhai		1
Zhongshan	1	
Huizhou	1	4
Dongguan	1	4
Foshan		1

Other Regions		Number of projects: 14
Tianjin		1
Erdos	1	3
Rizhao, Shandong		1
Chengdu		1
Xiamen, Fujian		1
Putian, Fujian		1
Shanwei, Guangdong	1	
Jieyang, Guangdong	1	2
Zhanjiang, Guangdong	1	

Operated commercial property projects	24
Unoperated commercial properties	60

Note:
1. Operated area and contracted area do not include the GFA of 32 consultancy service projects

BUSINESS REVIEW

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

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

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

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

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

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

Entrusted management service model

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

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

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

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

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

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

Brand and management output service model

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

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

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

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

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

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

Sublease service model

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

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

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

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

With reference to the evaluation on the projects and requirements of the property owners, the Group flexibly chooses diversified cooperation models, such as entrusted management, brand and management output and sublease service, during its cooperation with the related parties and third parties, and has achieved good operating results. In 2021, the related parties of the Group contributed a new contracted area of 238,000 sq.m. to the Group. Meanwhile, the Group further expands its project portfolio in the market in an active manner. A total of 5 commercial operation service agreements in relation to third-party projects were entered into throughout the year, contributing a new contracted area of 421,000 sq.m..

The table below sets forth new projects in relation to which commercial operation service contracts were entered into by the Group during the year ended 31 December 2021.

	Commercial property	Location	Property owner	Operational model	Date of contract	Shopping mall (000' sq.m.)	Car park (000' sq.m.)	Total GFA in operation (000' sq.m.)
Galaxy Holding and its associates								
1	Shenzhen Bao'an project (深圳保安項目)	Shenzhen	Galaxy Holding and its associates	Brand and management output	April 2021	33	–	33
2	Zhongkai Shuanggang project (仲愷雙崗項目)	Huizhou	Galaxy Holding and its associates	Brand and management output	April 2021	42	–	42
3	Changzhou Xinbei project(常州新北項目)	Changzhou	Galaxy Holding and its associates	Brand and management output	May 2021	18	–	18
4	Huizhou Jinyu Galaxy Danti project (惠州金裕星河丹提項目)	Huizhou	Galaxy Holding and its associates	Brand and management output	December 2021	27	–	27
5	Puning Pearl Bay centralized business IV project (普寧明珠灣集中商業(四期)項目)	Jieyang	Galaxy Holding and its associates	Brand and management output	December 2021	62	–	62
6	Chengdu Wenjiang project (成都溫江項目)	Chengdu	Galaxy Holding and its associates	Brand and management output	December 2021	56	–	56
						238	–	238
Independent Third Party Property Developers								
1	Rizhao Galaxy iCO (日照星河iCO)	Rizhao	Independent Third Party property developers	Entrusted management	February 2021	57	–	57
2	Xiamen Galaxy COCO Park (廈門星河COCO Park)	Xiamen	Independent Third Party property developers	Sublease	June 2021	73	29	102
3	Guangzhou Health Port Galaxy COCO Park (廣州健康港星河COCO Park)	Guangzhou	Independent Third Party property developers	Brand and management output	August 2021	116	–	116
4	Zhanjiang Galaxy COCO City (湛江星河COCO City)	Zhanjiang	Independent Third Party property developers	Brand and management output	December 2021	59	11	70
5	Guangzhou Conghua Haiyin Galaxy iCO (廣州從化海音星河iCO)	Guangzhou	Independent Third Party property developers	Brand and management output	December 2021	47	29	76
						352	69	421
Total						590	69	659

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		Project increase in 2021		Project decrease in 2021		As of 31 December 2021	
	Number of properties	Contracted GFA (000'sq.m.)	Number of properties	Contracted GFA (000'sq.m.)	Number of properties	Contracted GFA (000'sq.m.)	Number of properties	Contracted GFA (000'sq.m.)
Entrusted management service	17	1,125	1	57	–	–	18	1,182
Brand and management output service[1]	34	2,034	34	500	(5)	(43)	63	2,491
Sublease service	2	125	1	102	–	–	3	227
Total	53	3,284	36	659	(5)	(43)	84	3,900

Note:

(1) As of 31 December 2021, the Group provided brand and management output services to 63 projects, which included 32 consultancy service projects. In 2021, there were 34 new brand and management output services projects, which included 25 consultancy service projects. In 2021, the Group terminated the service contracts in respect of 5 projects, reducing contracted GFA of 43,000 sq.m., 3 of which are consultancy service projects and the remaining 2 are Shenzhen Yinhai Project and Changzhou Galaxy International Phase I Project.

As of 31 December 2021, the Group provided services to 84 commercial property projects (including 32 consultancy service projects), with a contracted GFA of approximately 3.90 million sq.m. (excluding 32 consultancy service projects). The reserve of consultation service projects lays the foundation for the subsequent transformation into sustainable operation projects, and also provides continuous impetus for the stable growth of the Group.

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

	As of/for the year ended December 31,							
	2021				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]	57	1,587	494,707	86.5	32	1,336	365,309	82.7
– *Shenzhen*	*21*	*845*	*423,177*	*74.0*	*17*	*842*	*335,860*	*76.0*
Yangtze River Delta[2]	9	531	36,784	6.4	9	514	40,676	9.2
Central China region[3]	4	413	10,285	1.8	4	413	14,520	3.3
Other regions[4]	14	1,369	30,433	5.3	8	1,021	21,448	4.8
Total	84	3,900	572,209	100.0	53	3,284	441,953	100.0

Notes:

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

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

(3) Include Nanchang, Enshi and Changsha.

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

The table below sets forth average occupancy rate and GFA in operation of retail commercial property that commenced operation as at 31 December 2021.

Product category	As at 31 December[1] Average occupancy rate 2021 %	2020 %	As at 31 December 2021 Area of shopping centers in operation (000' sq.m.)
COCO Park	98.3	96.4	208
COCO City and iCO	92.4	92.3	939
Others	95.0	96.5	218
Total	94.0	94.3	1,365[2]

(1) The occupancy rate is based on internal records and is calculated by dividing the actual leased area of retail commercial properties at the end of each relevant period by the available leased area. The occupancy rate is only applicable to retail commercial properties that the Group has provided tenant solicitation services, and the occupancy rate may fluctuate in different periods within a year.

(2) The area excludes car parking.

Projects in Operation

The table below sets forth the opened retail commercial property projects of the Group during the year ended 31 December 2021:

	Commercial property	Location	Opening date (Month-Year)	Shopping Mall (sq.m.)	Car Park (sq.m.)	Total GFA in operation (sq.m.)	Operational model	Property owner
1.	Shenzhen Futian Galaxy COCO Park (North) (深圳福田星河COCO Park(北區))	Shenzhen	September 2006	45,987	21,658	67,645	Entrusted management service	Galaxy Holding and its associates
2.	Shenzhen Galaxy Top Living (深圳星河第三空間)	Shenzhen	May 2007	27,988	–	27,988	Entrusted management service	Galaxy Holding and its associates
3.	Shenzhen Longgang Galaxy COCO Park (深圳龍崗星河COCO Park)	Shenzhen	September 2012	79,506	94,871	174,377	Entrusted management service	Galaxy Holding and its associates
4.	Shenzhen Longhua Galaxy COCO City (深圳龍華星河COCO City)	Shenzhen	November 2014	45,182	123,222	168,404	Entrusted management service	Galaxy Holding and its associates
5.	Shenzhen Galaxy WORLD • COCO Park (深圳星河WORLD • COCO Park)	Shenzhen	September 2018	39,721	–	39,721	Entrusted management service	Galaxy Holding and its associates
6.	Shenzhen Galaxy Center (深圳星河中心)	Shenzhen	April 2008	72,605	–	72,605	Brand and management output service	Galaxy Holding and its associates
7.	Shenzhen Longhua Galaxy iCO (深圳龍華星河iCO)	Shenzhen	December 2015	54,037	–	54,037	Brand and management output service	Independent Third Party property developers
8.	Changzhou Galaxy International Phase III Project (常州星河國際三期項目)	Changzhou	August 2016	16,990	–	16,990	Brand and management output service	Galaxy Holding and its associates
9.	Guangzhou Nansha Jinzhou Galaxy COCO Garden (廣州南沙金洲星河COCO Garden)	Guangzhou	October 2016	10,812	–	10,812	Brand and management output service	Galaxy Holding and its associates
10.	Huizhou Galaxy COCO Garden (惠州星河COCO Garden)	Huizhou	September 2017	32,899	9,135	42,034	Brand and management output service	Galaxy Holding and its associates
11.	Puning Galaxy COCO City (普寧星河COCO City)	Jieyang	October 2017	284,100	–	284,100	Brand and management output service	Independent Third Party property developers
12.	Ordos Galaxy COCO City (鄂爾多斯星河COCO City)	Ordos	October 2017	129,795	–	129,795	Brand and management output service	Independent Third Party property developers
13.	Shanwei Galaxy COCO City (汕尾星河COCO City)	Shanwei	February 2018	74,800	65,000	139,800	Brand and management output service	Independent Third Party property developers
14.	Shenzhen Longgang Galaxy iCO (深圳龍崗星河iCO)	Shenzhen	December 2018	33,370	–	33,370	Brand and management output service	Independent Third Party property developers
15.	Shenzhen 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
16.	Changzhou Wujin Hutang Galaxy COCO City (常州武進湖塘星河COCO City)	Changzhou	August 2016	43,632	–	43,632	Sublease service	Galaxy Holding and its associates
17.	Shenzhen Futian Galaxy COCO Park (South) (深圳福田星河COCO Park(南區))	Shenzhen	July 2020	43,239	–	43,239	Entrusted management service	Galaxy Holding and its associates
18.	Shenzhen Shajing Galaxy COCO Garden (深圳沙井星河COCO Garden)	Shenzhen	August 2020	8,557	–	8,557	Brand and management output service	Galaxy Holding and its associates
19.	Shenzhen 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
20.	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
21.	Ningxiang Galaxy COCO City (寧鄉星河COCO City)	Changsha	January 2021	110,000	60,000	170,000	Brand and management output service	Independent Third Party property developers
22.	Dongguan Galaxy COCO Garden (東莞星河COCO Garden)	Dongguan	October 2021	10,901	–	10,901	Brand and management output service	Galaxy Holding and its associates
23.	Nanchang Boneng Galaxy iCO (南昌博能星河iCO)	Nanchang	September 2021	23,987	–	23,987	Entrusted management service	Independent Third Party property developers
24.	Zhanjiang Galaxy COCO City (湛江星河COCO City)	Zhanjiang	December 2021	59,152	10,689	69,841	Brand and management output service	Independent Third Party property developers
	Total			1,365,415	450,575	1,815,990		

WORK PLAN FOR 2022

In 2022, the Group will be establishing a work approach, i.e., "to secure quality in a cost-effective manner, to promote stability with high quality, to seek expansion while maintaining stability" (以省保定，以定促穩，穩中求進), pursuant to which, the Group will focus on the improvement of quality and efficiency, and seek expansion while maintaining stable operation in order to achieve the sustainable and healthy development of the Group. As such, the core focus of the Group in 2022 will be on the following four aspects:

I. To expand in a focused and orderly manner on the premise of ensuring quality in order to promote large-scale expansion of the Group.

Economic development, population and spending power are the key factors that determine the success of a business. To continually adhere to the strategy of "deepening the development of the Greater Bay Area, developing the Yangtze River Delta and expanding into the central and western regions", the Group has sorted out 8 first-tier cities and 28 second-tier cities. The Group will focus on the core cities in the first-tier and second-tier cities as its targets for project expansion.

For cities other than the first-tier and second-tier cities at a lower administrative level but with a high potential, the Group will seek cooperation with local projects with unique location advantages as appropriate to seize market opportunities in a rapid and precise manner. Through forward-looking positioning, tenant sourcing and operation, the Group is expected to develop local projects with first-mover advantages and influence.

Meanwhile, we will identify more partners, especially those with major premium customers, and enter into strategic cooperation with established resource platforms, to ensure the target of new contracted areas of no less than 700,000 sq.m. could be achieved during the year.

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

In 2022, the Group plans to host the grand openings of 8 projects. For such purpose, the Group has established a dedicated team responsible for opening-related matters to secure the opening of the projects in preparation as scheduled.

Starting with preliminary services such as project positioning, design consultation and engineering consultation, the Group targets to maintain the novelty of project design and the rationality of engineering layout from the source and lay a foundation for the improvement of subsequent operation efficiency. Meanwhile, the Group continues to adhere to the strategy of "one policy for one store". It will keep pace with the times and identify new popular trends to ensure project positioning remains innovative and consider surrounding market environment from the perspective of consumers to improve the accuracy of project positioning. Based on the preliminary positioning, the Group will carry out precise tenant sourcing, and eventually achieve the high-quality opening of the projects in preparation.

III. To enhance tenant sourcing and operation capabilities and develop the core competitiveness of the Group.

Tenant sourcing and operation are the core competitiveness of a business management company. In a performance-based manner, the Group is committed to developing shopping centers with "Four Highs", i.e., high occupancy, high sales growth, high quality and high customer flow.

1. High occupancy: In 2022, the Group will implement a hierarchical mechanism for tenant sourcing and realize the brand mechanism of cross-region collaboration and multi-project interaction, and further identify first store and strategic partners to achieve the target occupancy rate of no less than 95%.

2. High sales growth: In 2022, the Group will improve the repurchase and sales ratio of members through continuous membership operation, establish a sales support scheme for commercial tenants on individual basis to promote the stable increase in same-store sales and develop a batch of stores with annual sales exceeding RMB10 million or 100 million to achieve a win-win outcome with commercial tenants.

3. High quality: The Group will develop 1 to 2 distinctive features concerning environment, service, etc. for each project to improve the quality and attractiveness of its projects.

4. High customer flow: The Group will also design and carry out large-scale marketing campaigns with characteristic, influence and sales transformation to meet the increasingly personalized and differentiated needs of consumers, and boost customer flow and sales.

IV. To explore, innovate and keep up with the development trend of consumption and business.

"Seeking continuous change" is the core of business and consumption. In 2022, the Group will have enhanced requirements for the innovation of consumption modes, the exploration of community business and the diversity of cooperation models.

Firstly with the rise of Generation Z and the advent of the post-pandemic era, the Group will be open to explore innovative scenarios of leisure, entertainment, experience and social contact, in order to meet the trend and develop shopping malls that continuously carry the "good aspirations of consumers" and "expressions of business brands".

Secondly, the Group has established a special taskforce for community business pilot projects and aims to promote the exploration and implementation of community business model in 2022. Different from large shopping malls, the community business will put more focuses on the demand of consumers for timeliness and convenience. Through more accurate customer profiling, the Group will strive to achieve accurate business positioning and efficient business operation in each community and obtain good business returns.

Finally, flexibility, diversity and win-win cooperation are the Group's long-term goals. In 2022, considering the changes in the external market environment, the Group will actively seek a variety of cooperation models, including but not limited to mergers and acquisitions and operation cooperation, to expand the scope for business development and sources for profit growth.

All in all, as mentioned above, in 2022, the Group will develop a batch of benchmarking projects with strong influence in the regions or cities where such projects are located, and ultimately form a healthy project development process – "reserve, sign, open and success" through the gradual implementation of the aforesaid measures. Besides, the Group will continue to explore and innovate and remain sensitive to new consumption, new trends and new opportunities, thereby injecting more vitality into the long-term development of the Company.

FINANCIAL REVIEW

Revenue

During the year ended 31 December 2021, the Group's revenue amounted to approximately RMB572.2 million, representing a year-on-year increase of approximately 29.5%, which was primarily due to (i) the projects represented by Shenzhen Futian Galaxy COCO Park (South) (深圳福田星河COCO Park(南區)) have seen significant revenue growth after opening due to the outstanding operation performance; and (ii) the increase in revenue from positioning, construction consultancy and tenant sourcing services provided due to the significant increase in number of proposed projects and preliminary consultation projects of the Group.

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

	Year ended 31 December			
	2021		2020	
	RMB'000	**%**	RMB'000	%
Entrusted management services	**351,650**	**61.5**	308,821	69.9
Brand and management output services	**198,495**	**34.7**	113,920	25.8
Sublease services	**22,064**	**3.8**	19,212	4.3
Total	**572,209**	**100.0**	441,953	100.0

- Entrusted management services: For the year ended 31 December 2021, revenue from entrusted management services amounted to approximately RMB351.7 million, representing a year-on-year increase of approximately 13.9%, accounted for approximately 61.5% of the Group's total revenue. The revenue from entrusted management service was increased 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: For the year ended 31 December 2021, revenue from brand and management output services amounted to approximately RMB198.5 million, representing a year-on-year increase of approximately 74.2%, accounted for approximately 34.7% of the Group's total revenue. The increase in revenue from brand and management output services was primarily attributable to the increase in revenue from positioning, construction consultancy and tenant sourcing services provided due to the significant increase in number of proposed projects and preliminary consultation projects of the Group.

- Sublease services: For the year ended 31 December 2021, revenue from sublease services amounted to approximately RMB22.1 million, representing a year-on-year increase of approximately 14.8%, accounted for approximately 3.8% of the Group's total revenue. The increase in revenue from sublease services was mainly because the average rent increased pursuant to the lease agreements with certain tenants and as a result of the Group's adjustments of tenant mix, and the negative effect caused by the waiver of partial rents to assist the Group's tenants to fight against the COVID-19 pandemic in 2020 was eliminated.

Cost of Services

For the year ended 31 December 2021, the Group's cost of services amounted to approximately RMB241.8 million, representing a year-on-year increase of approximately 25.1%, primarily attributable to the increase in staff cost due to the Group's business expansion.

Gross Profit and Gross Profit Margin

As a result of the foregoing, for the year ended 31 December 2021, the Group's gross profit amounted to approximately RMB330.4 million, representing a year-on-year increase of approximately 32.9%.

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			
	2021		2020	
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %
Entrusted management services	172,559	49.1	155,262	50.3
Brand and management output services	148,820	75.0	85,644	75.2
Sublease services	9,053	41.0	7,729	40.2
Total/Overall	330,432	57.7	248,635	56.3

For the year ended 31 December 2021, the Group's gross profit margin amounted to 57.7%, representing an increase of approximately 1.4 percentage point as compared with 56.3% for the year ended 31 December 2020, primarily attributable to the larger revenue contribution from brand and management output services with relatively higher gross profit margin for the year ended 31 December 2021, and gross profit margin under each model maintained relatively stable.

Other Income

For the year ended 31 December 2021, other income amounted to approximately RMB31.1 million, representing a year-on-year increase of approximately 168.9%, primarily attributable to the increased bank interest income as a result of the increase in the average balance of deposits in banks.

Other Gains and Losses

For the year ended 31 December 2021, other losses amounted to approximately RMB5.1 million, mainly represents foreign currency exchange losses.

Impairment Losses under Expected Credit Loss Model, Net of Reversal

For the year ended 31 December 2021, the Group's impairment losses under expected credit loss model, net of reversal amounted to approximately RMB10.3 million, representing a year-on-year increase of approximately 181.9%, primarily attributable to the increase in the provision for expected credit loss in some projects by the Group given that the increased liquidity risk in real estate industry.

Selling Expenses

For the year ended 31 December 2021, the Group's selling expenses amounted to approximately RMB8.5 million, representing a year-on-year increase of approximately of 49.5%, primarily due to the increase in brand-building activities as a result of the recovery from the COVID-19 pandemic and the strengthening of promotion efforts for the brands after listing.

Administrative Expenses

For the year ended 31 December 2021, the Group's administrative expenses amounted to approximately RMB71.1 million, representing a year-on-year increase of approximately 25.3%, primarily due to the increase in staff costs and daily administrative activities as a result of the recovery from the COVID-19 pandemic and the increase in compliance advisor fee after listing.

Finance Costs

The Group's finance costs were interest expense on lease liabilities. For the year ended 31 December 2021, the Group's finance costs amounted to approximately RMB3.9 million, representing a year-on-year decrease of approximately of 6.7%, primarily attributable to the continuous repayment of lease liabilities.

Income Tax Expenses

For the year ended 31 December 2021, the Group's income tax expenses amounted to approximately RMB68.5 million, representing a year-on-year increase of approximately of 44.0%. This increase was primarily attributable to the increase in profit before tax.

Profit for the year

For the year ended 31 December 2021, the Group's profit for the year was approximately RMB183.9 million, representing an increase of approximately 44.2% as compared with the profit for the year of approximately RMB127.6 million for the year ended 31 December 2020. For the year ended 31 December 2021, the Group's profit for the year attributable to the owners of the Company was approximately RMB184.9 million. The profit for the year attributable to the owners of the Company increased by approximately 45.8% as compared with the profit for the year of approximately RMB126.8 million for the year ended 31 December 2020.

Trade and other receivables

The Group's trade and other receivables primarily arise from commercial property operational services within the shopping centers, shopping streets and commercial complexes. As at 31 December 2021, the Group's current portion of trade and other receivables were approximately RMB45.8 million, representing an increase of approximately 25.2% as compared with that of approximately RMB36.6 million as at 31 December 2020, primarily attributable to the increase in both prepaid rent of subleased projects and rental deposits.

Financial assets at fair value through profit or loss

The Group's financial assets at fair value through profit or loss were approximately RMB2.0 million, representing a decrease of approximately 98.9% as compared with that of approximately RMB187.9 million as at 31 December 2020, primarily attributable to the redemption of the previously purchased structured bank deposit on maturity during the year ended 31 December 2021.

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 2021, the Group's trade and other payables amounted to approximately RMB172.0 million, remaining relatively stable as compared with approximately RMB170.2 million as at 31 December 2020.

Charge of Assets

As of 31 December 2021, none of the assets of the Group were being charged.

Contingent liabilities

As of 31 December 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 31 December 2021, the Group's cash and cash equivalents amounted to approximately RMB446.3 million, representing an increase of approximately 215.1% as compared with approximately RMB141.7 million as at 31 December 2020. This was primarily attributable to the increase in the cash and cash equivalents as a result of the Net Proceeds (defined below) and proceeds from operation of the Group for the year ended 31 December 2021, partly offset by the utilization of some idle funds for the purchase of short-term bank deposits. 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 2021 divided by total assets as at 31 December 2021. As at 31 December 2021, gearing ratio was 20.5%, representing a substantial decrease as compared with 63.0% as at 31 December 2020. This was primarily attributable to increase in equity as a result of the new issue of Shares in connection with the Listing and revenue from the operation during the year ended 31 December 2021. The Group did not have any bank loans as at 31 December 2021.

Foreign exchange risk

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

Net Proceeds from the Listing and Over-allotment

The Shares were listed on the Stock Exchange on 26 January 2021 following the completion of issue of 250,000,000 new Shares at the offer price of HK$3.86 per Share.

On 18 February 2021, the Over-allotment Option (as defined in the prospectus of the Company dated 14 January 2021, the "**Prospectus**") was partially exercised by the international underwriters of the Global Offering (as defined in the Prospectus) pursuant to which the Company was required to allot and issue an aggregate of 20,640,000 Shares (the "**Over-allotment**"), at the price of HK$3.86 per Share.

The net proceeds from the Listing was approximately RMB777.0 million and the additional net proceeds received by the Company from the Over-allotment was approximately RMB64.8 million (collectively, the "**Net Proceeds**").

The Company intends to use the Net Proceeds for the purposes as set out in the Prospectus. As of 31 December 2021, an analysis of the utilisation of Net Proceeds is as follows:

Proposed use of Net Proceeds as set out in the Prospectus	Approximate % of Net Proceeds	Net Proceeds (RMB million)	Utilised Net Proceeds as of 31 December 2021 (RMB million)	Unutilised Net Proceeds as of 31 December 2021	Expected time of full utilisation
To pursue strategic acquisition of and investment in other small to mid-sized commercial property operational service providers in order to scale up its commercial property operational service business and expand its commercial property operational service portfolio	55%	463.0	–	463.0	by end of 31 December 2024
For renovation of retail commercial properties under the sublease service model	20%	168.4	17.1	151.3	by end of 31 December 2024
To make minority equity investment in the project companies which own quality commercial properties	10%	84.2	24.0	60.2	by end of 31 December 2024
To upgrade internet-based and information systems to raise its management service quality, reduce labour costs and improve internal control	5%	42.0	2.4	39.6	by end of 31 December 2024
For general business purpose and working capital	10%	84.2	84.2	–	–
Total	100%	841.8	127.7	714.1	

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

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

1. Discloseable transaction – acquisition of right-of-use asset in relation to a lease agreement

On 28 June 2021, Shenzhen Galaxy Commercial Property Group Co., Ltd.* (深圳市星河商置集團有限公司) (the "**Lessee**", an indirect wholly-owned subsidiary of the Company) entered into a lease agreement (the "**Lease Agreement**") with 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) (the "**Lessor**"), in respect of the lease of the lower ground floor Level 1 and upper ground floor Level 1 to Level 5 of Tefang Boteman Fortune Plaza, Siming District, Xiamen City, Fujian Province, PRC (including certain car park spaces, outdoor and rooftop spaces and exterior facade advertisement spaces) (the "**Premises**") for a term of twenty (20) years commencing on the delivery date for the commercial property operational services business of the Group. The aggregated rental payment under the Lease Agreement is approximately RMB444.6 million (inclusive of VAT). The aggregated management and other miscellaneous fees under the Lease Agreement is approximately RMB75.3 million (inclusive of VAT).

The entering of the Lease Agreement constitutes a discloseable transaction of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). Details of the Lease Agreement are set out the announcement of the Company dated 28 June 2021.

2. Discloseable transaction – formation of joint venture company in relation to the Lease Agreement

As stipulated in the Lease Agreement, a joint venture company shall be formed to take over the Lease Agreement for provision of commercial property operational services in relation to the Premises. On 15 July 2021, the Lessee and Shennan United (Xiamen) Industrial Investment Co., Ltd.* (深南聯合(廈門)產業投資有限公司) (the "**JV Partner**") entered into a joint venture agreement (the "**1st Joint Venture Agreement**") in relation to the formation of a joint venture company, Xingsheng Shennan (Xiamen) Business Management Co., Ltd.* (星盛深南(廈門)商業管理有限公司) ("**Xingsheng Shennan**"). Pursuant to the terms of the 1st Joint Venture Agreement, the Lessee and the JV Partner shall contribute RMB70.0 million and RMB30.0 million, respectively, to Xingsheng Shennan.

The Joint Venture Agreement, when aggregated with the Lease Agreement, constitutes a discloseable transaction of the Company. Details of the 1st Joint Venture Agreement are set out in the announcement of the Company dated 15 July 2021.

As at the date of this annual report, establishment of Xingsheng Shennan has been completed and it is a non-wholly owned subsidiary of the Group, owned as to 70% by the Lessee and 30% by the JV Partner. The financial results of Xingsheng Shennan have been consolidated into the Group's consolidated financial statements. On 12 October 2021, a supplemental agreement has been entered into among the Lessor, the Lessee and Xingsheng Shennan, pursuant to which the Lessee shall assign and novate all its rights and obligations under the Lease Agreement to Xingsheng Shennan.

3. Discloseable transaction – formation of joint venture company

On 28 July 2021, Guangzhou Xingtong Commercial Property Co., Ltd.* (廣州市星通商用置業有限公司) ("**Guangzhou Xingtong**", an indirectly wholly-owned subsidiary of the Company) 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) ("**Guangzhou Health City Management**") entered into a joint venture agreement (the "**2nd Joint Venture Agreement**"), pursuant to which, the parties agreed to establish a limited liability company, Guangzhou Kaixing Business Management Co., Ltd. (廣州凱星商業管理有限公司) ("**Guangzhou Kaixing**"), in Guangzhou, PRC to provide commercial property operational services in relation to the Guangzhou International Pharmaceutical Port Shopping Center (the "**Project Property**"). The registered capital of Guangzhou Kaixing is RMB30.0 million, of which, Guangzhou Health City Management and Guangzhou Xingtong will contribute RMB21.0 million and RMB9.0 million respectively. In addition, Guangzhou Health City Management and Guangzhou Xingtong will provide shareholders' loans of RMB70.0 million and RMB30.0 million to Guangzhou Kaixing, respectively.

The 2nd Joint Venture Agreement constitutes a discloseable transaction of the Company under the Listing Rules. Details of the 2nd Joint Venture Agreement are set out in the announcement of the Company dated 28 July 2021.

As at the date of this annual report, establishment of Guangzhou Kaixing has been completed. On 18 August 2021, a lease agreement has been entered into between the Guangzhou Kaixing and Guangdong Guangzhou International Yiyaogang Co., Ltd.* (廣東省廣州國際醫藥港有限公司) (the developer and owner of the Project Property, and holds the entire interest of Guangzhou Health City Management), pursuant to which the Guangzhou Kaixing shall lease the Project Property for a duration of 15 years. On 18 August 2021, a management agreement has also been entered into between Guangzhou Kaixing and Guangzhou Xingtong in relation to the provision of the commercial property operational services by Guangzhou Xingtong in respect of the Project Property.

As at 31 December 2021, save as disclosed above and 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), 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 2021.

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 38, 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 also the chairman of the nomination committee of the Company. 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), 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 61, 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 45, 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 53, 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 59, was appointed as the non-executive Director on 20 December 2019. He is also a member of the audit committee and remuneration committee of the Company. Mr. Guo is primarily responsible for providing guidance for the overall development of the Group.

From August 1998 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 2012, 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 August 2017, 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 40, 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 58, was appointed as the independent non-executive Director on 21 December 2020. He is also a member of the nomination committee of the Company. 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 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). From September 2016 to August 2021, Mr. Zhang served as 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). Mr. Zhang was an independent director of Zhejing 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 to December 2021.

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 52, was appointed as the independent non-executive Director on 21 December 2020. He is also the chairman of the remuneration committee of the Company and a member of the audit committee and nomination committee of the Company. 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 52, was appointed as the independent non-executive Director on 21 December 2020. He is also the chairman of the audit committee of the Company and a member of the remuneration committee of the Company. 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 in an international accounting firm. 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), 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) (stock code: 9668), Radiance Holdings (Group) Company Limited (金輝控股(集團)有限公司) (stock code: 9993), China Huirong Financial Holdings Limited (中國匯融金融控股有限公司) (stock code: 1290) and Sky Light Holdings Limited (天彩控股有限公司) (stock code: 3882) whose shares are all listed on the Stock Exchange. Mr. Tse served as a non-executive director of Shenzhen Expressway Company Limited from January 2009 to December 2017, 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 (凌雲), aged 48, 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 44, 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 47, was appointed as the company secretary on 20 December 2019 and is responsible for company secretarial matters of the Group.

Mr. Wong held senior accounting positions in a number of companies listed on the Stock Exchange and has over 20 years of experience in auditing, taxation, accounting and financial management.

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 Company's ordinary shares of par value of HK$0.01 each (the "**Shares**") were listed on the Stock Exchange (the "**Listing**") on 26 January 2021 (the "**Listing Date**") following the completion of issue of 250,000,000 new Shares at the offer price of HK$3.86 per Share. The Board is pleased to present the corporate governance report for the Company for the year ended 31 December 2021.

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 Listing Rules in force. Unless otherwise stated, reference made in this corporate governance report in relation to the CG Code is referred to the provisions contained in the Appendix 14 to the Listing Rules in force during the year ended 31 December 2021 and as at 31 December 2021. The Company is committed to the establishment of good corporate governance practices and procedures with a view to enhancing investors' confidence in the Company and the Company's accountability. The Company therefore strives to attain and maintain effective corporate governance practices and procedures.

The Company has complied with all applicable code provisions set out in the CG Code throughout the period from the Listing Date up to 31 December 2021.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as the code for dealing in securities of the Company by the Directors. Having made specific enquiry by the Company to all the Directors, the Directors confirmed that they were in compliance with the required standard as set out in the Model Code since the Listing Date and up to 31 December 2021.

BOARD OF DIRECTORS

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. As at 31 December 2021, 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 26 to 31 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 five meetings during the year ended 31 December 2021. 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 2021			
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive Directors				
Mr. Huang De-Lin Benny *(Chairman of the Board)*	5/5	N/A	N/A	1/1
Mr. Tao Muming *(President)*	5/5	N/A	N/A	N/A
Mr. Niu Lin	5/5	N/A	N/A	N/A
Ms. Wen Yi	5/5	N/A	N/A	N/A
Non-executive Directors				
Mr. Guo Limin	5/5	3/3	1/1	N/A
Mr. Huang De'An Tony	5/5	N/A	N/A	N/A
Independent non-executive Directors				
Mr. Zhang Liqing	5/5	N/A	N/A	1/1
Mr. Guo Zengli	5/5	3/3	1/1	1/1
Mr. Tse Yat Hong	5/5	3/3	1/1	N/A

GENERAL MEETING

During the year ended 31 December 2021, two general meetings were held.

A summary of the attendance record of the Directors at general meetings is set out in the following table below:

Name of Director	Number of general meeting(s) attended/number of general meeting(s) held for the year ended31 December 2021
Executive Directors	
Mr. Huang De-Lin Benny	2/2
Mr. Tao Muming	2/2
Mr. Niu Lin	2/2
Ms. Wen Yi	2/2
Non-executive Directors	
Mr. Guo Limin	2/2
Mr. Huang De'An Tony	2/2
Independent non-executive Directors	
Mr. Zhang Liqing	2/2
Mr. Guo Zengli	2/2
Mr. Tse Yat Hong	2/2

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board has received from each of the independent non-executive Directors a written annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers each of them to be independent.

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.

For the year ended 31 December 2021, the Audit Committee held three meetings during the year 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 and interim results of the Company for the six months ended 30 June 2021.

The attendance record of the Audit Committee members is set out below:

Directors	Attended in person/ Eligible to attend
Ms. Tse Yat Hong (Chairman)	3/3
Mr. Guo Limin	3/3
Mr. Guo Zengli	3/3

During the year ended 31 December 2021, 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.

For the year ended 31 December 2021, the Remuneration Committee held one meeting during the year to discuss and review the remuneration policy for the Directors and senior management of the Company, to assess performance of the executive Directors, and make recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

The attendance record of the Remuneration Committee members is set out below:

Directors	Attended in person/ Eligible to attend
Mr. Guo Zengli (Chairman)	1/1
Mr. Guo Limin	1/1
Mr. Tse Yat Hong	1/1

Details of the remuneration payable to each Director for the year ended 31 December 2021 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 2021 is set out below:

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

For the year ended 31 December 2021, the Nomination Committee held one meeting during the year to review and discuss the policy, procedures and criteria for nomination of the Directors, review and discuss the Board diversity policy and to discuss all measurable objectives set for implementing the policy and the progress made towards meeting the measurable objective in the policy, assessed the independence of independent non-executive Directors, considered the re-appointment of the retiring Directors, reviewed the time commitment required from the Directors.

The attendance record of the Nomination Committee members is set out below:

Directors	Attended in person/ Eligible to attend
Mr. Huang De-Lin Benny (Chairman)	1/1
Mr. Guo Zengli	1/1
Mr. Zhang Liqing	1/1

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 the 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 2021.

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 2021, 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 have complied with the code provision A.6.5 of the CG Code and participated in continuous professional development including attended training relating to the Group's businesses, Listing Rules, legal and regulatory requirements and corporate governance practices, and read relevant materials to keep themselves abreast of regulatory developments and changes, to develop and refresh their knowledge and skills.

For the newly appointed Director, the Company would arrange a comprehensive, formal and tailored induction session on his/her appointment to ensure he/she would have a proper understanding of the Company's businesses and operations as well as his/her responsibilities under relevant statues, laws, rules and regulations as a director of a listed company. 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 as the external auditor for the year ended 31 December 2021. A statement by Deloitte Touche Tohmatsu 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 Deloitte Touche Tohmatsu for the year ended 31 December 2021 are set out in the table below:

Services rendered	(RMB' million)
Audit services:	
Annual audit	1.2
Non-audit services:	
Reporting accountant services	0.2

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 engaged an independent internal audit consultant as 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 remedial 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 2021 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 2021 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 EGM. 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, 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 no further changes have been made thereto up to 31 December 2021. The up-to-date version of the Articles of Association is available on the respective website of the Stock Exchange and the Company.

REPORT OF THE DIRECTORS

The Board of the Company is pleased to present this annual report of Directors together with the consolidated financial statements of the Group for the year ended 31 December 2021.

DIRECTORS

The Directors who held office during the year ended 31 December 2021 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 26 to 31 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 2021 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 annual report. Events affecting the Group that have occurred since the end of the financial year ended 31 December 2021 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.

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 2021 which will be available on the websites of the Company and the Stock Exchange.

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 2021, there was no material breach of, or non-compliance, with applicable laws and regulations by the Group.

HUMAN RESOURCES AND REMUNERATION POLICY

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 2021, the Group had 436 (2020: 387) employees. Employees are remunerated according to their qualifications and experience, job nature and performance, and under the pay scales aligned with market conditions. 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 including medical scheme, insurance coverage, retirement schemes, share option scheme and award of restricted share units under the restricted share unit scheme adopted by the Company on 4 November 2021. The total remuneration expenses, for the year ended 31 December 2021 were RMB157.2 million, representing an increase of 41.2% 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 existing and 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.

The Group also operates pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance (the "**MPF Scheme**") for all its qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. There are no provisions under the scheme whereby forfeited contributions may be used to reduce the existing level of contributions.

Details of the pension obligations of the Group are set out in Note 28 to the consolidated financial statements in this annual report.

CONTINUING CONNECTED TRANSACTIONS

The following transactions constituted continuing connected transactions of the Group for the year ended 31 December 2021, 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. The annual fee paid/payable by Mr. Huang's Companies in relation to the Tenant Management Services for the year ended 31 December 2021 is RMB10.8 million.

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 (as revised by the supplemental agreement dated 20 October 2021, details of which are set out in the announcement of the Company dated 20 October 2021 and circular of the Company dated 10 November 2021) for the two years ending 31 December 2022 will not exceed RMB177.6 million and RMB236.3 million, respectively. The annual fee paid/payable by Mr. Huang's Company under the Commercial Property Operational Services Framework Agreement for the year ended 31 December 2021 is RMB157.2 million.

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. The annual fee paid/payable by the Group in relation to the Purchased Services for the year ended 31 December 2021 is RMB6.7 million.

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 the (i) Tenant Management Services Framework Agreement, (ii) 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 (collectively, the "**Agreements**") and the relevant supplemental agreement (if applicable) are set out under the section headed "Connected Transactions" in the Prospectus, the Company's announcement dated 20 October 2021 and circular of 10 November 2021.

Confirmation from Independent Non-executive Directors

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the Agreements, and confirmed the transactions conducted thereunder have been entered into:

(a) in the ordinary and usual course of business of the Group;
(b) on normal commercial terms or better; and
(c) according to the Agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Confirmations from the Company's Independent Auditor

In accordance with Rule 14A.56 of the Listing Rules, the Group has engaged its auditor to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the aforesaid continuing connected transactions conducted by the Group for the year ended 31 December 2021 confirming that nothing has come to its attention that causes it to believe that the continuing connected transactions:

(a) have not been approved by the Board;

(b) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group;

(c) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and

(d) have exceeded the cap.

A copy of the auditor's letter has been delivered by the Company to the Stock Exchange.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the year ended 31 December 2021 are set out in Note 31 to the consolidated financial statements.

The related party transactions set out in Note 31 to consolidated financial statements include related party transactions disclosed under accounting standards and related party transactions which also constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The related party transactions in respect of the remuneration of directors and chief executives of the Company constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. However, these transactions are fully exempt from the requirements under Chapter 14A of the Listing Rules. The related party transactions in respect of the remuneration of key management personnel (other than directors and chief executives) of the Company did not fall under the definition of connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. Save as the transactions conducted under the Agreements, the Directors confirmed that all other related party transactions set out in Note 31 to the consolidated financial statements do not fall within the definition of "connected transactions" or "continuing connected transactions" under Chapter 14A of the Listing Rules (as the case may be). The Directors confirmed that they have complied with the disclosure requirements in Chapter 14A of the Listing Rules for the year ended 31 December 2021.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year ended 31 December 2021 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 2021, the revenue amounts from the Group's five largest customers accounted for 34.7% (2020: 35.8%) of the Group's total revenue and the revenue amount from the Group's single largest customer, accounted for 29.4% (2020: 28.5%) 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 2021, revenue derived from Galaxy Holdings and its related companies amounted to RMB168.0 million, accounted for 29.4% of the Group's total revenue (2020: RMB126.1 million, accounted for 28.5% of the Group's total revenue in 2020).

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 2021, the purchases amount from the Group's five largest suppliers accounted for 28.4% (2020: 40.6%) of the Group's total purchases and the purchases amount from the Group's single largest supplier, accounted for 17.7% (2020: 30.8%) 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 five financial years, as extracted from the audited consolidated financial statements, is set out on page 132 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 34 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 2021 are set out in Note 15 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 2021 and details of the Shares issued during the year ended 31 December 2021 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.

DONATION

During the year ended 31 December 2021, the Group did not make any charitable donations.

DEBENTURE ISSUED

The Group did not issue any debenture during the year ended 31 December 2021.

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme mentioned above, no equity-linked agreements were entered into by the Group or existed during the year ended 31 December 2021.

RESULTS AND DIVIDENDS

The consolidation results of the Group for the year ended 31 December 2021 are set out on page 62 of consolidated statement of comprehensive income.

The Board recommended the payment of a final dividend of HK$0.10 per ordinary share for the year ended 31 December 2021. Total amount of final dividend would be HK$102,004,000 which is calculated according to the ordinary shares in issue as at 31 December 2021. Such dividend is subject to approval by the Shareholders at the forthcoming annual general meeting of the Company (the "**2022 AGM**") to be held on 10th June 2022. 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 2021. 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 2021 are set out in the consolidated statement of changes in equity and Note 36 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 2021.

BANK LOANS AND OTHER BORROWINGS

There are no bank loans and other borrowings of the Group as at 31 December 2021.

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

Save for the Agreements as set out under the section headed "Continuing Connected Transactions" contained in this annual report, 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 2021.

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 11 and Note 12 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 2021, 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 2021.

Except as disclosed above, no other payments have been made or are payable, for the year ended 31 December 2021, 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 2021 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 2021 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.

Mr. Huang confirmed that he and his close associates have complied with the Deed of Non-competition for the year ended 31 December 2021. The independent non-executive Directors have conducted such review for the year ended 31 December 2021 and also reviewed the relevant undertakings and are satisfied that the Deed of Non-competition has been fully complied with.

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 annual 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 2021.

AUDITOR

There has been no change in auditors since the Listing Date. The consolidated financial statements for the year ended 31 December 2021 have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants, who are proposed for reappointment at the 2022 AGM.

ANNUAL GENERAL MEETING

The 2022 AGM will be held on Friday, 10 June 2022. A circular containing the notice of the 2022 AGM and information regarding, inter alia, the re-election of the retiring Directors and the granting of the general mandates to the Directors to issue new shares and to repurchase shares will be published and despatched to the shareholders of the Company in due course.

CLOSURE OF THE REGISTER OF MEMBERS

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

(a) Attending the 2022 AGM

For the purpose of determining the shareholders' rights to attend and vote at the 2022 AGM, the register of members of the Company will be closed from Tuesday, 7 June 2022 to Friday, 10 June 2022, both days inclusive, during which period no transfer of Shares will be registered.

For the purpose of determining the entitlement to attend and vote at the 2022 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, 6 June 2022.

(b) Payment of the proposed final dividend

For the purpose of determining the shareholders' entitlement to the proposed final dividend for the year ended 31 December 2021, the register of members of the Company will be closed from Thursday, 16 June 2022 to Friday, 17 June 2022, both days inclusive, during which period no transfer of shares of the Company will be registered.

For the purpose of determining the entitlement to the proposed final dividend for the year ended 31 December 2021, 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, 15 June 2022.

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

As at 31 December 2021, 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)	14.71%
Mr. Huang De'An Tony	Beneficial owner	1,791,000 (L)	0.18%

Notes:

(1) The calculation is based on the total number of 1,020,039,000 Shares in issue as at 31 December 2021.

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

(3) Such Shares are held by Virtue Investment Development Limited (德瑞投資發展有限公司) ("**Virtue Investment**"), which is beneficially wholly-owned by Mr. Huang De-Lin Benny, who was entrusted by Mr. Huang to hold such Shares for the purpose of a share incentive scheme to be adopted after Listing.

Save as disclosed above, as at 31 December 2021, 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.

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

As at 31 December 2021, 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 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

Name of Shareholder	Capacity/Nature of interest	Number of 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)	73.53%
TMF (Cayman) Ltd ("**TMF (Cayman)**")[3]	Trustee of a trust	600,000,000 (L)	58.82%
Long Harmony Holding Limited ("**Long Harmony**")[3]	Interest in a controlled corporation	600,000,000 (L)	58.82%
Go Star Investment Holding Limited ("**Go Star**")	Beneficial owner	600,000,000 (L)	58.82%
Virtue Investment	Beneficial owner	150,000,000 (L)	14.71%

Notes:

1. The calculation is based on the total number of 1,020,039,000 Shares in issue as at 31 December 2021.

2. The letter "L" denotes a long position in the Shares.

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 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 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 held by Virtue Investment under the SFO.

Save as disclosed above, as at 31 December 2021, 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 the contribution they had or may have made 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 "**SOS 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 SOS 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 SOS 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 SOS 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 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 Shares in issue on the date of offer of the Options;

(ii) having an aggregate value on the closing price of the 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. Voting 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 a SOS 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 a SOS Eligible Participant, a SOS 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 a SOS Eligible Participant who is a Director during the periods or times in which Directors are prohibited from dealing in the 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 8 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 approximately 9.8% of the total Shares in issue as at the date of this annual report.

RESTRICTED SHARE UNIT ("RSU") SCHEME ("RSU SCHEME")

The Board adopted the RSU Scheme on 4 November 2021 (the "**Adoption Date**"). For details, please refer to the announcement of the Company dated 4 November 2021. A summary of principal terms of the RSU Scheme is set out below:

Purposes

The purpose of the RSU Scheme is to recognize and acknowledge the contributions which Eligible Participants (as defined below) have made or may make to the Group and to reward the Eligible Participants who have achieved outstanding performance.

Term

Subject to any termination of the RSU Scheme as determined by the Board in accordance with the RSU Scheme rules, the RSU Scheme shall be valid and effective for ten years commencing on the Adoption Date. No award has been granted under the RSU Scheme as at the date of this annual report. As at the date of this annual report, the remaining life of the RSU Scheme is approximately 9 years and 7 months.

Termination

The RSU Scheme shall terminate on the earlier of (i) the date the last of the RSUs has been vested and the last of the RSU Shares or cash amount referable to the RSU Shares transferred or paid to the relevant Grantee or the last of the RSUs has lapsed in accordance with the RSU Scheme rules; and (ii) such other date as determined by the Board provided that such termination shall not affect any subsisting rights of any grantee.

RSU Shares will be held under a trust (the "**Trust**") set up for the purpose of the RSU Scheme. Upon termination of the RSU Scheme, all the Shares held under the Trust and all such non-cash income remaining in the trust fund of the Trust shall be sold by the trustee and all net proceeds (after deducting the relevant expenses) will be remitted to the Company.

Administration

The RSU Scheme shall be subject to the administration of the Board, whose decisions (save as otherwise provided herein) shall be final and binding on all parties.

Maximum Limit

The maximum number of Shares in respect of which RSUs may be granted under the RSU Scheme may not exceed 5% of the issued share capital of the Company as at the Adoption Date (being 51,001,950 Shares, representing approximately 5% of the issued share capital of the Company as at the date of this annual report) and the number of Shares awarded to each grantee under the RSU Scheme shall not exceed 1% of the issued share capital of the Company as at the Adoption Date. Such 5% scheme limit and 1% individual limit are applicable throughout the ten years term of the RSU Scheme, with no annual limit contemplated.

Eligible Participants (the "Eligible Participants")

The Eligible Participants shall include directors, senior management and employees of the Group determined by the Board to be eligible to participate in the RSU Scheme.

Operations of the RSU Scheme

Pursuant to the RSU Scheme rules, the Board may, from time to time and at its sole discretion, choose the Eligible Participants to participate in the RSU Scheme and determine the number of RSUs to be awarded with any conditions, restrictions or limitations before the award could be vested as it thinks fit, such as vesting date and conditions of the RSUs.

Pursuant to the RSU Scheme, existing Shares may be purchased or new Shares may be subscribed to satisfy the RSUs upon vesting and such Shares shall be transferred or the cash amount referable to such Shares shall be paid to the grantee when such RSUs are vested with the grantee in accordance with the RSU Scheme rules and the conditions of the award of such RSUs (if any).

A grant letter setting out, among others, the number, vesting conditions (if any) and vesting date of the RSUs to be granted will be issued by the Board to an Eligible Participant. The Eligible Participant may accept the grant of the award in such manner as set out in the grant letter. Upon acceptance, the Eligible Participant becomes a grantee in the RSU Scheme.

Vesting

Pursuant to the RSU Scheme, a grantee shall be entitled to receive the RSU Shares or cash amount referable to the RSU Shares upon satisfaction of the vesting conditions set out in the grant letter.

Voting Rights

The trustee of the Trust shall not exercise any voting rights in respect of any Shares held under the Trust.

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 2021, there was no material breach of, or non-compliance, with applicable laws and regulations by the Group.

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

By the shareholders' resolution passed by the shareholder of the Company at the annual general meeting of the Company held on 4 June 2021, the Directors were granted a general mandate to buy back up to 102,064,000 Shares, representing 10% of the total number of issued Shares as at 4 June 2021.

Since the Listing Date and up to 31 December 2021, the Company had repurchased a total of 601,000 Shares on the Stock Exchange for an aggregate consideration of approximately HK$2.44 million excluding expenses. The above-mentioned repurchased Shares were cancelled on 15 October 2021. The Company considered the repurchases could enhance the net asset value per Share and earnings per Share, therefore, the repurchases were in the best interest of the Company and its shareholders as a whole.

Details of the Shares repurchased during the year ended 31 December 2021 are as follows:

Date of repurchases	No. of Shares	Highest price paid per Share (HK$)	Lowest price paid per Share (HK$)	Aggregate consideration (HK$)
27 August 2021	200,000	4.01	3.89	793,500
30 August 2021	201,000	4.15	3.97	814,780
31 August 2021	200,000	4.20	4.12	832,000
	601,000			2,440,280

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the from the Listing Date and up to 31 December 2021.

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

Up to the date of this annual report, the Group had no important events after the balance sheet date which needs to be disclosed.

(For identification purposes only)*

On behalf of the Board

Huang De-Lin Benny
Chairman

Hong Kong, 30 March 2022

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 62 to 131, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, 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 service model. As set out in note 19 to the consolidated financial statements as at 31 December 2021, the Trade Receivables amounted to RMB29,139,000 (net of accumulated allowance for credit losses of RMB18,387,000), out of which, trade debtors with aggregate carrying amount of RMB16,273,000 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-rating of 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 in the People's Republic of China (the "**PRC**") without undue cost or effort. During the year ended 31 December 2021, an impairment loss of RMB13,715,000 and a reversal of impairment loss of RMB3,421,000 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 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 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.

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, 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.

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

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 Chow Tsz Ki.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 30 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Revenue	5	572,209	441,953
Cost of services		(241,777)	(193,318)
Gross profit		330,432	248,635
Other income	6	31,141	11,582
Other gains and losses		(5,147)	825
Impairment losses under expected credit loss model, net of reversal	8	(10,294)	(3,652)
Selling expenses		(8,468)	(5,663)
Administrative expenses		(71,141)	(56,775)
Finance costs	7	(3,869)	(4,145)
Listing expenses		(8,281)	(15,672)
Share of result of a joint venture		(1,977)	–
Profit before tax		252,396	175,135
Income tax expense	9	(68,474)	(47,549)
Profit and total comprehensive income for the year	10	183,922	127,586
Profit for the year attributable to:			
– Owners of the Company		184,924	126,839
– Non-controlling interests		(1,002)	747
		183,922	127,586
Earnings per share	14		
– Basic (RMB cents)		18.48	16.91
– Diluted (RMB cents)		18.46	16.91

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Non-current assets			
Property and equipment	15	**4,469**	7,928
Investment properties	16	**47,524**	50,754
Rental deposits	19	**5,542**	–
Deposits paid for acquisition of property and equipment		**16,546**	–
Finance lease receivables	17	**6,646**	7,188
Deferred tax assets	23	**9,279**	6,338
Interest in a joint venture	18	**7,023**	–
Loan to a joint venture	18	**15,000**	–
		112,029	72,208
Current assets			
Finance lease receivables	17	**542**	484
Trade and other receivables	19	**45,837**	36,613
Financial assets at fair value through profit or loss ("**FVTPL**")	20	**1,990**	187,910
Amounts due from related parties	31	**1,387**	2,305
Restricted bank balances	21	**10,000**	–
Short-term bank deposits	21	**814,212**	–
Bank balances and cash	21	**446,349**	141,660
		1,320,317	368,972
Current liabilities			
Trade and other payables	22	**171,953**	170,233
Lease liabilities	24	**5,373**	4,684
Contract liabilities	25	**11,378**	3,382
Amounts due to related parties	31	**1,069**	4,881
Tax payable		**40,570**	25,322
		230,343	208,502
Net current assets		**1,089,974**	160,470
Total assets less current liabilities		**1,202,003**	232,678

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Capital and reserves			
Share capital	26	8,533	–*
Reserves		1,112,615	159,752
Equity attributable to owners of the Company		1,121,148	159,752
Non-controlling interests		17,501	3,503
Total equity		1,138,649	163,255
Non-current liabilities			
Deferred tax liabilities	23	–	696
Lease liabilities	24	63,354	68,727
		63,354	69,423
		1,202,003	232,678

* *Less than RMB1,000.*

The consolidated financial statements on pages 62 to 131 were approved and authorised for issue by the Board of Directors on 30 March 2022 and are signed on its behalf by:

Huang De-Lin Benny
Director

Wen Yi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to owners of the Company									
	Share capital/paid in capital RMB'000	**Share premium** RMB'000	**Share redemption reserve** RMB'000	**Shares held for share award scheme** 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 2020	–*	–	–	–	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
Profit and total comprehensive income for the year	–	–	–	–	–	–	184,924	184,924	(1,002)	183,922
Capitalisation issue (Note 26)	6,275	(6,275)	–	–	–	–	–	–	–	–
Capital contribution from a non-controlling interest upon establishment of a subsidiary	–	–	–	–	–	–	–	–	15,000	15,000
Repurchase of shares under share award scheme	–	–	–	(3,937)	–	–	–	(3,937)	–	(3,937)
Issuance of shares upon listing (Note 26)	2,091	805,193	–	–	–	–	–	807,284	–	807,284
Issuance of shares upon exercise of over-allotment options (Note 26)	172	66,186	–	–	–	–	–	66,358	–	66,358
Transaction costs attributable to issuance of shares	–	(40,627)	–	–	–	–	–	(40,627)	–	(40,627)
Dividends recognised as distributions (Note 13)	–	(50,574)	–	–	–	–	–	(50,574)	–	(50,574)
Repurchase and cancellation of shares	(5)	(2,032)	5	–	–	–	–	(2,032)	–	(2,032)
Transfer	–	–	–	–	16,695	–	(16,695)	–	–	–
At 31 December 2021	8,533	771,871	5	(3,937)	53,701	(1,088)	292,063	1,121,148	17,501	1,138,649

* *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) The other reserve represents the difference between the fair value of the consideration paid and the paid-in 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**") acquired from the then shareholders of Galaxy Commercial Property Group and was accounted for as a deemed distribution to the then 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 2021

	2021 RMB'000	2020 RMB'000
OPERATING ACTIVITIES		
Profit before tax	252,396	175,135
Adjustments for:		
Depreciation of property and equipment	4,101	4,149
Depreciation of investment properties	3,230	3,244
Impairment losses under expected credit loss model, net of reversal	10,294	3,652
Finance income on the net investment in the leases	(292)	(304)
Interest income	(27,112)	(1,492)
Investment income of financial assets at FVTPL	–	(4,191)
Gain on fair value changes of financial assets at FVTPL	920	(920)
Loss on disposal of property and equipment	23	129
Share of result of a joint venture	1,977	–
Listing expenses	8,281	15,672
Finance costs	3,869	4,145
Operating cash flow before movements in working capital	257,687	199,219
Increase in trade and other receivables	(18,578)	(13,801)
Increase (decrease) in contract liabilities	7,996	(5,635)
Increase (decrease) in trade and other payables	10,194	(7,474)
Decrease (increase) in amounts due from related parties	918	(470)
(Decrease) increase in amounts due to related parties	(2,373)	2,756
Decrease in finance lease receivables	484	479
Cash generated from operations	256,328	175,074
Income tax paid	(56,863)	(41,666)
Finance income on the net investment in the lease	292	257
NET CASH FROM OPERATING ACTIVITIES	199,757	133,665
INVESTING ACTIVITIES		
Redemption of financial assets at FVTPL	185,000	641,785
Interest received	9,306	5,683
Placement of short-term bank deposits	(796,406)	–
Purchase of property and equipment	(665)	(1,859)
Deposits paid for purchase of property and equipment	(16,546)	–
Loan to a joint venture	(15,000)	–
Payments for rental prepayments and deposits	(13,804)	–
Increase of restricted bank deposits	(10,000)	–
Capital contribution to a joint venture	(9,000)	–
Purchase of financial assets at FVTPL	–	(762,780)
NET CASH USED IN INVESTING ACTIVITIES	(667,115)	(117,171)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
FINANCING ACTIVITIES		
Proceeds from issue of shares	873,642	–
Capital contribution from a non-controlling interest upon establishment of a subsidiary	15,000	–
(Repayment to) advances from a related party	(1,439)	1,439
Dividend paid	(50,574)	–
Payment of issue costs	(50,060)	(3,384)
Repayment of lease liabilities	(4,684)	(2,653)
Purchase of shares under the share award scheme	(3,937)	–
Interest paid	(3,869)	(4,145)
Repurchase and cancellation of shares	(2,032)	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES	772,047	(8,743)
NET INCREASE IN CASH AND CASH EQUIVALENTS	304,689	7,751
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	141,660	133,909
CASH AND CASH EQUIVALENTS AT END OF THE YEAR represented by bank balances and cash	446,349	141,660

1. GENERAL INFORMATION

E-Star Commercial Management Company Limited (the "**Company**") was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law, Cap 22 on 13 September 2020 and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 26 January 2021 (the "**Listing**"). 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.

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 shopping centers, shopping streets, 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 consolidated financial statements.

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the 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

Except as described below, the application of amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

Impacts 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

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 current year retrospectively. The amendments introduce 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 that occurred as a direct consequence of the Covid-19 pandemic 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 2022; 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 "Leases" ("**HKFRS 16**") if the changes were 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 the profit or loss in the period in which the event occurs.

The application of these amendments has had no material impact on the Group's financial positions and performance in the current and prior years as the Group opted not to apply the practical expedient, but applied the applicable requirements of HKFRS 16 to account for rent concessions provided by certain lessors.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[1]
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)[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended use[1]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[1]

1 Effective for annual periods beginning on or after 1 January 2022.
2 Effective for annual periods beginning on or after 1 January 2023.
3 Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipates that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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

Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared based on the accounting policies set out below which conform with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial 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 directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

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, 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.

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

Significant accounting policies

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.

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.

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

Investment in a joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

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

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.

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.

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

Revenue from contracts with customers *(Continued)*

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.

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.

3. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(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) whenever 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.

3. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(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 circmstances 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.

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

Leases *(Continued)*

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.

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.

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

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 the state-owned retirement benefit schemes and the Mandatory Provident Fund Scheme ("**MPF Scheme**") are recognised as an expense when employee 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.

Share-based payments

Equity-settled share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

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

Share-based payments *(Continued)*

Shares awarded to employees

For share award scheme, the fair value of services received, determined by reference to the fair value of awarded shares granted at the grant date, is expensed on a straight-line basis over the vesting period, with a corresponding increase in share award reserve. The cost of acquisition of the Company's shares held for the share award scheme is recorded as shares held for share award scheme. At the time when the awarded shares are vested, the amount previously recognised in share award reserve and the amount of the relevant treasury shares will be transferred to retained profits.

At the end of each reporting period, the Group revisits its estimate of the number of awarded shares that are expected to ultimately vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share award reserve.

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.

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.

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

Taxation *(Continued)*

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.

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.

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

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.

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.

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

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 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.

Interest income which is derived from the Group's ordinary course of business 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.

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

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (Continued)

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.

Amortised cost

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, bank balances, restricted bank balances and short-term bank deposits), 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.

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

Financial instruments *(Continued)*

Financial assets *(Continued)*

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

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.

(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.

3. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(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.

3. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(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.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

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

3. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(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.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company 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 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 the 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, 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 internal credit ratings of the trade debtors and 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 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.

5. 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

	2021 RMB'000	2020 RMB'000
Entrusted management services	351,650	308,821
Brand and management output services	198,495	113,920
Sublease services	22,064	19,212
	572,209	441,953
Comprise of:		
– Revenue from contracts with customers	559,155	430,987
– Revenue from leases	13,054	10,966
	572,209	441,953

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

A. Revenue *(Continued)*

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

(i) Disaggregation of revenue from contracts with customers:

	2021 RMB'000	2020 RMB'000
Commercial property operational services:		
– Market positioning, design and construction consultancy and tenant sourcing services	143,549	78,350
– Operational management services	334,125	293,973
– Value-added services (note)	81,481	58,664
	559,155	430,987
Timing of revenue recognition:		
– Over time	551,238	423,049
– A point in time	7,917	7,938
	559,155	430,987
Type of customers:		
– Property owners	270,559	186,071
– Tenants and other customers	288,596	244,916
	559,155	430,987

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 RMB518,000 (2020: RMB558,000) where the Group acts as an agent.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

A. Revenue *(Continued)*

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

(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 or independent third 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.

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 subleased 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.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

A. Revenue *(Continued)*

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

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

Sublease service model (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 3 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 RMB892 million (2020: RMB635 million) as at 31 December 2021 and is expected to recognise as revenue within 11 years (2020: 12 years) as at 31 December 2021.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

A. Revenue *(Continued)*

Revenue from commercial property operational services by type of operational model *(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.

	2021 RMB'000	2020 RMB'000
For operating leases:		
Lease payments that are fixed	9,520	8,549
Variable lease payments	3,242	2,113
	12,762	10,662
For finance leases:		
Finance income on the net investment in the leases	292	304
Total revenue arising from leases	13,054	10,966

Included in the operating lease income there is a contingent rental of RMB3,242,000 (2020: RMB2,113,000) for the year ended 31 December 2021.

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 3. 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).

5. 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:

	2021 RMB'000	2020 RMB'000
Customer A (note)	**167,975**	126,082

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

6. OTHER INCOME

	2021 RMB'000	2020 RMB'000
Interest income from bank deposits	**27,112**	1,492
Investment income of financial assets at FVTPL	**–**	4,191
Government grants (note)	**2,958**	5,114
Compensation and penalty received from tenants	**1,071**	785
	31,141	11,582

Note: The government grants refer to unconditional subsidies granted by the government authorities in the PRC. During the year ended 31 December 2021, no government grants was recognised (2020: RMB3,082,000) in respect of Covid-19 related subsidies.

7. FINANCE COSTS

	2021 RMB'000	2020 RMB'000
Interest on lease liabilities	**3,869**	4,145

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

	2021 RMB'000	2020 RMB'000
Net impairment losses (reversal of impairment losses) recognised on:		
– trade receivables	**10,294**	3,688
– lease receivables	**–**	(36)
	10,294	3,652

Details of impairment assessment are set out in Note 30.

9. INCOME TAX EXPENSE

	2021 RMB'000	2020 RMB'000
PRC Enterprise Income Tax("**EIT**")		
–current year	71,816	48,406
–underprovision in prior year	295	–
Current tax charge	72,111	48,406
Deferred tax (Note 23)	(3,637)	(857)
	68,474	47,549

Hong Kong

Under the two-tiered profits tax rates regime, the first HK$2 million of assessable profits of a qualifying group entity will be taxed at 8.25%, and assessable profits above HK$2 million will be taxed at 16.5%. The 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%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million. No provision for Hong Kong Profits Tax has been made for both years as the subsidiaries operating in Hong Kong have no assessable profits.

PRC

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 the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2021 RMB'000	2020 RMB'000
Profit before tax	252,396	175,135
Tax at PRC EIT rate of 25%	63,099	43,734
Share of result of a joint venture	494	–
Tax effect of expense not deductible for tax purpose	3,436	3,898
Tax effect of income not taxable for tax purpose	(1,662)	–
Tax effect of tax losses not recognised	2,582	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	230	–
Underprovision in prior year	295	–
Utilisation of tax losses previously not recognised	–	(83)
Income tax expense	68,474	47,549

10. PROFIT FOR THE YEAR

	2021 RMB'000	2020 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration:		
– Auditor of the Company	**1,418**	1,100
– Other auditors	**298**	1,478
	1,716	2,578
Depreciation of property and equipment	**4,101**	4,149
Depreciation of investment properties	**3,230**	3,244
Staff costs (including directors' emoluments as disclosed in Note 11):		
– Salaries and other benefits	**144,054**	106,100
– Retirement benefits schemes contributions	**13,191**	5,244
Total staff costs	**157,245**	111,344
Loss (gain) on fair value changes of financial assets at FVTPL (included in other gains and losses)	**920**	(920)
Loss on disposal of property and equipment (included in other gains and losses)	**23**	129
Gross rental income from investment properties	**12,762**	10,966
Less: direct operating expenses incurred for investment properties during the year	**(5,312)**	(4,946)
	7,450	6,020

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the nine (2020: nine) directors of the Company, including the chief executive during both years are as follows:

For the year ended 31 December 2021

	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	–	2,183	788	24	2,995
Niu Lin	–	2,055	479	87	2,621
Wen Yi	–	1,551	363	22	1,936
Non-executive directors					
Guo Limin	–	–	–	–	–
Huang De-An Tony	–	–	–	–	–
Independent non-executive directors					
Zhang Liqing ("**Mr. Zhang**") (note ii)	291	–	–	–	291
Guo Zengli ("**Mr. Guo**") (note ii)	291	–	–	–	291
Tse Yat Hong ("**Mr. Tse**") (note ii)	291	–	–	–	291
Total emoluments	873	5,789	1,630	133	8,425

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

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	–	–	–	–	–
Tao Muming	–	2,108	717	39	2,864
Niu Lin	–	1,739	593	45	2,377
Wen Yi	–	1,253	495	22	1,770
Non-executive directors					
Guo Limin	–	–	–	–	–
Huang De-An Tony	–	–	–	–	–
Independent non-executive directors					
Mr. Zhang	–	–	–	–	–
Mr. Guo	–	–	–	–	–
Mr. Tse	–	–	–	–	–
Total emoluments	–	5,100	1,805	106	7,011

Notes:

(i) Mr. Huang De-Lin Benny is also the chief executive of the Company and his emoluments disclosed above included those for services rendered by him as the chief executive.

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

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

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

No director's emolument was paid or payable by the Company to the non-executive directors for their services in both years ended 31 December 2021 and 2020.

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.

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.

12. FIVE HIGHEST PAID EMPLOYEES

Of the five individuals with the highest emoluments in the Group, three of them were the directors of the Company for the years ended 31 December 2021 and 2020. Details of their emoluments are included in Note 11. The emoluments of the remaining two individuals for both years are as follows:

	2021 RMB'000	2020 RMB'000
Salaries and other benefits	3,514	2,211
Performance related bonus	721	680
Retirement benefit schemes contributions	145	90
	4,380	2,981

Their emoluments are within the following bands:

	2021	2020
HK$1,500,001 to HK$2,000,000	–	1
HK$2,000,001 to HK$2,500,000	2	1
HK$2,500,001 to HK$3,000,000	–	2
HK$3,000,001 to HK$3,500,000	2	1
HK$3,500,001 to HK$4,000,000	1	–

During the year, 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.

13. DIVIDENDS

	2021 RMB'000	2020 RMB'000
Dividends recognised as distribution during the year:		
2020 final dividend of HK4.5 cents (2020: 2019 final dividend of nil per share)	37,930	–
2020 special dividend of HK1.5 cents (2020: 2019 special dividend of nil per share)	12,644	–
	50,574	–

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2021 of HK10 cents per share, in an aggregate amount of approximately HK$102,004,000, has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

14. EARNINGS PER SHARE

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

Earnings

	2021 RMB'000	2020 RMB'000
Earnings for the purpose of basic and diluted earnings per share: Profit for the year attributable to owners of the Company	184,924	126,839

Number of shares

	2021 '000	2020 '000
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,000,534	750,000
Effect of dilutive potential ordinary shares: Over-allotment option	1,300	–
	1,001,834	750,000

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the repurchase and cancellation of shares on August 2021 and repurchase of shares on December 2021.

The weighted number of ordinary shares for the purpose of calculating basic and diluted earnings per share has been determined on the assumption that the capitalisation issue as set out in Note 26 had been effective on 1 January 2020.

15. 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 2020	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
Additions	–	–	531	131	3	–	665
Disposals	–	–	(305)	(226)	–	–	(531)
At 31 December 2021	**139**	**1,801**	**2,352**	**1,191**	**1,933**	**8,742**	**16,158**
DEPRECIATION							
At 1 January 2020	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
Provided for the year	14	341	231	138	453	2,924	4,101
Eliminated on disposals	–	–	(291)	(217)	–	–	(508)
At 31 December 2021	**85**	**1,587**	**1,875**	**943**	**1,382**	**5,817**	**11,689**
CARRYING AMOUNTS							
At 31 December 2021	**54**	**214**	**477**	**248**	**551**	**2,925**	**4,469**
At 31 December 2020	68	555	191	264	1,001	5,849	7,928

Note: During the year ended 31 December 2020, the Group leased two office premises from a related party for its operation and 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. 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 2021 is RMB3,613,000 (2020: RMB2,871,000).

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

16. INVESTMENT PROPERTIES

	Investment properties RMB'000
COST	
At 1 January 2020	65,287
Decrease related to the lease modification	(1,298)
At 31 December 2020 and 31 December 2021	**63,989**
DEPRECIATION	
At 1 January 2020	9,991
Provided for the year	3,244
At 31 December 2020	13,235
Provided for the year	3,230
At 31 December 2021	**16,466**
CARRYING VALUES	
At 31 December 2021	**47,524**
At 31 December 2020	50,754

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%.

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 HK$400,000 for year ended 31 December 2021 (2020: nil).

The Group regularly entered into short-term leases for office premises. At the end of reporting periods, 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 15.

During the year ended 31 December 2021, the Group entered into one new lease (2020: one) for operating the commercial property operational services business that have not yet commenced with non-cancellable period of 20 years (2020: 20 years), the total future undiscounted cash flows over the non-cancellable period amounted to RMB1,212million (2020: RMB767.4million).

16. 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 15, for year ended 31 December 2021 are RMB8,881,000 (2020: RMB6,798,000) which includes RMB5,393,000 (2020: RMB3,927,000) paid for leased properties under sub-leases. The income from subleasing of properties for both years are set out in Note 5A(iv).

The fair value of the Group's investment properties as at 31 December 2021 was RMB157,000,000 (2020: RMB129,400,000). The fair value as at 31 December 2021 and 2020 has been arrived at based on the determination of the management of the Group who made reference to the valuation carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited (2020: Savills Valuation and Professional Services Limited) (the "**Valuer**"), independent valuers not connected with the Group, on these investment properties as at 31 December 2021 and 2020.

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.

17. 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 16. 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 31.12.2021 RMB'000	Present value of minimum lease payments 31.12.2021 RMB'000
Finance lease receivables comprise:		
Within one year	816	542
In the second year	856	604
In the third year	900	671
In the fourth year	944	741
In the fifth year	991	817
After five years	4,162	4,262
	8,669	7,637
Gross investment in the lease	8,669	N/A
Less: unearned finance income	(1,032)	N/A
Present value of minimum lease payment receivable	7,637	7,637
Less: Allowance for credit losses		(449)
		7,188
Analysed as:		
Non-current		6,646
Current		542
		7,188

17. FINANCE LEASE RECEIVABLES *(Continued)*

	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 losses		(449)
		7,672
Analysed as:		
Non-current		7,188
Current		484
		7,672

As at 31 December 2021, the interest rate implicit in the above finance lease was approximately 0.3% (2020: 0.3%) per month.

18. INTEREST IN A JOINT VETURE/LOAN TO A JOINT VENTURE

	2021 RMB'000
Cost of unlisted investment in a joint venture	9,000
Share of post-acquisition losses	(1,977)
	7,023
Loan to a joint venture	15,000

The joint venture was set up during the year ended 31 December 2021. The Group paid RMB9,000,000 as capital injection and advanced a loan of RMB15,000,000 to the joint venture, which is interest-free and without repayment date. The loan to a joint venture is considered as long-term interests that, in substance form part of the Group's net investments in the joint venture.

Details of impairment assessment of loan to a joint venture for the year ended 31 December 2021 is set out in Note 30.

Name of company	Form of business structure	Place of incorporation/ principal place of business	Percentage of ownership interest and voting rights held by the Group		Principal activities
			2021 %	2020 %	
廣州凱星商業管理有限公司 Guangzhou Kaixing Commercial Management Co., Ltd* ("**GZKX**")	Joint venture	The PRC	30	N/A	Property investment

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

Under the relevant shareholders' agreement, decisions on relevant activities of GZKX require unanimous consent from both joint venture partners. Accordingly, neither the Group nor the another venture partner has the ability to control GZKX unilaterally and it is considered as jointly controlled by the Group and the joint venture partner.

Summarised financial information of the joint venture

Summarised financial information in respect of the joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

The joint venture is accounted for using the equity method in these consolidated financial statements.

	2021 RMB'000
Revenue	–
Loss and total comprehensive expense for the year	(6,591)

18. INTEREST IN A JOINT VETURE/LOAN TO A JOINT VENTURE *(Continued)*

Summarised financial information of the joint venture *(Continued)*

	31.12.2021 RMB'000
Current assets	78,330
Non-current assets	569,627
Current liabilities	49,907
Non-current liabilities	574,640

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	31.12.2021 RMB'000
Net assets	23,410
Proportion of the Group's ownership interest in the joint venture	30%
Carrying amount of the Group's interest in the joint venture	7,023

19. TRADE AND OTHER RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade and other receivables		
– Trade receivables	29,139	25,073
– Other receivables	22,240	11,540
	51,379	36,613
Analysed as:		
Current	45,837	36,613
Non-current	5,542	–
	51,379	36,613
Trade receivables		
Contracts with customers		
– Third parties	47,520	30,539
– Related parties (note)	6	764
Less: Allowance for credit losses	(18,387)	(8,093)
	29,139	23,210
Operating lease receivables – third parties	–	1,863
	29,139	25,073

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

19. TRADE AND OTHER RECEIVABLES *(Continued)*

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:

	2021 **RMB'000**	2020 RMB'000
0 – 10 days	**10,288**	6,058
11 – 30 days	**2,578**	2,558
31 – 60 days	**2,324**	4,420
61 – 90 days	**1,696**	2,304
Over 90 days	**12,253**	7,870
	29,139	23,210

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

	2021 **RMB'000**	2020 RMB'000
0 – 10 days	**–**	1,863

Included in the Group's trade receivables in respect of contracts with customers as at 31 December 2021 are past due debtors with aggregate carrying amount of RMB16,273,000 (2020: RMB14,594,000), of which an amount of RMB6,186,000 (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 aassessing 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.

19. TRADE AND OTHER RECEIVABLES *(Continued)*

	2021 RMB'000	2020 RMB'000
Other receivables		
Receivables from third-party payment platforms (note (i))	2,624	2,714
Payments on behalf of tenants (note (ii))	630	704
Advance to employees (note (iii))	15	19
Rental prepayment (note (iv))	8,262	–
Rental deposits (note (iv))	5,542	–
Other tax recoverable	1,284	603
Deposits	3,266	11
Prepayment	572	74
Deferred issue costs	–	7,320
Others	45	95
	22,240	11,540

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.

(iv) The amount represents prepaid rental and rental deposits under sublease service model.

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

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 RMB'000	2020 RMB'000
Current assets		
Investment in listed bonds	1,990	1,990
Wealth management investments	–	185,920
	1,990	187,910

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. At the end of the reporting period, the fair value of the bonds approximated to the purchase amount of RMB1,990,000.

The wealth management investments represented contracts with a company engaged in asset management business and a bank in the PRC. The principals of RMB185,000,000 as at 31 December 2020 were unsecured and unguaranteed and the expected range of returns for these products are predetermined. In the opinion of the directors of the Group, the fair values of the wealth management investments as at 31 December 2020 were RMB185,920,000, including fair value changes of RMB920,000 during the year ended 31 December 2020. The wealth management investments would mature within twelve months from the date of purchase and classified as current assets at the end of the reporting period. During 31 December 2021, the wealth management investments has matured and fully settled.

21. BANK BALANCES AND CASH/SHORT-TERM BANK DEPOSITS/RESTRICTED BANK BALANCES

Bank balances held by the Group are with maturity of three months or less and carry interest at prevailing market rates ranging from 0.3% to 1% (2020: 0.01% to 2.1%) per annum at 31 December 2021.

The short-term bank deposits carry prevailing market interest rates ranging from 1.55% to 3.90% (2020: Nil) per annum.

Restricted bank deposits carry prevailing market interest rates ranging from 1.69% to 3.20% (2020: Nil) per annum.

All of the Group's bank balances, restricted bank balances and cash and short-term bank deposits are denominated in RMB and Hong Kong Dollars.

22. TRADE AND OTHER PAYABLES

	2021 RMB'000	2020 RMB'000
Trade and other payables		
– Trade payables	24,493	20,180
– Other payables	147,460	150,053
	171,953	170,233

	2021 RMB'000	2020 RMB'000
Trade payables		
Contracts with suppliers		
– Third parties	22,481	16,598
– Related parties (note)	2,012	3,582
	24,493	20,180

Note: The related parties are companies under the 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:

	2021 RMB'000	2020 RMB'000
0 – 30 days	21,375	15,078
31 – 60 days	1,968	3,711
61 – 90 days	636	555
Over 90 days	514	836
	24,493	20,180

	2021 RMB'000	2020 RMB'000
Other payables		
Receipts on behalf of tenants (note (i))	73,017	95,382
Deposits received (note (ii))	29,239	18,071
Salary payables	32,237	22,162
Accruals	6,239	2,181
Accrued listing expenses (note (iii))	646	7,364
Accrued issue costs (note (iii))	–	1,756
Other tax payables	6,082	3,137
	147,460	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.

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:

	2021 RMB'000	2020 RMB'000
Deferred tax assets	9,279	6,338
Deferred tax liabilities	–	(696)
	9,279	5,642

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 2020	(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
Credit to profit or loss	466	2,573	368	230	3,637
At 31 December 2021	–	4,709	4,570	–	9,279

As at 31 December 2021, the Group had the unrecognised tax losses of RMB12,275,000 which were related to a subsidiary operating continuously and no deferred tax assets were recognised due to the unpredictability of its future profit stream. As at 31 December 2020, the Group has no unused tax losses.

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 2021, the accumulated profits of the PRC subsidiaries of the Group are RMB361,774,000 (2020: RMB139,259,000).

24. LEASE LIABILITIES

	2021 RMB'000	2020 RMB'000
Lease liabilities:		
Within one year	5,373	4,684
More than one year but less than two years	2,297	5,373
More than two years but less than five years	8,818	7,832
More than five years	52,239	55,522
	68,727	73,411
Minimum lease payment due:		
Within one year	9,018	8,605
More than one year but less than two years	5,721	9,018
More than two years but less than five years	18,215	17,684
More than five years	67,520	73,772
	100,474	109,079
Less: future finance charge	(31,747)	(35,668)
Present value of lease liabilities	68,727	73,411

	2021 RMB'000	2020 RMB'000
Current	5,373	4,684
Non-current	63,354	68,727
	68,727	73,411

All lease liabilities as at 31 December 2021 and 2020 were due to related parties of the Group.

The incremental borrowing rates applied to lease liabilities range from 5.64% to 5.7% (2020: 5.64% to 5.7%) per annum during the year ended 31 December 2021.

25. CONTRACT LIABILITIES

	2021 RMB'000	2020 RMB'000
Market positioning and design and construction consultancy services	4,400	3,373
Value-added services (note)	6,978	9
	11,378	3,382

As at 1 January 2020, contract liabilities amounted to RMB9,017,000.

Note: Included in the balance, 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.

Included in the balance of contract liabilities as at 31 December 2021, an amount of RMB1,887,000 was from a joint venture.

For the contract liabilities as at 1 January 2021 and 2020, the entire balances were recognised as revenue in the profit or loss during the years ended 31 December 2021 and 2020 respectively.

26. SHARE CAPITAL

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

	Number of shares	Share capital HK$'000	Share capital RMB'000
Ordinary shares of HK$0.01 each			
Authorised			
At 1 January 2020 and 31 December 2020	38,000,000	380	340
Increase	1,962,000,000	19,620	16,415
At 31 December 2021	2,000,000,000	20,000	16,755
Issued and fully paid			
1 January 2020 and 31 December 2020	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
Repurchase and cancellation of shares (note (iv))	(601,000)	(6)	(5)
At 31 December 2021	**1,020,039,000**	**10,200**	**8,533**

^ *Less than HK$1,000*

* *Less than RMB1,000*

Notes:

(i) Pursuant to the resolutions of the Company's shareholders passed on 21 December 2020, the Company allotted and issued a total of 749,999,000 shares by way of capitalisation of the sum of HK$7.5 millions standing to the credit of the share premium account of the Company (the "**Capitalisation Issue**"), credited as fully paid at par to the shareholders as appearing on the register of members of the Company on 26 January 2021.

(ii) On 26 January 2021, the Company issued 250,000,000 ordinary shares of HK$0.01 each pursuant to the global offering of the shares of the Company at the price of HK$3.86 per share for a total gross cash consideration of approximately HK$928.8 millions (equivalent to approximately RMB777.0 millions) and the Company's shares were listed on the Stock Exchange on the same date. The shares allotted and issued rank pari passu with the existing shares in all respects.

(iii) On 18 February 2021, the over-allotment option was fully exercised and the Company issued additional 20,640,000 ordinary shares at the price of HK$3.86 per share for a total gross cash consideration of approximately HK$77.8 millions (equivalent to approximately RMB64.8 million) on 23 February 2021. The shares allotted and issued rank pari passu with the existing shares in all respects.

(iv) During the year, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares of HK$0.01 each	Price per share Lowest HK$	Price per share Highest HK$	Aggregate consideration paid HK$000	Aggregate consideration paid RMB'000
August 2021	601,000	3.89	4.20	2,440	2,032

The above ordinary shares were cancelled upon repurchase.

27. SHARE INCENTIVE SCHEME

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

Without prior approval from the Group's shareholders, (i) the total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the Shares in issue on which trading of the share commences on the Stock Exchange; (ii) the number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any twelve-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time; and (iii) options in excess of 0.1% of the total number of shares of the Company in issue and with a value in excess of HK$5 million may not be granted to substantial shareholders or independent non-executive directors or any of their respective associates, in the twelve-month period up to and including the date of such grant.

Options are exercisable over the vesting periods to be determined by the board of directors of the Company, but in no case after the tenth anniversary of the date of grant. The exercise price is determined by the board of directors of the Company, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

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 board of directors of the Company 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 options. No minimum period for which the Option has to be held before it can be exercised is specified in the Share Option Scheme.

During the year ended 31 December 2021 and 2020, no options have been granted.

27. SHARE INCENTIVE SCHEME *(Continued)*

Restricted Share Unit Scheme

The Company adopted the Restricted Share Unit Scheme ("**RSU Scheme**") on 4 November 2021 ("**Adoption Date**"). The objective of the RSU Scheme is to recognise the contributions by certain persons, including directors, senior management and employees of the Group determined by the board of directors of the Company (the "**Eligible Participants**") and to provide incentives to recognise and acknowledge the their contributions and reward the eligible participants who have achieved outstanding performance. The RSU Scheme became effective on 4 November 2021 and, unless otherwise terminated or amended, will remain in force for 10 years.

Without prior approval from the Group's shareholders, (i) the total number of shares in respect of which restricted share unit ("**RSUs**") may be granted under the RSU Scheme may not exceed 5% of the issued share capital of the Company as at Adoption Date; and (ii) the number of share awarded to each Eligible Participants under the RSU Scheme shall not exceed 1% of the issued share capital of the Company as at the Adoption Date. Such 5% scheme limit and 1% individual limit are applicable throughout the ten years term of the RSU Scheme, with no annual limit contemplated.

The board of directors of the Company may, from time to time and at its sole discretion, choose the Eligible Participants to participate in the RSU Scheme and determine the number of RSUs to be awarded with any conditions, restrictions or limitations before the award of RSUs could be vested as it thinks fit, such as vesting date and conditions of the RSUs.

Existing shares may be purchased or new shares may be subscribed to satisfy the RSUs upon vesting and such Shares shall be transferred or the cash amount referable to such Shares shall be paid to the grantee when such RSUs are vested with the grantee in accordance with the RSU Scheme Rules and the conditions of the award of such RSUs (if any).

The board of directors of the Company will issue a grant letter setting out, among others, the number, vesting conditions (if any) and vesting date of the RSUs to an Eligible Participant to be granted. The Eligible Participant may accept the grant of the award of RSUs in such manner as set out in the grant letter. Upon acceptance, the Eligible Participant becomes a grantee in the RSU Scheme. Grantee shall be entitled to receive the RSUs or cash amount referable to the RSUs upon satisfaction of the vesting conditions set out in the grant letter.

The Company has purchased 1,342,000 shares for RSU Scheme during the year ended 31 December 2021.

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 Group also operates a MPF Schemes for all its qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. Under the rule of the MPF Schemes, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules.

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 10) 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

	2021 **RMB'000**	2020 RMB'000
Financial assets at amortised cost	**1,328,209**	170,718
Financial assets at FVTPL	**1,990**	187,910
Financial liabilities at amortised cost	**129,097**	149,815

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, finance lease receivables, loan to a joint venture, restricted bank balances, short-term bank deposits, trade and other payables, amounts due from/to related parties and lease liabilities. 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 and short-term bank deposits as at 31 December 2021 and 2020. Details of the lease liabilities and short-term bank deposits are set out in Notes 24 and 21 respectively.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances as at 31 December 2021 and 2020. 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, loan to a joint venture, bank balances, restricted bank balances, short-term bank deposits 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 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 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 in respect of contracts with customers at amortised cost, the Group applies internal credit rating for each of its trade debtors, which are primarily the owners of the 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.

The ECL loss rate 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 properties 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 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 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 2021 (2020: not more than 1%). 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.

Loan to a joint venture

The directors review the recoverable amount at the end of reporting period to ensure that adequate impairment losses under ECL model are made for irrecoverable amounts.

Bank balances, restricted bank balances and short-term bank deposits

Credit risk on bank balances, restricted bank balances and short-term bank deposits are 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, restricted bank balances and short-term bank deposits 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, restricted bank balances and short-term bank deposits are considered to be 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 been past-due or has been past-due but frequently repaid after due dates and usually settled 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 have been significant increases 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 2021 Gross carrying amounts RMB'000	As at 31 December 2020 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)	4,489	3,318
		N/A	Watch list	Lifetime ECL (not credit-impaired)	8,864	2,894
		N/A	Doubtful	Lifetime ECL (not credit-impaired)	9,567	15,996
		N/A	Loss	Lifetime ECL (credit-impaired)	24,606	9,095
Other receivables and deposits	19	N/A	Low risk	12m ECL (not credit-impaired)	12,122	3,543
Amounts due from related parties	31	N/A	Low risk	12m ECL (not credit-impaired)	1,387	2,305
Bank balances	21	A3-Aa3	N/A	12m ECL (not credit-impaired)	446,349	141,660
Restricted bank balances	21	A3	N/A	12m ECL (not credit-impaired)	10,000	–
Short-term bank deposits	21	A3-Aa3	N/A	12m ECL (not credit-impaired)	814,212	–
Loan to a joint venture	18	N/A	Low risk	12m ECL (not credit-impaired)	15,000	–
Other items						
Finance lease receivables	17	N/A	Low risk	Lifetime ECL (not credit-impaired)	7,188	8,121
Operating lease receivables	19	N/A	Low risk	Lifetime ECL (not credit-impaired)	–	1,863

30. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment *(Continued)*

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its customers. The following table provides information about the exposure to credit risk for trade receivables.

Gross carrying amount

	2021		2020	
	Average loss rate RMB'000	**Trade receivables RMB'000**	**Average loss rate** RMB'000	**Trade receivables** RMB'000
Low risk	**6%**	**4,489**	2%	3,318
Watch list	**8%**	**8,864**	3%	2,894
Doubtful	**25%**	**9,567**	7%	15,996

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

The following table shows the movement in lifetime ECL that has been recognised for 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 2020	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
Changes due to financial instruments recognised as at 1 January 2021:			
– Impairment losses reversed	**(541)**	**(2,880)**	**(3,421)**
New financial assets originated	**3,963**	**9,752**	**13,715**
At 31 December 2021	**4,824**	**13,563**	**18,387**

As at 31 December 2021, the allowance of credit loss for finance lease receivables is RMB449,000 (2020: RMB449,000).

During the year ended 31 December 2021, the Group recognised an impairment loss of RMB13,715,000 (2020: RMB3,693,000) and a reversal of impairment loss of RMB3,421,000 (2020: RMB5,000) for trade receivables in respect of contracts with customers and no impairment loss is recognised (2020: reversal of impairment loss of RMB36,000) for lease receivables.

30. FINANCIAL INSTRUMENTS *(Continued)*

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

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.

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 interest rate	On demand or with in 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 2021								
Trade payables	N/A	23,979	514	–	–	–	24,493	24,493
Other payables	N/A	103,535	–	–	–	–	103,535	103,535
Amounts due to related parties	N/A	831	107	100	31	–	1,069	1,069
		128,345	621	100	31	–	129,097	129,097
Lease liabilities	5.64	2,207	6,811	5,721	18,215	67,520	100,474	68,727
As at 31 December 2020								
Trade payables	N/A	20,180	–	–	–	–	20,180	20,180
Other payables	N/A	124,754	–	–	–	–	124,754	124,754
Amounts due to related parties	N/A	4,881	–	–	–	–	4,881	4,881
		149,815	–	–	–	–	149,815	149,815
Lease liabilities	5.64	2,107	6,498	9,018	17,684	73,772	109,079	73,411

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.

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).

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 *(Continued)*

Financial assets	Fair value at 31 December 2021	Fair value at 31 December 2020	Fair hierarchy	Valuation technique value and key impacts
Financial assets at FVTPL	N/A	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 year.

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	2021 RMB'000	2020 RMB'000
Fellow subsidiaries (note)	1,387	2,305

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

The entire balance of amount due from related parties are non-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)*

(ii) Amounts due to related parties

	2021 RMB'000	2020 RMB'000
Fellow subsidiaries (note (i))	1,069	3,442
A director of the Company (note (ii))	–	1,439
	1,069	4,881

Notes:

(i) The related parties are companies under common control of 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. The amount has no fixed repayment term and it was settled during the year ended 31 December 2021.

(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 the common control of the Ultimate Controlling Shareholder and a joint venture.

	2021 RMB'000	2020 RMB'000
Related parties		
Revenue:		
– Commercial property operational and related services (note (i))	157,188	118,120
– Tenant management services (note (ii))	10,787	7,962
Expense:		
– Property management and related services (note (iii))	6,711	62,221
– Interest expenses on lease liabilities (note (iv))	3,869	4,145
A joint venture		
Revenue:		
– Commercial property operational and related services (note (i))	1,077	–

Notes:

(i) This category includes market positioning, design and 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 RMB8,553,000 (2020: RMB6,798,000) were made for the year ended 31 December 2021. Included in the lease repayments there were interests paid of RMB3,869,000 (2020: RMB4,145,000) for the year ended 31 December 2021.

Under the entrusted management service model, the Group has used three offices in the shopping centers for free owned by fellow subsidiaries, during both years.

31. RELATED PARTY DISCLOSURES *(Continued)*

(b) Related parties transactions *(Continued)*

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:

	2021 RMB'000	2020 RMB'000
Salaries and other benefits	10,176	7,311
Performance related bonuses	2,351	2,485
Retirement benefits schemes contributions	278	196
	12,805	9,992

The remuneration of directors and key executives is determined having regard to the performance of individuals and market trends. The remuneration of directors for the year ended 31 December 2021 and 2020 as set in note 11.

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 2020	9,138	–	68,619	–	77,757
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	3,366	–	–	–	3,366
At 31 December 2020	9,120	–	73,411	1,439	83,970
Financing cash flows (note)	(50,060)	(50,574)	(8,553)	(1,439)	(110,626)
Finance costs	–	–	3,869	–	3,869
Dividend declared (note 13)	–	50,574	–	–	50,574
Issue costs accrued	41,586	–	–	–	41,586
At 31 December 2021	646	–	68,727	–	69,373

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. CAPITAL COMMITMENTS

	2021 RMB'000	2020 RMB'000
Capital expenditure in respect of acquisition of property and equipment contracted for but not provided in the consolidated financial statements	30,153	–

34. 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 2021			As at 31 December 2020				
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 2020	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%	100%	N/A	100%	Commercial property operational services	(f)
星盛深南(廈門)商業管理有限公司 Xingsheng Shennan (Xiamen) Commercial Management Co., Ltd ("**Xingsheng Shennan**")	The PRC/ 1 August 2021	Xiamen	RMB10,000,000	70%	N/A	70%	N/A	N/A	N/A	Commercial property operational services	(f)

34. 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 the BVI in the form of a limited liability company.

(e) This company was incorporated 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.

35. 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		(Loss)/profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2021	2020	2021	2020	2021	2020
Shanghai Xinglian and its subsidiary	Shanghai and Nanchang, the PRC	59%	59%	(611)	747	2,892	3,503
Xingsheng Shennan	Xiamen, the PRC	30%	N/A	(391)	N/A	14,609	N/A

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.

35. DETAILS OF A NON-WHOLLY OWNED SUBSIDIARY THAT HAS MATERIAL NON-CONTROLLING INTERESTS *(Continued)*

Shanghai Xinglian and its subsidiaries

	2021 RMB'000	2020 RMB'000
Non-current assets	200	–
Current assets	7,691	5,988
Current liabilities	2,989	51
Equity attributable to owners of the Company	2,010	2,434
Non-controlling interests of Shanghai Xinglian	2,892	3,503
Revenue	3,543	6,635
Expenses	(4,578)	(5,368)
(Loss) profit for the year	(1,035)	1,267
(Loss) profit and total comprehensive (expense) income for the year attributable to:		
– Owners of the Company	(424)	520
– Non-controlling interests of Shanghai Xinglian	(611)	747
	(1,035)	1,267
Net cash inflow (outflow) from operating activities	2,366	(3,077)

Xingsheng Shennan

	2021 RMB'000
Current assets	49,130
Current liabilities	434
Equity attributable to owners of the Company	34,087
Non-controlling interests of Xingsheng Shennan	14,609
Revenue	–
Expenses	(1,304)
Loss for the year	(1,304)
Loss and total comprehensive expense for the year attributable to:	
– Owners of the Company	(913)
– Non-controlling interests of Xingsheng Shennan	(391)
	(1,304)
Net cash outflow from operating activities	(1,339)
Net cash inflow from financing activities	50,000
Net cash inflow	48,661

36. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2021 RMB'000	2020 RMB'000
Non-current assets		
Investment in a subsidiary	–*	–*
Amounts due from subsidiaries	535,012	–
	535,012	–
Current assets		
Other receivables	1,774	7,378
Bank balances and cash	224,327	614
	226,101	7,992
Current liabilities		
Other payables	3,277	9,121
Amounts due to subsidiaries	38,170	28,014
	41,447	37,135
Net current assets (liabilities)	184,654	(29,143)
Total assets less current liabilities	719,666	(29,143)
Capital and reserves		
Share capital	8,533	–*
Reserves	711,133	(29,143)
	719,666	(29,143)

* *Less than RMB1,000*

Movement in the Company's reserves

	Share premium RMB'000	Shares redemption reserve RMB'000	Accumulated losses RMB'000	Share held for share award scheme RMB'000	Total RMB'000
At 1 January 2019	–	–	(13,718)	–	(13,718)
Loss and total comprehensive expense for the year	–	–	(15,425)	–	(15,425)
At 31 December 2020	–	–	(29,143)	–	(29,143)
Loss and total comprehensive expense for the year	–	–	(27,663)	–	(27,663)
Capitalisation issue (Note 26)	(6,275)	–	–	–	(6,275)
Issuance of shares upon listing (Note 26)	805,193	–	–	–	805,193
Issuance of shares upon exercise of over-allotment options (Note 26)	66,186	–	–	–	66,186
Transaction costs attributable to issuance of shares	(40,627)	–	–	–	(40,627)
Dividends recognised as distributions	(50,574)	–	–	–	(50,574)
Repurchase of shares under share award scheme	–	–	–	(3,937)	(3,937)
Repurchase and cancellation of shares	(2,032)	5	–	–	(2,027)
At 31 December 2021	771,871	5	(56,806)	(3,937)	711,133

37. OPERATING LEASING ARRANGEMENTS

The Group as lessor

As at 31 December 2021, all of the properties held for rental purposes have committed lessees for the next 1 to 10 years (2020: 1 to 11 years).

Minimum lease payments receivable on leases are as follows:

	2021 RMB'000	2020 RMB'000
Within one year	10,714	11,858
In the second year	6,956	7,908
In the third year	3,475	5,538
In the fourth year	1,555	3,235
In the fifth year	993	1,569
After five years	4,621	5,615
	28,314	35,723

FIVE-YEAR FINANCIAL SUMMARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December				
	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
Assets					
Non-current assets	**112,029**	72,208	69,824	65,321	80,049
Current assets	**1,320,317**	368,972	225,509	392,189	268,186
Total assets	**1,432,346**	441,180	295,333	457,510	348,235
EQUITY AND LIABILITIES					
Total equity	**1,138,649**	163,255	35,669	218,607	140,812
Liabilities					
Non-current liabilities	**63,354**	69,423	67,582	56,695	58,798
Current liabilities	**230,343**	208,502	192,082	182,208	148,625
Total liabilities	**293,697**	277,925	259,664	238,903	207,423
Total equity and liabilities	**1,432,346**	441,180	295,333	457,510	348,235

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December				
	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
Continuing operations:					
Revenue	**572,209**	441,953	387,314	328,694	278,067
Cost of services	**(241,777)**	(193,318)	(186,711)	(158,712)	(139,341)
Gross profit	**330,432**	248,635	200,603	169,982	138,726
Other income	**31,141**	11,582	18,807	13,512	10,023
Other gains and losses	**(5,147)**	825	5,040	48	(25)
Impairment losses under expected credit loss model, net of reversal	**(10,294)**	(3,652)	(4,245)	–	(2,288)
Selling expenses	**(8,468)**	(5,663)	(5,321)	(5,592)	(7,834)
Administrative expenses	**(71,141)**	(56,775)	(69,074)	(60,971)	(67,946)
Finance costs	**(3,869)**	(4,145)	(3,150)	(3,261)	(3,323)
Listing expenses	**(8,281)**	(15,672)	(13,718)	–	–
Share of result of a joint venture	**(1,977)**	–	–	–	–
Profit before tax	**252,396**	175,135	128,942	113,718	67,333
Income tax expense	**(68,474)**	(47,549)	(33,342)	(28,660)	(16,909)
Profit and total comprehensive income for the year from continuing operations	**183,922**	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	**183,922**	127,586	95,600	77,795	47,940
Profit (loss) for the year/period attributable to owners of the Company					
– Continuing operations	**184,924**	126,839	84,632	73,367	43,203
– Discontinued operation	**–**	–	–	(7,117)	(2,286)
	184,924	126,839	84,632	66,250	40,917
Profit (loss) for the year/period attributable to non-controlling interests					
– Continuing operations	**(1,002)**	747	10,968	11,691	7,221
– Discontinued operation	**–**	–	–	(146)	(198)
	(1,002)	747	10,968	11,545	7,023
	183,922	127,586	95,600	77,795	47,940

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