



星盛商業
E-STAR COMMERCIAL

星盛商業管理股份有限公司

E-STAR COMMERCIAL MANAGEMENT COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6668

INTERIM REPORT 2023



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Huang De-Lin Benny (*Chairman*)
Mr. Tao Muming (*Chief Executive Officer*)
(*resigned on 14 April 2023*)
Mr. Chen Qunsheng (*Chief Executive Officer*)
(*appointed on 16 June 2023*)
Ms. Li Li (*appointed on 14 April 2023*)
Ms. Wen Yi (*resigned on 14 April 2023*)
Mr. Ma Chaoqun (*appointed on 16 June 2023*)

Non-executive Directors

Mr. Guo Limin (*resigned on 14 April 2023*)
Mr. Liu Jun (*appointed on 14 April 2023*)
Mr. Huang De'An Tony

Independent non-executive Directors

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

COMMITTEES

Audit Committee

Mr. Tse Yat Hong (*Chairman*)
Mr. Guo Limin (*resigned on 14 April 2023*)
Mr. Liu Jun (*appointed on 14 April 2023*)
Mr. Guo Zengli

Remuneration Committee

Mr. Guo Zengli (*Chairman*)
Mr. Guo Limin (*resigned on 14 April 2023*)
Mr. Liu Jun (*appointed on 14 April 2023*)
Mr. Tse Yat Hong

Nomination Committee

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

AUTHORISED REPRESENTATIVES

Ms. Wen Yi (*resigned on 14 April 2023*)
Mr. Huang De-Lin Benny (*appointed on 14 April 2023*)
Ms. Xu Jing

COMPANY SECRETARY

Ms. Xu Jing

INDEPENDENT AUDITOR

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

REGISTERED OFFICE

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George Town
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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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Guangdong Province
PRC

PRINCIPAL SHARE REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKS

Bank of China Limited
China CITIC Bank Corporation Limited
Industrial and Commercial Bank of China Limited

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 (*resigned on 30 April 2023*)
18th Floor, Two Exchange Square
8 Connaught Place
Central
Hong Kong

COMPANY'S HONG KONG LEGAL ADVISOR

Jia Yuan Law Office

COMPANY'S WEBSITE

www.g-cre.com

MANAGEMENT DISCUSSION & ANALYSIS

OVERVIEW

E-Star Commercial Management Company Limited (“**E-Star**” or the “**Company**”) and its subsidiaries (the (“**Group**”)) is a leading commercial property operational service provider in the Greater Bay Area with a national presence. As of 30 June 2023, the Group provided services for 58 commercial property projects located in 22 cities in China, with an aggregate contracted gross floor area (“**GFA**”) of approximately 2.95 million square meters (“**sq.m.**”) (excluding the GFA under 10 consultancy services projects), approximately 50.2% of which was developed or owned by independent third parties. Among them, 23 retail commercial properties have been opened with an aggregate opened GFA of approximately 1.41 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.

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.

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS REVIEW *(Continued)*

Entrusted management service model

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

- **Services:** The Group provides (i) positioning, construction consultancy and tenant sourcing services; (ii) operational management services; and (iii) value-added services.
- **Customers:** The Group's customers include (i) property owners; (ii) tenants; and (iii) relevant customers in respect of value-added services.
- **Revenue sources:** The Group's revenue sources include (i) fixed fees for positioning, construction consultancy and tenant sourcing services from property owners; (ii) a pre-agreed percentage of the revenue or profit, and/or a fixed fee, for operational management services from property owners; (iii) management fees for operational management services from tenants; and (iv) common area use fees for value-added services from relevant customers.
- **Cost structure:** The Group bears the operating costs of managing the commercial property.

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

Brand and management output service model

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

- **Services:** The Group's services include (i) positioning, construction consultancy and tenant sourcing services; and (ii) operational management services.
- **Customers:** The Group's customers only include property owners.
- **Revenue sources:** The Group's revenue sources include (i) fixed fees for positioning, construction consultancy and tenant sourcing services from property owners; and (ii) a pre-agreed percentage of the revenue and/or profit, and/or a fixed fee, for operational management services from property owners.
- **Cost structure:** The Group only bears its staff costs related to the projects, a portion of which will be reimbursed by the property owners, and the property owners bear the operating costs of managing the commercial properties.

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

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS REVIEW *(Continued)*

Sublease service model

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

- **Services:** The Group's services include (i) property leasing services; (ii) operational management services; and (iii) value-added services.
- **Customers:** The Group's customers include (i) tenants; and (ii) relevant customers in respect of value-added services.
- **Revenue sources:** The Group's revenue sources include (i) rent from tenants; (ii) management fees for operational management services from tenants; and (iii) common area use fees for value-added services from relevant customers.
- **Cost structure:** The Group bears the operating costs of managing the commercial properties and pays rent to the property owner periodically.

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

The table below sets forth new projects in relation to which commercial operation service contracts were entered into by the Group during the six months ended 30 June 2023:

Commercial property	Location	Property owner	Operational model	Date of contract	Shopping mall ('000 sq.m.)	Car park ('000 sq.m.)	Total GFA in operation ('000 sq.m.)
Galaxy Holding Group Co., Ltd. ("Galaxy Holding") and its associates							
1. Commercial facilities of Shenzhen Galaxy WORLD Industrial Park	Shenzhen	Galaxy Holding and its associates	Brand and management output service	April 2023	7	-	7
2. Shanghai COSTCO	Shanghai	Galaxy Holding and its associates	Brand and management output service	April 2023	5	-	5
					12	-	12

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS REVIEW (Continued)

Sublease service model (Continued)

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

Operational model	As of 30 June 2023		As of 31 December 2022	
	Number of properties	Contracted GFA ('000 sq.m.)	Number of properties	Contracted GFA ('000 sq.m.)
Entrusted management services ⁽¹⁾	13	960	13	965
Brand and management output services ⁽²⁾⁽³⁾⁽⁴⁾	38	1,574	45	2,323
Sublease services	7	412	7	412
Total	58	2,946	65	3,700

Notes:

- (1) In the first half of 2023, Shenzhen Longhua Galaxy COCO Garden (深圳龍華星河COCO Garden) reduced the contract area by 6,938 sq.m. due to some external sales by the landlord, and Guangzhou Nansha Galaxy COCO Park (廣州南沙星河COCO Park) increased the contract area by 1,490 sq.m.
- (2) Contracted GFA as of 30 June 2023 and 31 December 2022 excluded the GFA of 10 and 13 consultancy service projects, respectively. The decrease of 3 consultancy service projects was primarily due to completion in the provision of consultancy services.
- (3) In the first half of 2023, the Company adjusted its strategy in a timely manner with changes in the real estate industry. Conducting an in-depth survey on all projects and based on comprehensive assessment from the perspective of its interests as a whole, the Company took the initiative to negotiate with the owners of 5 projects (i.e. Puning Galaxy COCO City (普寧星河COCO City), Shanwei Galaxy COCO City (汕尾星河COCO City), Foshan Changhua Galaxy COCO City (佛山長華星河COCO City), Shenzhen Longgang Galaxy iCO (深圳龍崗星河iCO) and Guannan Hengji Galaxy COCO City (灌南恒基星河COCO City)) and completed the rescission of contracts. Focusing more resources on the development and improvement of quality projects will facilitate the Company's high-quality and sustainable development.
- (4) In the first half of 2023, the contract in relation to Shenzhen Longgang Galaxy COCO Garden (深圳龍崗星河COCO Garden) was terminated due to external sales of the property by the landlord.

Projects in Operation

The table below sets forth the opened retail commercial property projects of the Group as at 30 June 2023:

Commercial property	Location	Opening date (Month-Year)	Shopping		Total GFA in operation (sq.m.)	Operational model	Property owner
			Mall (sq.m.)	Car Park (sq.m.)			
1. Shenzhen Futian Galaxy COCO Park (North) (深圳福田星河COCO Park(北區))	Shenzhen	September 2006	45,987	21,658	67,645	Entrusted management service	Galaxy Holding and its associates
2. Shenzhen Galaxy Top Living (深圳星河第三空間)	Shenzhen	May 2007	27,988	-	27,988	Entrusted management service	Galaxy Holding and its associates
3. Shenzhen Longgang Galaxy COCO Park (深圳龍崗星河COCO Park)	Shenzhen	September 2012	79,506	94,871	174,377	Entrusted management service	Galaxy Holding and its associates
4. Shenzhen Longhua Galaxy COCO City (深圳龍華星河COCO City)	Shenzhen	November 2014	45,182	123,222	168,404	Entrusted management service	Galaxy Holding and its associates
5. Shenzhen Galaxy WORLD • COCO Park (深圳星河WORLD • COCO Park)	Shenzhen	September 2018	39,721	-	39,721	Entrusted management service	Galaxy Holding and its associates

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS REVIEW (Continued)

Projects in Operation (Continued)

Commercial property	Location	Opening date (Month-Year)	Shopping		Total GFA in operation		Operational model	Property owner
			Mall (sq.m.)	Car Park (sq.m.)				
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 (常州星河國際三期)	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. Ordos Galaxy COCO City (鄂爾多斯星河COCO City)	Ordos	October 2017	81,522	-	81,522	Brand and management output service	Independent Third Party property developers	
12. 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	
13. 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	
14. Shenzhen Longhua Galaxy COCO Garden (深圳龍華星河COCO Garden)	Shenzhen	August 2020	10,378	-	10,378	Entrusted management services	Galaxy Holding and its associates	
15. 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	
16. Zhongshan Tianyi Galaxy COCO City (中山天奕星河COCO City)	Zhongshan	November 2020	86,938	64,790	151,728	Brand and management output service	Independent Third Party property developers	
17. 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	
18. Enshi Galaxy COCO City (恩施星河COCO City)	Enshi	May 2022	91,000	51,000	142,000	Brand and management output service	Independent Third Party property developers	
19. Jiaxing Galaxy COCO City (嘉興星河COCO City)	Jiaxing	July 2022	81,504	-	81,504	Sublease service	Independent Third Party property developers	
20. Guangzhou Nansha Dachong COCO Garden (廣州南沙大涌COCO Garden)	Guangzhou	October 2022	18,029	-	18,029	Brand and management output service	Galaxy Holding and its associates	
21. Asian Financial Center (亞洲金融中心)	Guangzhou	November 2022	31,301	938	32,239	Brand and management output service	Galaxy Holding and its associates	
22. Commercial facilities of Shenzhen Galaxy WORLD Industrial Park (深圳星河WORLD產業園底商)	Shenzhen	April 2023	7,515	-	7,515	Brand and management output service	Galaxy Holding and its associates	
23. Xiamen Galaxy COCO Park (廈門星河COCO Park)	Xiamen	May 2023	73,507	28,834	102,341	Sublease service	Independent Third Party property developers	
Total			1,013,750	394,448	1,408,198			

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS REVIEW (Continued)

Projects in Operation (Continued)

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

Region	As at/for the period ended 30 June 2023				As at/for the period ended 30 June 2022			
	Contracted				Contracted			
	No. of properties	GFA sq.m.	Revenue RMB	%	No. of properties	GFA sq.m.	Revenue RMB	%
<i>(in thousands, except for numbers of properties and percentages)</i>								
Greater Bay Area ⁽¹⁾	36	1,594	231,835	80.4	59	1,671	213,091	82.1
– Shenzhen	19	783	211,360	73.3	22	845	194,783	75.0
Yangtze River Delta ⁽²⁾	9	418	34,671	12.0	10	599	18,170	7.0
Central China region ⁽³⁾	2	142	4,497	1.6	4	413	10,229	3.9
Other regions ⁽⁴⁾	11	792	17,484	6.0	19	1,513	18,096	7.0
Total⁽⁵⁾	58	2,946	288,487	100.0	92	4,196	259,586	100.0

Notes:

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

⁽²⁾ Include Shanghai, Nanjing, Changzhou, Wuxi, Jiaying, Lianyungang and Lu'an.

⁽³⁾ Include Nanchang, Enshi, Changsha and Wuhan.

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

⁽⁵⁾ Contracted GFA as of 30 June 2023 and 30 June 2022 excluded the GFA of 10 and 36 consultancy service projects, respectively.

The table below sets forth average occupancy rate and GFA in operation of retail commercial property that have commenced operation as at 30 June 2023:

Product category	Average occupancy rate ⁽¹⁾		Area of shopping centers in operation as at 30 June 2023 ⁽²⁾ (‘000 sq.m.)
	30 June 2023 %	30 June 2022 %	
COCO Park	96.6	95.9	282
COCO City and iCO	92.2	91.0	484
Others	92.4	94.6	248
Total	93.5	92.3	1,014

Notes:

⁽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 area.

MANAGEMENT DISCUSSION & ANALYSIS

WORK PLAN FOR THE SECOND HALF OF THE YEAR

In 2023, for the building of the “operating year”, the Group will focus on the dual improvement of quality and efficiency, in order to achieve the high-quality development of the Group. As such, the Group has formulated a core work strategy of “one major event – conducting the opening, two focuses - strategic focus and regional focus, and three optimisations - optimising the core assets, optimising the mode of expansion, and optimising the organizational capability”, adhered to high-quality development, and mainly worked in the following several aspects:

I. Ensuring high quality opening of projects

On 10 May 2023, Xiamen Galaxy COCO Park (廈門星河COCO Park) was grandly opened to operate, kicking off the opening of the Group’s new projects with excellent performance. The Group will continue the working mechanism of “ensuring the opening” through collaboration in three levels and plans to complete the grand openings of 5 to 7 new projects in 2023.

Starting from preliminary services such as project positioning, design consultation and engineering consultation, the Group will ensure the novelty of project design and the rationality of project layout from the source, laying a foundation for the improvement of subsequent operation efficiency. It will also adhere to the strategy of “one policy for one store” to realize the “local operation” of the project, carry out precise tenant sourcing positioning work, and finally achieve the quality opening of the preparatory project.

II. Insisting on high-quality expansion

Taking into account cities’ commercial charm ranking, the Company’s management radius and strategic layout and other dimensions, the Group will do a good job of regional focus, deeply cultivate business in the Greater Bay Area, and actively expand business in the Yangtze River Delta.

The Group adheres to its own circle of competence, emphasizes quality rather than quantity, and chooses the operation mode it excels in and the suitable development area, so as to form a development mode with characteristics of E-star Commercial.

III. Insisting on creation of high-quality products

The Group will uphold the concept of seeking common ground while making differences and innovating amidst the differences to build the ability to truly create product lines and scenarios. On one hand, it will focus on the commercial scenarios and match the spatial design for each product line, and on the other hand, it will optimise the product’s featured design configurations and create exclusive commercial characteristics, so as to continue to build the moat of products and achieve a development that “one project will be successful should it commence and the next will be better than the last”.

The Group will also focus on creating brand benchmark and consolidate the existing benchmark Shenzhen Futian Galaxy COCO Park (深圳福田星河COCO Park) to occupy the benchmark position of “Mecca of Trend” in the hearts of young people in Shenzhen. It will create a new benchmark Shenzhen Galaxy WORLD•COCO Park (深圳星河WORLD•COCO Park), which will create a fully ecological complex and kick off the light tourism and roaming center of the city, thereby continuing to help enhance the influence of the Galaxy brand.

MANAGEMENT DISCUSSION & ANALYSIS

WORK PLAN FOR THE SECOND HALF OF THE YEAR *(Continued)*

IV. Insisting on high-quality and refined operations

The Group has always insisted on its operation for a long run. In the second half of the year, the Group will continue to accurately lay out its tenant sourcing and operation strategy of “one policy for one store”, strengthen its refined operation and management, build an intelligent retail management system, and continue to enhance the profitability and asset value of its projects in multiple dimensions.

1. Many measures to stabilize and support business will be carried out to improve the occupancy rate of projects: the Group will further identify strategic collaboration opportunities and reinforce the “one for more (一帶多)” capability of the brand to provide brand reserve and support for projects in preparation. Meanwhile, the Group will make great efforts to promote the introduction of new brands and innovative forms of business so as to continuously improve the occupancy rate of projects.
2. Strengthen refined operation and management, and enhance customer satisfaction by focusing on consumers: the Group is committed to promoting the three strategies of membership remodeling, precise marketing and smart retailing, having insight into new consumption trends, seizing rebound by event marketing, and enhancing customer consumption experience, so as to digitally empower long-term business growth and vigorously improve customer satisfaction.

V. Continuing to optimize organisational capabilities

The Group has always adhered to the “business-oriented and streamlining” organizational style, and will continue to optimise its key competencies in expansion, tenant sourcing, operation, products and smart retailing to build a streamlined and efficient organizational structure. At the same time, the Group will continue to absorb outstanding talents and form a cohesive, professional and consensus commercial operation team by building a panoramic talent cultivation system for E-Star Commercial.

All in all, in the second half of the year, the Group will continue to make steady progress, focus on strategy and optimise assets through continuous implementation of the above measures, and build a batch of benchmarking projects with strong influence in the regions or cities where such projects are located. At the same time, the Group will continue to explore and innovate, and keep the sensitivity to new consumption, new trends and new circumstances, so as to inject more vitality into the long-term development of the Group.

EVENTS AFTER REPORTING PERIOD

As at the date of this report, there are no significant events subsequent to 30 June 2023 that have material impact on the Group’s operating and financial report.

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2023, the Group's revenue amounted to approximately RMB288.5 million, representing a period-on-period increase of approximately 11.1%.

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

	For the six months ended 30 June 2023 (Unaudited)		2022 (Unaudited)	
	RMB'000	%	RMB'000	%
Entrusted management services	189,983	65.9	188,802	72.7
Brand and management output services	63,319	21.9	58,807	22.7
Sublease services	35,185	12.2	11,977	4.6
Total	288,487	100.0	259,586	100.0

- Entrusted management services: For the six months ended 30 June 2023, revenue from entrusted management services amounted to approximately RMB190.0 million, representing a period-on-period increase of approximately 0.6% and accounting for approximately 65.9% of the total revenue of the Group.
- Brand and management output services: For the six months ended 30 June 2023, revenue from brand and management output services amounted to approximately RMB63.3 million, representing a period-on-period increase of approximately 7.7% and accounting for approximately 21.9% of the total revenue of the Group. The increase in the revenue from brand and management output services was primarily due to the increase in the revenue from market positioning, construction consultancy and tenant sourcing services of the new projects during the period, which was partly offset by the decrease in revenue arising from the rescission of contracts of certain projects during the period.
- Sublease services: For the six months ended 30 June 2023, revenue from sublease services amounted to approximately RMB35.2 million, representing a period-on-period increase of approximately 193.8% and accounting for approximately 12.2% of the total revenue of the Group. The increase in revenue from sublease services was mainly due to the increase in operating income as a result of the opening of the sublease projects (i.e. the opening of Jiaying Galaxy COCO City (嘉興星河COCO City) in July 2022 and Xiamen Galaxy COCO Park (廈門星河COCO Park) in May 2023).

Cost of Services

For the six months ended 30 June 2023, the Group's cost of services amounted to approximately RMB123.9 million, representing a period-on-period increase of approximately 12.8%, which was mainly due to the increase in operating cost as a result of the opening of the sublease projects (i.e. the opening of Jiaying Galaxy COCO City (嘉興星河COCO City) in July 2022 and Xiamen Galaxy COCO Park (廈門星河COCO Park) in May 2023).

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL REVIEW (Continued)

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2023, the Group's gross profit amounted to approximately RMB164.6 million, representing a period-on-period increase of approximately 9.9%.

The table below sets forth the gross profit and the respective gross profit margins by operational model for the periods indicated:

	For the six months ended 30 June 2023 (Unaudited)		2022 (Unaudited)	
	RMB'000	%	RMB'000	%
Entrusted management services	110,670	58.3	101,427	53.7
Brand and management output services	47,106	74.4	42,946	73.0
Sublease services	6,832	19.4	5,357	44.7
Total/Overall	164,608	57.1	149,730	57.7

For the six months ended 30 June 2023, the overall gross profit margin amounted to approximately 57.1%, representing a decrease of approximately 0.6 percentage point as compared with approximately 57.7% for the same period of 2022.

- Entrusted management services: For the six months ended 30 June 2023, the gross profit margin amounted to 58.3%, representing an increase of approximately 4.6 percentage points as compared with approximately 53.7% for the same period of 2022. The increase in the gross profit margin was mainly due to the higher gross profit margin as a result of the increase in the revenue from operational management services of projects in operation and effective cost controls.
- Brand and management output services: For the six months ended 30 June 2023, the gross profit margin amounted to approximately 74.4%, representing an increase of approximately 1.4 percentage points as compared with approximately 73.0% for the same period of 2022. The increase in the gross profit margin was mainly due to the higher gross profit margin as a result of the increase in the revenue from market positioning, construction consultancy and tenant sourcing services of the new projects during the period.
- Sublease services: For the six months ended 30 June 2023, the gross profit margin amounted to approximately 19.4%, representing a decrease of approximately 25.3 percentage points as compared with approximately 44.7% for the same period of 2022. The decrease in the gross profit margin was primarily due to the rent-free operating period granted to merchants in the newly opened Jiaying Galaxy COCO City (嘉興星河COCO City) and Xiamen Galaxy COCO Park (廈門星河COCO Park), and relatively stable leasing costs recognized under HKFRS 16, resulting in a decrease in gross profit margin.

Other Income

For the six months ended 30 June 2023, other income amounted to approximately RMB19.6 million, primarily representing bank interest income.

Other Gains and Losses

For the six months ended 30 June 2023, net other gains amounted to approximately RMB2.9 million, mainly representing foreign exchange gains.

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL REVIEW *(Continued)*

Net Reversals of (Impairment Losses) under Expected Credit Loss Model

For the six months ended 30 June 2023, the Group's reversal under expected credit loss model amounted to approximately RMB2.4 million (six months ended 30 June 2022: net impairment loss under expected credit loss model amounted to approximately RMB 5.2 million), mainly due to the collection of trade receivables previously provided for impairment losses under expected credit loss model during the period as the Group accelerated its collection efforts of receivables.

Selling Expenses

For the six months ended 30 June 2023, the Group's selling expenses amounted to approximately RMB4.9 million, representing a period-on-period increase of approximately 208.1%, primarily due to the opening of the sublease projects of Jiaxing Galaxy COCO City (嘉興星河COCO City) and Xiamen Galaxy COCO Park (廈門星河COCO Park) and the increase in marketing and promotional expenses for such projects.

Administrative Expenses

For the six months ended 30 June 2023, the Group's administrative expenses amounted to approximately RMB35.8 million, representing a period-on-period increase of approximately 27.5%, primarily due to the increase in the expenses incurred during the preparation stage of the sublease projects, such as the increase in the depreciation of right-of-use assets recognised in accordance with HKFRS 16 in respect of the sublease project of Xiamen Galaxy COCO Park (廈門星河COCO Park) for the period.

Finance Costs

The Group's finance costs mainly refer to interest expense on lease liabilities recognised in accordance with HKFRS 16 in respect of subleased projects.

For the six months ended 30 June 2023, the Group's finance costs amounted to approximately RMB19.1 million, representing a period-on-period increase of approximately 312.1%, primarily due to the increase in the interest expense on lease liabilities recognised upon the delivery of the sub-lease projects of Jiaxing Galaxy COCO City (嘉興星河COCO City) and Xiamen Galaxy COCO Park (廈門星河COCO Park).

Share of Result of a Joint Venture

For the six months ended 30 June 2023, the Group's share of result of a joint venture recorded a loss of approximately RMB8.1 million, which was mainly caused by the delivery of the sublease project of Guangzhou Health Port Galaxy COCO Park (廣州健康港星河COCO Park) which is under the preparation stage by Guangzhou Kaixing Business Management Co., Ltd. (廣州凱星商業管理有限公司), a joint venture invested by the Group pursuant to the joint venture agreement entered into by the Group dated 28 July 2021. The loss was mainly due to the preparation costs as well as the depreciation of right-of-use assets and the interest expense on lease liabilities recognized pursuant to HKFRS 16.

Income Tax Expense

For the six months ended 30 June 2023, the Group's income tax expense amounted to approximately RMB29.8 million, representing a period-on-period decrease of approximately 14.4%, primarily attributable to the decrease in assessable profits.

Profit for the period

The Group's profit for the six months ended 30 June 2023 amounted to approximately RMB92.0 million, representing a period-on-period decrease of approximately 2.5%.

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL REVIEW *(Continued)*

Core Profit Attributable to the Owners of the Company

According to HKFRS 16, the Group recognizes the right-of-use assets and lease liabilities upon the delivery of the sublease projects, and commences to provide for the depreciation of the right-of-use assets and recognize the interest expense on lease liabilities. However, the actual projects still take time for decoration, preparation and tenant sourcing before they are officially put into operation and generate revenue. Therefore, the management believes that the performance excluding the influence of leasing standards will better reflect the operating results of the Company during the current period, thus the Group takes the profit attributable to the owners of the Company plus the depreciation of right-of-use assets provided and the interest expense on lease liabilities recognized, after deducting the current rent costs according to the lease contracts as core profit attributable to the owners of the Company. Core profit attributable to the owners of the Company for the six months ended 30 June 2023 amounted to approximately RMB124.4 million, representing a period-on-period increase of approximately 12.6%.

Trade and other receivables

The Group's trade and other receivables primarily arose from commercial property operational services within the shopping centers, shopping streets and commercial complexes. As at 30 June 2023, the Group's trade and other receivables were approximately RMB26.3 million, representing a decrease of approximately 43.1% as compared with that as at 31 December 2022, primarily due to the decrease in trade receivables as the Group accelerated its collection efforts of various receivables.

Financial assets at fair value through profit or loss

The Group's financial assets at fair value through profit or loss amounted to approximately RMB20.5 million, mainly representing the wealth management products with a principal amount of RMB20.0 million purchased from Postal Savings Bank of China during the current interim period.

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, construction cost payables and others. As at 30 June 2023, the Group's trade and other payables amounted to approximately RMB224.2 million, representing an increase of approximately 7.8% as compared with that as at 31 December 2022, primarily due to the increase in deposits received from tenants and receipts on behalf of tenants for newly opened projects as well as the increase in construction cost payables of the sublease projects, which was partly offset by the decrease in payroll payables to employees as a result of the payment of the year-end bonus provided in the previous year.

Contingent liabilities

As at 30 June 2023, the Group did not have any significant contingent liabilities.

Liquidity and capital resources

The Group has maintained stable financial position and sufficient liquidity and bank balances. As at 30 June 2023, the Group's cash and cash equivalents amounted to approximately RMB453.6 million, representing a decrease of approximately 6.1% as compared with that as at 31 December 2022, primarily due to the fact that the Group utilized more idle funds to purchase large-value certificates of deposit from bank based on fund efficiency management. The management believes that the Group's financial resources and future revenue will be sufficient to support the current working capital requirements and future expansion of the Group.

The Group did not use any financial instruments for hedging purpose, nor use any net investment amounts in foreign currency for hedging via currency borrowing and/or other hedging instruments.

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL REVIEW *(Continued)*

Bank loans and other borrowings

As at 30 June 2023, the Group had no bank loans and other borrowings (31 December 2022: nil).

Gearing ratio

Gearing ratio is calculated based on total liabilities divided by total assets. As at 30 June 2023, gearing ratio was approximately 46.3%, representing a slight increase as compared with approximately 44.9% as at 31 December 2022.

Foreign exchange risk

The Group primarily operates in Mainland China and its businesses are principally conducted in Renminbi. As at 30 June 2023, assets and liabilities denominated in currencies other than Renminbi were mainly cash and cash equivalents denominated 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 Global Offering and Over-allotment Option

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

The net proceeds from the Global Offering (as defined in the Prospectus) amounted to approximately RMB777.0 million and the additional net proceeds received by the Company from the partial exercise of the Over-allotment Option (as defined in the Prospectus) on 18 February 2021 was approximately RMB64.8 million (collectively, the “**Net Proceeds**”).

Since the listing of the Shares on the Stock Exchange on 26 January 2021, the Group has always been proactively seeking for appropriate target(s) for acquisition. However, in light of resurgence of the pandemic, the Group considers it will be exposed to increased risk when pursuing such acquisition opportunities. Meanwhile, the real estate industry in the PRC is currently experiencing dynamic changes. Certain commercial property developers are generally less willing to invest in renovation of self-operated commercial property. As a result, various opportunities of long-term lease assets with high quality and low price emerge in the market. In order to improve the Group’s funds utilization and to generate greater return to the Group and its Shareholders, on 25 August 2022, the Board resolved to change the proposed use of the Net Proceeds to capture the opportunities in the sublease service market and enable the Group to enjoy long-term sustainable revenue from sublease projects. For details, please refer to the interim results announcement of the Company dated 25 August 2022 (the “**Announcement**”) and the 2022 interim report of the Company.

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL REVIEW (Continued)

Net Proceeds from the Global Offering and Over-allotment Option (Continued)

As of 30 June 2023, an analysis of the utilisation of Net Proceeds is as follows:

Revised use of Net Proceeds as set out in the Announcement	Approximate % of Net Proceeds	Net Proceeds (RMB million)	Net Proceeds as at 1 January 2023 (RMB million)	Utilised Net Proceeds		Unused Net Proceeds as of 30 June 2023 (RMB million)	Expected time of full utilisation
				for the six months ended 30 June 2023 (RMB million)	Utilised Net Proceeds as of 30 June 2023 (RMB million)		
For lease expenses and renovation of retail commercial properties under the sublease service model	75%	631.4	534.6	25.8	122.6	508.8	by end of 31 December 2024
To make minority equity investment in the project companies which own quality commercial properties	10%	84.2	60.2	15.0	39.0	45.2	by end of 31 December 2024
To upgrade information technology systems to raise the Group's management service quality, reduce labor costs and improve internal control, among which:							
– to enhance intelligent operation data center, which includes real time remote onsite monitoring, tenant's business data analysis, operational early-warning and tenant mix optimization based on tenant's business data analysis	2.5%	21.0	19.6	0.2	1.6	19.4	by end of 31 December 2024
– to improve customers services	2.5%	21.0	18.0	0.9	3.9	17.1	by end of 31 December 2024
For general business purpose and working capital	10%	84.2	–	–	84.2	–	–
Total	100%	841.8	632.4	41.9	251.3	590.5	

The unutilised Net Proceeds have been placed with licensed banks as at the date of this announcement.

For the unutilised net proceeds of approximately RMB590.5 million as at the end of the reporting period, the Company intends to use them in the same manner and proportions as described in the announcement of the Company dated 25 August 2022 and proposes to use the unutilised Net Proceeds in accordance with the expected timetable disclosed in the table above.

MANAGEMENT DISCUSSION & ANALYSIS

NUMBER OF EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the total number of employees of the Group was 891 (31 December 2022: 826). Employees are remunerated according to their qualifications and experience, job nature and performance, and under the pay scales aligned with market conditions. As part of the Group's retention strategy, it offers employees performance-based cash bonuses and other incentives in addition to basic 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.

Except for the share option scheme and award of restricted share units under the restricted share unit scheme adopted by the Company on 4 November 2021, the ultimate controlling shareholder, Mr. Huang Chu-Long adopted a share award scheme on 17 April 2023 to encourage and reward the eligible employees (including the Directors) for their contributions to the Group's results and business development. Share awards to certain employees, senior management or directors of the Group or other persons who make significant contribution to the Group were granted on 17 April 2023 resulting in the share-based payment expenses of approximately RMB606,000 included in the above staff costs for the first half of 2023 whilst no such expenses were recorded in the first half of 2022.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

During the six months ended 30 June 2023, save for the expansion plans as set out in the section headed "Future Plans and Use of Proceeds – Use of Proceeds" in the Prospectus, the Group had no specific plan for material investment or acquisition of major capital assets or other businesses.

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

The Group did not have any significant investments, material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2023.

PLEDGE OF ASSETS

As of 30 June 2023, none of the assets of the Group were pledged (31 December 2022: nil).

CORPORATE GOVERNANCE AND OTHER INFORMATION

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company has complied with all applicable code provisions as set out in the Corporate Governance Code (the “**CG Code**”) contained in Part 2 of Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited during the six months ended 30 June 2023. The Company will continue to review and enhance its corporate governance practices to ensure the compliance with the CG Code.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules on the Stock Exchange as its own code of conduct for Directors in their dealings in the securities of the Company. Having made specific inquiries with all the Directors, each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code for the six months ended 30 June 2023.

CHANGES IN DIRECTORS’ INFORMATION

Changes in the composition of the Board and the committees during the six months ended 30 June 2023 and up to the date of this report are set out below:

1. Mr. Tao Muming resigned as an executive Director and the chief executive officer of the Company with effect from 14 April 2023;
2. Ms. Wen Yi resigned as an executive Director with effect from 14 April 2023;
3. Mr. Guo Limin resigned as a non-executive Director and ceased to be a member of the audit committee (the “**Audit Committee**”) and the remuneration committee (the “**Remuneration Committee**”) of the Company with effect from 14 April 2023;
4. Ms. Li Li was appointed as an executive Director with effect from 14 April 2023;
5. Mr. Liu Jun was appointed as a non-executive Director and a member of the Audit Committee and the Remuneration Committee with effect from 14 April 2023;
6. Mr. Chen Qunsheng was appointed as an executive Director with effect from 16 June 2023 and the chief executive officer of the Company with effect from 4 May 2023;
7. Mr. Ma Chaoqun was appointed as an executive Director with effect from 16 June 2023.

Save as disclosed above, upon specific enquiry by the Company and confirmations from Directors, since the date of the Company’s 2022 annual report, there is no other change in the information of the Directors which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CORPORATE GOVERNANCE AND OTHER INFORMATION

REVIEW OF INTERIM REPORT

The unaudited interim financial information for the six months ended 30 June 2023 has been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” Issued by the Hong Kong Institute of Certified Public Accountants, by Deloitte Touche Tohmatsu, the auditor of the Company. The Audit Committee (comprising Mr. Tse Yat Hong and Mr. Guo Zengli, each an independent non-executive Director, and Mr. Liu Jun, a non-executive Director) has reviewed with the management of the Company the accounting principles and practice adopted by the Group and discussed, among others, internal controls, risk management and financial reporting matters including the review of the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2023 and this interim report.

SHARE CAPITAL

The Company’s total issued share capital as at 30 June 2023 was 1,018,359,000 ordinary shares.

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

The Board considered that the dealing prices of the Company’s Shares at the time did not reflect their intrinsic value, and the share repurchase program could reflect the Board’s confidence in the Company’s long term development prospects and growth potential as well. During the six months ended 30 June 2023, the total number of Shares repurchased by the Company on the Stock Exchange were 765,000, at a total consideration (before deduction of expenses) of HK\$1,311,828. Of these, 602,000 Shares repurchased in January 2023 and April 2023 and 163,000 Shares repurchased in May 2023 have been canceled on 30 May 2023 and 30 June 2023, respectively. During six months ended 30 June 2023, the Company’s monthly report on Shares repurchased is set out as below:

Month of repurchase	No. of Shares repurchased (shares)	Lowest purchase price per Share (HK\$)	Highest purchase price per Share (HK\$)	Total consideration (HK\$)
January 2023	237,000	2.07	2.22	511,100
April 2023	365,000	1.54	1.64	580,140
May 2023	163,000	1.32	1.38	220,588
Total	765,000			1,311,828

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 six months ended 30 June 2023.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2023, the Directors and the chief executive of the Company had the following interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

Interest in shares of the Company

Name of Director	Capacity/Nature of interest	Number of shares ⁽²⁾	Approximate percentage of issued share capital ⁽¹⁾
Mr. Huang De-Lin Benny	Interest in a controlled corporation ⁽³⁾	150,000,000 (L)	
	Beneficial owner	86,000 (L)	
	Total	150,086,000 (L)	14.74%
Mr. Huang De'An Tony	Beneficial owner	1,791,000 (L)	0.18%
Mr. Chen Qunsheng	Beneficial owner	212,000 (L)	0.02%
Ms. Li Li ⁽⁴⁾	Beneficial owner	69,000 (L)	
	Beneficiary of a trust	1,500,000 (L)	
	Total	1,569,000 (L)	0.15%
Mr. Ma Chaoqun ⁽⁴⁾	Beneficial owner	15,000 (L)	0.00%
Mr. Liu Jun	Beneficiary of a trust	500,000 (L)	0.05%

Notes:

⁽¹⁾ The calculation is based on the total number of 1,018,359,000 Company's shares in issue as at 30 June 2023.

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

⁽³⁾ Such shares are held by Virtue Investment Development Limited (德瑞投資發展有限公司) ("Virtue Investment") as entrusted by Mr. Huang Chu-Long ("Mr. Huang") to hold such shares of the Company for the purpose of a share incentive scheme to be adopted after the Listing. The entire issued share capital of Virtue Investment is held by Mr. Huang De-Lin Benny, and therefore Mr. Huang De-Lin Benny is deemed or taken to be interested in the shares of the Company held by Virtue Investment under the SFO.

⁽⁴⁾ Up to the date of this report, Ms. Li Li cumulatively held 1,641,000 shares and Mr. Ma Chaoqun cumulatively held 80,000 shares.

Save as disclosed above, none of the Directors or the chief executive of the Company had as at 30 June 2023, any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (b) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2023, the following persons, other than the Directors or the chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholder	Capacity/Nature of interest	Number of shares ⁽²⁾	Approximate percentage of issued share capital (%) ⁽¹⁾
Mr. Huang ⁽³⁾⁽⁴⁾	Founder of a discretionary trust	600,000,000 (L)	
	Interest in controlled corporation	150,000,000 (L)	
	Total	750,000,000 (L)	73.65%
TMF (Cayman) Ltd ("TMF (Cayman)") ⁽³⁾	Trustee	600,000,000 (L)	58.92%
Long Harmony Holding Limited ("Long Harmony") ⁽³⁾	Interest in a controlled corporation	600,000,000 (L)	58.92%
Go Star Investment Holding Limited ("Go Star")	Beneficial owner	600,000,000 (L)	58.92%
Virtue Investment	Beneficial owner	95,200,000 (L)	
	Trustee	54,800,000 (L)	
	Total	150,000,000 (L)	14.73%

Notes:

- ⁽¹⁾ The calculation is based on the total number of 1,018,359,000 Company's shares in issue as at 30 June 2023.
- ⁽²⁾ The letter "L" denotes a long position in the shares of the Company.
- ⁽³⁾ The entire issued share capital of Go Star is held by Long Harmony, a company incorporated in the BVI by TMF (Cayman), the trustee of the family trust, which is a discretionary trust established by Mr. Huang as the settlor and protector. The beneficiaries of the family trust are Mr. Huang's family members. Accordingly, each of Mr. Huang, TMF (Cayman) and Long Harmony is deemed to be interested in the shares of the Company held by Go Star under the SFO. Mr. Huang De'An Tony is also a director of Go Star.
- ⁽⁴⁾ The entire issued share capital of Virtue Investment is held by Mr. Huang De-Lin Benny, who was entrusted by Mr. Huang to hold such shares of the Company for the purpose of a share incentive scheme to be adopted after the Listing. Pursuant to the confirmation letter signed by Mr. Huang De-Lin Benny and Mr. Huang, Mr. Huang De-Lin Benny will exercise the voting rights in Virtue Investment or exercise the voting rights in the Company through Virtue Investment in accordance with the instructions of Mr. Huang. Therefore, each of Mr. Huang and Mr. Huang De-Lin Benny is deemed to be interested in the shares of the Company held by Virtue Investment under the SFO.

Save as disclosed above, as at 30 June 2023, the Company had not been notified by any other person (other than the Directors or the chief executive of the Company) who had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

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.

Mr. Huang Chu-long ("Mr. Huang"), a controlling shareholder of the Company, adopted a share award scheme on 17 April 2023. The share award scheme has a term of 10 years from the date of adoption.

CORPORATE GOVERNANCE AND OTHER INFORMATION

On 17 April 2023, Mr. Huang granted a total of 54,800,000 awarded Shares under the share award scheme to 136 eligible participants within the Group and companies controlled by Mr. Huang.

The share incentive scheme is a discretionary incentive scheme adopted by Mr. Huang which does not involve issue of new Shares, and thus does not constitute a share scheme of the Company under Chapter 17 of the Listing Rules.

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.

As of 30 June 2023, no share options have been granted by the Company pursuant to the Share Option Scheme and there were no outstanding share options under the Share Option Scheme as at 30 June 2023. No share options were exercised, cancelled or lapsed under Chapter 17 of the Listing Rules during the six months ended 30 June 2023.

Given that no share option has been granted during the six months ended 30 June 2023, it is not applicable for the Company to set out the number of Shares that may be issued in respect of the share options granted under the Share Option Scheme during six months ended 30 June 2023 divided by the weighted average number of Shares of the relevant class in issue for six months ended 30 June 2023.

The total number of options available for grant under the Share Option Scheme as at 1 January 2023 and 30 June 2023 both were 100,000,000 Shares, representing approximately 9.80% and 9.82% of the Company’s issued share capital as at the respective dates.

RESTRICTED SHARE UNIT (“RSU”) SCHEME (“RSU SCHEME”)

The Company adopted the restricted share unit Scheme (“**RSU Scheme**”) on 4 November 2021 to recognise and acknowledge the contributions which directors, senior management and employees of the Group determined by the Board to be eligible to participate in the RSU Scheme have made or may make to the Group and to reward the eligible participants who have achieved outstanding performance.

No shares has been purchased under the RSU Scheme during the six months ended 30 June 2023 (six months ended 30 June 2022: 564,000 shares). Up to 30 June 2023, the Company has purchased an accumulated of 1,937,000 shares under the RSU Scheme.

During the six months ended 30 June 2023 and 2022, no RSUs have been granted.

INTERIM DIVIDEND

The Board resolved not to pay any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: HK\$0.035 per ordinary share).

On order of the Board
E-Star Commercial Management Company Limited
Huang De-Lin Benny
Chairman

Hong Kong
30 August 2023

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

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TO THE BOARD OF DIRECTORS 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)

INTRODUCTION

We have reviewed the condensed 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 24 to 48, which comprise the condensed consolidated statement of financial position as of 30 June 2023 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” (“**HKSRE 2410**”) issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
30 August 2023

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Six months ended 30 June	
		2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Revenue	3	288,487	259,586
Cost of services		(123,879)	(109,856)
Gross profit		164,608	149,730
Other income	4	19,556	19,315
Other gains and losses		2,865	9,757
Net reversals of (impairment losses) under expected credit loss model	5	2,396	(5,173)
Selling expenses		(4,920)	(1,597)
Administrative expenses		(35,828)	(28,102)
Finance costs		(19,094)	(4,633)
Gain on disposal of subsidiaries	6	300	–
Share of result of a joint venture		(8,054)	(10,047)
Profit before tax		121,829	129,250
Income tax expense	7	(29,815)	(34,841)
Profit and total comprehensive income for the period	8	92,014	94,409
Profit (loss) for the period attributable to:			
– Owners of the Company		96,962	96,089
– Non-controlling interests		(4,948)	(1,680)
		92,014	94,409
Earnings per share			
– Basic (RMB cents)	10	9.54	9.43

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Non-current assets			
Property and equipment	11	2,808	4,501
Investment properties	11	789,797	767,451
Rental deposits	12	25,542	10,542
Deposits paid for acquisition of property and equipment		–	2,620
Finance lease receivables		5,768	6,042
Deferred tax assets		28,822	21,600
Interest in a joint venture		–	–
Loan to a joint venture		8,095	1,149
Restricted bank balances		5,000	5,000
		865,832	818,905
Current assets			
Finance lease receivables		637	604
Trade and other receivables	12	26,348	46,300
Financial assets at fair value through profit or loss (“FVTPL”)	13	20,546	–
Amounts due from related parties	18	2,265	4,090
Short-term bank deposits		873,548	780,365
Bank balances and cash		453,568	482,835
		1,376,912	1,314,194
Assets classified as held-for-sale		–	8,758
		1,376,912	1,322,952
Current liabilities			
Trade and other payables	14	224,239	208,054
Lease liabilities		39,159	28,321
Contract liabilities		16,404	19,090
Amounts due to related parties	18	827	1,700
Tax payable		23,758	31,321
Dividend payable	9	65,724	–
		370,111	288,486
Liabilities associated with assets classified as held-for-sale		–	4,335
		370,111	292,821
Net current assets		1,006,801	1,030,131
Total assets less current liabilities		1,872,633	1,849,036
Capital and reserves			
Share capital	15	8,519	8,533
Reserves		1,177,485	1,145,864
Equity attributable to owners of the company		1,186,004	1,154,397
Non-controlling interests		18,749	26,306
Total equity		1,204,753	1,180,703
Non-current liabilities			
Deferred tax liabilities		9,379	6,123
Lease liabilities		658,501	662,210
		667,880	668,333
		1,872,633	1,849,036

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to owners of the Company

	Share capital/paid in capital RMB'000	Share premium RMB'000	Share redemption reserve RMB'000	Statutory reserve RMB'000 (note (i))	Share held for share award scheme RMB'000	Share-based payment reserve RMB'000	Other reserve RMB'000 (note (ii))	Accumulated profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2023 (audited)	8,533	652,371	5	69,484	(5,463)	-	(1,088)	430,555	1,154,397	26,306	1,180,703
Profit (loss) and total comprehensive income (expense) for the period	-	-	-	-	-	-	-	96,962	96,962	(4,948)	92,014
Disposal on subsidiaries	-	-	-	-	-	-	-	-	-	(2,609)	(2,609)
Repurchase and cancellation of shares	(14)	(1,155)	14	-	-	-	-	-	(1,155)	-	(1,155)
Dividends recognised as distributions (Note 9)	-	(64,802)	-	-	-	-	-	-	(64,802)	-	(64,802)
Transfer	-	-	-	8,693	-	-	-	(8,693)	-	-	-
Transaction cost related to repurchase of shares	-	(4)	-	-	-	-	-	-	(4)	-	(4)
Recognition of equity-settled share-based payments	-	-	-	-	-	606	-	-	606	-	606
At 30 June 2023 (unaudited)	8,519	586,410	19	78,177	(5,463)	606	(1,088)	518,824	1,186,004	18,749	1,204,753
At 1 January 2022 (audited)	8,533	771,871	5	53,701	(3,937)	-	(1,088)	292,063	1,121,148	17,501	1,138,649
Profit (loss) and total comprehensive income (expense) for the period	-	-	-	-	-	-	-	96,089	96,089	(1,680)	94,409
Repurchase of shares under share award scheme	-	-	-	-	(1,532)	-	-	-	(1,532)	-	(1,532)
Dividends recognised as distributions (Note 9)	-	(87,065)	-	-	-	-	-	-	(87,065)	-	(87,065)
Transfer	-	-	-	8,123	-	-	-	(8,123)	-	-	-
Capital contribution from a non-controlling interest upon establishment of a subsidiary	-	-	-	-	-	-	-	-	-	15,000	15,000
At 30 June 2022 (unaudited)	8,533	684,806	5	61,824	(5,469)	-	(1,088)	380,029	1,128,640	30,821	1,159,461

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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
OPERATING ACTIVITIES		
Profit before taxation	121,829	129,250
Adjustments for:		
Depreciation of property and equipment	2,120	1,984
Depreciation of investment properties	20,033	4,174
Net (reversals of) impairment losses under expected credit loss model	(2,396)	5,173
Finance costs	19,094	4,633
Interest income	(17,741)	(17,158)
Share of results of an associate	8,054	10,047
Share-based payments expenses	606	–
Gain on disposal of subsidiaries	(300)	–
Others	253	176
Operating cash flow before movements in working capital	151,552	138,279
Decrease (increase) in trade and other receivables	22,348	(25,969)
(Decrease) increase in contract liabilities	(2,686)	10,631
Decrease in trade and other payables	(8,737)	(36,105)
Decrease in amounts due from related parties	1,825	236
Decrease in amounts due to related parties	(873)	(173)
Decrease in finance lease receivables	371	–
Cash generated from operations	163,800	86,899
Income taxes paid	(41,344)	(46,545)
NET CASH FROM OPERATING ACTIVITIES	122,456	40,354

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
INVESTING ACTIVITIES		
Interest received	7,563	16,969
Purchases of property and equipment	(487)	(329)
Prepaid construction cost of a project under sublease services model	–	(19,420)
Payments for Investment properties	(18,384)	–
Decrease of restricted bank deposits	–	5,000
Purchase of financial assets at FVTPL	(20,000)	–
Net cash outflow on disposal of subsidiaries	(3,053)	–
Proceeds on disposal of property and equipment	53	–
Payments for rental deposits	(15,000)	–
Loan to a joint venture	(15,000)	–
Withdrawal of short-term bank deposits	66,995	133,576
Placement of short-term bank deposits	(150,000)	–
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(147,313)	135,796
FINANCING ACTIVITIES		
Capital contribution from a non-controlling interest upon establishment of a subsidiary	–	15,000
Repurchase of shares	(1,159)	(1,532)
Interest paid	(573)	(501)
Repayment of lease liabilities	(5,731)	(4,815)
Payment of accrued listing expenses and issue costs	–	(633)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(7,463)	7,519
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(32,320)	183,669
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD, represented by bank balances and cash held by		
– the Group	482,835	446,349
– the disposal group held-for-sale	3,053	–
	485,888	446,349
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD represented by bank balances and cash	453,568	630,018

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than change in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2022.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatory effective for the Group’s annual period beginning on or after 1 January 2023 for the preparation of the Group’s condensed consolidated financial statements:

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

In July 2023, the HKICPA issued the amendments to HKAS 12 to add the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments require that entities shall apply the amendments immediately upon issuance.

Except as described below, the application of the new and amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Impacts and changes in accounting policies on application of Amendments to HKAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

Accounting policies

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 profit. 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 and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Transition and summary of effects

As disclosed in the Group’s annual financial statements for the year ended 31 December 2022, the Group previously applied the HKAS 12 requirements to assets and liabilities arising from a single transaction as a whole and temporary differences relating to the relevant assets and liabilities were assessed on a net basis. Upon the application of the amendments, the Group assessed the relevant assets and liabilities separately, in accordance with the transition provision:

- (i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022;
- (ii) the Group also, as at 1 January 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. REVENUE AND SEGMENT INFORMATION

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

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

A. Revenue

Revenue from commercial property operational services by type of operational model

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Entrusted management services	189,983	188,802
Brand and management output services	63,319	58,807
Sublease services	35,185	11,977
	288,487	259,586
Comprise of:		
– Revenue from contracts with customers	271,316	252,804
– Revenue from leases	17,171	6,782
	288,487	259,586

(i) Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Commercial property operational services:		
– Market positioning, design and construction consultancy and tenant sourcing services	49,250	38,716
– Operational management services	169,292	175,737
– Value-added services (note)	52,774	38,351
	271,316	252,804
Timing of revenue recognition:		
– Over time	261,317	245,830
– A point in time	9,999	6,974
	271,316	252,804
Type of customers:		
– Property owners	111,379	107,224
– Tenants and other customers	159,937	145,580
	271,316	252,804

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 RMB152,000 (six months ended 30 June 2022: RMB297,000) where the Group acts as an agent.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. REVENUE AND SEGMENT INFORMATION (Continued)

A. Revenue (Continued)

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

(ii) Leases

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

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
For operating leases:		
Lease payments that are fixed	12,243	5,241
Variable lease payments	4,798	1,402
	17,041	6,643
For finance leases:		
Finance income on the net investment in the lease	130	139
Total revenue arising from leases	17,171	6,782

Included in the operating lease income there is a contingent rental of RMB4,798,000 (six months ended 30 June 2022: RMB1,402,000) for the six months ended 30 June 2023.

B. Segment Information

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

Geographical information

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

Information about major customers

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

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Customer A (note)	101,155	69,678

Note: Customer A represents a group of related parties of the Group. Details of the transactions with these related parties are set out in Note 18.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. OTHER INCOME

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Interest income from bank balances and deposits	17,741	17,158
Investment income of financial assets at fair value through profit or loss ("FVTPL")	–	61
Government grants (note)	578	670
Compensation and penalty received from tenants	821	1,110
Others	416	316
	19,556	19,315

Note: The government grants refer to unconditional subsidies granted by the government authorities in the PRC.

5. NET REVERSALS OF (IMPAIRMENT LOSSES) UNDER EXPECTED CREDIT LOSS MODEL

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Net reversals of (impairment losses) under expected credit loss model recognised on trade receivables	2,396	(5,173)

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022.

6. GAIN ON DISPOSAL OF SUBSIDIARIES

On 18 November 2022, the Group entered into equity transfer agreement (the "S&P Agreements") with 上海厚佑企業管理有限公司 ("上海厚佑"), an independent third party, in relation to disposal of 41% equity interests in the Group's non-wholly owned subsidiaries 上海星聯商業管理有限公司, 上海星恒蘭韻商業管理有限公司 and 南昌市星恒商業管理有限公司 ("Shanghai Xinglian and its subsidiaries") at a cash consideration of RMB2,114,000. According to the terms set out in the S&P Agreements, completion of such disposal would take place within 60 business days following settlement of the S&P Agreements (the "Completion"). Following the Completion, the Group would lose control on Shanghai Xinglian and its subsidiaries.

The Company was exempted from obtaining approval from its independent shareholders pursuant to the Listing Rules. Given the disposal was not completed as at 31 December 2022, the assets and liabilities in relation to Shanghai Xinglian and its subsidiaries were reclassified to assets and liabilities classified as held-for-sale respectively in the condensed consolidated statement of financial position as at 31 December 2022. The disposal was completed in February 2023.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. GAIN ON DISPOSAL OF SUBSIDIARIES (Continued)

The net assets of Shanghai Xinglian and its subsidiaries at the date of disposal are as follow:

	RMB'000
Consideration:	
Cash received	2,114
Analysis of assets and liabilities over which control was lost:	
Deferred tax asset	229
Trade and other receivables	1,426
Loan receivable	4,050
Bank balances and cash	3,053
Trade and other payables	(4,161)
Contract liability	(174)
Net assets disposed of	4,423
Gain on disposal of Shanghai Xinglian and its subsidiaries:	
Consideration received	2,114
Non-controlling interests	2,609
Net assets disposed of	(4,423)
Gain on disposal of subsidiaries	300
Net cash outflow arising on the disposal:	
Bank balances and cash disposal of	(3,053)

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Current tax:		
PRC Enterprise Income Tax ("EIT")	33,357	37,149
Under(over) provision in prior years:	424	(1,681)
Deferred tax	(3,966)	(627)
	29,815	34,841

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the entities operating in the PRC is 25% for both interim periods, except for as set out below.

One subsidiary established in the PRC located in the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, enjoys the preferential enterprise income tax rate of 15% for four consecutive calendar years from 2022 to 2025.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Profit for the period is arrived at after charging (crediting):		
Staff costs (including directors' emoluments)		
– Salaries and other benefits	77,130	68,955
– Equity-settled share-based payments	606	–
– Retirement benefit scheme contributions	10,441	4,598
Total staff costs	88,177	73,553
Depreciation of property and equipment	2,120	1,984
Depreciation of investment properties	20,033	4,174
	22,153	6,158
Gain on disposal of subsidiaries (Note 6)	(300)	–
Fair value change of financial assets at fair value through profit or loss (“FVTPL”)	(546)	–
Loss on disposal of property and equipment	7	30
Gross rental income from investment properties	(17,171)	(6,782)
Less: direct operating expenses incurred for investment properties during the period	22,703	2,371
	5,532	(4,411)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. DIVIDENDS

Dividends recognised as distribution during the period:

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
2022 final dividend of HK7 cents per share	64,802	–
2021 final dividend of HK10 cents per share	–	87,065
	64,802	87,065

A final dividend of HK7 cents per ordinary share for the year ended 31 December 2022, in an aggregate amount of approximately HK\$71,297,000 (equivalent to approximately RMB64,802,000), was declared, which had been paid on 7 July 2023.

A final dividend of HK10 cents per ordinary share for the year ended 31 December 2021, in an aggregate amount of approximately HK\$102,004,000 (equivalent to approximately RMB87,065,000), was declared, and had been paid on 8 July 2022.

An interim dividend of HK3.5 cents per ordinary share for the six months ended 30 June 2022, in an aggregate amount of approximately HK\$35,701,000 (equivalent to approximately RMB30,531,000) was proposed, which had been paid on 15 December 2022. No interim dividend has been proposed for the period ended 30 June 2023 since the end of the reporting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. EARNINGS PER SHARE

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

Earnings

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Earnings for the purpose of calculating basic earnings per share:		
Profit for the period attributable to owners of the Company	96,962	96,089

Number of shares

	Six months ended 30 June	
	2023 '000 (unaudited)	2022 '000 (unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,016,782	1,018,610

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

11. PROPERTY AND EQUIPMENT AND INVESTMENT PROPERTIES

During the current interim period, the Group disposed of certain property and equipment with an aggregate carrying amount of RMB60,000 (six months ended 30 June 2022: RMB30,000) for cash proceeds of RMB53,000 (six months ended 30 June 2022: Nil), resulting in a loss on disposal of RMB7,000 (six months ended 30 June 2022: RMB30,000).

During the six months ended 30 June 2023, the Group acquired new property and equipment of approximately RMB487,000 (six months ended 30 June 2022: RMB329,000).

In addition, during the current interim period, the Group incurred leasehold improvement of RMB47,552,000 (six months ended 30 June 2022: Nil) in connection with the right-of-use assets under sublease service model. The leases met the definition of investment property held by a lessee as a right-of-use assets and accordingly, the Group capitalised the cost of leasehold improvement as part of initial cost of investment property amounting to RMB47,552,000 (six months ended 30 June 2022: Nil).

During the six months ended 30 June 2023, the lessor of one commercial property under sublease service model provided rent concessions to the Group. These rent concessions were not within the scope of Covid-19-related rent concessions and concluded the changes in lease payments constitute lease modifications. During the six months ended 30 June 2023, reduction of the Group's lease liabilities of RMB5,173,000 and a corresponding adjustment of the same amount to the right-of-use assets (included in investment properties) were recognised.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. TRADE AND OTHER RECEIVABLES

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Trade and other receivables		
– Trade receivables	15,096	32,660
– Other receivables	36,794	24,182
	51,890	56,842
Analysed as:		
Current	26,348	46,300
Non-current	25,542	10,542

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Trade receivables		
<i>Contracts with customers</i>		
– Third parties	47,887	70,266
– Related parties (note)	396	269
Less: Allowance for credit losses	(36,489)	(38,885)
	11,794	31,650
Operating lease receivables – third parties	3,302	1,010
	15,096	32,660

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

As at 1 January 2022, the trade receivables in respect of contracts with customers and operating lease receivables, net of allowance for credit losses, amounted to RMB29,139,000 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 the reporting period:

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
0 – 10 days	2,049	7,989
11 – 30 days	1,727	2,029
31 – 60 days	1,161	4,432
61 – 90 days	975	2,690
Over 90 days	5,882	14,510
	11,794	31,650

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. TRADE AND OTHER RECEIVABLES (Continued)

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

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
0 – 10 days	3,302	1,010

Included in the Group's trade receivables in respect of contracts with customers as at 30 June 2023 are past due debtors with aggregate carrying amount of RMB8,018,000 (2022: RMB21,632,000), of which an amount of RMB4,474,000 (2022: RMB9,809,000) 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 assessing their trade debtors' background, good repayment records, continuous business relationship with the Group and were adjusted for forward-looking information, including but not limited to the reviving economic condition and consumption level in the PRC and the expected consumer traffic of the relevant commercial properties managed by the Group without undue cost or effort. The Group does not hold any collateral over these balances.

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Other receivables		
Receivables from third-party payment platforms (note (i))	1,688	2,561
Payments on behalf of tenants (note (ii))	848	772
Advance to employees (note (iii))	531	269
Rental deposits (note (iv))	25,542	10,542
Other tax recoverable	5,172	8,029
Deposits	792	298
Prepayment	968	807
Others	1,253	904
	36,794	24,182

Notes:

- (i) Customers usually make payments through third-party payment platforms. The third party payment platforms normally settle the amounts received, net of handling charges, within a week after trade date. 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 rental deposits under sublease services model.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Current asset		
Investment in wealth management product	20,546	–

The financial assets at FVTPL are wealth management product issued by Postal Savings Bank of China. The wealth management product mainly invests in the equity of unlisted companies, which is non-guaranteed and non-principal protected and will expire on 5 February 2024.

14. TRADE AND OTHER PAYABLES

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Trade and other payable		
– Trade payables	24,228	20,851
– Other payables	200,011	187,203
	224,239	208,054

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Trade payables		
<i>Contracts with suppliers</i>		
– Third parties	22,336	18,799
– Related parties (note)	1,892	2,052
	24,228	20,851

Note: The related parties are companies under common control of Mr. Huang.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. TRADE AND OTHER PAYABLES (Continued)

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

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
0 – 30 days	12,526	14,048
31 – 60 days	6,225	2,375
61 – 90 days	1,002	690
Over 90 days	4,475	3,738
	24,228	20,851

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Other payables		
Receipts on behalf of tenants (note (i))	63,728	59,721
Deposits received (note (ii))	45,691	39,266
Payables for leasehold improvements	68,675	42,127
Salary payables	12,613	32,309
Accruals	6,194	6,223
Deposit received regarding disposal of subsidiaries	–	2,114
Other tax payables	3,110	5,443
	200,011	187,203

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. SHARE CAPITAL

	Number of shares	Share capital HK\$'000	Share capital RMB'000
Ordinary shares of HK\$0.01 each			
Authorised			
At 1 January 2022, 31 December 2022 and 30 June 2023	2,000,000,000	20,000	16,755
Issued and fully paid			
At 1 January 2022 and 31 December 2022	1,020,039,000	10,200	8,533
Cancellation of shares (note)	(915,000)	(9)	(8)
Repurchase and cancellation of shares (note)	(765,000)	(8)	(6)
At 30 June 2023	1,018,359,000	10,183	8,519

Note:

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

Month of repurchase	No. of ordinary shares of HK\$0.01 each	Price per share		Aggregate consideration paid	
		Lowest HK\$	Highest HK\$	HK\$'000	RMB'000
November 2022	915,000	1.19	1.67	1,351	1,233
January 2023	237,000	2.07	2.22	511	447
April 2023	365,000	1.54	1.64	580	508
May 2023	163,000	1.32	1.38	221	199

The ordinary shares repurchased in November 2022 were cancelled in January 2023 and other ordinary shares listed above were cancelled upon repurchase.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. 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 six months ended 30 June 2023 and 2022, no options have been granted.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. 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 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 shares awarded to each Eligible Participant 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.

No shares has been purchased under the RSU Scheme during the six months ended 30 June 2023 (six months ended 30 June 2022: 564,000 shares). Up to 30 June 2023, the Company has purchased an accumulated of 1,937,000 shares under the RSU Scheme.

During the six months ended 30 June 2023 and 2022, no RSUs have been granted.

Share Award Scheme

The board of directors of the Company was informed by Mr. Huang that he adopted a share award scheme (the “Share Award Scheme”) on 17 April 2023. The objective of the Share Award Scheme is to recognise the contributions by certain persons, including directors, senior management and employees of the Group or other persons who make significant contribution to the Group (collectively, the “Eligible Participants under the Share Award Scheme”) in order to optimise their performance and efficiency for the benefit of the Group, and in particular, to fulfil the strategic targets of the Group. In addition, another objective of the Share Award Scheme is to attract and retain or maintain ongoing business relationships with the Eligible Participants under the Share Award Scheme whose contributions are, or will or are expected to be, beneficial to the Group and the long-term growth and development of the Group.

The Scheme has a term of 10 years from the date of adoption, and will be funded by Mr. Huang through, among others, transfer of the entrusted Shares held by Virtue Investment Development Limited (“Virtue Investment”), a special purpose vehicle set up for the purpose of the Scheme under an entrusted arrangement.

Mr. Huang intends to use 150,000,000 Shares, representing 14.72% of the issued share capital of the Company as at 17 April 2023, held by Virtue Investment under an entrusted arrangement with Mr. Huang De-Lin Benny, the executive director and chairman of the Company, to satisfy the awards to be granted under the Scheme.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. SHARE INCENTIVE SCHEME (Continued)

Share Award Scheme (Continued)

On 17 April 2023, Mr. Huang granted a total of 54,800,000 awarded shares under the Share Award Scheme to 136 Eligible Participants within the Group and companies under common control of Mr. Huang. Included in the granted awarded shares, 19,650,000 were granted to the Eligible Participants within the Group.

The table below discloses movement of the Scheme:

	Number of awarded shares
Outstanding as at 1 January 2023	–
Granted during the period	19,650,000
Forfeited during the period	(300,000)
Outstanding as at 30 June 2023	19,350,000

The closing price of the Company's shares immediately before 17 April 2023, the date of grant, was HK\$1.48.

The fair values of the awarded shares determined at the date of grant using the Binomial model was HK\$9,843,000.

The following assumptions were used to calculate the fair value of awarded shares:

	17 April 2023
Closing price of the Company's share on the date of grant	HK\$1.48
Exercise price	HK\$1.16
Expected life	ranging from 1.06 to 3.06 years
Expected volatility	ranging from 58.36% to 61.27%
Expected dividend yield	6.78%
Risk-free interest rate	ranging from 3.20% to 3.23%

The Binomial model has been used to estimate the fair value of the awarded shares. The variables and assumptions used in computing the fair value of the awarded shares are based on the valuer's best estimate. Changes in variables and assumptions may result in changes in the fair value of the awarded shares.

At the end of each reporting period, the Group reassesses its estimates of the number of shares that are expected to vest ultimately. The impact of the revision of the estimates, if any, is recognised in profit and loss, with a corresponding adjustment to the share-based payment reserve.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. CAPITAL COMMITMENTS

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Capital expenditure in respect of acquisition of leasehold improvements contracted for but not provided for in the condensed consolidated financial statements	6,078	33,544

18. RELATED PARTY TRANSACTIONS

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

(a) Related party balances

(i) Amounts due from related parties

Details of amounts due from related parties are stated as follows:

Nature of related parties

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Fellow subsidiaries (note)	2,265	4,090

Note: The related parties are companies under common control of Mr. Huang.

The entire balance of amounts due from related parties are non-trade in nature.

(ii) Amounts due to related parties

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Fellow subsidiaries (note)	827	1,700

Note: The related parties are companies under common control of Mr. Huang. The balances are trade in nature and mainly represent the 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. RELATED PARTY TRANSACTIONS (Continued)

(b) Related parties transactions

In addition to the transactions or information disclosed elsewhere in these condensed consolidated financial statements, the Group entered into the following material transactions with related parties, which are fellow subsidiaries under common control of Mr. Huang and joint venture:

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Related parties		
Revenue:		
– Commercial property operational and related services (note (i))	87,810	64,920
– Tenant management services (note (ii))	13,345	4,758
	101,155	69,678
Expense:		
– Property management and related services (note (iii))	1,444	2,059
– Interest expenses on lease liabilities (note (iv))	1,803	1,860
	3,247	3,919
A joint venture		
Revenue:		
– Commercial property operational and related services (note (i))	1,208	1,193

Notes:

- (i) This category includes market positioning, design and construction consultancy, tenant sourcing services, operational management and property leasing services.
- (ii) This category includes operational management services and value-added services.
- (iii) This category includes property management services, catering services and hotel accommodation services.
- (iv) The lease repayments of RMB4,624,000 (six months ended 30 June 2022: RMB4,477,000) were made for the six months ended 30 June 2023. Included in the lease repayments there were interests paid of RMB495,000 (six months ended 30 June 2022: RMB501,000) for the six months ended 30 June 2023. As at 30 June 2023, the corresponding carrying amount of the lease liabilities is RMB63,956,000 (30 June 2022: RMB66,110,000).

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

Compensation of key management personnel

The remuneration of directors and other members of key management of the Group during both interim periods were as follows:

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Short-term benefits	4,722	5,788
Equity-settled share – based payments	164	–
Retirement benefits schemes contributions	92	84
	4,978	5,872

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

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

The following table gives information about how the fair values of the Group's financial assets are determined (in particular, the valuation technique and inputs used).

Financial assets	Fair value at		Fair Value hierarchy	Valuation technique and key inputs
	30 June 2023 (unaudited)	31 December 2022 (audited)		
Financial assets at FVTPL	Investments in wealth management product: RMB20,546,000	N/A	Level 2	Quoted bid prices provided by bank

There were no transfer between Level 1, 2 and 3 during both interim periods.

20. EVENTS AFTER THE END OF THE REPORTING PERIOD

As of the date of this report, there is no significant subsequent event.

