POWERLONG
宝龙商业

2019 ANNUAL REPORT 年報

寶龍商業管理控股有限公司
POWERLONG COMMERCIAL MANAGEMENT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with Limited Liability)
(於開曼群島註冊成立的有限公司)
Stock code 股份代號: 9909.HK

Contents

Group Introduction

Powerlong Commercial Management Holdings Limited (HK.9909) (the "**Company**" or "**Powerlong CM**") and its subsidiaries (together, the "**Group**") is a leading commercial operational service provider in China. The Company was successfully listed (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 30 December 2019 (the "**Listing Date**"). The Group is committed to improving the living standards of the citizens and driving the urbanization progress in the People's Republic of China ("**China**" or the "**PRC**").

The Group provides commercial operational services 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). As of 31 December 2019, the Group had 51 retail commercial properties under management, with an aggregate gross floor area ("**GFA**") [Note] under management of approximately 7.0 million sq.m.. As of the same date, the Group was contracted to provide commercial operational services for a total of 72 retail commercial properties with an aggregate contracted GFA of approximately 8.9 million sq.m..

The Group also provides property management services for residential properties, office buildings and serviced apartments. As of 31 December 2019, the Group had 51 residential properties under management of its property management service with an aggregate GFA under management of approximately 11.5 million sq.m., and was contracted to manage 86 properties with an aggregate contracted GFA of approximately 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, delivering living space and services that represent the best experience to property owners, tenants and consumers.

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

Corporate Information

DIRECTORS

Executive Directors

Mr. Hoi Wa Fong (Chairman of the Board and president)
Mr. Zhang Yunfeng (Chief executive officer)

Non-executive Directors

Ms. Hoi Wa Fan
Ms. Hoi Wa Lam

Independent non-executive Directors

Ms. Ng Yi Kum, Estella
Mr. Chan Wai Yan, Ronald
Dr. Lu Xiongwen

AUDIT COMMITTEE

Ms. Ng Yi Kum, Estella (Chairman)
Mr. Chan Wai Yan, Ronald
Dr. Lu Xiongwen

REMUNERATION COMMITTEE

Dr. Lu Xiongwen (Chairman)
Mr. Hoi Wa Fong
Mr. Chan Wai Yan, Ronald

NOMINATION COMMITTEE

Mr. Hoi Wa Fong (Chairman)
Mr. Chan Wai Yan, Ronald
Dr. Lu Xiongwen

COMPANY SECRETARIES

Ms. Jin Hong
Ms. Chan Pung Fei

AUTHORIZED REPRESENTATIVES

Mr. Zhang Yunfeng
Ms. Chan Pung Fei

REGISTERED OFFICE

Maples Corporate Services Limited
P.O. Box 309
Ugland House
Grand Cayman KY1-1104
Cayman Islands

PLACE OF BUSINESS IN HONG KONG

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Causeway Bay
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

Powerlong Tower
1399 Xinzhen Road
Minhang District
Shanghai
PRC
Postal Code: 201101

PRINCIPAL SHARE REGISTRAR

Maples Fund Services (Cayman) Limited
P.O. Box 1093
Boundary Hall
Cricket Square
Grand Cayman KY1-1102
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China Limited, Gubei Branch
Bank of Communication Limited, Jinshan Branch
Agricultural Bank of China Limited, Xingang Branch
Bank of China Limited

AUDITOR

PricewaterhouseCoopers
22/F, Prince's Building
Central
Hong Kong

COMPLIANCE ADVISOR

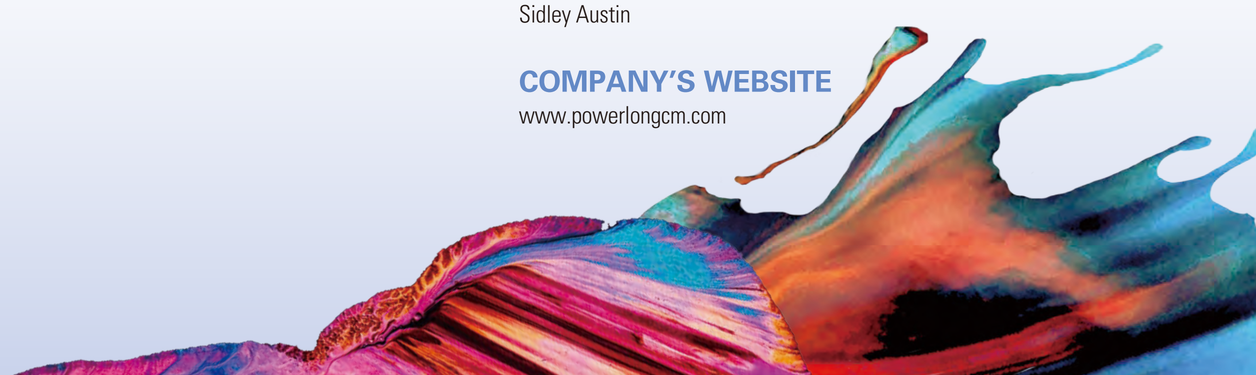
Giraffe Capital Limited
3/F, 8 Wyndham Street
Central
Hong Kong

COMPANY'S PERMANENT HONG KONG LEGAL ADVISOR

Sidley Austin

COMPANY'S WEBSITE

www.powerlongcm.com



Milestones and Awards

The following events set forth the key milestones in the history of business development of the Group:

1993

Commencement of provision of residential property management services with the establishment of Xiamen Hualong Property Management

2007

Commencement of provision of commercial operational services with the establishment of Shanghai Powerlong Commercial and our first managed retail commercial property in Fuzhou commenced operation

2013

First managed retail commercial property in Shanghai commenced operation

2014

Commencement of provision of commercial operational services to properties owned by independent third parties and our first managed retail commercial property in Hangzhou commenced operation

2015

Launch of first generation digital platform designed for consumer use, namely "Powerlong Didika" (寶龍滴滴卡) mobile application

2016

Two managed retail commercial properties under the brand "Powerlong City" (寶龍城) commenced operation

2018

First managed retail commercial property under the brand "Powerlong One Mall" (寶龍一城) commenced operation. "Creativity lab" (創想實驗室) was established for innovating, experimenting and implementing our digitalization efforts. Strategic relationship was formed with Teng Wen in order to capitalize on its strong technological expertise and support which will allow the Group to provide our customers with better integrated online and offline services

2019

Listed on the Stock Exchange on 30 December 2019, becoming the first service provider in commercial management and operation on the Hong Kong stock market that operated based on an asset light model

CORPORATE AWARDS

2019

Mall China Golden Mall Awards
2019 Excellent Management Company Award
(中購聯2019年度購物中心行業優秀管理公司獎)

Shopping Center Development Association of Mall China
(中購聯購物中心發展委員會)

2019

China's Real Estate Market Leaders in Digitalization Efforts
(中國地產數字化領軍企業獎)

China Smart Real Estate Influence Ranking
(中國智慧房產影響力排行榜)

2019

The 2018-2019 Outstanding Enterprise Award
in Commercial Property
(2018-2019年度商業地產卓越企業)

Commercial Property Golden Awards Selecting Committee
(商業地產金座標獎評選委員會)
and Winshang.com (贏商網)

2019

Excellent Commercial Property Management Company Award
(年度商業地產優秀運營商)

Winshang.com (贏商網) and China Experience Commercial
Real Estate Development Forum Committee
(中國體驗式商業地產發展論壇組委會)

2019

Best Brand Value Award (最佳品牌價值獎)

China Financial Market (中國融資)

2019

Xiamen Powerlong One Mall received Model Business Award
(廈門寶龍一城獲得商業典範榜樣)

IFENG.COM (鳳凰網)

Chairman's Statement

HOI WA FONG
Chairman

Year 2019 represented a milestone of the Group. The Company became listed on the Main Board of the Stock Exchange on 30 December 2019, raising a net capital of approximately RMB1.24 billion. Successful entry into capital market will further enable the Group to better capture the opportunity for expansion in the commercial property operation services sector, facilitating further expansion, improving operational efficiency and creating higher values for shareholders. I am pleased to present to the shareholders the review of the operational results for the year ended 31 December 2019 and the future outlook of the Group.

REVIEW ON 2019

In 2019, in view of the slowdown in China's macroeconomic growth, consumption exerted a pulling effect on its economy. Industry competition became more fierce. Competition for commercial spaces in core city clusters in Yangtze River Delta and Pearl River Delta became more fierce as well.

Nevertheless, commercial spaces in pursuit of quality and enabling excellent consumer experience were still scarcely available. Adhering to the mission of creating "space full of love", the Group endeavours to link up living space with the well-being of everything, to promote love and care among people and within cities, by offering finely-fabricated shopping environment that caters to sound consumption experience among all those who visit our malls while upholding its original intention of satisfying consumers' experience with its commercial services. In the meantime, by capturing the dip in market conditions, the Group reported improvements in various performance indicators of operation in general, with strong growth in sales volume, consumer traffic and occupancy rate of shopping malls under its management.

For the year ended 31 December 2019, total revenue of the Group amounted to approximately RMB1,620.5 million, representing a year-on-year increase of approximately 35.0%. Net profit of the Group amounted to approximately RMB178.6 million. Net profit of the Group, excluding listing expenses, amounted to approximately RMB208.0 million, representing a year-on-year increase of approximately 56.0%. Outstanding results was derived from the strong strategic execution capability of the Company and the extensive resources accumulated from its commercial operation.

Centered at the "Strategy of Intensive Development in the Yangtze River Delta", the Group managed to sustain high pace of business growth. Among the six new opening projects in 2019, five were located in the Yangtze River Delta. Leveraging its excellent tenant sourcing capability, the Group achieved the concurrent opening of operations in "three cities on one day" with its Shanghai Baoyang Powerlong Plaza, Ningbo Yinzhou Powerlong Plaza and Nanjing Gaochun Powerlong Plaza, which secured the Company's leading market position in the Yangtze River Delta region.

Tech-enabled strategy has been also one of the core strategies of the Company. The Group strives to enhance customer experience with its integrated online system. The Company has launched "New Commerce Plan" (紐扣計劃), creating a pioneering "WeChat Points" function in the world, combining points of Wechat Pay and "Powerlong Yoyo", realizing intangible accumulation of loyalty points for customers and improving various functional modules of the PM system, "Powerlong Yoyo", "Mall Plus@Powerlong" and the AMP system. The Company is determined to break down barriers in information technology by technological improvements, driving upgrades of consumer's shopping experience with its information services.

FUTURE OUTLOOK FOR 2020

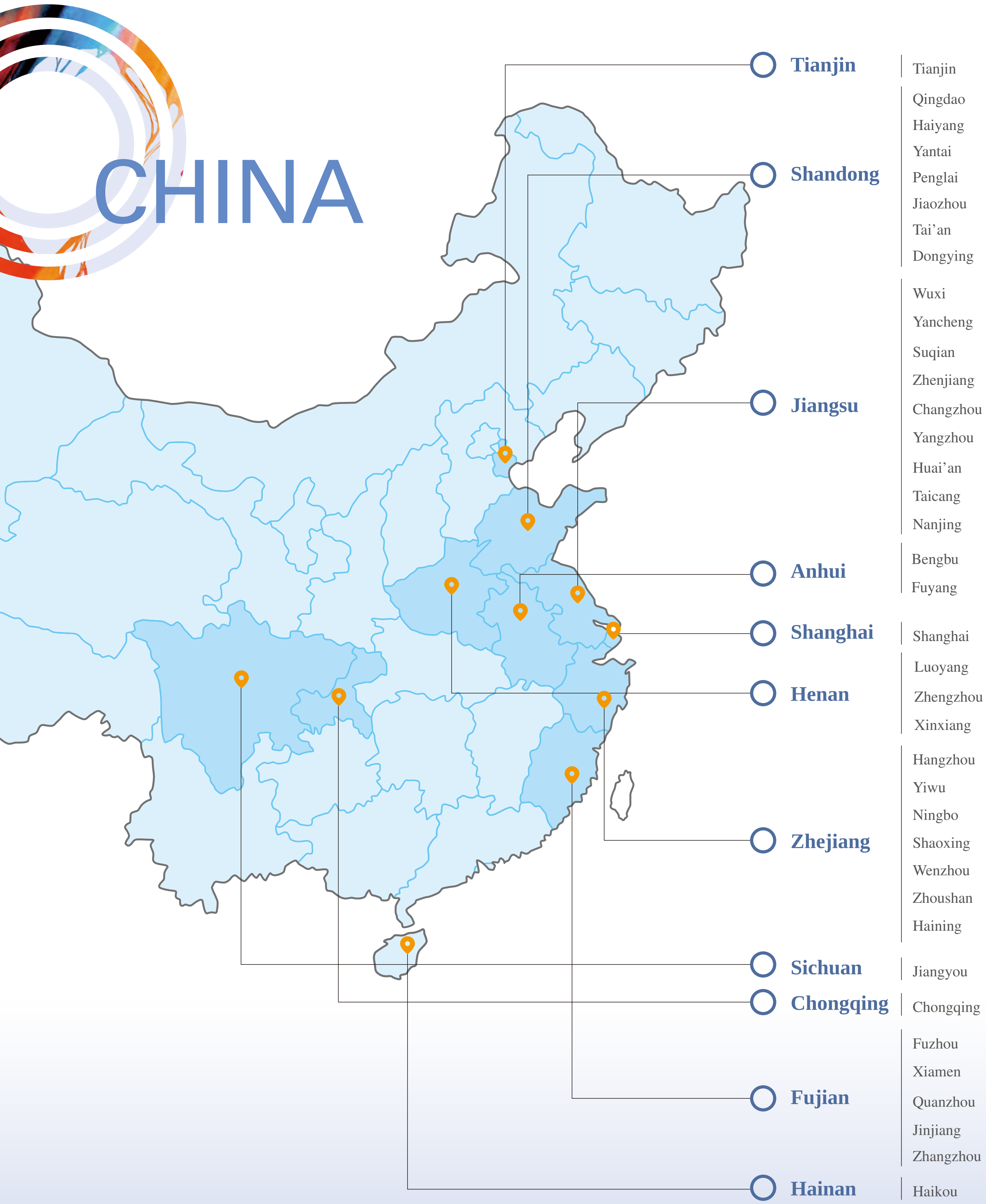
Since the beginning of 2020, the outbreak of COVID-19 occurred in the world, posing huge challenges to global economic development. Commercial property operation providers sees it as both a challenge and an opportunity. On one hand, the challenge lies in the fact that suspension of commercial activities created a crisis of cash flows to tenants, which in turn posing difficulties to normal operation in shopping malls. On the other hand, the opportunity lies in the fact that tenants of shopping malls conducted business upgrades while medium and small commercial management companies seek to be acquired and merged in this crisis, bringing more options of implementing strategies of acquisitions and mergers for the Group.

The generational change of commercial operation services industry is progressing at an increasingly faster pace, whilst consumers' demand is also making silent changes. This is posing a higher demand for the operation capability of a commercial management enterprise. The Group has commenced to open the first shopping mall since 2003. These 17 years from then to the present eventually gave rise to a management team with excellent execution capability and business insights. The Company adheres to the "capital-enabled, management-enabled, quality-enabled and tech-enabled" directions. In other words, the Company will foster ceaseless generational change and lead the development in the industry in its own organizational ability. The Company will refine its own deployments in business departments to convert market information into work goals in a timely and precise manner, and will rely on seamless collaboration among different departments, utilize our professionalism of making the best out of the best to ceaselessly uplift the quality of its shopping malls, and make ongoing efforts by aiming eventually at the satisfaction of its consumers.

What's past is prologue. Looking back at 2019, the Group successfully entered into the capital market and marched towards a new era of development. Looking forward, upholding a modest corporate spirit together with integrity as its fundamental corporate motto, the Company seeks to innovate and aim at ever-higher goals. Back to its original intention in the delivery of commercial services, the Company will strive to reward the support of the investors with the solidity of its business performance.

As the continuance of the prospering trend in 2019, our ongoing venture in 2020 will be full of hard work and devotion.

Overview of Business



OVERVIEW

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

COMMERCIAL OPERATION SERVICES

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).

RESIDENTIAL PROPERTY MANAGEMENT SERVICES

As at 31 December 2019, the Group had 51 projects under management of its residential property management services with an aggregate GFA under management of 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.

Management Discussion and Analysis

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 services 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*	*sq.m.*	*sq.m.*	*RMB*
	(in thousands)					
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:

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") and its joint ventures or associates:

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
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

(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.

From independent third parties:

No.	Project	Brand	Opening date (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, Teng Wen, a subsidiary of Tencent Holdings Limited, since 2018 on areas including resources technology, commercial operation, artificial intelligence (AI) and big data, and jointly released "New Commerce Plan" (紐扣計劃), 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**"), 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 on 30 December 2019, 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 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*	*%*
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	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*
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 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.

Charge on the Group's Assets

As of 31 December 2019, there was no material charge on the Group's assets.

Contingent liabilities

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

As at 31 December 2019, the Group incurred nil borrowings as the Group disposed of the subsidiaries holding the Group's bank borrowings during the year and repaid all the remaining bank borrowings by 31 December 2019. Particulars of bank loans and other borrowings of the Group are set out in Note 24 to the consolidated financial statements.

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 the corresponding date divided by total assets as at the same date. 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 "**Prospectus**"), 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. Further details of the use of proceeds are set out in the Prospectus and the section headed "Use of Net Proceeds from Initial Public Offering" under the Report of the Directors of this annual report.

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.

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

During the year ended 31 December 2019, the Group had undergone acquisitions and disposals of subsidiaries for the purpose of the reorganization in preparation for the Listing. Please refer to the Prospectus for further details. Save as disclosed in the Prospectus, the Company has no significant investments or significant acquisitions of subsidiaries, associates and joint ventures.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group intends to utilize the net proceeds raised from the Listing to pursue strategic acquisition of and investment in other commercial operational service providers according to the plans set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. The Group intends to target companies managing retail commercial properties that can provide significant growth opportunities to the Group. The Group has not identified any acquisition or investment targets for the use of net proceeds as at the date of this report.

Directors and Senior Management

The Board consists of two executive Directors, two non-executive Directors and three independent non-executive Directors.

DIRECTORS

Executive Directors

Mr. Hoi Wa Fong (許華芳), aged 42, joined the Group as the president of the Group in February 2013. Mr. Hoi was appointed as a Director on 25 March 2019, and was re-designated as an executive Director and appointed as the chairman of the Board on 8 August 2019. He is responsible for overseeing business development, formulation and implementation of business strategies, including acquisition plans and corporate finance of the Group. Mr. Hoi currently holds directorships in various subsidiaries of the Group.

Mr. Hoi has over 18 years of experience in the real estate industry. From October 1999 to October 2001, Mr. Hoi worked as the deputy general manager of Xiamen Powerlong Decoration Design Works Co., Ltd. (廈門寶龍裝飾設計工程有限公司), an interior decoration and design company owned by Powerlong Holdings, where he was primarily responsible for human resources, financial management and cost control. From October 2001 to December 2003, Mr. Hoi worked as the deputy general manager of Xiamen Powerlong Real Estate Development Co., Ltd. (廈門寶龍房地產發展有限公司), a real estate development company controlled by Mr. Hoi Kin Hong, one of the controlling shareholders (as defined under the Listing Rules) of the Company (the "**Controlling Shareholders**"), where he was primarily responsible for financial and daily operation. From December 2003 to August 2009, Mr. Hoi worked as the vice president and was subsequently promoted as the chief vice president of Powerlong Group Development, a real estate development company controlled by Mr. Hoi Kin Hong, one of the Controlling Shareholders, where he was primarily responsible for the overall management of business operation. Since July 2007 and August 2009, he has been the executive director and chief executive officer of Powerlong Real Estate Holdings Limited ("**Powerlong Holdings**"), respectively, where he is primarily responsible for the overall management of the business operation. He was awarded various honors and awards, including Annual Leader in the Real Estate Industry in the PRC, Most Influential People in the Real Estate Industry in the PRC, Outstanding Individual Among Returned Overseas Chinese and Family Members, Top 10 Gold-Medal CEO of China Real Estate Listed Companies (中國房地產上市公司十大金牌CEO), TOP 30 CEO in the Real Estate Industry in China (中國地產年度CEO30強), China Commercial Real Estate Industry Outstanding Contribution Award (中國商業地產行業傑出貢獻獎), China Real Estate Achiever (中國房地產功勛人物), China Commercial Property Industry Leader (中國商業地產行業領軍人物), Achiever in Fostering the Building of Socialism with Chinese Characteristics (促進中國特色社會主義建設功勛人物), and so forth.

Mr. Hoi is a member of the tenth All-China Federation of Returned Overseas Chinese, a member of All-China Youth Federation, a director of China Overseas Friendship Association, a member of Chinese People's Political Consultative Conference for the city of Shanghai, the vice chairman of China Real Estate Chamber of Commerce and the vice-chairman of the Fujian Youth Federation. He graduated from the school of management of Xiamen University (廈門大學) in the PRC, where he obtained a bachelor's degree in business management in July 2003. He also obtained an executive master of business administration (EMBA) degree from Cheung Kong Graduate School of Business (長江商學院) in the PRC in October 2007. He is currently pursuing DBA at the Cheung Kong Graduate School of Business (長江商學院), in the PRC.

Mr. Hoi is the son of Mr. Hoi Kin Hong and Ms. Wong Lai Chan, and the spouse of Ms. Shih Sze Ni Cecilia, all being the Controlling Shareholders. Mr. Hoi is also the brother of Ms. Hoi Wa Fan and the cousin of Ms. Hoi Wa Lam, both our non-executive Directors.

Mr. Zhang Yunfeng (張雲峰), aged 43, joined the Group as the deputy general manager in March 2015 and has held senior positions in various business sectors of the Group, including the financial sector and operation management sector. Mr. Zhang was appointed as an executive Director and chief executive officer of the Company on 8 August 2019, and is primarily responsible for the formulation and implementation of the accountability system, business strategies and operational targets of the Group, as well as conducting operational and forecast analysis.

Mr. Zhang has over 13 years of experience in the real estate industry. Prior to joining the Group, from July 2006 to October 2011, Mr. Zhang worked in Nanjing Qinghe Investment Group Co., Ltd. (南京青和投資集團有限公司), an investment company focusing on real estate investment, with his last position as the general manager of the financial management center, where he was primarily responsible for the management of finance, cost, investment and financing activities of the group. From January 2012 to October 2013, Mr. Zhang worked as the deputy general manager of Chengdu Jinniu Wanda Plaza Investment Co., Ltd. (成都金牛萬達廣場投資有限公司), a real estate development company, where he was primarily responsible for the management of finance and financing activities. From October 2013 to November 2014, Mr. Zhang worked as the general manager of the finance department of Wanda Commercial Management Group Co., Ltd. (萬達商業管理集團有限公司), a commercial operational service company, where he was primarily responsible for financial management. From November 2014 to March 2015, Mr. Zhang also worked as the group deputy manager and general manager of the finance department of Wanda Property Management Co., Ltd. (萬達物業管理有限公司), a property group management company, where he was primarily responsible for financial management and participating in material operational decision-making process.

Mr. Zhang obtained a bachelor's degree in management and a master's degree in accounting from Nanjing University (南京大學) in the PRC in July 2000 and February 2007, respectively. He also obtained the qualification of intermediate accountant granted by the Ministry of Finance (the "**MOF**") in the PRC in May 2005.

Non-executive Directors

Ms. Hoi Wa Fan (許華芬), aged 44, was appointed as a non-executive Director on 8 August 2019 and is responsible for providing guidance and formulation of strategies for the overall development of the Group. Since 2000, she has been the managing director of Nicole Boutique, a fashion brand concept store in Macau. Since December 2011, she has held the position of managing director of Ultra City Co., Ltd., a fashion retail company, where she has been primarily responsible for the overall management of business operation. Since April 2007, she has been the managing director of Pou Long Construction and Land Investment Company Limited (寶龍集團發展有限公司), a real estate development company controlled by Mr. Hoi Kin Hong, one of the Controlling Shareholders, where she is primarily responsible for the overall management and business development. Since September 2009, Ms. Hoi Wa Fan has been the non-executive director of Powerlong Holdings, where she is primarily responsible for providing guidance and formulation of development strategies for the overall development of Powerlong Holdings.

Ms. Hoi Wa Fan is the daughter of Mr. Hoi Kin Hong and Ms. Wong Lai Chan, and the sister-in-law of Ms. Shih Sze Ni Cecilia, all being the Controlling Shareholders. Ms. Hoi is also the sister of Mr. Hoi Wa Fong, an executive Director, chairman of the Board and president of the Group, and the cousin of Ms. Hoi Wa Lam, a non-executive Director.

Ms. Hoi Wa Lam (許華琳), aged 35, was appointed as a non-executive Director on 8 August 2019 and is responsible for providing guidance and formulation of development strategies for the overall development of the Group.

From June 2007 to April 2009, Ms. Hoi Wa Lam was the deputy general manager of Nicole Boutique, a fashion brand concept store in Macau, where she was primarily responsible for general administration and human resources. From November 2010 to June 2017, Ms. Hoi Wa Lam worked as the general manager of Shanghai Powerlong Huayun Art Development Co., Ltd. (上海寶龍華韻藝術發展有限公司), a cultural and art event planning and marketing company controlled by Mr. Hoi Kin Hong, one of the Controlling Shareholders, where she was primarily responsible for general management and business development. Since June 2017, she has been the head of cultural sector of Powerlong Holdings, where she is primarily responsible for the overall management and business development of the cultural sector of Powerlong Holdings. She was awarded various honors and awards, including Gold Star of Annual Focus People in National Art (《國家美術》金星獎•年度焦點人物) and TOP 100 most influential artist in the Art Power List in China for 2018 (2018年度中國藝術權力榜TOP100最具影響力藝術人物).

Ms. Hoi Wa Lam is an executive member of the 4th Council of the World Jinjiang Youth Association (世界晉江青年聯誼會) and a vice chairman of the Powerlong Art Foundation (上海寶龍文化發展基金會). Ms. Hoi Wa Lam graduated from the University of Macau (澳門大學) in Macau, where she obtained a bachelor's degree in business administration in July 2008. She also obtained a master's degree in business administration from the University of Leicester in the United Kingdom in January 2011 and an executive master of business administration (EMBA) degree from Shanghai Jiao Tong University (上海交通大學) in the PRC in June 2018.

Ms. Hoi Wa Lam is the cousin of Mr. Hoi Wa Fong, an executive Director, chairman of the Board and president of the Group, and Ms. Hoi Wa Fan, our non-executive Director.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Ng Yi Kum, Estella (伍綺琴), aged 63, was appointed as an independent non-executive Director on 10 December 2019 and is responsible for providing independent advice on the operations and management of the Group. From September 2005 to November 2007, she was an executive director of Hang Lung Properties Limited (stock code: 101), a real estate development company whose shares are listed on the Main Board of the Stock Exchange. Prior to her joining in Hang Lung Properties Limited, she worked as a senior vice president of the Stock Exchange. From January 2008 to April 2014, Ms. Ng was the chief financial officer of Country Garden Holdings Company Limited (stock code: 2007), a real estate development company whose shares are listed on the Main Board of the Stock Exchange. Ms. Ng joined Tse Sui Luen Jewellery (International) Limited ("**TSL**") (stock code: 417), a jewelery company whose shares are listed on the Main Board of the Stock Exchange, in July 2015 and is currently an executive director, the deputy chairman, the chief strategy officer, the chief financial officer and the company secretary of TSL. She is primarily responsible for group finance and other administrative functions as well as defining corporate strategies of TSL.

Ms. Ng was an independent non-executive director of China Power Clean Energy Development Company Limited (stock code: 735), a clean energy development company which was delisted from the Stock Exchange in August 2019. She is currently an independent non-executive director of Tianjin Development Holdings Limited (stock code: 882), a utilities, hotel, electrical and mechanical, strategic and other investments and pharmaceutical company whose shares are listed on the Main Board of the Stock Exchange, Comba Telecom Systems Holdings Limited (stock code: 2342), a solution and service provider of wireless and communication systems whose shares are listed on the Main Board of the Stock Exchange, and CT Vision (International) Holdings Limited (formerly known as Win Win Way Construction Holdings Limited) (stock code: 994), a construction company whose shares are listed on the Main Board of the Stock Exchange. Ms. Ng served as an independent director of DS Healthcare Group, Inc. from May 2016 to May 2017, a healthcare company whose shares were listed on the Nasdaq Capital Market in the United States but were delisted in December 2016. She served as an independent non-executive director of China Mobile Games and Entertainment Group Limited, a mobile games and entertainment company whose shares are listed by way of American Depositary Shares on the Nasdaq Global Market in the United States, from September 2012 to August 2015. Ms. Ng also served as an independent non-executive director of Hong Kong Resources Holdings Company Limited (stock code: 2882), a jewelery company whose shares are listed on the Main Board of the Stock Exchange, from September 2008 to July 2015.

Ms. Ng is a qualified accountant and holds a master's degree in business administration from the Hong Kong University of Science and Technology in Hong Kong. She is an associate of The Institute of Chartered Accountants in England and Wales, The Institute of Chartered Secretaries and Administrators, a fellow of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. She is an elected member of Quality Tourism Services Association Governing Council (Retailer Category) with effect from 2 December 2019. She has also contributed her time to various public service appointments, including being a co-opted member of the audit committee of the Hospital Authority from December 2002 to November 2013.

Mr. Chan Wai Yan, Ronald (陳惠仁), aged 40, was appointed as an independent non-executive Director on 10 December 2019 and is responsible for providing independent advice on the operations and management of the Group. Mr. Chan founded Chartwell Capital Limited, an investment management company, in October 2007 and is currently the chief investment officer. He has been its responsible officer for Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (the "**SFO**") since November 2008 and February 2008, respectively. He was appointed by the Stock Exchange to serve as a member of the Listing Committee of the Main Board and GEM in July 2016. He is currently an independent non-executive director of Wine's Link International Holdings Limited (stock code: 8509), a wine products company whose shares are listed on GEM of the Stock Exchange.

Mr. Chan obtained a bachelor of science's degree in finance and accounting from the Leonard and Stern School of Business at New York University in the United States in May 2002.

Dr. Lu Xiongwen (陸雄文), aged 54, was appointed as an independent non-executive Director on 10 December 2019 and is responsible for providing independent advice on the operations and management of the Group. Since July 1991, he has been engaged in teaching and research in Fudan University (復旦大學) in the PRC. He became an associate professor and a professor in Fudan University in July 1997 and May 1999, respectively. During the period from 1996 and 2006, he also held various positions including assistant dean, head of marketing, associate dean and executive associate dean of the school of management in Fudan University. Since August 2006, he has been the dean of the school of management in Fudan University.

Dr. Lu is currently an independent non-executive director of Shanghai Jinqiao Export Processing Zone Development Co., Ltd. （上海金橋出口加工區開發股份有限公司）(stock code for A-shares: 600639.SH and stock code for B-shares: 900911.SH), a property development and management company for the Shanghai Jinqiao Export Processing Zone whose shares are listed on the Shanghai Stock Exchange, Baoshan Iron & Steel Co., Ltd.（寶山鋼鐵股份有限公司）(stock code: 600019.SH), an iron and steel smelting company whose shares are listed on the Shanghai Stock Exchange, and Shanghai New Huang Pu Industrial Group Co., Ltd. （上海新黃浦實業集團股份有限公司）(stock code: 600638.SH), a property development and management company whose shares are listed on the Shanghai Stock Exchange. He is currently also an independent non-executive director of Morgan Stanley Huaxin Securities Co., Ltd. (摩根士丹利華鑫證券有限責任公司), a joint venture company established by Morgan Stanley and Huaxin Securities and principally engaged in stocks underwriting and sponsoring, bonds issuance and proprietary trading, and SPD Silicon Valley Bank Co., Ltd.（浦發硅谷銀行有限公司）, a joint venture bank established by Shanghai Pudong Development Bank Co., Ltd. and Silicon Valley Bank.

Dr. Lu obtained a bachelor's degree, a master's degree and a doctor's degree in economics from Fudan University (復旦大學) in the PRC in July 1988, July 1991 and January 1997, respectively.

SENIOR MANAGEMENT

Mr. Pang Mengxuan (龐夢軒), aged 47, joined the Group as the deputy general manager of the Group in charge of the market research center and investment management center in December 2014 and is primarily responsible for market research, positioning planning, brand management and opening preparation of retail commercial properties of the Group. Mr. Pang has more than 25 years of experience in the commercial operational service industry. Prior to joining the Group, from September 2006 to February 2010, Mr. Pang served as the vice president of Shanghai Jiaheng Haofa Real Estate Development Management Co., Ltd. (上海嘉恒浩發房地產開發管理有限公司), a real estate development, commercial operation and fund management company, where he was primarily responsible for the overall management of commercial operational service business of the group. From February 2010 to February 2012, he worked as the regional general manager of the Shanxi branch company of Wanda Commercial Management Group Co., Ltd. (萬達商業管理集團有限公司陜西分公司), a commercial operational service company, where he was primarily responsible for the management of the commercial operational service business in Xi'an region. From February 2012 to April 2013, Mr. Pang served as the vice president of Chengdu Shihao Xinrui Group Co., Ltd. (成都世豪新瑞集團有限公司), a real estate development and operation company, where he was primarily responsible for the management of commercial operational service business of the group. From April 2013 to November 2014, Mr. Pang served as the vice president of Guangdong Chuanghong Group Co., Ltd. (廣東創鴻集團有限公司), a real estate development and operation company, where he was primarily responsible for the management of commercial operational and residential property management service business, as well as hotel operation.

Mr. Pang obtained a bachelor's degree in business administration from Shanghai Polytechnic University (上海第二工業大學) in the PRC in July 2002. He also attended the Wharton and E-House (China) Real Estate Executive program at the University of Pennsylvania in the United States in April 2014.

Mr. Zhang Jimin (張繼民), aged 46, joined the Group in March 2006 as the assistant to president of the Group and subsequently held various positions including the general manager of the operational management center in the south China region and the regional general manager of the Fujian region. He was appointed as the deputy general manager of the Group and the general manager of the administrative human resource center and internal control center in April 2019 and is responsible for the management of human resources, administrative systems and legal affairs of the Group, as well as monitoring and evaluating the effectiveness of the internal control system of the Group.

From December 1998 to June 2004, he worked as the human resources manager of Sinobioway Biomedicine Co., Ltd. (未名生物醫藥公司) (formerly known as Xiamen Beidazhilu Biology Co., Ltd. (廈門北大之路生物公司)), a biopharmaceutical company, where he was primarily responsible for human resources management. From July 2004 to February 2006, Mr. Zhang served as a consultant at Xiamen Boge Consulting Co., Ltd. (廈門市博格管理諮詢有限公司), a business management consulting company, where he was primarily responsible for providing consultation services.

Mr. Zhang obtained a bachelor's degree in management and law from Nankai University (南開大學) in the PRC in June 1996.

Mr. Pan Xiaotao (潘嘯濤), aged 50, joined the Group in June 2018 as the general manager of the central China operational management center and was appointed as the deputy general manager of the Group in charge of the central China operational management center in December 2018. He is responsible for the formulation of business objectives and management plan of the Group in the central China region, as well as overseeing the operation of the Group in the central China region.

Prior to joining the Group, from December 2011 to October 2013, Mr. Pan served as the regional general manager in Ningbo region of the Ningbo branch company of Wanda Group Commercial Management Co., Ltd. (萬達商業管理集團有限公司寧波分公司), a commercial operational service company, where he was primarily responsible for the management of commercial operational service business. From December 2013 to November 2014, he worked as the commercial vice president of Shanghai Yuyuan Business Travel Industry Investment Management Co., Ltd. (上海豫園商旅文產業投資管理有限公司), a business travel development and operation company, where he was primarily responsible for the pre-opening preparation and management of commercial operational services of commercial projects. From November 2014 to May 2016, Mr. Pan served as the general manager of the commercial operational management department of Shanghai AUX Commercial Property Co., Ltd. (上海奧克斯商業地產有限公司), a commercial real estate development and operation company, where he was primarily responsible for the pre-opening preparation and management of commercial operational services of commercial projects. From June 2016 to June 2018, Mr. Pan served as the deputy general manager of Chongqing Xiexin Shopping Center Development Management Co., Ltd. (重慶協信購物中心發展管理有限公司), a commercial real estate development and operation company, where he was primarily responsible for the management of the commercial operation department and projects in Shanghai.

Mr. Pan obtained a bachelor’s degree in packaging engineering from the engineering college of Shanghai University (上海大學工學院) in the PRC in July 1992.

Ms. Wen Haixia (溫海霞), aged 43, joined the Group as the general manager of the financial management center in August 2018 and is responsible for the financial management, cost control and investment management of the Group.

Prior to joining the Group, from March 2006 to February 2009, Ms. Wen served in various subsidiaries of Parkson Retail Group Limited (百盛商業集團), a department store company whose shares are listed on the Main Board of the Stock Exchange (stock code: 3368), the Malaysia Stock Exchange (stock code: 5657) and the Singapore Stock Exchange (stock code: O9E), with her last position as the deputy financial manager of Shanghai Hongqiao Parkson Commercial Co., Ltd. (上海虹橋百盛商貿有限公司), where she was primarily responsible for financial analysis and management. From January 2010 to April 2013, she was the assistant financial director of Shanghai Shimao Co., Ltd. (上海世茂股份有限公司), a commercial property development and management company whose shares are listed on the Shanghai Stock Exchange (stock code: 600823.SH), where she was primarily responsible for the financial management of the commercial operation department. From April 2013 to April 2018, Ms. Wen served as the chief financial officer at Shanghai Aegean Commercial Group Co., Ltd. (上海愛琴海商業集團), a commercial operational service company focusing on shopping malls, where she was primarily responsible for the financial management center.

Ms. Wen obtained a diploma’s degree in investment economics from Zhejiang University of Finance & Economics (浙江財經大學) in the PRC in July 1999. She obtained the qualification of intermediate accountant granted by the MOF in September 2003 and Certified Public Accountant (non-practicing member) granted by the Shanghai Institute of Certified Public Accountants (上海市註冊會計師協會) in December 2009. Ms. Wen also obtained the board secretary certificate granted by the Shanghai Stock Exchange in January 2018 and the fund qualification certificate granted by the Asset Management Association of China (中國證券投資基金業協會) in January 2019.

JOINT COMPANY SECRETARIES

Ms. Jin Hong (金紅), aged 39, joined the Group as the general manager of the capital department in July 2019 and was appointed as one of the joint company secretaries of the Company on 8 August 2019. She is primarily responsible for the investment relations management, investment management and company secretarial matters of the Group.

From December 2012 to May 2015, Ms. Jin worked as the manager of the investor relations department of Shanghai Fosun High Technology (Group) Co., Ltd. (上海復星高科技(集團)有限公司), an investment company and a subsidiary of Fosun International Limited (復星國際有限公司) (stock code: 00656), a diversified investment company whose shares are listed on the Main Board of the Stock Exchange, where she was primarily responsible for investor relations management. From May 2015 to June 2017, she served as the senior supervisor in the board office of Orient International Company Limited*(東方證券股份有限公司), an integrated securities company whose shares are listed on both the Shanghai Stock Exchange (stock code: 600958.SH) and the Main Board of the Stock Exchange (stock code: 03958), where she was primarily responsible for investor relations management. From June 2017 to July 2019, Ms. Jin worked as the director of the capital department of Powerlong Holdings, where she was primarily responsible for investor relations management and investment and financing related matters.

Ms. Jin obtained a bachelor's degree in management from Wuhan University (武漢大學) in the PRC in June 2004 and a master of business administration degree from Fudan University (復旦大學) in the PRC in June 2012. Ms. Jin also obtained the certificate of qualification for secretary of the board granted by the Shanghai Stock Exchange in August 2015.

Ms. Chan Pung Fei (陳芃霏), aged 30, was appointed as one of the joint company secretaries of the Company on 8 August 2019. Ms. Chan is a manager of corporate services of Vistra Corporate Services (HK) Limited, a corporate services provider. She has over seven years of experience in providing full range of company secretarial and compliance services.

Ms. Chan has been an associate member of the Hong Kong Institute of Chartered Secretaries since December 2016 and an associate member of the Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators) in the United Kingdom since December 2016. She has also been a full member of The Society of Trust and Estate Practitioners since May 2018 and a professional member of International Compliance Association since September 2018.

Ms. Chan obtained her bachelor's degree in business administration in accountancy from the Hong Kong Polytechnic University in 2012.

CHANGES TO DIRECTORS' INFORMATION

Save as disclosed herein, the Directors confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Corporate Governance Report

The Board of Directors is pleased to present the corporate governance report for the Company for the year ended 31 December 2019.

CORPORATE GOVERNANCE PRACTICES

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

The Company has applied the principles and adopted the code provisions stated in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules. The Company is committed to the view that the Board should include a balanced composition of executive Directors and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

The Company has complied with all applicable code provisions set out in the CG Code throughout the period from the Listing Date up to the date of this annual report.

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 to the Listing Rules as its own securities dealing code to regulate all dealings by Directors and relevant employees of securities in the Company and other matters covered by the Model Code.

Specific enquiry has been made by the Company to all the Directors and the relevant employees and they have confirmed that they have complied with the Model Code during the period from the Listing Date up to the date of this annual report.

BOARD OF DIRECTORS

During the period from the Listing Date up to the date of this annual report, the Board comprises two executive Directors, two non-executive Directors and three independent non-executive Directors.

The composition of the Board is as follows:

Executive Directors

Mr. Hoi Wa Fong (許華芳) (Chairman of the Board and president)
Mr. Zhang Yunfeng (張雲峰) (Chief executive officer)

Non-executive Directors

Ms. Hoi Wa Fan (許華芬)
Ms. Hoi Wa Lam (許華琳)

Independent non-executive Directors

Ms. Ng Yi Kum, Estella (伍綺琴)
Mr. Chan Wai Yan, Ronald (陳惠仁)
Dr. Lu Xiongwen (陸雄文)

The biographical details of the Directors are set out in the section headed "Directors and Senior Management" on pages 26 to 31 of this annual report.

Mr. Hoi Wa Fong is brother of Ms. Hoi Wa Fan and cousin of Ms. Hoi Wa Lam.

Ms. Hoi Wa Fan is sister of Mr. Hoi Wa Fong and cousin of Ms. Hoi Wa Lam.

Ms. Hoi Wa Lam is cousin of Mr. Hoi Wa Fong and Ms. Hoi Wa Fan.

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

Under the current organisation structure of the Company, Mr. Hoi Wa Fong is the chairman of the Board and Mr. Zhang Yunfeng is the chief executive officer of the Company.

DIRECTORS' AND SENIOR MANAGEMENT'S LIABILITY INSURANCE AND INDEMNITY

The Company has arranged appropriate liability insurance to indemnify the Directors and senior management of the Company for their liabilities arising out of corporate activities. The insurance coverage will be reviewed on an annual basis.

BOARD MEETINGS AND COMMITTEE MEETINGS

Code provision A.1.1 of the CG Code stipulates that board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors, either in person or through electronic means of communications.

The Board held one meeting during the period from the Listing Date up to 31 December 2019. The Directors expects to convene at least four regular Board meetings in each financial year at approximately quarterly intervals in accordance with code provision A.1.1 of the CG Code.

A summary of the attendance record of the Directors at Board meetings and committee meetings is set out below:

	Number of meeting(s) attended/number of meeting(s) held since the Listing Date up to 31 December 2019			
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive Directors:				
Mr. Hoi Wa Fong	1/1	0/0	0/0	0/0
Mr. Zhang Yunfeng	1/1	0/0	0/0	0/0
Non-executive Directors:				
Ms. Hoi Wa Fan	1/1	0/0	0/0	0/0
Ms. Hoi Wa Lam	1/1	0/0	0/0	0/0
Independent non-executive Directors:				
Ms. Ng Yi Kum, Estella	1/1	0/0	0/0	0/0
Mr. Chan Wai Yan, Ronald	1/1	0/0	0/0	0/0
Dr. Lu Xiongwen	1/1	0/0	0/0	0/0

As the Company was listed on the Main Board of the Stock Exchange on 30 December 2019, each of the audit committee (the "**Audit Committee**"), remuneration committee (the "**Remuneration Committee**") and nomination committee (the "**Nomination Committee**") of the Company did not hold any meeting, and the Company was not required to hold annual general meeting during the year ended 31 December 2019.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for an initial term of 3 years with effect from the Listing Date.

Each of the non-executive Directors and independent non-executive Directors has signed a letter of appointment with the Company for an initial term of 3 years with effect from the Listing Date.

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

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

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

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

BOARD COMMITTEES

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

Audit Committee

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

The Audit Committee comprises three independent non-executive Directors, namely Ms. Ng Yi Kum, Estella, Mr. Chan Wai Yan, Ronald and Dr. Lu Xiongwen. Ms. Ng Yi Kum, Estella is the chairman of the Audit Committee.

The Company was listed on the Main Board of the Stock Exchange on 30 December 2019. The Audit Committee did not hold any meeting since the Listing Date up to 31 December 2019.

On 9 March 2020, the Audit Committee held a meeting to review the Group's policies on corporate governance and discussed the same with the Board, to review the Company's financial reporting system, compliance procedures, internal control and risk management systems (including operation, tenant sourcing, procurement and cost, financial control and risk management) and associated processes, and discussed the reappointment of the external auditor. The Audit Committee also reviewed the annual results announcement of the Company and annual report of the Company for the year ended 31 December 2019.

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

Directors	Attended in person/Eligible to attend
Ms. Ng Yi Kum, Estella (Chairman)	1/1
Mr. Chan Wai Yan, Ronald	1/1
Dr. Lu Xiongwen	1/1

During the period from the Listing Date up to the date of this annual report, the Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of external auditor.

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

Remuneration Committee

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

The Remuneration Committee comprises one executive Director, namely Mr. Hoi Wa Fong, and two independent non-executive Directors, namely Mr. Chan Wai Yan, Ronald and Dr. Lu Xiongwen. Dr. Lu Xiongwen is the chairman of the Remuneration Committee.

The Company was listed on the Main Board of the Stock Exchange on 30 December 2019. The Remuneration Committee did not hold any meeting since the Listing Date up to 31 December 2019.

On 9 March 2020, the Remuneration Committee held a meeting to discuss and review the remuneration policy for the Directors and senior management of the Company, to assess performance of the executive Directors, and make recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

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

Directors	Attended in person/Eligible to attend
Dr. Lu Xiongwen (Chairman)	1/1
Mr. Hoi Wa Fong	1/1
Mr. Chan Wai Yan, Ronald	1/1

Details of the remuneration payable to each Director of the Company for the year ended 31 December 2019 are set out in Note 32 to the Consolidated Financial Statements.

The remuneration of the members of senior management by band for the year ended 31 December 2019 is set out below:

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

Nomination Committee

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

The Nomination Committee comprises one executive Director, namely Mr. Hoi Wa Fong, and two independent non-executive Directors, namely Dr. Lu Xiongwen and Mr. Chan Wai Yan, Ronald. Mr. Hoi Wa Fong is the chairman of the Nomination Committee.

The Company was listed on the Main Board of the Stock Exchange on 30 December 2019. The Nomination Committee did not hold any meeting since the Listing Date up to 31 December 2019.

On 9 March 2020, the Nomination Committee held a meeting to review and discuss the policy, procedures and criteria for nomination of the Directors, review and discuss the Board diversity policy and to discuss all measurable objectives set for implementing the policy and the progress made towards meeting the measurable objective in the policy, assessed the independence of independent non-executive Directors, considered the re-appointment of the retiring Directors, reviewed the time commitment required from the Directors.

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

Directors	Attended in person/Eligible to attend
Mr. Hoi Wa Fong (Chairman)	1/1
Mr. Chan Wai Yan, Ronald	1/1
Dr. Lu Xiongwen	1/1

Nomination Policy

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

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

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

Dividend Policy

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

Pursuant to the Dividend Policy, any declaration and payment as well as the amount of dividends will be subject to the Company's constitutional documents and the relevant laws. The Board intends to recommend at the relevant Shareholders' meetings an annual dividend of no less than 30% of the profits available for distribution generated in each financial year beginning from the year ended 31 December 2019. The recommendation of the payment of dividend is subject to the absolute discretion of the Board, and any declaration of final dividend for the year will be subject to the approval of the Shareholders.

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

Board Diversity Policy

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

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

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

CORPORATE GOVERNANCE FUNCTION

The Board has delegated the functions set out in code provision D.3.1 of the Corporate Governance Code to the Audit Committee.

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

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

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2019.

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

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

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

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

During the year ended 31 December 2019 and prior to the Listing, all of the Directors, namely, Mr. Hoi Wa Fong, Mr. Zhang Yunfeng, Ms. Hoi Wa Fan, Ms. Hoi Wa Lam, Ms. Ng Yi Kum, Estella, Mr. Chan Wai Yan, Ronald and Dr. Lu Xiongwen participated in a training session conducted by Sidley Austin, the legal adviser of the Company as to Hong Kong law, on directors' duties, responsibilities and obligations under the Listing Rules and the SFO.

The Company will arrange regular seminars to provide Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

AUDITOR'S RESPONSIBILITY AND REMUNERATION

The Company appointed PricewaterhouseCoopers, Certified Public Accountants, Hong Kong ("**PwC**") as the external auditor for the year ended 31 December 2019. A statement by PwC about their reporting responsibilities for the financial statements is included in the section headed "Independent Auditor's Report" of this annual report.

Details of the fees paid/payable in respect of the audit and non-audit services provided by PwC for the year ended 31 December 2019 are set out in the table below:

Services rendered	(RMB' million)
Audit services:	
Annual audit	**1.2**
Non-audit services:	
Reporting accountant services	**5.5**
Other non-audit services in respect of the Listing	**0.8**

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges that it is responsible for the Company's risk management and internal control systems and reviewing their effectiveness at least annually. The risk management and internal control measures are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board had conducted a review of the effectiveness of the risk management internal control system of the Company in respect of the year ended 31 December 2019 covering all material controls, including financial, operational and compliance control, and considered the system effective and adequate.

The Group has an internal control department, and has designated relevant personnel who are responsible for identifying and monitoring the Group's risks and internal control issues and reports directly to the Board of any findings and follow-up actions. Each member of the Group is required to adhere strictly to the Group's internal control procedures and report to the internal control team of any risks or internal control measures.

The Audit Committee and management together monitor the implementation of the risk management policies (the "**Risk Management Policies**") on an ongoing basis to ensure the policies and implementation are effective and sufficient. Arrangements are in place to identify, evaluate and manage significant risks including operation, tenant sourcing, procurement and cost, financial control and risk management. The Company's management, under the supervision of the Board or a committee of the Board takes reasonable steps to (i) monitor compliance with the Risk Management Policies, and (ii) when appropriate, impose and enforce appropriate disciplinary measures for violations of the Risk Management Policies.

The Group has established a supervision department to perform internal audit function on the Group's affairs. The supervision department is responsible for carrying out analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems. The supervision department reports to the Audit Committee on its findings and makes recommendations in respect of any issues identified by the external auditor of the Group.

DISCLOSURE OF INSIDE INFORMATION

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

COMPANY SECRETARY AND PRIMARY CONTACT OF THE COMPANY

The Company has appointed Ms. Chan Pung Fei and Ms. Jin Hong as the joint company secretaries of the Company. Ms. Chan is a manager of Corporate Services of Vistra Corporate Services (HK) Limited (a company secretarial service provider). Ms. Jin is the general manager of the capital department to the Company, and is the primary contact of Ms. Chan Pung Fei at the Company.

In compliance with Rule 3.29 of the Listing Rules, Ms. Jin Hong and Ms. Chan Pung Fei both undertook not less than 15 hours of relevant professional training to update their skills and knowledge during the year ended 31 December 2019.

SHAREHOLDERS' RIGHTS

Convening of Extraordinary General Meetings ("EGM") by Shareholders

Pursuant to article 12.3 of the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any one or more members holding together, as at the date of deposit of the requisition, shares representing not less than one-tenth of the paid up capital of the Company which carry the right of voting at general meetings of the Company. The written requisition shall be deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, specifying the objects of the meeting and signed by the requisitionist(s).

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Putting forward proposals at Shareholders' meetings

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

Putting Forward Enquiries to the Board and Contact Details

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

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

Address:	Powerlong Tower, 1399 Xinzhen Road, Minhang District, Shanghai, PRC (Postal Code: 201101)
Telephone:	(+86) 021-51759999
E-mail address:	boardteam9909@powerlong.com

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the forthcoming annual general meeting, Directors (or their delegates as appropriate) will be available to meet Shareholders and answer their enquiries.

CHANGES IN CONSTITUTIONAL DOCUMENTS

The Company's Articles of Association has been amended and restated with effect from the Listing Date, and are available on the respective website of the Stock Exchange and the Company. Save as disclosed above, during the year ended 31 December 2019, the Company did not made any significant changes to its constitutional documents.

Report of the Directors

The Board of the Company is pleased to present this report of Directors together with the consolidated financial statements of the Group for the year ended 31 December 2019.

DIRECTORS

The Directors who held office during the year ended 31 December 2019 and up to the date of this annual report are:

Executive Directors:

Mr. Hoi Wa Fong (許華芳) (Chairman of the Board and president)
Mr. Zhang Yunfeng (張雲峰) (Chief executive officer)

Non-Executive Directors:

Ms. Hoi Wa Fan (許華芬)
Ms. Hoi Wa Lam (許華琳)

Independent Non-executive Directors:

Ms. Ng Yi Kum, Estella (伍綺琴)
Mr. Chan Wai Yan, Ronald (陳惠仁)
Dr. Lu Xiongwen (陸雄文)

Biographical details of the Directors and senior management of the Company are set out in the section headed "Directors and Senior Management" on pages 26 to 31 of this annual report.

GLOBAL OFFERING

The Company was incorporated in the Cayman Islands on 25 March 2019 as an exempted limited liability company under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares were listed on the Main Board of the Stock Exchange on 30 December 2019.

PRINCIPAL ACTIVITIES

The Group is a leading commercial operational service provider in China with principal business lines including:

- Commercial operational services: the Group provides full-chain services including positioning, tenant sourcing, opening, operation to management with respect to shopping malls and shopping streets, which primarily include (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 during the operation stage of a retail commercial property to property owners or tenants; and (iii) property leasing services with respect to units located within the shopping streets and shopping malls.

- Residential property management services: the Group provides property management services for residential properties, office buildings and serviced apartments which primarily include (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 our managed properties, such as pre-delivery preparation and trash handling services, common area, advertising space and car park management services.

Analysis of the principal activities of the Group during the year ended 31 December 2019 is set out in the section headed "Management Discussion and Analysis" of this annual report.

BUSINESS REVIEW

A fair review of the business of the Group including an analysis of the Group's financial performance and an indication of likely future developments in the Group's business is set out in the section headed "Management Discussion and Analysis" of this annual report. These discussions form part of the Report of the Directors. The Group's key relationship with its stakeholders (including employees, customers and suppliers) who have a significant impact on the Group and on which the Group's success depends, is set out in this report. Events affecting the Group that have occurred since the end of the financial year ended 31 December 2019 is set out in the section headed "Important Events After The Balance Sheet Date" in this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

However, the above is not an exhaustive list. Investors are advised to make their own judgment or consult their own investment advisors before making any investment in the shares of the Company.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

Further details of the Group's environmental policies and performance will be disclosed in the environmental, social and governance report of the Company for the year ended 31 December 2019 to be published in due course.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended 31 December 2019, there was no material breach of, or non-compliance, with applicable laws and regulations by the Group.

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 Group 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. As of 31 December 2019, the detailed terms of the employee share incentive scheme has not been confirmed and adopted. The total remuneration expenses, for the year ended 31 December 2019 were RMB558.3 million, representing an increase of 10.9% as compared to the previous year. The Group also participates in various employee social security plans for its employees, including housing provident fund, pension, medical insurance, social insurance and unemployment insurance. During the year ended 31 December 2019, the Group did not experience any significant labour disputes or any difficulty in recruiting employees.

RETIREMENT BENEFITS SCHEME

The Group does not have any employee who is required to participate in the Mandatory Provident Fund in Hong Kong. The employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The employees of the PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to this retirement benefits scheme is to make the required contributions under the scheme.

Details of the pension obligations of the Group are set out in Note 8 to the consolidated financial statements in this annual report.

CONTINUING CONNECTED TRANSACTIONS

The following transactions constituted continuing connected transactions of the Group for the year ended 31 December 2019, which are subject to the reporting and annual review requirements under Chapter 14A of the Listing Rules:

1. Car Parking Lots Management Services

Background

On 10 December 2019, the Group entered into a car parking lots management services framework agreement with Powerlong Holdings (for itself and on behalf of the other members of the Remaining Powerlong Group and its associates) (the "**Car Parking Lots Management Services Framework Agreement**"), pursuant to which the Group shall manage certain car parking lots owned by the Remaining Powerlong Group and/or its associates and subleased to customers in the properties we managed (the "**Car Parking Lots Management Services**"), for a term commencing from the Listing Date to 31 December 2021.

On 1 January 2019, the Group and the Remaining Powerlong Group have agreed to adopt a new car parking lots management arrangement, pursuant to which the Group would lease the car parking lots from the Remaining Powerlong Group and its associates and manage the car parking lots. Under such arrangement, the Group would pay an annual rent to the Remaining Powerlong Group and its associates, while the income generated from the car parking lots would be received from independent third party customers and this would not constitute continuing connected transactions for the Group.

The annual fee paid/payable by the Group under the Car Parking Lots Management Services Agreement for the year ended 31 December 2019 is RMB47.9 million. The annual cap of the annual fee payable by the Group under the Car Parking Lots Management Services Framework Agreement for the year ended 31 December 2019 is RMB48.0 million, and for each of the two years ending 31 December 2020 and 31 December 2021 is RMB48.7 million and RMB57.5 million, respectively.

2. Residential Property Management Services

Background

On 10 December 2019, the Group entered into a consultation and management services framework agreement with Powerlong Holdings (for itself and on behalf of the other members of the Remaining Powerlong Group and its associates) (the "**Residential Property Management Services Framework Agreement**"), pursuant to which the Group agreed to provide to the Remaining Powerlong Group and/or its associates residential property management services, including but not limited to (i) residential property management services for unsold units and sales offices owned by the Remaining Powerlong Group and/or its associates; and (ii) early stage initiation services, including but not limited to providing staff training before the delivery of the properties and initiation residential property management service before the completion of property projects, and housing inspection services on properties developed by the Remaining Powerlong Group and/or its associates upon completion of construction and before delivery of the same to homeowners (the "**Residential Property Management Services**"), for a term commencing from the Listing Date to 31 December 2021.

The annual fee paid/payable by the Remaining Powerlong Group and/or its associates under the Residential Property Management Services Framework Agreement for the year ended 31 December 2019 is RMB48.1 million. The annual cap of the annual fee payable by the Remaining Powerlong Group and/or its associates under the Residential Property Management Services Framework Agreement for the year ended 31 December 2019 is RMB53.6 million and for each of the two years ending 31 December 2020 and 31 December 2021 is RMB63.3 million and RMB74.7 million respectively.

3. Commercial Operational Services

Background

On 10 December 2019, the Group entered into a commercial operational services framework agreement (the "**Commercial Operational Services Framework Agreement**") with Powerlong Holdings (for itself and on behalf of the other members of the Remaining Powerlong Group and its associates), pursuant to which the Group agreed to provide commercial operational services on the commercial buildings owned or operated by the Remaining Powerlong Group and/or its associates, including but not limited to, (i) market research and positioning, (ii) tenant sourcing and opening preparation; and (iii) tenant management and rent collection (the "**Commercial Operational Services**"), for a term commencing from the Listing Date to 31 October 2021.

The annual fee paid/payable by the Remaining Powerlong Group and/or its associates under the Commercial Operational Services Framework Agreement for the year ended 31 December 2019 is RMB202.4 million. The annual cap of the annual fee payable by the Remaining Powerlong Group and/or its associates under the Commercial Operational Services Framework Agreement for the year ended 31 December 2019 is RMB222.8 million and for each of the two years ending 31 December 2020 and 31 December 2021 is RMB267.2 million and RMB320.7 million respectively.

4. Common Area and Advertising Space Management Services

Background

On 10 December 2019, the Group entered into a common area and advertising space management services framework agreement with Powerlong Holdings (for itself and on behalf of the other members of the Remaining Powerlong Group and its associates) (the "**Common Area and Advertising Space Management Services Framework Agreement**"), pursuant to which the Group agreed to manage the common area and advertising space in the properties owned by the Remaining Powerlong Group and/or its associates and sublease to the independent third parties (the "**Common Area and Advertising Space Management Services**"), for a term commencing from the Listing Date to 31 December 2021.

On 1 January 2019, the Group and the Remaining Powerlong Group have agreed to adopt a new common area and advertising space management arrangement, pursuant to which the Group will lease the common area and advertising space from the Remaining Powerlong Group and its associates and manage the common area and advertising space. Under such arrangement, the Group would pay an annual rent to the Remaining Powerlong Group and its associates, while the income generated from the common area and advertising space management would be received from independent third party customers and this would not constitute continuing connected transactions for the Group.

The annual fee paid/payable by the Group under the Common Area and Advertising Space Management Services Framework Agreement for the year ended 31 December 2019 is RMB68.9 million. The annual cap of the annual fee payable by the Group under the Common Area and Advertising Space Management Services Agreement for the year ended 31 December 2019 is RMB73.5 million and for each of the years ending 31 December 2020 and 31 December 2021 is RMB85.3 million and RMB99.2 million respectively.

Powerlong Holdings is a controlling shareholder of the Company and is therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under each of (i) the Car Parking Lots Management Services Framework Agreement, (ii) the Residential Property Management Services Framework Agreement, (iii) the Commercial Operational Services Framework Agreement and (iv) the Common Area and Advertising Space Management Services Framework Agreement constitutes continuing connected transactions of the Group under Chapter 14A of the Listing Rules.

Further details of the Car Parking Lots Management Services Framework Agreement, the Residential Property Management Services Framework Agreement, the Commercial Operational Services Framework Agreement and Common Area and Advertising Space Management Services Framework Agreement are set out under the section headed "Connected Transactions" in the Prospectus.

Confirmation from Independent Non-executive Directors

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the Car Parking Lots Management Services Framework Agreement, the Residential Property Management Services Framework Agreement, the Commercial Operational Services Framework Agreement and the Common Area and Advertising Space Management Services Framework Agreement as mentioned above (collectively known as the "**Agreements**"), and confirmed the Agreements have been entered into:

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

Confirmations from the Company's Independent Auditor

In accordance with Rule 14A.56 of the Listing Rules, the Group has engaged its auditor (the "**Auditor**") to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Auditor has issued his unqualified letter containing his findings and conclusions in respect of the aforesaid continuing connected transactions conducted by the Group for the year ended 31 December 2019. A copy of the auditor's letter has been delivered by the Company to the Stock Exchange.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the year ended 31 December 2019 are set out in Note 29 to the consolidated financial statements.

The related party transactions set out in Note 29 to consolidated financial statements include related party transactions disclosed under accounting standards and related party transactions which also constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The related party transactions in respect of the remuneration of directors and chief executives of the Company constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. However, these transactions are exempt from reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The related party transactions in respect of the remuneration of key management personnel (other than directors and chief executives) of the Company did not fall under the definition of connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. Unless otherwise disclosed in this report, the Directors believe, all other related party transactions set out in Note 29 to the consolidated financial statements do not fall within the definition of "connected transactions" or "continuing connected transactions" under Chapter 14A of the Listing Rules (as the case may be). The Company confirmed that it was in compliance with the disclosure requirements in Chapter 14A of the Listing Rules for the year ended 31 December 2019 or a waiver from such provisions has been obtained from the Stock Exchange.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year ended 31 December 2019 was the Company, its holding company, or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities including debentures of, the Company or any other body corporate.

MAJOR CUSTOMERS AND SUPPLIERS

Our customers primarily consist of property developers, property owners, property owners' associations and tenants.

For the year ended 31 December 2019, the revenue amounts from the Group's five largest customers accounted for 16.3% (2018: 20.5%) of the Group's total revenue and the revenue amount from the Group's single largest customer, the Remaining Powerlong Group, accounted for 14.1% (2018: 17.2%) of the Group's total revenue.

Other than the Remaining Powerlong Group, one of the Group's five largest customers in 2019, Hangzhou Zhanxiang Industrial Co., Ltd. (杭州展驤實業有限公司) which is an associate of the Company's substantial shareholder, Powerlong Holdings, and is indirectly owned as to approximately 50% by Powerlong Holdings, is the Company's connected person. Revenue generated from Hangzhou Zhanxiang Industrial Co., Ltd. was approximately RMB7.8 million, accounting for approximately 0.5% of the Group's total revenue in for the year ended 31 December 2019.

Other than the Remaining Powerlong Group and its joint ventures or associates which are real estate developers, the Group's customers during the year ended 31 December 2019 were all independent third parties.

Saved as disclosed above, none of the Directors, Shareholders, members of senior management, the close associates of the aforementioned or any other member of the Group who owned more than 5% of the Company's issued share capital held any interest in any of the Group's five largest customers other than the Remaining Powerlong Group. During the year ended 31 December 2019, other than the Remaining Powerlong Group, none of the Group's major suppliers was the Group's customer.

The Group's suppliers primarily consist of advertising and public relations companies, subcontractors and suppliers providing cleaning, gardening services, security, fire security, event planning and executing, and repair and maintenance services, property owners, owners of units located in the shopping streets and owners of certain shopping mall.

For the year ended 31 December 2019, the purchases amount from the Group's five largest suppliers accounted for 27.4% (2018: 19.3%) of the Group's total purchases and the purchases amount from the Group's single largest customer, the Remaining Powerlong Group, accounted for 17.6% (2018: 7.2%) of the Group's total purchases.

During the year ended 31 December 2019, other than the Remaining Powerlong Group, none of the Group's major suppliers was also the Group's customer and all of the Group's major suppliers were independent third parties. The Remaining Powerlong Group was also the Group's single largest customer during the year ended 31 December 2019.

Saved as disclosed above, none of the Directors, supervisors, their close associates or any Shareholders who, to the knowledge of the Directors, owned more than 5% of the Company's issued share capital, had any interest in any of the Group's five largest suppliers other than the Remaining Powerlong Group.

FINANCIAL SUMMARY

A summary of the audited consolidated results and the assets and liabilities of the Group for the last four financial years, as extracted from the audited consolidated financial statements, is set out on page 132 of this Annual Report. This summary does not form part of the audited consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

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

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 11 to the consolidated financial statements.

PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Company and the Group during the year ended 31 December 2019 are set out in Note 14 to the consolidated financial statements.

SHARE CAPITAL AND SHARES ISSUED

Details of movements in the share capital of the Company for the year ended 31 December 2019 and details of the Shares issued during the year ended 31 December 2019 are set out in Note 21 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this annual report, the Company has maintained the public float as required under the Listing Rules.

DEBENTURE ISSUED

The Group did not issue any debenture during the year ended 31 December 2019.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Group, or existed during the year ended 31 December 2019.

RESULTS AND DIVIDENDS

The consolidation results of the Group for the year ended 31 December 2019 are set out on pages 60 of consolidated statement of comprehensive income.

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 (PTC) Limited ("**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 in January 2020 and the repurchase of ordinary shares in January 2020. Such dividend is subject to approval by the Shareholders at the annual general meeting to be held on 12 June 2020. These consolidated financial statements do not reflect this dividend payable.

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

PERMITTED INDEMNITY

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

Such permitted indemnity provision has been in force for the year ended 31 December 2019. The Company has taken out liability insurance to provide appropriate coverage for the Directors.

RESERVES

Details of the movements in the reserves of the Group and of the Company during the year ended 31 December 2019 are set out in the consolidated statement of changes in equity and Note 31 to the consolidated financial statements.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 December 2019 are in this annual report and Note 24 to the consolidated financial statements.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for an initial term of 3 years with effect from 30 December 2019.

Each of the non-executive Directors and independent non-executive Directors has signed a letter of appointment with the Company for an initial term of 3 years with effect from 30 December 2019.

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

None of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year ended 31 December 2019.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The emoluments of the Directors and senior management of the Group are decided by the Board with reference to the recommendation given by the Remuneration Committee, having regard to the individual performance and comparable market statistics.

Details of the Directors' emoluments and emoluments of the five highest paid individuals (included one director) in the Group are set out in Note 32 and Note 8 to the consolidated financial statements.

For the year ended 31 December 2019, no emoluments were paid by the Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived or agreed to waive any emoluments for the year ended 31 December 2019.

Except as disclosed above, no other payments have been made or are payable, for the year ended 31 December 2019, by the Group to or on behalf of any of the Directors.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

Other than disclosed in the sections headed "Continuing Connected Transactions", "Related Party Transactions" and "Management Discussion and Analysis" and Note 29 to the consolidated financial statements contained in this annual report, no contract of significance was entered into between the Company or any of its subsidiaries and the Controlling Shareholders or any of its subsidiaries during the year ended 31 December 2019 or subsisted at the end of the year and no contract of significance for the provision of services to the Company or any of its subsidiaries by a Controlling Shareholder or any of its subsidiaries was entered into during the year ended 31 December 2019 or subsisted at the end of the year.

DEED OF NON-COMPETITION

On 10 December 2019, each of the Controlling Shareholders entered in to the Deed of Non-competition in favor of the Company, pursuant to which, among other things, each of the Controlling Shareholders has, among other things, irrevocably and unconditionally undertaken, jointly and severally given certain non-competition undertakings to the Company. Details of the Deed of Non-competition are set out in the section headed "Relationship with Controlling Shareholders – Deed of Non-Competition" in the Prospectus.

The Controlling Shareholders confirmed that they and their close associates have complied with the Deed of Non-competition for the year ended 31 December 2019. The independent non-executive Directors have conducted such review for the year ended 31 December 2019 and also reviewed the relevant undertakings and are satisfied that the Deed of Non-competition has been fully complied with.

RELATIONSHIP WITH STAKEHOLDERS

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

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

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

MANAGEMENT CONTRACTS

No contract, concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 December 2019.

AUDITOR

The Company's shares were only listed on the Stock Exchange on 30 December 2019, and there has been no change in auditors since the Listing Date. The consolidated financial statements for the year ended 31 December 2019 have been audited by PricewaterhouseCoopers, Certified Public Accountants, who are proposed for reappointment at the forthcoming annual general meeting of the Company.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as disclosed in this annual report, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

ANNUAL GENERAL MEETING

The 2020 annual general meeting (the "**2020 AGM**") will be held on Friday, 12 June 2020. Notice of the 2020 AGM and all other relevant documents will be published and despatched to shareholders of the Company in due course.

CLOSURE OF THE REGISTER OF MEMBERS

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

(i) from Monday, 8 June 2020 to Friday, 12 June 2020, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2020 AGM. In order to be eligible to attend and vote at the 2020 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 5 June 2020; and

(ii) from Thursday, 18 June 2020 to Monday, 22 June 2020, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to establish entitlements to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, 17 June 2020.

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

As at 31 December 2019, the interests and short positions of our Directors or chief executives of our Company in the shares, underlying shares and debentures of our Company or its associated corporation (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as contained in Appendix 10 to the Listing Rules were as follows:

(i) Long position in shares and underlying shares of the Company

Name of Director	Nature of interest	Number of ordinary shares	Approximate percentage of holding[1]
Mr. Hoi Wa Fong[2]	Interest in a controlled corporation	45,000,000	7.50%

Notes:

1. The calculation is based on the total number of 600,000,000 shares in issue as at 31 December 2019.

2. Huihong Management, the trustee of the Huihong Trust, is wholly-owned by Mr. Hoi Wa Fong for the purpose of a share incentive scheme to be adopted at least six months after the Listing. As of the date of this annual report, the detailed terms of the share incentive scheme and the relevant grantees had not been confirmed. By virtue of the SFO, Mr. Hoi Wa Fong is deemed to be interested in the shares held by Huihong Management.

(ii) Long position in shares of associated corporations

Name of Director	Name of associated Corporation	Nature of interest	Number of shares interested	Approximate percentage of interest
Mr. Hoi Wa Fong	Powerlong Holdings	Beneficial owner, founder of a discretionary trust and interest of spouse[1]	605,509,400	14.61%
Ms. Hoi Wa Fan	Powerlong Holdings	Beneficial owner and interest of a controlled corporation[2]	264,576,000	6.38%

Notes:

1. Of the 605,509,400 shares in Powerlong Holdings which Mr. Hoi Wa Fong is interested in, (i) 596,018,000 shares are held by Sky Infinity Holdings, which is owned by Seletar Limited and Serangoon Limited as nominee in trust for Credit Suisse Trust Limited, the trustee of the Sky Infinity Trust. Mr. Hoi Wa Fong is the settlor of the Sky Infinity Trust; (ii) 8,988,000 shares are held by Mr. Hoi Wa Fong in his personal capacity; and (iii) 503,400 shares are held by Ms. Shih Sze Ni Cecilia, the spouse of Mr. Hoi Wa Fong.

2. Of the 264,576,000 shares in Powerlong Holdings which Ms. Hoi Wa Fan is interested in, (i) 203,106,000 shares are held by Walong Holdings and Mantong Trading, which is wholly and beneficially owned by Ms. Hoi Wa Fan; and (ii) 61,470,000 shares are held by Ms. Hoi Wa Fan in her personal capacity.

Save as disclosed above, as at 31 December 2019, none of the Directors or the chief executives of the Company had, or were deemed to have, any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (b) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2019, so far as the Directors are aware, the following persons (other than the Directors or chief executives of the Company) and companies had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

(i) Long position in shares of the Company

Name of Shareholder	Capacity/Nature of interest	Number of ordinary shares	Approximate percentage of holding[1]
Mr. Hoi Kin Hong[2]	Interest in a controlled corporation	405,000,000	67.50%
Powerlong Real Estate (BVI) Holdings Limited[2]	Beneficial owner	405,000,000	67.50%
Powerlong Real Estate Holdings Limited[2]	Interest in a controlled corporation	405,000,000	67.50%
Skylong Holdings Limited[2]	Interest in a controlled corporation	405,000,000	67.50%
Ms. Wong Lai Chan[3]	Interest of spouse	405,000,000	67.50%
Mr. Hoi Wa Fong[4]	Interest in a controlled corporation	45,000,000	7.50%
Huihong Management (PTC) Limited[4]	Beneficial owner	45,000,000	7.50%
Ms. Shih Sze Ni Cecilia[5]	Interest of spouse	45,000,000	7.50%

Notes:

1. The calculation is based on the total number of 600,000,000 Shares in issue as at 31 December 2019.

2. Powerlong BVI Holding is wholly-owned by Powerlong Holdings, which is in turn owned as to approximately 43.57% by Skylong Holdings, a company wholly-owned by Mr. Hoi Kin Hong. By virtue of the SFO, each of Powerlong Holdings, Skylong Holdings and Mr. Hoi Kin Hong is deemed to be interested in the same number of shares in which Powerlong BVI Holding is interested in. Mr. Hoi Kin Hong and Ms. Wong Lai Chan also hold approximately 0.69% and 0.07% of direct interest in Powerlong Holdings, respectively. Mr. Hoi Wa Fong is the son of Mr. Hoi Kin Hong and Ms. Wong Lai Chan.

3. Ms. Wong Lai Chan is the spouse of Mr. Hoi Kin Hong. By virtue of the SFO, Ms. Wong Lai Chan is deemed to be interested in the shares held by Mr. Hoi Kin Hong.

4. Huihong Management, the trustee of the Huihong Trust, is wholly-owned by Mr. Hoi Wa Fong and is set up for the purpose of a share incentive scheme to be adopted at least six months after the Listing. As of 31 December 2019, the detailed terms of the share incentive scheme and the relevant grantees have not yet been confirmed. By virtue of the SFO, Mr. Hoi Wa Fong is deemed to be interested in the shares held by Huihong Management.

5. Ms. Shih Sze Ni Cecilia is the spouse of Mr. Hoi Wa Fong. By virtue of the SFO, Ms. Shih Sze Ni Cecilia is deemed to be interested in the shares held by Mr. Hoi Wa Fong.

SHARE INCENTIVE SCHEME

For the purpose of implementing the share incentive scheme to retain talent, promote the long-term sustainable development of the Group and achieve mutual gain for the Company, employees and Shareholders, on 2 July 2019, 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.

As at the date of this annual report, the detailed terms of the employee share incentive scheme has not been confirmed and has not yet been adopted.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company was incorporated in the Cayman Islands on 25 March 2019 with limited liability, and the shares of the Company were listed on the Main Board of the Stock Exchange on 30 December 2019.

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

The Company has adopted the principles and code provisions of the CG Code set out in Appendix 14 to the Listing Rules as the basis of the Company's corporate governance practices, and the CG Code has been applicable to the Company with effect from the Listing Date.

The Directors are of the view that the Company had complied with all applicable code provisions contained in Appendix 14 of the Listing Rules during the period from the Listing Date to 31 December 2019.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding the Directors' dealings in the securities of the Company. The provisions under the Listing Rules in relation to compliance with the Model Code by the Directors regarding securities transactions have been applicable to the Company since the Listing Date.

Having made specific enquiry of all the Directors of the Company, all the Directors confirmed that they have strictly complied with the required standards set out in the Model Code throughout the period from the Listing Date up to 31 December 2019.

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

The shares of the Company have been listed on the Stock Exchange since the Listing Date. During the period from the Listing Date to 31 December 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

USE OF NET PROCEEDS FROM INITIAL PUBLIC OFFERING

The net proceeds from the Listing was approximately HK$1,380.5 million (equivalent to RMB1,236.9 million).

As set out in the Prospectus, 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.

None of the net proceeds raised from the Listing were applied by the Company as at 31 December 2019. As at 31 December 2019, the Directors are not aware of any material change to the planned use of the proceeds as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. In 2020, the Company will use the proceeds raised from the initial public offering in accordance with its development strategies, market conditions and intended use of such proceeds.

The following table sets forth the status of use of net proceeds from the Company's initial public offering as of 31 December 2019 together with the expected timeline of use:

Business objective as stated in the Prospectus	Planned use of net proceeds from the Listing Date to 31 December 2019[1] HK$ million	Actual use of net proceeds during the period from the Listing Date to 31 December 2019 HK$ million	Proceeds unused HK$ million	Net proceeds from the initial public offering HK$ million	Expected timeline
(i) Pursue strategic acquisition of and investment in other commercial operational service providers	–	–	690.3	690.3	1 January 2020 to 31 December 2023
(ii) Upgrade our information technology systems	–	–	345.1	345.1	1 January 2020 to 31 December 2023
(iii) Make equity investment in certain tenants and suppliers	–	–	138.0	138.0	1 January 2020 to 31 December 2023
(iv) Renovation of retail commercial properties developed or owned by independent third parties	–	–	69.1	69.1	1 January 2020 to 31 December 2023
(v) General business purpose and working capital	–	–	138.0	138.0	1 January 2020 to 31 December 2023
	–	**–**	**1,380.5**	**1,380.5**	

Notes:

1. As disclosed in the Prospectus, the estimated net proceeds from the Listing, after deduction of the underwriting commission and expenses paid by the Company in connection therewith and assuming the over-allotment option is not exercised, were approximately HK$1,223.5 million. The actual net proceeds received by the Company as at 31 December 2019 were approximately HK$1,380.5 million. The Company intends to adjust the difference of approximately HK$157 million to each business strategies in the same proportion as the original funds applied as shown in the Prospectus.

2. As at 31 December 2019, the unused net proceeds were deposited into the licensed banks in Hong Kong.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Company has established the Audit Committee in compliance with Rule 3.21 of the Listing Rules and the CG Code. Details of the role and work performed by the Audit Committee are set out in the Corporate Governance Report contained in this annual report. The Audit Committee have reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2019 with the Company's management and considered that such statements have been prepared in accordance with applicable accounting standards and requirements with sufficient disclosure.

IMPORTANT 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 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 services 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.

Save as disclosed above, no important events affecting the Company occurred since the Listing Date and up to the date of this annual report.

On behalf of the Board

HOI Wa Fong
Chairman

Hong Kong, 9 March 2020

Independent Auditor's Report

羅兵咸永道

To the Shareholders of Powerlong Commercial Management Holdings Limited
(incorporated in Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Powerlong Commercial Management Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 60 to 131, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

KEY AUDIT MATTERS

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

Key audit matters identified in our audit are summarised as follows:

- Recoverability of operating lease and trade receivables
- Measurement of right-of-use assets and lease liabilities

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of operating lease and trade receivables	
Refer to note 4 'critical accounting estimates and judgements' and note 18 'operating lease and trade receivables' to the consolidated financial statements. As at 31 December 2019, gross carrying amount of operating lease and trade receivables amounted to RMB135,055,000, which represented approximately 28% of the total assets excluding cash and cash equivalents of the Group. Management has assessed the expected credit losses of operating lease and trade receivables with loss allowance of RMB21,174,000 made against operating lease and trade receivables as at 31 December 2019. For assessing the recoverability of the operating lease and trade receivables, the Group applies the simplified approach permitted by HKFRS 9 to measure the lifetime expected credit losses ("**ECL**") for operating lease and trade receivables. In estimating ECL, the Group calculated the historical default rate percentage based on the repayment history and aging profile of the Group's debtors grouped based on shared credit risk characteristics, with adjustments to reflect existing market conditions and forward-looking factors. We identified the recoverability of operating lease and trade receivables as a key audit matter due to the significance of the balance to the consolidated financial statements, combined with the significant degree of estimations made by management in evaluating the expected credit losses of the operating lease and trade receivables.	Our major audit procedures in relation to the assessment of recoverability of operating lease and trade receivables included the following: a) Understood, evaluated and tested the key internal controls over management assessment on the recoverability of operating lease and trade receivables; b) Assessed the appropriateness of the credit loss provisioning methodology adopted by management and the reasonableness of the key assumptions in estimating the ECL rate with reference to the repayment history of the Group's debtors, which we checked on a sample basis to the repayment records, and movements of the aging of operating lease and trade receivables; c) Evaluated management's assessment on the existing market conditions and forward-looking factors with reference to our understanding of the Group's industry and external market information. d) Tested, on a sample basis, the accuracy of the aging analysis of operating lease and trade receivables as at 31 December 2019 prepared by management, to sales invoices or demand notes, receipt records and other relevant documents; e) Checked the mathematical accuracy of the calculation of the provision for loss allowance; f) Tested, on a sample basis, the subsequent settlement of operating lease and trade receivables to cash receipts and the related supporting documentation. Based on the procedures performed, we found that the key judgements and estimates made by management in relation to the assessment of the recoverability of operating lease and trade receivables were supported by available evidences.

KEY AUDIT MATTERS (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Measurement of right-of-use assets and lease liabilities	
Refer to note 4 'critical accounting estimates and judgements' and note 15 'investment properties' and note 25 'lease liabilities' to the consolidated financial statements. The Group leased in various commercial properties and sub-leased them to tenants for rental yields. Right-of-use assets and liabilities arising from a lease are initially measured on a present value basis. As at 31 December 2019, the Group's right-of-use assets ("**ROU assets**") were disclosed as investment properties and measured at cost with carrying amount of RMB207,207,000, which represented approximately 44% of the total assets excluding cash and cash equivalent of the Group. Corresponding lease liabilities amounted to RMB416,553,000, accounting for 28% of the total liabilities of the Group. In determining the present value of ROU assets and lease liabilities at the initial measurement, the Group applied the key parameters of lease terms, discounted rate and payment schedules. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Some of the Group's leases contain extension and termination options. In determining the lease terms, management considers facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). We identified the measurement of ROU assets and lease liabilities as a key audit matter due to the significance of the balance to the consolidated financial statements, combined with the significant degree of judgements and estimations made by management in evaluating the probability of exercising extension and termination options and discounted rate applied in relation to the present value basis.	Our audit procedures to assess measurement of ROU assets and lease liabilities included the following: a) Understood, evaluated and tested the key internal controls over management's measurement of ROU assets and lease liabilities; b) Assessed the reasonableness of the estimation on discounted rate and lease terms, especially the exercise of extension options and termination options by considering the economic incentives based on the forward looking estimate of rental charges and comparing with the expected return from property owners; c) Tested, on a sample basis, the accuracy of the management prepared schedules showing the detailed information of individual lease contracts, including counterparties, original lease terms, extension options, contracted payment amounts, etc., by tracing to the original lease contracts and extension contracts, if any; d) Checked the mathematical accuracy of the calculation of the recognition and measurement of ROU assets and lease liabilities; e) Tested, on a sample basis, the subsequent actual exercise or forfeit of the extension options or termination options to assess if any material estimate change should be made. Based on the procedures performed, we found that the key judgements and estimates made by management in relation to the measurement of ROU assets and lease liabilities were supported by available evidences.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is HO, Chiu Yin, Ivan.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 9 March 2020

Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December 2019 RMB'000	2018 RMB'000
Revenue	6	**1,620,457**	1,200,398
Cost of services	7	**(1,192,050)**	(874,524)
Gross profit		**428,407**	325,874
Selling and marketing expenses	7	**(41,856)**	(31,366)
Administrative expenses	7	**(117,231)**	(80,349)
Other income and gains	9	**17,295**	14,096
Net impairment losses on financial assets	3.1.2	**(7,244)**	(2,788)
Operating profit		**279,371**	225,467
Finance costs – net	10	**(32,102)**	(42,608)
Profit before income tax		**247,269**	182,859
Income tax expenses	12	**(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	22	**–**	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	13	**44.01**	32.92

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

	Note	As at 31 December 2019 RMB'000	2018 RMB'000
Assets			
Non-current assets			
Property and equipment	14	**6,928**	173,493
Investment properties	15	**207,207**	155,632
Deferred income tax assets	27	**48,421**	56,494
Financial assets at fair value through other comprehensive income	16	**–**	333,528
Investment in a joint venture		**4,700**	–
		267,256	719,147
Current assets			
Operating lease and trade receivables	18	**113,881**	82,475
Prepayments and other receivables	19	**91,114**	333,543
Current income tax recoverables		**2,705**	2,529
Restricted cash	20	**19**	486,540
Cash and cash equivalents	20	**2,616,113**	553,378
		2,823,832	1,458,465
Total assets		**3,091,088**	2,177,612
Equity			
Capital and reserves attributable to shareholders of the Company			
Share capital and premium	21	**1,236,907**	–
Other reserves	22	**22,430**	46,431
Retained earnings		**327,835**	183,492
Total equity		**1,587,172**	229,923

Consolidated Balance Sheet

	Note	As at 31 December 2019 RMB'000	2018 RMB'000
Liabilities			
Non-current liabilities			
Borrowings	24	–	108,000
Deferred income tax liabilities	27	–	6,582
Lease liabilities	25	**190,487**	236,097
		190,487	350,679
Current liabilities			
Trade and other payables	26	**763,111**	648,052
Advances from lessees		**27,488**	29,505
Current income tax liabilities		**33,562**	54,003
Borrowings	24	–	526,000
Lease liabilities	25	**226,066**	205,671
Contract liabilities	6	**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

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 60 to 131 were approved by the Board of Directors on 9 March 2020 and were signed on its behalf.

Hoi Wa Fong
Director

Zhang Yunfeng
Director

Consolidated Statement of Changes in Equity

	Note	Attributable to owners of the Company				
		Share capital RMB'000 (Note 21)	Share premium RMB'000 (Note 21)	Other reserves RMB'000 (Note 22)	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2018		–	–	40,780	55,591	96,371
Comprehensive income						
Profit for the year		–	–	–	133,343	133,343
Other comprehensive income						
Change in fair value of financial assets at fair value through other comprehensive income	16, 22	–	–	209	–	209
Total comprehensive income		–	–	209	133,343	133,552
Transactions with owners						
Appropriation to statutory reserves	22	–	–	5,442	(5,442)	–
Balance at 31 December 2018		–	–	46,431	183,492	229,923
Balance at 1 January 2019		**–**	**–**	**46,431**	**183,492**	**229,923**
Comprehensive income						
Profit for the year		**–**	**–**	**–**	**178,614**	**178,614**
Total comprehensive income		**–**	**–**	**–**	**178,614**	**178,614**
Transactions with owners						
Issue of shares		**5,376**	**1,231,531**	**–**	**–**	**1,236,907**
Reclassification relating to disposal of subsidiaries	22	**–**	**–**	**(25,666)**	**25,666**	**–**
Dividends distributed to Powerlong Holdings	23	**–**	**–**	**–**	**(58,272)**	**(58,272)**
Appropriation to statutory reserves	22	**–**	**–**	**1,665**	**(1,665)**	**–**
Balance at 31 December 2019		**5,376**	**1,231,531**	**22,430**	**327,835**	**1,587,172**

The above consolidated statement of change in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2019 RMB'000	2018 RMB'000
Cash flows of operating activities			
Cash generated from operations	28	**612,103**	391,579
PRC corporate income tax paid		**(78,601)**	(35,384)
Net cash generated from operating activities		**533,502**	356,195
Cash flows of investing activities			
Purchases of property and equipment		**(6,441)**	(2,591)
Net proceeds from disposals of property and equipment	14	**137,461**	–
Net proceeds from disposal of subsidiaries	30	**28,600**	–
Payment for investment in a joint venture		**(4,700)**	–
Cash advances made to related parties		**(779,754)**	(1,480,821)
Repayment from related parties		**1,211,597**	1,935,079
Interest received		**15,545**	2,107
Restricted cash pledged for bank borrowings		**100,000**	(484,973)
Net cash generated from/(used in) investing activities		**702,308**	(31,199)
Cash flows of financing activities			
Issue of shares		**1,276,800**	–
Payments of listing expenses deducted or to be deducted against equity		**(45,063)**	–
Proceeds from borrowings		**380,000**	517,000
Repayments of borrowings		**(647,150)**	(271,314)
Cash advances from related parties		**100,885**	378,806
Repayment of cash advances to related parties		**(69,467)**	(360,770)
Principal elements of lease payments		**(128,515)**	(93,251)
Interest paid		**(40,262)**	(54,962)
– interest relating to bank borrowings		**(19,894)**	(30,426)
– interest relating to lease liabilities		**(20,368)**	(24,536)
Net cash generated from financing activities		**827,228**	115,509
Increase in cash and cash equivalents		**2,063,038**	440,505
Cash and cash equivalents at the beginning of the year		**553,378**	112,876
Exchange losses on cash and cash equivalents		**(303)**	(3)
Cash and cash equivalents at end of year		**2,616,113**	553,378

The above consolidated statement of cash flow should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION AND REORGANIZATION

1.1 General information

Powerlong Commercial Management Holdings Limited (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 Company and its subsidiaries (the "Group") are 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 these consolidated financial statements.

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

1.2 Reorganization

Prior to the incorporation of the Company and the completion of the reorganization as described below (the "Reorganization"), the Spin-off Business was operated through Powerlong (BVI) V Limited and its subsidiaries in the PRC (collectively the "Operating Companies"). Before the Reorganization, Powerlong (BVI) V Limited was held by Powerlong BVI Holdings, a wholly owned subsidiary of Powerlong Holdings.

In preparation for the initial listing of the Company's Shares on the Main Board of the Stock Exchange, the Reorganization was undertaken pursuant to which the Operating Companies were transferred to the Company. The Reorganization mainly involved the following:

(1) On 25 March 2019, the Company was incorporated in the Cayman Islands and held by Powerlong BVI Holdings.

(2) From May to July 2019, certain subsidiaries of the Group which have ceased to carry out the Spin-Off Business were disposed of to Powerlong Holdings (Note 30).

(3) On 19 July 2019, the entire shares of Powerlong (BVI) V Limited were transferred to the Company from Powerlong BVI Holdings and the consideration was satisfied by allotment and issuance of 78,800 shares of the Company to Powerlong BVI Holdings.

Upon completion of the above transfers, the Company became the holding company of Powerlong (BVI) V Limited.

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 listing documents of the Company dated 16 December 2019.

(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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations not under common control

The Group applies the acquisition method to account for business combinations not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in the profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRS.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Joint arrangements

The Group has applied HKFRS 11 to a joint arrangement. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangement and determined it to be a joint venture. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from joint ventures are recognized as a reduction in the carrying amount of the investment.

Where the Group's share of losses in a joint venture equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker ("CODM"), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized within "other income" in the consolidated statements of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Property and equipment

Property and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over the shorter of their estimated useful lives or, in case of leasehold improvements and certain leased plants and equipment, the lease term, as follows:

– Right-of-use assets, including car parks	3-30 years
– Motor vehicles	5-8 years
– Furniture, fitting and equipment	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Construction in progress represents the direct costs of construction incurred of property and equipment less any impairment losses. No provision for depreciation is made on construction in progress until such time the relevant assets are completed and put into use. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "other income" in the consolidated statements of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Investment properties

Investment properties, representing commercial properties held under leases, are held for rental yields and are not occupied by the Group. The Group measured its investment properties at cost, including related transaction costs and where applicable borrowing costs. Depreciation is calculated using the straight-line method to allocate their cost over their lease term typically varying from 2 to 5 years.

2.8 Impairment of non-financial assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial assets

2.9.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.9.2 Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in the consolidated statement of comprehensive income when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial assets (Continued)

2.9.2 Recognition and measurement (Continued)

Debt instruments (Continued)

- Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of comprehensive income.

- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in 'other gains – net' in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in other income/losses, net in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

2.9.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheets when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3 details how the Group determines whether there has been a significant increase in credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

For operating lease and trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the operating lease and trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Impairment on other receivables from third parties, related parties and non-controlling interests are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.11 Operating lease and trade and other receivables

Operating lease receivables are amounts due from tenants in relation to the operating leases and trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of operating lease and trade and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Operating lease and trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See Note 17 for further information about the Group's accounting for operating lease and trade receivables and Note 3.1.2 for a description of the Group's impairment policies.

2.12 Cash and cash equivalents, restricted cash

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions. Bank deposits which are restricted to use are included in "restricted cash" of the consolidated balance sheets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group entity purchases the Company's shares (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, and is included in equity attributable to owners of the Company.

2.14 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within 12 months or less. If not, they are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.15 Borrowings and borrowing costs

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Borrowings and borrowing costs (Continued)

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other borrowing costs are expensed in the period in which they are incurred.

The Group's borrowing costs are recognized in the consolidated statements of comprehensive income in the period in which they are incurred.

2.16 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated statements of comprehensive income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.17 Employee benefits

(a) Pension obligations

The Group only operate defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the governments.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

(b) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Employee benefits (Continued)

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(d) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

2.18 Share-based payments

Share-based compensation benefits are provided to employees via the employee share incentive scheme.

Share incentive scheme

Equity-settled share-based payment transactions are share-based payment arrangement in which the Group received goods or services as consideration for its own equity instrument. The Group might receive goods or services but have no obligation to settle the transaction with the supplier, as the settlement will be made by a shareholder or another group entity, this transaction are also equity-settled share-based payment transaction.

For an equity-settled share-based payment transaction, the fair value of equity instrument granted is recognized as an employee benefits expense with a corresponding increase in equity.

The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (e.g. the entity's share price);

- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or holdings shares for a specific period of time).

Non-marketing performance and services conditions are included in the calculation of the number of the equity instrument expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Provisions

Provisions for legal claims, service warranties and make good obligations are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

2.20 Revenue recognition

The Group is principally engaged in the provision of commercial operational services and residential property management services.

(a) Commercial operational services

(i) The Group enters into commercial operational service contracts with property developers or owners of shopping malls, pursuant to which the Group provides the following services:

- market research and positioning, tenant sourcing and opening preparation services during the preparation stage;

- commercial operational services during the operation stage, including tenant management and rent collection services, other value-added services, mainly including car parks, common areas and advertising space management services.

Revenue from rendering of market research and positioning services is recognized when relevant market research and positioning reports were delivered and accepted by property developers or owners.

Revenue in respect of provision of tenant sourcing and opening preparation services was recognized over the period of the contract by reference to the progress towards complete satisfaction of the performance obligation.

For tenant management and rent collection services, and other value-added services, the Group bills a fixed amount for services provided on a monthly basis and recognizes as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

When the Group leases car parks, common areas and advertising space of the shopping malls from property owner by paying a yearly rent, and operate the leased car parks, common areas and advertising space as principal, revenue is recognized on a gross basis when the related service are rendered.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Revenue recognition (Continued)

(a) Commercial operational services (Continued)

(ii) The Group enters into commercial property management service contracts with tenants, pursuant to which the Group provide commercial property management services including security, gardening, cleaning, repair and maintenance services.

For provision of commercial property management services to tenants at the operation stage of the shopping malls, the Group recognizes the fee received or receivable as its revenue over time in the period in which the customer simultaneously receives and consumes the benefits provided by the services performed by the Group and all the related management costs as its cost of services.

(b) Residential property management services

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

For residential property management services, the Group bills a fixed amount for services provided on a monthly basis and recognizes as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

For residential property management services income from properties managed under lump sum basis, where the Group acts as principal, the Group entitles to revenue at the value of residential property management services fee received or receivable. For residential property management service income from properties managed under commission basis, where the Group acts as an agent of the property owner, the Group entitles to revenue at a pre-determined percentage of amount of the property management fee received or receivable by the properties.

Pre-sale management services mainly include cleaning, greening, repair and maintenance services to property developers at the pre-delivery stage. The Group agrees the price for each service with the customers upfront and issues the monthly bill to the customers which varies based on the actual level of service completed in that month.

For other value-added services including resident services, community public areas management and operation and advertisement, revenue is recognized when the related other value-added services are rendered. Payment of the transaction is due immediately when the other value-added services are rendered to the customer.

If contracts involve the sale of multiple services, the transaction price allocated to each performance obligation are based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Revenue recognition (Continued)

(c) Presentation of assets and liabilities related to contracts with customers

When either party to a contract has performed, the Group presents the contract in the balance sheet as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for services that the Group has transferred to a customer.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers services to the customer, the Group presents the contract as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Incremental costs incurred to obtain a contact, if recoverable, are capitalized and presented as assets and subsequently amortized when the related revenue is recognized. The Group applied the practical expedient to recognize the incremental costs of obtaining a contract as an expense immediately if the amortization period is less than 12 months.

2.21 Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.

2.22 Leases

The Group as a lessee

The Group leases various properties, including commercial properties and car parks. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purpose.

Lease are recognized as a right-of-use asset (included in "Property and Equipment" (Note 14) and "Investment Properties" (Note 15)) and corresponding liability at the date of which the lease asset for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability of each period. The right-of-use asset is depreciated over the lease term on a straight-line basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Leases (Continued)

The Group as a lessee (Continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include:

(a) the net present value of the fixed payments (including in-substance fixed payments);

(b) variable lease payments that are based on an index or a rate;

(c) amounts expected to be payable by the lessee under residual value guarantees;

(d) the exercise price of an extension option if the lessee is reasonably certain to exercise that option; and

(e) payment of penalties for terminating of the lease, if the lease term reflects the lessee exercising that option

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

(a) the amount of the initial measurement of the lease liability;

(b) any lease payments made at or before the commencement date less any lease incentives received;

(c) any initial direct cost, and;

(d) restoration costs

Payments associated with short-term leases with lease term of 12 months or less and leases of low-value assets are recognized on a straight-line basis over the lease term as an expense in profit or loss.

Variable lease payments

Variable lease payments based on an index or a rate are initially measured using the index or the rate at the commencement date. The Group do not forecast future changes of the index/rate; these changes are taken into account when the lease payments change. Variable lease payments that are not based on an index or a rate are not part of the lease liability, but they are recognized in the consolidated statements of comprehensive income when the event or conditions that triggers those payments occurs.

Extension and termination options

Extension and termination options are included in a number of property leases across the Group. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable upon fulfilment of certain notice period. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise such options. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Leases (Continued)

The Group as a lessor

A lessor shall classify each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the terms of the relevant lease. Initial direct costs with more than a significant amount are capitalized when incurred, and are recognized in profit or loss on the same basis as rental income over the lease term. Other initial direct costs with an insignificant amount are charged to profit or loss in the period in which they are incurred.

The lease receivable under lease arrangements are recognized as "operating lease receivable" in the consolidated balance sheets.

The Group as a sublease lessor

Sub-lease is a transaction for which an underlying asset is re-leased by a lessee ("sublease lessor") to a third party, and the lease ("head lease") between the head lessor and lessee remains in effect. In classifying a sublease, a sublease lessor shall classify the sublease as a finance lease or an operating lease as follows:

(a) If the head lease is a short-term lease that the entity, as a lessee, has accounted for the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis, the sublease shall be classified as an operating lease.

(b) Otherwise, the sublease shall be classified by referenced to the right-of-use asset arising from the head lease as finance lease or operating lease.

2.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.24 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Financial guarantee contracts

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments and
- the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognized as part of the cost of the investment.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

3.1.1 Market risk

(i) Foreign exchange risk

The Group's businesses are principally conducted in RMB. As at 31 December 2019, major non-RMB assets and liabilities were cash and cash equivalents, amounts due to related parties which were denominated in Hong Kong dollar ("HK$") or US dollar ("US$"). Fluctuation of the exchange rate of RMB against HK$ or US$ could affect the Group's results of operations. The successful listing of the Company in late 2019 resulted in the significant increase in cash and cash equivalents denominated in HK$ as at 31 December 2019. The Group has not entered into any forward exchange contract to hedge its exposure to foreign exchange risk.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.1 Market risk (Continued)

(i) *Foreign exchange risk* (Continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities as at 31 December 2019 and 2018 are as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Financial assets		
– HK$	**1,237,578**	7
– US$	**70**	69
	1,237,648	76
Financial liabilities		
– HK$	**526**	58
– US$	**20,675**	20,658
	21,201	20,716

As at 31 December 2019, if RMB had strengthened/weakened by 5%, against US$ with all other variable held constant, post-tax profit for the year would have been RMB1,030,000 (2018: RMB859,000) higher/lower, mainly as a result of net foreign exchange gains/losses on translation of US$ denominated cash and other payables to related parties.

As at 31 December 2019, if RMB had strengthened/weakened by 5%, against HK$ with all other variable held constant, post-tax profit for the year would have been RMB61,853,000 (2018:immaterial) lower/higher, mainly as a result of net foreign exchange gains/losses on translation of HK$ denominated cash and other payables to related parties.

(ii) *Cash flow and fair value interest rate risk*

The Group's interest rate risks arise from long-term borrowings. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings at variable rates expose the Group to cash flows interest rate risk. As at 31 December 2019, the Group did not expose to any material cash flow interest rate risk as all bank borrowings have been repaid.

The Group's exposure to changes in interest rates is mainly attributable to its long-term borrowings. As at 31 December 2019, the Group did not expose to any material fair value interest rate risk as the Group had repaid all bank borrowings..

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.1 Market risk (Continued)

(iii) Price risk

The Group is exposed to equity securities price risk in connection with the financial assets at fair value through other comprehensive income held by the Group. To manage its price risk arising from the investments, all investments must be assessed cautiously and approved by the Chairman of the Board before they may be entered into. As at 31 December 2019, the Group did not expose to any material price risk as the company holding the investment had been disposed of to a subsidiary of Powerlong Holdings (Note 30).

3.1.2 Credit risk

The Group is exposed to credit risk in relation to its operating lease and trade receivables, other receivables and cash deposits at banks. The carrying amounts of operating lease and trade receivables, other receivables and cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

(i) Cash deposits at banks

The Group expects that there is no significant credit risk associated with cash deposits at banks since they are substantially deposited at state-owned banks and other medium or large-sized listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

(ii) Operating lease and trade receivables

Apart from operating lease and trade receivables due from related parties, which the Group assessed the credit risk associated is low, the Group has large number of customers and there was no concentration of credit risk.

The Group applies the simplified approach to providing for expected credit losses ("ECL") prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for operating lease and trade receivables due from third parties. To measure the ECL, operating lease and trade receivables due from third parties have been grouped based on shared credit risk characteristics and the days past due. The ECL also incorporate forward-looking information.

(iii) Deposits and other receivables due from relate parties

The Group expects that the credit risk associated with deposits and other receivables due from related parties (including a related company, fellow subsidiaries and joint ventures of fellow subsidiaries) is considered to be low, since the majority of the deposits are placed in government authorities as pledge for the ordinary business and related parties have a strong capacity to meet its contractual cash flow obligations in the near term. The Group has assessed that the ECL rate for the amounts due from related companies are immaterial under 12 months ECL method and considered them to have low credit risk, and thus the loss allowance is immaterial.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

(iv) Other receivables other than those from related parties

For other receivables other than those from related parties, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

(v) Financial guarantees provided to related parties

The Group has provided guarantees to related parties for bank borrowings to secure their repayments obligations. Detailed disclosure of such guarantees is made in Note 29. If the relevant related party defaults on the payments of their bank borrowings during the guarantee period, the bank holding the guarantee may demand the Group to repay the outstanding principal of the loan and any interest accrued thereon. While, the Group considers that the Group's credit risk is low given all the bank borrowings also have secured with pledge of properties owned by the related parties themselves.

The Group considers the probability of default upon initial recognition of assets and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant changes in the expected performance and behaviour of the borrowers, including changes in the payment status of borrowers and changes in the operating results of the borrowers.

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data. Since the actual loss rates for operating lease and trade receivables and other receivables and adjustments for forward looking macroeconomic data did not have significant change, the directors of the Company consider that the change in the expected loss rate for the provision matrix is insignificant.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

As at the respective balance sheet date, the loss allowance provision for operating lease and trade receivables and other receivables due from third parties was determined as follows. The expected credit losses below also incorporated forward looking information.

	Up to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Operating lease and trade receivables*					
At 31 December 2019					
Expected loss rate	5%	25%	60%	100%	
Gross carrying amount (RMB'000)	42,534	29,036	9,975	5,803	87,348
Loss allowance provision (RMB'000)	(2,127)	(7,259)	(5,985)	(5,803)	(21,174)
At 31 December 2018					
Expected loss rate	5%	25%	60%	100%	
Gross carrying amount (RMB'000)	53,632	15,317	5,693	3,551	78,193
Loss allowance provision (RMB'000)	(2,652)	(3,802)	(3,416)	(3,551)	(13,421)
Other receivables*					
At 31 December 2019					
Expected loss rate	5%	25%	60%	100%	
Gross carrying amount (RMB'000)	44,596	3,572	604	259	49,031
Loss allowance provision (RMB'000)	(2,088)	(893)	(362)	(259)	(3,602)
At 31 December 2018					
Expected loss rate	5%	25%	60%	100%	
Gross carrying amount (RMB'000)	31,078	5,860	1,207	482	38,627
Loss allowance provision (RMB'000)	(1,538)	(1,460)	(724)	(482)	(4,204)

* Excluding amounts due from related parties and interest receivable from bank deposits.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

As at the respective balance sheet date, the loss allowance provision for operating lease and trade and other receivables (excluding other receivables from related parties and interest receivable from bank deposits) reconciles to the opening loss allowance for that provision as follows:

	Operating lease and trade receivables* RMB'000	Other receivables* RMB'000	Total RMB'000
At 1 January 2019	**13,421**	**4,204**	**17,625**
Provision for loss allowance recognized in profit or loss	**7,753**	**(509)**	**7,244**
Loss allowance decrease due to disposal of subsidiaries (Note 30)	**–**	**(93)**	**(93)**
At 31 December 2019	**21,174**	**3,602**	**24,776**

	Operating lease and trade receivables* RMB'000	Other receivables* RMB'000	Total RMB'000
At 1 January 2018	12,573	2,264	14,837
Provision for loss allowance recognized in profit or loss	848	1,940	2,788
At 31 December 2018	13,421	4,204	17,625

* Excluding amounts due from related parties and interest receivables from bank deposits.

As at 31 December 2019, the gross carrying amount of operating lease and trade and other receivables (excluding amounts due from related parties and interest receivables from bank deposits) were RMB136,379,000 (2018: RMB116,820,000) and thus the maximum exposure to losses were RMB111,603,000 (2018: RMB99,195,000).

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.3 Liquidity risk

To manage the liquidity risk, the Group monitors and maintains the level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The table below analyses the Group's financial liabilities into relevant maturity grouping based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2019					
Lease liabilities	**232,238**	**115,428**	**100,116**	–	**447,782**
Trade and other payables*	**651,701**	–	–	–	**651,701**
	883,939	**115,428**	**100,116**	–	**1,099,483**
At 31 December 2018					
Borrowings	541,633	29,410	47,157	48,894	667,094
Lease liabilities	211,069	162,878	95,562	7,000	476,509
Trade and other payables*	557,609	–	–	–	557,609
Guarantees for borrowings of related parties (Note 29(e))	2,368,951	–	–	–	2,368,951
	3,679,262	192,288	142,719	55,894	4,070,163

* Excluding accrued payroll and other taxes payable.

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the asset-liability ratio. This ratio is calculated as total liabilities divided by total assets.

As at 31 December 2019 and 2018, asset-liability ratio of the Group is as follows:

	As at 31 December 2019	2018
Asset liability ratio	**48.7%**	89.4%

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation

(a) Financial assets and liabilities

The Group's financial instruments recognized in the consolidated balance sheets are mainly trade and other receivables, financial assets at fair value through other comprehensive income and financial liabilities carried at amortized cost. The carrying value less impairment provision of trade and other receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The fair value of financial instruments that are not traded in an active market is assessed by the Group based on valuations using market comparable method determined by independent and professional qualified valuer.

The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 31 December 2019, the Group had no financial instrument in level 1 and level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. As at 31 December 2018, the Group's financial asset at fair value through other comprehensive income was included in level 3. As at 31 December 2019, there was no financial asset at fair value through other comprehensive income as the Group had disposed of the subsidiary holding the investment (Note 30). There were no transfers between levels during the year ended 31 December 2019 (2018: none). The fair value of financial instrument included in level 3 is disclosed in Note 15.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below.

(a) Allowance for doubtful receivables

The Group makes allowances for receivables based on assumptions about risk of default and expected loss rates. The Group used judgment in making these assumptions and selecting the inputs for the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables and doubtful debt expenses in the periods in which such estimate has been changed. For details of the key assumptions and inputs used, see Note 3.1.2 above.

(b) Leased assets and liabilities

The Group leases various commercial properties and car parks. Assets and liabilities arising from a lease are initially measured on a present value basis.

Some of the Group's leases contain extension and termination options. In determining the lease terms, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. If the actual lease period or the cash flow from exercising extension and termination options is significantly different from management's estimate, the carrying amounts of the right-of-use asset, investment properties and lease liabilities will be affected.

(c) Current and deferred income tax

The Group is subject to corporate income taxes in the PRC. Judgment is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognized when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. The outcome of their actual utilization may be different.

5 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by 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.

5 SEGMENT INFORMATION (Continued)

(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

5 SEGMENT INFORMATION (Continued)

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

5 SEGMENT INFORMATION (Continued)

(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

5 SEGMENT INFORMATION (Continued)

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 (Note 29 (d))	**–**	228,720
Unallocated property and equipment	**35**	36
Financial assets at fair value through other comprehensive income (Note 16)	**–**	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 (Note 29 (d))	**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 14) and investment properties (Note 15).

6 REVENUE

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

	Year ended 31 December 2019 RMB'000	2018 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.

6 REVENUE (Continued)

(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.

7 EXPENSES BY NATURE

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Staff costs (Note 8)	**558,258**	503,306
Subcontracting costs (Note (a))	**295,698**	174,051
Short-term lease expenditure (Note (b))	**116,749**	–
Depreciation (Notes 14 and 15)	**103,836**	109,119
Variable lease payments (Note 25 (b))	**14,391**	9,264
Utilities	**106,308**	88,176
Promotion and advertising expenses	**41,255**	31,106
Listing expenses	**29,420**	–
Travelling and entertainment expenses	**24,295**	20,336
Office expenses	**17,387**	12,868
Professional fees	**3,253**	2,026
Taxes and other levies	**8,510**	8,046
Auditors' remuneration		
– Audit services	**1,200**	53
Others	**30,577**	27,888
	1,351,137	986,239

(a) Subcontracting costs comprised outsourced security, greening, cleaning and maintenance costs, etc.

(b) On 1 January 2019, the Group and the Remaining Powerlong Group entered into agreements to lease the car parks, common areas and advertising spaces with a term of one year at a total annual rent charge of RMB116,749,000.

8 STAFF COSTS

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Wages and salaries	**449,070**	407,500
Social insurance expenses (Note (a))	**76,239**	68,245
Housing benefits	**20,690**	16,003
Other employee benefits (Note (b))	**12,259**	11,558
	558,258	503,306

(a) Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

(b) Other employee benefits mainly include meal, travelling and transportation allowances.

8 STAFF COSTS (Continued)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2019 included one director (2018: one director) whose emoluments are shown in Note 32. The emoluments payable to the remaining 4 individuals are as follows (2018: 4 individuals):

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Wages and salaries	**3,456**	3,100
Pension costs, housing funds, medical insurance and other social insurances	**536**	615
	3,992	3,715

The emoluments fell within the following bands:

	Number of individuals Year ended 31 December	
	2019	2018
Emolument bands (in HK dollar)		
Nil– HK$1,000,000	**–**	4
HK$1,000,001– HK$1,500,000	**4**	–

During the year ended 31 December 2019, no emolument was paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of offices (2018: nil).

9 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 14).

10 FINANCE COSTS – NET

	Year ended 31 December 2019 RMB'000	2018 RMB'000
Interest expense in respect of:		
Bank borrowings	**19,894**	30,426
Lease liabilities	**20,368**	24,536
	40,262	54,962
Interest income in respect of:		
Loans due from related parties (Note 29 (a))	–	(1,919)
Bank deposits	**(7,718)**	(11,503)
	(7,718)	(13,422)
Foreign exchange (gains)/losses on financing activities – net	**(442)**	1,068
Finance costs – net	**32,102**	42,608

11 SUBSIDIARIES

The subsidiaries of which the Company held direct or indirect interest as at 31 December 2019 and 2018 are as follows:

Company name	Place and date of incorporation/ establishment	Kind of Legal entity	Nominal value of issued and fully paid share capital/ paid-in capital	Attributable equity interest of the Group as at 31 December 2019	Attributable equity interest of the Group as at 31 December 2018	Principal activities and place of operation
Directly owned:						
Powerlong (BVI) V Limited	The BVI, 11 August 2008	Limited liability company	US$50,000	**100%**	100%	Investment holding, The British Virgin Islands
Indirectly owned:						
Huihong Management (PTC) Limited ("Huihong Management") (Note (a))	The BVI, 2 July 2019	Limited liability company	US$50,000	**100%**	N/A	Investment holding, The British Virgin Islands
Powerlong Commercial Group Holdings Limited	Hong Kong, 3 October 2008	Limited liability company	HK$50,000	**100%**	100%	Investment holding, Hong Kong

11 SUBSIDIARIES (Continued)

Company name	Place and date of incorporation/ establishment	Kind of Legal entity	Nominal value of issued and fully paid share capital/ paid-in capital	Attributable equity interest of the Group as at 31 December 2019	Attributable equity interest of the Group as at 31 December 2018	Principal activities and place of operation
Shanghai Shangsheng Investment Management Consulting Company Limited	The PRC, 15 December 2010	Limited liability company	US$3,000,000	**100%**	100%	Investment holding, management consulting, Shanghai, the PRC
Shanghai Yulong Property Management Company Limited	The PRC, 5 March 2012	Limited liability company	RMB1,000,000	**100%**	100%	Commercial operation, Shanghai, the PRC
Xiamen Hualong Property Management Company Limited	The PRC, 14 April 1993	Limited liability company	RMB5,853,600	**100%**	100%	Property management, Xiamen, the PRC
Shanghai Powerlong Property Management Company Limited	The PRC, 5 April 2007	Limited liability company	RMB5,000,000	**100%**	100%	Property management, Shanghai, the PRC
Qingdao Jimo Powerlong Commercial Property Management Company Limited	The PRC, 26 November 2010	Limited liability company	RMB3,000,000	**100%**	100%	Commercial operation, Qingdao, the PRC
Taicang Baohua Property Management Company Limited	The PRC, 9 October 2006	Limited liability company	RMB3,000,000	**100%**	100%	Property management, Taicang, the PRC
Xinxiang Powerlong Commercial Property Management Company Limited	The PRC, 6 December 2010	Limited liability company	RMB3,000,000	**100%**	100%	Commercial operation, Xinxiang, the PRC
Xinxiang Powerlong Property Management Company Limited	The PRC, 14 January 2011	Limited liability company	RMB1,000,000	**100%**	100%	Property management, Xinxiang, the PRC
Shanghai Powerlong Commercial Property Management Company Limited	The PRC, 29 June 2007	Limited liability company	RMB5,000,000	**100%**	100%	Commercial operation, Shanghai, the PRC
Chongqing Powerlong Changrun Property Management Company Limited (Note (c))	The PRC, 5 December 2013	Limited liability company	RMB1,000,000	**N/A**	100%	Commercial operation, Chongqing, the PRC
Luoyang Powerlong Commercial Property Management Company Limited (Note (b))	The PRC, 30 September 2007	Limited liability company	RMB10,000,000	**N/A**	100%	Commercial operation, Luoyang, the PRC

11 SUBSIDIARIES (Continued)

Company name	Place and date of incorporation/ establishment	Kind of Legal entity	Nominal value of issued and fully paid share capital/ paid-in capital	Attributable equity interest of the Group as at 31 December 2019	Attributable equity interest of the Group as at 31 December 2018	Principal activities and place of operation
Anxi Powerlong Commercial Property Services Company Limited (Note (c))	The PRC, 26 May 2011	Limited liability company	RMB3,000,000	**N/A**	100%	Commercial operation, Anxi, the PRC
Bengbu Powerlong Commercial Property Management Company Limited	The PRC, 12 July 2007	Limited liability company	RMB10,000,000	**100%**	100%	Commercial operation, Bengbu, the PRC
Yangzhou Powerlong Commercial Management Company Limited	The PRC, 15 October 2014	Limited liability company	RMB1,000,000	**100%**	100%	Commercial operation, Yangzhou, the PRC
Zhengzhou Powerlong Commercial Property Management Company Limited	The PRC, 16 October 2007	Limited liability company	RMB10,000,000	**100%**	100%	Commercial operation, Zhengzhou, the PRC
Qingdao Powerlong Commercial Property Management Company Limited	The PRC, 25 February 2008	Limited liability company	RMB4,000,000	**100%**	100%	Commercial operation, Chengyang, the PRC
Jinjiang Yulong Commercial Property Management Company Limited (Note (b))	The PRC, 18 November 2011	Limited liability company	RMB1,000,000	**N/A**	100%	Commercial operation, Jinjiang, the PRC
Suqian Powerlong Commercial Property Management Company Limited (Note (c))	The PRC, 11 March 2010	Limited liability company	RMB10,000,000	**N/A**	100%	Commercial operation, Suqian, the PRC
Wuxi Powerlong Commercial Property Management Company Limited	The PRC, 8 April 2008	Limited liability company	RMB10,000,000	**100%**	100%	Commercial operation, Wuxi, the PRC
Yancheng Powerlong Commercial Property Management Company Limited	The PRC, 29 October 2009	Limited liability company	RMB15,000,000	**100%**	100%	Commercial operation, Yancheng, the PRC
Qingdao Licang Powerlong Commercial Property Management Company Limited	The PRC, 24 May 2011	Limited liability company	RMB11,000,000	**100%**	100%	Commercial operation, Qingdao, the PRC

11 SUBSIDIARIES (Continued)

Company name	Place and date of incorporation/ establishment	Kind of Legal entity	Nominal value of issued and fully paid share capital/ paid-in capital	Attributable equity interest of the Group as at 31 December 2019	Attributable equity interest of the Group as at 31 December 2018	Principal activities and place of operation
Yantai Powerlong Commercial Property Management Company Limited (Note (c))	The PRC, 22 July 2013	Limited liability company	RMB1,000,000	**N/A**	100%	Commercial operation, Penglai, the PRC
Hangzhou Junlong Enterprise Management Company Limited	The PRC, 23 July 2014	Limited liability company	RMB1,000,000	**100%**	100%	Commercial operation, Hangzhou, the PRC
Hangzhou Haolong Enterprise Management Company Limited (Note (b))	The PRC, 22 August 2013	Limited liability company	RMB5,000,000	**N/A**	100%	Commercial operation, Hangzhou, the PRC
Changzhou Junlong Commercial Management Company Limited (Note (b))	The PRC, 5 February 2013	Limited liability company	RMB1,000,000	**N/A**	100%	Commercial operation, Changzhou, the PRC
Hangzhou Xiaoshan Yulong Commercial Management Company Limited (Note (b))	The PRC, 17 September 2014	Limited liability company	RMB1,000,000	**N/A**	100%	Commercial operation, Hangzhou, the PRC
Zhenjiang Yulong Commercial Management Company Limited	The PRC, 21 November 2013	Limited liability company	RMB1,000,000	**100%**	100%	Commercial operation, Zhenjiang, the PRC
Hangzhou Fuyang Powerlong Commercial Investment Management Company Limited (Note (b))	The PRC, 15 December 2014	Limited liability company	RMB1,000,000	**N/A**	100%	Commercial operation, Hangzhou, the PRC
Qingdao Powerlong Yingju Commercial Property Management Company Limited (Note (c))	The PRC, 21 November 2013	Limited liability company	RMB1,000,000	**N/A**	100%	Commercial operation, Qingdao, the PRC
Fuzhou Powerlong Commercial Operational Management Company Limited (Note (b))	The PRC, 28 April 2005	Limited liability company	RMB10,000,000	**N/A**	100%	Commercial operation, Fuzhou, the PRC
Tianjin Junlong Commercial Management Company Limited	The PRC, 21 October 2011	Limited liability company	RMB1,000,000	**100%**	100%	Commercial operation, Tianjin, the PRC

11 SUBSIDIARIES (Continued)

Company name	Place and date of incorporation/ establishment	Kind of Legal entity	Nominal value of issued and fully paid share capital/ paid-in capital	Attributable equity interest of the Group as at 31 December 2019	Attributable equity interest of the Group as at 31 December 2018	Principal activities and place of operation
Xiamen Baojuan Commercial Management Company Limited (Note (c))	The PRC, 21 October 2014	Limited liability company	RMB1,000,000	**N/A**	100%	Commercial operation, Xiamen, the PRC
Yantai Yulong Commercial Property Management Company Limited (Note (c))	The PRC, 26 September 2014	Limited liability company	RMB1,000,000	**N/A**	100%	Commercial operation, Yantai, the PRC
Dongying Powerlong Commercial Management Company Limited	The PRC, 20 November 2014	Limited liability company	RMB1,000,000	**100%**	100%	Commercial operation, Dongying, the PRC
Shanghai Baoqian Commercial Operational Management Company Limited	The PRC, 13 November 2014	Limited liability company	RMB1,000,000	**100%**	100%	Commercial operation, Shanghai, the PRC
Shanghai Xuxin Enterprise Management Company Limited	The PRC, 26 September 2014	Limited liability company	RMB1,000,000	**100%**	100%	Property operation, Shanghai, the PRC
Shanghai Huazhan Commercial Operational Management Company Limited	The PRC, 22 September 2014	Limited liability company	RMB1,000,000	**100%**	100%	Commercial operation, Shanghai, the PRC
Shanghai Huaqian Commercial Operational Management Company Limited	The PRC, 30 September, 2014	Limited liability company	RMB1,000,000	**100%**	100%	Commercial operation, Shanghai, the PRC
Shanghai Kangqian Commercial Operational Management Company Limited	The PRC, 12 September 2014	Limited liability company	RMB1,000,000	**100%**	100%	Commercial operation, Shanghai, the PRC
Shanghai Juanxin Enterprise Management Company Limited	The PRC, 18 September 2014	Limited liability company	RMB1,000,000	**100%**	100%	Property operation, Shanghai, the PRC
Shanghai Baozhan Commercial Operational Management Company Limited	The PRC, 1 September 2014	Limited liability company	RMB1,000,000	**100%**	100%	Commercial operation, Shanghai, the PRC

11 SUBSIDIARIES (Continued)

Company name	Place and date of incorporation/ establishment	Kind of Legal entity	Nominal value of issued and fully paid share capital/ paid-in capital	Attributable equity interest of the Group as at 31 December 2019	Attributable equity interest of the Group as at 31 December 2018	Principal activities and place of operation
Shanghai Jinglong Property Management Company Limited	The PRC, 30 October 2015	Limited liability company	RMB1,000,000	**100%**	100%	Property operation, Shanghai, the PRC
Bengbu Yulong Supplies Commercial Company Limited (Note (c))	The PRC, 5 July 2013	Limited liability company	RMB1,000,000	**N/A**	100%	Property operation, Bengbu, the PRC
Fuyang Powerlong Commercial Operational Management Company Limited	The PRC, 28 May 2015	Limited liability company	RMB1,000,000	**100%**	100%	Commercial operation, Fuyang, the PRC
Jiangyou Powerlong Commercial Management Company Limited	The PRC, 18 September 2017	Limited liability company	RMB1,000,000	**100%**	100%	Commercial operation, Jiangyou, the PRC
Shanghai Jiashang Digital Technology Company Limited	The PRC, 17 April 2019	Limited liability company	RMB20,000,000	**100%**	N/A	Technology development, Shanghai, the PRC
Qingdao Shaohai Yulong Commercial Management Company Limited (Note (c))	The PRC, 13 January 2015	Limited liability company	RMB1,000,000	**N/A**	N/A	Commercial operation, Jiaozhou, the PRC
Shanghai Baojuan Commercial Operational Management Company Limited	The PRC, 9 October 2019	Limited liability company	RMB1,000,000	**100%**	N/A	Commercial operation, Shanghai, the PRC

* The English name of the subsidiaries represents the best effort by the management of the Group in translating their Chinese names as they do not have an official English name.

(a) On 2 July 2019, 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. As the Company has the power to govern the relevant activities of Huihong Management and can derive benefits from the contributions of the eligible management and employees, the directors of the Company consider that it is appropriate to consolidate Huihong Management.

(b) As disclosed in Note 30, during the year ended 31 December 2019, these subsidiaries were disposed of to the Remaining Powerlong Group.

(c) Those subsidiaries already completed deregistration.

12 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 (Note 27)		
– PRC corporate income tax	**4,826**	1,275
	68,655	49,516

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the group entities as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit before income tax	**247,269**	182,859
Tax charge at effective rate applicable to profits in the respective group entities	**61,817**	45,715
Tax effects of:		
– Expenses not deductible for tax purposes	**8,978**	2,340
– Effect of income not subject to income tax	**(896)**	–
– Tax losses for which no deferred income tax asset was recognized	**–**	1,461
– Utilization of tax losses previously not recognized for deferred tax asset	**(1,244)**	–
PRC corporate income tax	**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.

13 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 (Note 21), the ordinary shares issued in exchange for the Spin-off Business in the Reorganization on 19 July 2019 (Note 21), and the capitalization issue on 10 December 2019 (Note 21), 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, representing 7.5% of the total shares of the Company, that have not yet been granted to employees (Note 21).

	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.

14 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 (Note 30)	**(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 (Note (b))	(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

14 PROPERTY AND EQUIPMENT (Continued)

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

	Year ended 31 December	
	2019	2018
	RMB'000	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.

15 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).

(i) Fair value hierarchy

An independent valuation of the Group's investment properties was performed by the independent and professionally qualified valuer, to determine the fair value of the investment properties as at 31 December 2019.

As at 31 December 2019 as certain of significant inputs used in the determination of fair value of investment properties are arrived at by reference to certain significant unobservable market data, the fair value of all investment properties of the Group is included in level 3 of the fair value measurement hierarchy (2018: level 3).

15 INVESTMENT PROPERTIES (Continued)

(ii) Valuation processes of the Group

The Group's investment properties were valued at 31 December 2019, by independent professionally qualified valuer who holds a recognized relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that review the valuations performed by the independent valuer for financial reporting purposes. This team reports to the senior management of the Group. Discussions of valuation processes and results are held between the management and valuer.

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuation movements when compared to the prior year valuation report;
- Holds discussions with the independent valuer.

(iii) Valuation techniques

Investment properties comprise of right-of-use assets of commercial properties held under leases. Fair values of the investment properties are generally derived using the term and reversionary method. This method is based on the tenancy agreements as at the respective valuation dates. The rental income derived within the tenancy agreements are discounted by adopting term yields and the potential reversionary income are discounted by adopting appropriate reversionary yields for the period beyond the rental period in the tenancy agreements. Potential reversionary income and the reversionary yields are derived from analysis of prevailing market rents and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

There were no changes to the valuation techniques during the year ended 31 December 2019 (2018: None).

Valuation techniques	Unobservable inputs	Range of unobservable inputs		Relationship of unobservable inputs to fair value
		As at 31 December 2019	As at 31 December 2018	
	Term yields	**7.50%-8.75%**	7.50%-8.75%	The higher the term yields, the lower the fair value
Income approach	Reversionary yields	**7.50%-8.75%**	7.50%-8.75%	The higher the reversionary yields, the lower the fair value
	Market rents (RMB/ square meter/month)	**10-221**	6-206	The higher the market rents, the higher the fair value

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets at fair value through other comprehensive income comprise: equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognize in this category.

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Opening amounts	**333,528**	333,250
Net gains recognized in other comprehensive income	**–**	278
Disposal of subsidiaries (Note 30)	**(333,528)**	–
Closing amounts	**–**	333,528

(a) Amount represented 5% equity interest in an unlisted insurance company in the PRC. In May 2019, the Group disposed of the subsidiary holding this investment to the Remaining Powerlong Group (Note 30).

17 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Financial assets at amortized cost		
Operating lease and trade receivables	**113,881**	82,475
Other receivables (excluding prepayments)	**46,611**	304,944
Cash and cash equivalents	**2,616,113**	553,378
Restricted cash	**19**	486,540
	2,776,624	1,427,337
Financial assets at fair value through other comprehensive income	**–**	333,528
Financial liabilities at amortized costs		
Borrowings	**–**	634,000
Trade and other payables (excluding accrued payroll and other taxes payables)	**651,701**	557,609
Lease liabilities	**416,553**	441,768
	1,068,254	1,633,377

18 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 (Note 29(d))	**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 (Note 3.1.2).

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).

19 PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Other receivables		
– Receivables from related parties (Note 29(d))	**–**	259,206
– Payments on behalf of tenants or residents (Note (a))	**45,265**	37,088
– Interest receivables from bank deposits	**1,182**	11,315
– Others	**3,766**	1,539
	50,213	309,148
Less: allowance for impairment	**(3,602)**	(4,204)
	46,611	304,944
Prepayments		
– Third parties (Note (b))	**35,547**	28,570
– Related parties (Note 29(d))	**3,786**	29
– Expenses to be capitalized relating to over-allotment issue	**5,170**	–
	44,503	28,599
	91,114	333,543

(a) Amounts represented mainly the payments of utility fees on behalf of tenants or residential communities.

(b) Amounts represented mainly the prepaid utility expenses.

(c) The balances of prepayments and other receivables were all denominated in RMB.

20 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Cash at bank and in hand (Note (a)):	**2,616,132**	1,039,918
Less: Guarantee deposits for bank borrowings of the Group (Note (b))	**–**	(486,500)
Other bank deposits	**(19)**	(40)
Cash and cash equivalents	**2,616,113**	553,378

20 CASH AND CASH EQUIVALENTS (Continued)

(a) Cash at banks and in hand were denominated in the following currencies:

	As at 31 December 2019 RMB'000	2018 RMB'000
RMB	**1,378,484**	1,039,842
HK$	**1,237,578**	7
Other currencies	**70**	69
	2,616,132	1,039,918

(b) As at 31 December 2018, the Group placed cash deposits of approximately RMB486,500,000 with designated banks as security for bank borrowings of the Group, which was released when the related bank borrowings have been repaid during the year ended 31 December 2019.

21 SHARE CAPITAL AND PREMIUM

		Number of ordinary shares	Share capital HK$'000	Share capital RMB'000	Share Premium RMB'000	Total 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

21 SHARE CAPITAL AND PREMIUM (Continued)

(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 (Note 11).

(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).

22 OTHER RESERVES

	Statutory reserves RMB'000	Revaluation reserves RMB'000	Total reserves RMB'000
Balance at 1 January 2019	**26,684**	**19,747**	**46,431**
Appropriation of statutory reserves	**1,665**	**–**	**1,665**
Reclassification relating to subsidiaries disposed of (Note (b))	**(5,919)**	**(19,747)**	**(25,666)**
Balance at 31 December 2019	**22,430**	**–**	**22,430**
Balance at 1 January 2018	21,242	19,538	40,780
Appropriation of statutory reserves	5,442	–	5,442
Changes in fair value of financial assets at fair value through other comprehensive income	–	209	209
Balance at 31 December 2018	26,684	19,747	46,431

(a) Statutory reserves

Pursuant to the relevant laws and regulations in the PRC and the provision of the articles of association of the Group's subsidiaries, the Group's subsidiaries which are registered in the PRC shall appropriate certain percentage of profit after tax (after offsetting any accumulated losses brought forward from prior years) calculated under the accounting principles generally applicable to the PRC enterprises to reserve funds. Depending on the natures, the reserve funds can be used to set off accumulated losses of the subsidiaries or distribute to owners in form of bonus issue.

(b) Amounts represented the reserves relating to the subsidiaries having been disposed of during the year ended 31 December 2019 (Note 30), which were reclassified to retained earnings upon the disposals.

23 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 (Note 30).

(b) The Board recommended the payment of a final dividend of HK$20.0 cents (equivalent to RMB17.9 cents 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) (Note 21(c)), and has taken into account the effects of the exercise of the over-allotment option in connection with the Listing in January 2020 and the repurchase of ordinary shares in January 2020 (Note 35). 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.

24 BORROWINGS

	As at 31 December 2019 RMB'000	2018 RMB'000
Borrowings included in non-current liabilities:		
Bank borrowings		
– Secured	–	132,000
Less: current portion of non-current borrowings	–	(24,000)
	–	108,000
Borrowings included in current liabilities:		
Bank borrowings-secured (Note (b))		
– Secured	–	502,000
– Unsecured but guaranteed	–	–
Current portion of non-current borrowings	–	24,000
	–	526,000
Total borrowings	–	634,000

(a) The Group disposed of the subsidiaries holding the Group's bank borrowings totalling of RMB366,850,000 to the Remaining Powerlong Group during the year (Note 30) and repaid all the remaining bank borrowings by 31 December 2019.

(b) As at 31 December 2018, the effective interest rate of the borrowings was 5.28% per annum. The Group's bank borrowings as at 31 December 2018 of RMB442,000,000 were secured by cash deposits of the Group with total carrying amount of RMB486,500,000. In addition, bank borrowings of RMB192,000,000 as at 31 December 2018, were secured by the properties of related parties.

25 LEASES

(a) Amounts recognized in the consolidated balance sheets

	As at 31 December 2019 RMB'000	2018 RMB'000
Leased in properties for sub-lease to tenants		
– Leased commercial properties (Note 15)	**207,207**	155,632
Leased in properties for operation		
– Car parks (Note 14)	–	167,751
	207,207	323,383
Lease liabilities		
Current	**226,066**	205,671
Non-current	**190,487**	236,097
	416,553	441,768

25 LEASES (Continued)

(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 15)	**97,049**	78,272
Car parks (Note 14)	**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 (Note 7 (b))	**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

26 TRADE AND OTHER PAYABLES

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Trade payables		
– Related parties (Note 29(d))	**1,126**	1,189
– Third parties	**88,668**	71,575
	89,794	72,764
Other payables		
– Related parties (Note 29(d))	**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 aging 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

26 TRADE AND OTHER PAYABLES (Continued)

(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

27 DEFERRED INCOME TAX

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Deferred tax assets:		
– Deferred tax asset to be recovered after more than 12 months	**25,673**	38,048
– Deferred tax asset to be recovered within 12 months	**22,748**	18,446
	48,421	56,494
Deferred tax liabilities:		
– Deferred tax liability to be recovered after more than 12 months	**–**	–
– Deferred tax liability to be recovered within 12 months	**–**	(6,582)
	–	(6,582)
	48,421	49,912

27 DEFERRED INCOME TAX (Continued)

The net movements on the deferred taxation are as follows:

	As at 31 December 2019 RMB'000	2018 RMB'000
Beginning of the year	**49,912**	51,256
Tax credited/(charged) in profit and loss	**(4,826)**	(1,275)
Tax charge relating to components of other comprehensive income	**–**	(69)
Disposals of subsidiaries (Note 30)	**3,335**	–
Ending of the year	**48,421**	49,912

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Deferred tax assets – allowance on doubtful debts RMB'000	Deferred tax assets – lease and accruals RMB'000	Deferred tax assets – tax losses RMB'000	Deferred tax liabilities – Financial assets at fair value through other comprehensive income RMB'000	Deferred tax liabilities – Leased commercial properties and leased in properties for operation RMB'000	Total RMB'000
As at 1 January 2019	**4,406**	**95,165**	**6,871**	**(6,582)**	**(49,948)**	**49,912**
Credited/(charged) to the income tax expenses	**1,806**	**(3,725)**	**(1,053)**	**–**	**(1,854)**	**(4,826)**
Disposals of subsidiaries (Note 30)	**(608)**	**(2,305)**	**(334)**	**6,582**	**–**	**3,335**
At 31 December 2019	**5,604**	**89,135**	**5,484**	**–**	**(51,802)**	**48,421**
As at 1 January 2018	3,709	111,374	8,574	(6,513)	(65,888)	51,256
Credited/(charged) to the income tax expenses	697	(16,209)	(1,703)	–	15,940	(1,275)
Charged to other comprehensive income	–	–	–	(69)	–	(69)
At 31 December 2018	4,406	95,165	6,871	(6,582)	(49,948)	49,912

As at 31 December 2019, the Group did not recognize deferred tax assets in respect of cumulative tax losses of RMB39,640,000 (2018: RMB44,616,000), as it is not probable that future taxable profits against which the losses can be utilized will be available in the relevant tax jurisdiction and entity. The tax losses shall expire in five years from year of occurrence under current tax legislation.

27 DEFERRED INCOME TAX (Continued)

Unused tax losses for which no deferred tax asset was recognized as follows:

Expiry year

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
2019	**–**	2,958
2020	**2,928**	4,946
2021	**7,004**	7,004
2022	**23,864**	23,864
2023	**5,844**	5,844
	39,640	44,616

Deferred income tax liabilities of RMB51,883,000 have not been recognized for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries incorporated in the PRC (2018: RMB37,903,000). Unremitted earnings totalled RMB518,830,000 as at 31 December 2019 (2018: RMB379,030,000), as the Group does not have a plan to distribute these earnings out of the PRC in the foreseeable future.

28 CASH GENERATED FROM OPERATIONS

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit before income tax	**247,269**	182,859
Adjustments for:		
Depreciation (Note 7)	**103,836**	109,119
Net impairment losses on financial assets	**7,244**	2,788
Gains on lease termination	**(2,055)**	–
Finance costs – net	**32,102**	42,608
	388,396	337,374
Changes in working capital:		
Restricted cash as guarantee for notes payables and other operating activities	**(436)**	–
Operating lease and trade receivables	**(39,385)**	8,922
Prepayments and other receivables	**(39,777)**	(12,607)
Trade and other payables	**175,899**	32,691
Contract liabilities and advances from lessees	**127,406**	25,199
	612,103	391,579

28 CASH GENERATED FROM OPERATIONS (Continued)

(a) The reconciliation of liabilities arising from financing activities is as follows:

	Borrowings and interest payables RMB'000	Lease liabilities RMB'000	Other payables – related parties RMB'000	Total RMB'000
As at 1 January 2019	**634,000**	**441,768**	**88,318**	**1,164,086**
Cash flows				
– Inflow from financing activities	**380,000**	**–**	**100,885**	**480,885**
– Outflow from financing activities	**(667,044)**	**(148,883)**	**(69,467)**	**(885,394)**
Non-cash changes				
– Currency exchange difference	**–**	**–**	**(745)**	**(745)**
– Disposal – leases	**–**	**(45,324)**	**–**	**(45,324)**
– Acquisition – leases	**–**	**148,624**	**–**	**148,624**
– Finance expense recognized	**19,894**	**20,368**	**–**	**40,262**
– Offset with amount due from related parties	**–**	**–**	**(79,685)**	**(79,685)**
– Net changes associated with disposed of subsidiaries (Note 30)	**(366,850)**	**–**	**(138)**	**(366,988)**
As at 31 December 2019	**–**	**416,553**	**39,168**	**455,721**
As at 1 January 2018	388,314	482,125	69,214	939,653
Cash flows				
– Inflow from financing activities	517,000	–	378,806	895,806
– Outflow from financing activities	(301,740)	(117,787)	(360,770)	(780,297)
Non-cash changes				
– Currency exchange difference	–	–	1,068	1,068
– Additions – leases	–	52,894	–	52,894
– Finance expense recognized	30,426	24,536	–	54,962
As at 31 December 2018	634,000	441,768	88,318	1,164,086

29 RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

	Year ended 31 December 2019 RMB'000	2018 RMB'000
Continuing:		
Revenue arising from provision of services (Note (ii))		
– Entities controlled by Mr. Hoi	**227,689**	119,486
– Entities jointly controlled by Mr. Hoi	**22,774**	11,709
	250,463	131,195
Office leasing expenditure paid/payable		
– Entities controlled by Mr. Hoi	**1,702**	1,106
Short-term lease expenditure for car parks, common areas and advertising space		
– Entities controlled by Mr. Hoi	**116,749**	–
Discontinuing:		
Revenue arising from provision of services(Note (iii))		
– Entities controlled by Mr. Hoi	–	86,657
Lease of right-of-use assets (car parking lots)		
– Entities controlled by Mr. Hoi	–	51,741
Disposal of lease for right-of-use assets (car parking lots)		
– Entities controlled by Mr. Hoi	**148,994**	32,537
Interest expense paid/payable on lease liabilities due to related parties		
– Entities controlled by Mr. Hoi	–	3,831
Interest income received/receivable on amounts due from related parties		
– Entities controlled by Mr. Hoi	–	1,919
Purchase of low-value consuming goods and others		
– Entities controlled by the Mr. Hoi	**1,840**	1,189

(i) All of the transactions above were carried out in the normal course of the Group's business and on terms as agreed between the transacting parties.

(ii) The provision of services mainly comprised revenue from commercial operational services and residential properties management services excluding services income derived from car parks, common areas and advertising space management services (Note (iii)).

(iii) The provision of services mainly comprised services income derived from car parks, common areas and advertising space management services.

(iv) The Group's discontinuing transactions regarding balances of other receivables and other payables with related parties are disclosed in the financing activities and investing activities in the consolidated statements of cash flow.

29 RELATED PARTY TRANSACTIONS (Continued)

(b) Free trademark license agreement

On 8 August 2019, a trademark licencing agreement was entered into between the Group and Powerlong Group Development Co., Ltd. (寶龍集團發展有限公司) ("Powerlong Group Development"), pursuant to which Powerlong Group Development agreed to irrevocably and unconditionally grant to the Group the right to (i) use; and/or (ii) sub-license to a third party due to operational needs arising from its usual and ordinary course of business and other activities, certain trademarks registered in the PRC for a perpetual term commencing from the date of the trademark licensing agreement on a royalty-free basis.

(c) Key management compensation

Compensations for key management other than those for directors and supervisors as disclosed in Note 32 is set out below.

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Salaries and other short-term employee benefits	**3,992**	2,255

(d) Balances with related parties

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Trade receivables		
– Entities controlled by Mr. Hoi	**47,586**	15,585
– Entities jointly controlled by Mr. Hoi	**121**	2,118
	47,707	17,703
Other receivables (non-trade)		
– Entities controlled by Mr. Hoi	**–**	228,358
– Entities jointly controlled by Mr. Hoi	**–**	362
	–	228,720
Other receivables (trade) (Note (i))		
– Entities controlled by Mr. Hoi	**–**	30,486
Prepayments (trade)		
– Entities controlled by Mr. Hoi	**666**	29
– Entities jointly controlled by Mr. Hoi (Note (ii))	**3,120**	–
	3,786	29
Trade payables		
– Entities controlled by Mr. Hoi	**1,126**	1,189

29 RELATED PARTY TRANSACTIONS (Continued)

(d) Balances with related parties (Continued)

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Other payables (non-trade)		
– Entities controlled by Mr. Hoi	**38,819**	85,046
– Entities jointly controlled by Mr. Hoi	**349**	3,272
	39,168	88,318
Other payables (trade) (Note (iii))		
– Entities controlled by Mr. Hoi	**43,253**	–
– Entities jointly controlled by Mr. Hoi	**6,338**	–
	49,591	–
Contract liabilities		
– Entities controlled by Mr. Hoi	**45,684**	5,475
– Entities jointly controlled by Mr. Hoi	**10,869**	–
	56,553	5,475
Lease liabilities		
– Entities controlled by Mr. Hoi	**8,805**	54,131

(i) The balance represented the receivables from disposing of right-of-use assets (car parks) to related parties.

(ii) The prepayments was in relation to a cooperation in information technology development with a joint venture of the Group.

(iii) The balances consisted of short-term lease payments of car parks, common areas and advertising spaces and the receipts on behalf of owners of the commercial properties to settle the expenses relating promotion and marketing activities.

Trade receivables, other receivables, trade payables, other payables and contract liabilities due from/to related parties were unsecured and interest-free.

(e) Securities and guarantees with related parties

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Provided securities or guarantees for borrowings of entities controlled by Mr. Hoi (i)	–	2,368,951
Received securities or guarantees from		
– Entities controlled by Mr. Hoi	–	132,000
– Entities jointly controlled by Mr. Hoi (Note 24(b))	–	60,000
	–	192,000

(i) The Group released all the financial securities or guarantees provided for bank borrowings of its related parties prior to the Listing.

30 DISPOSAL OF SUBSIDIARIES

As part of the Reorganization (Note 1.2), from May to July 2019, certain subsidiaries of the Group which have ceased to carry out the Spin-Off Business as at the dates of disposal were disposed of to the Remaining Powerlong Group at cash considerations of RMB29,155,000 in aggregate.

The assets and liabilities associated with these subsidiaries being disposed of are shown as follows:

	As at the respective dates of the disposals RMB'000
Assets disposed of	
Property and equipment	**15,975**
Deferred income tax assets	**3,247**
Prepayment and other receivables	**292,085**
Cash and cash equivalents	**555**
Restricted cash	**386,957**
Current income tax recoverables	**494**
Operating lease and trade receivables	**226**
Financial assets at fair value through other comprehensive income	**333,528**
	1,033,067
Liabilities disposed of	
Borrowings	**(366,850)**
Deferred income tax liabilities	**(6,582)**
Trade and other payables	**(11,828)**
Current income tax liabilities	**(6,339)**
	(391,599)
Net assets disposed of	**641,468**
Less: cash consideration	**(29,155)**
Less: amounts due by the disposed subsidiaries to the Group	**(554,041)**
Less: dividends payable by the disposed subsidiaries to the Group (Note 23)	**(58,272)**
Net gain or loss from the disposal	**–**
Net cash outflow arising from disposal of subsidiaries	
Cash consideration received	**29,155**
less: Cash and cash equivalents disposed of	**(555)**
	28,600

31 BALANCE SHEET AND RESERVE MOVEMENTS OF THE COMPANY

	Note	As at 31 December 2019 RMB'000
Assets		
Non-current assets		
Interests in subsidiaries		306,747
Current assets		
Cash and cash equivalents		1,237,565
Prepayments		5,170
		1,242,735
Total assets		1,549,482
Equity		
Capital and reserves attributable to shareholders of the Company		
Share capital and premium		1,236,907
Other reserves	(a)	306,747
Accumulated losses	(a)	(26,012)
Total equity		1,517,642
Current liabilities		
Other payables to third parties		14,461
Other payables to subsidiaries		17,379
		31,840
Total liabilities		31,840
Total equity and liabilities		1,549,482

The balance sheet of the Company was approved by the Board of Directors on 9 March 2020 and was signed on its behalf.

Hoi Wa Fong
Director

Zhang Yunfeng
Director

31 BALANCE SHEET AND RESERVE MOVEMENTS OF THE COMPANY (Continued)

(a) Reserve movements of the Company

	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
As at 25 March 2019 (date of incorporation)	–	–	–
Deemed contribution (i)	306,747	–	306,747
Loss for the year	–	(26,012)	(26,012)
As at 31 December 2019	**306,747**	**(26,012)**	**280,735**

(i) Deemed contribution represented mainly the excess of the aggregate net asset values of the Spin-off Business over the par value of the Company's shares issued in exchange pursuant to the Reorganization.

32 DIRECTORS' AND SUPERVISORS' BENEFITS AND INTERESTS

The following directors were appointed:

Executive directors

Mr. Hoi Wa Fong (joined the Group on 1 February 2013 and appointed on 25 March 2019)
Mr. Zhang Yunfeng (joined the Group on 9 March 2015 and appointed on 8 August 2019)

Non-executive directors

Ms. Hoi Wa Fan (appointed on 8 August 2019)
Ms. Hoi Wa Lam (appointed on 8 August 2019)

Independent non-executive directors

Ms. Ng Yi Kum, Estella (appointed on 10 December 2019)
Mr. Chan Wai Yan, Ronald (appointed on 10 December 2019)
Dr. Lu Xiongwen (appointed on 10 December 2019)

32 DIRECTORS' AND SUPERVISORS' BENEFITS AND INTERESTS (Continued)

(a) Directors' emoluments

The emolument of Mr. Hoi Wa Fong, executive director in relation to his services rendered for the Group for the year ended 31 December 2019 were borne by a related party of the Group. The emolument was not allocated to the Group as the management of the Company considers that there is no reasonable basis of allocation (2018: nil). Non-executive directors, Ms. Hoi Wa Fan and Ms. Hoi Wa Lam did not receive any emoluments in respect of their services rendered for the Group for the year ended 31 December 2019 (2018: nil).

The directors received emoluments from the Group (in their role as senior management and employee before their appointment as directors respectively) for the year ended 31 December 2019 as follows:

Name	Fees RMB'000	Salaries RMB'000	Housing allowance and contributions to a retirement benefit scheme RMB'000	Total RMB'000
Executive director				
Mr. Zhang Yunfeng	**–**	**864**	**134**	**998**

The directors received emoluments from the Group (in their role as senior management and employee before their appointment as directors respectively) for the year ended 31 December 2018 as follows:

Name	Fees RMB'000	Salaries RMB'000	Housing allowance and contributions to a retirement benefit scheme RMB'000	Total RMB'000
Executive director				
Mr. Zhang Yunfeng	–	640	132	772

(b) Directors' retirement benefits and termination benefits

During the year ended 31 December 2019, there were no termination benefits nor additional retirement benefit received by the directors except for the attributions to a retirement benefit scheme in accordance with the rules and regulations in the PRC.

32 DIRECTORS' AND SUPERVISORS' BENEFITS AND INTERESTS (Continued)

(c) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2019, the Group did not pay consideration to any third parties for making available directors' services.

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended 31 December 2019, there were no loans, quasi-loans and other dealings entered into by the Company or subsidiaries undertaking of the Company, where applicable, in favor of directors.

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted as at 31 December 2019 or at any time during the year ended 31 December 2019 (2018:nil).

33 CONTINGENCIES

Save as disclosed in Note 29(e), at 31 December 2019, the Group did not have any significant contingent liabilities (2018: nil).

34 COMMITMENTS

As at 31 December 2019, the Group's future aggregate minimum lease payments under non-cancellable short-term leases arrangements were RMB124,823,000 and due within one year (2018: nil).

35 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 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 services 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.

Four-Year Financial Summary

CONSOLIDATED BALANCE SHEET

	As at 31 December			
	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Assets				
Non-current assets	**267,256**	719,147	806,979	767,734
Current assets	**2,823,832**	1,458,465	941,012	1,196,005
Total assets	**3,091,088**	2,177,612	1,747,991	1,963,739
EQUITY AND LIABILITIES				
Total equity	**1,587,172**	229,923	96,371	17,779
Liabilities				
Non-current liabilities	**190,487**	350,679	450,042	443,712
Current liabilities	**1,313,429**	1,597,010	1,201,578	1,502,248
Total liabilities	**1,503,916**	1,947,689	1,651,620	1,945,960
Total equity and liabilities	**3,091,088**	2,177,612	1,747,991	1,963,739

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December			
	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Revenue	**1,620,457**	1,200,398	972,982	752,717
Cost of services	**(1,192,050)**	(874,524)	(719,579)	(588,303)
Gross profit	**428,407**	325,874	253,403	164,414
Selling and marketing expenses	**(41,856)**	(31,366)	(19,034)	(10,655)
Administrative expenses	**(117,231)**	(80,349)	(93,816)	(53,626)
Other income and gains	**17,295**	14,096	10,659	8,891
Net impairment losses on financial assets	**(7,244)**	(2,788)	(2,813)	(2,876)
Operating profit	**279,371**	225,467	148,399	106,148
Finance costs – net	**(32,102)**	(42,608)	(34,038)	(18,412)
Profit before income tax	**247,269**	182,859	114,361	87,736
Income tax expenses	**(68,655)**	(49,516)	(35,769)	(24,799)
Profit for the year	**178,614**	133,343	78,592	62,937
Total other comprehensive income for the year	**–**	209	–	11,438
Total comprehensive income for the year	**178,614**	133,552	78,592	74,375

ANNUAL REPORT

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