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E-Star Commercial Management Company Limited

星盛商業管理股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6668)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

SUMMARY OF RESULTS

- Revenue of the Group for the six months ended 30 June 2024 amounted to approximately RMB313.8 million, representing a period-on-period increase of approximately 8.8%.
- Profit attributable to the owners of the Company for the six months ended 30 June 2024 amounted to approximately RMB89.1 million, representing a decrease of approximately 8.1% period-on-period.
- As at 30 June 2024, the Company's cash and cash equivalents and short-term bank deposits amounted to approximately RMB1,465.6 million in total, representing an increase of approximately 3.9% as compared with that as at 31 December 2023.
- The Board declared the payment of an interim dividend of HK\$0.048 per ordinary share for the six months ended 30 June 2024.

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

The board (the “**Board**”) of directors (the “**Director(s)**”) of E-Star Commercial Management Company Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2024, together with comparative figures for the corresponding period in 2023, as follows.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2024	2023
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Revenue	3	313,780	288,487
Cost of services		(151,900)	(123,879)
Gross profit		161,880	164,608
Other income		18,745	19,556
Other gains and losses		(802)	2,865
(Impairment losses) reversal of impairment losses recognised under expected credit loss model, net		(1,295)	2,396
Selling expenses		(14,688)	(4,920)
Administrative expenses		(31,752)	(35,828)
Finance costs		(18,144)	(19,094)
Gain on disposal of subsidiaries		–	300
Share of result of a joint venture		(74)	(8,054)
Profit before tax		113,870	121,829
Income tax expense	4	(27,374)	(29,815)
Profit and total comprehensive income for the period	5	86,496	92,014
Profit (loss) for the period attributable to:			
– Owners of the Company		89,100	96,962
– Non-controlling interests		(2,604)	(4,948)
		86,496	92,014
Earnings per share			
– Basic (<i>RMB cents</i>)	7	8.80	9.54

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2024	31 December 2023
	<i>Notes</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
Non-current assets			
Property and equipment		1,370	1,578
Investment properties		769,866	791,383
Rental deposits	8	25,542	25,542
Finance lease receivables		5,007	5,371
Deferred tax assets		39,652	31,566
Interest in a joint venture		–	–
Loans to a joint venture		–	74
		841,437	855,514
Current assets			
Finance lease receivables		705	671
Trade and other receivables	8	33,269	28,198
Financial assets at fair value through profit or loss ("FVTPL")		–	21,136
Amounts due from related parties		7,220	3,690
Restricted bank balance		5,000	5,000
Short-term bank deposits		1,132,750	863,523
Cash and cash equivalents		332,815	546,914
		1,511,759	1,469,132
Current liabilities			
Trade and other payables	9	239,611	286,984
Lease liabilities		26,244	36,202
Contract liabilities		11,926	15,576
Amounts due to related parties		26,215	1,901
Tax payable		27,480	27,181
Dividend payable		120,371	–
		451,847	367,844
Net current assets		1,059,912	1,101,288
Total assets less current liabilities		1,901,349	1,956,802

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

		30 June 2024	31 December 2023
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
Capital and reserves			
Share capital	<i>10</i>	8,487	8,506
Reserves		1,216,820	1,248,259
		<hr/>	<hr/>
Equity attributable to owners of the Company		1,225,307	1,256,765
Non-controlling interests		12,301	14,905
		<hr/>	<hr/>
Total equity		1,237,608	1,271,670
		<hr/>	<hr/>
Non-current liabilities			
Deferred tax liabilities		22,855	25,927
Lease liabilities		640,886	659,205
		<hr/>	<hr/>
		663,741	685,132
		<hr/>	<hr/>
		1,901,349	1,956,802
		<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost bases except for certain financial instruments, which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial information for the six months ended 30 June 2024 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2023.

Application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”)

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2024 for the preparation of the Group’s condensed consolidated financial information:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in this condensed consolidated financial information.

3. REVENUE AND SEGMENT INFORMATION

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

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

Revenue

Revenue from commercial property operational services by type of operational model

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Entrusted management services	209,691	189,983
Brand and management output services	43,458	63,319
Sublease services	60,631	35,185
	<u>313,780</u>	<u>288,487</u>
Comprise of:		
– Revenue from contracts with customers	285,119	271,316
– Revenue from leases	28,661	17,171
	<u>313,780</u>	<u>288,487</u>

Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Commercial property operational services:		
– Market positioning, design and construction consultancy and tenant sourcing services	29,180	49,250
– Operational management services	198,323	169,292
– Value-added services	57,616	52,774
	285,119	271,316
Timing of revenue recognition:		
– Over time	276,678	261,317
– A point in time	8,441	9,999
	285,119	271,316
Type of customers:		
– Property owners	94,514	111,379
– Tenants and other customers	190,605	159,937
	285,119	271,316

Segment Information

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

Geographical information

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

4. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current tax:		
PRC Enterprise Income Tax, net	<u>38,532</u>	<u>33,781</u>
Deferred tax	<u>(11,158)</u>	<u>(3,966)</u>
	<u>27,374</u>	<u>29,815</u>

5. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Profit for the period is arrived at after charging (crediting):		
Staff costs (including directors' emoluments)		
Salaries and other benefits	86,376	77,130
Equity-settled share-based payments	402	606
Retirement benefit scheme contributions	<u>12,244</u>	<u>10,441</u>
Total staff costs	<u>99,022</u>	<u>88,177</u>
Depreciation of property and equipment	585	2,120
Depreciation of investment properties	<u>23,102</u>	<u>20,033</u>
	<u>23,687</u>	<u>22,153</u>
Gain on disposal of subsidiaries	–	(300)
Fair value change of financial assets at FVTPL (included in other gains and losses)	–	(546)
Loss on disposal of property and equipment (included in other gains and losses)	–	7
Gross rental income from investment properties	(28,661)	(17,171)
Less: direct operating expenses incurred for investment properties during the period	<u>27,615</u>	<u>22,703</u>
	<u>(1,046)</u>	<u>5,532</u>

6. DIVIDENDS

Dividends recognised as distributions during the period:

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
2023 final dividend of HK\$0.13 per ordinary share	120,066	–
2022 final dividend of HK\$0.07 per ordinary share	–	64,802
	<u>120,066</u>	<u>64,802</u>

During the six months ended 30 June 2024, a final dividend of HK\$0.13 per ordinary share for the year ended 31 December 2023, a total amount of approximately HK\$131,887,000 (equivalent to approximately RMB120,066,000), was declared, of which an amount of approximately HK\$252,000 related to 1,937,000 shares held by the Company under the Company's Restricted Share Unit Scheme ("RSU Scheme"). The dividends had been paid on 10 July 2024.

During the six months ended 30 June 2023, a final dividend of HK\$0.07 per ordinary share for the year ended 31 December 2022, a total amount of approximately HK\$71,297,000 (equivalent to approximately RMB64,802,000), was declared, of which an amount of approximately HK\$136,000 related to 1,937,000 shares held by the Company under the RSU Scheme. The dividends had been paid on 7 July 2023.

The Board declared the payment of an interim dividend of HK\$0.048 per ordinary share for the six months ended 30 June 2024, a total amount of approximately HK\$48,696,000, of which an amount of approximately HK\$93,000 related to 1,937,000 shares held by the Company under the RSU Scheme (six months ended 30 June 2023: Nil).

7. EARNINGS PER SHARE

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

Earnings

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Earnings for the purpose of calculating basic earnings per share:		
Profit for the period attributable to owners of the Company	<u>89,100</u>	<u>96,962</u>

Number of shares

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>1,012,635</u>	<u>1,016,782</u>

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

8. TRADE AND OTHER RECEIVABLES

	30 June	31 December
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Trade and other receivables		
– Trade receivables	15,359	12,911
– Other receivables	43,452	40,829
	<u>58,811</u>	<u>53,740</u>
Analysed as:		
Non-current	25,542	25,542
Current	33,269	28,198
	<u>58,811</u>	<u>53,740</u>
	30 June	31 December
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Trade receivables		
<i>Contracts with customers</i>		
– Third parties	41,992	38,575
– Related parties	752	426
Less: Allowance for credit losses	(30,703)	(29,408)
	<u>12,041</u>	<u>9,593</u>
Operating lease receivables – third parties	<u>3,318</u>	<u>3,318</u>
	<u>15,359</u>	<u>12,911</u>

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

	30 June 2024 <i>RMB'000</i> (Unaudited)	31 December 2023 <i>RMB'000</i> (Audited)
0-10 days	12,631	12,316
11-30 days	374	215
31-60 days	111	-
61-90 days	485	-
Over 90 days	1,758	380
	<u>15,359</u>	<u>12,911</u>

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

	30 June 2024 <i>RMB'000</i> (Unaudited)	31 December 2023 <i>RMB'000</i> (Audited)
0-10 days	3,318	3,318

9. TRADE AND OTHER PAYABLES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Trade and other payables		
– Trade payables	32,982	27,177
– Other payables	206,629	259,807
	<u>239,611</u>	<u>286,984</u>

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Trade payables		
<i>Contracts with suppliers</i>		
– Third parties	29,732	24,606
– Related parties	3,250	2,571
	<u>32,982</u>	<u>27,177</u>

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
0-30 days	30,178	26,971
31-60 days	465	–
61-90 days	1,431	–
Over 90 days	908	206
	<u>32,982</u>	<u>27,177</u>

10. SHARE CAPITAL

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

	Number of shares	Share capital <i>HK\$'000</i>	Share capital <i>RMB'000</i>
Ordinary shares of HK\$0.01 each			
Authorised			
At 1 January 2023, 30 June 2023, 31 December 2023 and 30 June 2024	<u>2,000,000,000</u>	<u>20,000</u>	<u>16,755</u>
Issued and fully paid			
At 31 December 2023 and 1 January 2024	<u>1,016,807,000</u>	<u>10,168</u>	<u>8,506</u>
Cancellation of shares	(1,530,000)	(15)	(14)
Repurchase and cancellation of shares	<u>(761,000)</u>	<u>(8)</u>	<u>(5)</u>
At 30 June 2024	<u>1,014,516,000</u>	<u>10,145</u>	<u>8,487</u>

OVERVIEW

The Group is a leading commercial property operational service provider in the Greater Bay Area with a national presence. As of 30 June 2024, the Group provided services for 54 commercial property projects located in 21 cities in China, with an aggregate contracted gross floor area (“GFA”) of approximately 2.77 million square meters (“sq.m.”) (excluding the GFA under 8 consultancy services projects), approximately 47.8% of which was developed or owned by independent third parties. Among them, 29 retail commercial properties have been opened with an aggregate opened GFA of approximately 1.77 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 with various honours received. In the first half of 2024, the Group attained awards including “China’s Top 100 Commercial Property Enterprises 2024” (2024年中國商業地產百強企業) and “China’s Top Ten Commercial Property Developers 2024” (2024年中國商業地產運營十強企業) by China Index Academy (中指院), “Outstanding Shopping Center Operation and Management Enterprise of the Year 2023” (2023年度購物中心優秀運營管理企業) by All-China Real Estate Federation (全房聯), “Digital Intelligence Operational Impact Enterprises” (數智化運營影響力企業) by Winshang.com (贏商網), as well as “2023 Most Influential Commercial Real Estate Enterprise TOP 30” (2023年度最具影響力商業不動產企業TOP 30) by the Wanshang Club (萬商俱樂部). Meanwhile, Guangzhou Nansha Galaxy COCO Park (廣州南沙星河COCO Park) was listed on the “Mall China Golden Mall List of Shopping Centers 2023” (中購聯購物中心行業2023年度星秀榜單), Shenzhen Futian Galaxy COCO Park (深圳福田星河COCO Park) was awarded the “Most Influential Commercial Project in Operation” (最具影響力在營商業項目) by the Wanshang Club. Guangzhou Nansha Galaxy COCO Park (廣州南沙星河COCO Park) and Xiamen Galaxy COCO Park (廈門星河COCO Park) were awarded the “Most Influential Newly-Opened Commercial Project” (最具影響力新開商業項目) in the annual ranking of the Wanshang Club.

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:

- market positioning, design and 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) market positioning, design and construction consultancy and tenant sourcing services; (ii) operational management services; and (iii) value-added services.

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

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

Brand and management output service model

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

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

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

Sublease service model

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

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

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

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

	As of 30 June 2024		As of 31 December 2023	
	<i>Number of properties</i>	<i>Contracted GFA ('000 sq.m.)</i>	<i>Number of properties</i>	<i>Contracted GFA ('000 sq.m.)</i>
Entrusted management services	13	998	13	998
Brand and management output services ⁽¹⁾⁽²⁾	34	1,356	35	1,432
Sublease services ⁽³⁾	7	416	7	412
Total	54	2,770	55	2,842

Notes:

- (1) In the first half of 2024, the Group conducted a comprehensive assessment from the perspective of its interests as a whole and took the initiative to negotiate with the property owners of Guangzhou Conghua Haiyin Galaxy COCO City (廣州從化海音星河COCO City) and completed the rescission of the contract.
- (2) Contracted GFA as of 30 June 2024 and 31 December 2023 both excluded the GFA of 8 consultancy service projects.
- (3) In the first half of 2024, the newly increased contracted GFA for Nanjing Galaxy COCO City (南京星河COCO City) was 3,780 sq.m..

Projects in Operation

The table below sets forth the opened retail commercial property projects of the Group as at 30 June 2024:

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 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
4. 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
5. 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
6. 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
7. 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
8. 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
9. Guangzhou Nansha Jinzhou Galaxy COCO Garden (廣州南沙金洲星河COCO Garden)	Guangzhou	October 2016	10,812	–	10,812	Brand and management output service	Galaxy Holding and its associates
10. Huizhou Galaxy COCO Garden (惠州星河COCO Garden)	Huizhou	September 2017	32,899	9,135	42,034	Brand and management output service	Galaxy Holding and its associates
11. Ordos Galaxy COCO City (鄂爾多斯星河COCO City)	Ordos	October 2017	81,522	–	81,522	Brand and management output service	Independent Third Party property developers
12. 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
13. Shenzhen Futian Galaxy COCO Park (South) (深圳福田星河COCO Park (南區))	Shenzhen	July 2020	43,239	–	43,239	Entrusted management service	Galaxy Holding and its associates
14. Shenzhen Longhua Galaxy COCO Garden (深圳龍華星河COCO Garden)	Shenzhen	August 2020	3,618	–	3,618	Entrusted management service	Galaxy Holding and its associates
15. Shenzhen Shajing Galaxy COCO Garden (深圳沙井星河COCO Garden)	Shenzhen	August 2020	8,557	–	8,557	Brand and management output service	Independent Third Party property developers

Commercial property	Location	Opening date (Month-Year)	Shopping Mall (sq.m.)	Car Park (sq.m.)	Total		Operational model	Property owner
					operation	GFA in (sq.m.)		
16. Zhongshan Tianyi Galaxy COCO City (中山天奕星河COCO City)	Zhongshan	November 2020	86,938	64,790	151,728	Brand and management output service	Independent Third Party property developers	
17. Dongguan Galaxy COCO Garden (東莞星河COCO Garden)	Dongguan	October 2021	10,901	–	10,901	Brand and management output service	Independent Third Party property developers	
18. Jiaxing Galaxy COCO City (嘉興星河COCO City)	Jiaxing	July 2022	81,504	–	81,504	Sublease service	Independent Third Party property developers	
19. 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	
20. 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	
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	
28. Guangzhou Health Port Galaxy COCO Park (廣州健康港星河COCO Park)	Guangzhou	January 2024	115,802	–	115,802	Brand and management output service	Independent Third Party property developers	
29. Shanghai Pudong Galaxy COCO Garden (上海浦東星河COCO Garden)	Shanghai	May 2024	4,500	–	4,500	Brand and management output service	Galaxy Holding and its associates	
Total			<u>1,382,539</u>	<u>388,367</u>	<u>1,770,906</u>			

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

Region	As at/for the six months ended 30 June 2024				As at/for the six months ended 30 June 2023			
	No. of properties	Contracted		%	No. of properties	Contracted		%
		GFA sq.m.	Revenue RMB			GFA sq.m.	Revenue RMB	
<i>(in thousands, except for numbers of properties and percentages)</i>								
Greater Bay Area ⁽¹⁾	33	1,511	226,573	72.2	36	1,594	231,835	80.4
– Shenzhen	19	777	195,938	62.4	19	783	211,360	73.3
Yangtze River Delta ⁽²⁾	9	422	45,078	14.4	9	418	34,671	12.0
Central China region ⁽³⁾	1	–	–	–	2	142	4,497	1.6
Other regions ⁽⁴⁾	11	837	42,129	13.4	11	792	17,484	6.0
Total ⁽⁵⁾	<u>54</u>	<u>2,770</u>	<u>313,780</u>	<u>100.0</u>	<u>58</u>	<u>2,946</u>	<u>288,487</u>	<u>100.0</u>

Notes:

- (1) Include Shenzhen, Guangzhou, Zhongshan, Huizhou, Dongguan, Zhuhai and Maoming.
- (2) Include Shanghai, Nanjing, Changzhou, Wuxi, Jiaxing and Lu'an.
- (3) Include Enshi and Wuhan.
- (4) Include Tianjin, Ordos, Chengdu, Rizhao, Xiamen, Jining and Xi'an.
- (5) Contracted GFA as of 30 June 2024 and 30 June 2023 excluded the GFA of 8 and 10 consultancy service projects, respectively.

The table below sets forth average occupancy rate and GFA in operation of retail commercial properties that have commenced operation as at 30 June 2024:

Product category	Average occupancy rate ⁽¹⁾		Area of shopping centers in operation as at 30 June 2024 ⁽²⁾
	30 June 2024	31 December 2023	
	%	%	('000 sq.m.)
COCO Park	93.0	94.2	494
COCO City and iCO	91.3	91.0	643
Others	94.7	94.5	246
Total	92.5	92.8	1,383

Notes:

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

⁽²⁾ The area excludes car parking area.

WORK PLAN FOR THE SECOND HALF OF 2024

In 2024, the Group will continue to centre on the “Year of Quality” by adhering to the “focused strategies” and “1234 strategies”, namely “one major event – stabilising the opening; two focuses – strategic focus and regional focus; three optimisations – optimising the core assets, optimising the mode of expansion, and optimising the organisational capability; four capabilities – enhancing product capability, enhancing resource capability, enhancing digitalisation capability, enhancing innovation capability”. The Group firmly adheres to the principles of “project-oriented, profit-oriented, customer-oriented, employee-oriented”, emphasises on the dual improvement of quality and management, in order to achieve the sustainable and healthy development of the Group. In respect of the above, the Group mainly worked in the following aspects:

I. Continuing to optimise organisational capabilities

The Group has always adhered to the principle of “Focus and Optimisation” and adapted to the changing environment. Under the current market situation, the overall business environment is undergoing profound changes due to the lack of consumer confidence, intensified commercial competition, cautious opening of stores by brands, and the rising popularity of online shopping. E-Star Commercial insists on refining its headquarters, strengthening its projects, optimising its management processes and efficiency, and building a streamlined and agile organisation to enhance its decision-making and execution power.

II. Enhancing the quality of product portfolio

In 2024, the Group will continue to strengthen the brand power of its flagship product line, COCO Park, to further reinforce COCO Park's brand characteristic of being “young and trendy” so as to draw the attention of the young consumer group.

Apart from that, the Group will comprehensively build up its product characteristics, continue to strengthen its product capability, innovation capability and digitalisation capability, and adopt “city-specific strategies” to help precisely position its products and attempt breakthroughs in product innovations. We will strike a good balance between product innovation and cost control, and ensure the construction of high-quality projects, while improving customer experience and enhancing consumer loyalty. On the basis of accurate positioning of projects, we will optimise the tenant mix, upgrade brands class, and steadily push forward the introduction of innovative business models and new brands.

III. Enhancing the quality of operational services

Relying on the “Member Reinvention Programme” launched last year, the Group will continue to upgrade our member system and member intelligence system to enhance the standard of member services. We are committed to providing heartwarming services to our customers, combining the innovative thinking of the “Big Service System” to enhance the customers and service standards from the perspective of customer experience. At the same time, in response to the trend of Hong Kong people going north for consumption, we are striving to build a number of projects to become “consumption destinations for Hong Kong tourists”.

We have implemented the operation strategy of “one store, one policy”, carried out innovative planning, precise marketing, and group-level activities such as the “Grand Festival (大搶節)”, “Anniversary Celebration (週年慶)” and “Carnival (嘉年華)”, introduced celebrities, cultural and creative cross-sectoral resources, continuously improved customer retaining capacity, and assisted in the operation of merchants to create benchmark merchants of “million-dollar stores”, “ten million-dollar stores” and “billion-dollar stores”. The Group returns to the nature of operation, stabilises the fundamentals of project, creates the characteristics of project operation, and improves operating results. The Group will continue to observe the safety red line in operation, conform to the high EHS standards and its strict requirements, eliminate potential safety hazards, and operate in compliance with laws and regulations.

IV. Enhancing the quality of business expansion

The Group insists on the focused strategies, emphasises on the quality but not on quantity, adheres to its circle of competence, while staying on the path of business expansion that accommodates the Company and creating a model that contain its unique features.

The Group conforms to the bottom line of corporate safety, follows the principle of “five-nos”, that is never undertake projects which are beyond our control, out of our payment capacity, out of our implementation capacity, without commercial value, and out of the destination area. The Group will optimise the expansion model, focus on the target market, cultivate the advantageous areas, and further expand in the Greater Bay Area, as well as the key cities and region in the Yangtze River Delta.

All in all, in the second half of 2024, the Group will base on the operational capability of its assets, strengthen the enterprise's risk-resistant capability, cultivate a professional operation team to cope with all changes, multi-directionally enhance the Group's product capability, innovation capability and digitalisation capability, and adopt “city-specific strategies” so as to build up a positive development mode of “achieving success in every project, and one project is even better than the other”. At the same time, the Group will continue to explore and innovate, and keep the sensitivity to new consumption, new trends and new circumstances, so as to inject more vitality into the long-term development of the Group.

EVENTS AFTER REPORTING PERIOD

There are no significant events subsequent to 30 June 2024 that have material impact on the Group's operating and financial performance as at the date of this announcement.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2024, the Group's revenue amounted to approximately RMB313.8 million, representing a period-on-period increase of approximately 8.8%.

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

	For the six months ended 30 June			
	2024		2023	
	(Unaudited)		(Unaudited)	
	RMB'000	%	RMB'000	%
Entrusted management services	209,691	66.8	189,983	65.9
Brand and management output services	43,458	13.8	63,319	21.9
Sublease services	60,631	19.4	35,185	12.2
Total	313,780	100.0	288,487	100.0

- Entrusted management services: For the six months ended 30 June 2024, revenue from entrusted management services amounted to approximately RMB209.7 million, representing a period-on-period increase of approximately 10.4% and accounting for approximately 66.8% of the total revenue of the Group. The revenue from entrusted management service increased primarily due to the increase in operating income as a result of the increase in the number of newly opened entrusted management projects since September 2023 (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 six months ended 30 June 2024, revenue from brand and management output services amounted to approximately RMB43.5 million, representing a period-on-period decrease of approximately 31.4% and accounting for approximately 13.8% of the total revenue of the Group. The decrease in the revenue from brand and management output services was primarily attributable to the decrease in operating income due to the decrease in the number of projects as a result of contract termination in recent years, as well as the decrease in the service income from pre-positioning of consultation projects, construction consultation and tenant sourcing services.
- **Sublease services:** For the six months ended 30 June 2024, revenue from sublease services amounted to approximately RMB60.6 million, representing a period-on-period increase of approximately 72.3% and accounting for approximately 19.4% of the total revenue of the Group. The increase in revenue from sublease services was mainly due to the increase in operating income as a result of the increase in the number of newly-opened sublease projects since May 2023 (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 six months ended 30 June 2024, the Group's cost of services amounted to approximately RMB151.9 million, representing a period-on-period increase of approximately 22.6%, which was mainly due to the increase in the cost of services as a result of the increase in operating costs of the corresponding projects (such as staff costs, environmental costs, energy costs and depreciation of investment properties) due to the increase in the number of newly-opened entrusted management projects and sublease projects since May 2023 (Xiamen Galaxy COCO Park (廈門星河COCO Park) opened in May 2023, 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, Jining Galaxy iCO (濟寧星河iCO) opened in December 2023 and Jiangyin Galaxy COCO City (江陰星河COCO City) opened in December 2023).

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2024, the Group's gross profit amounted to approximately RMB161.9 million, representing a period-on-period decrease of approximately 1.7%.

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

	For the six months ended 30 June			
	2024		2023	
	(Unaudited)		(Unaudited)	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Entrusted management services	121,503	57.9	110,670	58.3
Brand and management output services	32,675	75.2	47,106	74.4
Sublease services	7,702	12.7	6,832	19.4
Total	161,880	51.6	164,608	57.1

For the six months ended 30 June 2024, the overall gross profit margin amounted to approximately 51.6%, representing a decrease of approximately 5.5 percentage points as compared with approximately 57.1% for the corresponding period of 2023. The decrease was mainly attributed to the increase in revenue contribution from sublease services with relatively lower gross profit margin for the six months ended 30 June 2024.

- Entrusted management services: For the six months ended 30 June 2024, the gross profit margin remained relatively stable as compared with the corresponding period of 2023.
- Brand and management output services: For the six months ended 30 June 2024, the gross profit margin remained relatively stable as compared with the corresponding period of 2023.
- Sublease services: For the six months ended 30 June 2024, the gross profit margin amounted to approximately 12.7%, representing a decrease of approximately 6.7 percentage points as compared with approximately 19.4% for the corresponding period of 2023. The decrease in the gross profit margin was primarily due to the fact that the number of newly-opened sublease project increased since May 2023, newly-opened projects were in incubation period. The Company has formulated a business strategy of helping stabilise business for newly-operated projects in order to strive for sustainable growth for future long-term revenue, which has resulted in limited revenue contribution during the present stage and a decline in gross profit margin due to the relatively fixed costs.

Other Income

For the six months ended 30 June 2024, other income amounted to approximately RMB18.7 million, primarily representing bank interest income.

Other Gains and Losses

For the six months ended 30 June 2024, net other losses amounted to approximately RMB0.8 million, representing a decrease of approximately 128.0% as compared with the corresponding period of 2023, mainly due to a decrease in foreign exchange gains for the first half of 2024.

(Impairment Losses) Reversal of Impairment Losses Recognised under Expected Credit Loss Model, Net

For the six months ended 30 June 2024, the Group's impairment losses recognised under expected credit loss model amounted to approximately RMB1.3 million (six months ended 30 June 2023: reversal of impairment losses recognised under expected credit loss model amounted to approximately RMB 2.4 million), mainly due to the change of estimation on future collection of trade receivables according to the facts and circumstances in respect of the projects during the reporting period.

Selling Expenses

For the six months ended 30 June 2024, the Group's selling expenses amounted to approximately RMB14.7 million, representing a period-on-period increase of approximately 198.5%, primarily due to the increase in selling expenses as a result of the increase in marketing and promotion activities because of the increase in the number of newly-opened entrusted management projects and sublease projects since May 2023 (Xiamen Galaxy COCO Park (廈門星河COCO Park) opened in May 2023, 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, Jining Galaxy iCO (濟寧星河iCO) opened in December 2023 and Jiangyin Galaxy COCO City (江陰星河COCO City) opened in December 2023).

Administrative Expenses

For the six months ended 30 June 2024, the Group's administrative expenses amounted to approximately RMB31.8 million, representing a period-on-period decrease of approximately 11.4%, primarily due to the decrease in the expenses incurred during the preparation stage of the sublease projects, with management fees remaining relatively stable.

Finance Costs

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

For the six months ended 30 June 2024, the Group's finance costs amounted to approximately RMB18.1 million, representing a period-on-period decrease of approximately 5.0%, primarily due to the rental concession granted by the property owner of Jiaying Galaxy COCO City (嘉興星河COCO City), resulting in a decrease in lease liabilities and a decrease in the interest expense on financial liabilities accordingly.

Share of Result of a Joint Venture

For the six months ended 30 June 2024, the Group's share of result of a joint venture recorded a loss of approximately RMB0.1 million, which arose from the Group's investment on Guangzhou Kaixing Business Management Co., Ltd. (廣州凱星商業管理有限公司).

Income Tax Expense

For the six months ended 30 June 2024, the Group's income tax expense amounted to approximately RMB27.4 million, representing a period-on-period decrease of approximately 8.2%, primarily attributable to the decrease in profit before tax.

Profit for the period

The Group's profit for the six months ended 30 June 2024 amounted to approximately RMB86.5 million, representing a period-on-period decrease of approximately 6.0%. The profit attributable to the owners of the Company amounted to approximately RMB89.1 million, representing a period-on-period decrease of approximately 8.1%.

Trade and other receivables

The Group's trade and other receivables primarily arose from commercial property operational services within the shopping centers, shopping streets and commercial complexes. As at 30 June 2024, the Group's trade and other receivables were approximately RMB33.3 million, representing a increase of approximately 18.0% as compared with that as at 31 December 2023, primarily due to the increase in trade receivables and receivables from third-party payment platforms as a result of the growth in scale of the Group's business.

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, salary payables, payables for leasehold improvements and others. As at 30 June 2024, the Group's trade and other payables amounted to approximately RMB239.6 million, representing a decrease of approximately 16.5% as compared with that as at 31 December 2023, primarily due to the decrease in salary payables to employees and accruals as a result of the payment of the year-end bonus provided in the previous year and the payment of various accruals.

Contingent liabilities

As at 30 June 2024, the Group did not have any significant contingent liabilities.

Liquidity and capital resources

The Group has maintained stable financial position and sufficient liquidity and bank balances. As at 30 June 2024, the Group's cash and cash equivalents amounted to approximately RMB332.8 million, representing a decrease of approximately 39.1% as compared with that as at 31 December 2023, primarily due to the fact that the Group utilised more idle funds to purchase large-value certificates of deposit from bank based on fund efficiency management. The management believes that the Group's financial resources and future revenue will be sufficient to support the current working capital requirements and future expansion of the Group.

Bank loans and other borrowings

As at 30 June 2024, the Group had no bank loans and other borrowings (31 December 2023: nil).

Gearing ratio

Gearing ratio is calculated based on total liabilities divided by total assets. As at 30 June 2024, gearing ratio was approximately 47.4%, representing an increase of 2.1 percentage points as compared with approximately 45.3% as at 31 December 2023. The increase was mainly due to the increase in dividend payable due to the declaration of a final dividend for the year ended 31 December 2023 during the period, which resulted in an increase in the gearing ratio.

Foreign exchange risk

The Group primarily operates in Mainland China and its businesses are principally conducted in Renminbi. As at 30 June 2024, the Group's financial assets and liabilities are mainly denominated in Renminbi while the financial assets and liabilities denominated in currencies other than Renminbi, such as Hong Kong dollars or United States dollars, are mainly cash and cash equivalents. The Group did not enter into any forward exchange contract to hedge against foreign exchange risk, but the management will continue to monitor foreign exchange risk and adopt a prudent approach to reduce the foreign exchange risk.

Net Proceeds from the Global Offering and Over-allotment Option

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

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

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

As of 30 June 2024, an analysis of the utilisation of Net Proceeds is as follows:

Revised use of Net Proceeds as set out in the announcement of the Company dated 25 August 2022	Approximate % of Net Proceeds	Net Proceeds (RMB million)	Utilised Net Proceeds		Utilised Net Proceeds as of 30 June 2024 (RMB million)	Unused Net Proceeds as of 30 June 2024 (RMB million)	Expected time of full utilisation
			Net Proceeds as at 1 January 2024 (RMB million)	for the six months ended 30 June 2024 (RMB million)			
For lease expenses and renovation of retail commercial properties under the sublease service model	75%	631.4	460.4	57.5	228.5	402.9	by end of 31 December 2025
To make minority equity investment in the project companies which own quality commercial properties	10%	84.2	45.2	–	39.0	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	2.5%	21.0	19.3	0.5	2.2	18.8	by end of 31 December 2025
– to improve customers services	2.5%	21.0	16.5	1.3	5.8	15.2	by end of 31 December 2025
For general business purpose and working capital	10%	84.2	–	–	84.2	–	–
Total	100%	841.8	541.4	59.3	359.7	482.1	

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

For the unutilised net proceeds of approximately RMB482.1 million as at the end of the reporting period, the Company intends to use them in the same manner and proportions as described in the announcement of the Company dated 25 August 2022 and proposes to use the unutilised Net Proceeds in accordance with the expected timetable disclosed in the table above.

NUMBER OF EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2024, the total number of employees of the Group was 974 (31 December 2023: 891). Employees are remunerated according to their qualifications and experience, job nature and performance, and under the pay scales aligned with market conditions. As part of the Group's retention strategy, it offers employees performance-based cash bonuses and other incentives in addition to basic salaries including medical scheme, insurance coverage, retirement schemes, share option scheme and award of restricted share units under the restricted share unit scheme adopted by the Company on 4 November 2021.

Except for the share option scheme and award of restricted share units under the restricted share unit scheme adopted by the Company on 4 November 2021, the ultimate controlling shareholder, Mr. Huang Chu-Long adopted a share award scheme on 17 April 2023 to encourage and reward the eligible employees (including the Directors) for their contributions to the Group's results and business development. Share awards to certain employees, senior management or directors of the Group or other persons who make significant contribution to the Group were granted on 17 April 2023 resulting in the share-based payment expenses of approximately RMB402,000 included in the above staff costs for the first half of 2024 (six months ended 30 June 2023: RMB606,000).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

During the six months ended 30 June 2024, save for the expansion plans as set out in the section headed "Future Plans and Use of Proceeds – Use of Proceeds" in the Prospectus, the Group had no specific plan for material investment or acquisition of major capital assets or other businesses.

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

The Group did not have any significant investments, material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2024.

PLEDGE OF ASSETS

As of 30 June 2024, none of the assets of the Group were pledged (31 December 2023: nil).

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 Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange as its own code of conduct for Directors in their dealings in the securities of the Company. Having made specific inquiries with all the Directors, each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code for the six months ended 30 June 2024.

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

The Board considered that the dealing prices of the Company’s Shares at the time did not reflect their intrinsic value, and the share repurchase program could reflect the Board’s confidence in the Company’s long term development prospects and growth potential as well. During the six months ended 30 June 2024, the total number of Shares repurchased by the Company on the Stock Exchange were 761,000, at a total consideration (before deduction of expenses) of HK\$979,750. The Shares have been canceled on 29 February 2024. During six months ended 30 June 2024, the Company’s monthly breakdown of Shares repurchased is set out as below:

Month of repurchase	No. of Shares repurchased (shares)	Lowest purchase price per Share (HK\$)	Highest purchase price per Share (HK\$)	Total consideration (HK\$)
January 2024	<u>761,000</u>	1.25	1.30	<u>979,750</u>
Total	<u>761,000</u>			<u>979,750</u>

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2024.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company has complied with all applicable code provisions as set out in the Corporate Governance Code (the “**CG Code**”) contained in Part 2 of Appendix C1 to the Listing Rules for the six months ended 30 June 2024 except for the followings:

Pursuant to B(f) of Part 1 of Appendix C1 to the Listing Rules and according to (i) Listing Rule 3.10(2), at least one of the independent non-executive directors of a listed issuer must have appropriate professional qualifications or accounting or related financial management expertise; and (ii) Listing Rule 3.21, the audit committee must comprise a minimum of 3 members, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under Listing Rule 3.10(2). Following the resignation of Mr. Tse Yat Hong as an independent non-executive Director with effect from 8 May 2024, the Company is not in compliance with Listing Rules 3.10(2) and 3.21. The Company will make its best endeavours to identify suitable candidates to fill the vacancies of the independent non-executive Director with appropriate professional qualification or accounting or related financial management expertise as soon as possible. The Company will make further announcement(s) in this regard as and when appropriate.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board declared the payment of an interim dividend of HK\$0.048 per ordinary share for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

The register of members of the Company will be closed from 29 November, 2024, Friday to 2 December 2024, Monday, both days inclusive, during which period no transfer of Shares will be registered. For the purpose of determining the entitlement to the proposed interim dividend for the six months ended 30 June 2024, 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 28 November, 2024, Thursday. It is expected that the proposed interim dividend will be paid on or around 20 December 2024, Friday to the Shareholders whose names appear on the register of members of the Company at the close of business on 2 December 2024, Monday.

REVIEW OF INTERIM RESULTS

The unaudited interim financial information for the six months ended 30 June 2024 has been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants, by Deloitte Touche Tohmatsu, the auditor of the Company. The audit committee of the Company (comprising Dr. Zhang Jinghua and Mr. Guo Zengli, each an independent non-executive Director and Mr. Liu Jun, a non-executive Director) has reviewed with the management of the Company the accounting principles and practice adopted by the Group and discussed internal controls, risk management and financial reporting matters including the review of the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2024.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) as well as the website of the Company (www.g-cre.com).

The interim report of the Company for the six months ended 30 June 2024 will be despatched to the Shareholders and made available on the websites of the Stock Exchange and the Company in due course.

By order of the Board
E-Star Commercial Management Company Limited
Huang De-Lin Benny
Chairman and executive Director

Hong Kong, 29 August 2024

As at the date of this announcement, the Board comprises Mr. Huang De-Lin Benny, Mr. Chen Qunsheng and Mr. Ma Chaoqun as executive Directors; Mr. Huang De’An Tony and Mr. Liu Jun as non-executive Directors; and Mr. Zhang Liqing, Mr. Guo Zengli and Dr. Zhang Jinghua as independent non-executive Directors.