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Powerlong Commercial Management Holdings Limited
寶龍商業管理控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9909)

2019 ANNUAL RESULTS ANNOUNCEMENT

SUMMARY OF RESULTS

- Revenue of the Group for the year ended 31 December 2019 amounted to approximately RMB1,620.5 million, representing an increase of approximately 35.0% as compared with approximately RMB1,200.4 million for the year ended 31 December 2018.
- Gross profit of the Group for the year ended 31 December 2019 amounted to approximately RMB428.4 million, representing an increase of approximately 31.5% as compared with approximately RMB325.9 million for the year ended 31 December 2018.
- Profit of the Group for the year ended 31 December 2019 amounted to approximately RMB178.6 million, representing an increase of 34.0% as compared with approximately RMB133.3 million for the year ended 31 December 2018.
- Profit of the Group, excluding listing expenses, for the year ended 31 December 2019 amounted to approximately RMB208.0 million, representing an increase of 56.0% as compared with approximately RMB133.3 million for the year ended 31 December 2018.
- As at 31 December 2019, the gross floor area ("**GFA**")*Note* under management of the Group's commercial operational services amounted to 7.0 million square meters, representing an increase of approximately 0.6 million square meters as compared with 6.4 million square meters as at 31 December 2018; and the GFA under management of residential property management services amounted to 11.5 million square meters, representing an increase of approximately 1.3 million square meters as compared with 10.2 million square meters as at 31 December 2018.
- The Board recommends the payment of a final dividend of HK$0.20 per ordinary share for the year ended 31 December 2019.

Note: Unless otherwise stated, all "GFA" of commercial properties referred to in this announcement include car parks.

ANNUAL RESULTS

The board of directors (the "**Board**") of Powerlong Commercial Management Holdings Limited (the "**Company**" or "**Powerlong CM**") is pleased to announce the annual consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2019, together with comparative figures for the year ended 31 December 2018, as follows.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**1,620,457**	1,200,398
Cost of services		**(1,192,050)**	(874,524)
Gross profit		**428,407**	325,874
Selling and marketing expenses		**(41,856)**	(31,366)
Administrative expenses		**(117,231)**	(80,349)
Other income and gains	*5*	**17,295**	14,096
Net impairment losses on financial assets		**(7,244)**	(2,788)
Operating profit		**279,371**	225,467
Finance costs – net		**(32,102)**	(42,608)
Profit before income tax		**247,269**	182,859
Income tax expenses	*6*	**(68,655)**	(49,516)
Profit for the year		**178,614**	133,343
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Changes in the fair value of financial assets at fair value through other comprehensive income-net of tax		**–**	209
Total other comprehensive income for the year, net of tax		**–**	209
Total comprehensive income for the year		**178,614**	133,552
Total comprehensive income for the year attributable to:			
– Shareholders of the Company		**178,614**	133,552
Earnings per share for profit attributable to shareholders of the Company for the year (expressed in RMB cents per share)			
– Basic and diluted earnings per share	*7*	**44.01**	32.92

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Assets			
Non-current assets			
Property and equipment	*9*	**6,928**	173,493
Investment properties	*10*	**207,207**	155,632
Deferred income tax assets		**48,421**	56,494
Financial assets at fair value through other comprehensive income		**–**	333,528
Investment in a joint venture		**4,700**	–
		267,256	719,147
Current assets			
Operating lease and trade receivables	*11*	**113,881**	82,475
Prepayments and other receivables		**91,114**	333,543
Current income tax recoverables		**2,705**	2,529
Restricted cash		**19**	486,540
Cash and cash equivalents		**2,616,113**	553,378
		2,823,832	1,458,465
Total assets		**3,091,088**	2,177,612

CONSOLIDATED BALANCE SHEET *(continued)*

		As at 31 December	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Equity			
Capital and reserves attributable to shareholders of the Company			
Share capital and premium	*12*	**1,236,907**	–
Other reserves		**22,430**	46,431
Retained earnings		**327,835**	183,492
Total equity		**1,587,172**	229,923
Liabilities			
Non-current liabilities			
Borrowings		**–**	108,000
Deferred income tax liabilities		**–**	6,582
Lease liabilities	*13*	**190,487**	236,097
		190,487	350,679
Current liabilities			
Trade and other payables	*14*	**763,111**	648,052
Advances from lessees		**27,488**	29,505
Current income tax liabilities		**33,562**	54,003
Borrowings		**–**	526,000
Lease liabilities	*13*	**226,066**	205,671
Contract liabilities		**263,202**	133,779
		1,313,429	1,597,010
Total liabilities		**1,503,916**	1,947,689
Total equity and liabilities		**3,091,088**	2,177,612

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The Company was established in the Cayman Islands on 25 March 2019 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Group is primarily engaged in the provision of commercial operational services and residential property management services (the "**Spin-off Business**") in the People's Republic of China (the "**PRC**").

The Company was listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 30 December 2019.

The Company's parent company is Powerlong Real Estate (BVI) Holdings Limited ("**Powerlong BVI Holdings**"). The Company's intermediate holding company is Powerlong Real Estate Holdings Limited ("**Powerlong Holdings**") whose shares have been listed on the Main Board of the Stock Exchange since 14 October 2009. As at 31 December 2019, Mr. Hoi Kin Hong ("**Mr. Hoi**") held approximate 44.33% of interests in the issued share capital of Powerlong Holdings.

The initial listing of the Company's Shares on the Main Board of the Stock Exchange ("**Listing**") constitutes a spin-off from Powerlong Holdings ("**Spin-off**"). Powerlong Holdings and its subsidiaries exclusive of the Group are collectively referred to as the Remaining Powerlong Group in this announcement.

These financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board on 9 March 2020, Monday.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied in all the years presented, unless otherwise stated.

2.1 Basis of preparation

(i) Compliance with HKFRS and HKCO

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

HKFRS 9 "Financial instruments" and HKFRS 15 "Revenue from contracts with customers" are effective for annual periods beginning on or after 1 January 2018 and HKFRS 16 "Leases" is effective for annual periods beginning on or after 1 January 2019, respectively, and earlier adoption is permitted. The Group has early adopted HKFRS 9, HKFRS 15 and HKFRS 16 throughout the years ended 31 December 2016, 2017 and 2018 as disclosed in the prospectus of the Company dated 16 December 2019 (the "**Prospectus**").

(ii) *Historical cost convention*

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(iii) *New standards, amendments and interpretations not yet adopted*

The following new standards and amendments and interpretation to standards have been published that are not mandatory for the year ended 31 December 2019 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKAS 1 and HKAS 8 (Amendment)	Definition of material	1 January 2020
HKFRS 3 (Amendment)	Definition of a business	1 January 2020
Revised Financial Reporting	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards and amendments. According to the preliminary assessment made by the Group, no significant impact on the Group's financial statements is expected when they become effective.

3 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by chief operating decision-maker ("**CODM**"). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company.

The Group has two business segments:

– Commercial operational services

The Group is engaged in (a) the provision of market research and positioning, business tenant sourcing and opening preparation services; (b) commercial operational services during the operation stage, including business tenant management, rent collection services and other value-added services (mainly including car parks, common areas and advertising space management services); and (c) commercial property management services including security, gardening, cleaning, repair and maintenance services.

Besides, to maximize its commercial operational efficiency, the Group leased certain retail commercial properties nearby the shopping malls under management by the Group, and sub-leased them for long-term rental yield.

– Residential property management services

The Group provides residential property management services of residential properties, serviced apartments and office building, including pre-sale management services and other value-added services to property developers, property owners and residents.

As the CODM considers most of the Group's consolidated revenue and results are attributable to the market in the PRC and the Group's consolidated non-current assets are substantially located in the PRC, no geographical information is presented.

(a) Segment results represent the profit earned by each segment without other income, unallocated operating costs, finance costs-net and income tax expenses. Revenue recognized at a point in time from contracts with customers represents revenue from market research and positioning services. Other revenue from contracts with customers is recognized over time. The following is the analysis of the Group's revenue and results by operating and reportable segments:

For the year ended 31 December 2019

	Commercial operational services *RMB'000*	**Residential property management services** *RMB'000*	**Group** *RMB'000*
Gross segment revenue	**1,335,109**	**285,348**	**1,620,457**
Revenue from contracts with customers	**1,129,750**	**285,348**	**1,415,098**
– at a point in time	**46,225**	**–**	**46,225**
– over time	**1,083,525**	**285,348**	**1,368,873**
Revenue from other sources			
– rental income	**205,359**	**–**	**205,359**
Segment results	**303,511**	**31,988**	**335,499**
Other income and gains			**17,295**
Unallocated operating costs			**(73,423)**
Interest expense			**(40,262)**
Interest income			**7,718**
Foreign exchange gains on financing activities-net			**442**
Profit before income tax			**247,269**
Income tax expenses			**(68,655)**
Profit for the year			**178,614**
Depreciation	**98,974**	**4,862**	**103,836**

For the year ended 31 December 2018

	Commercial operational services *RMB'000*	Residential property management services *RMB'000*	Group *RMB'000*
Gross segment revenue	979,631	220,767	1,200,398
Revenue from contracts with customers	771,515	220,767	992,282
– at a point in time	6,692	–	6,692
– over time	764,823	220,767	985,590
Revenue from other sources			
– rental income	208,116	–	208,116
Segment results	221,094	25,192	246,286
Other income and gains			14,096
Unallocated operating costs			(34,915)
Interest expense			(54,962)
Interest income			13,422
Foreign exchange losses on financing activities-net			(1,068)
Profit before income tax			182,859
Income tax expenses			(49,516)
Profit for the year			133,343
Depreciation	102,169	6,950	109,119

(b) The following is the analysis of the Group's segment assets and liabilities and capital expenditure for the year then ended:

As at 31 December 2019

	Commercial operational services *RMB'000*	**Residential property management services** *RMB'000*	**Elimination** *RMB'000*	**Group** *RMB'000*
Segment assets	**417,372**	**117,109**	**(11,637)**	**522,844**
Other assets				**2,568,244**
Total assets				**3,091,088**
Segment liabilities	**1,184,514**	**189,617**	**(11,637)**	**1,362,494**
Other liabilities				**141,422**
Total liabilities				**1,503,916**
Capital expenditure	**153,259**	**1,806**	**–**	**155,065**

As at 31 December 2018

	Commercial operational services *RMB'000*	Residential property management services *RMB'000*	Elimination *RMB'000*	Group *RMB'000*
Segment assets	937,053	89,046	(30,389)	995,710
Other assets				1,181,902
Total assets				2,177,612
Segment liabilities	1,003,441	171,555	(30,389)	1,144,607
Other liabilities				803,082
Total liabilities				1,947,689
Capital expenditure	48,643	6,843	–	55,486

Segment assets are reconciled to total assets as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Segment assets	**522,844**	995,710
Other assets		
Current income tax recoverables	**2,705**	2,529
Deferred income tax assets	**48,421**	56,494
Unallocated cash and cash equivalents and restricted cash	**2,515,618**	559,388
Amounts due from related parties	**–**	228,720
Unallocated property and equipment	**35**	36
Financial assets at fair value through other comprehensive income	**–**	333,528
Other corporate assets	**1,465**	1,207
Total assets	**3,091,088**	2,177,612

Segment liabilities are reconciled to total liabilities as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Segment liabilities	**1,362,494**	1,144,607
Other liabilities		
Current income tax liabilities	**33,562**	54,003
Deferred income tax liabilities	**–**	6,582
Current borrowings	**–**	526,000
Non-current borrowings	**–**	108,000
Amounts due to related parties	**88,759**	88,318
Other corporate liabilities	**19,101**	20,179
Total liabilities	**1,503,916**	1,947,689

The amounts provided to the CODM with respect to total assets and liabilities are measured in a manner consistent with that of the consolidated financial statements. These assets and liabilities are allocated based on the operations of the segment.

Segment assets consist primarily of property and equipment, investment properties, receivables and cash and cash equivalents.

Segment liabilities consist of operating liabilities.

Capital expenditure comprises additions to property and equipment (Note 9) and investment properties (Note 10).

4 REVENUE

(a) Revenue of the Group for the year ended 31 December 2019 is as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Type of services		
Rental income:		
– Commercial property lease income	**205,359**	208,116
Revenue from customer:		
– Commercial operational services	**1,129,750**	771,515
– Market research and positioning, business tenant sourcing, opening preparation services	**143,231**	52,214
– Commercial operation and management services	**986,519**	719,301
– Commercial operation service during the operation stage	**318,905**	159,564
– Commercial property management service	**667,614**	559,737
– Residential property management services	**285,348**	220,767
– Pre-sale management services	**13,128**	3,021
– Residential property management services	**222,217**	178,788
– Other value-added services	**50,003**	38,958
	1,620,457	1,200,398
Type of customers		
Rental income		
External customers (iii)	**205,359**	208,116
Commercial operational services	**1,129,750**	771,515
External customers (iii)	**927,357**	586,178
Fellow subsidiaries (i)	**180,964**	173,628
Other related parties (ii)	**21,429**	11,709
Residential property management services	**285,348**	220,767
External customers (iii)	**237,278**	188,252
Fellow subsidiaries (i)	**46,725**	32,515
Other related parties (ii)	**1,345**	–
	1,620,457	1,200,398

(i) For the year ended 31 December 2019, revenue arising from the Remaining Powerlong Group and other entities controlled by Mr. Hoi (the "**Fellow Subsidiaries**") contributed 14.1% of the Group's revenue (2018: 17.2%). Other than the Fellow Subsidiaries, the Group has a large number of customers, none of whom contributed 10% or more of the Group's revenue during the year (2018: none).

(ii) Other related parties represented entities jointly controlled by the Remaining Powerlong Group.

(iii) External customers represented independent third parties.

(b) Liabilities related to contracts with customers

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Contract liabilities	**263,202**	133,779

Contract liabilities of the Group mainly arose from the advance payments made by the customers while the underlying services are yet to be provided. Such liabilities increased as a result of the growth of the Group's business.

(i) Revenue recognized in relation to contract liabilities

The following table shows how much of the revenue recognized in the current reporting period relates to carried-forward contract liabilities.

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Revenue recognized that was included in the contract liability balance at the beginning of the year		
– Commercial operational services	**106,882**	94,730
– Residential property management services	**26,897**	26,338
	133,779	121,068

(ii) Unsatisfied performance obligations

For commercial operational services and residential property management services, the Group recognizes revenue in the amount that equals to the rights to invoices which corresponds directly with the value to the customers of the Group's performance to date, on a monthly or quarterly basis. The Group has elected the practical expedient for not to disclose the remaining performance obligations for those types of contracts. The majority of the property management services contracts and property developer-related services do not have a fixed term. The term of the contracts for other value-added services is generally set to expire when the counterparties notify several months in advance the Group that the services are no longer required.

5 OTHER INCOME AND GAINS

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Other income		
Government grants *(Note (a))*	**2,288**	6,215
Late fee income	**10,297**	5,848
Others	**2,655**	2,033
	15,240	14,096
Other gains		
Gain on lease termination *(Note (b))*	**2,055**	–
	17,295	14,096

(a) The government grants represented mainly rewards and tax refunds from local government without attached conditions.

(b) Amount represented gains from termination of certain car park lease arrangements with the Remaining Powerlong Group during the year ended 31 December 2019 (Note 9).

6 INCOME TAX EXPENSES

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Current income tax		
– PRC corporate income tax	**63,829**	48,241
Deferred income tax		
– PRC corporate income tax	**4,826**	1,275
	68,655	49,516

PRC corporate income tax

Income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

The general corporate income tax rate in the PRC is 25%.

Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 of Cayman Islands and pursuant to the rules and regulations of Cayman Islands, the Company is not subject to any income tax. The Company's subsidiaries in the British Virgin Islands were incorporated under the International Business Companies Act (as amended) of the British Virgin Islands and, accordingly are exempted from British Virgin Islands income tax.

Hong Kong profits tax

No provision for Hong Kong profits tax has been made in these consolidated financial statements as the Company and the Group did not have assessable profit in Hong Kong during the year ended 31 December 2019 (2018: nil). The profit of the group entities in Hong Kong is mainly derived from dividend income, which is not subject to Hong Kong profits tax.

7 EARNINGS PER SHARE

In determining the weighted average number of ordinary shares in issue during the years ended 31 December 2019 and 2018, the ordinary shares issued upon the incorporation of the Company, the ordinary shares issued in exchange for the Spin-Off Business in the reorganization ("**Reorganization**", details are set out in the section headed "History, Reorganization and Corporate Structure" of the Prospectus) on 19 July 2019 (Note 12), and the capitalization issue on 10 December 2019 (Note 12), were deemed to be issued on 1 January 2018 as if the Company has been incorporated by then, without taking into account of 45,000,000 shares issued to Huihong Management (PTC) Limited ("**Huihong Management**"), representing 7.5% of the total shares of the Company, that have not yet been granted to employees (Note 12).

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Profit attributable to the owners of the Company *(RMB'000)*	**178,614**	133,343
Weighted average number of ordinary shares in issue (thousands shares)	**405,822**	405,000
Basic earnings per share *(RMB cents)*	**44.01**	32.92

The Company had no dilutive potential shares in issue, thus the diluted earnings per share equals the basic earnings per share.

8 DIVIDEND

(a) As part of the Reorganization, certain subsidiaries of the Group were disposed of to the Remaining Powerlong Group during the year ended 31 December 2019. Before the disposal, these subsidiaries have passed a resolution to distribute RMB58,272,000 in total to their parent company and such dividends were in turn declared to Powerlong Holdings.

(b) The Board recommended the payment of a final dividend of HK$0.20 (equivalent to RMB0.179 based on the exchange rate of 31 December 2019) per ordinary share. Total amount of final dividend would be HK$115,300,000 (equivalent to approximately RMB103,283,000) which is calculated according to the ordinary shares in issue as at 31 December 2019, excluding the dividend related to the ordinary shares held by Huihong Management under a share incentive scheme not yet adopted of HK$9,000,000 (equivalent to approximately RMB8,062,000), and has taken into account the effects of the exercise of the over-allotment option in connection with the Listing and the repurchase of ordinary shares in January 2020. Such dividend is subject to approval by the shareholders at the Annual General Meeting on 12 June 2020. These consolidated financial statements do not reflect this dividend payable.

9 PROPERTY AND EQUIPMENT

	Right-of-use assets – car parks *RMB'000*	Motor vehicles *RMB'000*	Furniture, fitting and equipment *RMB'000*	Total *RMB'000*
Year ended 31 December 2019				
Opening net book amount	**167,751**	**1,116**	**4,626**	**173,493**
Additions	**–**	**921**	**5,520**	**6,441**
Disposals *(Note (b))*	**(148,994)**	**(340)**	**(910)**	**(150,244)**
Disposal of subsidiaries	**(15,838)**	**(3)**	**(134)**	**(15,975)**
Depreciation charge	**(2,919)**	**(786)**	**(3,082)**	**(6,787)**
Closing net book amount	**–**	**908**	**6,020**	**6,928**
As at 31 December 2019				
Cost	**–**	**6,216**	**19,547**	**25,763**
Accumulated depreciation	**–**	**(5,308)**	**(13,527)**	**(18,835)**
Net book amount	**–**	**908**	**6,020**	**6,928**
Year ended 31 December 2018				
Opening net book amount	175,902	1,459	5,849	183,210
Additions	51,741	411	2,180	54,332
Disposals	(32,537)	(61)	(604)	(33,202)
Depreciation charge	(27,355)	(693)	(2,799)	(30,847)
Closing net book amount	167,751	1,116	4,626	173,493
As at 31 December 2018				
Cost	224,451	9,075	21,872	255,398
Accumulated depreciation	(56,700)	(7,959)	(17,246)	(81,905)
Net book amount	167,751	1,116	4,626	173,493

Depreciation expenses were charged to the following categories in the consolidated statements of comprehensive income:

	Year ended 31 December	
	2019 *RMB'000*	2018 *RMB'000*
Cost of services	**2,919**	27,355
Administrative expenses	**3,868**	3,492
	6,787	30,847

(a) No property and equipment was restricted or pledged for the Group's borrowings as at 31 December 2019 (2018: nil).

(b) During the year ended 31 December 2018, the Group leased certain car parks from the Remaining Powerlong Group by one-off prepayment or by instalments with lease terms of 3 to 30 years for the purpose of operating these car parks. These leased in car parks were recorded as "right-of-use assets – car parks" under "Property and equipment". Apart from the aforesaid car park lease arrangements, the Group also entered into service arrangement with the Remaining Powerlong Group for provision of management services for other car parks of the Remaining Powerlong Group of which the management fee was charged on a commission basis. In January 2019, the Group terminated all the previous lease or management service agreements with the Remaining Powerlong Group and consistently adopted a new car park lease agreement with a lease term of one year, pursuant to which the Group would pay an annual rent to the Remaining Powerlong Group and was entitled to all the income from the operation of the car parks. The termination of previous lease agreements resulted in the disposals of right-of-use assets – car parks with net cash inflows of approximately RMB137,461,000 and net gain of RMB2,055,000 for the year ended 31 December 2019.

10 INVESTMENT PROPERTIES

	Leased commercial properties – right of use assets *RMB'000*
Year ended 31 December 2019	
Opening net book amount	**155,632**
Additions	**148,624**
Depreciation charge	**(97,049)**
Closing net book amount	**207,207**
As at 31 December 2019	
Cost	**566,609**
Accumulated depreciation	**(359,402)**
Net book amount	**207,207**
Year ended 31 December 2018	
Opening net book amount	232,750
Additions	1,154
Depreciation charge	(78,272)
Closing net book amount	155,632
As at 31 December 2018	
Cost	417,985
Accumulated depreciation	(262,353)
Net book amount	155,632

(a) As at 31 December 2019, the Group had no investment property pledged as security for the Group's borrowings (2018: nil).

(b) As at 31 December 2019, the fair values of the investment properties approximate to RMB367,230,000 (2018: RMB347,070,000).

11 OPERATING LEASE AND TRADE RECEIVABLES

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Operating lease receivables *(Note (a))*		
– Third parties	**4,660**	4,076
Trade receivables *(Note (a))*		
– Related parties	**47,707**	17,703
– Third parties	**82,688**	74,117
	130,395	91,820
Less: allowance for impairment	**(21,174)**	(13,421)
	113,881	82,475

(a) The Group's revenue is derived from provision of commercial operational services, residential property management services and lease of properties. Proceeds in respect of service rendering and rental income are to be received in accordance with the terms of relevant property service agreements and tenant contracts.

As at the respective balance sheet date, the aging analysis of the operating lease and trade receivables due from related parties and third parties based on the demand note dates is as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
0-30 days	**23,070**	12,864
31-180 days	**46,391**	27,915
181-365 days	**14,472**	22,808
1 to 2 years	**29,036**	19,634
2-3 years	**14,338**	6,393
Over 3 years	**7,748**	6,282
	135,055	95,896

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 December 2019, a provision of RMB21,174,000 (2018: RMB13,421,000) was made against the gross amounts of operating lease and trade receivables.

As at 31 December 2019 and 31 December 2018, the operating lease and trade receivables were denominated in RMB, and the fair values approximated their carrying amounts.

As at 31 December 2019, the balances of operating lease and trade receivables were not pledged for the Group's borrowings (2018: nil).

12 SHARE CAPITAL AND SHARE PREMIUM

		Number of ordinary shares	Share capital		Share Premium	Total
			HK$'000	*RMB'000*	*RMB'000*	*RMB'000*
Authorized						
Ordinary share of HK$0.01 each upon incorporation		38,000,000	380	325		
Increase in authorized share capital of HK$0.01 each on 10 December 2019		1,962,000,000	19,620	17,580		
		2,000,000,000	20,000	17,905		
Issued						
As at 25 March 2019 (the date of incorporation)	(a)	1	–	–	–	–
Issue of shares	(a)	199	–	–	–	–
Issue of shares in connection with the Reorganization	(b)	78,800	1	1	(1)	–
Issue of shares held for share incentive scheme	(c)	8,778	–	–	–	–
Issue of shares in connection with the capitalization issue	(d)	449,912,222	4,499	4,031	(4,031)	–
Issue of shares in connection with the Company's listing	(e)	150,000,000	1,500	1,344	1,235,563	1,236,907
As at 31 December 2019		600,000,000	6,000	5,376	1,231,531	1,236,907

(a) On 25 March 2019, the Company was incorporated in the Cayman Islands as an exempted company with limited liability. As at the date of incorporation, the authorized share capital of the Company was HK$380,000 divided into 38,000,000 ordinary shares of HK$0.01 each, among which one fully-paid share was issued to the initial subscriber, an independent third party, at par value and such share was transferred to Powerlong BVI Holdings at par value on the same day. On 11 April 2019, additional 199 fully paid shares were issued to Powerlong BVI Holdings at par value.

(b) Pursuant to the Reorganization, on 19 July 2019, the Company acquired 100% of the issued shares in Powerlong (BVI) V Limited from Powerlong BVI Holdings and the consideration was satisfied by allotment and issuance of 78,800 shares of the Company to Powerlong BVI Holdings.

(c) On the same day, 8,778 shares were issued and allotted to Huihong Management at par value as to 10% of the Company's equity interest before the Listing. Huihong Management 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, which is consolidated by the Company.

(d) On 10 December 2019, the Company increased its authorized share capital to HK$20,000,000 by the creation of 1,962,000,000 additional shares of nominal value of HK$0.01 each. Pursuant to the written resolutions passed by the shareholders on 10 December 2019, the Company was authorized to capitalize HK$4,499,122.22 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 449,912,222 shares for issue and allotment to the respective shareholders.

(e) On 30 December 2019, the Company issued a total of 150,000,000 ordinary shares at a price of HK$9.50 per share as a result of the completion of the Listing. The amount of HK$1,380,477,259 (equivalent to RMB1,236,907,624) was credited to share capital and premium based on the gross proceeds of HK$1,425,000,000 (equivalent to RMB1,276,800,000) after deduction of the capitalized listing expenses of HK$44,522,741 (equivalent to RMB39,892,376).

13 LEASES

(a) Amounts recognized in the consolidated balance sheets

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Leased in properties for sub-lease to tenants		
– Leased commercial properties *(Note 10)*	**207,207**	155,632
Leased in properties for operation		
– Car parks *(Note 9)*	**–**	167,751
	207,207	323,383
Lease liabilities		
Current	**226,066**	205,671
Non-current	**190,487**	236,097
	416,553	441,768

(b) Amounts recognized in the consolidated statements of comprehensive income

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Depreciation charge		
Commercial properties *(Note 10)*	**97,049**	78,272
Car parks *(Note 9)*	**2,919**	27,355
	99,968	105,627
Interest expense (included in finance costs – net)	**20,368**	24,536
Variable lease payments (included in cost of services)	**14,391**	9,264
Short-term lease expenditure for car parks and common areas and advertising space	**116,749**	–
Cash outflows for lease payments (including principal elements and relevant interest expense)	**148,883**	117,787

(c) A maturity analysis of lease liabilities is show in the table below during the year:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Leases are payable:		
Within one year	**232,238**	211,069
Later than one year but not later than two years	**115,428**	162,878
Later than two years but not later than five years	**100,116**	95,562
Later than five years	**–**	7,000
Minimum lease payments	**447,782**	476,509
Future finance charge	**(31,229)**	(34,741)
Total lease liabilities	**416,553**	441,768
The present value of lease liabilities is as follows:		
Within one year	**226,066**	205,671
Later than one year but not later than two years	**106,046**	148,162
Later than two years but not later than five years	**84,441**	82,685
Later than five years	**–**	5,250
	416,553	441,768

14 TRADE AND OTHER PAYABLES

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Trade payables		
– Related parties	**1,126**	1,189
– Third parties	**88,668**	71,575
	89,794	72,764
Other payables		
– Related parties	**88,759**	88,318
– Receipts on behalf of tenants or residents *(Note (a))*	**144,158**	115,971
– Deposits received *(Note (b))*	**301,187**	261,429
– Listing expenses payable	**14,461**	–
– Others	**13,342**	19,127
	561,907	484,845
Accrued payroll	**103,950**	82,838
Other taxes payables	**7,460**	7,605
	763,111	648,052

(a) Amounts represented the receipts on behalf of tenants or residents to settle the bills of utilities charges.

(b) Amounts represented mainly deposits received from tenants as performance securities in relation to tenant agreements or property management service agreements.

(c) As at 31 December 2019, the carrying amounts of trade and other payables approximated their fair values.

(d) As at the respective balance sheet date, the ageing analysis of the trade payables (including amounts due to related parties) based on invoice dates is as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Within 1 year	**86,024**	68,200
1 to 2 years	**1,585**	3,475
2 to 3 years	**2,185**	1,089
	89,794	72,764

(e) Trade and other payables (excluding accrued payroll and other tax payables) were denominated in the following currencies:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
RMB	**630,500**	536,893
HK$	**526**	58
US$	**20,675**	20,658
	651,701	557,609

15 EVENTS AFTER THE BALANCE SHEET DATE

(a) On 22 January 2020, 22,500,000 shares were issued upon the exercise of the over-allotment option in connection with the Listing at a price of HK$9.50 per share. Gross proceeds of the additional offering was approximately HK$213,700,000.

(b) On 30 January 2020 and 31 January 2020, the Company repurchased a total of 1,000,000 ordinary shares with considerations of approximately HK$9,476,515 (equivalent to approximately RMB8,490,900) but such ordinary shares were not cancelled as at the date of this announcement.

(c) Following the outbreak of Coronavirus Disease 2019 ("**the COVID-19 outbreak**") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the PRC, which has affected the business and economic activities of the Group to certain extent.

The Group's rental and service income in relation to the commercial operational service and fee collection could possibly be adversely affected by the temporary waivers of rentals offered to tenants, decrease in business volume due to certain level of restrictions and controls over the travelling of people and traffic arrangements and tenant's requests in adjustments of existing lease contract terms due to the slowdown of their businesses during the COVID-19 outbreak.

The overall financial effect of the above cannot be reliably estimated as of the date of these consolidated financial statements. The Group will pay close attention to the development of the COVID-19 outbreak and continue to evaluate its impact on the financial position and operating results of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group is a leading commercial operational service provider in China. As at 31 December 2019, the Group had 51 retail commercial properties under management, with an aggregate GFA under management of approximately 7.0 million sq.m.; and was contracted to provide commercial operational services for a total of 72 retail commercial properties with an aggregate contracted GFA of 8.9 million sq.m. The Company enjoys considerable brand recognition in the markets where it operates. The Company has been awarded the "Best Brand Value Award" (最佳品牌價值獎) in 2019 by China Financial Market (中國融資) and the "Commercial Real Estate Golden Awards" (商業地產金坐標獎) in 2019 by Winshang.com (贏商網).

The Group also provides property management services for residential properties, office buildings and serviced apartments. As at 31 December 2019, the Group had 51 projects under management of its residential property management service with an aggregate GFA under management of approximately 11.5 million sq.m., and was contracted to manage 86 projects with an aggregate contracted GFA of 19.5 million sq.m.

With the mission of creating "space full of love", the Company endeavours to link up living space with the well-being of everything, to promote love and care among people and within cities. It also seeks to deliver living space and services that represent the best experience to property owners, tenants and consumers.

BUSINESS REVIEW

For the year ended 31 December 2019, the Group mainly conducted its business activities in the following business segments namely (i) commercial operational services; and (ii) residential property management services. The Group's revenue derived mainly from its commercial operational services.

Commercial operational services: The Company provided full-chain services covering positioning, tenant sourcing, opening, operation and management to shopping malls and shopping streets.

It primarily included:

(i) Market research and positioning, tenant sourcing and opening preparation services to property developers or property owners during the preparation stage before the opening of a retail commercial property;

(ii) Commercial operation and management services to property owners or tenants during the operation stage of a retail commercial property; and

(iii) Property leasing services with respect to units located within the shopping streets and shopping malls.

Residential property management services: The Group provided property management services for residential properties, office buildings and service apartments.

It primarily included:

(i) Pre-sale management services to property developers during their pre-sale activities, such as cleaning, security and maintenance of pre-sale display units and sales offices;

(ii) Property management services to property owners or property owners' associations at the post-delivery stages, such as security, cleaning, gardening and repair and maintenance services; and

(iii) Other value-added services to property owners, tenants or residents of properties under management, such as pre-delivery preparation and trash handling service, common area, advertising space and car park management services.

The table below sets forth the Company's gross profit and gross profit margin by business segment for the years indicated:

	Year ended 31 December			
	2019		**2018**	
	Gross profit	**Gross profit margin**	**Gross profit**	**Gross profit margin**
	RMB	*%*	*RMB*	*%*
	(in thousands, except for percentages)			
Commercial operational services	391,563	29.3[Note]	294,392	30.1
Residential property management services	36,844	12.9	31,482	14.3
Total	**428,407**	**26.4**	**325,874**	**27.1**

Note: The adoption of new business model for the car parking lots management services and the common area and advertising space management services resulted in an increase in revenue together with an increase in cost of service for the above management services and thus causing a decrease in gross profit. If the original commission model resumes, gross profit margin will be 32.1%, representing a year-on-year increase of 2.0 percentage points.

COMMERCIAL OPERATIONAL MANAGEMENT SERVICES

The Group provided professional commercial operational management services to property owners, tenants and consumers under four brands, namely, "Powerlong One Mall" (寶龍一城), "Powerlong City" (寶龍城), "Powerlong Plaza" (寶龍廣場) and "Powerlong Land" (寶龍天地).

For the year ended 31 December 2019, the aggregate revenue of the Group's commercial operational management services amounted to approximately RMB1,335.1 million, representing an increase of 36.3% from approximately RMB979.6 million for the year ended 31 December 2018; and the Group had GFA under management of 7.0 million sq.m., representing an increase of 0.6 million sq.m. from 6.4 million sq.m. for the corresponding period of 2018; 51 projects under management, representing an increase of 6 projects from 45 projects for the corresponding period of 2018; contracted GFA of 8.9 million sq.m., representing an increase of 2.0 million sq.m. from 6.9 million sq.m. for the corresponding period of 2018.

The table below sets forth a breakdown of the aggregate GFA under management as at the dates indicated and the revenue from commercial operational service segment for the years indicated by geographic region:

	As of/For the year ended 31 December					
	2019			2018		
	Contracted GFA	GFA under management	Revenue	Contracted GFA	GFA under management	Revenue
	sq.m.	*sq.m.*	*RMB (in thousands)*	*sq.m.*	*sq.m.*	*RMB*
Yangtze River Delta	4,745	3,160	863,246	3,176	2,630	618,689
Southeast China(1)	842	679	157,876	679	679	113,964
Midwest China(2)	1,499	1,385	185,070	1,385	1,385	153,481
Bohai Economic Rim(3)	1,781	1,758	128,917	1,679	1,679	93,497
Total	**8,867**	**6,982**	**1,335,109**	**6,919**	**6,373**	**979,631**

Notes:

(1) Comprises Fujian and Hainan Provinces.

(2) Comprises Anhui, Sichuan and Henan Provinces and Chongqing Municipality.

(3) Comprises Tianjin Municipality and Shandong Province.

New projects added to the Group's portfolio upon opening for the year ended 31 December 2019 are as follows:

No.	Project	Opening date *(month-year)*	City	Geographic region	Contracted GFA *(sq.m.)*
1	Shaoxing Paojiang Powerlong Plaza	September 2019	Shaoxing	Yangtze River Delta	41,083
2	Hangzhou Lin'an Powerlong Plaza	November 2019	Hangzhou	Yangtze River Delta	103,700
3	Shanghai Baoyang Powerlong Plaza	December 2019	Shanghai	Yangtze River Delta	148,407
4	Tianjin Binhai Powerlong Plaza	December 2019	Tianjin	Bohai Economic Rim	61,883
5	Nanjing Gaochun Powerlong Plaza	December 2019	Nanjing	Yangtze River Delta	87,542
6	Ningbo Yinzhou Powerlong Plaza	December 2019	Ningbo	Yangtze River Delta	93,924

The table below sets forth average occupancy rate and GFA under management of retail commercial property that commenced operation as at 31 December 2019 by brands.

	Average occupancy rate[1] As of 31 December		
Brand	**2019[2]**	**2018**	**GFA under management**
	%	%	*(000' sq. m.)*
Powerlong One Mall	95.2	97.9	171
Powerlong City	91.3	91.3	437
Powerlong Plaza	89.0	83.3	5,990
Powerlong Land	90.1	65.5	384
Total	**89.4**	**83.5**	**6,982**

(1) Occupancy rate is calculated as actual leased area divided by available lease area of a retail commercial property as of the end of each relevant period based on internal record. The occupancy rate only applies to retail commercial properties for which the Group has provided tenant sourcing services and may be higher or lower in different periods within one year.

(2) The statistics of occupancy rate in 2019 excludes Tianjin Yujiapu Powerlong Plaza, Haiyang Powerlong Land and Dongying Powerlong Land.

- Tianjin Yujiapu Powerlong Plaza was opened in November 2011, which is currently under renovation and will reopen in December 2020.
- Haiyang Powerlong Land was at the preparation stage, for which we have not yet provided any business tenancy services.
- The property developer of Dongying Powerlong Land was in the process of assigning the units within the shopping streets to members of village collective economic organization, and the Group only provided limited management services.

Pipeline Projects:

From the Remaining Powerlong Group:

No.	Project	Brand	Opening date(1) *(month-year)*	Location	Geographic region	Estimated GFA *(sq.m.)*
1	Jinjiang Chencun(晉江陳村)	Powerlong Plaza	September 2020	Jinjiang	Southeast China	46,486
2	Quanzhou Taitou (泉州台投)	Powerlong Plaza	September 2020	Quanzhou	Southeast China	148,950
3	Hangzhou Dajiangdong (杭州大江東)	Powerlong Plaza	September 2020	Hangzhou	Yangtze River Delta	95,373
4	Lin'an Qingshan Lake (臨安青山湖)	Powerlong Plaza	September 2020	Hangzhou	Yangtze River Delta	189,524
5	Yancheng New District(鹽城新區)	Powerlong Plaza	December 2020	Yancheng	Yangtze River Delta	135,932
6	Tianjin Yujiapu (天津於家堡)(2)	Powerlong Plaza	December 2020	Tianjin	Bohai Economic Rim	162,836
7	Zhangzhou Lantian (漳州藍田)	Powerlong Plaza	December 2020	Zhangzhou	Southeast China	66,186
8	Jinhua Yongkang (金華永康)	Powerlong Plaza	December 2020	Jinhua	Yangtze River Delta	89,900
9	Zhoushan New City (舟山新城)	Powerlong Plaza	December 2020	Zhoushan	Yangtze River Delta	80,880
10	Shaoxing Zhuji (紹興諸暨)	Powerlong Plaza	December 2020	Shaoxing	Yangtze River Delta	138,600
11	Xinxiang Sanqi (新鄉三期)	Powerlong Land	September 2020	Xinxiang	Yangtze River Delta	33,738
12	Zhoushan Yancang Dinghai (舟山鹽倉定海)	Powerlong Land	September 2020	Zhoushan	Yangtze River Delta	16,000
13	Huai'an Er'qi (淮安二期)	Powerlong Land	December 2020	Huai'an	Yangtze River Delta	34,000
14	Wenling Project (溫嶺項目)	Powerlong Plaza	September 2021	Taizhou	Yangtze River Delta	107,000
15	Wenzhou Konggang (溫州空港)	Powerlong Plaza	September 2021	Wenzhou	Yangtze River Delta	47,000
16	Hangzhou Future Tech City (杭州未來科技城)	Powerlong Plaza	September 2021	Hangzhou	Yangtze River Delta	204,000
17	Yiwu Qingkou (義烏青口)	Powerlong Plaza	September 2021	Yiwu	Yangtze River Delta	96,000
18	Taizhou Jiaojiang (台州椒江)	Powerlong Plaza	September 2021	Taizhou	Yangtze River Delta	149,517
19	Ningbo Yuanda (寧波遠大)	Powerlong Plaza	December 2021	Ningbo	Yangtze River Delta	143,588
20	Shanghai Yangpu (上海楊浦)	Powerlong Plaza	December 2021	Shanghai	Yangtze River Delta	26,000
21	Hangzhou Taoyuan (杭州桃源)	Powerlong Plaza	December 2021	Hangzhou	Yangtze River Delta	106,000
22	Yixing Dingshu (宜興丁蜀)	Powerlong Plaza	December 2021	Yixing	Yangtze River Delta	50,000
23	Lin'an Jinnan (臨安錦南)	Powerlong Plaza	December 2021	Lin'an	Yangtze River Delta	77,000
24	Zhuhai Gaoxin District (珠海高新區)	Powerlong City	December 2021	Zhuhai	Southeast China	110,590
25	Ningbo Yinzhou New City (寧波鄞州新城)	Powerlong One Mall	December 2021	Ningbo	Yangtze River Delta	190,100
26	Ningbo Fenghua (寧波奉化)	Powerlong Plaza	December 2021	Ningbo	Yangtze River Delta	71,300
27	Lin'an Jinnan (臨安錦南)	Powerlong Land	September 2021	Lin'an	Yangtze River Delta	15,864
28	Jinhua Pan'an (金華磐安)	Powerlong Land	September 2021	Jinhua	Yangtze River Delta	43,400
29	Jiaozhou Shaohai (膠州少海)	Powerlong Land	September 2021	Qingdao	Bohai Economic Rim	23,415
30	Zhoushan Putuo (舟山普陀)	Powerlong Land	September 2021	Zhoushan	Yangtze River Delta	57,000

(1) Opening dates of all the projects are estimated dates. Actual opening dates may be subject to project progress.

(2) Project of Tianjin Yujiapu opened in November 2011, which is currently under renovation and will reopen in December 2020.

No.	Project	Brand	Opening date[1] *(month-year)*	Location	Geographic region	Estimated GFA *(sq.m.)*
31	Fuding (福鼎)	Powerlong Land	September 2021	Ningde	Southeast China	31,600
32	Ningbo Yuyao (寧波余姚)	Powerlong Land	December 2021	Ningbo	Yangtze River Delta	65,915
33	Ninghai (寧海)	Powerlong Land	December 2021	Ningbo	Yangtze River Delta	23,000
34	Wujiangkou (五江口)	Powerlong Land	December 2021	Ningbo	Yangtze River Delta	70,000
35	Jiading Jiawei (嘉定嘉偉)	Powerlong Land	December 2021	Shanghai	Yangtze River Delta	36,000
36	Zhuhai Jinwan (珠海金灣)	Powerlong City	December 2021	Zhuhai	Southeast China	70,000
37	Luqiao Project (路橋項目)	Powerlong Land	December 2022	Taizhou	Yangtze River Delta	100,560
38	Hangzhou Gouyang Road (杭州勾陽路)	Powerlong Plaza	September 2022	Hangzhou	Yangtze River Delta	294,000
39	Wuxi Xinwu (無錫新吳)	Powerlong Land	December 2022	Wuxi	Yangtze River Delta	75,000
40	Huzhou Wuxing (湖州吳興)	Powerlong Land	December 2022	Huzhou	Yangtze River Delta	35,000

From independent third parties:

No.	Project	Brand	Opening date[1] *(month-year)*	Location	Geographic region	Estimated GFA *(sq.m.)*
1	Shaoxing Keqiao (紹興柯橋)	Powerlong Plaza	September 2020	Shaoxing	Yangtze River Delta	100,007
2	Qingshan Lake Ketou (青山湖科投)	Powerlong Plaza	December 2020	Hangzhou	Yangtze River Delta	110,000
3	Chongqing Wanzhou (重慶萬州)	Powerlong Plaza	December 2021	Chongqing	Midwest China	80,000
4	Taizhou Duqiao (台州杜橋)	Powerlong Plaza	December 2021	Taizhou	Yangtze River Delta	96,000
5	Nan'an Luodong Town (南安羅東鎮)	Powerlong Plaza	December 2022	Quanzhou	Southeast China	50,000

THE PHASED ACHIEVEMENT OF "NEW COMMERCE PLAN"

Powerlong CM has commenced close cooperation and established strategic partnerships with its strategic partner, Shanghai Teng Wen Network Technology Co., Ltd. (上海騰聞網絡科技有限公司), a subsidiary of Tencent Holdings Limited ("**Teng Wen**"), since 2018 on areas including resources technology, commercial operation, artificial intelligence (AI) and big data, and jointly released "New Commerce Plan" (鈕扣計劃), with the purpose of connecting tenants, consumers and operators through technological capabilities of Teng Wen including cloud computing, Wechat Pay, mini programs, AI, location-based services (LBS) and IOT, which explored ways of upgrade for new commerce through increasing user stickiness, lowering corporate operating cost and optimizing consumption experience, driving the development of digitalization in the industry.

In May 2019, Powerlong CM commenced strategic cooperation with Teng Wen and formed a joint venture, Shanghai Baoshen Digital Technology Co., Ltd. (上海寶申數字科技有限公司) ("**Baoshen Digital**" **(寶申科技)**), with an aim of further stepping up digitalization efforts in commercial management and operation.

In October 2019, Baoshen Digital released 4 products *Note*:

1. **WeChat mini programs matrix** – connecting consumers, tenants and intelligent devices

   Member-end of "Powerlong Yoyo" – a mini membership program designed for consumers. With the promotion among its members for 2 months, 16.5% of its existing members were converted, making the total number of converted members reach 380,000, and the visit rate of converted members increased by 30 times to 8%, active rate of converted members increased by 5 times to 22.5%. As of December 2019, 30 Powerlong Plazas have launched this program.

   ✓ "U+" function: As a pioneering function in the industry, loyalty points can be directly used for the redemption of specified shared facilities in shopping malls and entitlement of promotions and discounts offered by certain tenants.

   ✓ "Payment is point" function ("**WeChat Points**" in short): As a pioneering function in the industry, automatic accumulation of loyalty points for using Wechat Pay can be realized. Loyalty points can be accumulated automatically and quickly in all payments made through Wechat Pay by consumers in shops of the plazas. While the function was made available in January 2020, members increased by 37% a month later, the number of consumption by members increased by 22% sequentially and loyalty points growth rate increased by 25%, achieving double upgrades of shopping experience and operational efficiency. At present, 26 Powerlong Plazas have launched this function.

   "Mall Plus@Powerlong " user-end – a mini membership program designed for tenants. This program can share consumer information with "Powerlong Yoyo" as mentioned above. With 2 months of promotion, this program covered a total of 10,495 tenants, of which 7,398 tenants have registered as members and the registration rate reached 70%.

2. **Multi-functional precision consumer traffic monitoring system:** identifying the consumers precisely for commercial and real estate businesses

   The location technology of Teng Wen enables precise identification of consumers' portraits and replaces the regular consumer traffic counting technology at only 30% cost as compared to the traditional technology. This product is currently testing out in four projects in 2019 and will subsequently be applied to the projects across the country.

3. **Intangible points accumulation:** codeless accumulation of points, which enhances the experience of consumers

   It enables consumers to make payments and accumulate points automatically through face recognition technology, and is currently making progression.

4. **LBS location data:** providing in-depth big data

   Making use of the big data system of Teng Wen, we are able to conduct precise analysis on the characteristics of the population in different geographic regions. In 2019, this technology has been applied to the analysis of competitive commercial products for better tracking the operational status of industry peers, and obtaining precise information about the characteristics and distribution of consumers, which has directly facilitated the business planning and tenant sourcing and management.

Note: All data and hardware products that involve personal privacy are in strict compliance with regulations of the Teng Wen product system and related laws.

Residential Property Management Services

For the year ended 31 December 2019, the revenue of the Group's residential property management service business segment amounted to approximately RMB285.3 million, representing an increase of 29.2% from RMB220.8 million for the year ended 31 December 2018; and the Group had GFA under management of 11.5 million sq.m., representing an increase of 1.3 million sq.m. from 10.2 million sq.m. for the corresponding period of 2018; 51 projects under management, representing an increase of 9 projects from 42 projects for the corresponding period of 2018; contracted GFA of 19.5 million sq.m., representing an increase of 4.7 million sq.m. from 14.8 million sq.m. for the corresponding period of 2018.

The table below sets forth a breakdown of the aggregate GFA under management as at the dates indicated and our revenue from residential property management service segment for the years indicated by geographic region:

	As of/For the year ended 31 December					
	2019			2018		
	Contracted GFA	GFA under management	Revenue	Contracted GFA	GFA under management	Revenue
	sq.m.	*sq.m.*	*RMB*	*sq.m.*	*sq.m.*	*RMB*
	(in thousands)					
Yangtze River Delta	10,059	5,050	143,663	7,265	4,064	104,582
Southeast China [(1)]	3,644	1,558	39,217	2,696	1,484	30,091
Midwest China [(2)]	2,766	2,594	50,927	2,525	2,352	36,845
Bohai Economic Rim [(3)]	3,062	2,304	51,541	2,306	2,306	49,249
Total	**19,531**	**11,506**	**285,348**	**14,792**	**10,206**	**220,767**

Notes:

(1) Comprises Fujian and Hainan Provinces.

(2) Comprises Anhui, Sichuan and Henan Provinces and Chongqing Municipality.

(3) Comprises Tianjin Municipality and Shandong Province.

OUTLOOK

Upon its successful listing on The Main Board of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") on 30 December 2019 (the "**Listing**"), Powerlong CM became the first service provider in commercial management and operation on the Hong Kong stock market that operated based on an asset-light model. The listing signified a new stage in the development of Powerlong CM.

In early 2020, the outbreak of the coronavirus disease (COVID-19) throughout China has caused deep concern to both central and local governments, which implemented a series of emergency initiatives to control the spread of COVID-19. In response to this, the Group proactively adopted various measures to support business tenants including rent reduction, deferred payment of property fees, liaison with third party financial institutions for providing loans to business tenants for increased investment in corporate planning and improvement in building online sales channels, and provision of anti-epidemic supplies.

The Group considers that although the outbreak of COVID-19 put the business market of the PRC under pressure in early 2020, to business tenants, the impact on certain types of operation is more significant while the impact in general is rather limited throughout the year. Despite the fact that the outbreak of COVID-19 led to the postponement of work resumption and openings and affected the original schedule of openings and opening rate of shopping malls to some extent, the Group adjusted its operation plans in a timely manner. On the one hand, the Group communicated with property owners and took measures of rent reduction for business tenants, and on the other hand, the Group implemented a series of supportive measures to overcome difficulties with them. The management is full of confidence towards the commercial operation and management industry and the long-term development of the Group in the future.

The Company will fully leverage its existing strengths, and further expand its management scale and uplift its service efficiency as powered by four aspects namely management, quality, capital and technology. Our strategies are as follows:

Reinforce the Group's leading position in the Yangtze River Delta

The Company plans to continue to dedicate significant resources to this region, particularly in economic hubs like Shanghai, Hangzhou, Ningbo and Nanjing. The PRC Government has issued various policies to promote the integrated development of the Yangtze River Delta, and expects it to become a center of modern service industry and a competitive world-class city cluster. As a result of rapid urbanization and rising purchasing power of Chinese households, there will be significant demand for quality commercial operational services and present new opportunities for our future growth.

Continue to replicate the Group's success to selected properties through asset-light business model

The Company plans to establish strategic cooperation with national and local leading property developers, and expects to obtain new engagements for retail commercial properties through such cooperation. The Company also plans to lease shopping malls that show significant renovation potential from property owners for repositioning and refurbishment and subsequent sublease. When evaluating a target shopping mall, the Company will take into account customer demographics and competitive environment of such shopping mall's market area, with a focus on increasing occupancy at the retail commercial properties with a sustainable occupancy cost. In addition, the Company plans to continue to improve the quality of its residential property management services and strives to secure new engagements from third-party developers to achieve organic growth and business expansion.

Further expand the Group's commercial operational service segment through strategic acquisitions and investments

The Company plans to selectively evaluate opportunities with a focus on cities located in economically developed regions where it believes there exist significant growth potential, such as the Yangtze River Delta. The Company plans to acquire or invest in small to mid-sized commercial operational service providers that meet its internal criteria in terms of management team, business profile, operating performance as well as growth potential. The Company expects the management team of a target company to possess appropriate capabilities and experience in managing retail commercial properties. The Company initially plans to target companies managing five or more retail commercial properties. The Company intends to target companies managing retail commercial properties that it believes can provide significant growth opportunities to it. The Company expects to broaden its geographic coverage and specialized service capabilities through such acquisition and investment strategy, and in turn drive its growth and improve its profitability. In addition, the Company plans to make equity investment in certain tenants with growth potential with an aim of establishing close strategic relationship with them. By investing in these tenants, the Company not only aims to realize return from such investment but also to enhance its capability in securing quality tenants to the retail commercial properties under its management.

Continue to deploy technology to enhance consumers' experience and engagement and improve the Group's operational efficiency

The Company plans to deploy technology, including artificial intelligence and Internet of Things to promote consumer interaction and improve consumers' shopping experience. The Company also plans to continue to invest in its integrated online ecosystem to enhance its data handling capabilities. The Company intends to enhance its capabilities in analyzing consumer data and other operational data collected through its online ecosystem and utilize such analysis to assist its senior management in making business decisions with respect to retail commercial property planning and positioning, tenant mix determination and precision marketing. In addition, the Company intends to use artificial intelligence to improve its operational efficiency and reduce labor costs.

Attract, retain and motivate talent through systematic training programs and constructive career development opportunities

The Company plans to continue to provide its employees with systematic training programs and constructive career development opportunities, including the "Vigorous Dragons" (潛龍) program designed for management trainees who are fresh university graduates, the "Rising Dragons" (飛龍) program designed for mid-level management personnel, the "Supreme Dragons" (臻龍) program designed for senior management as well as the "Ingenious Dragons" (蛟龍) program designed for personnel holding Doctorate degrees, to cultivate and retain key employees and support their ongoing career development. The Company also expects its focus on management development to drive strong operational performance and continuing innovation. In addition, the Company plans to continue to offer competitive remuneration packages to attract and retain talent. The Company believes that its employees are key to its success and it strives to instill an atmosphere of corporate collegiality and collective success.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2019, due to the Group's ongoing business expansion, the Group recorded a revenue of approximately RMB1,620.5 million, representing an increase of approximately 35.0% as compared with approximately RMB1,200.4 million for the year ended 31 December 2018.

The Group's revenue indicated by business segment and type of service are as follows:

	For the year ended 31 December			
	2019		2018	
	RMB'000	*%*	*RMB'000*	*%*
Commercial Operational Services				
Market research and positioning, tenant sourcing and opening preparation services	**143,231**	**8.8%**	52,214	4.4%
Commercial operation and management services	**986,519**	**60.9%**	719,301	59.9%
Property leasing services	**205,359**	**12.7%**	208,116	17.3%
	1,335,109	**82.4%**	979,631	81.6%
Residential Property Management Services				
Pre-sale management services	**13,128**	**0.8%**	3,021	0.3%
Property management services	**222,217**	**13.7%**	178,788	14.9%
Other value-added services	**50,003**	**3.1%**	38,958	3.2%
	285,348	**17.6%**	220,767	18.4%
Total	**1,620,457**	**100%**	1,200,398	100%

Market research and positioning, tenant sourcing and opening preparation services

The Group's market research and positioning, tenant sourcing and opening preparation services primarily include (i)market research and positioning services; and (ii) tenants sourcing and opening preparation services, provided to property developers or property owners before the opening of a retail commercial property.

For the year ended 31 December 2019, the Group's revenue from market research and positioning, tenant sourcing and opening preparation services amounted to approximately RMB143.2 million, representing a year-on-year increase of 174.3% and accounting for approximately 8.8% of its total revenue.

The increase in the revenue from market research and positioning, tenant sourcing and opening preparation services was primarily due to the fact that the Group provided market research and positioning, tenant sourcing and opening preparation services with respect to 22 retail commercial properties for the year ended 31 December 2019, compared to 13 for the year ended 31 December 2018.

Commercial operation and management services

The Group's commercial operation and management services primarily include (i) retail commercial property management services; (ii) tenant management and rent collection services; and (iii) other value-added services, provided to property owners or tenants.

For the year ended 31 December 2019, the Group's revenue from commercial operation and management services amounted to approximately RMB986.5 million, representing a year-on-year increase of 37.1% and accounting for approximately 60.9% of total revenue.

The increase in the revenue from commercial operation and management services was primarily driven by the increase in the aggregate GFA under management and the existing retail commercial properties entering into maturity stage of operation with higher occupancy rate. As at 31 December 2019, the Group's commercial properties GFA under management was 7.0 million sq.m., representing a year-on-year increase of 9.6%. As for the commercial operational services with respect to car parks, advertising spaces and common areas, the change from commission basis to gross basis resulted in an increase in revenue since 2019.

Property leasing services

The Group provides property leasing services with respect to units located within the shopping streets and shopping malls. For the year ended 31 December 2019, the Group's revenue derived from property leasing services amounted to approximately RMB205.4 million, representing a slight decrease of 1.3% and accounting for approximately 12.7% of total revenue.

The slight decrease in the revenue from property leasing services was primarily attributable to the slight decrease in the number of lease contracts entered into with tenants.

Residential Property Management Service

The Group's residential property management service primarily include (i) pre-sale management services to property developers during their pre-sale activities, such as cleaning, security and maintenance services for pre-sale display units and sales offices; (ii) property management services such as security, cleaning, gardening and repair and maintenance services to property owners or property owners' associations at the post-delivery stages; and (iii) other value-added services such as pre-delivery preparation and trash handling services, common area, advertising space and car park management services to property owners, tenants or residents of the Group's managed properties.

For the year ended 31 December 2019, the Group's revenue from residential property management services amounted to approximately RMB285.3 million, representing a year-on-year increase of 29.2% and accounting for approximately 17.6% of total revenue.

The increase in the revenue from residential property management service was primarily attributable to: (i) the increase in the residential properties GFA under management to 11.5 million sq.m. for the year ended 31 December 2019, representing a year-on-year increase of 12.7%; (ii) the improvement of service quality and the increase in the number of contracts with residents, especially for other value-added services.

Revenue indicated by type of customers is as follows:

	For the year ended 31 December			
	2019		2018	
	RMB'000	***%***	*RMB'000*	*%*
By type of customers				
Commercial Operational Services				
Fellow subsidiaries	**180,964**	**11.2%**	173,628	14.4%
Other related parties	**21,429**	**1.3%**	11,709	1.0%
External customers	**1,132,716**	**69.9%**	794,294	66.2%
	1,335,109	**82.4%**	979,631	81.6%
Residential Property Management Services				
Fellow subsidiaries	**46,725**	**2.9%**	32,515	2.7%
Other related parties	**1,345**	**0.1%**	–	0.0%
External customers	**237,278**	**14.6%**	188,252	15.7%
	285,348	**17.6%**	220,767	18.4%
Total	**1,620,457**	**100%**	1,200,398	100%

Revenue derived from external customers represents the largest source of the Group's revenue. For the year ended 31 December 2019, revenue derived from external customers was approximately RMB1,370.0 million, representing 84.5% of the total revenue.

Revenue indicated by geographic regions is as follows:

	For the year ended 31 December			
	2019		2018	
	RMB'000	*%*	*RMB'000*	*%*
Commercial Operational Service				
Yangtze River Delta	**863,246**	**53.3%**	618,689	51.5%
Southeast China	**157,876**	**9.7%**	113,964	9.5%
Midwest China	**185,070**	**11.4%**	153,481	12.8%
Bohai Economic Rim	**128,917**	**8.0%**	93,497	7.8%
	1,335,109	**82.4%**	979,631	81.6%
Residential Property Management Service				
Yangtze River Delta	**143,663**	**8.9%**	104,582	8.7%
Southeast China	**39,217**	**2.4%**	30,091	2.5%
Midwest China	**50,927**	**3.1%**	36,845	3.1%
Bohai Economic Rim	**51,541**	**3.2%**	49,249	4.1%
	285,348	**17.6%**	220,767	18.4%
Total	**1,620,457**	**100%**	1,200,398	100%

For the year ended 31 December 2019, the Group's commercial operational properties and residential management properties were primarily located in the Yangtze River Delta and the revenue generated from this region had further increased.

Cost of services

The cost of services primarily include: (i) staff costs; (ii) subcontracting costs for security, greening and cleaning services; (iii) depreciation expenses; (iv) utility expenses; (v) variable lease payments; (vi) short-term lease expenditure; (vii) taxes and other levies; and (viii) other miscellaneous costs.

For the year ended 31 December 2019, the Group's cost of services was approximately RMB1,192.1 million, representing a year-on-year increase of 36.3%. Such increase in cost of services was in line with the Group's business expansion. Subcontracting costs mainly include fees paid for the services outsourced to subcontractors, such as security, greening and cleaning. The subcontracting cost for the year ended 31 December 2019 recorded an year-on-year increase of 69.9%, which was mainly due to the increase in the Group's aggregate GFA under management and scope of service subcontracted. In addition, short-term lease expenditure was approximately RMB116.7 million for the year ended 31 December 2019, which mainly due to the change from commission basis to gross basis with respect to car parks, common areas and advertising spaces since 2019, resulting in an increase in cost of service.

Gross profit and gross profit margin

The gross profit of the Group for the year ended 31 December 2019 amounted to approximately RMB428.4 million, representing a year-on-year increase of 31.5%. For the year ended 31 December 2019, the gross profit margin was 26.4%, representing a slight decrease as compared to 27.1% for the year ended 31 December 2018.

The gross profit margin of commercial operational services for the year ended 31 December 2019 was 29.3%, representing a slight decrease as compared to 30.1% for the year ended 31 December 2018, primarily due to the adoption of new business model for car parking lots management services and the common areas and advertising spaces management services since 2019. Pursuant to the adoption, the revenue recognition policy changed from commission basis to gross basis and it resulted in an increase in revenue together with a corresponding increase in cost of service and thus causing a decrease in gross profit margin.

The gross profit margin of residential property management services for the year ended 31 December 2019 was 12.9%, representing a decrease as compared to 14.3% for the year ended 31 December 2018, primarily due to the fact that we hired more personnel to improve the quality of our residential property management services.

The Group's gross profit and gross profit margin by segment are as follows:

	Year ended 31 December			
	2019		2018	
	Gross profit *RMB'000*	**Gross profit margin** %	Gross profit *RMB'000*	Gross profit margin %
Commercial operational services	**391,563**	**29.3%**	294,392	30.1%
Residential property management services	**36,844**	**12.9%**	31,482	14.3%
Total	**428,407**	**26.4%**	325,874	27.1%

For the year ended 31 December 2019, the Group further fostered the project-regionalized integrated management. Meanwhile through technological upgrade and empowerment, the Group laid a sound foundation for increasing the gross profit of its business in future years.

Selling and marketing expenses

The Group's selling and marketing expenses mainly include promoting and advertising expenses.

For the year ended 31 December 2019, the selling and marketing expenses of the Group amounted to approximately RMB41.9 million, representing a year-on-year increase of 33.4%. This was mainly due to the expansion of the total business scale under management for the commercial operational business and the strengthening of promotion efforts for the Group's brands.

Administrative expenses

For the year ended 31 December 2019, the Group's total administrative expenses amounted to approximately RMB117.2 million, of which approximately RMB29.4 million was listing expenses for the Listing. The Group's administrative expenses excluding the impact of listing expenses for the year ended 31 December 2019 amount to RMB87.8 million, which increased by 9.3% as compared to approximately RMB80.3 million in 2018. Such increase was mainly attributable to the expansion of business scale which led to an increase in the number of managerial staff and the average staff costs. The growth rate of administrative expenses was yet lower than that of revenue, which was mainly due to the increase in the managerial efficiency per capita from the managerial staff.

Other income and gains

Other income and gains were mainly the various subsidies income from local governments and the forfeited deposits from tenants due to their premature termination of contracts. For the year ended 31 December 2019, the Group's other income and gains amounted to approximately RMB17.3 million, representing a year-on-year increase of 22.7%.

Net impairment losses on financial assets

The Group's net impairment losses on financial assets mainly include the allowance for impairment made in respect of operating lease and trade receivables and other receivables. For the year ended 31 December 2019, the Group's net impairment losses on financial assets amounted to approximately RMB7.2 million, representing a year-on-year increase of 157.1%. This was mainly due to the increase in receivables resulting from the growing business and turnover days of receivables past due over one year recorded a slight increase than the year ended 31 December 2018.

Finance costs – net

The Group's net finance costs mainly include interest expense for bank borrowings, interest expense for lease liabilities and net interest income from bank deposits.

For the year ended 31 December 2019, the Group's net finance costs amounted to approximately RMB32.1 million, representing a year-on-year decrease of 24.6%. This was mainly due to the disposal of subsidiaries holding the Group's bank borrowings and the repayment of all the remaining bank borrowings in advance during the year which led to the decrease in interest expenses.

Income tax expense

The Group's income tax expense mainly comprises PRC corporate income tax. For the year ended 31 December 2019, the effective income tax rates were 27.8%, representing a slight increase by 0.7 percentage point as compared to 27.1% for the year ended 31 December 2018, primarily because listing expenses of the Company were not deductible from the taxable income of domestic enterprises.

Profit for the year

For the year ended 31 December 2019, the Group's net profit was approximately RMB178.6 million, of which listing expenses was approximately RMB29.4 million. The net profit of the Group excluding the impact of listing expenses increased by approximately 56.0% as compared with the net profit of approximately RMB133.3 million for the year ended 31 December 2018.

Property and equipment

The Group's property and equipment primarily consist of furniture, fitting and equipment, motor vehicles and leased car parks – right of use assets. As at 31 December 2019, the Group's property and equipment was approximately RMB6.9 million, representing a decrease of approximately RMB166.6 million as compared with 31 December 2018, as the Group terminated the car park long-term lease arrangements with Powerlong Real Estate Holdings Limited (寶龍地產控股有限公司) and its subsidiaries exclusive of the Group (the "**Remaining Powerlong Group**"), leading to a decrease in leased car parks – right of use assets.

Investment properties

The Group's investment properties primarily consist of shopping malls and units within the shopping streets for which the Group entered into lease contracts with the third parties who were properties owners. As at 31 December 2019, the Group's net amount of investment properties were approximately RMB207.2 million, representing an increase of approximately RMB51.6 million as compared with 31 December 2018, primarily due to the increase in shopping street units for which the Group entered into lease contracts.

Financial assets at fair value through other comprehensive income

The Group's financial assets at fair value through other comprehensive income amounted to approximately RMB333.5 million as at 31 December 2018, which represents 5.0% equity interest investment in Shanghai Life Insurance Co., Ltd., (上海人壽保險股份有限公司). As at 31 December 2019, the Group had disposed of the subsidiary holding the aforementioned equity interest investment to the Remaining Powerlong Group thus it did not have any financial assets at fair value through other comprehensive income.

Operating lease and trade receivables

The Group's operating lease and trade receivables primarily arisen from property leasing services for units located within the shopping malls and shopping streets as well as the provision of various services of the Group's commercial operational service segment and residential property management service segment. As at 31 December 2019, the Group's operating lease and trade receivables were approximately RMB113.9 million, representing an increase of 38.1% as compared with that of approximately RMB82.5 million as at 31 December 2018, primarily attributable to the business growth of the Group.

Prepayments and other receivables

The Group's prepayments and other receivables primarily represent utility fees prepaid to the power supply bureaus, payments on behalf of tenants and residents and advances the Group made to its staff from time to time for business purposes. As at 31 December 2019, prepayments and other receivables amounted to approximately RMB91.1 million, representing a substantial decrease as compared with approximately RMB333.5 million as at 31 December 2018. Such decrease was primarily attributable to the fact that the Group received all current amounts due from related parties during the year ended 31 December 2019.

Trade and other payables

The Group's trade and other payables primarily represent amounts due to suppliers/subcontractors for the purchase of services and goods and amounts due to related parties, cash received on behalf of tenants or residents, deposits received from tenants or residents, accrued listing expenses and others. As at 31 December 2019, the Group's trade and other payables amounted to approximately RMB763.1 million, representing an increase as compared with approximately RMB648.1 million as at 31 December 2018. Such increase was primarily attributable to the expansion of the Group's business scale.

Lease liabilities

The Group's lease liabilities primarily represent its commercial arrangements with the owners of units located within the shopping streets and owners of shopping malls, pursuant to which, the Group agrees to pay rents for such units located within the shopping streets and shopping malls during the agreed period. As at 31 December 2019, lease liabilities amounted to approximately RMB416.6 million, representing a slight decrease as compared with approximately RMB441.8 million as at 31 December 2018. Such decrease was primarily attributable to the fact that the rental payments were higher than the additions of lease contracts that the Group entered into during the year ended 31 December 2019.

Contract Liabilities

Contract liabilities mainly represent advance payments made by the customers of the Group's commercial operational services and residential property management services. As at 31 December 2019, contract liabilities was approximately RMB263.2 million, representing a significant increase compared with that at 31 December 2018, which was mainly due to business expansion and improvement in collection rate.

Contingent liabilities

As of 31 December 2019, the Group did not have any contingent liabilities.

Liquidity and capital resources

The Company has maintained stable financial condition and sufficient liquidity. As at 31 December 2019, the Group's cash and cash equivalents amounted to approximately RMB2,616.1 million, representing a significant increase as compared with approximately RMB553.4 million as at 31 December 2018. Such increase was primarily attributable to the proceeds from the initial public offering, repayments of advances from related parties and cash generated from operating activities.

Cash flows

For the year ended 31 December 2019, the Group's net cash generated from operating activities amounted to approximately RMB533.5 million, compared to approximately RMB356.2 million for the corresponding period of 2018. This was primarily attributable to the net increase in operating profit, other payables, contract liabilities as a result of the expansion of the Group's operating scale.

For the year ended 31 December 2019, the Group's net cash generated from investing activities amounted to approximately RMB702.3 million, compared to the nest cash used of approximately RMB31.2 million for the corresponding period of 2018. This was primarily attributable to the repayments of advances from related parties.

For the year ended 31 December 2019, the Group's net cash generated from financing activities amounted to approximately RMB827.2 million, compared to the net cash inflow of approximately RMB115.5 million for the corresponding period of 2018. This was primarily attributable to the net impact of the net proceeds from the Company's initial public offering of approximately RMB1,236.9 million and the repayment of bank borrowings of the Group.

Gearing ratio

Gearing ratio is calculated based on total liabilities as at 31 December 2019 divided by total assets as at 31 December 2019. As at 31 December 2019, gearing ratio was 0.49, representing a substantial decrease as compared with 0.89 as at 31 December 2018. Such decrease was primarily attributable to the proceeds from the initial public offering, the disposal of subsidiaries holding the Group's bank borrowings, the repayment of bank borrowings and earnings from operating activities.

Foreign exchange risk

The Group primarily operates in the PRC and its businesses are principally conducted in RMB. As at 31 December 2019, assets and liabilities denominated in currencies other than RMB were mainly cash and cash equivalents dominated in Hong Kong dollars or United States dollars. The Group did not enter into any forward exchange contract to hedge against foreign exchange risk, but the management will continue to monitor foreign exchange risk and adopt a prudent approach to reduce the foreign exchange risk.

Listing expenses

Shares of the Company were successfully listed on the Stock Exchange on 30 December 2019. The total amount of relevant listing expenses was approximately RMB69.3 million, of which approximately RMB29.4 million was charged to the consolidated statement of comprehensive income for the year ended 31 December 2019, and approximately RMB39.9 million was accounted for as a deduction from equity.

Net proceeds from the initial public offering

The net proceeds from the Listing was approximately RMB1,236.9 million.

As set out in the prospectus of the Company dated 16 December 2019, the Company intended to use such proceeds for the purposes as follows: (i) approximately 50% of the proceeds will be used to pursue strategic acquisitions of other small to medium-sized commercial operational service providers in order to scale up its commercial operational service business and expand its commercial operational service portfolio; (ii) approximately 25% of the proceeds will be used to upgrade its information technology systems for digitization and smart operation and management, aiming to enhance consumer experience, improve the quality of services provided to the Group's tenants and improve operational efficiency; (iii) approximately 10% of the proceeds will be used to make equity investment in certain tenants with an aim of establishing close strategic cooperation with them; (iv) approximately 5% of the proceeds will be used for the renovation of retail commercial properties developed or owned by independent third parties under the asset-light business model; and (v) approximately 10% of the proceeds will be used for general business purpose and as working capital of the Group.

As at 31 December 2019, the proceeds from the Listing remained unutilized and were deposited in the licensed banks in Hong Kong.

HUMAN RESOURCES

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 Company manages, trains and hires employees. As at 31 December 2019, the Group had 5,019 (2018: 5,052) employees. 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. 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. During the year ended 31 December 2019, the Group did not experience any significant labour disputes or any difficulty in recruiting employees.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

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

Save as disclosed in this announcement, the Company has no significant investments or significant acquisitions, and has no disposal of subsidiaries, associates and joint ventures.

IMPORTANT EVENTS AFTER THE REPORTING DATE

(a) On 22 January 2020, 22,500,000 shares were issued upon the exercise of the over-allotment option in connection with the Listing at a price of HK$9.50 per share. Gross proceeds of the additional offering was approximately HK$213,700,000.

(b) On 30 January 2020 and 31 January 2020, the Company repurchased a total of 1,000,000 ordinary shares with considerations of approximately HK$9,476,515 (equivalent to RMB8,490,900) but such ordinary shares were not cancelled as at the date of this report.

(c) Following the outbreak of Coronavirus Disease 2019 ("**the COVID-19 outbreak**") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the PRC, which has affected the business and economic activities of the Group to certain extent.

    The Group's rental and service income in relation to the commercial operational service and fee collection could possibly be adversely affected by the temporary waivers of rentals offered to tenants, decrease in business volume due to certain level of restrictions and controls over the travelling of people and traffic arrangements and tenant's requests in adjustments of existing lease contract terms due to the slowdown of their businesses during the COVID-19 outbreak.

    The overall financial effect of the above cannot be reliably estimated as of the date of these consolidated financial statements. The Group will pay close attention to the development of the COVID-19 outbreak and continue to evaluate its impact on the financial position and operating results of the Group.

ANNUAL GENERAL MEETING

The annual general meeting of the Company for the year ended 31 December 2019 is proposed to be held on Friday, 12 June 2020 (the "**Annual General Meeting**"). A notice convening the Annual General Meeting will be published and despatched in the manner as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") in due course.

FINAL DIVIDEND

At the Board meeting held on 9 March 2020, the Board recommended the payment of a final dividend of HK$0.20 per ordinary share for the year ended 31 December 2019. The final dividend is subject to approval by the shareholders at the Annual General Meeting. The final dividend, if approved by the Company's shareholders, will be paid on or around Wednesday, 8 July 2020 to the shareholders whose names appear on the register of members of the Company on Monday, 22 June 2020.

CLOSURE OF REGISTER OF MEMBERS

(a) Attending the Annual General Meeting

For the purpose of determining the shareholders' rights to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Monday, 8 June 2020 to Friday, 12 June 2020, both days inclusive, during which period no transfer of shares of the Company will be registered.

For the purpose of determining the entitlement to attend and vote at the Annual General Meeting, all transfer document accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, 5 June 2020.

(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 2019, the register of members of the Company will be closed from Thursday, 18 June 2020 to Monday, 22 June 2020, 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 2019, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 17 June 2020.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as the code for dealing in securities of the Company by the Directors. Having made specific enquiry by the Company to all the Directors, the Directors confirmed that they were in compliance with the required standard as set out in the Model Code during the period from the Listing Date and up to the date of this announcement. No incident of non-compliance was noted by the Company to date. Relevant employees who are likely to be in possession of unpublished inside information of the Group are also subject to compliance with written guidelines on no less exacting terms than the Model Code during the period from the Listing Date and up to the date of this announcement.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date and up to the date of this announcement.

CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures with a view to enhancing investors' confidence in the Company and the Company's accountability. The Company therefore strives to attain and maintain effective corporate governance practices and procedures.

The Directors are of the view that the Company had complied with all applicable code provisions contained in Appendix 14 of the Listing Rules throughout the period from the Listing Date and up to the date of this announcement. Further information about the corporate governance practices of the Company will be set out in the annual report of the Company for the year ended 31 December 2019.

AUDIT COMMITTEE

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

The Audit Committee and the auditor of the Company have reviewed the annual results of the Group for the year ended 31 December 2019 with the Company's management and considered that such results have been prepared in accordance with applicable accounting standards and requirements with sufficient disclosure.

AUDITOR

The figures in respect of the Group's consolidated balance sheet, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in this announcement have been agreed by the Company's external auditor, PricewaterhouseCoopers ("**PwC**"), to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2019. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by PwC on this announcement.

PwC shall retire at the forthcoming Annual General Meeting, at which a resolution will be proposed for the re-appointment of PwC as the auditor of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, throughout the period from the Listing Date and up to the date of this announcement, the Company had maintained a sufficient public float of more than 25% of the total number of issued shares of the Company as required under the Listing Rules.

PUBLICATION OF THE 2019 ANNUAL RESULTS AND THE 2019 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

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

The annual report of the Company for the year ended 31 December 2019 will be despatched to the shareholders of the Company and made available on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

The steady growth of the Group is attributable to the enormous support from the relevant parties for years. The Board would like to take this opportunity to express its sincere gratitude to the Group's investors, business partners and customers for their continuous trust and support. At the same time, the Board would also like to take this opportunity to thank the Board members for their work of high performance and the Group's staff for their contributions and dedication. The Group will continue to uphold its tradition of "Creditability, Courtesy, Innovation, Enthusiasm" while relying on an elite team with unified values, loyalty and commitment. It will adhere to its belief and rise to challenges in order to create better returns for its customers, shareholders and investors and to create greater values for the society.

By Order of the Board
Powerlong Commercial Management Holdings Limited
Hoi Wa Fong
Chairman

Hong Kong, 9 March 2020

As at the date of this announcement, the Board comprises two executive Directors, namely, Mr. Hoi Wa Fong and Mr. Zhang Yunfeng, two non-executive Directors, namely, Ms. Hoi Wa Fan and Ms. Hoi Wa Lam, and three independent non-executive Directors, namely, Ms. Ng Yi Kum, Estella, Mr. Chan Wai Yan, Ronald and Dr. Lu Xiongwen.

This announcement is available for viewing on the Company's website at www.powerlongcm.com and the website of the Stock Exchange at www.hkexnews.hk.