星盛商業
E-STAR COMMERCIAL

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

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

ANNUAL REPORT
2023

CONTENTS

GROUP INTRODUCTION

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 31 December 2023, the Group entered into contracts to provide services for 55 commercial property projects (including 8 consultancy services projects) located in 21 cities in the People's Republic of China ("**China**" or "**PRC**"), with an aggregate contracted gross floor area ("**GFA**") of approximately 2.8 million square meters ("**sq.m**.") (excluding the area under 8 consultancy services projects), 48.9% of which was developed or owned by independent third parties. Among them, 27 retail commercial properties have been opened with an aggregate opened GFA of approximately 1.7 million sq.m..

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

The Group has been widely recognised in the market for its brand system and operating strength and also received various honours. In 2023, the Group was listed on both the "Mall China Golden Mall List of Excellent Commercial Management 2023" (2023年度商業管理公司卓越榜) and the "Mall China Golden Mall List of Excellent Marketing 2023" (2023年度營銷企劃卓越榜) by Mall China (中購聯), Shenzhen Futian Galaxy COCO Park (深圳福田星河COCO Park) was selected into the list of "National Demonstration Smart Store" (全國示範智慧商店) and occupied the first place of the list of the top ten internet popular brands in Shenzhen and Hong Kong, and Xiamen Galaxy COCO Park (廈門星河COCO Park) was also listed on the "Mall China Golden Mall List of Shopping Centers to Be Opened in the Year" (中購聯購物中心行業「年度待開業購物中心星秀榜」). At the same time, the Group's marketing campaign IP, E-Star's Seventh Shopping Festival (星盛商業第七屆大搶節), was also awarded the "High Quality Creativity Award 2023" (2023年度高質量創意獎) of the Weekly Marketing Awarding Ceremony (時代營銷盛典) by Times Media Group.

On a mission to "build prosperous cities with business acumen (以商業智慧構築城市繁榮)", the Group will be forward-looking, decisive, aggressive and creative with a high starting point, focus on the business opportunities and development concerned by customers, provide competitive products and services and continue to create outstanding value for consumers, partners, and shareholders.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Huang De-Lin Benny *(Chairman)*
Mr. Tao Muming *(Note 1)*
Mr. Chen Qunsheng *(Note 3)*
Ms. Li Li *(Note 2, 4)*
Ms. Wen Yi *(Note 1)*
Mr. Ma Chaoqun *(Note 3)*

Non-executive Directors

Mr. Huang De'An Tony
Mr. Guo Limin *(Note 1)*
Mr. Liu Jun *(Note 2)*

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 *(Note 1)*
Mr. Liu Jun *(Note 2)*
Mr. Guo Zengli

Remuneration Committee

Mr. Guo Zengli *(Chairman)*
Mr. Guo Limin *(Note 1)*
Mr. Liu Jun *(Note 2)*
Mr. Tse Yat Hong

Nomination Committee

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

AUTHORISED REPRESENTATIVES

Ms. Wen Yi *(Note 1)*
Mr. Huang De-Lin Benny *(Note 2)*
Ms. Xu Jing

COMPANY SECRETARY

Ms. Xu Jing

REGISTERED OFFICE

71 Fort Street
PO Box 500
George Town
Grand Cayman
KY1-1106
Cayman Islands

PLACE OF BUSINESS IN HONG KONG

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111 Connaught Road Central
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PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Longgang District, Shenzhen
Guangdong Province
PRC

PRINCIPAL SHARE REGISTRAR

Appleby Global Services (Cayman) Limited
71 Fort Street
PO Box 500
George Town
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

COMPANY'S HONG KONG LEGAL ADVISOR

Jia Yuan Law Office

COMPANY'S WEBSITE

www.g-cre.com

Notes:

1. Resigned on 14 April 2023
2. Appointed on 14 April 2023
3. Appointed on 16 June 2023
4. Resigned on 29 February 2024

AWARDS

AWARDS AND RECOGNITIONS

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

(1) 2023
"Mall China Golden Mall List of Excellent Commercial Management 2023"

Mall China (中購聯)

(2) 2023
"Mall China Golden Mall List of Excellent Marketing 2023"

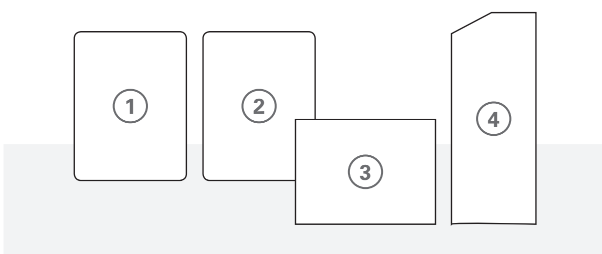
Mall China (中購聯)

(3) 2023
Xiamen Galaxy COCO Park (廈門星河COCO Park), "Mall China Golden Mall List of Shopping Centers to Be Opened in the Year"

Mall China (中購聯)

(4) 2023
E-Star's Seventh Shopping Festival (星盛商業第七屆大搶節), "High Quality Creativity Award 2023"

Times Media Group



CHAIRMAN'S STATEMENT

The year 2023 was the first year of post-pandemic recovery and a fresh start for business recovery and renewal. However, it took time for both people and business to recover from the pandemic and things were not always going well, so 2023 was not an easy year for all.

We have remained in a volatile environment full of challenges and opportunities. Given the complexity of the current situation, we have been exploring inward by focusing more energy and time on commercial operations to improve operation fundamentals and promote product and service upgrading, while paying more attention to the subtle changes in consumer demand, aiming to resonate with consumers. With this firm belief, we gradually weathered the storm and achieved good operating results and performance. I am hereby pleased to announce the annual results of E-Star for the year ended 31 December 2023.

2023 REVIEW

The importance of shopping centers as a sector closely related to human well-being has become increasingly prominent in the urban business landscape. Adhering to its mission of "building prosperous cities with business acumen" (以商業智慧構築城市繁榮), the Group continues to inject vibrant and creative business atmosphere into cities and establish diversified and all-rounded service systems to bring better consumption experience to the public with rich and colorful contents of life.

In 2023, the Group recorded total revenue of approximately RMB635.0 million for the year, representing a year-on-year growth of approximately 13.0%. Profit attributable to the owners of the Company amounted to approximately RMB171.1 million, representing a year-on-year growth of approximately 10.9%, and earnings per share attributable to shareholders of the Company amounted to RMB16.84 cents. On 20 March 2024, the board (the "**Board**") of directors (the "**Directors**") of the Company has resolved to recommend a final dividend of HK13 cents per ordinary share, representing a payout ratio of 70% for the year.

I. Insist on high-quality project opening

Starting from project positioning, design consultation, engineering consultation and other preliminary services to ensure the novelty of project design and the reasonableness of engineering layout from the source and lay the foundation for the improvement of the subsequent operating efficiency, the Groups insists on the strategy of "one policy for one store" to realize the "local operation" of the project and carry out precise tenant sourcing and positioning to achieve the high-quality opening of the projects in preparation eventually. In 2023, six major projects, namely Xiamen Galaxy COCO Park (廈門星河COCO Park), Rizhao Galaxy iCO (日照星河iCO), Shanshui Outlets - Lu'an Galaxy COCO City (山水奧萊·六安星河COCO City), Guangzhou Nansha Galaxy COCO Park (廣州南沙星河COCO Park), Jiangyin Galaxy COCO City (江陰星河COCO City) and Jining Galaxy iCO (濟甯星河iCO), were opened in a quality manner.

According to big data statistics from Winshang, there were 394 new commercial projects (≥30,000 sq.m. shopping centers/independent department stores) opened in 2023, representing only 67% of those proposed to be opened at the beginning of 2023. Despite the overall downturn in the market, E-Star's effective efforts in promoting the opening of its six major projects makes it among the top 10 large-scale enterprises in terms of number of openings in 2023.

II. Insist on high-quality product development

To consolidate the brand power of the flagship product line COCO Park, we set to work on nation-wide expansion on the basis of regional development. In 2023, COCO Park walked out of Shenzhen for the first time, and entered Xiamen and Guangzhou with the newly opened Xiamen Galaxy COCO Park and Guangzhou Nansha Galaxy COCO Park. Up to now, E-Star has six COCO Parks opened, and formed a multi-point-in-one-city (一城多點) development pattern of COCO Park in Shenzhen and Guangzhou, indicating E-Star's launch of the strategic layout of "two centers in the Bay Area".

In order to further strengthen COCO Park's brand positioning as being "youthful and trendy", we actively attract the attention of younger consumers. The "Chic HongKong港·潮流" consumer goods promotion event attended by the Chief Executive was held in Shenzhen Futian Galaxy COCO Park (深圳福田星河COCO Park), attracting more than 300,000 visitors for a single event. In addition, we organized the first Shenzhen Strawberry TOWN Music Festival, bringing together 8 groups of well-known artists, and presenting classic strawberry art device and a market that incorporates Shenzhen's trendy culture. Through the power of music, we created a new cultural consumption scene for young people, achieving a super high customer traffic of more than 400,000, and further consolidating COCO Park's leading position in the young and trendy field. Meanwhile, taking Shenzhen Galaxy WORLD · COCO Park (深圳星河WORLD · COCO Park) as a pilot project, "COCO Park" has injected a new experience of city-walking (城市漫遊). A comprehensive upgrading plan has been launched at the fifth anniversary of the project. With the brand concept of "City-Walking Place (都市漫遊地)", it integrates elements such as mountains and forests, Buddhist temple, culture and light travel art in space, and penetrates into the daily life of consumers through elements such as pioneer fashion brands in respect business pattern, so as to create a "most relaxed" light travel destination in Shenzhen.

III. Insist on high-quality refined operation

Take various measures to stabilize and help merchants, and enhance the rental rate of the project: to stabilize and help ships, we have taken a number of measures to enhance the rental rate of the project. First, we have deepened strategic collaboration opportunities and reinforced the "one for more (一帶多)" capability of each brand to provide strong brand reserves and support for the projects in preparation. At the same time, we actively promoted the introduction of new brands and innovative forms of business to attract more merchants.

Create a smart retail management system, and strengthen refined operation and management: to achieve this goal, we focused on promotion of three core strategies of "membership strategy, tenant marketing platform and data strategy". With operation strategy and Internet products as the core, we had in-depth understanding in customer consumption data to improve their shopping experience. Through digital means, we continued to optimize user experience, which in turn helped our business to achieve sustained and effective growth.

Optimize the membership service system, and enhance customer satisfaction by focusing on consumers: on the one hand, we sincerely served merchants, built a specific and seamless service communication mechanism for them, coordinated key marketing and promotion activities, explored key marketing resources of merchants, and comprehensively helped them improve their performance; on the other hand, we sincerely served customers, comprehensively upgraded "Five Friendly (五大友好)" customer service systems of the convenience friendly (便民友好), infant & mom friendly (母嬰友好), female friendly (女性友好), child friendly (兒童友好) and pet friendly (寵物友好), membership service system and member-side digital system, and vigorously improved customer satisfaction. On 5 December 2023, E-Star COCO Club was newly launched, and the number of members increased by more than 1 million in 2023, with a total of 4.3 million up to now.

2024 OUTLOOK

No matter how the industry environment and market performance change, business is always one of the industries that are most associated with people's consumption during the development of China's commercial real estate. As long as there is demand, there will be supply and consumption, which is an immutable commercial activity generated by people to meet their own needs. As long as people's aspiration for a better life remains unchanged, business will always have a chance. In 2023, the commercial consumer market has returned to the new normal of "steady recovery and steady growth", as China's consumer market is large enough, thus it can still accumulate momentum for consumption recovery, which is the everlasting vitality of the business.

In this environment, in comparison with size and speed, resilience becomes a more valuable quality for companies. 2024 will be the 20th anniversary of E-Star's entry into commercial real estate, and we are proud to be able to move forward on this path with determination, witnessing and experiencing the development of the commercial real estate market in China.

I. Cultivation for a long run to forge commercial resilience

E-Star adheres to the philosophy of operation for a long run, is committed to in-depth cultivation of commercial operation field, and stimulates the internal vitality of business and consumption through continuous innovation and optimization. On the one hand, by focusing on operation and quality improvement and based on the culture and consumption insights of the cities in which the project is rooted, we leverage accurate and effective commercial operations to create the commercial value empowerment of "local operation" of the project. On the other hand, we will continue to enhance our digital operation capabilities through in-depth integration with various business scenarios to provide customers with a high-quality shopping experience, tenants with effective management services and landlords with substantial operating income. In the coming years, we will work hard step by step and improve our comprehensive strength to make us better every day.

II. Empathy and cooperation to create new consumption scenarios

After three years of the pandemic, everyone pays more attention to their true self and hopes to return to their current life. Whether Zibo barbecue, Harbin tourism or it is hard to get a concert ticket, they enable us to see the continuous vitality and resilience of the offline consumption scenarios. According to the consumer traffic data of our shopping centers, the annual consumer traffic in 2023 increased by nearly 40%, which also deeply reflects the burning desire of consumers to return to the offline.

The recovery of the offline consumption scenarios is also accompanied by many new variables. What changes have taken place in the goods and services required by consumers now as compared with those before the pandemic? How can we match new changes to create more attractive scenarios and experience? This requires us to establish deeper emotional bonds with consumers. On the one hand, we shall have an insight into the needs of consumers, listen to the voice of consumers, and study the behavior of consumers. On the other hand, we shall deeply explore the belongingness and link of individuals actively seeking groups, continue to explore product content co-creation with consumers, and present segmented commercial product positioning and accurate social consumption scenario experience.

III. Adhere to technological empowerment to promote digital and intelligent strategy

Identifying the most suitable, instead of the best, is vital for doing business; and doing business cannot be based on experience only, but also on data-assisted decision-making. Therefore, we must adhere to quantifiable and rewarding digital and intelligent strategy to enhance our smart retail capabilities.

Through our efforts in four aspects, namely membership and service digitalization, marketing and service digitalization, management digitalization and guidance of operation strategy by data, we will improve membership services and membership marketing, build merchant service platform and consumer data analysis system, connect CRM and marketing platform, and improve merchant service level and operation efficiency.

In the future, we will continue to use data as a gripper to drive the brand to match consumers' needs, and secure the targeted customer base to achieve more appropriate business mix restructuring and more accurate user marketing, thus improving the overall operational efficiency.

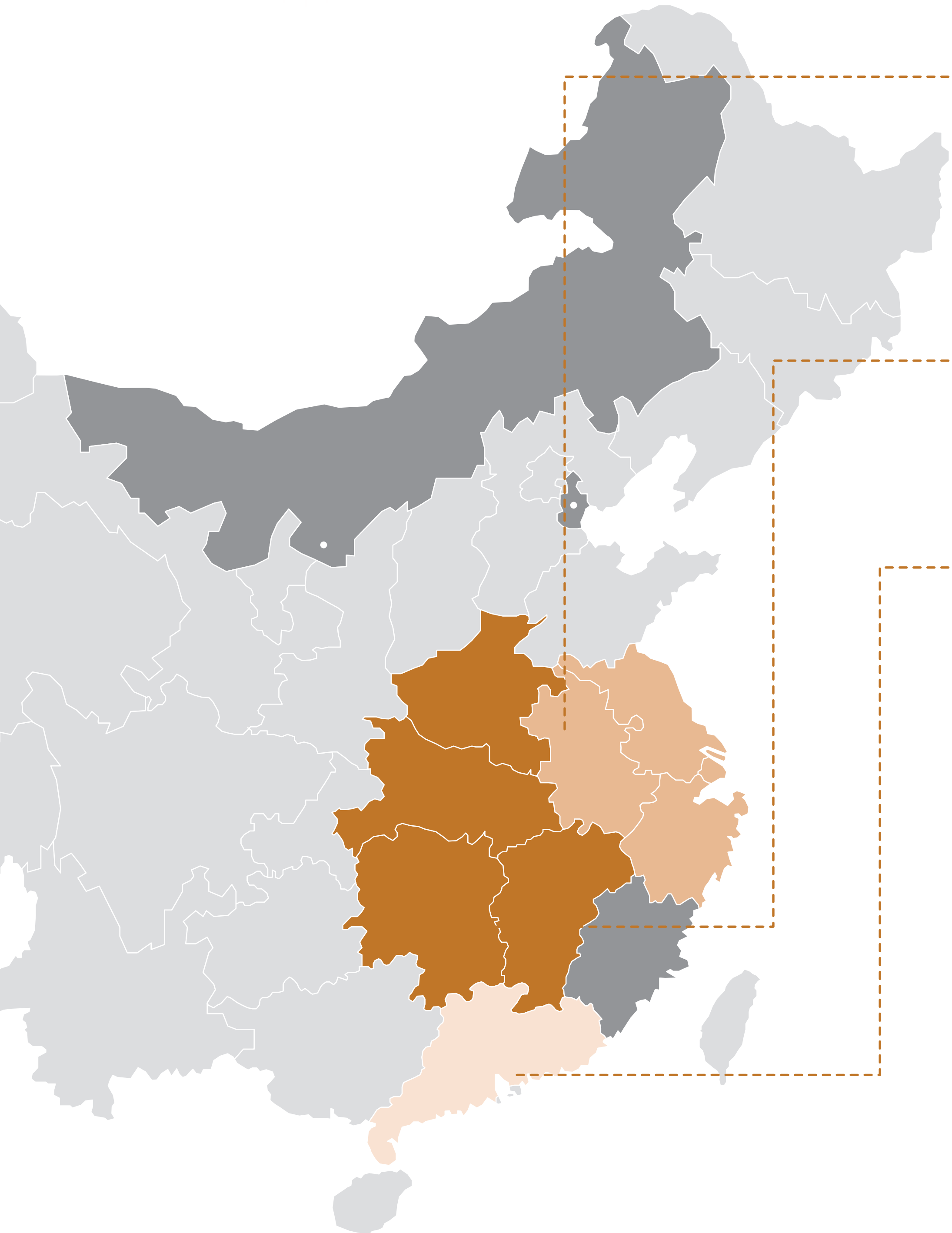
Last but not least, I would like to express my gratitude to the shareholders, investors, partners and consumers of E-Star for their continuous support and trust, as well as their willingness to accompany our growth, give us space for development, allow us to be persistent, and give us courage to forge ahead. The journey is long and arduous, but we will get through and usher in a bright future with determination and perseverance. Though 2024 is still full of challenges, we will do our best.

Huang De-Lin Benny
Chairman

20 March 2024

OVERVIEW OF BUSINESS

As of 31 December 2023, the Group entered into contracts to provide services for 55 commercial property projects located in 21 cities in China



Yangtze River Delta	Number of projects: 9	
Nanjing		1
Changzhou	2	2
Wuxi	1	
Lu'an	1	
Jiaxing	1	
Shanghai		1

Central China region	Number of projects: 1	
Wuhan		1

Greater Bay Area	Number of projects: 34	
Shenzhen	11	7
Guangzhou	4	5
Zhuhai		1
Zhongshan	1	
Huizhou	1	2
Dongguan	1	
Maoming		1

Other Regions	Number of projects: 11	
Tianjin		1
Erdos	1	2
Rizhao, Shandong	1	
Chengdu		1
Xiamen, Fujian	1	
Jieyang, Guangdong		2
Jining	1	1

Operated commercial property projects	**27**
Unoperated commercial properties	**28**

BUSINESS REVIEW

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

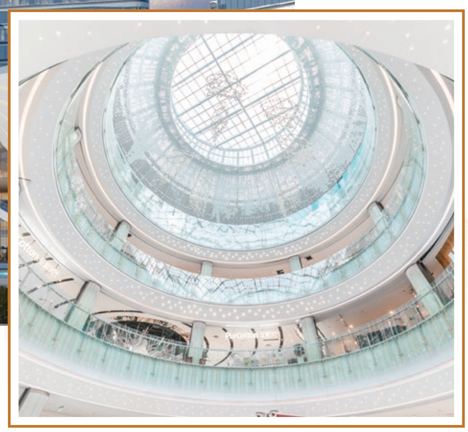
- positioning, construction consultancy and tenant sourcing services: primarily including market positioning, business planning consultancy, design and construction consultancy and tenant sourcing services;

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

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

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

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



Entrusted management service model

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

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

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

- Revenue sources: The Group's revenue sources include (i) fixed fees for market positioning, design and construction consultancy and tenant sourcing services from property owners, (ii) a pre-agreed percentage of the revenue or profit, and/or a fixed fee, for operational management services from property owners, (iii) management fees for operational management services from tenants and (iv) common area use fees for 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 we believe can achieve better operating results and increase its revenue, and limits its credit risk as certain cash flows may pass through.

Brand and management output service model

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

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

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

Sublease service model

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

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

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

With reference to the evaluation on the projects and requirements of the property owners, the Group flexibly chooses diversified cooperation models, such as entrusted management, brand and management output and sublease service, during its cooperation with the related parties and third parties, and has achieved good operating results.

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

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

Notes:

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

(2) In 2023, the Company adjusted its strategy in a timely manner in respond to changes in the real estate industry. After conducting an in-depth survey on all projects and based on comprehensive assessment from the perspective of its interests as a whole, the Company took the initiative to negotiate with the owners of 6 third party projects (i.e. Puning Galaxy COCO City (普寧星河COCO City), Shenzhen Longgang Galaxy iCO (深圳龍崗星河iCO), Shanwei Galaxy COCO City (汕尾星河COCO City), Foshan Changhua Galaxy COCO City (佛山長華星河COCO City), Guannan Hengji Galaxy COCO City (灌南恒基星河COCO City) and Enshi Galaxy COCO City (恩施星河COCO City)) and completed the rescission of these contracts. It is the Company's view that focusing more resources on the development and improvement of quality projects will facilitate the Company's high-quality and sustainable development.

As of 31 December 2023, the Group provided services to 55 commercial property projects (including 8 consultancy service projects), with a contracted GFA of approximately 2.8 million sq.m. (excluding the GFA of 8 consultancy service projects). The reserve of consultancy service projects lays the foundation for the subsequent transformation into sustainable operation projects, and also provides continuous impetus for the stable growth of the Group.

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

	As of/for the year ended 31 December,							
	2023				2022			
	No. of properties	contracted GFA[5]	Revenue		No. of properties	contracted GFA[5]	Revenue	
		sq.m.	RMB	%		sq.m.	RMB	%
	(in thousands, except for numbers of properties and percentages)							
Greater Bay Area[1]	34	1,588	503,853	79.3	39	1,803	457,541	81.4
– Shenzhen	*18*	*777*	*454,867*	*71.6*	*20*	*836*	*421,090*	*74.9*
Yangtze River Delta[2]	9	418	71,011	11.2	9	540	55,186	9.8
Central China region[3]	1	–	5,901	0.9	1	142	14,690	2.6
Other regions[4]	11	836	54,241	8.6	16	1,215	34,437	6.2
Total	55	2,842	635,006	100.0	65	3,700	561,854	100.0

Notes:

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

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

(3) Include Enshi and Wuhan.

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

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

The table below sets forth average occupancy rate and GFA in operation of retail commercial property that commenced operation as at 31 December 2023.

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

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

(2) The area excludes car park.

Projects in Operation

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

	Commercial property	Location	Opening date (Month-Year)	Shopping Mall (sq.m.)	Car Park (sq.m.)	Total GFA in operation (sq.m.)	Operational model	Property owner
1.	Shenzhen Futian Galaxy COCO Park (North) (深圳福田星河COCO Park(北區))	Shenzhen	September 2006	45,987	21,658	67,645	Entrusted management service	Galaxy Holding and its associates
2.	Shenzhen Galaxy Top Living (深圳星河第三空間)	Shenzhen	May 2007	27,988	–	27,988	Entrusted management service	Galaxy Holding and its associates
3.	Shenzhen Longgang Galaxy COCO Park (深圳龍崗星河COCO Park)	Shenzhen	September 2012	79,506	94,871	174,377	Entrusted management service	Galaxy Holding and its associates
4.	Shenzhen Longhua Galaxy COCO City (深圳龍華星河COCO City)	Shenzhen	November 2014	45,182	123,222	168,404	Entrusted management service	Galaxy Holding and its associates
5.	Shenzhen Galaxy WORLD • COCO Park (深圳星河WORLD • COCO Park)	Shenzhen	September 2018	39,721	–	39,721	Entrusted management service	Galaxy Holding and its associates
6.	Shenzhen Futian Galaxy COCO Park (South) (深圳福田星河COCO Park(南區))	Shenzhen	July 2020	43,239	–	43,239	Entrusted management service	Galaxy Holding and its associates
7.	Shenzhen Longhua Galaxy COCO Garden (深圳龍華星河COCO Garden)	Shenzhen	August 2020	3,618	–	3,618	Entrusted management service	Galaxy Holding and its associates
8.	Shenzhen Galaxy Center (深圳星河中心)	Shenzhen	April 2008	72,605	–	72,605	Brand and management output service	Galaxy Holding and its associates
9.	Shenzhen Longhua Galaxy iCO (深圳龍華星河iCO)	Shenzhen	December 2015	54,037	–	54,037	Brand and management output service	Independent Third Party property developers
10.	Changzhou Galaxy International Phase III Project (常州星河國際三期項目)	Changzhou	August 2016	16,990	–	16,990	Brand and management output service	Galaxy Holding and its associates
11.	Guangzhou Nansha Jinzhou Galaxy COCO Garden (廣州南沙金洲星河COCO Garden)	Guangzhou	October 2016	10,812	–	10,812	Brand and management output service	Galaxy Holding and its associates
12.	Huizhou Galaxy COCO Garden (惠州星河COCO Garden)	Huizhou	September 2017	32,899	9,135	42,034	Brand and management output service	Galaxy Holding and its associates
13.	Ordos Galaxy COCO City (鄂爾多斯星河COCO City)	Ordos	October 2017	81,522	–	81,522	Brand and management output service	Independent Third Party property developers
14.	Shenzhen Shajing Galaxy COCO Garden (深圳沙井星河COCO Garden)	Shenzhen	August 2020	8,557	–	8,557	Brand and management output service	Independent Third Party property developers
15.	Zhongshan Tianyi Galaxy COCO City (中山天奕星河COCO City)	Zhongshan	November 2020	86,938	64,790	151,728	Brand and management output service	Independent Third Party property developers
16.	Dongguan Galaxy COCO Garden (東莞星河COCO Garden)	Dongguan	October 2021	10,901	–	10,901	Brand and management output service	Galaxy Holding and its associates
17.	Guangzhou Nansha Dachong Galaxy COCO Garden (廣州南沙大涌星河COCO Garden)	Guangzhou	October 2022	18,029	–	18,029	Brand and management output service	Galaxy Holding and its associates
18.	Asian Financial Center Project (亞洲金融中心項目)	Guangzhou	November 2022	31,301	938	32,239	Brand and management output service	Galaxy Holding and its associates
19.	Changzhou Wujin Hutang Galaxy COCO City (常州武進湖塘星河COCO City)	Changzhou	August 2016	43,632	–	43,632	Sublease service	Galaxy Holding and its associates
20.	Jiaxing Galaxy COCO City (嘉興星河COCO City)	Jiaxing	July 2022	81,504	–	81,504	Sublease service	Independent Third Party property developers
21.	Commercial facilities of Shenzhen Galaxy WORLD Industrial Park (深圳星河WORLD產業園底商)	Shenzhen	April 2023	7,515	–	7,515	Brand and management output service	Galaxy Holding and its associates
22.	Xiamen Galaxy COCO Park (廈門星河COCO Park)	Xiamen	May 2023	73,507	28,834	102,341	Sublease service	Independent Third Party property developers
23.	Rizhao Galaxy iCO (日照星河iCO)	Rizhao	September 2023	56,611	–	56,611	Entrusted management service	Independent Third Party property developers
24.	Shanshui Outlets • Lu'an Galaxy COCO City (山水奧萊 • 六安星河COCO City)	Lu'an	December 2023	75,692	–	75,692	Brand and management output service	Independent Third Party property developers
25.	Guangzhou Nansha Galaxy COCO Park (廣州南沙星河COCO Park)	Guangzhou	December 2023	96,018	–	96,018	Entrusted management service	Galaxy Holding and its associates
26.	Jiangyin Galaxy COCO City (江陰星河COCO City)	Wuxi	December 2023	51,226	–	51,226	Sublease service	Galaxy Holding and its associates
27.	Jining Galaxy iCO (濟寧星河iCO)	Jining	December 2023	66,700	44,919	111,619	Entrusted management service	Independent Third Party property developers
	Total			1,262,237	388,367	1,650,604		

WORK PLAN FOR 2024

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

I. Improve product portfolio quality

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

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

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

II. Improve operation service quality

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

III. Optimize management and innovation

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

IV. Improve expansion quality

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

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

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

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

FINANCIAL REVIEW

Revenue

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

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

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

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

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

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

Cost of Services

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

Gross Profit and Gross Profit Margin

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

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

	Year ended 31 December			
	2023		2022	
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %
Entrusted management services	**217,676**	**53.6**	205,686	53.9
Brand and management output services	**109,960**	**75.8**	101,134	73.3
Sublease services	**5,919**	**7.1**	6,219	14.7
Total/Overall	**333,555**	**52.5**	313,039	55.7

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

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

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

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

Other Income

For the year ended 31 December 2023, other income amounted to approximately RMB42.8 million, representing a year-on-year increase of approximately 6.8%, primarily attributable to the increased bank interest income as a result of the increase in the average balance of deposits in banks.

Other Gains and Losses

For the year ended 31 December 2023, other gains amounted to approximately RMB3.1 million, mainly represents foreign currency exchange gains.

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

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

Selling Expenses

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

Administrative Expenses

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

Finance Costs

The Group's finance costs represent interest expense on lease liabilities recognized pursuant to HKFRS 16 in respect of sublease projects. For the year ended 31 December 2023, the Group's finance costs amounted to approximately RMB38.3 million, representing a year-on-year increase of approximately 64.0%, primarily attributable to the increase in interest expense on lease liabilities recognized in respect of the delivery of sublease projects of Jiaxing Galaxy COCO City (嘉興星河COCO City) and Xiamen Galaxy COCO Park (廈門星河COCO Park) in May 2022.

Share of Result of a Joint Venture

For the year ended 31 December 2023, the Group's share of result of a joint venture recorded a loss of approximately RMB16.1 million, representing a year-on-year decrease of 23.0%, which was mainly due to the decrease in the depreciation of right-of-use assets and the interest expense on lease liabilities recognized pursuant to HKFRS 16 by Guangzhou Kaixing Business Management Co., Ltd*. (廣州凱星商業管理有限公司), a joint venture invested by the Group pursuant to the joint venture agreement entered into by the Group dated 28 July 2021 as a result of partial rent concessions granted by the owner of the sublease project of Guangzhou Health Port Galaxy COCO Park (廣州健康港星河COCO Park), resulting in a decrease in loss of the joint venture.

Income Tax Expenses

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

Profit for the Year

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

Trade and Other Receivables

The Group's trade and other receivables primarily arise from commercial property operational services within the shopping centers, shopping streets and commercial complexes. As at 31 December 2023, the Group's current portion of trade and other receivables were approximately RMB28.2 million, representing a decrease of approximately 39.1% as compared with that of approximately RMB46.3 million as at 31 December 2022, primarily attributable to the decrease in trade receivables as a result of the Group's active collection of various receivables.

Financial assets at fair value through profit or loss

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

Trade and other payables

The Group's trade and other payables primarily represent amounts due to suppliers/subcontractors as well as related parties for the purchase of services and goods, receipts on behalf of tenants, deposits received from tenants, payroll payables and construction cost payables and others. As at 31 December 2023, the Group's trade and other payables amounted to approximately RMB287.0 million, representing a year-on-year increase of approximately 37.9% as compared with approximately RMB208.1 million as at 31 December 2022, which was mainly due to the increase in deposits received from tenants and receipts on behalf of tenants as a result of the increase in opened projects, and the increase in construction cost payables as a result of the increase in decoration expenses of sublease projects.

Investment properties

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

Charge of assets

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

Contingent liabilities

As at 31 December 2023, the Group did not have any material contingent liabilities.

Liquidity and capital resources

The Group has maintained stable financial position and sufficient liquidity and bank balances. As at 31 December 2023, the Group's bank balances and cash amounted to approximately RMB546.9 million, representing an increase of approximately 13.3% as compared with that of approximately RMB482.8 million as at 31 December 2022. This was primarily attributable to the increase in the proceeds from operation of the Group for the year ended 31 December 2023, which was partly offset by decoration expenses of the sublease projects and cash dividend payments. The management believes that the Group's financial resources and future revenue will be sufficient to support the current working capital requirement and future expansion of the Group.

Bank loans and other borrowings

There are no bank loans and other borrowings of the Group as at 31 December 2023 (31 December 2022: Nil).

Gearing ratio

Gearing ratio is calculated based on total liabilities as at 31 December 2023 divided by total assets as at 31 December 2023. As at 31 December 2023, gearing ratio was approximately 45.3%, remaining relatively stable as compared with approximately 44.9% as at 31 December 2022.

Foreign exchange risk

The Group primarily operates in the PRC and its businesses are principally conducted in RMB. As at 31 December 2023, assets and liabilities denominated in currencies other than RMB were mainly cash and cash equivalents dominated in Hong Kong dollars or United States dollars. The Group did not enter into any forward exchange contract to hedge against foreign exchange risk, but the management will continue to monitor foreign exchange risk and adopt a prudent approach to reduce the foreign exchange risk.

Net Proceeds from the Listing and Over-allotment

A total of 270,640,000 ordinary shares of HK$0.01 each in the share capital of the Company (the "**Share(s)**") were issued at HK$3.86 per Share in connection with the listing (the "**Listing**") of the Shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 26 January 2021 (the "**Listing Date**"), including the Over-allotment Option (as defined in the prospectus of the Company dated 14 January 2021 (the "**Prospectus**")), with a total net proceeds of RMB841.8 million (the "**Net Proceeds**") raised.

By using the allocations basis as stated in the Prospectus, the Group intended to use the Net Proceeds as follows: (i) approximately 55%, or approximately RMB463 million, for pursuing strategic acquisition of and investment in other small to mid-sized commercial property operational service providers in order to scale up its commercial property operational service business and expand its commercial property operational service portfolio (the "**Intended Acquisitions**"); (ii) approximately 20%, or approximately RMB168.4 million, for renovation of retail commercial properties under the sublease service model; (iii) approximately 10%, or approximately RMB84.2 million, for making minority equity investment in the project companies which own quality commercial properties; (iv) approximately 5%, or approximately RMB42 million, for upgrading internet-based and information systems to raise its management service quality, reduce labour costs and improve internal control; and approximately 10%, or approximately RMB84.2 million, for its general business purpose and working capital.

On 25 August 2022, the Board resolved to change the proposed use of the Net Proceeds in the following manner: (i) the original proposed allocation of approximately 55% of the Net Proceeds for the Intended Acquisitions will be re-allocated for lease expenses and renovation of retail commercial properties under the sublease service model; and (ii) the original proposed use of Net Proceeds for renovation of retail commercial properties under the sublease service model will be expanded to cover also lease expenses of retail commercial properties under the sublease service model (collectively, the "**Intended Renovations**"). For details, please refer to the interim results announcement of the Company dated 25 August 2022 (the "**Announcement**") and the 2022 interim report of the Company.

As of 31 December 2023, an analysis of the utilisation of Net Proceeds is as follows:

Revised use of Net Proceeds as set out in the Announcement	Approximate amount of Net Proceeds after reallocation (RMB million)	Unutilised Net Proceeds as at 1 January 2023 (RMB million)	Utilised Net Proceeds For the twelve months ended 31 December 2023 (RMB million)	Unutilised Net Proceeds as at 31 December 2023 (RMB million)	Expected time of full utilisation
For lease expenses and renovation of retail commercial properties under the sublease service model	631.4	534.6	74.2	460.4	by end of 31 December 2025
To make minority investment in the project companies which own quality commercial properties	84.2	60.2	15.0	45.2	by end of 31 December 2025
To upgrade information technology systems to raise the Group's management service quality, reduce labor costs and improve internal control, among which:					
– to enhance intelligent operation data center, which includes real time remote onsite monitoring, tenant's business data analysis, operational early-warning and tenant mix optimization based on tenant's business data analysis	21.0	19.6	0.3	19.3	by end of 31 December 2025
– to improve customers services	21.0	18.0	1.5	16.5	by end of 31 December 2025
For general business purpose and working capital	84.2	–	–	–	
Total	841.8	632.4	91.0	541.4	

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

NUMBER OF EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, the total number of employees of the Group was 901 (2022: 826). Employees are remunerated according to their qualifications and experience, job nature and performance, and under the pay scales aligned with market conditions. Other benefits to employees include medical scheme, insurance coverage, retirement schemes, share option scheme and award of restricted share units under the restricted share unit scheme adopted by the Company on 4 November 2021.

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

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

The Company has no significant investments held and no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended and as at 31 December 2023.

As of the date of this annual report, the Board consists of three executive directors of the Company (the "**Directors**"), two non-executive Directors and three independent non-executive Directors.

DIRECTORS

Executive Directors

Mr. Huang De-Lin Benny (黃德林), aged 40, was appointed as the Director on 13 September 2019 and was re-designated as the executive Director and the chairman of the Board on 20 December 2019. He is also the chairman of the nomination committee of the Company. He is primarily responsible for the overall business development, formulation and implementation of business strategies of the Group. He joined the Group in October 2014 as the deputy general manager of Shenzhen Galaxy Commercial Property Group Co., Ltd.* (深圳市星河商置集團有限公司) ("**Galaxy Commercial Property Group**"), an indirect wholly-owned subsidiary of the Company, where he has been primarily responsible for assisting the day-to-day operation, as well as in charge of the investment department and corporate planning department of the Group.

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

Mr. Huang De-Lin Benny has been the vice chairman of Shenzhen Chaoshan Junior Chamber of Commerce (深圳市潮汕青年商會) since November 2019 and chairman since January 2024. He obtained a bachelor's degree in business administration from York University in Canada in June 2008. He also obtained a master's degree in enterprise management from Peking University HSBC Business School (北京大學匯豐商學院) in the People's Republic of China ("**PRC**") in July 2016.

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

Mr. Chen Qunsheng (陳群生)("Mr. Chen"), aged 46, was appointed as an executive Director on 16 June 2023. He joined the Group in May 2023, and currently serves as the chief executive officer of the Company and Galaxy Commercial Property Group, mainly responsible for the overall business strategies as well as the daily operation and management of the Group.

Prior to joining the Group, from July 2000 to September 2017, he was employed by China Resources Land Limited, a company listed on the Stock Exchange (stock code: 1109) and its associated companies, with his last position as the deputy general manager of commercial property business division of China Resources Land Limited. From October 2017 to June 2020, Mr. Chen served as an executive director of Shanghai Xintiandi Commercial Management Co., Ltd. and the chairman of Fung Cheng Property Co., Ltd., both companies were indirect wholly-owned subsidiaries of Shui On Land Limited, a company listed on the Stock Exchange (stock code: 272). From June 2021 to April 2023, Mr. Chen was appointed as an independent non-executive director of Nayuki Holdings Limited, a company listed on the Stock Exchange (stock code: 2150).

Mr. Chen received a bachelor's degree in economics from Wuhan University in July 2000.

* *For identification purpose only.*

Mr. Ma Chaoqun (馬超群) ("Mr. Ma"), aged 41, was appointed as the executive Director on 16 June 2023. He joined the Group in May 2023, and currently serves as the chief financial officer of the Company and the general manager of the finance management center of Galaxy Commercial Property Group, an indirect wholly-owned subsidiary of the Company, mainly responsible for overseeing the financial management, investor relations and matters in relation to capital markets, legal affairs and contract management, as well as procurement management of the Group.

Prior to joining the Group, he was employed by Midea Group Co., Ltd.* (美的集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000333) and its associated companies from July 2005 to April 2023, where his last position was general manager of the capital markets department of Midea Real Estate Group Limited* (美的置業集團有限公司), an indirect wholly-owned subsidiary of Midea Real Estate Holding Limited, a company listed on the Main Board of the Stock Exchange (stock code: 3990). From June 2016 to January 2021, he successively served as the chief financial officer, secretary to the board of directors, and the executive general manager of Guangdong Platinum Property Services Co., Ltd.* (廣東鉑美物業服務股份有限公司) (formerly known as Guangdong Midea Property Management Co., Ltd.* (廣東美的物業管理股份有限公司), a company delisted from the National Equities Exchange and Quotations since 11 January 2021).

Mr. Ma graduated from Shenyang University of Chemical Technology with a bachelor's degree in accounting in July 2005. He obtained a master's degree in business administration from South China University of Technology in June 2012. He is currently pursuing a doctoral degree in enterprise management at the Macau University of Science and Technology. Mr. Ma has obtained the qualification of fund practitioners and was awarded the board secretary certificate by the Shenzhen Stock Exchange and Shanghai Stock Exchange in August 2016 and July 2017, respectively.

* *For identification purpose only.*

Non-executive Directors

Mr. Huang De'An Tony (黃德安), aged 42, was appointed as the non-executive Director on 20 December 2019. Mr. Huang De'An Tony is primarily responsible for providing guidance for the overall development of the Group. From February 2008 to January 2023, he has been serving in Galaxy Holding as executive vice president, where he has been primarily responsible for assisting the overall operation management of Galaxy Holding. Since January 2023, he has served in Galaxy Holding as president, fully presiding over the day-to-day operation of Galaxy Holding.

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

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

Mr. Liu Jun (劉軍) ("Mr. Liu"), aged 50, was appointed as the non-executive Director on 14 April 2023. He is also a member of the audit committee and the remuneration committee of the Company. Mr. Liu is primarily responsible for providing guidance for the overall development of the Group. Mr. Liu joined Galaxy Holding Group Co., Ltd. * (星河控股集團有限公司)("**Galaxy Holding**"), a wholly-owned subsidiary of a controlling shareholder of the Company in February 2021 and is currently serving as a vice-president and the chief financial officer.

Prior to joining Galaxy Holding, from July 1994 to June 1997, Mr. Liu worked as the head of the accounting department of China State Construction Engineering Corporation (中國建築工程總公司), a company listed on the Shanghai Stock Exchange (stock code: 601668). From June 1997 to September 2016, Mr. Liu served at China Overseas Holdings Limited and its associated companies with his last position as an executive director and assistant president of China Overseas Grand Oceans Group Limited, a company listed on the Stock Exchange (stock code: 0081), from December 2015 to September 2016. From October 2016 to July 2019, he worked as a vice president of Qian Hai Life Insurance CO., LTD. From July 2019 to March 2020, he served as a vice president of RiseSun Real Estate Development Co.,Ltd, a company listed on the Shenzhen Stock Exchange (stock code: 002146). From March 2020 to February 2021, Mr. Liu served as a vice president of Seedland Real Estate Group Co. Ltd.

Mr. Liu obtained a bachelor's degree in accounting from the Jiangxi University of Finance and Economics in 1994 and a master's degree in business administration from the Victoria University of Switzerland in 2011. He obtained the qualification of senior accountant in November 2008.

* *For identification purpose only.*

Independent non-executive Directors

Mr. Zhang Liqing (張禮卿) ("Mr. Zhang"), aged 60, was appointed as the independent non-executive Director on 21 December 2020. He is also a member of the nomination committee of the Company. Mr. Zhang is primarily responsible for providing independent advice on the operations and management to the Board.

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

Mr. Zhang has been a consultant of PricewaterhouseCoopers China since January 2020. He has also been an external supervisor of China Minsheng Bank Corp., Ltd. (中國民生銀行股份有限公司), a commercial bank in the PRC whose shares are listed on the Stock Exchange (stock code: 1988) and the Shanghai Stock Exchange (stock code: 600016) since October 2020. From February 2008 to September 2015, Mr. Zhang served as an independent director in Chongqing Three Gorges Bank Co., Ltd. (重慶三峽銀行股份有限公司), a commercial bank in Chongqing. From December 2008 to April 2015, Mr. Zhang served as an independent non-executive director in CSC Financial Co., Ltd. (中信建投證券股份有限公司), a full-service investment bank in the PRC whose shares are listed on the Stock Exchange (stock code: 6066) and the Shanghai Stock Exchange (stock code: 601066). From March 2011 to September 2018, Mr. Zhang also served as an independent director in Poly Real Estate Group Co., Ltd. (保利發展控股集團股份有限公司), a real estate development company whose shares are listed on the Shanghai Stock Exchange (stock code: 600048). From September 2016 to August 2021, Mr. Zhang served as an independent non-executive director in Gome Finance Technology Co., Ltd. (國美金融科技有限公司), a financial factoring and financial leasing company whose shares are listed on the Stock Exchange (stock code: 0628). Mr. Zhang was an independent director of Zhejing Shaoxing Ruifeng Rural Commercial Bank Co., Ltd. (浙江紹興瑞豐農村商業銀行股份有限公司), a commercial bank, from April 2016 to December 2021.

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

Mr. Guo Zengli (郭增利) ("Mr. Guo"), aged 54, was appointed as the independent non-executive Director on 21 December 2020. He is also the chairman of the remuneration committee of the Company and a member of the audit committee and nomination committee of the Company. Mr. Guo is primarily responsible for providing independent advice on the operations and management to the Board.

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

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

Mr. Tse Yat Hong (謝日康) ("Mr. Tse"), aged 54, was appointed as the independent non-executive Director on 21 December 2020. He is also the chairman of the audit committee of the Company and a member of the remuneration committee of the Company. Mr. Tse is primarily responsible for providing independent advice on the operations and management to the Board.

From January 1994 to May 2000, Mr. Tse worked in an international accounting firm. From June 2000 to May 2019, Mr. Tse worked as the chief financial officer in Shenzhen International Holdings Limited (深圳國際控股有限公司), whose shares are listed on the Stock Exchange (stock code: 0152), where he was primarily responsible for the overall financial management and capital market operation of such company. From August 2000 to March 2008, Mr. Tse also worked as the company secretary of Shenzhen International Holdings Limited. From September 2004 to September 2007, Mr. Tse worked as a joint company secretary of Shenzhen Expressway Company Limited (深圳高速公路股份有限公司).

Mr. Tse is currently an independent non-executive director of China Bohai Bank Co., Ltd. (渤海銀行股份有限公司) (stock code: 9668), Radiance Holdings (Group) Company Limited (金輝控股(集團)有限公司) (stock code: 9993), China Huirong Financial Holdings Limited (中國匯融金融控股有限公司) (stock code: 1290), whose shares are all listed on the Stock Exchange. Mr. Tse served as a non-executive director of Shenzhen Expressway Company Limited from January 2009 to December 2017, whose shares are listed on the Stock Exchange (stock code: 0548) and the Shanghai Stock Exchange (stock code: 600548). Mr. Tse also served as an independent non-executive director of Sky Light Holdings Limited from December 2017 to November 2022, whose shares are listed on the Stock Exchange (stock code: 3882).

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

SENIOR MANAGEMENT

Mr. Lan Yong (蘭勇) ("Mr. Lan"), aged 46, an assistant president and the general manager of the product management center, is in charge of the product management center.

Prior to joining the Group, from June 2002 to June 2006, Mr. Lan served as a project architect at Dalian Architectural Design Institute (大連市建築設計院), responsible for project design management. From July 2006 to November 2020, Mr. Lan served as the project leader of Wanda Commercial Planning Institute (萬達集團商業規劃院), the head of Wanda Cinema Design Department (萬達院線設計部), the head of technical management department of Wanda Hotel Design Institute (萬達酒店設計院), the deputy director of the chief engineer office and the director of the building office of Wanda Commercial Planning Institute, the deputy general director of the general health and wellness department and the head of the design team of Wanda Medical Industry Group (萬達醫療產業集團), the director of cultural tourism building office of Wanda Cultural Tourism Planning Institute (萬達文旅規劃院) of Wanda Cultural Tourism Group (萬達文旅集團), the executive deputy general manager of the design department, the deputy general manager of the Commercial Planning Center and head of the design department of Wanda Commercial Management Group (萬達商業管理集團).

Mr. Lan obtained a five-year bachelor's degree in architecture from Huazhong University of Science and Technology (華中科技大學) in July 2002.

Mr. Yu Nan (于楠) ("Mr. Yu"), aged 42, joined the Group in February 2023 and currently serves as the assistant president and president of the south zone of the Company and Galaxy Commercial Property, mainly responsible for the overall day-to-day operation and management of the south zone.

Prior to joining the Group, he was employed by China Resources Land Limited, a company listed on the Stock Exchange (stock code: 1109) and its associated companies from September 2006 to September 2018, with his last position as the general manager of the Shenzhen Mixc World project. From September 2018 to November 2020, Mr. Yu was the general manager of Shenzhen Xianyu Restaurant Management Co., Ltd. (深圳市鮮語餐飲管理有限公司(GAGA鮮語)). From May 2021 to August 2022, Mr. Yu served as the vice president of Kaisa Commerce Group Co., Ltd. (佳兆業商業集團有限公司).

Mr. Yu obtained a bachelor's degree in engineering in civil engineering from Tsinghua University in July 2004 and a master's degree in construction management from Tsinghua University in July 2006 respectively.

CORPORATE GOVERNANCE PRACTICES

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

During the year ended 31 December 2023, the Company has applied the principles of good corporate governance and complied with the code provisions as set out in Part 2 of the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The Company is committed to the establishment of good corporate governance practices and procedures with a view to enhancing investors' confidence in the Company and the Company's accountability. The Company therefore strives to attain and maintain effective corporate governance practices and procedures.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules as the code for dealing in securities of the Company by the Directors. Having made specific enquiry by the Company to all the Directors, the Directors confirmed that they were in compliance with the required standard as set out in the Model Code during the year ended 31 December 2023.

BOARD OF DIRECTORS

The Company is committed to the view that the Board should include a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgment. During 2023 and as at the date of this report, the Board has maintained a balanced mix of executive Directors and non-executive Directors (including independent non-executive Directors), and the Board is highly independent and effective in making independent decisions.

The names of the Directors who held office during 2023 and as at the date of this report are set out in the section headed "**Report of the Directors**" of this annual report. The biographies of the existing Directors, including their positions on the various Board committees of the Company, are set out in the section headed "**Directors and Senior Management**" of this annual report.

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision C.2.1 of Part 2 the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

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

DIRECTORS' AND SENIOR MANAGEMENT'S LIABILITY INSURANCE AND INDEMNITY

The Company has arranged appropriate liability insurance to indemnify the Directors and senior management of the Company for their liabilities arising from the performance of their duties. The insurance coverage will be reviewed on an annual basis. During 2023, there were no claims brought against the Directors and senior management of the Company.

BOARD MEETINGS AND COMMITTEE MEETINGS

Code provision C.5.1 of Part 2 the CG Code stipulates that Board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors, either in person or through electronic means of communications.

The Board held five meetings during the year ended 31 December 2023. A summary of the attendance record of the Directors at Board meetings and committee meetings is set out below:

	Number of meeting(s) attended/number of meeting(s) held up to 31 December 2023			
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive Directors				
Mr. Huang De-Lin Benny *(Chairman)*	5/5	N/A	N/A	1/1
Mr. Tao Muming *(Note 1)*	2/2	N/A	N/A	N/A
Mr. Chen Qunsheng *(Note 3)*	2/2	N/A	N/A	N/A
Ms. Li Li *(Note 2, 4)*	3/3	N/A	N/A	N/A
Ms. Wen Yi *(Note 1)*	2/2	N/A	N/A	N/A
Mr. Ma Chaoqun *(Note 3)*	2/2	N/A	N/A	N/A
Non-executive Directors				
Mr. Guo Limin *(Note 1)*	2/2	1/1	1/1	N/A
Mr. Liu Jun *(Note 2)*	3/3	1/1	N/A	N/A
Mr. Huang De'An Tony	5/5	N/A	N/A	N/A
Independent non-executive Directors				
Mr. Zhang Liqing	5/5	N/A	N/A	1/1
Mr. Guo Zengli	5/5	2/2	1/1	1/1
Mr. Tse Yat Hong	5/5	2/2	1/1	N/A

Notes:

1. Resigned on 14 April 2023
2. Appointed on 14 April 2023
3. Appointed on 16 June 2023
4. Resigned on 29 February 2024

GENERAL MEETING

During the year ended 31 December 2023, one general meeting was held.

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

Name of Directors	Number of general meeting(s) attended/number of general meeting(s) held for the year ended 31 December 2023
Executive Directors	
Mr. Huang De-Lin Benny *(Chairman)*	1/1
Mr. Tao Muming *(Note 1)*	N/A
Mr. Chen Qunsheng *(Note 3)*	N/A
Ms. Li Li *(Note 2, 4)*	1/1
Ms. Wen Yi *(Note 1)*	N/A
Mr. Ma Chaoqun *(Note 3)*	N/A
Non-executive Directors	
Mr. Guo Limin *(Note 1)*	N/A
Mr. Liu Jun *(Note 2)*	1/1
Mr. Huang De'An Tony	1/1
Independent non-executive Directors	
Mr. Zhang Liqing	1/1
Mr. Guo Zengli	1/1
Mr. Tse Yat Hong	1/1

Notes:

1. Resigned on 14 April 2023
2. Appointed on 14 April 2023
3. Appointed on 16 June 2023
4. Resigned on 29 February 2024

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for an initial term of 3 years with effect from the Listing Date or the effective date of appointment, renewable for another 3 years upon expiry.

Each of the non-executive Directors and independent non-executive Directors has signed a letter of appointment with the Company for an initial term of 3 years with effect from the Listing Date or the effective date of appointment, renewable for another 3 years upon expiry.

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

Directors' confirmation

All directors appointed during 2023 have obtained legal advice from the Company's Hong Kong legal adviser as at the effective date of their appointment and understand all the requirements of the Listing Rules applicable to them in their capacity as directors of the Company as well as the possible consequences of making false statements or providing false information to the Stock Exchange. Each of our Directors confirms that he or she understands his or her responsibilities as a director of a listed company.

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

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

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

The Board has also established mechanisms to ensure independent views are available to the Board, including providing the Directors with sufficient resources to perform its duties and shall seek, at the Company's expense, independent professional advice to perform its responsibilities if necessary. The Board shall at all times comprise at least three independent non-executive Directors that represent at least one-third of the Board, such that there is always a strong element of independence on the Board which can effectively exercise independent judgment. All the Directors, including the independent non-executive Directors, are given equal opportunity and channels to communicate and express their views to the Board and have separate and independent access to the management of the Group in order to make informed decisions. The chairman of the Board will hold meetings with the independent non-executive Directors without the involvement of other Directors at least annually to discuss any issues and concerns. Any Director or his/her associate who has a conflict of interest in a matter to be considered by the Board will be dealt with by a physical Board meeting rather than by written resolutions. Such Director will be required to declare his/her interests before the meeting and abstain from voting and not counted towards the quorum on the relevant resolutions. Independent non-executive Directors who, and whose associates, have no interest in the matter should attend the Board meeting. The Board has reviewed and considered that the mechanisms are effective in ensuring that independent views and input are provided to the Board during the year ended 31 December 2023.

BOARD COMMITTEES

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

Audit Committee

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

The Audit Committee comprises two independent non-executive Directors, namely Mr. Guo Zengli and Mr. Tse Yat Hong, and one non-executive Director, namely Mr. Guo Limin (resigned on 14 April 2023)/Mr. Liu Jun (appointed on 14 April 2023). Mr. Tse Yat Hong is the chairman of the Audit Committee.

For the year ended 31 December 2023, the Audit Committee held two meetings during the year to review the Group's policies on corporate governance and discussed the same with the Board, to review the Company's financial reporting system, compliance procedures, internal control and risk management systems (including operation, tenant sourcing, procurement and cost, financial control and risk management) and associated processes, and discussed the reappointment of the external auditor. The Audit Committee also reviewed the annual results announcement and annual report of the Company for the year ended 31 December 2022 and the interim results announcement and the interim report of the Company for the six months ended 30 June 2023.

The attendance record of the Audit Committee members during the year ended 31 December 2023 is set out below:

Directors	Attended in person/ Eligible to attend
Mr. Tse Yat Hong (Chairman)	2/2
Mr. Guo Limin (resigned on 14 April 2023)	1/1
Mr. Liu Jun (appointed on 14 April 2023)	1/1
Mr. Guo Zengli	2/2

During the year ended 31 December 2023, the Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of external auditor.

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

Remuneration Committee

The Company established the Remuneration Committee in compliance with Rule 3.25 of the Listing Rules and the CG Code. The primary duties of the Remuneration Committee include, but not limited to (i) establishing, reviewing and providing advices to the Board on the policy and structure concerning remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration; (ii) determining the terms of the specific remuneration package of each Director and senior management; (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Directors from time to time; and (iv) reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules.

The Remuneration Committee comprises two independent non-executive Directors, namely Mr. Guo Zengli and Mr. Tse Yat Hong, and one non-executive Director, namely Mr. Guo Limin (resigned on 14 April 2023)/Mr. Liu Jun (appointed on 14 April 2023). Mr. Guo Zengli is the chairman of the Remuneration Committee.

For the year ended 31 December 2023, the Remuneration Committee held one meeting during the year to discuss and review the remuneration policy for the Directors and senior management of the Company, to assess performance of the executive Directors, and make recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

The attendance record of the Remuneration Committee members during the year ended 31 December 2023 is set out below:

Directors	Attended in person/ Eligible to attend
Mr. Guo Zengli (Chairman)	2/2
Mr. Guo Limin (resigned on 14 April 2023)	1/1
Mr. Liu Jun (appointed on 14 April 2023)	1/1
Mr. Tse Yat Hong	2/2

Details of the remuneration payable to each Director for the year ended 31 December 2023 are set out in Note 12 to the Consolidated Financial Statements.

The remuneration of the members of senior management (including those who are also executive Directors) by band for the year ended 31 December 2023 is set out below:

Remuneration bands (HKD)	Number of persons
1,000,000 to 1,500,000	1
2,000,001 to 2,500,000	1
2,500,001 to 3,000,000	1
3,000,001 to 3,500,000	1
3,500,001 to 4,000,000	1
Total	5

Nomination Committee

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

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

For the year ended 31 December 2023, the Nomination Committee held one meeting during the year to review and discuss the policy, procedures and criteria for nomination of the Directors, review and discuss the Board diversity policy and to discuss all measurable objectives set for implementing the policy and the progress made towards meeting the measurable objective in the policy, assessed the independence of independent non-executive Directors, considered the re-appointment of the retiring Directors, and reviewed the time commitment required from the Directors.

The attendance record of the Nomination Committee members during the year ended 31 December 2023 is set out below:

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

Nomination Policy

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

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

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

Dividend Policy

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

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

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

Board Diversity Policy

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

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

As at 31 December 2023, the Board comprised of nine members, including one female executive Director. The Board considered that the composition of the Board satisfied the Diversity Policy for the year 2023. The Board will continue to take opportunities to increase the proportion of female members over time when selecting and making recommendations on suitable candidates for Board appointments. Going forward and with a view to developing a pipeline of potential successors to the Board that meets the gender diversity ratio target of having at least one female seat on the Board, the Company will (i) continue to make appointments based on merits with reference to board diversity as a whole; (ii) take steps to promote gender diversity at all levels of the Group by recruiting staff of different gender; (iii) consider the possibility of nominating female management staff who has the necessary skills and experience to the Board; and (iv) provide career development opportunities and more resources in training female staff with the aim of promoting them to the senior management or Board so that the Board will have a pipeline of female senior management and potential successors to the Board in a few years' time. The Board targeted to keep the current level of at least 10% female representative in the Board. Nevertheless, the Nomination Committee will use its best efforts to identify and recommend female candidates to the Board for consideration for appointment as Directors from time to time.

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

CORPORATE GOVERNANCE FUNCTION

The Board has delegated the functions set out in code provision A.2.1 of Part 2 the CG Code to the Audit Committee.

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

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

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2023.

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

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

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

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

For all newly appointed Directors, the Company would arrange a comprehensive, formal and tailored induction session on his/her appointment to ensure he/she would have a proper understanding of the Company's businesses and operations as well as his/her responsibilities under relevant statues, laws, rules and regulations as a director of a listed company. The Company will arrange regular seminars to provide Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

All Directors confirm that they have complied with the code provision C.1.4 of Part 2 the CG Code and participated in continuous professional development including attended training relating to the Group's businesses, Listing Rules, legal and regulatory requirements and corporate governance practices, and read relevant materials to keep themselves abreast of regulatory developments and changes, to develop and refresh their knowledge and skills during the year ended 31 December 2023.

AUDITOR'S RESPONSIBILITY AND REMUNERATION

The Company appointed Deloitte Touche Tohmatsu, Certified Public Accountants and Registered Public Interest Entity Auditors, Hong Kong as the external auditor for the year ended 31 December 2023. A statement by Deloitte Touche Tohmatsu about their reporting responsibilities for the financial statements is included in the section headed "Independent Auditor's Report" of this annual report. The non-audit services provided by the Auditor mainly include professional services on interim review of financial statement, assurance service rendered in connection with continuing connected transactions and advisory on environmental, social and governance reporting requirements.

Details of the fees paid/payable in respect of the audit and non-audit services provided by Deloitte Touche Tohmatsu for the year ended 31 December 2023 are set out in the table below:

Services rendered	(RMB'000)
Auditor of the Company	1,360
Non-audit matters	450
	1,810

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

Through the Audit Committee, the Board has conducted a review of the effectiveness of the risk management and internal control systems of the Company in respect of the year ended 31 December 2023 covering all material controls, including financial, operational and compliance control. The Audit Committee has reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting, internal audit and financial reporting functions on an annual basis. No significant control failings or weaknesses had been identified during the reporting period. The Board considers that the existing risk management and internal control systems are reasonably effective and adequate.

The Company also maintains strict anti-corruption policies to recognize and deal with bribery and corruption and to handle corporate donation and sponsorship activities of the Group, which applies to all employees and related third parties who deal with the Group. The Company has a whistle-blowing policy that serves the purpose of establishing whistle-blowing procedures for its employees and other relevant external parties, in order to report and escalate any suspicious misconducts. In accordance with the policy, all whistle-blowers are protected from any kind of retaliation. All the information provided by the whistle-blowers will be kept strictly confidential.

DISCLOSURE OF INSIDE INFORMATION

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

COMPANY SECRETARY

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

The Company Secretary has sufficient relevant professional training during the year ended 31 December 2023 as required under Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

Convening of EGM by Shareholders

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

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

Putting forward proposals at Shareholders' meetings

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

Putting Forward Enquiries to the Board and Contact Details

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

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

Address:	Room 1704, 17/F, Wing On Centre, 111 Connaught Road Central, Sheung Wan, Hong Kong
E-mail address:	info@chngalaxy.com

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and the Company has established various communication channels with Shareholders, including general meeting, annual results and interim results, annual and interim reports, announcements and circulars and performance conference. To facilitate the communication between the Company and investors, the Company holds meetings, briefings and roadshows with investors and analysts from time to time. At the forthcoming annual general meeting, Directors (or their delegates as appropriate) will be available to meet Shareholders and answer their enquiries. Shareholders may also make enquires with the Company through other channels mentioned above, and provide comments and recommendations to the Directors or managements at any time. Upon receipt of written enquiries from Shareholders, the Company will make responses to the shareholders as soon as possible. In addition, the Company updates its website from time to time to keep the Shareholders updated of the recent development of the Company. The Company considers the implementation of the Shareholders' communication policy during 2023 was effective.

CHANGES IN CONSTITUTIONAL DOCUMENTS

The Articles of Association has not been amended and restated during the year ended 31 December 2023. The up-to-date version of the Articles of Association is available on the respective website of the Stock Exchange and the Company.

REPORT OF THE DIRECTORS

The Board of the Company is pleased to present this annual report of Directors together with the consolidated financial statements of the Group for the year ended 31 December 2023.

DIRECTORS

The Directors who held office during the year ended 31 December 2023 and up to the date of this annual report are:

Executive Directors

Mr. Huang De-Lin Benny *(Chairman)*
Mr. Tao Muming *(Note 1)*
Mr. Chen Qunsheng *(Note 3)*
Ms. Li Li *(Note 2, 4)*
Ms. Wen Yi *(Note 1)*
Mr. Ma Chaoqun *(Note 3)*

Non-executive Directors

Mr. Guo Limin *(Note 1)*
Mr. Liu Jun *(Note 2)*
Mr. Huang De'An Tony

Independent non-executive Directors

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

Notes:

1. Resigned on 14 April 2023

2. Appointed on 14 April 2023

3. Appointed on 16 June 2023

4. Resigned on 29 February 2024

Biographical details of the Directors and senior management of the Company are set out in the section headed "Directors and Senior Management" on pages 23 to 28 of this annual report.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's major subsidiaries are set out in Note 34 to the consolidated financial statements in this annual report.

Analysis of the principal activities of the Group during the year ended 31 December 2023 is set out in the section headed "Management Discussion and Analysis" of this annual report.

BUSINESS REVIEW

A fair review of the business of the Group including an analysis of the Group's financial performance and an indication of likely future developments in the Group's business is set out in the section headed "Management Discussion and Analysis" of this annual report. These discussions form part of the Report of the Directors. The Group's key relationship with its stakeholders (including employees, customers and suppliers) who have a significant impact on the Group and on which the Group's success depends, is set out in this annual report. Events affecting the Group that have occurred since the end of the financial year ended 31 December 2023 are set out in the section headed "Important Events After The Reporting Period" in this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

The above is not an exhaustive list. Investors are advised to make their own judgment or consult their own investment advisors before making any investment in the Shares.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

Further details of the Group's environmental policies and performance will be disclosed in the environmental, social and governance report of the Company for the year ended 31 December 2023 which will be available on the websites of the Company and the Stock Exchange.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended 31 December 2023, there was no material breach of, or non-compliance, with applicable laws and regulations by the Group.

HUMAN RESOURCES AND REMUNERATION POLICY

The Group believes that the expertise, experience and professional development of the employees contribute to the growth of the Group. The human resources department of the Group manages, trains and hires employees. As at 31 December 2023, the Group had 901 (2022: 826) employees.

The Group encourages gender diversity across its workplace. To achieve diversity at workforce level (including senior management), the Group has put in place appropriate recruitment and selection practices such that a diverse range of candidates with different age, gender and experiences are considered. As at 31 December 2023, the Company has a ratio of 67:33 males to females across its workforce. The Group is committed to achieve diversity at workforce level. It has established talent management and training programs to provide career development guidance and promotion opportunities to develop a broad and diverse pool of skilled and experienced employees.

Employees and Directors are remunerated according to their qualifications and experience, job nature and performance, and under the pay scales aligned with market conditions. The Group believes in the importance of attraction, recruitment and retention of quality employees in achieving the Group's success. Our success depends on our ability to attract, retain and motivate qualified personnel. As part of our retention strategy, we offer employees performance-based cash bonuses and other incentives in addition to base salaries including medical scheme, insurance coverage, retirement schemes, share option scheme and award of restricted share units under the restricted share unit scheme adopted by the Company on 4 November 2021. The total remuneration expenses, for the year ended 31 December 2023 were RMB208.6 million, representing an increase of 14.4% as compared to the previous year. The Group also participates in various employee social security plans for its employees, including housing provident fund, pension, medical insurance, social insurance and unemployment insurance.

RETIREMENT BENEFIT SCHEME

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

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

The Group's contributions to the defined contribution retirement schemes (as set out in Note 11 to the consolidated financial statements in this annual report) are recognised as an expense when employees have rendered services entitling them to the contributions as incurred.

CONTINUING CONNECTED TRANSACTIONS

The following transactions constituted continuing connected transactions of the Group for the year ended 31 December 2023, which are subject to the reporting and annual review requirements under Chapter 14A of the Listing Rules:

1. Tenant Management Services

On 17 October 2022, the Company entered into a new tenant management services framework agreement (the "**Tenant Management Services Framework Agreement**") with Mr. Huang Chu-Long ("**Mr. Huang**"), pursuant to which the Group agreed to provide (i) operational management services, including but not limited to commercial property operational management and property management services to stores and cinemas owned or operated by associates of Mr. Huang ("**Mr. Huang's Companies**") and located in the shopping centers managed by the Group; and (ii) management services in respect of common area of shopping centers managed by the Group to Mr. Huang's Companies for marketing and promotion activities (the "**Tenant Management Services**"). In addition, Mr. Huang's Companies will pay rental to the Group for the leasing of stores located at the sublease projects of the Group (the "**Rental Income**"). The Tenant Management Services Framework Agreement has a term commencing from 1 January 2023 to 31 December 2025. For details, please refer to the announcement of the Company dated 17 October 2022 and the circular of the Company dated 28 November 2022.

The maximum annual amounts of service fee payable by Mr. Huang's Companies in relation to the Tenant Management Services for the year ended 31 December 2023 shall not exceed RMB25.8 million. The annual fee paid/payable by Mr. Huang's Companies in relation to the Tenant Management Services for the year ended 31 December 2023 was RMB23.9 million, which is within the aforesaid annual cap.

The annual caps under the Tenant Management Services Framework Agreement for the three years ending 31 December 2025 are set out below:

	For the year ending 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Tenant Management Services	24,300	28,700	33,800
Rental Income	1,500	4,800	6,300
Total	**25,800**	**33,500**	**40,100**

2. Commercial Property Operational Services

On 17 October 2022, the Company entered into a new commercial property operational services framework agreement (the "**Commercial Property Operational Services Framework Agreement**") with Mr. Huang, pursuant to which the Group agreed to provide to Mr. Huang's Companies commercial property operational services with respect to shopping centers and commercial complexes owned by Mr. Huang's Companies, including but not limited to (i) site selection consultancy, land sourcing assistance, construction consultancy, positioning, layout design and tenant sourcing services prior to the opening of such properties; (ii) operational management services after the opening of such properties; and (iii) licensing the Group's trademarks which will be used in the commercial properties managed by the Group with a term commencing from 1 January 2023 to 31 December 2025. For details, please refer to the announcement of the Company dated 17 October 2022 and the circular of the Company dated 28 November 2022.

The maximum annual fee payable by Mr. Huang's Companies under the Commercial Property Operational Services Framework Agreement for the year ended 31 December 2023 shall not exceed RMB228.6 million. The annual fee paid/payable by Mr. Huang's Company under the Commercial Property Operational Services Framework Agreement for the year ended 31 December 2023 was RMB203.3 million, which is within the aforesaid annual cap.

The annual caps under the Commercial Property Operational Services Framework Agreement for the three years ending 31 December 2025 are set out below:

	For the year ending 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Positioning, design, tenant sourcing and consultancy services	112,100	128,600	164,900
Operational management services	116,500	153,100	185,500
Total	**228,600**	**281,700**	**350,400**

3. Master Services Procurement

On 17 October 2022, the Company and Mr. Huang entered into a new master services procurement agreement (the "**Master Services Procurement Agreement**"), pursuant to which the Group shall engage Mr. Huang's Companies to provide services, including but not limited to (i) catering and accommodation (including hotel or housing) services; and (ii) car rental services for employees or clients of the Group. In addition, the Group will lease certain premises from Mr. Huang's Companies for office use (the "**Office Leasing**"), all of which are expected to be short-term leases within one year. The Master Services Procurement Agreement has a term commencing from 1 January 2023 to 31 December 2025. For details, please refer to the announcement of the Company dated 17 October 2022.

The maximum annual caps of service fee payable by the Group in relation to the master services procurement for the year ended 31 December 2023 shall not exceed RMB12.0 million. The annual fee paid/payable by the Group in relation to the master services procurement for the year ended 31 December 2023 was RMB3.2 million, which is within the aforesaid annual cap.

The annual caps under the Master Services Procurement Agreement for the three years ending 31 December 2025 are set out below:

	For the year ending 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
Catering, accommodation and car rental services	4,600	6,000	7,700
Office Leasing and related expenses	7,400	8,200	9,300
Total	**12,000**	**14,200**	**17,000**

4. Sales Referral Services

On 17 October 2022, the Company entered into a sales referral services framework agreement (the "**Sales Referral Services Framework Agreement**") with Mr. Huang, pursuant to which the Group shall provide sales referral services to Mr. Huang's Companies in respect of properties owned by Mr. Huang's Companies such as stores, office buildings and/or residential properties (the "**Sales Referral Services**") which allows the Group to earn revenue by leveraging on its accumulated commercial market information, quality customer resources and other commercial strengths to promote the sale of properties of Mr. Huang's Companies. The Sales Referral Services Framework Agreement has a term commencing from 1 January 2023 to 31 December 2025. For details, please refer to the announcement of the Company dated 17 October 2022.

The maximum annual caps of the fee receivable by the Group from Mr. Huang in relation to the Sales Referral Services for the year ended 31 December 2023 shall not exceed RMB19.0 million. The annual fee received/receivable by the Group from Mr. Huang in relation to the Sales Referral Services for the year ended 31 December 2023 was nil, which is within the aforesaid annual cap.

The annual caps under the Sales Referral Services Framework Agreement for the three years ending 31 December 2025 are as follows:

	For the year ending 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
Sales Referral Services	19,000	22,700	27,300

5. **Sublease Services**

On 17 October 2022, the Company and Mr. Huang entered into a new sublease framework agreement (the "**Sublease Framework Agreement**"), pursuant to which the Group shall lease shopping centers and commercial complexes owned by Mr. Huang's Companies and thus pay rental fees to Mr. Huang's Companies (the "**Sublease Rental**"). In addition, for all new sublease agreements to be entered into with Mr. Huang's Companies pursuant to the Sublease Framework Agreement, the Group aims to negotiate for a profit compensation clause, i.e. in the event the profit derived falls below the agreed level, Mr. Huang's Companies shall compensate the shortfall to the Company (the "**Profit Compensation**"). The new Sublease Framework Agreement has a term commencing from 31 January 2023 to 31 December 2025.

For details, please refer to the announcement of the Company dated 17 October 2022 and the circular of the Company dated 28 November 2022.

The maximum annual caps of the Sublease Rental payable by the Group to Mr. Huang in relation to the sublease services for the year ended 31 December 2023 shall not exceed RMB16.1 million. The annual fee of the Sublease Rental paid/payable by the Group to Mr. Huang in relation to the sublease services for the year ended 31 December 2023 was nil, which is within the aforesaid annual cap. In addition, the maximum annual caps of the Profit Compensation receivable by the Group in relation to the sublease services shall not exceed RMB19.3 million. The annual fee of the Profit Compensation received/receivable by the Group in relation to the sublease services for the year ended 31 December 2023 was nil, which is within the aforesaid annual cap.

The annual caps under the Sublease Framework Agreement for the three years ending 31 December 2025 are as follows:

	For the year ending 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Sublease Rental to be paid to Mr. Huang's Companies	16,100	41,800	107,100
Profit Compensation to be received by the Group	19,300	83,600	84,900

Mr. Huang is a controlling shareholder of the Company and is therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under each of the (i) Tenant Management Services Framework Agreement, (ii) Commercial Property Operational Services Framework Agreement; (iii) Master Services Procurement Agreement; (iv) Sales Referral Services Framework Agreement; and (v) Sublease Framework Agreement will also constitute continuing connected transactions of the Group under Chapter 14A of the Listing Rules with effect from 1 January 2023.

Confirmation from Independent Non-executive Directors

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

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

Confirmations from the Company's Independent Auditor

In accordance with Rule 14A.56 of the Listing Rules, the Group has engaged its auditor to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the aforesaid continuing connected transactions conducted by the Group for the year ended 31 December 2023 confirming that nothing has come to its attention that causes it to believe that the continuing connected transactions:

(a) have not been approved by the Board;
(b) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group;
(c) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and
(d) have exceeded the cap.

The auditor's letter has been delivered to the Board.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the year ended 31 December 2023 are set out in Note 31 to the consolidated financial statements.

The related party transactions set out in Note 31 to consolidated financial statements include related party transactions disclosed under accounting standards and related party transactions which also constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The related party transactions in respect of the remuneration of directors and chief executives of the Company constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. However, these transactions are fully exempt from the requirements under Chapter 14A of the Listing Rules. The related party transactions in respect of the remuneration of key management personnel (other than directors and chief executives) of the Company did not fall under the definition of connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. Save as the transactions conducted under the Agreements, the Directors confirmed that all other related party transactions set out in Note 31 to the consolidated financial statements do not fall within the definition of "connected transactions" or "continuing connected transactions" under Chapter 14A of the Listing Rules (as the case may be). The Directors confirmed that they have complied with the disclosure requirements in Chapter 14A of the Listing Rules for the year ended 31 December 2023.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year ended 31 December 2023 was the Company, its holding company, or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities including debentures of, the Company or any other body corporate.

MAJOR CUSTOMERS AND SUPPLIERS

Our customers primarily consist of property developers and tenants.

For the year ended 31 December 2023, the revenue amounts from the Group's five largest customers accounted for 40.8% (2022: 36.4%) of the Group's total revenue and the revenue amount from the Group's single largest customer, accounted for 35.8% (2022: 31.0%) of the Group's total revenue.

None of the Directors, Shareholders, members of senior management, the close associates of the aforementioned or any other member of the Group who owned more than 5% of the Company's issued share capital held any interest in any of the Group's five largest customers other than the Galaxy Holding and its related companies. For the year ended 31 December 2023, revenue derived from Galaxy Holdings and its related companies amounted to RMB227.2 million, accounted for 35.8% of the Group's total revenue (2022: RMB174.2 million, accounted for 31.0% of the Group's total revenue in 2022).

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

For the year ended 31 December 2023, the purchases amount from the Group's five largest suppliers accounted for 35.6% (2022: 14.9%) of the Group's total purchases and the purchases amount from the Group's single largest supplier, accounted for 10.6% (2022: 8.4%) of the Group's total purchases.

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

FINANCIAL SUMMARY

A summary of the audited consolidated results and the assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on page 136 of this annual report. This summary does not form part of the audited consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

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

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 34 to the consolidated financial statements.

PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Company and the Group during the year ended 31 December 2023 are set out in Note 16 to the consolidated financial statements.

INVESTMENT PROPERTIES

Investment properties are mainly lease assets recognized pursuant to HKFRS 16 in respect of sublease projects (Changzhou Wujin Hutang Galaxy COCO City, Jiaxing Galaxy COCO City and Xiamen Galaxy COCO Park).

Details of the sublease projects, Jiaxing Galaxy COCO City and Xiamen Galaxy COCO Park, are as follows:

Sublease project	Location	Status	Opening date	Shopping mall (sq.m.)	Car Park (sq.m.)	Total GFA	% of the Group's interest
Jiaxing Galaxy COCO City	Changshui Road, Nanhu District, Jiaxing City	Opened	July 2022	81,504	–	81,504	100%
Xiamen Galaxy COCO Park	Portman Wealth Center Commercial Complex, Zhanhong Road, Siming District, Xiamen City	Opened	May 2023	73,507	28,834	102,341	70%

SHARE CAPITAL AND SHARES ISSUED

Details of movements in the share capital of the Company for the year ended 31 December 2023 and details of the Shares issued during the year ended 31 December 2023 are set out in Note 27 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at all times in the year and up to the latest practicable date prior to the issue of this annual report, the Company has maintained the public float as required under the Listing Rules.

DONATION

During the year ended 31 December 2023, the Group did not make any charitable donations.

DEBENTURE ISSUED

The Group did not issue any debenture during the year ended 31 December 2023.

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme and RSU Scheme mentioned below, no equity-linked agreements were entered into by the Group or existed during the year ended 31 December 2023.

RESULTS AND DIVIDENDS

The consolidation results of the Group for the year ended 31 December 2023 are set out on page 64 of consolidated statement of comprehensive income.

Subsequent to the end of the reporting period, the Board recommended the payment of a final dividend of HK13 cents per ordinary share for the year ended 31 December 2023, in an aggregate amount of approximately HK$132,185,000. Such dividend is subject to approval by the Shareholders at the forthcoming annual general meeting of the Company (the "**2024 AGM**") to be convened and held on 7 June 2024. These consolidated financial statements do not reflect this dividend payable.

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

PERMITTED INDEMNITY

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

Such permitted indemnity provision has been in force for the year ended 31 December 2023. The Company has taken out liability insurance to provide appropriate coverage for the Directors.

RESERVES

Details of the movements in the reserves of the Group and of the Company during the year ended 31 December 2023 are set out in the consolidated statement of changes in equity and Note 36 to the consolidated financial statements. In respect of the Company, there is no reserves available for distribution under the Company Laws of the Cayman Islands as at 31 December 2023.

BANK LOANS AND OTHER BORROWINGS

There are no bank loans and other borrowings of the Group as at 31 December 2023.

DIRECTORS' SERVICE CONTRACTS AND APPOINTMENT LETTERS

Each of the executive Directors has entered into a service contract with the Company for an initial term of 3 years with effect from the Listing Date or the effective date of appointment, renewable for another 3 years upon expiry.

Each of the non-executive Directors and independent non-executive Directors has signed a letter of appointment with the Company for an initial term of 3 years with effect from the Listing Date or the effective date of appointment, renewable for another 3 years upon expiry.

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save for the Agreements as set out under the section headed "Continuing Connected Transactions" contained in this annual report, none of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year ended 31 December 2023.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

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

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

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

For the year ended 31 December 2023, no emoluments were paid by the Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived or agreed to waive any emoluments for the year ended 31 December 2023.

Except as disclosed above, no other payments have been made or are payable, for the year ended 31 December 2023, by the Group to or on behalf of any of the Directors.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

Other than disclosed in the sections headed "Continuing Connected Transactions", "Related Party Transactions" and "Management Discussion and Analysis" and Note 31 to the consolidated financial statements contained in this annual report, no contract of significance was entered into between the Company or any of its subsidiaries and the controlling shareholders of the Company or any of its subsidiaries during the year ended 31 December 2023 or subsisted at the end of the year and no contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder of the Company or any of its subsidiaries was entered into during the year ended 31 December 2023 or subsisted at the end of the year.

DEED OF NON-COMPETITION

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

Mr. Huang confirmed that he and his close associates have complied with the Deed of Non-competition for the year ended 31 December 2023. The independent non-executive Directors have conducted such review for the year ended 31 December 2023 and also reviewed the relevant undertakings and are satisfied that the Deed of Non-competition has been fully complied with.

RELATIONSHIP WITH STAKEHOLDERS

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

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

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

MANAGEMENT CONTRACTS

No contract, concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 December 2023.

AUDITOR

There has been no change in auditors since the Listing Date. The consolidated financial statements for the year ended 31 December 2023 have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants and Registered Public Interest Entities Auditors, who are proposed for reappointment at the 2024 AGM.

ANNUAL GENERAL MEETING

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

CLOSURE OF THE REGISTER OF MEMBERS

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

(a) Attending the 2024 AGM

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

For the purpose of determining the entitlement to attend and vote at the 2024 AGM, all transfer document accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Monday, 3 June 2024.

(b) Payment of the proposed final dividend

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

For the purpose of determining the entitlement to the proposed final dividend for the year ended 31 December 2023, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Thursday, 13 June 2024.

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

As at 31 December 2023, the interests and short positions of the Directors or chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as contained in Appendix C3 to the Listing Rules were as follows:

Interest in the Company

Name of Directors	Nature of interest	Number of Shares[2]	Approximate percentage of shareholding[1]
Mr. Huang De-Lin Benny	Beneficial owner	86,000 (L)	
	Interest in a controlled corporation[3]	150,000,000 (L)	
	Total	150,086,000 (L)	14.76%
Mr. Huang De'An Tony	Beneficial owner	1,791,000 (L)	0.18%
Mr. Chen Qunsheng	Beneficial owner	212,000 (L)	0.02%
Mr. Ma Chaoqun	Beneficial owner	80,000 (L)	0.01%
Ms. Li Li	Beneficial owner	141,000 (L)	
	Trust beneficiary[4]	1,500,000 (L)	
	Total	1,641,000 (L)	0.16%
Mr. Liu Jun	Trust beneficiary[5]	500,000 (L)	0.05%

Notes:

(1) The calculation is based on the total number of 1,016,807,000 Shares in issue as at 31 December 2023.

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

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

(4) On 17 April 2023, 1,500,000 awarded Shares were granted under a share award scheme adopted by the controlling Shareholder. Please refer to the announcement of the Company dated 17 April 2023 for details.

(5) On 17 April 2023, 500,000 awarded Shares were granted under a share award scheme adopted by the controlling Shareholder. Please refer to the announcement of the Company dated 17 April 2023 for details.

Save as disclosed above, as at 31 December 2023, none of the Directors or the chief executives of the Company had, or were deemed to have, any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (b) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2023, so far as the Directors are aware, the following persons (other than the Directors or chief executives of the Company) and companies had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

(i) Long position in Shares

Name of Shareholder	Capacity/Nature of interest	Number of Shares[2]	Approximate percentage of holding[1]
Mr. Huang[3][4]	Founder of a discretionary trust	600,000,000 (L)	
	Interest in controlled corporation	150,000,000 (L)	
	Total	750,000,000 (L)	73.76%
TMF (Cayman) Ltd ("**TMF (Cayman)**")[3]	Trustee of a trust	600,000,000 (L)	59.01%
Long Harmony Holding Limited ("**Long Harmony**")[3]	Interest in a controlled corporation	600,000,000 (L)	59.01%
Go Star Investment Holding Limited ("**Go Star**")	Beneficial owner	600,000,000 (L)	59.01%
Virtue Investment	Beneficial owner	95,200,000 (L)	
	Trustee	54,800,000 (L)	
	Total	150,000,000 (L)	14.75%

Notes:

1. The calculation is based on the total number of 1,016,807,000 Shares in issue as at 31 December 2023.

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

3. The entire issued share capital of Go Star is held by Long Harmony, a company incorporated in the BVI by TMF (Cayman), the trustee of the family trust, which is a discretionary trust established by Mr. Huang as the settlor and protector. The beneficiaries of the family trust are Mr. Huang's family members. Accordingly, each of Mr. Huang, TMF (Cayman) and Long Harmony is deemed to be interested in the Shares held by Go Star under the SFO. 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 for the purpose of a share incentive scheme to be adopted after the Listing. Pursuant to the confirmation letter signed by Mr. Huang De-Lin Benny and Mr. Huang, Mr. Huang De-Lin Benny will exercise the voting rights in Virtue Investment or exercise the voting rights in the Company through Virtue Investment in accordance with the instructions of Mr. Huang. Therefore, each of Mr. Huang and Mr. Huang De-Lin Benny is deemed to be interested in the Shares held by Virtue Investment under the SFO.

Save as disclosed above, as at 31 December 2023, the Directors were not aware of any interests or short positions owned by any persons (other than the Directors or chief executives of the Company) in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

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

(1) Eligible Participants to the Share Option Scheme

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

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

(2) Maximum Number of Shares Available for Exercise

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

(b) The total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 100,000,000 Shares (the "**General Scheme Limit**"), representing 10 per cent of the Shares in issue on which trading of the Shares commences on the Stock Exchange, representing approximately 9.9% of the total Shares in issue as at the date of this annual report.

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

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

(3) Maximum Entitlement of each SOS Eligible Participant

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

(4) Grant of Options to Connected Persons

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

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

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

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

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

(5) Time of Acceptance and Exercise of an Option

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

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

(6) Performance Targets

Unless otherwise determined and stated by the Directors in the offer of the grant of Options to a SOS Eligible Participant, a SOS Eligible Participant is not required to achieve any performance targets before any Options granted under the Share Option Scheme can be exercised. The vesting schedule (if any) will also be determined in the offer of the grant of Options.

(7) Subscription Price for Shares

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

(8) Restrictions on the Time of Grant of Options

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

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

(9) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the Listing Date. As at the date of this annual report, the remaining life of the Share Option Scheme is approximately 6 years and 9 months.

As at the date of this annual report, no Options have been granted, while the number of Options available for grant under the Share Option Scheme as at 1 January 2023 and 31 December 2023 was 100,000,000.

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

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

Purposes

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

Term

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

Termination

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

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

Administration

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

Maximum Limit

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

Eligible Participants (the "Eligible Participants")

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

Operations of the RSU Scheme

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

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

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

Vesting

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

Voting Rights

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

No shares were purchased under the RSU Scheme during the year ended 31 December 2023 (2022: 564,000 shares). Up to 31 December 2023, the Company has purchased an accumulated of 1,937,000 shares under the RSU Scheme.

As of 31 December 2023, no RSUs was granted by the Company.

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 adopted a share award scheme on 17 April 2023. The share award scheme has a term of 10 years from the date of adoption.

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.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended 31 December 2023, there was no material breach of, or non-compliance, with applicable laws and regulations by the Group.

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

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

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

Details of the Shares repurchased during the year ended 31 December 2023 are as follows:

Date of repurchases	No. of ordinary shares	Highest price paid per share (HK$)	Lowest price paid per share (HK$)	Aggregate Consideration (HK$)
5 January 2023	68,000	2.16	2.13	146,020
9 January 2023	83,000	2.22	2.14	181,100
11 January 2023	86,000	2.16	2.07	183,980
18 April 2023	250,000	1.58	1.54	392,050
19 April 2023	115,000	1.64	1.63	188,090
29 May 2023	163,000	1.38	1.32	220,588
31 August 2023	311,000	1.43	1.39	438,570
4 September 2023	120,000	1.47	1.44	176,150
5 September 2023	274,000	1.48	1.48	405,520
6 September 2023	150,000	1.50	1.50	225,000
7 September 2023	343,000	1.53	1.52	522,560
11 September 2023	100,000	1.50	1.50	150,000
13 September 2023	156,000	1.51	1.48	232,560
19 September 2023	98,000	1.49	1.44	144,490
19 December 2023	185,000	1.16	1.12	207,800
20 December 2023	200,000	1.15	1.11	225,310
21 December 2023	200,000	1.19	1.16	236,250
22 December 2023	200,000	1.20	1.20	240,000
27 December 2023	200,000	1.20	1.17	236,950
29 December 2023	545,000	1.24	1.22	671,000
	3,847,000			5,423,988

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2023.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed with the management and the Company's auditor the accounting principles and practices adopted by the Group and discussed auditing, financial reporting process and internal control matters including a review of the annual results of the Group for the year ended 31 December 2023.

IMPORTANT EVENTS AFTER THE END OF THE REPORTING PERIOD

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

On behalf of the Board

Huang De-Lin Benny
Chairman

Hong Kong, 20 March 2024

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of E-Star Commercial Management Company Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 64 to 135, which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables in respect of contracts with customers	
We identified the impairment assessment of trade receivables in respect of contracts with customers (the "**Trade Receivables**") as a key audit matter due to the estimation uncertainty associated with determining the expected credit losses ("**ECL**") on the Trade Receivables. The Group's Trade Receivables primarily arise from the services rendered under the brand and management output service model. As set out in note 20 to the consolidated financial statements as at 31 December 2023, the Trade Receivables amounted to RMB9,593,000 (net of accumulated allowance for credit losses of RMB29,408,000), out of which, trade debtors with aggregate carrying amount of RMB380,000 were past due. As further disclosed in note 30(b) to the consolidated financial statements, the Group measured ECL on the Trade Receivables individually by applying internal credit rating for each of its trade debtors, which are primarily the owners of commercial properties managed by the Group, under this model and were assessed with reference to past default experience, current past due exposure of the trade debtors and, where applicable, an analysis of current financial information of the relevant commercial properties managed by the Group. In calculating the ECL, the loss rates were estimated based on internal credit-rating of trade debtors, comparable probability of default and recovery rates quoted from an international credit-rating agency and were adjusted for forward-looking information, including but not limited to the reviving economic condition and consumption level in the People's Republic of China (the "**PRC**") without undue cost or effort. During the year ended 31 December 2023, an impairment loss of RMB7,268,000 and a reversal of impairment loss of RMB16,745,000 under ECL model were recognised for the Trade Receivables.	Our procedures in respect of impairment assessment of the Trade Receivables included: • Obtaining an understanding of key controls relating to the management of the Group's determination of ECL on the Trade Receivables; • Testing, on a sample basis, the integrity of information used by the management of the Group by checking settlement records of the trade debtors and checking probability of default and recovery rates used in the ECL against the industry's corporate default rate forecast and defaulted corporate bond and loan recoveries respectively published by an international credit-rating agency; • Challenging the management of the Group's basis and judgment in application of its internal credit rating over the trade debtors and, in particular, their identification of credit-impaired Trade Receivables by evaluating trade debtors' background through company searches and their repayment history; and • Evaluating the management of the Group's assessment on the existing market conditions and forward-looking information, which form part of the determination of estimated loss rates, with reference to our understanding of the general economy in the PRC obtained through market research on publicly available information.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Wong Kam Tim.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
20 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Revenue	5	**635,006**	561,854
Cost of services		**(301,451)**	(248,815)
Gross profit		**333,555**	313,039
Other income	6	**42,767**	40,031
Other gains and losses		**3,076**	15,473
Reversal of impairment losses (impairment losses recognised) under expected credit loss model, net	8	**9,477**	(21,415)
Selling expenses		**(20,181)**	(11,972)
Administrative expenses		**(75,805)**	(82,595)
Finance costs	7	**(38,285)**	(23,342)
Gain on disposal of subsidiaries	9	**300**	–
Share of result of a joint venture		**(16,075)**	(20,874)
Profit before tax		**238,829**	208,345
Income tax expense	10	**(76,524)**	(59,463)
Profit and total comprehensive income for the year	11	**162,305**	148,882
Profit (loss) for the year attributable to:			
– Owners of the Company		**171,097**	154,275
– Non-controlling interests		**(8,792)**	(5,393)
		162,305	148,882
Earnings per share	15		
– Basic (RMB cents)		**16.84**	15.15

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Non-current assets			
Property and equipment	16	**1,578**	4,501
Investment properties	17	**791,383**	767,451
Rental deposits	20	**25,542**	10,542
Deposits paid for acquisition of property and equipment		**–**	2,620
Finance lease receivables	18	**5,371**	6,042
Deferred tax assets	24	**31,566**	21,600
Interest in a joint venture	19	**–**	–
Loans to a joint venture	19	**74**	1,149
Restricted bank balance	22	**–**	5,000
		855,514	818,905
Current assets			
Finance lease receivables	18	**671**	604
Trade and other receivables	20	**28,198**	46,300
Financial assets at fair value through profit or loss ("**FVTPL**")	21	**21,136**	–
Amounts due from related parties	31	**3,690**	4,090
Restricted bank balance	22	**5,000**	–
Short-term bank deposits	22	**863,523**	780,365
Cash and cash equivalents	22	**546,914**	482,835
		1,469,132	1,314,194
Assets classified as held-for-sale	38	**–**	8,758
		1,469,132	1,322,952
Current liabilities			
Trade and other payables	23	**286,984**	208,054
Lease liabilities	25	**36,202**	28,321
Contract liabilities	26	**15,576**	19,090
Amounts due to related parties	31	**1,901**	1,700
Tax payable		**27,181**	31,321
		367,844	288,486
Liabilities associated with assets classified as held-for-sale	38	**–**	4,335
		367,844	292,821
Net current assets		**1,101,288**	1,030,131
Total assets less current liabilities		**1,956,802**	1,849,036

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Capital and reserves			
Share capital	27	**8,506**	8,533
Reserves		**1,248,259**	1,145,864
Equity attributable to owners of the Company		**1,256,765**	1,154,397
Non-controlling interests		**14,905**	26,306
Total equity		**1,271,670**	1,180,703
Non-current liabilities			
Deferred tax liabilities	24	**25,927**	6,123
Lease liabilities	25	**659,205**	662,210
		685,132	668,333
		1,956,802	1,849,036

The consolidated financial statements on pages 64 to 135 were approved and authorised for issue by the Board of Directors on 20 March 2024 and are signed on its behalf by:

Huang De-Lin Benny
Director

Ma Chaoqun
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Share redemption reserve RMB'000 (note (iii))	Shares held for share award scheme RMB'000	Share-based payment reserve RMB'000	Statutory reserve RMB'000 (note (i))	Other reserve RMB'000 (note (ii))	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2022	8,533	771,871	5	(3,937)	–	53,701	(1,088)	292,063	1,121,148	17,501	1,138,649
Profit (loss) and total comprehensive income for the year	–	–	–	–	–	–	–	154,275	154,275	(5,393)	148,882
Capital contribution from a non-controlling shareholder upon establishment of a subsidiary	–	–	–	–	–	–	–	–	–	15,000	15,000
Dividends recognised as distributions (Note 14)	–	(118,252)	–	–	–	–	–	–	(118,252)	–	(118,252)
Dividends paid to non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	(802)	(802)
Repurchase of shares under share award scheme	–	–	–	(1,517)	–	–	–	–	(1,517)	–	(1,517)
Repurchase of shares (Note 27)	–	(1,233)	–	–	–	–	–	–	(1,233)	–	(1,233)
Transaction costs related to repurchase of shares	–	(15)	–	(9)	–	–	–	–	(24)	–	(24)
Transfer	–	–	–	–	–	15,783	–	(15,783)	–	–	–
At 31 December 2022	8,533	652,371	5	(5,463)	–	69,484	(1,088)	430,555	1,154,397	26,306	1,180,703
Profit (loss) and total comprehensive income for the year	–	–	–	–	–	–	–	171,097	171,097	(8,792)	162,305
Derecognition upon disposal of subsidiaries	–	–	–	–	–	–	–	–	–	(2,609)	(2,609)
Cancellation of shares (Note 27)	(8)	–	8	–	–	–	–	–	–	–	–
Repurchase and cancellation of shares (Note 27)	(19)	(3,258)	19	–	–	–	–	–	(3,258)	–	(3,258)
Repurchase of shares (Note 27)	–	(1,651)	–	–	–	–	–	–	(1,651)	–	(1,651)
Dividends recognised as distributions (Note 14)	–	(64,802)	–	–	–	–	–	–	(64,802)	–	(64,802)
Transaction costs related to repurchase of shares	–	(28)	–	–	–	–	–	–	(28)	–	(28)
Recognition of equity-settled share-based payments (Note 28)	–	–	–	–	1,010	–	–	–	1,010	–	1,010
Transfer	–	–	–	–	–	27,488	–	(27,488)	–	–	–
At 31 December 2023	8,506	582,632	32	(5,463)	1,010	96,972	(1,088)	574,164	1,256,765	14,905	1,271,670

* *Less than RMB1,000.*

Notes:

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

(ii) The other reserve represents the difference between the fair value of the consideration paid and the paid-in capital of 深圳市星河商置集團有限公司 (Shenzhen Galaxy Commercial Property Group Co. Ltd.#) ("**Galaxy Commercial Property Group**") acquired from the then shareholders of Galaxy Commercial Property Group and was accounted for as a deemed distribution to the then shareholders.

(iii) Share redemption reserve records the amounts transferred from share capital upon cancellation of shares redeemed or purchased under the relevant laws in Cayman Islands.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
OPERATING ACTIVITIES			
Profit before tax		**238,829**	208,345
Adjustments for:			
Depreciation of property and equipment		**4,165**	4,686
Depreciation of investment properties		**42,372**	22,669
(Reversal of impairment losses) impairment losses recognised under expected credit loss model, net		**(9,477)**	21,415
Finance costs		**38,285**	23,342
Finance income on the net investment in the lease		**(251)**	(274)
Interest income		**(38,103)**	(36,356)
Share of result of a joint venture		**16,075**	20,874
Equity-settled share-based payments		**1,010**	–
Gain on disposal of subsidiaries		**(300)**	–
Gain on fair value changes of financial assets at FVTPL		**(1,136)**	(28)
Gain on disposal of property and equipment		**(122)**	(20)
Operating cash flows before movements in working capital		**291,347**	264,653
Decrease (increase) in trade and other receivables		**27,579**	(30,884)
(Decrease) increase in contract liabilities		**(3,514)**	7,886
Increase (decrease) in trade and other payables		**53,300**	(3,333)
Decrease (increase) in amounts due from related parties		**400**	(2,703)
Increase in amounts due to related parties		**201**	631
Decrease in finance lease receivables		**604**	542
Cash generated from operations		**369,917**	236,792
Income tax paid		**(70,826)**	(75,139)
Finance income on the net investment in the lease		**251**	274
NET CASH FROM OPERATING ACTIVITIES		**299,342**	161,927
INVESTING ACTIVITIES			
Purchase of financial assets at FVTPL		**(20,000)**	–
Redemption of financial assets at FVTPL		**–**	2,018
Interest received		**24,198**	29,623
Withdrawal of short-term bank deposits		**366,995**	417,576
Withdrawal of restricted bank deposits		**–**	5,000
Placement of short-term bank deposits		**(436,248)**	(376,995)
Purchase of property and equipment		**(1,300)**	(1,471)
Payment for leasehold improvements cost in respect of investment properties		**(53,368)**	(70,576)
Deposits paid for acquisition of property and equipment		**–**	(2,620)
Proceeds on disposal of property and equipment		**180**	165
Deposit received in respect of disposal of subsidiaries		**–**	2,114
Cash outflow from disposal of subsidiaries	9	**(3,053)**	–
Loan advanced to a third party		**–**	(4,050)
Loans advanced to a joint venture		**(15,000)**	–
Payment for rental deposits		**(15,000)**	(5,000)
NET CASH USED IN INVESTING ACTIVITIES		**(152,596)**	(4,216)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	2023 RMB'000	2022 RMB'000
FINANCING ACTIVITIES		
Capital contribution from a non-controlling shareholder upon establishment of a subsidiary	–	15,000
Dividend paid	(64,802)	(118,252)
Dividend paid to non-controlling interests of subsidiaries	–	(802)
Payment of issue costs	–	(646)
Repayment of lease liabilities	(14,769)	(9,532)
Interest paid	(1,212)	(1,166)
Repurchase of shares under the share award scheme	–	(1,517)
Repurchase of shares	(4,909)	(1,233)
Transaction costs related to repurchase of shares	(28)	(24)
NET CASH USED IN FINANCING ACTIVITIES	(85,720)	(118,172)
NET INCREASE IN CASH AND CASH EQUIVALENTS	61,026	39,539
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	485,888	446,349
CASH AND CASH EQUIVALENTS AT END OF THE YEAR represented by cash and cash equivalents	546,914	485,888
Analysis of cash and cash equivalents as at 31 December, represented by cash and cash equivalents held by		
– the Group	546,914	482,835
– the disposal group held-for-sale	–	3,053
	546,914	485,888

1. GENERAL INFORMATION

E-Star Commercial Management Company Limited (the "**Company**") was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law, Cap 22 on 13 September 2019 and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 26 January 2021 (the "**Listing**"). The addresses of the Company's registered office and principal place of business are disclosed in the section headed "Corporate Information" in the annual report.

The immediate holding company and the ultimate holding company of the Company are Go Star Investment Holding Limited ("**Go Star**") and Long Harmony Holding Limited ("**Long Harmony**") respectively. Go Star was incorporated in the British Virgin Islands ("**BVI**") with limited liability. Long Harmony was incorporated in the BVI by TMF (Cayman) Ltd., the trustee of the family trust. The family trust is a discretionary trust established on 4 December 2019 by Mr. Huang Chu-Long (hereinafter referred to as "**Mr. Huang**" or the "**Ultimate Controlling Shareholder**") as the settlor, with TMF (Cayman) Ltd. acting as the trustee, and Mr. Huang acting as the protector. The beneficiaries of the family trust are Mr. Huang's family members.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in provision of commercial property operational services to either owners or tenants in respect of commercial properties, which include shopping centres, shopping streets and commercial complexes, and leasing commercial spaces to tenants in the PRC.

The functional currency of the Company is Renminbi ("**RMB**"), which is the same as the presentation currency of the consolidated financial statements.

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

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

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

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

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

New and amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

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

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

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

In accordance with the transition provision:

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

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

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

2.2 Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 "Presentation of Financial Statements" is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

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

New and amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

2.2 Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies *(Continued)*

HKFRS Practice Statement 2 "Making Materiality Judgements" (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in Note 3.

Amendments to HKFRSs in issue but not yet effective

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and by the Hong Kong Companies Ordinance.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information

Basis of consolidation

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

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

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Investment in a joint venture

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

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses will not be recognised since the Group has not incurred legal or constructive obligations or made payments on behalf of joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture.

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

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

The group applies HKFRS 9 "Financial Instruments" ("**HKFRS 9**"), including the impairment requirements, to long-term interests in an associate or joint venture to which the equity method is not applied and which form part of the net investment in the investee. Furthermore, in applying HKFRS 9 to long-term interests, the group does not take into account adjustments to their carrying amount required by HKAS 28 "Investment in Associates and Joint ventures" ("**HKAS 28**") (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with HKAS 28).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Non-current assets held-for-sale

Non-current assets (and disposal groups) are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held-for-sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

Non-current assets (and disposal groups) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Revenue from contracts with customers

Information about the Group's accounting policies relating to contracts with customers is provided in Notes 5 and 26.

Leases

Definition of a lease

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

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

The Group as a lessee

Right-of-use assets

The cost of right-of-use assets includes:

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Leases *(Continued)*

The Group as a lessee (Continued)

Right-of-use assets *(Continued)*

The Group presents right-of-use assets that do not meet the definition of investment property in "property and equipment", the same line item within which the corresponding underlying assets would be presented if they were owned. Right-of-use assets that meet the definition of investment property are presented within "investment properties". Leasehold improvement, which is in connection with the right-of-use assets under sublease service model, is presented within "investment properties". The leasehold improvement is measured at cost less subsequent accumulated depreciation over the lease term and any subsequent impairment losses.

Refundable rental deposits

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

Lease liabilities

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

The lease payments include fixed payments (including in-substance fixed payments and variable lease payments).

Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets are recognised as expense in the period in which the event or condition that triggers the payment occurs.

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

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

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

Lease modifications

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Leases *(Continued)*

The Group as a lessee (Continued)

Lease modifications *(Continued)*

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

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets.

The Group as a lessor

Classification and measurement of leases

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

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

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

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

Allocation of consideration to components of a contract

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Leases *(Continued)*

The Group as a lessor (Continued)

Refundable rental deposits

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

Sublease

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

Lease modification

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

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

For rent concession under which the Group legally releases the lessee from its obligation to make specifically identified lease payment, of which some of these lease payments are contractually due but not paid and some of them are not yet contractually due, the Group accounts for the portions which have been recognised as operating lease receivables (i.e. the lease payments which are contractually due but not paid) by applying the ECL and derecognition requirements under HKFRS 9 and applies lease modification requirements for the forgiven lease payments that the Group has not recognised (i.e. the lease payments which are not yet contractually due) as at the effective date of modification.

Foreign currencies

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

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

Employee benefits

Retirement benefit costs

Payments to the state-owned retirement benefit schemes and the Mandatory Provident Fund Scheme ("**MPF Scheme**") are recognised as an expense when employee have rendered service entitling them to the contributions.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Employee benefits *(Continued)*

Short-term employee benefits

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

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

Share-based payments

Equity-settled share-based payment transactions

Shares/Share options granted to employees

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

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payment reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve.

When share options are exercised, the amount previously recognised in share-based payment reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will be transferred to retained profits.

When shares granted are vested, the amount previously recognised in share-based payment reserve will be transferred to share premium.

Shares held for share award scheme

Where the shares of the Group are acquired under the share award scheme, the consideration paid, including any directly attributable incremental costs, is presented as "shares held for share award scheme" and deducted from total equity.

When the awarded shares are transferred to the awardees upon vesting, the related cost of the awarded shares previously recognised in "shares held for share award scheme", and the related employment costs of the awarded shares previously recognised in "share-based payment reserve" are transferred to retained profits.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Taxation

Taxation represents the sum of current and deferred income tax expense.

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

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Taxation *(Continued)*

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.

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

Current and deferred tax are recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals.

The Group's investment properties are leased properties which are being recognised as right-of-use assets and subleased by the Group under operating leases.

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

A leased property which is recognised as a right-of-use asset is derecognised if the Group as intermediate lessor classifies the sublease as a finance lease. Any gain or loss arising on derecognition of the property (calculated as the difference between the carrying amounts of the asset and the related lease liability) is included in profit or loss in the period in which the property is derecognised.

Impairment on right-of-use assets

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Impairment on right-of-use assets *(Continued)*

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. An impairment loss is recognised immediately in profit or loss.

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

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include (i) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and (ii) cash equivalents, which comprises short-term (generally with original maturity of three months or less) and highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Financial instruments

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

All other financial assets are subsequently measured at FVTPL.

Amortised cost and interest income

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

Financial assets at FVTPL

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

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

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

(i) Significant increase in credit risk

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

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

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

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

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

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

(ii) Definition of default

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

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

(iii) Credit-impaired financial assets

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

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

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

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Derecognition of financial assets

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

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

Financial liabilities

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

Financial liabilities at amortised cost

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

Derecognition of financial liabilities

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

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

Impairment assessment of trade receivables in respect of contracts with customers

The Group's trade receivables in respect of contracts with customers primarily arise from the services rendered under the brand and management output service model. As set out in Note 30(b), the Group measured ECL on these trade receivables individually by applying internal credit rating for each of its trade debtors under this model and the Group assessed the relevant trade debtors with reference to their past default experience and, current past due exposure and, where applicable, an analysis of their current financial information and relevant internal credit ratings and financial information of the relevant commercial properties managed by the Group. In calculating the ECL, the loss rates were estimated based on internal credit ratings of the trade debtors, comparable probability of default and recovery rates quoted from an international credit-rating agency and were adjusted for forward-looking information, including but not limited to the 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.

As at 31 December 2023, the aggregate carrying amount of trade receivables was RMB9,593,000 (2022: RMB31,650,000), after taking into account accumulated impairment losses of RMB29,408,000 (2022: RMB38,885,000).

5. REVENUE AND SEGMENT INFORMATION

The Group generates revenue primarily from provision of commercial property operational services to either owners or tenants in respect of the commercial properties in the PRC under three commercial property operational models as described below:

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

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

A. Revenue

Revenue from commercial property operational services by type of operational model

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

(i) *Disaggregation of revenue from contracts with customers:*

	2023 RMB'000	2022 RMB'000
Commercial property operational services:		
– Market positioning, design and construction consultancy and tenant sourcing services	**145,148**	94,382
– Operational management services	**344,508**	359,489
– Value-added services (note)	**102,614**	86,459
	592,270	540,330
Timing of revenue recognition:		
– Over time	**552,572**	525,270
– A point in time	**39,698**	15,060
	592,270	540,330
Type of customers:		
– Property owners	**262,540**	238,651
– Tenants and other customers	**329,730**	301,679
	592,270	540,330

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 RMB654,000 (2022: RMB444,000) where the Group acts as an agent.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

A. Revenue *(Continued)*

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

(ii) Performance obligations for contracts with customers

Entrusted management service model

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

Brand and management output service model

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

Sublease service model

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

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

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

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

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

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

A. Revenue *(Continued)*

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

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

The details of each service and revenue recognition process are set out below: *(Continued)*

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

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

6. Land sourcing assistance services provided to customers. The Group charges monthly service fees for provision of such services. The revenue is recognised over time as the customers simultaneously receive and consume the benefits in relation to the services provided by the Group. Depending on the terms set out in each land sourcing assistance contract entered into with the customer, it may include a consideration where the amount and the payment depend on the occurrence of a future event. Such revenue, which is subject to constrained as detailed above, is recognised only to the extent that it is highly probable that it will not result in a significant revenue reversal in future when the uncertainty associated with that future event is subsequently resolved.

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

(iii) Transaction price allocated to the remaining performance obligations

The Group has elected to apply the practical expedient under HKFRS 15 for not to disclose the information of remaining performance obligations which are part of a contract that has an original expected duration of one year or less; or from satisfaction of which the Group recognises revenue in the amount that corresponds directly with the value to the customers of the Group's performance completed to date which the Group has the right to invoice. The transaction price allocated to the remaining performance obligations where the aforementioned practical expedients are not applicable is approximately RMB852 million (2022: RMB632 million) as at 31 December 2023 and is expected to recognise as revenue within 17 years (2022: 18 years) as at 31 December 2023.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

A. Revenue *(Continued)*

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

(iv) Leases

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

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

B. Segment information

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

Geographical information

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

Information about major customers

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

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

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

6. OTHER INCOME

	2023 RMB'000	2022 RMB'000
Interest income from bank deposits	38,103	36,356
Government grants (note)	2,016	2,200
Compensation and penalty received from tenants	2,648	1,475
	42,767	40,031

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

7. FINANCE COSTS

	2023 RMB'000	2022 RMB'000
Interest on lease liabilities	38,285	23,342

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

	2023 RMB'000	2022 RMB'000
Net (reversal of impairment losses)/impairment losses recognised on trade receivables	(9,477)	21,415

Details of impairment assessment on trade receivables are set out in Note 30(b).

9. GAIN ON DISPOSAL OF SUBSIDIARIES

On 18 November 2022, the Group entered into an equity transfer agreement (the "**S&P Agreement**") 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 Agreement, completion of such disposal would take place within 60 business days following settlement of the S&P Agreement (the "**Completion**"). Following the Completion, the Group would lose its 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 consolidated statement of financial position as at 31 December 2022. The Group received the full amount of the consideration as deposit during the year ended 31 December 2022. The disposal was completed in February 2023.

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

	RMB'000
Consideration:	
Cash received in year ended 31 December 2022 (Note 23)	2,114
Analysis of assets and liabilities over which control was lost:	
Deferred tax asset	229
Trade and other receivables	1,426
Loan receivable (note)	4,050
Cash and cash equivalents	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
Cash outflow arising on the disposal:	
Cash and cash equivalents disposal of	(3,053)

Note: The amount represented a loan advanced to 上海厚佑 which carried a fixed interest at 6% per annum, unsecured and will be matured on 21 November 2024.

10. INCOME TAX EXPENSE

	2023 RMB'000	2022 RMB'000
PRC Enterprise Income Tax ("**EIT**")		
– Current year	66,262	67,571
– Under(over)provision in prior year	424	(1,681)
Current tax charge	66,686	65,890
Deferred tax (Note 24)	9,838	(6,427)
	76,524	59,463

Hong Kong

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

No provision for taxation in Hong Kong has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

PRC

Under the Law of the PRC on EIT (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the entities operating in the PRC is 25% for both years, except for an entity established and located in the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone in the PRC. This entity enjoys the preferential enterprise income tax rate of 15% for four consecutive calendar years from year 2022 to year 2025.

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

	2023 RMB'000	2022 RMB'000
Profit before tax	238,829	208,345
Tax at PRC EIT rate of 25%	59,707	52,086
Share of result of a joint venture	4,019	5,218
Tax effect of expense not deductible for tax purpose	292	2,362
Tax effect of income not taxable for tax purpose	(160)	(3,084)
Tax effect of tax losses not recognised	5,363	8,141
Deferred tax in respect of PRC withholding tax on undistributed earnings of subsidiaries	14,845	–
Effect of different tax rates of subsidiaries operating in other jurisdiction	(768)	(1,088)
Income tax at concessionary rate	(6,941)	(2,481)
Under(over) provision in prior year	424	(1,681)
Utilisation of tax losses previously not recognised	(257)	(10)
Income tax expense	76,524	59,463

11. PROFIT FOR THE YEAR

	2023 RMB'000	2022 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration:		
– Auditor of the Company	**1,360**	1,486
– Other auditors	**–**	363
– Non-audit services	**450**	539
	1,810	2,388
Depreciation of property and equipment	**4,165**	4,686
Depreciation of investment properties	**42,372**	22,669
Staff costs (including directors' emoluments as disclosed in Note 12):		
– Salaries and other benefits	**185,838**	163,379
– Equity-settled share-based payments	**1,010**	–
– Retirement benefit scheme contributions	**21,794**	18,943
Total staff costs	**208,642**	182,322
Gain on fair value changes of financial assets at FVTPL (included in other gains and losses)	**(1,136)**	(28)
Gain on disposal of property and equipment (included in other gains and losses)	**(122)**	(20)
Net exchange gain (included in other gains and losses)	**(1,882)**	(15,440)
Gross rental income from investment properties	**(42,485)**	(21,250)
Less: direct operating expenses incurred for investment properties during the year	**38,978**	27,878
	(3,507)	6,628

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the twelve (2022: nine) directors of the Company, including the chief executive during both years are as follows:

For the year ended 31 December 2023

	Directors' fee RMB'000	Salaries and other benefits RMB'000	Performance related bonus RMB'000	Equity-settle share-based payments RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive directors						
Huang De-Lin Benny (note (i))	–	–	–	–	–	–
Chen Qunsheng (notes (iii) and (iv))	–	2,220	995	–	17	3,232
Li Li (note (iii))	–	1,476	557	85	25	2,143
Ma Chaoqun (note (iii))	–	753	411	–	17	1,181
Tao Muming (note (ii))	–	420	–	–	–	420
Wen Yi (note (ii))	–	112	–	–	–	112
Non-executive directors						
Huang De-An Tony (note (v))	–	–	–	–	–	–
Liu Jun (notes (iii) and (v))	–	–	–	–	–	–
Guo Limin (notes (ii) and (v))	–	–	–	–	–	–
Independent non-executive directors						
Guo Zengli	300	–	–	–	–	300
Tse Yat Hong	300	–	–	–	–	300
Zhang Liqing	300	–	–	–	–	300
Total emoluments	900	4,981	1,963	85	59	7,988

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

For the year ended 31 December 2022

	Directors' fee RMB'000	Salaries and other benefits RMB'000	Performance related bonus RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive directors					
Huang De-Lin Benny (note (i))	–	–	–	–	–
Tao Muming (note (ii))	–	2,188	975	–	3,163
Niu Lin (note (ii))	–	1,491	44	74	1,609
Wen Yi (note (ii))	–	1,472	1,353	–	2,825
Non-executive directors					
Huang De-An Tony (note (v))	–	–	–	–	–
Guo Limin (notes (ii) and (v))	–	–	–	–	–
Independent non-executive directors					
Guo Zengli	300	–	–	–	300
Tse Yat Hong	300	–	–	–	300
Zhang Liqing	300	–	–	–	300
Total emoluments	900	5,151	2,372	74	8,497

Notes:

(i) Mr. Huang De-Lin Benny acted as the chief executive of the Company until 4 May 2023 and his emoluments disclosed above included those for services rendered by him as the chief executive.

(ii) Mr. Tao Muming and Ms. Wen Yi resigned as executive directors on 14 April 2023. Mr. Niu Lin resigned as an executive director on 30 September 2022. Mr. Guo Limin resigned as a non-executive director on 14 April 2023.

(iii) Ms. Li Li was appointed as an executive director with effect from 14 April 2023 and resigned on 29 February 2024. Mr. Chen Qunsheng and Mr. Ma Chaoqun appointed as executive directors with effect from 16 June 2023. Mr. Liu Jun was appointed as a non-executive director with effect from 14 April 2023.

(iv) Mr. Chen Qunsheng has acted as the chief executive of the Company since 4 May 2023 and his emoluments disclosed above included those for services rendered by him as the chief executive.

(v) These non-executive directors' emoluments were borne by related parties under common control of Mr. Huang for the services rendered for the Group and the related parties. In the opinion of the directors of the Company, it is not practicable to allocate their remunerations to the Group.

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

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

No director's emolument was paid or payable by the Company to the non-executive directors for their services in both years ended 31 December 2023 and 2022.

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

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

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

13. FIVE HIGHEST PAID EMPLOYEES

Of the five individuals with the highest emoluments in the Group, two (2022: two) of them were the directors of the Company for the year. Details of their emoluments are set out in Note 12. The emoluments of the remaining three (2022: three) individuals for the year are as follows:

	2023 **RMB'000**	2022 RMB'000
Salaries and other benefits	**4,658**	6,441
Performance related bonus	**2,057**	1,315
Equity-settled share-based payments	**142**	–
Retirement benefit scheme contributions	**230**	217
	7,087	7,973

Their emoluments are within the following bands:

	2023	2022
HK$1,500,001 to HK$2,000,000	**1**	–
HK$2,000,001 to HK$2,500,000	**1**	1
HK$2,500,001 to HK$3,000,000	**1**	1
HK$3,000,001 to HK$3,500,000	**1**	1
HK$3,500,001 to HK$4,000,000	**1**	2

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

14. DIVIDENDS

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

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2023 of HK13 cents per share, in an aggregate amount of approximately HK$132,185,000, has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

15. EARNINGS PER SHARE

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

Earnings

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

Number of shares

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

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

16. PROPERTY AND EQUIPMENT

	Machine and equipment RMB'000	Motor vehicles RMB'000	Electronic equipment RMB'000	Office equipment RMB'000	Other equipment RMB'000	Leased property RMB'000 (note)	Total RMB'000
COST							
At 1 January 2022	139	1,801	2,352	1,191	1,933	8,742	16,158
Additions	–	8	1,039	269	155	–	1,471
Lease modification (note)	–	–	–	–	–	3,392	3,392
Disposals	–	(15)	(181)	(21)	–	–	(217)
At 31 December 2022	139	1,794	3,210	1,439	2,088	12,134	20,804
Additions	–	3	874	400	23	–	1,300
Disposals	–	(349)	(185)	(26)	(426)	–	(986)
At 31 December 2023	**139**	**1,448**	**3,899**	**1,813**	**1,685**	**12,134**	**21,118**
DEPRECIATION							
At 1 January 2022	85	1,587	1,875	943	1,382	5,817	11,689
Provided for the year	14	212	512	117	415	3,416	4,686
Eliminated on disposals	–	(14)	(40)	(18)	–	–	(72)
At 31 December 2022	99	1,785	2,347	1,042	1,797	9,233	16,303
Provided for the year	14	4	628	413	205	2,901	4,165
Eliminated on disposals	–	(349)	(166)	(26)	(387)	–	(928)
At 31 December 2023	**113**	**1,440**	**2,809**	**1,429**	**1,615**	**12,134**	**19,540**
CARRYING AMOUNTS							
At 31 December 2023	**26**	**8**	**1,090**	**384**	**70**	**–**	**1,578**
At 31 December 2022	40	9	863	397	291	2,901	4,501

Note: During the year ended 31 December 2022, the Group renewed the lease contracts of two office premises from a related party and extended the lease term to year 2023. Accordingly, the Group recognised right-of-use assets and lease liabilities of RMB3,392,000. The lease agreement does not impose any covenants (other than the security interest in the leased asset that is held by the lessor). The leased asset may not be used as a security for borrowing purpose.

The cash outflows for the leases for the year ended 31 December 2023 is RMB4,103,000 (2022: RMB3,884,000).

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

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

17. INVESTMENT PROPERTIES

	Investment properties RMB'000
COST	
At 1 January 2022	63,989
Additions	742,596
At 31 December 2022	806,585
Decrease related to the lease modification	(6,833)
Additions	73,137
At 31 December 2023	**872,889**
DEPRECIATION	
At 1 January 2022	16,465
Provided for the year	22,669
At 31 December 2022	39,134
Provided for the year	42,372
At 31 December 2023	**81,506**
CARRYING VALUES	
At 31 December 2023	**791,383**
At 31 December 2022	767,451

The Group as a lessee

The Group leased a commercial property in Changzhou of the PRC from a property owner, which is a related party of the Group, in April 2016 for a fixed term of 20 years. The Group has an option to extend the lease beyond the initial agreed period, but it is subject to the mutual agreement between the Group and the property owner. The leases met the definition of investment property held by a lessee as a right-of-use asset. When recognising the investment properties, the Group applied the incremental borrowing rate of the relevant group entity. The incremental borrowing rate applied at lease commencement date of this leased commercial property was 5.64%.

The Group leased commercial properties in Jiaxing and Xiamen of the PRC from independent property owners in May 2022 for a fixed term of 20 years. The Group has options to extend the leases beyond the initial agreed period, but it is subject to the mutual agreement between the Group and the property owners. The leases met the definition of investment property held by a lessee as right-of-use assets. When recognising the investment properties, the Group applied the incremental borrowing rate of the relevant group entity. The incremental borrowing rates applied at lease commencement date of these leased commercial properties were 5.64%.

During the year ended 31 December 2023, the property owners of the commercial property in Jiaxing and Xiamen of the PRC provided rent concessions to the Group. These rent concessions were not within the scope of Covid-19-related rent concessions and, thus, the changes in lease payments resulted in lease modifications. The reduction of the Group's lease liabilities of RMB6,833,000 and a corresponding adjustment of the same amount to the right-of-use assets (included in investment properties) were recognised.

17. INVESTMENT PROPERTIES *(Continued)*

The Group as a lessee *(Continued)*

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

Expenses relating to short-term leases with lease terms end within 12 months were RMB575,000 (2022: RMB421,000) for year ended 31 December 2023.

The Group regularly entered into short-term leases for office premises. At the end of reporting periods, the portfolio of short-term leases was similar to the portfolio of short-term leases to which the short-term lease expenses disclosed in this note above.

During the year ended 31 December 2023, the Group did not enter into any new leases for its the commercial property operational services business.

During the year ended 31 December 2022, the Group entered into four new leases for its commercial property operational services business with non-cancellable period of 20 years. The leased commercial property in Jiangyin of the PRC commenced in year 2023 and the remaining three leases have not yet commenced. The rents of these four new leases were variable lease payments and expenses relating to the variable lease payments not included in the measurement of lease liabilities.

The Group as a lessor

The Group leased out retail stores of commercial properties in Changzhou, Jiaxing, Xiamen and Jiangyin of the PRC as described above under subleasing arrangements to receive rental income. The leases typically run for an initial period of 1 to 14 years and the lessees have the option to extend the lease beyond initial agreed period but it is subject to mutual agreement between the Group and the lessees. The extension option is subject to market review clauses in the event the lessee exercises the option.

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

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

Total cash outflows for the leases, including the leased properties disclosed in Note 16, for year ended 31 December 2023 are RMB16,556,000 (2022: RMB11,959,000) which includes RMB12,453,000 (2022: RMB8,075,000) paid for leased properties under sub-leases. The income from subleasing of properties for both years are set out in Note 5A(iv).

17. INVESTMENT PROPERTIES *(Continued)*

The Group as a lessor *(Continued)*

The fair value of the Group's investment properties as at 31 December 2023 was RMB1,199,200,000 (2022: RMB1,286,000,000). The fair value has been arrived at based on the determination of the management of the Group who made reference to the valuation carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited (2022: Ravia Global Appraisal Advisory Limited), an independent valuer not connected with the Group, on these investment properties as at 31 December 2023 and 2022.

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

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

Details of the Group's investment properties and information about the fair value hierarchy as at the end of the reporting period are as follows:

	2023		2022	
	Carrying amount RMB'000	**Fair value at level 3 hierarchy RMB'000**	Carrying amount RMB'000	Fair value at level 3 hierarchy RMB'000
Commercial property located in Changzhou	**41,063**	**171,300**	44,293	174,000
Commercial property located in Jiaxing	**433,451**	**561,100**	467,422	626,000
Commercial property located in Xiamen	**261,391**	**466,800**	255,736	486,000

In the opinion of the directors of the Company, the investment properties with aggregate carrying amount of RMB55,478,000 as at 31 December 2023 (2022:nil) are either under renovation process before commencement of business or having insignificant construction costs only. The directors of the Company believe that the carrying amount of these properties is close to their fair value and the fair value change is not material.

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

18. FINANCE LEASE RECEIVABLES

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

	Minimum lease payments 2023 RMB'000	Present value of minimum lease payments 2023 RMB'000
Finance lease receivables comprise:		
Within one year	900	671
In the second year	944	741
In the third year	991	817
In the fourth year	1,041	898
In the fifth year	1,094	986
After five years	2,027	2,378
	6,997	6,491
Gross investment in the lease	6,997	N/A
Less: unearned finance income	(506)	N/A
Present value of minimum lease payment receivable	6,491	6,491
Less: Allowance for credit losses		(449)
		6,042
Analysed as:		
Non-current		5,371
Current		671
		6,042

18. FINANCE LEASE RECEIVABLES *(Continued)*

	Minimum lease payments 2022 RMB'000	Present value of minimum lease payments 2022 RMB'000
Finance lease receivables comprise:		
Within one year	856	604
In the second year	900	671
In the third year	944	741
In the fourth year	991	817
In the fifth year	1,041	898
After five years	3,121	3,364
	7,853	7,095
Gross investment in the lease	7,853	N/A
Less: unearned finance income	(758)	N/A
Present value of minimum lease payment receivable	7,095	7,095
Less: Allowance for credit losses		(449)
		6,646
Analysed as:		
Non-current		6,042
Current		604
		6,646

As at 31 December 2023, the interest rate implicit in the above finance lease was approximately 0.3% (2022: 0.3%) per month.

19. INTEREST IN A JOINT VENTURE/LOANS TO A JOINT VENTURE

	2023 RMB'000	2022 RMB'000
Cost of unlisted investment in a joint venture	**9,000**	9,000
Share of post-acquisition results	**(9,000)**	(9,000)
	–	–
Loans to a joint venture	**30,000**	15,000
Share of post-acquisition results	**(29,926)**	(13,851)
	74	1,149

The joint venture was set up during the year ended 31 December 2021. The Group paid RMB9,000,000 as capital injection and advanced loans of RMB30,000,000 (2022: RMB15,000,000) in total to the joint venture, which are unsecured, interest-free and without a fixed repayment date. The loans to a joint venture are considered as long-term interest that, in substance, form part of the Group's net investments in the joint venture.

Details of impairment assessment of loans to a joint venture for the year ended 31 December 2023 are set out in Note 30(b).

Name of company	Form of business structure	Place of establishment/ principal place of business	Percentage of ownership interest and voting rights held by the Group		Principal activity
			2023 %	2022 %	
廣州凱星商業管理有限公司 Guangzhou Kaixing Commercial Management Co., Ltd* ("**GZKX**")	Joint venture	The PRC	**30**	30	Commercial property operational services

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

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

Summarised financial information of the joint venture

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

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

	2023 RMB'000	2022 RMB'000
Revenue	**2,262**	456
Loss and total comprehensive expense for the year	**(53,583)**	(69,579)

19. INTEREST IN A JOINT VENTURE/LOANS TO A JOINT VENTURE *(Continued)*

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

	31.12.2023 **RMB'000**	31.12.2022 RMB'000
Non-current assets	**287,266**	602,952
Current assets	**25,924**	14,835
Non-current liabilities	**297,678**	613,149
Current liabilities	**115,265**	50,808

The above amounts of assets and liabilities include the following:

Cash and cash equivalents	**5,069**	1,109
Current financial liabilities (excluding trade and other payables and provisions)	**100,000**	50,000
Non-current financial liabilities (excluding trade and other payables and provisions)	**10,000**	–

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

	31.12.2023 **RMB'000**	31.12.2022 RMB'000
Net liabilities	**(99,753)**	(46,170)
Proportion of the Group's ownership interest in the joint venture	**30%**	30%
	(29,926)	(13,851)
Other adjustments (note)	**30,000**	15,000
Carrying amount of the Group's net investment interest in the joint venture	**74**	1,149

Note: Amount represents loans to the joint venture which are considered as long-term interest that form part of the Group's net investments in the joint venture.

20. TRADE AND OTHER RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade and other receivables		
– Trade receivables	12,911	32,660
– Other receivables	40,829	24,182
	53,740	56,842
Analysed as:		
Non-current	25,542	10,542
Current	28,198	46,300
	53,740	56,842
Trade receivables		
Contracts with customers		
– Third parties	38,575	70,266
– Related parties (note)	426	269
Less: Allowance for credit losses	(29,408)	(38,885)
	9,593	31,650
Operating lease receivables – third parties	3,318	1,010
	12,911	32,660

Note: The related parties represent a group of related parties of the Group under common control of Mr. Huang.

As at 1 January 2022, the trade receivables in respect of contracts with customers and 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 each reporting period:

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

20. TRADE AND OTHER RECEIVABLES *(Continued)*

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

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

Included in the Group's trade receivables in respect of contracts with customers as at 31 December 2023 are past due debtors with aggregate carrying amount of RMB380,000 (2022: RMB21,632,000), of which an amount of RMB374,000 (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 ECL model for these trade receivables as the related trade debtors had no significant change in credit quality after assessing their background, good repayment records, continuous business relationship with the Group and certain 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.

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

Notes:

(i) The amount represents rental deposits under sublease service model, which includes RMB20,000,000 (2022: RMB5,000,000) paid to related parties under common control of Mr. Huang.

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

(iii) 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.

(iv) The amount represents advancements to employees for the Group's daily operation.

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

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 **RMB'000**	2022 RMB'000
Current assets		
Investment in wealth management product	**21,136**	–

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 unguaranteed and non-principal protected and will expire on 5 February 2024.

22. CASH AND CASH EQUIVALENTS/SHORT-TERM BANK DEPOSITS/RESTRICTED BANK BALANCE

Cash equivalents are bank balances with maturity of three months or less and carry interest at prevailing market rates ranging from 0.02% to 2.80% (2022: 0.01% to 2.00%) per annum as at 31 December 2023.

The short-term bank deposits are with original maturity of over three months carry interest at prevailing market rates ranging from 2.8% to 4.8% (2022: 2.45% to 3.90%) per annum as at 31 December 2023. The balances will mature within one year from the year end of the reporting period.

Restricted bank balance represents a deposit made for a performance guarantee contract in relation to a sublease service project. The balance carries interest at a prevailing market rate of 3.20% (2022: 3.20%) per annum and it will mature on 17 December 2024.

Included in the cash equivalents and short-term bank deposits, there are amounts of RMB45,448,000 (2022: RMB115,815,000) denominated in Hong Kong Dollar which is foreign currency of respective companies of the Group.

Details of impairment assessment of cash equivalents, short-term bank deposits and restricted bank balances are set out in Note 30(b).

23. TRADE AND OTHER PAYABLES

	2023 RMB'000	2022 RMB'000
Trade and other payables		
– Trade payables	27,177	20,851
– Other payables	259,807	187,203
	286,984	208,054
Trade payables		
Contracts with suppliers		
– Third parties	24,606	18,799
– Related parties (note)	2,571	2,052
	27,177	20,851

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

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:

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

	2023 RMB'000	2022 RMB'000
Other payables		
Receipts on behalf of tenants (note (i))	84,176	59,721
Deposits received (note (ii))	54,677	39,266
Payables for leasehold improvements (included in investment properties)	59,276	42,127
Salary payables	38,672	32,309
Accrual and others	18,910	6,223
Other tax payables	4,096	5,443
Deposit received in respect of disposal of subsidiaries (Note 9)	–	2,114
	259,807	187,203

Notes:

(i) The balance represents funds received centrally by the Group 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. It relates to the business activity as mentioned in Note 20(ii).

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

24. DEFERRED TAX ASSETS/LIABILITIES

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

	2023 RMB'000	2022 RMB'000
Deferred tax assets	**31,566**	21,600
Deferred tax liabilities	**(25,927)**	(6,123)
	5,639	15,477

The following table sets out the major deferred tax assets (liabilities) recognised and movements thereon during both years:

	Timing Difference on recognition of revenue from leases RMB'000	Accrued interest income RMB'000	ECL provision RMB'000	Right of use assets RMB'000	Lease liabilities RMB'000	Withholding income tax on earnings of subsidiaries RMB'000	Equity-settled share-based payments RMB'000	Fair value changes on FVTPL RMB'000	Total RMB'000
At 1 January 2022	–	–	4,709	–	4,570	–	–	–	9,279
Adjustment (Note 2.1)	–	–	–	(12,612)	12,612	–	–	–	–
As at 1 January 2022 (restated)	–	–	4,709	(12,612)	17,812	–	–	–	9,279
(Charge) credit to profit or loss	(187)	(5,936)	5,354	(148,255)	155,451	–	–	–	6,427
Reclassified to assets classified as held-for-sale (Note 38)	–	–	(229)	–	–	–	–	–	(229)
At 31 December 2022 (restated)	(187)	(5,936)	9,834	(160,867)	172,633	–	–	–	15,477
(Charge) credit to profit or loss	(575)	(4,100)	(2,369)	10,869	1,217	(14,845)	249	(284)	(9,838)
At 31 December 2023	**(762)**	**(10,036)**	**7,465**	**(149,998)**	**173,850**	**(14,845)**	**249**	**(284)**	**5,639**

As at 31 December 2023, the Group had the unrecognised tax losses of RMB67,013,000 (2022: RMB46,588,000) which were related to subsidiaries operating continuously and no deferred tax assets were recognised due to the unpredictability of its future profit stream.

Included in unrecognised tax losses are losses of RMB51,695,000 (2022: RMB31,664,000) of which RMB nil, RMB nil, RMB3,732,000, RMB26,902,000 and RMB21,061,000 will expire in years 2024, 2025, 2026, 2027 and 2028 respectively (2022: RMB nil, RMB nil, RMB nil, RMB4,645,000 and RMB27,019,000 in years 2023, 2024, 2025, 2026 and 2027). Other losses may be carried forward indefinitely.

Under the EIT Law of PRC, 10% withholding income tax is imposed on dividends declared in respect of profits earned by the Group's subsidiaries established in the PRC to its subsidiary incorporated in Hong Kong. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries of RMB383,820,000 (2022: RMB483,820,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

25. LEASE LIABILITIES

	2023 RMB'000	2022 RMB'000
Lease liabilities:		
Within one year	**36,202**	28,321
More than one year but less than two years	**35,540**	34,657
More than two years but less than five years	**102,895**	100,744
More than five years	**520,770**	526,809
	695,407	690,531
Minimum lease payment due:		
Within one year	**39,570**	30,940
More than one year but less than two years	**41,034**	39,757
More than two years but less than five years	**132,469**	129,001
More than five years	**980,003**	1,028,577
	1,193,076	1,228,275
Less: future finance charge	**(497,669)**	(537,744)
Present value of lease liabilities	**695,407**	690,531

	2023 RMB'000	2022 RMB'000
Current	**36,202**	28,321
Non-current	**659,205**	662,210
	695,407	690,531

Lease liabilities amounting to RMB61,056,000 (2022: RMB66,777,000) were due to related parties of the Group.

As at 31 December 2023, the incremental borrowing rates implicit in the above lease liabilities range from 5.64% to 5.70% (2022: 5.64% to 5.70%) per annum.

26. CONTRACT LIABILITIES

	2023 RMB'000	2022 RMB'000
Market positioning and design and construction consultancy services	**14,006**	16,762
Sublease service	**1,128**	1,412
Value-added services (note)	**442**	916
	15,576	19,090

As at 1 January 2022, contract liabilities amounted to RMB11,378,000.

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

Included in the balance of contract liabilities as at 31 December 2023, an amount of RMB6,517,000 (2022: RMB2,740,000) was from companies under common control of Mr. Huang.

For the contract liabilities as at 1 January 2023 and 2022, the entire balances were recognised as revenue in the profit or loss during the years ended 31 December 2023 and 2022 respectively.

27. SHARE CAPITAL

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

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

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

Month of repurchase	Number of ordinary shares of HK$0.01 each	Price per share Lowest HK$	Price per share Highest HK$	Aggregate consideration paid HK$'000	Aggregate consideration paid RMB'000
November 2022	915,000	1.19	1.67	1,351	1,233
January 2023	237,000	2.07	2.22	511	447
April 2023	365,000	1.54	1.64	580	508
May 2023	163,000	1.32	1.38	221	199
August 2023	311,000	1.39	1.43	439	401
September 2023	1,241,000	1.44	1.53	1,856	1,703
December 2023	1,530,000	1.11	1.24	1,817	1,651

Notes:

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

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

28. 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 and notified by the board of directors of the Company to each grantee, 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.

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 years ended 31 December 2023 and 2022, no options have been granted.

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 share awarded to each Eligible Participants under the RSU Scheme shall not exceed 1% of the issued share capital of the Company as at the Adoption Date. Such 5% scheme limit and 1% individual limit are applicable throughout the ten years term of the RSU Scheme, with no annual limit contemplated.

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

28. SHARE INCENTIVE SCHEME *(Continued)*

Restricted Share Unit Scheme *(Continued)*

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 were purchased under the RSU Scheme during the year ended 31 December 2023 (2022: 564,000 shares).

During the years ended 31 December 2023 and 2022, no RSU was 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 Share Award 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 Share Award 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 Share Award Scheme.

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

The awarded shares can be vested under the vesting requirements that (i) the Group's and the grantees' personal performance requirements are fulfilled, and (ii) certain consideration is paid to specific account within ten working days after the vesting date.

28. SHARE INCENTIVE SCHEME *(Continued)*

Share Award Scheme *(Continued)*

The table below discloses movement of awarded shares under the Share Award Scheme:

	Number of awarded shares
Outstanding as at 1 January 2023	–
Granted during the year	19,650,000
Forfeited during the year	(7,155,000)
Outstanding as at 31 December 2023	12,495,000

Details of awarded shares under the Share Award Scheme are set out below:

Date of grant	Vesting period	Exercise period	As at 1 January 2023	Number of awarded shares granted	Number of awarded shares forfeited	As at 31 December 2023	Exercise price HK$
Directors and senior management							
17 April 2023	From 17 April 2023 to 30 April 2024	10 working days from 30 April 2024	–	1,575,000	(1,575,000)	–	1.16
	From 17 April 2023 to 30 April 2025	10 working days from 30 April 2025	–	1,575,000	–	1,575,000	1.16
	From 17 April 2023 to 30 April 2026	10 working days from 30 April 2026	–	2,100,000	–	2,100,000	1.16
			–	5,250,000	(1,575,000)	3,675,000	
Other grantees							
17 April 2023	From 17 April 2023 to 30 April 2024	10 working days from 30 April 2024	–	4,320,000	(4,320,000)	–	1.16
	From 17 April 2023 to 30 April 2025	10 working days from 30 April 2025	–	4,320,000	(540,000)	3,780,000	1.16
	From 17 April 2023 to 30 April 2026	10 working days from 30 April 2026	–	5,760,000	(720,000)	5,040,000	1.16
			–	14,400,000	(5,580,000)	8,820,000	
			–	19,650,000	(7,155,000)	12,495,000	

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.

28. SHARE INCENTIVE SCHEME *(Continued)*

Share Award Scheme *(Continued)*

The following assumptions were used to calculate the fair value of the 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 had 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 were based on the valuer's best estimate. Changes in variables and assumptions might result in changes in the fair value of the awarded shares.

The Group recognised an expense of RMB1,010,000 (2022: nil) in relation to awarded shares granted by the Company for the year ended 31 December 2023.

29. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes lease liabilities as disclosed in Note 25, net of cash and cash equivalents and equity attributable to owners of the Company, comprising share capital, share premium, retained profits and other reserves.

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

30. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2023 RMB'000	2022 RMB'000
Financial assets at amortised cost	1,490,533	1,333,604
Financial assets at FVTPL	21,136	–
Financial liabilities at amortised cost	238,646	164,136

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, certain other receivables (including rental deposits), financial assets at FVTPL, finance lease receivables, restricted bank balances, short-term bank deposits, cash and cash equivalents, loans to a joint venture, trade payables, certain other payables, amounts due from/to related parties and lease liabilities. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to the Group's short-term bank deposits, restricted bank balance and lease liabilities as at 31 December 2023 and 2022. Details of short-term bank deposits, restricted bank balance and lease liabilities are set out in Notes 22 and 25 respectively.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances as at 31 December 2023 and 2022. Details of these bank balances are set out in Note 22.

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

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

Other price risk

The Group is exposed to instrument price risk arising from changes in the fair value of its financial assets at FVTPL.

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

Credit risk and impairment assessment

The Group's credit risk is primarily attributable to its trade receivables, certain other receivables (including rental deposits), amounts due from related parties, loans to a joint venture, restricted bank balances, short-term bank deposits, cash and cash equivalents and lease receivables (including operating and finance lease receivables).

30. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment *(Continued)*

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

Trade receivables in respect of contracts with customers and lease receivables

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

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

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

The ECL loss rate is determined on debtor by debtor basis. The trade receivables in respect of contracts with customers which were credit-impaired have been provided to the extent of the amount that are expected to be unrecoverable.

30. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment *(Continued)*

Trade receivables in respect of contracts with customers and lease receivables (Continued)

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

Based on the assessment performed by the management of the Group, it is considered that the loss rate for the lease receivables was not more than 1% (2022: not more than 1%) as at 31 December 2023. The ECL of lease receivables is determined on debtor by debtor basis and is considered to be insignificant at the end of each reporting period.

Other receivables, deposits and amounts due from related parties

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

Loans to a joint venture

The Group applied 12m ECL to assess the impairment of loans to a joint venture prescribed by HKFRS 9. To measure the ECL on loans to a joint venture, they are assessed individually on the recoverability based on operation situation, business relationship, past experience, and also the available and supportive forward-looking information. The management of the Group believed that there was no material credit risk inherent in the Group's outstanding balances of loans to a joint venture.

30. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment *(Continued)*

Cash equivalents, restricted bank balances and short-term bank deposits

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

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

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

30. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment *(Continued)*

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

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	As at 31 December 2023 Gross carrying amounts RMB'000	As at 31 December 2022 Gross carrying amounts RMB'000
Financial assets at amortised cost						
Trade receivables in respect of contracts with customers	20	N/A	Low risk	Lifetime ECL (not credit-impaired)	**9,407**	12,049
		N/A	Watch list	Lifetime ECL (not credit-impaired)	**–**	13,595
		N/A	Doubtful	Lifetime ECL (not credit-impaired)	**–**	–
		N/A	Loss	Lifetime ECL (credit-impaired)	**29,594**	44,891
Other receivables and deposits	20	N/A	Low risk	12m ECL (not credit-impaired)	**31,813**	14,664
Amounts due from related parties	31	N/A	Low risk	12m ECL (not credit-impaired)	**3,690**	4,090
Cash equivalents	22	A3-Aa3	N/A	12m ECL (not credit-impaired)	**546,914**	482,835
Restricted bank balances	22	A3	N/A	12m ECL (not credit-impaired)	**5,000**	5,000
Short-term bank deposits	22	A3-Aa3	N/A	12m ECL (not credit-impaired)	**863,523**	780,365
Loans to a joint venture	19	N/A	Low risk	12m ECL (not credit-impaired)	**30,000**	15,000
Other items						
Finance lease receivables	18	N/A	Low risk	Lifetime ECL (not credit-impaired)	**6,491**	7,095
Operating lease receivables	20	N/A	Low risk	Lifetime ECL (not credit-impaired)	**3,318**	1,010

30. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment *(Continued)*

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

Gross carrying amount

	2023		2022	
	Average loss rate RMB'000	Trade receivables RMB'000	Average loss rate RMB'000	Trade receivables RMB'000
Low risk	3%	9,407	8%	12,049
Watch list	N/A	–	10%	13,595
Doubtful	N/A	–	N/A	–

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

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

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
At 1 January 2022	4,824	13,563	18,387
Changes due to financial instruments recognised as at 1 January 2022:			
– Transfer to credit-impaired	(759)	759	–
– Impairment losses recognised	114	8,205	8,319
– Impairment losses reversed	(2,077)	(1,324)	(3,401)
New financial assets originated	2,178	14,319	16,497
Reclassified to assets classified as held-for-sale	(917)	–	(917)
At 31 December 2022	3,363	35,522	38,885
Changes due to financial instruments recognised as at 1 January 2023:			
– Transfer to credit-impaired	(238)	238	–
– Impairment losses recognised	–	4,076	4,076
– Impairment losses reversed	(2,029)	(14,716)	(16,745)
New financial assets originated	250	2,942	3,192
At 31 December 2023	1,346	28,062	29,408

As at 31 December 2023, the allowance of credit loss for finance lease receivables is RMB449,000 (2022: RMB449,000).

During the year ended 31 December 2023, the Group recognised an impairment loss of RMB7,268,000 (2022: RMB24,816,000) and a reversal of impairment loss of RMB16,745,000 (2022: RMB3,401,000) for trade receivables in respect of contracts with customers. No impairment loss was recognised for both years for lease receivables.

30. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk

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

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

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

	Weighted average effective interest rate	On demand or within three months	More than three months but less than one year	More than one year but less than two years	More than two years but less than five years	More than five years	Total undiscounted cash flows	Total carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2023								
Trade payables	N/A	27,177	–	–	–	–	27,177	27,177
Other payables	N/A	209,568	–	–	–	–	209,568	209,568
Amounts due to related parties	N/A	1,413	93	359	36	–	1,901	1,901
		238,158	93	359	36	–	238,646	238,646
Lease liabilities	5.64	9,893	29,677	41,034	132,469	980,003	1,193,076	695,407
As at 31 December 2022								
Trade payables	N/A	17,113	1,265	272	2,201	–	20,851	20,851
Other payables	N/A	141,585	–	–	–	–	141,585	141,585
Amounts due to related parties	N/A	907	621	95	77	–	1,700	1,700
		159,605	1,886	367	2,278	–	164,136	164,136
Lease liabilities	5.64	3,152	27,788	39,757	129,001	1,028,577	1,228,275	690,531

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

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

30. FINANCIAL INSTRUMENTS *(Continued)*

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

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

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

Financial assets	Fair value at 31 December 2023	Fair value at 31 December 2022	Fair hierarchy	Valuation technique and key inputs
Financial assets at FVTPL	**Investment in wealth management product: RMB21,136,000**	N/A	Level 2	Quoted bid prices provided by the bank

31. RELATED PARTY DISCLOSURES

(a) Related party balances

(i) Amounts due from related parties

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

Nature of related parties	2023 RMB'000	2022 RMB'000
Fellow subsidiaries (note)	**3,690**	4,090

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

The entire balance of amounts due from related parties is trade nature and mainly arises from commercial property operational services for fellow subsidiaries. Details of impairment assessment of this balance are set out in Note 30(b).

(ii) Amounts due to related parties

Nature of related parties	2023 RMB'000	2022 RMB'000
Fellow subsidiaries (note)	**1,901**	1,700

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

The entire balance of amounts due to related parties is trade in nature and mainly represents the rental and other deposits paid by the fellow subsidiaries with respect to usage of common areas in the shopping centres and payable to fellow subsidiaries for reimbursements of staff welfare expenses incurred by the Group.

31. RELATED PARTY DISCLOSURES *(Continued)*

(b) Related parties transactions

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

	2023 RMB'000	2022 RMB'000
Related parties		
Revenue:		
– Commercial property operational and related services (note (i))	203,308	158,433
– Tenant management services (note (ii))	23,915	15,806
Expense:		
– Property management and related services (note (iii))	2,692	4,256
– Expenses relating to short-term leases for office and other premises	466	421
– Interest expenses on lease liabilities (note (iv))	3,528	3,677
A joint venture		
Revenue:		
– Commercial property operational and related services (note (i))	3,482	2,629

Notes:

(i) This category includes market positioning, design and construction consultancy and tenant sourcing services, operational management and property leasing services.

(ii) This category includes operational management services and value-added services.

(iii) This category includes property management services, catering services and hotel accommodation services.

(iv) The lease repayments of RMB9,249,000 (2022: RMB9,018,000) were made for the year ended 31 December 2023. Included in the lease repayments there were interests paid of RMB1,102,000 (2022: RMB1,132,000) for the year ended 31 December 2023.

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

31. RELATED PARTY DISCLOSURES *(Continued)*

(b) Related parties transactions *(Continued)*

Compensation of key management personnel

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

	2023 RMB'000	2022 RMB'000
Salaries and other benefits	8,595	11,592
Performance related bonuses	3,545	3,687
Equity-settled share-based payments	356	–
Retirement benefit scheme contributions	170	291
	12,666	15,570

The remuneration of directors and key executives is determined having regard to their performance and market trends. The remuneration of directors for the years ended 31 December 2023 and 2022 are set out in Note 12.

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Accrued issue costs RMB'000	Accrual and others RMB'000 (Note 23)	Dividend payable RMB'000	Lease liabilities RMB'000 (Note 25)	Total RMB'000
At 1 January 2022	646	–	–	68,727	69,373
Financing cash flows (note)	(646)	–	(119,054)	(10,698)	(130,398)
Finance costs	–	–	–	23,342	23,342
Additions due to new lease agreements	–	–	–	609,160	609,160
Dividend paid (Note 14)	–	–	118,252	–	118,252
Dividend paid to non-controlling interests of subsidiaries	–	–	802	–	802
At 31 December 2022	–	–	–	690,531	690,531
Financing cash flows (note)	–	–	(64,802)	(15,981)	(80,783)
Finance costs	–	–	–	38,285	38,285
Decrease due to lease modification	–	–	–	(6,833)	(6,833)
Transfer	–	10,595	–	(10,595)	–
Dividend paid (Note 14)	–	–	64,802	–	64,802
At 31 December 2023	–	10,595	–	695,407	706,002

Note: The financing cashflows include repayment of lease liabilities and interest and payments of dividend and accrued issue costs.

33. CAPITAL COMMITMENTS

	2023 RMB'000	2022 RMB'000
Capital expenditure in respect of acquisition of property and equipment contracted for but not provided in the consolidated financial statements	9,951	33,544

34. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries at the date of these consolidated financial statements are as follows:

Name of subsidiaries	Place and date of incorporation/ establishment	Place of operation	Registered/ issued and full paid share capital	Proportion of ownership interest: As at 31 December 2023: The Group's effective interest	Held by the Company	Held by a subsidiary	As at 31 December 2022: The Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities	Notes
Sincerity Commercial Management Limited	BVI/ 17 October 2019	Hong Kong	US$100	100%	100%	N/A	100%	100%	N/A	Investment holding	(b)
Luxuriant Commercial Management Limited	Hong Kong/ 12 November 2019	Hong Kong	HK$100	100%	N/A	100%	100%	N/A	100%	Investment holding	(c)
深圳市星瀚實業投資有限公司 Shenzhen Xinghan Industrial Investment Co., Ltd *	The PRC/ 12 December 2019	Shenzhen	HK$650,000,000	100%	N/A	100%	100%	N/A	100%	Investment holding	(a)
深圳市星河商置集團有限公司 Galaxy Commercial Property Group*	The PRC/ 18 November 2013	Shenzhen	RMB300,000,000	100%	N/A	100%	100%	N/A	100%	Commercial property operational services	(d)
深圳市星河商業管理有限公司 Shenzhen Galaxy Commercial Management Co., Ltd.*	The PRC/ 14 November 2014	Shenzhen	RMB5,000,000	100%	N/A	100%	100%	N/A	100%	Commercial property operational services	(d)
廣州市星通商業管理有限公司 Guangzhou Xingtong Commercial Management Co., Ltd.*	The PRC/ 23 July 2015	Guangzhou	RMB19,000,000	100%	N/A	100%	100%	N/A	100%	Commercial property operational services	(d)
常州市星河商業管理有限公司 Changzhou Galaxy Commercial Management Co., Ltd.*	The PRC/ 5 May 2016	Changzhou	RMB3,000,000	100%	N/A	100%	100%	N/A	100%	Commercial property operational services	(d)
南京市星恒商業管理有限公司 Nanjing Xingheng Commercial Management Co. Ltd.*	The PRC/ 9 November 2020	Nanjing	RMB5,000,000	100%	N/A	100%	100%	N/A	100%	Commercial property operational services	(d)
星盛深南(廈門)商業管理有限公司 Xingsheng Shennan (Xiamen) Commercial Management Co., Ltd.* ("**Xingsheng Shennan**")	The PRC/ 11 August 2021	Xiamen	RMB100,000,000	70%	N/A	70%	70%	N/A	70%	Commercial property operational services	(d)

34. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of subsidiaries	Place and date of incorporation/ establishment	Place of operation	Registered/ issued and full paid share capital	Proportion of ownership interest						Principal activities	Notes
				As at 31 December 2023			As at 31 December 2022				
				The Group's effective interest	Held by the Company	Held by a subsidiary	The Group's effective interest	Held by the Company	Held by a subsidiary		
嘉興市星盛商業管理有限公司 Jiaxing Commercial Management Co., Ltd.*	The PRC/ 5 August 2021	Jiaxing	RMB60,000,000	100%	N/A	100%	100%	N/A	100%	Commercial property operational services	(d)
深圳市星盛商業管理有限公司 Shenzhen E-Star Commercial Management Co., Ltd.*	The PRC/ 11 October 2022	Shenzhen	RMB1,000,000	100%	N/A	100%	100%	N/A	100%	Commercial property operational services	(d)
上海星聯商業管理有限公司 Shanghai Xinglian Commercial Management Co., Ltd.* ("**Shanghai Xinglian**")	The PRC/ 24 June 2019	Shanghai	RMB5,000,000	N/A	N/A	N/A	41%	N/A	41%	Commercial property operational services	(e), (d)
南昌星恒商業管理有限公司 Nanchang Xingheng Commercial Management Co., Ltd.* ("**Nanchang Xingheng**")	The PRC/ 12 November 2019	Nanchang	RMB2,000,000	N/A	N/A	N/A	41%	N/A	100%	Commercial property operational services	(f), (d)

Notes:

(a) This company was established in the PRC in the form of a wholly-owned foreign enterprise.

(b) This company was established in the BVI in the form of a limited liability company.

(c) This company was incorporated in Hong Kong in the form of a limited liability company.

(d) This company was established in the PRC in the form of a limited liability company.

(e) Shanghai Xinglian was accounted for as a subsidiary of the Company because Galaxy Commercial Property Group owns 53% of the voting rights in Shanghai Xinglian pursuant to a voting rights assignment agreement entered into between Galaxy Commercial Property Group and 深圳市星協成企業管理諮詢合夥企業 (Shenzhen Xingxiecheng Corporate Management Consulting Partnership (Limited Partners)*) which is a non-controlling shareholder of Shanghai Xinglian. This entity was disposed of by the Group during the year ended 31 December 2023 and details are set out in Note 9.

(f) Nanchang Xingheng is 100% owned by Shanghai Xinglian. It was disposed of together with Shanghai Xinglian by the Group during the year ended 31 December 2023 and details are set out in Note 9.

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

None of the subsidiaries of the Company had any debt securities subsisting at the end of the reporting period or at any time during the year.

35. DETAILS OF A NON-WHOLLY OWNED SUBSIDIARY THAT HAS MATERIAL NON-CONTROLLING INTERESTS

The table below shows details of the Group's subsidiaries that have material non-controlling interests at the end of each reporting period:

Name of subsidiaries	Place of operation	Proportion of ownership and voting rights held for non-controlling interests		(Loss) profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2023	2022	**2023**	2022	**2023**	2022
Xingsheng Shennan	Xiamen, the PRC	**30%**	30%	**(8,792)**	(5,912)	**14,905**	23,697
Shanghai Xinglian and its subsidiaries	Shanghai and Nanchang, the PRC	**N/A**	59%	**N/A**	519	**N/A**	2,609
				(8,792)	(5,393)	**14,905**	26,306

Summarised financial information in respect of the Group's subsidiaries that have material non-controlling interests is set out below:

Xingsheng Shennan

	2023 RMB'000	2022 RMB'000
Non-current assets	**268,998**	249,698
Current assets	**40,102**	95,154
Current liabilities	**45,975**	8,727
Non-current liabilities	**213,443**	257,135
Equity attributable to owners of the Company	**34,777**	55,293
Non-controlling interests of Xingsheng Shennan	**14,905**	23,697
Revenue	**22,204**	476
Expenses	**(51,383)**	(20,182)
Loss for the year	**(29,179)**	(19,706)
Loss and total comprehensive expense for the year attributable to:		
– Owners of the Company	**(20,387)**	(13,794)
– Non-controlling interests of Xingsheng Shennan	**(8,792)**	(5,912)
	(29,179)	(19,706)
Net cash used in operating activities	**(931)**	(4,979)
Net cash used in investing activities	**(17,456)**	(35,140)
Net cash (used in) from financing activities	**(1,679)**	47,481
Net cash (outflow) inflow	**(20,066)**	7,362

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

Shanghai Xinglian and its subsidiaries

	2022 RMB'000
Non-current assets	229
Current assets	8,529
Current liabilities	4,335
Equity attributable to owners of the Company	1,814
Non-controlling interests of Shanghai Xinglian	2,609
Revenue	2,562
Expenses	(1,682)
Profit for the year before dividend distribution	880
Profit for the year attributable to:	
– Owners of the Company	361
– Non-controlling interests of Shanghai Xinglian	519
	880
Net cash from operating activities	2,261
Net cash used in investing activities	(4,050)
Net cash used in financing activities (note)	(1,360)
Net cash outflow	(3,149)

Note: Included in net cash used in financing activities for the year ended 31 December 2022, RMB558,000 was paid to owners of the Company and RMB802,000 was paid to non-controlling interests.

36. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2023 RMB'000	2022 RMB'000
Non-current assets		
Investment in a subsidiary	**1,010**	–*
Amounts due from subsidiaries	**592,059**	581,266
	593,069	581,266
Current assets		
Other receivables	**–**	1,252
Cash and cash equivalents	**49,551**	118,058
	49,551	119,310
Current liabilities		
Other payables	**410**	1,650
Amounts due to subsidiaries	**40,731**	37,630
	41,141	39,280
Net current assets	**8,410**	80,030
Total assets less current liabilities	**601,479**	661,296
Capital and reserves		
Share capital	**8,506**	8,533
Reserves	**592,973**	652,763
	601,479	661,296

* *Less than RMB1,000*

36. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(Continued)*

Movement in the Company's reserves

	Share premium RMB'000	Share redemption reserve RMB'000	Accumulated (loss)/ retained profits RMB'000	Share held for share award scheme RMB'000	Share-based payment reserve RMB'000	Total RMB'000
At 1 January 2022	771,871	5	(56,806)	(3,937)	–	711,133
Profit and total comprehensive income for the year	–	–	62,656	–	–	62,656
Dividends recognised as distributions (Note 14)	(118,252)	–	–	–	–	(118,252)
Repurchase of shares under share award scheme	–	–	–	(1,517)	–	(1,517)
Repurchase of shares (Note 27)	(1,233)	–	–	–	–	(1,233)
Transaction cost related to repurchase of shares	(15)	–	–	(9)	–	(24)
At 31 December 2022	652,371	5	5,850	(5,463)	–	652,763
Profit and total comprehensive income for the year	**–**	**–**	**8,912**	**–**	**–**	**8,912**
Dividends recognised as distributions (Note 14)	**(64,802)**	**–**	**–**	**–**	**–**	**(64,802)**
Cancellation of shares (Note 27)	**–**	**8**	**–**	**–**	**–**	**8**
Repurchase and cancellation of shares (Note 27)	**(3,258)**	**19**	**–**	**–**	**–**	**(3,239)**
Repurchase of shares (Note 27)	**(1,651)**	**–**	**–**	**–**	**–**	**(1,651)**
Transaction cost related to repurchase of shares	**(28)**	**–**	**–**	**–**	**–**	**(28)**
Recognition of equity-settled share-based payments (Note 28)	**–**	**–**	**–**	**–**	**1,010**	**1,010**
At 31 December 2023	**582,632**	**32**	**14,762**	**(5,463)**	**1,010**	**592,973**

37. OPERATING LEASING ARRANGEMENTS

The Group as lessor

As at 31 December 2023, all of the properties held for rental purposes have committed lessees for the next 1 to 14 years (2022: 1 to 19 years).

Undiscounted lease payments receivable on leases are as follows:

	2023 **RMB'000**	2022 RMB'000
Within one year	**56,044**	29,184
In the second year	**48,065**	25,191
In the third year	**36,204**	17,218
In the fourth year	**26,019**	10,414
In the fifth year	**19,799**	8,065
After five years	**55,112**	18,705
	241,243	108,777

38. ASSETS/LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD-FOR-SALE

Details of the disposal are set out in Note 9.

The major classes of assets and liabilities of Shanghai Xinglian and its subsidiaries classified as held-for-sale as at 31 December 2022 are as follows:

	RMB'000
Deferred tax asset	229
Trade and other receivables	1,426
Loan receivable	4,050
Cash and cash equivalents	3,053
Total assets classified as held-for-sale	8,758
Trade and other payables	4,161
Contract liability	174
Total liabilities associated with assets classified as held-for-sale	4,335

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December				
	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Assets					
Non-current assets	**855,514**	818,905	112,029	72,208	69,824
Current assets	**1,469,132**	1,322,952	1,320,317	368,972	225,509
Total assets	**2,324,646**	2,141,857	1,432,346	441,180	295,333
EQUITY AND LIABILITIES					
Total equity	**1,271,670**	1,180,703	1,138,649	163,255	35,669
Liabilities					
Non-current liabilities	**685,132**	668,333	63,354	69,423	67,582
Current liabilities	**367,844**	292,821	230,343	208,502	192,082
Total liabilities	**1,052,976**	961,154	293,697	277,925	259,664
Total equity and liabilities	**2,324,646**	2,141,857	1,432,346	441,180	295,333

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December				
	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Revenue	**635,006**	561,854	572,209	441,953	387,314
Cost of services	**(301,451)**	(248,815)	(241,777)	(193,318)	(186,711)
Gross profit	**333,555**	313,039	330,432	248,635	200,603
Other income	**42,767**	40,031	31,141	11,582	18,807
Other gains and losses	**3,076**	15,473	(5,147)	825	5,040
Reversal of impairment losses (impairment losses recognised) under expected credit loss model, net	**9,477**	(21,415)	(10,294)	(3,652)	(4,245)
Selling expenses	**(20,181)**	(11,972)	(8,468)	(5,663)	(5,321)
Administrative expenses	**(75,805)**	(82,595)	(71,141)	(56,775)	(69,074)
Finance costs	**(38,285)**	(23,342)	(3,869)	(4,145)	(3,150)
Listing expenses	**–**	–	(8,281)	(15,672)	(13,718)
Gain on disposal of subsidiaries	**300**	–	–	–	–
Share of result of a joint venture	**(16,075)**	(20,874)	(1,977)	–	–
Profit before tax	**238,829**	208,345	252,396	175,135	128,942
Income tax expense	**(76,524)**	(59,463)	(68,474)	(47,549)	(33,342)
Profit and total comprehensive income for the year	**162,305**	148,882	183,922	127,586	95,600
Profit for the year attributable to:					
– Owners of the Company	**171,097**	154,275	184,924	126,839	84,632
– Non-controlling interests	**(8,792)**	(5,393)	(1,002)	747	10,968
	162,305	148,882	183,922	127,586	95,600

星盛商業
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