

2020 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



POWERLONG



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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 mainly 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 2020, the Group had 68 retail commercial properties in operation, with an aggregate gross floor area (“**GFA**”) ^{Note} in operation of approximately 8.6 million square meters (“**sq.m.**”). As of the same date, the Group was contracted to provide commercial operational services for a total of 105 retail commercial properties with an aggregate contracted GFA of approximately 11.3 million sq.m..

The Group also provides property management services for residential properties, office buildings and serviced apartments. As of 31 December 2020, the Group had 61 residential properties delivered of its property management service with an aggregate GFA delivered of approximately 14.4 million sq.m., and was contracted to manage 101 properties with an aggregate contracted GFA of approximately 23.2 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)

Mr. Chen Deli (Chief executive officer) (Appointed as a chief executive officer on 1 June 2020 and appointed as an executive Director on 15 June 2020)

Mr. Zhang Yunfeng (Chief financial officer) (Re-designated from the position of chief executive officer to chief financial officer on 1 June 2020)

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. Suen Pui Chun Hannah

AUTHORIZED REPRESENTATIVES

Mr. Zhang Yunfeng

Ms. Suen Pui Chun Hannah

REGISTERED OFFICE

Maples Corporate Services Limited

P.O. Box 309

Ugland House

Grand Cayman KY1-1104

Cayman Islands

PLACE OF BUSINESS IN HONG KONG

19/F, Lee Garden One

33 Hysan Avenue

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

Certified Public Accountants

Registered Public Interest Entity Auditor

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

January

- Contracted for the first asset-light project upon Listing – Shaoxing Keqiao Powerlong Plaza (紹興柯橋寶龍廣場);
- Repurchase of 1,000,000 shares in aggregate from the open market;

February

- Launch of various policies in response to the unexpected coronavirus epidemic as an aid for tenants to overcome the difficulties;

May

- The Company's inclusion in the MSCI China Small Cap Index;

June

- Upgrade of organizational structure and joining of professional talents;

July

- Completion of the first acquisition – Acquisition of 60% equity interest in Zhejiang Xinghui (浙江星匯);

CORPORATE AWARDS

September

- The Company's inclusion into southbound trading under China-Hong Kong Stock Connect;
- Launch of "Yes, Love you 免! Love Celebration" theme activity in celebration of the 30th anniversary of Powerlong Group;

October

- Successful opening of Qingshan Lake Powerlong Plaza (Phase 1) (青山湖寶龍廣場 (一期));
- Contracted for the first asset-light project in Suzhou – Suzhou Xingyun Powerlong Plaza (蘇州星韻寶龍廣場);

November

- Successful opening of three Powerlong Plazas including Yongkang (永康), Hangzhou Dajiangdong (杭州大江東) and Shaoxing Keqiao (紹興柯橋);
- Contracted for the asset-light project in Yancheng – Yancheng Jianhu Powerlong Plaza (鹽城建湖寶龍廣場);

December

- Successful opening of five Powerlong Plazas including Suzhou Xingyun (蘇州星韻), Yancheng Chengdong (鹽城城東), Quanzhou Taishang (泉州台商), Zhangzhou Longwen (漳州龍文) and Qingshan Lake (Phase 2) (青山湖寶龍廣場 (二期));
- Issuance of 22.5 million shares based on the Share Award Scheme ("**Share Award Scheme**");

Milestones and Awards

CORPORATE AWARDS



- 1 2020 China Top 10 Commercial Real Estate Brand (2020年中國商業地產品牌十強) – Leju Financial Research Institute (樂居財經研究院)
- 2 Listed Companies with the Most Growth Potential in 2020 (2020年度最具潛力上市公司) – Sina Finance (新浪財經)
- 3 Most Outstanding Enterprise of the Year 2020 (2020年度風雲企業) – Ruihe Think Tank (睿和智庫) and Van Sound Club (萬商俱樂部)
- 4 Outstanding Enterprise Award in Commercial Property (商業地產卓越企業) – Winshang.com (贏商網)
- 5 2020 Excellence Management Company (2020年度優秀管理公司) – mallchina.org (中購聯)

Milestones and Awards



- 6** Forerunner Representative of a Company with Light & Heavy Assets Dual Listing Status (輕重資產雙料上市公司先行者代表) – Shopping Center Development Association of Mall China (中購聯購物中心發展委員會)

- 7** 2020 China Top 10 Commercial Real Estate (2020中國商業地產十強) – China Index Academy (中國指數研究院)

- 8** The Most Popular New Stock Company Among Investors in 2020 (2020最受投資者歡迎新股公司) – Zhitong Finance (智通財經) and Royal Flush Finance (同花順財經)

- 9** 2019 High-growth Commercial Real Estate Developer (2019年度高成長商業地產企業) – Linkshop.com (聯商網) and Soupu.com (搜鋪網)

- 10** 2020 Top 10 of China Commercial Real Estate Developers with Comprehensive Strengths (2020中國房地產開發企業商業地產綜合實力十強) – China Real Estate Association (中國房地產協會), Shanghai E-House Real Estate Research Institute (上海易居房地產研究院) and China Real Estate Evaluation Center (中國房地產測評中心)

Chairman's Statement



HOI WA FONG
Chairman

Dear folks,

Thank you for being with us over the past year.

For the year 2020:

In respect of history, the year must be remembered;

In respect of era, the year marked a new start.

The year was also a new start for Powerlong CM.

Under such a large context, many Shareholders, together with us, witnessed the development and changes of Powerlong CM over the year.

United as one, we worked together amid the unexpected pandemic, severe market environment, intense competition and challenging operational pressure. While achieving the operational targets for 2020, we also laid a solid foundation for pressing ahead in 2021.

This year, with quick response, we took various measures to achieve dual growth in both operational revenue and net profit and delivered an outstanding performance in the capital market;

Chairman's Statement

This year, focusing on the "1+1+N" strategy of the Group, we further deepened our presence in the Yangtze River Delta and explored the Guangdong-Hong Kong-Macau Bay Area through expansion and acquisition, with the penetration rate of the Yangtze River Delta projects reaching 71%;

This year, we resolved the difficulties and made progress at the headquarters, regional and project levels, in which the opening preparation for 9 projects and reopening for 1 project were completed;

This year, we conducted ongoing investigations and in-depth research to establish a comprehensive evaluation system for project investment and expansion as well as a standardized system for operational management. We also formed a technologically driven multi-dimension commercial ecosystem;

This year, we continued to promote technological empowerment and intelligent commerce to optimize the operational management system, and as a result of which, panoramic data, procedural transparency and smart decision-making have been achieved;

This year, focusing on the new five-year strategic plan of the Group, we implemented a new organizational structure, under which we strengthened and fortified our headquarters, regional and empowerment projects to fit in well with the high-speed development of Powerlong CM in the future;

This year, countless lamplight at night and countless sunshine at dawn;

This year, countless happiness and smile of yours went with countless thankfulness and pride of ours!

Here, on behalf of the management of Powerlong CM, I sincerely express my wholehearted gratitude to all fellow folks who go through all the ups and downs with us!

This year, we found that a number of problems in respect of our system, operation and management were yet to be effectively handled and tackled;

This year, we found that a number of achievements we want to unlock, things we want to do and innovations we want to develop were yet to be timely finalized and materialized;

Be eager to learn, prudent to ask, careful to think, discerning to speak and practicable to act!

Nonetheless, there is no time for us to applaud and we are in 2021 following the quick passage of time.

The year 2021 is the first year of implementation of Powerlong CM's new five-year strategy and also a year full of opportunities and challenges.

We have to continue to raise operational awareness, constantly innovating and embarking on asset return, tenant operation and consumption experience;

We have to continue to raise organizational effectiveness, constantly optimizing and reforming on team execution, property collaboration and work efficiency;

We have to secure more pipeline project opening and higher operational management results;

We have to continue to uplift our business atmosphere and service level and enhance technological empowerment to upgrade intelligent commerce;

We have to innovate, breakthrough as well as transcend our industry peers and even ourselves!

Dear folks, let's proceed to a new journey together!

Overview of Business

LAYOUT OF RETAIL COMMERCIAL PROPERTY PROJECTS

Number of projects: **121***

CHINA

A Leading Commercial Operational Service Provider in China

68 Retail Commercial Properties in operation, with an operation team of approximately **4,000** team members

Commercial Aggregate GFA in operation of approximately **8.57** million sq.m.

Number of Retail Commercial Property Projects at Yangtze River Delta Proportion increased from 63% to **71%**

Number of Projects	
Yangtze River Delta:	86
Others:	30
Pearl River Delta:	5



*

- (1) Including contracted projects and projects of Powerlong Real Estate Holdings Limited (“Powerlong Holdings”) to be contracted with lands obtained;
- (2) Including 100 shopping malls and 21 shopping streets;

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 2020, the Group's revenue was mainly derived from its commercial operational services.

COMMERCIAL OPERATIONAL SERVICES

As at 31 December 2020, the Group had 68 retail commercial properties in operation, with an aggregate GFA in operation of approximately 8.6 million sq.m.; and was contracted to provide commercial operational services for a total of 105 retail commercial properties with an aggregate contracted GFA of 11.3 million sq.m.. Save as aforementioned contracted projects, the Company has reached preliminary cooperation intention (contracts to be signed) with owners of 16 retail commercial properties, with an aggregate GFA of approximately 1.3 million sq.m.. The Company enjoys considerable brand recognition in the markets where it operates. The Company has been awarded various types of honors in 2020, such as 2020 China Top 10 Commercial Real Estate (2020中國商業地產十強) awarded by China Index Academy (中國指數研究院), 2020 China Top 10 Commercial Real Estate Brand (2020年中國商業地產品牌十強) awarded by Leju Financial Research Institute (樂居財經研究院), Listed Companies with the Most Growth Potential in 2020 (2020年度最具潛力上市公司) awarded by Sina Finance (新浪財經) and other awards.

RESIDENTIAL PROPERTY MANAGEMENT SERVICES

As at 31 December 2020, the Group had 61 projects delivered of its residential property management services with an aggregate GFA delivered of 14.4 million sq.m., and was contracted to manage 101 projects with an aggregate contracted GFA of 23.2 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 2020, 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.

Management Discussion and Analysis

The management models of the retail commercial properties undertaken by the Group includes the following three models:

1. Entrusted operation and management

The owner entrusts the operation and management of the retail commercial properties to the Group, and the operating costs of the projects are borne by the Group. The owners receive rents for shops and some income from diversified operations and parking lot operations.

The Group charges the owner: (i) income for advisory consultation before the projects are in operation; (ii) rent management fee during the operation stage of the projects i.e. a certain percentage of the rent; and (iii) brand usage fee (only for projects not developed by Powerlong Real Estate).

The Group charges the tenants and consumers: (i) operation and management service fees during project operation; (ii) income from diversified operations; and (iii) parking fees.

2. Advisory consultation

The owner engages the Group as a management advisory consultant for retail commercial properties, and all income and costs of project operation are borne by the owner.

The Group charges the owner: (i) income for advisory consultations before the projects are in operation; and (ii) a certain percentage of consulting service fees during the project operation period.

3. Sub-lease services

The owner leases the retail commercial properties as a whole to the Group at a certain price, and all income and costs of project operation are borne by the Group.

The Group charges tenants and consumers: (i) rental income of projects; (ii) operation and management service fees during project operation; (iii) income from diversified operations; and (iv) parking fees.

Management Discussion and Analysis



Residential property management services: The Group provided property management services for residential properties, office buildings and serviced 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			
	2020		2019	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB	%	RMB	%
<i>(in thousands, except for percentages)</i>				
Commercial operational services	511,921	32.8	391,563	29.3
Residential property management services	82,625	23.1	36,844	12.9
Total	594,546	30.9	428,407	26.4

COMMERCIAL OPERATIONAL MANAGEMENT SERVICES

The Group primarily 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 2020, the aggregate revenue of the Group’s commercial operational management services amounted to approximately RMB1,562.9 million, representing an increase of 17.1% from approximately RMB1,335.1 million for the year ended 31 December 2019; and the Group had GFA in operation of 8.6 million sq.m., representing an increase of 1.6 million sq.m. from 7.0 million sq.m. for the corresponding period of 2019; 68 projects in operation, representing an increase of 17 projects from 51 projects for the corresponding period of 2019; contracted GFA of 11.3 million sq.m., representing an increase of 2.4 million sq.m. from 8.9 million sq.m. for the corresponding period of 2019.

The table below sets forth a breakdown of the aggregate GFA in operation 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					
	2020			2019		
	Contracted GFA	GFA in operation	Revenue	Contracted GFA	GFA in operation	Revenue
	sq.m.	sq.m.	RMB	sq.m.	sq.m.	RMB
<i>(in thousands)</i>						
Yangtze River Delta ⁽¹⁾	7,269	5,033	1,059,868	5,232	3,647	900,027
Pearl River Delta ⁽²⁾	316	—	6,604	—	—	—
Others ⁽³⁾	3,763	3,540	496,453	3,635	3,335	435,082
Total	11,348	8,573	1,562,925	8,867	6,982	1,335,109

Notes:

(1) Comprises Shanghai Municipality, Zhejiang Province, Jiangsu Province and Anhui Province.

(2) Comprises Guangdong Province.

(3) Comprises cities except those mentioned in (1) and (2) above.

FIRST ACQUISITION UNDER THE STRATEGY OF FOCUSED DEVELOPMENT IN THE YANGTZE RIVER DELTA

On 6 July 2020, the Company announced that the Group had entered into an investment agreement (the “**Investment Agreement**”) with a shareholder of Zhejiang Xinghui Commercial Management Company Limited (浙江星匯商業管理有限公司) (“**Zhejiang Xinghui**”), an independent third party, on 3 July 2020. Pursuant to which the Group acquired 60% equity interest in Zhejiang Xinghui with an investment cost of RMB40.6 million. Zhejiang Xinghui is principally engaged in retail commercial property operation and management. As of the date of this annual report, Zhejiang Xinghui had 15 retail commercial property projects under management, with a total GFA of approximately 0.86 million square meters, including 8 opened retail commercial property projects and 7 pipeline retail commercial property projects.

Further, Zhejiang Xinghui undertake to the Group that the annual net profit excluding extraordinary profit or loss attributable to the parent company in the following years will be not less than RMB6.0 million for 2020, RMB7.7 million for 2021, RMB9.8 million for 2022, RMB12.6 million for 2023 and RMB16.1 million for 2024. During the year ended 31 December 2020, Zhejiang Xinghui’s net profit excluding extraordinary profit or loss attributable to the parent company amounted to approximately RMB6.5 million. The financial results of Zhejiang Xinghui has been consolidated into the Group’s financial statement since 1 September 2020.

In line with the Group’s plan to reinforce its leading position in the retail commercial property operation and management field by, among others, further expansion of its commercial operational service segment through strategic acquisitions and investments, the Company has selectively evaluated opportunities with a focus on cities located in economically developed region where there exist significant growth potential. The Zhejiang Xinghui is deemed an ideal acquisition target to achieve the Company’s aforementioned goals for the following reasons: Firstly, the management of the Zhejiang Xinghui has extensive experience in operation and management of retail commercial properties and outstanding past performance. Secondly, the Zhejiang Xinghui is located in Zhejiang province, which is consistent with the Group’s general strategy to further develop, expand and strengthen its business in the Yangtze River Delta region. Thirdly, the urban locations of the Zhejiang Xinghui’s projects under management and the projects itself has rooms for enhancement, which the Group believes to raise profit levels thereafter by leveraging its resources. Fourthly, after the completion of the Acquisition, the Zhejiang Xinghui would be able to accelerate its expansions in the Zhejiang region and gain additional management projects by virtue of the Group’s brand influence. Fifthly, the consideration of the Acquisition is reasonable. Upon the completion of the Acquisition, the Group would continue to expand its business by leveraging the existing team of the Zhejiang Xinghui and would also consolidate the financial results of the Zhejiang Xinghui to the Group’s financial statements, resulting in a win-win to both the Group and the Zhejiang Xinghui.

For further details, please refer to the announcement of the Company dated 6 July 2020 and Note 30 to the consolidated financial statements in this annual report.

Management Discussion and Analysis

Projects in Operation

New retail commercial property projects added to the Group's portfolio upon opening for the year ended 31 December 2020 are shown in the following table:

No.	Name of Project	Opening date <i>month-year</i>	City	Geographic region	Owner	Management Model	Total GFA <i>(sq.m)</i>	Shopping Mall <i>(sq.m)</i>	Commercial Street <i>(sq.m)</i>	Car Park <i>(sq.m)</i>
Powerlong Plaza										
1	Hangzhou Qingshan Lake Powerlong Plaza (Phase 1) (杭州青山湖寶龍廣場(一期))	October 2020	Hangzhou	Yangtze River Delta	Powerlong Real Estate	Entrusted management	189,524	98,000	–	91,524
2	Yongkang Powerlong Plaza (永康寶龍廣場)	November 2020	Jinhua	Yangtze River Delta	Powerlong Real Estate	Entrusted management	89,900	62,900	–	27,000
3	Hangzhou Dajiangdong Powerlong Plaza (杭州大江東寶龍廣場)	November 2020	Hangzhou	Yangtze River Delta	Powerlong Real Estate	Entrusted management	95,373	62,373	–	33,000
4	Shaoxing Keqiao Powerlong Plaza (紹興柯橋寶龍廣場)	November 2020	Shaoxing	Yangtze River Delta	Third Party	Sublease	99,787	54,787	–	45,000
5	Suzhou Xingyun Powerlong Plaza (蘇州星韻寶龍廣場)	December 2020	Suzhou	Yangtze River Delta	Third Party	Sublease	40,774	40,774	–	–
6	Yancheng Chengdong Powerlong Plaza (鹽城城東寶龍廣場)	December 2020	Yancheng	Yangtze River Delta	Powerlong Real Estate	Entrusted management	135,932	76,927	–	59,004
7	Quanzhou Taishang Powerlong Plaza (泉州台商寶龍廣場)	December 2020	Quanzhou	Others	Powerlong Real Estate	Entrusted management	148,950	106,060	–	42,890
8	Zhangzhou Longwen Powerlong Plaza (漳州龍文寶龍廣場)	December 2020	Zhangzhou	Others	Powerlong Real Estate	Entrusted management	66,186	46,604	2,347	17,234
9	Hangzhou Qingshan Lake Powerlong Plaza (Phase 2) (杭州青山湖寶龍廣場(二期))	December 2020	Hangzhou	Yangtze River Delta	Third Party	Sublease	110,000	53,000	–	57,000
Total							976,426	601,426	2,347	372,653

Management Discussion and Analysis

The Group's retail commercial property projects in operation for the year ended 31 December 2020 are shown in the following table:

No.	Name of Project	Opening date <i>month-year</i>	City	Geographic region	Owner	Management Model	Total GFA <i>(sq.m)</i>	Shopping Mall <i>(sq.m)</i>	Commercial Street <i>(sq.m)</i>	Car Park <i>(sq.m)</i>
Powerlong One Mall										
1	Xiamen Powerlong One Mall (廈門寶龍一城)	September 2018	Xiamen	Others	Powerlong Real Estate	Entrusted management	170,585	121,670	5,365	43,550
Sub-total							170,585	121,670	5,365	43,550
Powerlong City										
1	Shanghai Qibao Powerlong City (上海七寶寶龍城)	October 2016	Shanghai	Yangtze River Delta	Powerlong Real Estate	Entrusted management	150,567	70,719	12,759	67,089
2	Hangzhou Binjiang Powerlong City (杭州濱江寶龍城)	December 2016	Hangzhou	Yangtze River Delta	Powerlong Real Estate	Entrusted management	295,562	140,877	37,512	117,173
Sub-total							446,129	211,596	50,271	184,262
Powerlong Plaza										
1	Fuzhou Powerlong Plaza (福州寶龍廣場)	April 2007	Fuzhou	Others	Powerlong Real Estate	Entrusted management	186,178	161,008	—	25,170
2	Qingdao Chengyang Powerlong Plaza (青島城陽寶龍廣場)	October 2009	Qingdao	Others	Powerlong Real Estate	Entrusted management	443,262	335,506	—	107,756
3	Zhengzhou Powerlong Plaza (鄭州寶龍廣場)	December 2009	Zhengzhou	Others	Powerlong Real Estate	Entrusted management	235,606	198,108	6,565	30,933
4	Bengbu Powerlong Plaza (蚌埠寶龍廣場)	December 2009	Bengbu	Yangtze River Delta	Powerlong Real Estate	Entrusted management	346,880	222,966	48,503	75,411
5	Wuxi Powerlong Plaza (無錫寶龍廣場)	October 2010	Wuxi	Yangtze River Delta	Powerlong Real Estate	Entrusted management	192,865	142,753	—	50,112
6	Anxi Powerlong Plaza (安溪寶龍廣場)	December 2010	Quanzhou	Others	Powerlong Real Estate	Entrusted management	85,374	55,489	28,034	1,851
7	Suqian Powerlong Plaza (宿遷寶龍廣場)	September 2011	Suqian	Yangtze River Delta	Powerlong Real Estate	Entrusted management	150,660	120,645	—	30,015
8	Yancheng Powerlong Plaza (鹽城寶龍廣場)	September 2011	Yancheng	Yangtze River Delta	Powerlong Real Estate	Entrusted management	199,409	135,112	29,720	34,577
9	Qingdao Licang Powerlong Plaza (青島李滄寶龍廣場)	December 2011	Qingdao	Others	Powerlong Real Estate	Entrusted management	174,167	110,949	—	63,218
10	Qingdao Jimo Powerlong Plaza (青島即墨寶龍廣場)	December 2011	Qingdao	Others	Powerlong Real Estate	Entrusted management	175,513	130,462	—	45,051
11	Luoyang Powerlong Plaza (洛陽寶龍廣場)	December 2011	Luoyang	Others	Powerlong Real Estate	Entrusted management	138,350	69,735	37,225	31,390
12	Tai'an Powerlong Plaza (泰安寶龍廣場)	September 2012	Tai'an	Others	Powerlong Real Estate	Entrusted management	118,255	102,677	—	15,578
13	Xinxiang Powerlong Plaza (新鄉寶龍廣場)	September 2012	Xinxiang	Others	Powerlong Real Estate	Entrusted management	205,171	90,321	65,729	49,122
14	Shanghai Caolu Powerlong Plaza (上海曹路寶龍廣場)	December 2013	Shanghai	Yangtze River Delta	Powerlong Real Estate	Entrusted management	81,720	57,200	—	24,520
15	Jinjiang Powerlong Plaza (晉江寶龍廣場)	December 2013	Jinjiang	Others	Powerlong Real Estate	Entrusted management	283,378	128,570	11,126	143,682
16	Hangzhou XiaSha Powerlong Plaza (杭州下沙寶龍廣場)	November 2014	Hangzhou	Yangtze River Delta	Powerlong Real Estate	Entrusted management	98,660	15,575	10,323	72,762
17	Chongqing Hechuan Powerlong Plaza (重慶合川寶龍廣場)	December 2014	Chongqing	Others	Powerlong Real Estate	Entrusted management	147,403	103,793	—	43,610
18	Tianjin Yujiapu Powerlong Plaza (天津于家堡寶龍廣場) ⁽¹⁾	December 2014	Tianjin	Others	Powerlong Real Estate	Entrusted management	162,836	87,613	—	75,223
19	Jiaozhou Powerlong Plaza (膠州寶龍廣場)	February 2015	Qingdao	Others	Powerlong Real Estate	Entrusted management	164,772	75,224	27,002	62,546
20	Zhenjiang Powerlong Plaza (鎮江寶龍廣場)	September 2015	Zhenjiang	Yangtze River Delta	Powerlong Real Estate	Entrusted management	153,818	70,170	32,797	50,851

⁽¹⁾ Tianjin Yujiapu Powerlong Plaza has reopened in December 2020.

Management Discussion and Analysis

No.	Name of Project	Opening date <i>month-year</i>	City	Geographic region	Owner	Management Model	Total GFA <i>(sq.m)</i>	Shopping Mall <i>(sq.m)</i>	Commercial Street <i>(sq.m)</i>	Car Park <i>(sq.m)</i>
21	Shanghai Fengxian Powerlong Plaza (上海奉賢寶龍廣場)	November 2015	Shanghai	Yangtze River Delta	Powerlong Real Estate	Entrusted management	117,715	49,816	14,847	53,053
22	Shanghai Lingang Powerlong Plaza (上海臨港寶龍廣場)	December 2015	Shanghai	Yangtze River Delta	Powerlong Real Estate	Entrusted management	70,720	40,069	9,931	20,719
23	Hangzhou Xiaoshan Powerlong Plaza (杭州蕭山寶龍廣場)	December 2015	Hangzhou	Yangtze River Delta	Powerlong Real Estate	Entrusted management	143,836	68,687	12,217	62,932
24	Shanghai Luodian Powerlong Plaza (上海羅店寶龍廣場)	December 2015	Shanghai	Yangtze River Delta	Powerlong Real Estate	Entrusted management	35,854	28,481	–	7,373
25	Hangzhou Fuyang Powerlong Plaza (杭州富陽寶龍廣場)	December 2015	Hangzhou	Yangtze River Delta	Powerlong Real Estate	Entrusted management	77,186	21,728	10,741	44,718
26	Changzhou Powerlong Plaza (常州寶龍廣場)	June 2016	Changzhou	Yangtze River Delta	Powerlong Real Estate	Entrusted management	170,134	105,598	15,814	48,722
27	Shanghai Jiading Powerlong Plaza (上海嘉定寶龍廣場)	October 2016	Shanghai	Yangtze River Delta	Powerlong Real Estate	Entrusted management	144,072	64,054	24,902	55,115
28	Penglai Powerlong Plaza (蓬萊寶龍廣場)	November 2016	Yantai	Others	Powerlong Real Estate	Entrusted management	148,213	43,431	59,871	44,911
29	Yantai Powerlong Plaza (煙臺寶龍廣場)	December 2016	Yantai	Others	Powerlong Real Estate	Entrusted management	100,027	37,869	20,629	41,530
30	Yangzhou Powerlong Plaza (揚州寶龍廣場)	January 2017	Yangzhou	Yangtze River Delta	Powerlong Real Estate	Entrusted management	143,559	58,407	30,252	54,900
31	Shanghai Wujing Powerlong Plaza (上海吳淞寶龍廣場)	July 2017	Shanghai	Yangtze River Delta	Powerlong Real Estate	Entrusted management	45,017	26,794	6,436	11,787
32	Yiwu Fotang Powerlong Plaza (義烏佛堂寶龍廣場)	November 2017	Yiwu	Yangtze River Delta	Third Party	Entrusted management	90,992	50,000	15,992	25,000
33	Fuyang Powerlong Plaza (阜陽寶龍廣場)	December 2017	Fuyang	Yangtze River Delta	Powerlong Real Estate	Entrusted management	140,441	103,890	–	36,551
34	Chongqing Fuling Powerlong Plaza (重慶涪陵寶龍廣場)	December 2017	Chongqing	Others	Third Party	Entrusted management	113,854	96,204	–	17,650
35	Shanghai Qingpu Powerlong Plaza (上海青浦寶龍廣場)	September 2018	Shanghai	Yangtze River Delta	Powerlong Real Estate	Entrusted management	171,673	54,281	38,461	78,930
36	Jiangyou Powerlong Plaza (江油寶龍廣場)	November 2018	Jiangyou	Others	Third Party	Entrusted management	91,342	72,590	–	18,752
37	Shaoxing Paojiang Powerlong Plaza (紹興袍江寶龍廣場)	September 2019	Shaoxing	Yangtze River Delta	Powerlong Real Estate	Entrusted management	41,083	30,000	–	11,083
38	Hangzhou Lin'an Powerlong Plaza (杭州臨安寶龍廣場)	November 2019	Hangzhou	Yangtze River Delta	Powerlong Real Estate	Entrusted management	103,700	55,700	–	48,000
39	Tianjin Binhai Powerlong Plaza (天津濱海寶龍廣場)	December 2019	Tianjin	Others	Powerlong Real Estate	Entrusted management	61,883	36,400	6,100	19,383
40	Shanghai Baoyang Powerlong Plaza (上海寶楊寶龍廣場)	December 2019	Shanghai	Yangtze River Delta	Powerlong Real Estate	Entrusted management	148,407	77,873	15,155	55,379
41	Nanjing Gaochun Powerlong Plaza (南京高淳寶龍廣場)	December 2019	Nanjing	Yangtze River Delta	Powerlong Real Estate	Entrusted management	87,542	56,200	17,000	14,342
42	Ningbo Yinzhou Powerlong Plaza (寧波鄞州寶龍廣場)	December 2019	Ningbo	Yangtze River Delta	Powerlong Real Estate	Entrusted management	93,924	63,596	–	30,328
43	Hangzhou Qingshan Lake Powerlong Plaza (Phase 1) (杭州青山湖寶龍廣場 (一期))	October 2020	Hangzhou	Yangtze River Delta	Powerlong Real Estate	Entrusted management	189,524	98,000	–	91,524
44	Yongkang Powerlong Plaza (永康寶龍廣場)	November 2020	Jinhua	Yangtze River Delta	Powerlong Real Estate	Entrusted management	89,900	62,900	–	27,000
45	Hangzhou Dajiangdong Powerlong Plaza (杭州大江東寶龍廣場)	November 2020	Hangzhou	Yangtze River Delta	Powerlong Real Estate	Entrusted management	95,373	62,373	–	33,000
46	Shaoxing Keqiao Powerlong Plaza (紹興柯橋寶龍廣場)	November 2020	Shaoxing	Yangtze River Delta	Third Party	Sublease	99,787	54,787	–	45,000
47	Suzhou Xingyun Powerlong Plaza (蘇州星韻寶龍廣場)	December 2020	Suzhou	Yangtze River Delta	Third Party	Sublease	40,774	40,774	–	–
48	Yancheng Chengdong Powerlong Plaza (鹽城城東寶龍廣場)	December 2020	Yancheng	Yangtze River Delta	Powerlong Real Estate	Entrusted management	135,932	76,927	–	59,004

Management Discussion and Analysis

No.	Name of Project	Opening date <i>month-year</i>	City	Geographic region	Owner	Management Model	Total GFA <i>(sq.m)</i>	Shopping Mall <i>(sq.m)</i>	Commercial Street <i>(sq.m)</i>	Car Park <i>(sq.m)</i>
49	Quanzhou Taishang Powerlong Plaza (泉州台商寶龍廣場)	December 2020	Quanzhou	Others	Powerlong Real Estate	Entrusted management	148,950	106,060	–	42,890
50	Zhangzhou Longwen Powerlong Plaza (漳州龍文寶龍廣場)	December 2020	Zhangzhou	Others	Powerlong Real Estate	Entrusted management	66,186	46,604	2,347	17,234
51	Hangzhou Qingshan Lake Powerlong Plaza (Phase 2) (杭州青山湖寶龍廣場 (二期))	December 2020	Hangzhou	Yangtze River Delta	Third Party	Sublease	110,000	53,000	–	57,000
Sub-total							7,061,877	4,256,970	597,719	2,207,188
Powerlong Land										
1	Taicang Powerlong Land (太倉寶龍天地)	March 2007	Suzhou	Yangtze River Delta	Powerlong Real Estate	Entrusted management	25,476	–	25,476	–
2	Hangzhou Xiasha Powerlong Land (杭州下沙寶龍天地)	November 2014	Hangzhou	Yangtze River Delta	Third Party	Sublease	39,039	–	28,839	10,200
3	Shanghai Huaxin Powerlong Land (上海華新寶龍天地)	December 2015	Shanghai	Yangtze River Delta	Powerlong Real Estate	Entrusted management	51,113	–	24,447	26,666
4	Dongying Powerlong Land (東營寶龍天地)	September 2016	Dongying	Others	Powerlong Real Estate	Entrusted management	79,514	–	51,649	27,865
5	Haiyang Powerlong Land (海陽寶龍天地)	June 2017	Yantai	Others	Powerlong Real Estate	Entrusted management	39,108	–	37,470	1,638
6	Huai'an Powerlong Land (淮安寶龍天地)	July 2017	Huai'an	Yangtze River Delta	Powerlong Real Estate	Entrusted management	93,384	–	82,827	10,558
Sub-total							327,634	–	250,708	76,926
Powerlong Xinghui										
1	Jiashan Xingyuecheng (嘉善星悅城)	October 2014	Jiaxing	Yangtze River Delta	Third Party	Sublease	35,000	35,000	–	–
2	Ningbo Xingjiefang (寧波星街坊)	December 2016	Ningbo	Yangtze River Delta	Third Party	Advisory consultation	53,292	–	25,789	27,503
3	Xingyue • Xicheng Plaza (星悅 • 西城廣場)	October 2017	Taizhou	Yangtze River Delta	Third Party	Sublease	38,100	33,000	–	5,100
4	Ningbo Hongtai Plaza (寧波宏泰廣場)	February 2018	Ningbo	Yangtze River Delta	Third Party	Advisory consultation	99,835	99,835	–	–
5	Jinsha Pier Aolai Park (金沙碼頭奧萊公園)	April 2018	Ningbo	Yangtze River Delta	Third Party	Advisory consultation	133,970	87,258	13,288	33,424
6	Anji • Henglong Dadao (安吉 • 恒隆大道)	September 2018	Huzhou	Yangtze River Delta	Third Party	Advisory consultation	54,873	–	39,873	15,000
7	Xingyue • Xiuhuli (星悅 • 繡湖里)	May 2019	Yiwu	Yangtze River Delta	Third Party	Advisory consultation	63,000	48,000	–	15,000
8	Ningbo Zhongticheng (寧波中體城)	June 2019	Ningbo	Yangtze River Delta	Third Party	Advisory consultation	88,305	54,137	–	34,168
Sub-total							566,375	357,230	78,950	130,195
Total							8,572,600	4,947,466	983,013	2,642,121

Management Discussion and Analysis

The table below sets forth average occupancy rate and GFA in operation of retail commercial property that commenced operation as at 31 December 2020 by brands.

Product category	Average occupancy rate ⁽¹⁾		GFA in operation <i>(000' sq. m.)</i>
	As of 31 December		
	2020 ⁽²⁾	2019	
	%	%	
Powerlong One Mall (寶龍一城)	96.5	95.2	171
Powerlong City (寶龍城)	91.6	91.3	446
Powerlong Plaza (寶龍廣場)	89.9	89.0	7,062
Powerlong Land (寶龍天地)	87.5	90.1	328
Powerlong Xinghui (寶龍星匯)	88.1	N/A ⁽³⁾	566
Total	89.9	89.4	8,573

(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 2020 excludes Haiyang Powerlong Land and Dongying Powerlong Land.

- 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.

(3) The Group entered into an Investment Agreement with Zhejiang Xinghui, an independent third party, on 3 July 2020, to which the statistics of occupancy rate in 2019 did not apply.

Management Discussion and Analysis

Pipeline Projects

Retail commercial property projects planning for opening in 2021 are as follows:

No.	Name of Project	Opening date ⁽¹⁾ <i>month-year</i>	City	Geographic region	Owner	Management Model	Expected GFA <i>(sq.m)</i>
Powerlong Plaza							
1	Wenling Powerlong Plaza (溫嶺寶龍廣場)	September 2021	Taizhou	Yangtze River Delta	Powerlong Real Estate	Entrusted management	108,065
2	Zhuji Powerlong Plaza (諸暨寶龍廣場)	September 2021	Shaoxing	Yangtze River Delta	Powerlong Real Estate	Entrusted management	138,600
3	Zhoushan Powerlong Plaza (舟山寶龍廣場)	September 2021	Zhoushan	Yangtze River Delta	Powerlong Real Estate	Entrusted management	107,720
4	Ningbo Gaoxin Powerlong Plaza (寧波高新寶龍廣場)	September 2021	Ningbo	Yangtze River Delta	Powerlong Real Estate	Entrusted management	143,588
5	Yancheng Jianhu Powerlong Plaza (鹽城建湖寶龍廣場)	September 2021	Yancheng	Yangtze River Delta	Third Party	Entrusted management	96,182
6	Wenzhou Konggang Powerlong Plaza (溫州空港寶龍廣場)	September 2021	Wenzhou	Yangtze River Delta	Powerlong Real Estate	Entrusted management	47,000
7	Ningbo Fenghua Powerlong Plaza (寧波奉化寶龍廣場)	September 2021	Ningbo	Yangtze River Delta	Powerlong Real Estate	Entrusted management	71,300
8	Yuyao Powerlong Plaza (余姚寶龍廣場)	December 2021	Ningbo	Yangtze River Delta	Powerlong Real Estate	Entrusted management	65,915
9	Yiwu Qingkou Powerlong Plaza (義烏青口寶龍廣場)	December 2021	Jinhua	Yangtze River Delta	Powerlong Real Estate	Entrusted management	74,087
10	Zhuhai Gaoxin Powerlong Plaza (珠海高新寶龍廣場)	December 2021	Zhuhai	Pearl River Delta	Powerlong Real Estate	Entrusted management	115,513
11	Lanxi Powerlong Plaza (蘭溪寶龍廣場)	December 2021	Jinhua	Yangtze River Delta	Powerlong Real Estate	Entrusted management	142,900
12	Huizhou Rongcan Powerlong Plaza (惠州榮燦寶龍廣場)	December 2021	Huizhou	Pearl River Delta	Third Party	Entrusted management	50,600
13	Hangzhou Jinnan Powerlong Plaza (杭州錦南寶龍廣場)	December 2021	Hangzhou	Yangtze River Delta	Powerlong Real Estate	Entrusted management	45,772
Sub-total							1,207,242
Powerlong Land							
1	Zhoushan Dinghai Powerlong Land (舟山定海寶龍天地)	September 2021	Zhoushan	Yangtze River Delta	Powerlong Real Estate	Entrusted management	28,100
2	Jinhua Pan'an Powerlong Land (金華磐安寶龍天地)	September 2021	Jinhua	Yangtze River Delta	Powerlong Real Estate	Advisory consultation	43,400
3	Shanghai Jiading Powerlong Land (上海嘉定寶龍天地)	December 2021	Shanghai	Yangtze River Delta	Powerlong Real Estate	Entrusted management	21,600
Sub-total							93,100
Powerlong Xinghui							
1	Anji Tsinghua Yuan (安吉清華園)	September 2021	Huzhou	Yangtze River Delta	Third Party	Advisory consultation	14,000
2	Ningbo Cicheng (寧波慈城)	September 2021	Ningbo	Yangtze River Delta	Third Party	Advisory consultation	29,000
3	Huasun • Yinghuali (華旻 • 櫻花里)	September 2021	Ningbo	Yangtze River Delta	Third Party	Advisory consultation	42,492
4	Dongcheng Times Commercial Centre (東城時代商業中心)	September 2021	Huzhou	Yangtze River Delta	Third Party	Advisory consultation	42,382
5	Shangyu Jiayuan Plaza (上虞佳源廣場)	December 2021	Shaoxing	Yangtze River Delta	Third Party	Advisory consultation	105,216
6	Xingyue • PARK (星悅 • PARK)	December 2021	Ningbo	Yangtze River Delta	Third Party	Advisory consultation	4,314
Sub-total							237,404
Total							1,537,746

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

Management Discussion and Analysis

Retail commercial property projects planning for opening in and after 2022 are as follows:

No.	Name of Project	City	Geographic region	Owner	Management Mode	Expected GFA (sq.m)
1	Ningbo Powerlong One Mall (寧波寶龍一城)	Ningbo	Yangtze River Delta	Powerlong Real Estate	Entrusted management	190,100
2	Taizhou Jiaojiao Powerlong City (台州椒江寶龍城)	Taizhou	Yangtze River Delta	Powerlong Real Estate	Entrusted management	149,517
3	Linhai Powerlong Plaza (臨海寶龍廣場)	Taizhou	Yangtze River Delta	Third Party	Sublease	50,215
4	Hangzhou Tech City Powerlong Plaza (杭州科技城寶龍廣場)	Hangzhou	Yangtze River Delta	Powerlong Real Estate	Entrusted management	95,800
5	Hangzhou Gongshu Powerlong Plaza (杭州拱墅寶龍廣場)	Hangzhou	Yangtze River Delta	Powerlong Real Estate	Entrusted management	98,264
6	Zhuhai Jinwan Powerlong Plaza (珠海金灣寶龍廣場)	Zhuhai	Pearl River Delta	Powerlong Real Estate	Entrusted management	70,000
7	Nanjing Jiangning Powerlong Plaza (南京江寧寶龍廣場)	Nanjing	Yangtze River Delta	Powerlong Real Estate	Entrusted management	78,400
8	Jingdezhen Powerlong Plaza (景德鎮寶龍廣場)	Jingdezhen	Others	Powerlong Real Estate	Entrusted management	110,000
9	Chongqing Wanzhou Powerlong Plaza (重慶萬州寶龍廣場)	Chongqing	Others	Third Party	Entrusted management	80,000
10	Jinhua Jinyi Powerlong Plaza (金華金義寶龍廣場)	Jinhua	Yangtze River Delta	Powerlong Real Estate	Entrusted management	90,000
11	Zhuhai Railway Station Powerlong Plaza (珠海北站寶龍廣場)	Zhuhai	Pearl River Delta	Powerlong Real Estate	Entrusted management	80,000
12	Taizhou Luqiao Powerlong Land (台州路橋寶龍天地)	Taizhou	Yangtze River Delta	Powerlong Real Estate	Advisory consultation	56,321
13	Fuding Powerlong Land (福鼎寶龍天地)	Fuding	Others	Powerlong Real Estate	Advisory consultation	9,411
14	Jiaozhou Powerlong Land (膠州寶龍天地)	Qingdao	Others	Powerlong Real Estate	Entrusted management	23,415
15	Wenzhou Leqing Powerlong Plaza (溫州樂清寶龍廣場)	Wenzhou	Yangtze River Delta	Third Party	Advisory consultation	56,000
Total						1,237,443

PROGRESS OF “NEW COMMERCE PLAN”

After the commencement of strategic cooperation between the Company and Tencent in 2019 in the formation of a joint venture, Shanghai Baoshen Digital Technology Co., Ltd. (上海寶申數字科技有限公司), and by catering commercial operating demands centered at the construction of digitalization of “people, products and venue” through technological capabilities of Tencent including cloud computing, Wechat Pay, mini programs, AI, location-based services and IOT, the Company has been developing relevant online products in terms of four aspects, namely consumers, operators, managers and intelligent hardware, and has initially achieved data interoperability.

1. Consumer products

Optimize the membership system of “Powerlong Yoyo” by introducing a new loyalty point system to enrich membership benefits and implement membership caring scheme. The system has been launched gradually in 50 Powerlong Plazas during the year ended 31 December 2020 and gained over 1.5 million new members with a significant increase in active rate and consumption rate of members. During the epidemic, a livestreaming shopping function “Yoxiu” was introduced to help tenants in attracting online shopping. There were in total over 30 livestreaming in 6 pilot plazas with an accumulated sales of about RMB10,000,000. At Bingjiang Project, sales of over RMB0.7 million in one livestreaming was achieved by one single tenant.

2. Operator products

During the year ended 31 December 2020, the Wechat-based mini program, “Mall Plus@Powerlong” tailor-made for tenants was launched in about 50 Powerlong Plazas across the country. The program mainly provides online services function for tenants at the present, including daily affairs such as online repairing request, online payment enquiries, online electronic invoice issuance and tenants’ complaints. While providing great convenience to tenants, the management efficiency of commercial companies is also enhanced.

Management Discussion and Analysis

3. Manager products

In 2020, Powerlong Commercial Management System (“PMS”) was upgraded. By unifying the back-end developing philosophy, back-end programs of “Powerlong Yoyo” and “Mall Plus@Powerlong” were integrated into the application of the management-end, which achieved initial data interoperability among people, products and venue. Mobile application version and WeCom version were also launched at the same time, which achieved mobile management and enhanced working efficiency greatly.

Moreover, digitalized tenant sourcing platforms for 11 projects were developed and launched based on Tencent Raydata big data visualization interactive system and 3D rendering technology. Projects and data visualization is achieved, which enables mobile tenant sourcing for tenant sourcing personnel.

4. Intelligent hardware products

During the year ended 31 December 2020, the Company tested “Multi-functional precision consumer traffic monitoring system” in 3 Powerlong Plazas to gain an insight into the whereabouts of consumers inside the malls with the assistance of Tencent’s face recognition technology which enables precise identification of consumers’ portraits. The redefinition of membership labels and precise portraits of members has enabled the Company to start exploring precise marketing.

RESIDENTIAL PROPERTY MANAGEMENT SERVICES

For the year ended 31 December 2020, the total revenue of the Group’s residential property management service business segment amounted to approximately RMB358.3 million, representing an increase of 25.6% from RMB285.3 million for the year ended 31 December 2019; and the Group had GFA delivered of 14.4 million sq.m., representing an increase of 2.9 million sq.m. from 11.5 million sq.m. for the corresponding period of 2019; 61 delivered projects, representing an increase of 10 projects from 51 projects for the corresponding period of 2019; contracted GFA of 23.2 million sq.m., representing an increase of 3.7 million sq.m. from 19.5 million sq.m. for the corresponding period of 2019.

The table below sets forth a breakdown of the aggregate GFA delivered 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					
	2020			2019		
	Contracted	GFA	Revenue	Contracted	GFA	Revenue
	GFA	delivered		GFA	delivered	
	sq.m.	sq.m.	RMB	sq.m.	sq.m.	RMB
(in thousands)						
Yangtze River Delta ⁽¹⁾	13,393	6,136	197,977	10,702	5,693	156,986
Pearl River Delta ⁽²⁾	338	—	21	—	—	—
Others ⁽³⁾	9,485	8,264	160,315	8,829	5,813	128,362
Total	23,216	14,400	358,313	19,531	11,506	285,348

Notes:

(1) Comprises Shanghai Municipality, Zhejiang Province, Jiangsu Province and Anhui Province.

(2) Comprises Guangdong Province.

(3) Comprises cities except those mentioned in (1) and (2) above.

2021 WORK PLAN

In retrospect, the outbreak of the Coronavirus Disease 2019 (the “COVID-19”) at the beginning of year 2020 has brought enormous impact on the industry. On a global basis, the PRC was the most rapid country to control the spread of the epidemic. Despite the spread of the COVID-19 around the globe, the Group is fully confident of the anti-epidemic measures adopted by the government of China and the country’s leadership, and therefore optimistic about the situation in the PRC. Looking ahead to 2021, with the launch of the vaccination against coronavirus, the COVID-19 continued to be under good control in the PRC. We believe the overall industry environment in 2021 will be better than that of 2020. Meanwhile, the Company has formulated the 2021 Work Plan, which will be elaborated in the following two aspects.

1. Commercial Operational Management Services

(I) Continuous growth in scale

The Group will continue to invest significant resources in Yangtze River Delta to further consolidate the Group’s advantageous position in the region, especially in the five core cities of Shanghai, Hangzhou, Ningbo, Nanjing and Suzhou. In 2021, the Group has 23 projects planned for opening with an aggregate GFA of approximately 1,595,000 sq.m., among which 21 are located in the Yangtze River Delta region. While preparing for the opening of projects, the Group will continue to actively promote the asset-light business model to secure more retail commercial properties; the Group will also continue to actively seek acquisition targets including planning to acquire commercial management company(ies).

(II) Enhancement in management quality

In 2021, the Group will focus on enhancing the operation quality of projects in operation, adjusting the existing tenant mix, and increasing the overall occupancy rates of projects. At the same time, we will focus on a number of projects with potential and establish them as benchmarks of cities, which will further enhance the market image and influence of Powerlong products.

(III) Promotion of intelligent commerce

The Company will continue to concentrate on the core operational logic of the commercial “people, products and venue”, with a focus on launching the “3+N” product R&D plan, i.e., the product R&D and application of 1 – member products, 2 – live broadcast products, 3 – new lease systems and N – intelligent hardware equipment. While building “people, products and venue”, the Company realizes the unification of business flow, cash flow and data flow.

Consumer products – Having an accurate grasp of the members’ information. Making full use of big data resources and technological means to gather data from members and unearth the members’ value, thereby providing supreme experience and convenience to consumers.

Operator products – Establishing face-to-face connections for tenants and consumers. Fully optimizing the live broadcast products to transplant the live broadcast platform from “Powerlong Yoyo” end to “Mall Plus@Powerlong” end, which technologically realizes our product’s capacity of simultaneous live streaming for nationwide projects and creates the Powerlong Live Broadcast Festival. For tenants, it is not only online servicing, but also online marketing.

Manager products – Increasing the managerial efficiency for enterprises. Full upgrade of the core modules for PMS – the lease system, thereby creating a new leasing platform fully connected with the “Mall Plus@Powerlong” data. This is a complete re-creation for business procedures to realize online leasing and mobile tenant sourcing, which greatly boosts our working efficiency as well as the quality of service delivery to our tenants.

Intelligent hardware products – Connecting the online and offline services. Continue to introduce the shared equipment to make our member products more interesting and strengthen the connection between online and offline products. Efforts are also made to identify application scenarios which are well developed with intelligent equipment, such as sweeping robots, thereby exploring the human-machine interactive management model and realizing costs reduction and efficiency improvement through technological applications.

(IV) Optimization of talent structure

In 2020, the Group adjusted and optimized its internal management structure, laying a solid talent foundation for rapid growth in the future. In 2021, the Group will continue to reserve and cultivate talents, gather elite talents, stimulate employees’ potential through more competitive remuneration packages and incentivising policies, and build a first-class business operation team in the industry.

Management Discussion and Analysis

2. Residential Property Management Services

- (I) **Optimization of management system** – Optimizing the operational systems for residential and commercial properties and office buildings to foster the implementation progress for the digitalization of property management;
- (II) **Improvement of business standards** – Improving the “creating space full of love” service standard unique to Powerlong’s properties to establish a brand image in the industry;
- (III) **Uplifting operation quality** – Uplifting the operation and service quality for our projects to increase our customers’ satisfaction; and
- (IV) **Enhancement of profitability** – Enhancing the profitability of our commercial properties, office buildings and sales offices to explore other more income with our commercial advantages.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2020, due to the Group’s ongoing business expansion, the Group recorded a revenue of approximately RMB1,921.2 million, representing an increase of approximately 18.6% as compared with approximately RMB1,620.5 million for the year ended 31 December 2019.

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

	For the year ended 31 December			
	2020		2019	
	RMB'000	%	RMB'000	%
Commercial Operational Services				
Market research and positioning, tenant sourcing and opening preparation services	214,708	11.2%	143,231	8.8%
Commercial operation and management services	1,166,728	60.7%	986,519	60.9%
Property leasing services	181,489	9.4%	205,359	12.7%
	1,562,925	81.3%	1,335,109	82.4%
Residential Property Management Services				
Pre-sale management services	14,730	0.8%	13,128	0.8%
Property management services	271,362	14.1%	222,217	13.7%
Other value-added services	72,221	3.8%	50,003	3.1%
	358,313	18.7%	285,348	17.6%
Total	1,921,238	100%	1,620,457	100%

Management Discussion and Analysis

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 2020, the Group's revenue from market research and positioning, tenant sourcing and opening preparation services amounted to approximately RMB214.7 million, representing a year-on-year increase of 49.9% and accounting for approximately 11.2% of the Group's 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 45 retail commercial properties for the year ended 31 December 2020, compared to 22 for the year ended 31 December 2019.

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 2020, the Group's revenue from commercial operation and management services amounted to approximately RMB1,166.7 million, representing a year-on-year increase of 18.3% and accounting for approximately 60.7% of the Group's total revenue.

The increase in the revenue from commercial operation and management services was primarily driven by the increase in the aggregate GFA in operation and increase in per-unit-GFA revenue as the existing retail commercial properties entered a maturity stage of operation. As at 31 December 2020, the Group's commercial properties GFA in operation was 8.6 million sq.m., representing a year-on-year increase of 22.8%.

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 2020, the Group's revenue derived from property leasing services amounted to approximately RMB181.5 million, representing a year-on-year decrease of 11.6% and accounting for approximately 9.4% of total revenue.

The decrease in the revenue from property leasing services was primarily attributable to the normal maturity of a portion of lease contracts and the support of rent reduction provided to tenants in view of effects of the epidemic.

Management Discussion and Analysis

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 2020, the Group's revenue from residential property management services amounted to approximately RMB358.3 million, representing a year-on-year increase of 25.6% and accounting for approximately 18.7% 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 delivered to 14.4 million sq.m. for the year ended 31 December 2020, representing a year-on-year increase of 25.2%; (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			
	2020		2019	
	RMB'000	%	RMB'000	%
Commercial Operational Services				
Fellow subsidiaries	189,428	9.8%	180,964	11.2%
Other related parties	77,314	4.0%	21,429	1.3%
External customers	1,296,183	67.5%	1,132,716	69.9%
	1,562,925	81.3%	1,335,109	82.4%
Residential Property Management Services				
Fellow subsidiaries	57,351	3.0%	46,725	2.9%
Other related parties	4,831	0.3%	1,345	0.1%
External customers	296,131	15.4%	237,278	14.6%
	358,313	18.7%	285,348	17.6%
Total	1,921,238	100%	1,620,457	100%

Revenue derived from external customers represents the largest source of the Group's revenue. For the year ended 31 December 2020, revenue derived from external customers was approximately RMB1,592.3 million, representing 82.9% of the Group's total revenue.

Management Discussion and Analysis

Revenue indicated by geographic regions is as follows:

	For the year ended 31 December			
	2020		2019	
	RMB'000	%	RMB'000	%
Commercial Operational Service				
Yangtze River Delta	1,059,868	55.2%	900,027	55.6%
Pearl River Delta	6,604	0.3%	—	—
Others	496,453	25.8%	435,082	26.8%
	1,562,925	81.3%	1,335,109	82.4%
Residential Property Management Service				
Yangtze River Delta	197,977	10.3%	156,986	9.7%
Pearl River Delta	21	0.1%	—	—
Others	160,315	8.3%	128,362	7.9%
	358,313	18.7%	285,348	17.6%
Total	1,921,238	100%	1,620,457	100%

For the year ended 31 December 2020, the Group's commercial operational properties and residential management properties were primarily located in the Yangtze River Delta.

Cost of services

The cost of services primarily include: (i) employee and other labour costs; (ii) depreciation expenses; (iii) utility expenses; (iv) variable lease payments; (v) short-term lease expenditure; (vi) taxes and other levies; and (vii) other miscellaneous costs.

For the year ended 31 December 2020, the Group's cost of services was approximately RMB1,326.7 million, representing a year-on-year increase of 11.3%. Such increase in cost of services was in line with the Group's business expansion.

Gross profit and gross profit margin

The gross profit of the Group for the year ended 31 December 2020 amounted to approximately RMB594.5 million, representing a year-on-year increase of 38.8%. For the year ended 31 December 2020, the gross profit margin was 30.9%, representing an increase of 4.5 percentage points as compared to 26.4% for the year ended 31 December 2019.

The gross profit of commercial operational services for the year ended 31 December 2020 amounted to approximately RMB511.9 million, representing a year-on-year increase of 30.7%. The gross profit margin of the Group's commercial operational services for the year ended 31 December 2020 was 32.8%, representing an increase of 3.5 percentage points as compared to 29.3% for the year ended 31 December 2019, primarily due to the business growth and excellent cost control of the Group.

Management Discussion and Analysis

The gross profit of residential property management services for the year ended 31 December 2020 amounted to approximately RMB82.6 million, representing a year-on-year increase of 124.3%. The gross profit margin of the Group's residential property management services for the year ended 31 December 2020 was 23.1%, representing an increase of 10.2 percentage points as compared to 12.9% for the year ended 31 December 2019, primarily due to the continued expansion of the residential property area delivered, the increase in the number of contracts with residents and the optimization of revenue structure, especially for the increase in other value-added services.

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

	Year ended 31 December			
	2020		2019	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%
Commercial operational services	511,921	32.8%	391,563	29.3%
Residential property management services	82,625	23.1%	36,844	12.9%
Total	594,546	30.9%	428,407	26.4%

For the year ended 31 December 2020, 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 2020, the selling and marketing expenses of the Group amounted to approximately RMB36.3 million, representing a year-on-year decrease of 13.2%. This was mainly due to the reduced sales promotions affected by the epidemic.

Administrative expenses

For the year ended 31 December 2020, the Group's total administrative expenses amounted to approximately RMB134.4 million, including management fee of approximately RMB18.4 million incurred by share incentives. In 2019, the Group's total administrative expenses amounted to approximately RMB117.2 million, including listing expenses of approximately RMB29.4 million, representing a year-on-year increase of 32.1% in 2020 as compared to 2019 after deducting the listing expenses and management fee for share incentives. 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.

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 2020, the Group's other income and gains amounted to approximately RMB32.6 million, representing a year-on-year increase of 88.6%. This was mainly due to the increase in government grants received during the year.

Management Discussion and Analysis

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 2020, the Group's net impairment losses on financial assets amounted to approximately RMB22.8 million, representing a year-on-year increase of 215%. This was mainly due to the larger business scale and the increased provision made on the principle of prudence in view of the adverse effect of COVID-19 epidemic on some tenants' business operations.

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 2020, the Group's net finance costs amounted to approximately RMB10.6 million, representing a year-on-year decrease of 66.8% which is mainly attributable to significant decrease in interest of bank borrowings after off-setting by the impact of increase in interest income of bank deposits.

Income tax expense

The Group's income tax expense mainly comprises PRC corporate income tax. For the year ended 31 December 2020, the effective income tax rates were 26.8%, representing a slight decrease by 1 percentage point as compared to 27.8% for the year ended 31 December 2019.

Profit for the year

For the year ended 31 December 2020, the Group's net profit was approximately RMB307.4 million. The net profit of the Group increased by approximately 72.1% as compared with the net profit of approximately RMB178.6 million for the year ended 31 December 2019. For the year ended 31 December 2020, the Group's profit attributable to the owners of the Company was approximately RMB305.1 million. The profit attributable to the owners of the Company increased by approximately 70.8% as compared with the net profit of approximately RMB178.6 million for the year ended 31 December 2019.

Goodwill

As at 31 December 2020, the Group's goodwill amounted to approximately RMB20.6 million, primarily attributable to the acquisition of Zhejiang Xinghui.

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 2020, the Group's operating lease and trade receivables were approximately RMB162.0 million, representing an increase of 42.2% as compared with that of approximately RMB113.9 million as at 31 December 2019, 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 2020, prepayments and other receivables amounted to approximately RMB104.8 million, representing an increase of 15.0% as compared with approximately RMB91.1 million as at 31 December 2019. Such increase was primarily attributable to the business growth of the Group.

Management Discussion and Analysis

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 2020, the Group's trade and other payables amounted to approximately RMB1,061.0 million, representing an increase as compared with approximately RMB763.1 million as at 31 December 2019. Such increase was primarily attributable to the expansion of the Group's business scale.

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 2020, contract liabilities were approximately RMB309.2 million, representing an increase of 17.5% as compared with that at 31 December 2019, which was mainly due to business expansion.

Charge on the Group's Assets

As of 31 December 2020, there was no material charge on the Group's assets.

Contingent liabilities

As of 31 December 2020, the Group did not have any contingent liabilities.

Liquidity and capital resources

The Company has maintained stable financial condition and sufficient liquidity. As at 31 December 2020, the Group's cash and cash equivalents amounted to approximately RMB3,449.1 million, representing a significant increase as compared with approximately RMB2,616.1 million as at 31 December 2019. Such increase was primarily attributable to the business growth of the Group.

As at 31 December 2020, the Group incurred nil borrowings.

Cashflow from operating activities

For the year ended 31 December 2020, the Group's net cash generated from operating activities amounted to approximately RMB795.1 million, compared to approximately RMB533.5 million for the corresponding period of 2019. This was primarily attributable to the business growth 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 2020, gearing ratio was 0.52 (31 December 2019: 0.49).

Foreign exchange risk

The Group's businesses are principally conducted in RMB and exposure to foreign currency risk is minimal. As such, during the Reporting Period, the Group had not entered into any forward exchange contract to hedge its exposure to foreign exchange risk.

As at 31 December 2020, major non-RMB assets and liabilities of the Group were cash and cash equivalents denominated in Hong Kong dollar. Fluctuation of the exchange rate of RMB against HK\$ could affect the Group's results of operations. The Group closely monitors the fluctuations in exchange rate and will consider hedging its exposure to foreign exchange risk as and when appropriate.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING AND OVER ALLOTMENT

The Company was listed on the main board of the Stock Exchange on 30 December 2019. The net proceeds from the Listing was approximately HK\$1,380.5 million (equivalent to approximately RMB1,236.9 million). On 22 January 2020, the Company exercised the over-allotment option and issued 22,500,000 shares at a price of HK\$9.5 per share. Discounting the transaction costs attributable to the exercise of the over-allotment option, net proceeds from the over-allotment amounted to approximately HK\$208.0 million (equivalent to approximately RMB184.6 million). The Company intends to apply the proceeds from the over-allotment in proportion to the use of proceeds stated in the prospectus of the Company dated 16 December 2019 (the “Prospectus”). The net proceeds from the initial public offering and the over allotment amounted to approximately HK\$1,588.5 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.

The use of proceeds from the initial public offering and over allotment is set out in the section headed “Report of the Directors” on pages 62 to 63 of this annual report.

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 2020, the Group had 5,390 (2019: 5,019) 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 2020, the Group did not experience any significant labour disputes or any difficulty in recruiting employees.

SIGNIFICANT INVESTMENTS HELD

The Group did not hold any significant investments during the year ended 31 December 2020.

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save for the acquisition of 60% equity interest in Zhejiang Xinghui as disclosed in this annual report, the Group did not perform any material acquisition or disposal of subsidiaries and associated companies during the year ended 31 December 2020.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group intends to utilise the net proceeds raised from the Listing to pursue strategic acquisition of and investment in other commercial operational service providers according to the Prospectus. On 3 July 2020, the Group entered into an Investment Agreement with shareholders of Zhejiang Xinghui, independent third parties of the Group. For further details on the Investment Agreement, please refer to the announcement of the Company dated 6 July 2020. Save as disclosed in this annual report, the Company had not authorised any plan for other material investments or acquisition of capital assets as at the date of this annual report.

Directors and Senior Management

The board (the “**Board**”) of directors (the “**Directors**”) of the Company consists of three executive Directors, two non-executive Directors and three independent non-executive Directors.

DIRECTORS

Executive Directors

Mr. Hoi Wa Fong (許華芳), aged 43, joined 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 in the Rules Governing the Listing of Securities on The Stock Exchange (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 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 (中國房地產功勳人物), 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勳人物), and so forth.

Mr. Hoi is a member of the tenth All-China Federation of Returned Overseas Chinese, a director of China Overseas Friendship Association, the vice chairman of Real Estate Chamber of Commerce of National Federation of Industry and Commerce, a standing committee member of the Chinese People’s Political Consultative Conference for the city of Shanghai 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 and Singapore Management University (新加坡管理大學).

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. Chen Deli (陳德力), aged 47, has joined the Group as a chief executive officer since 1 June 2020 and was appointed as an executive Director on 15 June 2020. He was a director and co-president of Seazen Holdings Co., Ltd. (新城控股集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601155) during the period from August 2016 to March 2020. From August 2010 to July 2016, Mr. Chen assumed various positions, among which including as an executive deputy general manager of the commercial management operational center of Dalian Wanda Commercial Real Estate Co., Ltd. (大連萬達商業地產股份有限公司), vice president as well as general manager and executive vice president of the merchants center as well as general manager of operational center of Dalian Wanda Business Management Group Co., Ltd. (大連萬達商業管理集團股份有限公司) and vice president as well as executive vice president of the business management headquarters and general manager of the integrated management center of Dalian Wanda Commercial Real Estate Co., Ltd. (大連萬達商業地產股份有限公司) in the PRC. From June 2006 to August 2010, he served as a general manager of Singapore CapitaLand Capital Commercial China (新加坡嘉德置地凱德商用中國區域). For the period from September 2001 to May 2006, he was a general manager of Sichuan Huali Group Shunyuan Commercial Real Estate Company (四川華立集團舜苑商業地產公司). From September 1997 to September 2001, he served as a general manager of Singapore Yilai Group Wuhan Company (新加坡誼來集團武漢公司).

Mr. Chen obtained an executive master’s degree in business administration (EMBA) from The Southwestern University of Finance and Economics (西南財經大學) in Chengdu, Sichuan, the PRC in December 2013. He is currently pursuing a doctoral degree of business administration (DBA) at the Western Business School, The Southwestern University of Finance and Economics of China in Chengdu, Sichuan, the PRC.

On 1 June 2020, Mr. Chen was also appointed as an associate president of Powerlong Holdings, a controlling shareholder of the Company, and the shares of which are listed on the Stock Exchange (Stock Code: 1238).

Directors and Senior Management

Mr. Zhang Yunfeng (張雲峰), aged 44, 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. Due to work allocation, Mr. Zhang was re-designated from the position of chief executive officer to chief financial officer on 1 June 2020, and is primarily responsible for the financial and cost management, intelligent commerce research, digital construction and internal risk control of the Group, as well as conducting operational and forecast analysis. Mr. Zhang will remain as an executive Director.

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 obtained the qualification of intermediate accountant granted by the Ministry of Finance (the "MOF") in the PRC in May 2005. He was also employed as a part-time tutor for postgraduate students of master's degree in business administration by Nanjing University in December 2019 for a term of three years until December 2022.

Non-executive Directors

Ms. Hoi Wa Fan (許華芬), aged 45, 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 a member of the Chinese People's Political Consultative Conference for the city of Xiamen.

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 of the Group and chairman of the Board, and the cousin of Ms. Hoi Wa Lam, a non-executive Director.

Ms. Hoi Wa Lam (許華琳), aged 36, 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 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 of the Group and chairman of the Board, and Ms. Hoi Wa Fan, our non-executive Director.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Ng Yi Kum, Estella (伍綺琴), aged 64, 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 jewellery 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, 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, CMGE Technology Group Limited (stock code: 302), a leading IP-based game operator whose shares are listed on the Main Board of the Stock Exchange, and KWG Living Group Holdings Limited (stock code: 3913), a property management service provider 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 jewellery 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 41, 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 since 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 55, 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.

Directors and Senior Management

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, 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, and Aegon Industrial Fund Management Co., Ltd. (興證全球基金管理有限公司).

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. Tang Jianfeng (唐劍鋒), aged 43, joined the Group in May 2020 as a vice president of the Group in charge of the operation management center and investment management center. He is primarily responsible for the formulation and implementation of the business strategies, operational targets and investment operation of the Group, as well as participating in material operational decision-making process. Mr. Tang has more than 20 years of experience in the commercial property market. Prior to joining the Group, he served as the vice president of Future Land Commercial Management Holdings Co., Ltd. (新城商業管理集團有限公司) and the vice president and commercial group president of Linca Industry Group Co., Ltd. (利嘉實業集團有限公司).

Mr. Wei Biao (魏鵬), aged 58, joined the Group in January 2019. He has successively served as the deputy general manager of the Group as well as general manager and assistant president of the South China business division as well as general manager of the operational centre. Prior to joining the Group, from January 2000 to March 2005, he served as the general manager of Shanghai Guoluren Garment Co., Ltd. (上海過路人製衣有限公司). From April 2005 to December 2011, he served as the general manager of Wenzhou Times Group (溫州時代集團). From January 2012 to October 2018, he served as the vice president of Intime Retail Group (銀泰商業集團).

Ms. Pang Hua (龐華), aged 44, joined the Group in June 2020 as an assistant president of the Group as well as general manager of the investment management center in charge of the brand management of the Group and preparation for opening of retail and commercial properties. Prior to joining the Group, from June 1999 to February 2019, Ms. Pang successively held various positions at Nanjing Golden Eagle Retail Group (南京金鷹商貿集團), including management trainee, department manager, director, general manager of an outlet and general manager of the Group's commodity center. From June 2019 to May 2020, Ms. Pang successively served as the general manager of the major client department of Future Land Commercial Management Holdings Co., Ltd. (新城商業管理集團有限公司) and that of the merchants center.

Ms. Pang obtained a bachelor's degree in international trade from Nanjing Agricultural University (南京農業大學) in June 1999.

Directors and Senior Management

JOINT COMPANY SECRETARIES

Ms. Jin Hong (金紅), aged 40, 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 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. Suen Pui Chun Hannah (孫佩真), aged 43, was appointed as one of the joint company secretaries of the Company on 18 December 2020. Ms. Suen is a Manager of Corporate Services of Vistra Corporate Services (HK) Limited, a corporate services provider. She has over thirteen years of experience in providing full range of company secretarial services to private and listed companies.

On 18 December 2020, Ms. Suen was also appointed as a joint company secretary of Powerlong Holdings, a controlling shareholder of the Company, and the shares of which are listed on the Stock Exchange (Stock Code: 1238).

Ms. Suen has been an associate member of The Hong Kong Institute of Chartered Secretaries and an associate member of The Chartered Governance Institute in United Kingdom since 2019.

Ms. Suen obtained a Bachelor of Arts (Hons) in Translation and Interpretation from City University of Hong Kong (香港城市大學) in 2000 and a Master of Corporate Governance from The Open University of Hong Kong (香港公開大學) in 2019.

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 2020.

CORPORATE GOVERNANCE PRACTICES

The Company recognises 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.

During the year ended 31 December 2020, the Company has complied with all applicable code provisions set out in the CG Code.

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 year ended 31 December 2020.

BOARD OF DIRECTORS

During the year ended 31 December 2020, the Board comprises three 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)

Mr. Chen Deli (陳德力) (Chief executive officer) (Appointed as a chief executive officer on 1 June 2020 and appointed as an executive director on 15 June 2020)

Mr. Zhang Yunfeng (張雲峰) (Chief financial officer) (Re-designated from the position of chief executive officer to chief financial officer on 1 June 2020)

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 34 to 38 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. Chen Deli 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 four meetings during the year ended 31 December 2020. 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:

Name of Director	Number of meeting(s) attended/number of meeting(s) held for the year ended 31 December 2020			
	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors:				
Mr. Hoi Wa Fong	4/4	0/2	2/2	2/2
Mr. Chen Deli	3/4	0/2	0/2	0/2
Mr. Zhang Yunfeng	4/4	0/2	0/2	0/2
Non-executive Directors:				
Ms. Hoi Wa Fan	4/4	0/2	0/2	0/2
Ms. Hoi Wa Lam	4/4	0/2	0/2	0/2
Independent non-executive Directors:				
Ms. Ng Yi Kum, Estella	4/4	2/2	0/2	0/2
Mr. Chan Wai Yan, Ronald	4/4	2/2	2/2	2/2
Dr. Lu Xiongwen	4/4	2/2	2/2	2/2

GENERAL MEETING

During the year ended 31 December 2020, two general meetings were held.

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

Name of Director	Number of general meeting(s) attended/ number of general meeting(s) held for the year ended 31 December 2020
Executive Directors:	
Mr. Hoi Wa Fong	2/2
Mr. Chen Deli	2/2
Mr. Zhang Yunfeng	2/2
Non-executive Directors:	
Ms. Hoi Wa Fan	2/2
Ms. Hoi Wa Lam	2/2
Independent Non-executive Directors:	
Ms. Ng Yi Kum, Estella	2/2
Mr. Chan Wai Yan, Ronald	2/2
Dr. Lu Xiongwen	2/2

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

Mr. Chen Deli, an executive Director, has entered into a service contract with the Company for an initial term of 3 years commencing from 15 June 2020.

Each of the other 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.

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.

Mr. Chen Deli has been appointed as an executive Director with effect from 15 June 2020. Mr. Chen Deli is subject to retirement by rotation and re-election at the forthcoming annual general meeting of the Company in accordance with the article 16.2 of the articles of association of the Company.

In accordance with article 16.19 of the Company's articles of association, Ms. Hoi Wa Lam, Ms. Ng Yi Kum, Estella and Mr. Chan Wai Yan, Ronald will retire from the Board by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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 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 process 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.

For the year ended 31 December 2020, the Audit Committee held two meetings during the year to review the Group's policies on corporate governance and discussed the same with the Board, to review the Company's financial reporting system, compliance procedures, internal control and risk management systems (including operation, tenant sourcing, procurement and cost, financial control and risk management) and associated processes, and discussed the reappointment of the external auditor. The Audit Committee also reviewed the annual results of the Company for the year ended 31 December 2019 and interim results of the Company for the six months ended 30 June 2020.

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)	2/2
Mr. Chan Wai Yan, Ronald	2/2
Dr. Lu Xiongwen	2/2

During the year ended 31 December 2020, 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.

For the year ended 31 December 2020, the Remuneration Committee held two meetings during the year to discuss and review the remuneration policy for the Directors and senior management of the Company, to assess performance of the executive Directors, and make recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

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

Directors	Attended in person/Eligible to attend
Dr. Lu Xiongwen (Chairman)	2/2
Mr. Hoi Wa Fong	2/2
Mr. Chan Wai Yan, Ronald	2/2

Details of the remuneration payable to each Director of the Company for the year ended 31 December 2020 are set out in Note 33 to the Consolidated Financial Statements.

The remuneration of the members of senior management by band for the year ended 31 December 2020 is set out below:

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

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.

Corporate Governance Report

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.

For the year ended 31 December 2020, the Nomination Committee held two meetings during the year to review and discuss the policy, procedures and criteria for nomination of the Directors, review and discuss the Board diversity policy and to discuss all measurable objectives set for implementing the policy and the progress made towards meeting the measurable objective in the policy, assessed the independence of independent non-executive Directors, considered the re-appointment of the retiring Directors, 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)	2/2
Mr. Chan Wai Yan, Ronald	2/2
Dr. Lu Xiongwen	2/2

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.

Corporate Governance Report

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 recognises 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 2020.

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 2020, all of the Directors, namely, Mr. Hoi Wa Fong, Mr. Chen Deli, 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 Baker McKenzie, as to spin-off of Hong Kong Listed Companies.

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 2020. 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 2020 are set out in the table below:

Services rendered	(RMB' million)
Audit services:	
Annual audit (including the review of interim results under Hong Kong Standard on Review Engagements 2410)	2.5
Non-audit services:	
In respect of the acquisition of Zhejiang Xinghui	0.3

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 and internal control system of the Company in respect of the year ended 31 December 2020 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

On 18 December 2020, Ms. Chan Pung Fei has resigned as joint company secretary of the Company. Following the cessation of Ms. Chan Pung Fei, Ms. Suen Pui Chun Hannah has been appointed as joint company secretary of the Company at the same date. Ms. Suen Pui Chun Hannah is currently a manager of Corporate Service of Vistra Corporate Services (HK) Limited (a company secretarial service provider). Ms. Jin Hong is the general manager of the capital department to the Company, Ms. Jin Hong is another joint company secretary of the Company, and is the primary contact of Ms. Suen Pui Chun Hannah at the Company.

In compliance with Rule 3.29 of the Listing Rules, Ms. Jin Hong, Ms. Chan Pung Fei and Ms. Suen Pui Chun Hannah have undertaken not less than 15 hours of relevant professional training to update their skills and knowledge during the year ended 31 December 2020.

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 are available on the respective website of the Stock Exchange and the Company. During the year ended 31 December 2020, the Company did not make 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 2020.

DIRECTORS

The Directors who held office during the year ended 31 December 2020 and up to the date of this annual report are:

Executive Directors:

Mr. Hoi Wa Fong (許華芳) (Chairman of the Board)

Mr. Chen Deli (陳德力) (Chief executive officer) (Appointed as a chief executive officer on 1 June 2020 and appointed as an executive Director on 15 June 2020)

Mr. Zhang Yunfeng (張雲峰) (Chief financial officer) (Re-designated from the position of chief executive officer to chief financial officer on 1 June 2020)

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 34 to 38 of this annual report.

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 2020 is set out in the section headed “Management Discussion and Analysis” of this annual report.

BUSINESS REVIEW

A fair review of the business of the Group including an analysis of the Group’s financial performance and an indication of likely future developments in the Group’s business is set out in the section headed “Management Discussion and Analysis” of this annual report. These discussions form part of the Report of the Directors. The Group’s key relationship with its stakeholders (including employees, customers and suppliers) who have a significant impact on the Group and on which the Group’s success depends, is set out in this annual report. Events affecting the Group that have occurred since the end of the financial year ended 31 December 2020 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 2020 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 2020, 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 2020, the Group had 5,390 (2019: 5,019) 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 total remuneration expenses, for the year ended 31 December 2020 were RMB594.7 million, representing an increase of 6.5% 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 2020, 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. There are no provisions under the scheme whereby forfeited contributions may be used to reduce future contributions. The employees of the PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to this retirement benefits scheme is to make the required contributions under the scheme.

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

CONNECTED TRANSACTIONS

During the year ended 31 December 2020, the Group entered into the following connected transaction or continuing connected transactions, details of which were disclosed in compliance with the disclosure requirements under Chapter 14A of the Listing Rules.

The issue of Subscription and Awarded Shares to Mr. Chen Deli

Mr. Chen Deli is an executive Director and the chief executive officer of the Company and therefore a connected person of the Company under the Listing Rules. Accordingly, (i) the entering into of the Subscription Agreement and the transactions contemplated thereunder; and (ii) the issue and allotment of 11,250,000 Awarded Shares to Mr. Chen Deli constitute connected transactions of the Company, and is subject to the announcement, reporting and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

On 10 September 2020, the Company entered into the subscription agreement with Mr. Chen Deli (the "**Subscription**"), pursuant to which, the Company has conditionally agreed to allot and issue, and Mr. Chen Deli has conditionally agreed to subscribe for 11.25 million new Shares, at the Subscription Price of HK\$24.30 per Subscription Share upon the terms and subject to the conditions set out in the Subscription Agreement. The Subscription Shares have an aggregate nominal value of HK\$0.1 million and the gross proceeds from the Subscription amounted to HK\$273.4 million. The Company had sought and obtained shareholders' approval at the extraordinary general meeting held on 24 November 2020. The Subscription Shares have been allotted and issued on 4 December 2020. On 10 September 2020, the Board has resolved to adopt the Scheme. The Company further resolved to award an aggregate of 11.25 million Awarded Shares to Mr. Chen Deli (the "**Award**"), by way of issue and allotment of new Shares pursuant to the Share Award Specific Mandate. The Awarded Shares have an aggregate nominal value of HK\$0.1 million and a fair value of HK\$226.7 million based on the price of HK\$20.15 on grant date. The Company had sought and obtained shareholders' approval at the extraordinary general meeting held on 24 November 2020. The Awarded Shares have been issued on 4 December 2020.

The Subscription and the Award was primarily to create a further alignment between the Company and Mr. Chen Deli as well as an incentive for Mr. Chen Deli's joining and long-term commitment to the Group. For further details on the Subscription and Awarded Shares, please refer to the announcement of the Company dated 10 September 2020 and the circular of the Company dated 6 November 2020.

Continuing Connected Transactions

The following transactions constituted continuing connected transactions of the Group for the year ended 31 December 2020 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 Framework Agreement for the year ended 31 December 2020 is RMB32.5 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 2020 and 31 December 2019 is RMB48.7 million and RMB48.0 million, respectively, and for the year ending 31 December 2021 is RMB57.5 million.

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 2020 is RMB62.2 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 2020 and 31 December 2019 is RMB63.3 million and RMB53.6 million, respectively and for the year ending 31 December 2021 is RMB74.7 million.

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 2020 is RMB266.7 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 2020 and 31 December 2019 is RMB267.2 million and RMB222.8 million, respectively and for the year ending 31 December 2021 is RMB320.7 million.

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 2020 is RMB74.8 million. The annual cap of the annual fee payable by the Group under the Common Area and Advertising Space Management Services Framework Agreement for the year ended 31 December 2020 and 31 December 2019 is RMB85.3 million and RMB73.5 million, respectively and for the year ending 31 December 2021 is RMB99.2 million.

Report of the Directors

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.

5. Digitalization Service Agreement

Background

On 20 November 2020, the Company entered into the digitalization service agreement (“**Digitalization Service Agreement**”) with 上海悦商信息科技有限公司 (Shanghai Yueshang Information Technology Co., Ltd.) (“**Shanghai Yueshang**”), pursuant to which, Shanghai Yueshang agreed that it will provide digitalization technology services to the Group, including but not limited to building internet digital services, information systems and hardware deployment for the Group on a project-by-project basis, for a term commencing from 20 November 2020 and ending on 31 December 2022.

The annual fee paid/payable by the Group under the Digitalization Service Agreement for the year ended 31 December 2020 is RMB0.86 million. The annual cap of the annual fee payable by the Group under the Digitalization Service Agreement for the year ended 31 December 2020 is RMB3.0 million, and for each of the two years ending 31 December 2021 and 31 December 2022 is RMB5.0 million.

Shanghai Yueshang is owned as to 45% by Mr. Hoi Wa Fong, an executive Director of the Company, with the remaining 55% interests being owned by other independent third parties. By virtue of Mr. Hoi Wa Fong’s interest in Shanghai Yueshang, Shanghai Yueshang is therefore an associate of Mr. Hoi Wa Fong and hence a connected person at the listed issuer level of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Digitalization Service Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Further details of the Digitalization Service Agreement is set out in the announcement of the Company dated 20 November 2020.

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, the Common Area and Advertising Space Management Services Framework Agreement and Digitalization Service 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 2020. 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 2020 are set out in Note 31 to the consolidated financial statements.

The related party transactions set out in Note 31 to consolidated financial statements include related party transactions disclosed under accounting standards and related party transactions which also constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The related party transactions in respect of the remuneration of directors and chief executives of the Company constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. However, these transactions are 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 annual report, the Directors believe, that all other related party transactions set out in Note 31 to the consolidated financial statements do not fall within the definition of "connected transactions" or "continuing connected transactions" under Chapter 14A of the Listing Rules (as the case may be). The Directors of the Company confirmed that they have complied with the disclosure requirements in Chapter 14A of the Listing Rules for the year ended 31 December 2020 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 2020 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 2020, the revenue amounts from the Group's five largest customers accounted for 16.0% (2019: 16.3%) of the Group's total revenue and the revenue amount from the Group's single largest customer, the Remaining Powerlong Group, accounted for 12.8% (2019: 14.1%) of the Group's total revenue.

Other than the Remaining Powerlong Group, one of the Group's five largest customers in 2020, Quanzhou Shimao New Mileage Real Estate Co., Ltd. (泉州世茂新里程置業有限公司) which is an associate of the Company's substantial shareholder, Powerlong Holdings, and is indirectly owned as to 33% by Powerlong Holdings, is the Company's connected person. Revenue generated from Quanzhou Shimao New Mileage Real Estate Co., Ltd. was approximately RMB19.7 million, accounting for approximately 1.0% of the Group's total revenue in for the year ended 31 December 2020.

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 2020 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 2020, 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 2020, the purchases amount from the Group's five largest suppliers accounted for 23.2% (2019: 27.4%) of the Group's total purchases and the purchases amount from the Group's single largest customer, the Remaining Powerlong Group, accounted for 12.1% (2019: 17.6%) of the Group's total purchases.

Report of the Directors

During the year ended 31 December 2020, 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 2020.

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 five financial years, as extracted from the audited consolidated financial statements, is set out on pages 143 to 144 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 FOR 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. Shareholders are recommended to consult their professional advisers if they are in any doubt as to the taxation implications (including tax relief) of subscribing for, purchasing, holding, disposing of or dealing in the securities of the Company.

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 2020 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 2020 and details of the Shares issued during the year ended 31 December 2020 are set out in Note 22 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 31 December 2020 and the date of this annual report, the Company has maintained the public float as required under the Listing Rules.

DONATION

During the year ended 31 December 2020, the Group did not make any charitable donations.

DEBENTURE ISSUED

The Group did not issue any debenture during the year ended 31 December 2020.

EQUITY-LINKED AGREEMENTS

On 10 September 2020, the Company entered into the subscription agreement with Mr. Chen Deli, pursuant to which, the Company has conditionally agreed to allot and issue, and Mr. Chen Deli has conditionally agreed to subscribe for 11.25 million new Shares, at the Subscription Price of HK\$24.30 per Subscription Share upon the terms and subject to the conditions set out in the Subscription Agreement. The Company had sought and obtained shareholders' approval at the extraordinary general meeting held on 24 November 2020. The Subscription Shares have been allotted and issued on 4 December 2020.

Report of the Directors

For further details on the Subscription, please refer to the announcement of the Company dated 10 September 2020 and the circular of the Company dated 6 November 2020.

Save as disclosed above, no other equity-linked agreements were entered into by the Group, or existed during the year ended 31 December 2020.

RESULTS AND DIVIDENDS

The consolidation results of the Group for the year ended 31 December 2020 are set out on pages 70 of consolidated statement of comprehensive income.

The Board recommended the payment of a final dividend of HK\$0.18 (equivalent to RMB0.15 based on the exchange rate of 31 December 2020) per ordinary share. Total amount of final dividend would be HK\$113,895,000 (equivalent to approximately RMB95,859,000) which is calculated according to the ordinary shares in issue as at 31 December 2020 excluding shares held for shares award scheme. Such dividend is subject to approval by the Shareholders at the annual general meeting to be held on 11 June 2021. The Final Dividend will be paid on or around Wednesday, 11 August 2021 to the shareholders whose names appear on the register of members of the Company on Tuesday, 22 June 2021. These consolidated financial statements do not reflect this dividend payable.

For the purpose of determining the entitlement to the proposed final dividend for the year ended 31 December 2020, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Thursday, 17 June 2021.

Together with the interim dividend of HK\$0.1 per ordinary share for the six months ended 30 June 2020 paid on 4 December 2020, the total dividend for the year 2020 amounted to HK\$0.28 per ordinary share.

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 2020. The Company has taken out liability insurance to provide appropriate coverage for the Directors.

RESERVES AND DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Group and of the Company during the year ended 31 December 2020 are set out in the consolidated statement of changes in equity and Note 23 to the consolidated financial statements.

As at 31 December 2020, the reserves of the Company available for distribution were approximately RMB1,429.3 million (2019: approximately RMB1,205.5 million).

BANK LOANS AND OTHER BORROWINGS

During the year ended 31 December 2020 and 31 December 2019, the Group had no bank loans and other borrowings.

DIRECTORS' SERVICE CONTRACTS

Mr. Chen Deli, an executive Director, has entered into a service contract with the Company for an initial term of 3 years commencing from 15 June 2020.

Each of the other 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 2020.

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 three senior management personnel in the Group are set out in Note 33 and Note 8 to the consolidated financial statements.

For the year ended 31 December 2020, no emoluments were paid by the Group to any Director or any of the three senior management personnel 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 2020.

Except as disclosed above, no other payments have been made or are payable, for the year ended 31 December 2020, by the Group to or on behalf of any of the Directors.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

Other than disclosed in the sections headed "Continuing Connected Transactions", "Related Party Transactions" and "Management Discussion and Analysis" and Note 31 to the consolidated financial statements contained in this annual report, no contract of significance was entered into between the Company or any of its subsidiaries and the Controlling Shareholders or any of its subsidiaries during the year ended 31 December 2020 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 2020 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 2020. The independent non-executive Directors have conducted such review for the year ended 31 December 2020 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 recognises that employees, customers and business partners are keys to its sustainable development. The Group is committed to establishing a close and caring relationship with its employees, providing quality services to its customers and enhancing cooperation with its business partners. The Company provides a fair and safe workplace, promotes diversity to its staff, provides competitive remuneration and benefits and career development opportunities based on their merits and performance. The Group also puts ongoing efforts to provide adequate trainings and development resources to the employees so that they can keep abreast of the latest development of the market and the industry and, at the same time, improve their performance and self-fulfillment in their positions. Further details in relation to the development and remuneration of the Group's employees are set out in the paragraph headed "Human Resources" in this annual report.

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

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

MANAGEMENT CONTRACTS

No contract, concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 December 2020.

AUDITOR

PricewaterhouseCoopers, who shall retire at the forthcoming annual general meeting, have audited the consolidated financial statements for the year ended 31 December 2020 and are proposed for reappointment at the forthcoming annual general meeting of the Company.

There was no change in the external auditors of the Company for the three preceding years prior to the date of this annual report.

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 2021 annual general meeting (the "2021 AGM") will be held on Friday, 11 June 2021. Notice of the 2021 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, 7 June 2021 to Friday, 11 June 2021, 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 2021 AGM. In order to be eligible to attend and vote at the 2021 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, 4 June 2021; and
- (ii) from Friday, 18 June 2021 to Tuesday, 22 June 2021, 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 Thursday, 17 June 2021.

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 2020, 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	6.99%
Mr. Chen Deli ⁽³⁾	Beneficial owner and beneficial of a trust	22,500,000	3.49%

Notes:

- The calculation is based on the total number of 644,000,000 shares in issue as at 31 December 2020.
- Huihong Management (PTC) Limited ("Huihong Management"), the trustee of the Huihong Trust, is wholly-owned by Mr. Hoi Wa Fong for the purpose of a share award scheme (the "Scheme") to be adopted at least six months after the Listing. As of 31 December 2020, the Scheme was adopted by Huihong Management. As the Scheme is not adopted by the Company and does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purposes of Chapter 17 of the Listing Rules, it is not required to comply with the rules thereunder. Further details are set out in the announcement of the Company dated 31 December 2020. By virtue of the SFO, Mr. Hoi Wa Fong is deemed to be interested in the shares held by Huihong Management.
- On 10 September 2020, the Company entered into the subscription agreement with Mr. Chen Deli, pursuant to which, the Company has conditionally agreed to allot and issue, and Mr. Chen Deli has conditionally agreed to subscribe for 11.25 million new Shares, at the Subscription Price of HK\$24.30 per Subscription Share upon the terms and subject to the conditions set out in the Subscription Agreement. The Company had sought and obtained shareholders' approval at the extraordinary general meeting held on 24 November 2020. The Subscription Shares have been allotted and issued on 4 December 2020. On 10 September 2020, the Board has resolved to adopt the Scheme. The Company further resolved to award an aggregate of 11.25 million Awarded Shares to Mr. Chen Deli, by way of issue and allotment of new Shares pursuant to the Share Award Specific Mandate. The Company had sought and obtained shareholders' approval at the extraordinary general meeting held on 24 November 2020. The Awarded Shares have been issued on 4 December 2020.

(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, interest of a controlled corporation and interest of spouse ⁽¹⁾	605,509,400	14.62%
Ms. Hoi Wa Fan	Powerlong Holdings	Beneficial owner and interest of a controlled corporation ⁽²⁾	268,093,000	6.47%
Ms. Hoi Wa Lam	Powerlong Holdings	Beneficial owner	15,368,000	0.37%

Notes:

- 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 Limited, 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.
- Of the 268,093,000 shares in Powerlong Holdings which Ms. Hoi Wa Fan is interested in, (i) 206,623,000 shares are held by Walong Holdings Limited and Mantong (HK) Trading Co., Ltd, 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.

Report of the Directors

Save as disclosed above, as at 31 December 2020, 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 2020, 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	62.89%
Powerlong Real Estate (BVI) Holdings Limited ("Powerlong BVI Holding") ⁽²⁾	Beneficial owner	405,000,000	62.89%
Powerlong Holdings ⁽²⁾	Interest in a controlled corporation	405,000,000	62.89%
Skylong Holdings Limited ⁽²⁾	Interest in a controlled corporation	405,000,000	62.89%
Ms. Wong Lai Chan ⁽³⁾	Interest of spouse	405,000,000	62.89%
Huihong Management ⁽⁴⁾	Beneficial owner	45,000,000	6.99%
Ms. Shih Sze Ni Cecilia ⁽⁵⁾	Interest of spouse	45,000,000	6.99%

Notes:

- The calculation is based on the total number of 644,000,000 Shares in issue as at 31 December 2020.
- Powerlong BVI Holding is wholly-owned by Powerlong Holdings, which is in turn owned as to approximately 43.57% by Skylong Holdings Limited, a company wholly-owned by Mr. Hoi Kin Hong. By virtue of the SFO, each of Powerlong Holdings, Skylong Holdings Limited 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.
- 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.
- Huihong Management (PTC) Limited (**"Huihong Management"**), the trustee of the Huihong Trust, is wholly-owned by Mr. Hoi Wa Fong for the purpose of a share award scheme (the **"Scheme"**) to be adopted at least six months after the Listing. As of 31 December 2020, the Scheme was adopted by Huihong Management. As the Scheme is not adopted by the Company and does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purposes of Chapter 17 of the Listing Rules, it is not required to comply with the rules thereunder. Further details are set out in the announcement of the Company dated 31 December 2020. By virtue of the SFO, Mr. Hoi Wa Fong is deemed to be interested in the shares held by Huihong Management.
- 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.

Report of the Directors

SHARE AWARD SCHEME

On 10 September 2020, the Board of the Company has resolved to adopt a share award scheme. A summary of the major terms is set out below:

Purposes and Objectives

1. to recognise and motivate the contributions by certain eligible participants and to give incentives thereto in order to retain them for the continual operation and development of the Group;
2. to attract suitable personnel for further development of the Group; and
3. to provide certain eligible participants with a direct economic interest in attaining a long-term relationship between the Group and certain eligible participants.

Eligible Participants

- (a) any employee of the Group;
- (b) any non-executive directors (including independent non-executive directors) of the Company, any subsidiary or any entity in which any member of the Group holds any equity interest;
- (c) any adviser (professional or otherwise), consultant to or expert in any area of business or business development of any member of the Group or any entity in which any member of the Group holds any equity interest; and
- (d) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.

Administration

The Scheme shall be subject to the administration of the Board. In the event that a Selected Participant or his/her associate is a member of the Board, such person will abstain from voting on any approval by the Board of an award of Shares to such Selected Participant. The Board may, by passing resolutions, appoint any one or more senior management of the Company as authorised representative(s) to give instructions or notices to Tricor Trust (Hong Kong) Limited (the “**Trustee**”) on all matters in connection with the Scheme and other matters in the routine administration of the trust constituted by the trust deed which establishes the Share Award Scheme (the “**Trust Deed**”).

The Trustee will hold the Shares and the income derived therefrom in accordance with the Scheme Rules and subject to the terms of the Trust Deed.

Duration

Subject to any early termination as may be determined by the Board pursuant to the Scheme Rules, the Scheme shall be valid and effective for a term of 10 years commencing on 10 September 2020.

Maximum Limit

The Board shall not make any further grant of award of Shares under the Share Award Scheme such that the total number of Shares granted under the Share Award Scheme will exceed 5% of the total number of issued Shares as of 10 September 2020.

The Board shall not instruct the Trustee to subscribe for and/or purchase any Shares for the purpose of the Share Award Scheme when such subscription and/or purchase will exceed 5% of the total number of issued Shares as of 10 September 2020.

There is no maximum entitlement to each awardee.

Report of the Directors

Operation

Pursuant to the terms of the Share Award Scheme, the Board may, from time to time, at its absolute discretion select any Eligible Participant(s) for participation in the Share Award Scheme as a selected participant and determine the number of Shares to be awarded. The Trustee shall purchase from the open market or subscribe for the relevant number of Shares awarded and shall hold such Shares until they are vested in accordance with the terms of the Share Award Scheme.

Share Award to Directors and/or Connected Persons

Shares may be awarded to Eligible Participants, including the directors of the Company and/or its subsidiaries and/or connected persons of the Company. If Shares are awarded to any director of the Company and/or its subsidiaries and/or connected persons of the Company, such awards shall constitute connected transactions under Chapter 14A of the Listing Rules and the Company shall comply with the relevant requirements under the Listing Rules.

Movement of Share Awards

On 24 November 2020, as the grant date, the Company has resolved to award (the “Award”) an aggregate of 11,250,000 awarded shares (“Awarded Shares”) to Mr. Chen Deli. Such Awarded Shares have been issued to a trustee which hold on trust for Mr. Chen Deli pursuant to the terms of the trust deed. These Awarded Shares shall then transfer to Mr. Chen Deli after the relevant vesting conditions are fulfilled. Further details are set out in Note 24 to the consolidated financial statements in this annual report.

Further details of the Share Award Scheme and the Award are set out in the announcement of the Company dated 10 September 2020 and the circular of the Company dated 6 November 2020.

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 year ended 31 December 2020.

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 during the year ended 31 December 2020.

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

On 10 September 2020, the Company entered into the subscription agreement with Mr. Chen Deli, pursuant to which, the Company has conditionally agreed to allot and issue, and Mr. Chen Deli has conditionally agreed to subscribe for 11.25 million new Shares, at the Subscription Price of HK\$24.30 per Subscription Share upon the terms and subject to the conditions set out in the Subscription Agreement.

Report of the Directors

The total number of 11.25 million Subscription Shares to be issued and allotted under the Subscription Agreement represents (i) 1.81% of the total number of Shares in issue as at 10 September 2020; and (ii) approximately 1.78% of the enlarged total number of Shares in issue upon completion of the Subscription (assuming there will be no change to the total number of Shares in issue from 10 September 2020 to the date of completion of the Subscription other than the allotment and issue of the Subscription Shares by the Company).

The Subscription Price, being HK\$24.30 per Subscription Share, represents: (i) the closing price of HK\$24.30 per Share as quoted on the Stock Exchange on 10 September 2020, being the date of the Subscription Agreement; (ii) a discount of approximately 2.39% to the average closing price per Share of HK\$24.88 for the last five (5) consecutive trading days immediately preceding the date of the Subscription Agreement; and (iii) a discount of approximately 2.18% to the average closing price per Share of HK\$24.83 for the last ten (10) consecutive trading days immediately preceding the date of the Subscription Agreement.

The net proceeds from the Subscription is approximately HK\$273.40 million and is expected to be applied by the Company as to 30% for personnel expansion, as to 30% for IT infrastructure enhancement and as to 40% for the development of the property leasing business and to be utilised on or before 30 June 2023.

Further details of the Subscription are set out in the announcement of the Company dated 10 September 2020 and the circular of the Company dated 6 November 2020.

During the year ended 31 December 2020, the Company repurchased a total of 1,000,000 Shares on the Stock Exchange for an aggregate consideration of approximately HK\$9.5 million including expenses. The above mentioned repurchased Shares were cancelled on 24 March 2020. The repurchases reflected the confidence of the Board and the management team in the long-term strategy and the prospects of the Company. The Directors believe that the repurchases of shares would lead to an enhancement of the net assets value per Share and/or earnings per Share of the Company. The Company considered that the repurchases were in the best interest of the Company and its shareholders as a whole.

Details of the Shares repurchased during the year ended 31 December 2020 are as follows:

Date of repurchases	No. of ordinary shares	Highest price paid per share (HK\$)	Lowest price paid per share (HK\$)	Aggregate Consideration (HK\$)
30 January 2020	500,000	9.50	9.21	4,694,460
31 January 2020	500,000	9.90	9.49	4,782,055
	1,000,000			9,476,515

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

USE OF NET PROCEEDS

(i) Use of Net Proceeds from Initial Public Offering and Over Allotment

The Company was listed on the main board of the Stock Exchange on 30 December 2019. The net proceeds from the Listing was approximately HK\$1,380.5 million (equivalent to approximately RMB1,236.9 million). On 22 January 2020, the Company exercised the over-allotment option and issued 22,500,000 shares at a price of HK\$9.5 per share. Discounting the transaction costs attributable to the exercise of the over-allotment option, net proceeds from the over-allotment amounted to approximately HK\$208.0 million (equivalent to approximately RMB184.6 million). The Company intends to apply the proceeds from the over-allotment in proportion to the use of proceeds stated in the Prospectus. The net proceeds from the initial public offering and the over allotment amounted to approximately HK\$1,588.5 million.

Report of the Directors

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.

As at 31 December 2020, 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.

The following table sets forth the status of use of net proceeds from the Company's initial public offering and over allotment as of 31 December 2020 together with the expected timeline of use:

Intended use of net proceeds as stated in the Prospectus	Net proceeds from the initial public offering and the over allotment HK\$ million	Planned use of net proceeds as of 31 December 2020 (after the exercise of the over-allotment option) HK\$ million	Actual use of net proceeds during the period ended 31 December 2020 HK\$ million	Proceeds unused HK\$ million	Expected timeline
(i) Pursue strategic acquisition of and investment in other commercial operational service providers ⁽¹⁾	794.3	129.8	14.8	779.5	1 January 2020 to 31 December 2023
(ii) Upgrade the information technology systems ⁽¹⁾	397.1	77.8	11.0	386.1	1 January 2020 to 31 December 2023
(iii) Make equity investment in certain tenants and suppliers	158.8	38.9	0.0	158.8	1 January 2020 to 31 December 2023
(iv) Renovation of retail commercial properties developed or owned by independent third parties	79.5	19.5	6.1	73.4	1 January 2020 to 31 December 2023
(v) General business purpose and working capital	158.8	N/A	45.9	112.9	1 January 2020 to 31 December 2023
	1,588.5	266.0	77.8	1,510.7	

Note:

- (1) In relation to purpose (i) the pursue of strategic acquisition of and investment in other commercial operational service providers, and as part of the Group's business objective, the Group entered into an investment agreement to acquire 60% of equity interest of Zhejiang Xinghui in July 2020. However, under the outbreak of COVID-19 epidemic, the Group was unable to identify suitable investments in additional commercial operational service providers, tenants or suppliers. The Company plans to selectively evaluate opportunities and identify other suitable acquisition or investment targets. In addition, in relation to purpose (ii) upgrade of the information technology systems, due to a delay in the upgrading of the information technology systems and renovation plan impacted by the outbreak of COVID-19, the Group only utilised HK\$11.0 million and HK\$6.1 million, respectively, in upgrading the information technology systems and renovation of retail commercial properties developed or owned by independent third parties.

The remaining amount of unused proceeds is planned to be utilised by 31 December 2023 as originally intended. Accordingly, the Board will re-assess and revise the timeline of the said development where necessary.

As at 31 December 2020, the remaining Net Proceeds from the initial public offering and over allotment were not utilised and were deposited into the licensed banks in Hong Kong and mainland China.

Report of the Directors

(ii) Use of Net Proceeds from Subscription

The following table sets forth the status of use of net proceeds from the Subscription as of 31 December 2020 together with the expected timeline of use:

Intended use of proceeds from the Subscription	Net proceeds HK\$ million	Planned use of proceeds as of 31 December 2020 HK\$ million	Actual use of proceeds as of 31 December 2020 HK\$ million	Proceeds unused HK\$ million	Expected timeline
(i) Personnel expansion: attract and recruit additional management personnel to the Group's projects and headquarters	82.0	15.0	15.0	67.0	On or before 30 June 2023
(ii) Property leasing business: develop three leasing projects, namely Shaoxing Keqiao Powerlong Plaza (紹興柯橋寶龍廣場), Hangzhou Qingshan Lake Powerlong Plaza (杭州青山湖寶龍廣場) and Taizhou Duqiao Powerlong Plaza a (台州杜橋寶龍廣場), which are expected to be opened in November 2020, December 2020 and December 2021, respectively	109.4	4.6	2.1	107.3	On or before 30 June 2023
(iii) IT infrastructure enhancement: create the "Precise Consumer Traffic System" which uses face recognition technology instead of traditional sensors to achieve accurate data collection and perform precise analysis on consumer traffic statistics	82.0	4.0	0.0	82.0	On or before 30 June 2023
	273.4	23.6	17.1	256.3	

As at 31 December 2020, the remaining Net Proceeds from the Subscription were not utilised and were deposited into the licensed banks in Hong Kong and mainland China.

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 2020 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

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

On behalf of the Board

HOI Wa Fong

Chairman

Hong Kong, 2 March 2021

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 70 to 142, which comprise:

- the consolidated balance sheet as at 31 December 2020;
- 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 2020, 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.

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Independent Auditor's Report

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
<p>Recoverability of operating lease and trade receivables</p> <p>Refer to note 4 'critical accounting estimates and judgements' and note 19 'operating lease and trade receivables' to the consolidated financial statements.</p> <p>As at 31 December 2020, gross carrying amount of operating lease and trade receivables amounted to RMB204,831,000, which represented approximately 5% of the total assets of the Group. Management has assessed the expected credit losses of operating lease and trade receivables with loss allowance of RMB42,877,000 made against operating lease and trade receivables as at 31 December 2020.</p> <p>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.</p> <p>In estimating ECL, the Group calculated the historical default rate percentage based on the repayment history and ageing profile of the Group's debtors grouped based on shared credit risk characteristics, with adjustments to reflect existing market conditions and forward-looking factors.</p> <p>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.</p>	<p>Our major audit procedures in relation to the assessment of recoverability of operating lease and trade receivables included the following:</p> <ol style="list-style-type: none">Obtained an understanding of the management's internal control and assessment process of the recoverability of operating lease and trade receivables and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, such as complexity, subjectivity, changes and susceptibility to management bias or fraud.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 ageing of operating lease and trade receivables;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.Tested, on a sample basis, the accuracy of the ageing analysis of operating lease and trade receivables as at 31 December 2020 prepared by management, to sales invoices or demand notes, receipt records and other relevant documents;Checked the mathematical accuracy of the calculation of the provision for loss allowance;Tested, on a sample basis, the subsequent settlement of operating lease and trade receivables to cash receipts and the related supporting documentation. <p>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.</p>

KEY AUDIT MATTERS (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Measurement of right-of-use ("ROU") assets and lease liabilities</p> <p>Refer to note 4 'critical accounting estimates and judgements' and note 15 'investment properties' and note 26(a) 'lease liabilities' to the consolidated financial statements.</p> <p>The Group leased in various commercial properties and sub-leased them to tenants for rental yields. ROU assets and liabilities arising from a lease are initially measured on a present value basis. As at 31 December 2020, the Group's ROU assets were disclosed as investment properties and measured at cost with carrying amount of RMB688,205,000, which represented approximately 15% of the total assets of the Group. Corresponding lease liabilities amounted to RMB861,888,000, accounting for 37% of the total liabilities of the Group.</p> <p>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.</p> <p>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 or termination options. In determining the lease terms, management considers facts and circumstances that create an economic incentive to exercise an extension option, or not to 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).</p> <p>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 or termination options and discounted rate applied in relation to the present value basis.</p>	<p>Our audit procedures to assess measurement of ROU assets and lease liabilities included the following:</p> <ul style="list-style-type: none"> a) Obtained an understanding of the management's internal control and assessment process of the measurement of ROU assets and lease liabilities, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, such as complexity, subjectivity, changes and susceptibility to management bias or fraud; b) Assessed the reasonableness of the estimation on discounted rate and lease terms, especially the exercise of extension options or 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. <p>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.</p>

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, 2 March 2021

Consolidated Statement of Comprehensive Income

		Year ended 31 December	
		2020	2019
	Note	RMB'000	RMB'000
Revenue	6	1,921,238	1,620,457
Cost of services	7	(1,326,692)	(1,192,050)
Gross profit		594,546	428,407
Selling and marketing expenses	7	(36,334)	(41,856)
Administrative expenses	7	(134,407)	(117,231)
Other income and gains	9	32,613	17,295
Net impairment losses on financial assets	3.1.2	(22,846)	(7,244)
Operating profit		433,572	279,371
Finance costs	10	(33,811)	(40,262)
Finance income	10	23,164	8,160
Finance costs – net		(10,647)	(32,102)
Share of net losses of joint ventures accounted for using the equity method	17	(3,009)	–
Profit before income tax		419,916	247,269
Income tax expenses	12	(112,550)	(68,655)
Profit and total comprehensive income for the year		307,366	178,614
Profit and total comprehensive income attributable to:			
– Shareholders of the Company		305,064	178,614
– Non-controlling interests		2,302	–
		307,366	178,614
Earnings per share for profit attributable to shareholders of the Company for the year (expressed in RMB cents per share)			
– Basic earnings per share	13	49.12	44.01
– Diluted earnings per share	13	49.11	44.01

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

Consolidated Balance Sheet

		As at 31 December	
	Note	2020	2019
		RMB'000	RMB'000
Assets			
Non-current assets			
Property and equipment	14	9,819	6,928
Financial assets at fair value through profit or loss	30	313	—
Investment properties	15	688,205	207,207
Intangible assets	16	5,420	—
Goodwill	16	20,640	—
Deferred income tax assets	28	74,457	48,421
Investments accounted for using the equity method	17	2,511	4,700
		801,365	267,256
Current assets			
Operating lease and trade receivables	19	161,954	113,881
Prepayments and other receivables	20	104,759	91,114
Current income tax recoverables		2,726	2,705
Restricted cash	21	518	19
Cash and cash equivalents	21	3,449,101	2,616,113
		3,719,058	2,823,832
Total assets		4,520,423	3,091,088
Equity			
Share capital and premium	22	1,479,288	1,236,907
Other reserves	23	42,033	22,430
Shares held for shares award scheme	24	(95)	—
Retained earnings		631,712	327,835
Capital and reserves attributable to shareholders of the Company		2,152,938	1,587,172
Non-controlling interests		12,965	—
Total equity		2,165,903	1,587,172

Consolidated Balance Sheet

		As at 31 December	
	Note	2020	2019
		RMB'000	RMB'000
Liabilities			
Non-current liabilities			
Deferred income tax liabilities	28	2,891	—
Long-term payables		3,271	—
Lease liabilities	26(a)	659,816	190,487
		665,978	190,487
Current liabilities			
Trade and other payables	27	1,060,984	763,111
Advances from lessees		14,889	27,488
Current income tax liabilities		101,410	33,562
Lease liabilities	26(a)	202,072	226,066
Contract liabilities	6(b)	309,187	263,202
		1,688,542	1,313,429
Total liabilities		2,354,520	1,503,916
Total equity and liabilities		4,520,423	3,091,088

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

The financial statements on pages 70 to 142 were approved by the Board of Directors on 2 March 2021 and were signed on its behalf.

Hoi Wa Fong
Director

Zhang Yunfeng
Director

Consolidated Statement of Changes in Equity

Attributable to equity shareholders of the Company									
Note	Shares held for shares					Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
	Share capital	Share premium	award scheme	Other reserves					
	RMB'000 (Note 22)	RMB'000 (Note 22)	RMB'000 (Note 24)	RMB'000 (Note 23)					
Balance at 1 January 2019									
	–	–	–	46,431	183,492	229,923	–	229,923	
Comprehensive income									
Profit for the year	–	–	–	–	178,614	178,614	–	178,614	
Total comprehensive income									
	–	–	–	–	178,614	178,614	–	178,614	
Transactions with owners									
Issue of shares	5,376	1,231,531	–	–	–	1,236,907	–	1,236,907	
Reclassification relating to disposal of subsidiaries	–	–	–	(25,666)	25,666	–	–	–	
Dividends distributed to Powerlong Holdings	–	–	–	–	(58,272)	(58,272)	–	(58,272)	
Appropriation to statutory reserves	–	–	–	1,665	(1,665)	–	–	–	
Balance at 31 December 2019									
	5,376	1,231,531	–	22,430	327,835	1,587,172	–	1,587,172	
Balance at 1 January 2020									
	5,376	1,231,531	–	22,430	327,835	1,587,172	–	1,587,172	
Comprehensive income									
Profit for the year	–	–	–	–	305,064	305,064	2,302	307,366	
Total comprehensive income									
	–	–	–	–	305,064	305,064	2,302	307,366	
Transactions with owners									
Allotment of shares	22(a)	199	184,448	–	–	–	184,647	–	184,647
Issue of shares	22(c)	95	231,219	–	–	–	231,314	–	231,314
Awarded shares	22(d)	95	–	(95)	–	–	–	–	–
Dividends		–	(165,123)	–	–	–	(165,123)	–	(165,123)
Shares Award Scheme – value of employee service	24	–	–	–	18,416	–	18,416	–	18,416
Repurchase of shares	22(b)	(9)	(8,543)	–	–	–	(8,552)	–	(8,552)
Acquisition of subsidiaries	30	–	–	–	–	–	–	10,663	10,663
Appropriation to statutory reserves	23	–	–	–	1,187	(1,187)	–	–	–
Balance at 31 December 2020									
	5,756	1,473,532	(95)	42,033	631,712	2,152,938	12,965	2,165,903	

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

Consolidated Statement of Cash Flows

		Year ended 31 December	
		2020	2019
	Note	RMB'000	RMB'000
Cash flows of operating activities			
Cash generated from operations	29	865,306	612,103
PRC corporate income tax paid		(70,198)	(78,601)
Net cash generated from operating activities		795,108	533,502
Cash flows of investing activities			
Purchases of property and equipment		(8,523)	(6,441)
Net proceeds from disposals of property and equipment		380	137,461
Net proceeds from disposal of subsidiaries		—	28,600
Payment for investment in a joint venture		—	(4,700)
Cash inflow arising from the acquisition	30	56	—
Cash advances made to related parties		—	(779,754)
Repayment from related parties		—	1,211,597
Interest received		—	15,545
Restricted cash pledged for bank borrowings		—	100,000
Net cash (used in)/generated from investing activities		(8,087)	702,308
Cash flows of financing activities			
Payments of listing expenses deducted or to be deducted against equity		—	(45,063)
Allotment of shares	22(a)	184,647	—
Repurchase of shares	22(b)	(8,552)	—
Issue of shares	22(c)	231,314	1,276,800
Dividend paid		(165,123)	—
Proceeds from borrowings	29(a)	—	380,000
Repayments of borrowings	29(a)	—	(647,150)
Interest paid	29(a)	—	(19,894)
Cash advances from related parties	29(a)	—	100,885
Repayment of cash advances to related parties	29(a)	(35,758)	(69,467)
Principal elements and interest expenses of lease payments	29(a)	(162,222)	(148,883)
Net cash generated from financing activities		44,306	827,228
Increase in cash and cash equivalents		831,327	2,063,038
Cash and cash equivalents at the beginning of the year		2,616,113	553,378
Exchange losses on cash and cash equivalents		1,661	(303)
Cash and cash equivalents at end of year		3,449,101	2,616,113

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

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 2020, 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 2 March 2021.

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.

(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 profit or loss.

(iii) New standards, amendments and interpretations adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- Definition of Material – amendments to HKAS 1 and HKAS 8
- Definition of a Business – amendments to HKFRS 3
- Interest Rate Benchmark Reform – amendments to HKFRS 7, HKFRS 9 and HKAS 39
- Revised Conceptual Framework for Financial Reporting
- Covid-19-Related Rent Concessions – amendments to HKFRS 16

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(iv) New standards, amendments, interpretations and accounting guideline not yet adopted

The following new standards and amendments, interpretation and accounting guideline to standards have been published that are not mandatory for the year ended 31 December 2020 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKFRS 17	Insurance contract	1 January 2023
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan	1 January 2023
Amendments to HKFRS 3	Update reference to the conceptual framework	1 January 2022
Amendments to HKAS 16	Proceeds before intended use	1 January 2022
Amendments to HKAS 37	Onerous contracts – costs of fulfilling a contract	1 January 2022
Annual Improvements	Annual Improvements to HKFRS Standards 2018-2020 Cycle	1 January 2022
Revised Accounting Guideline 5	Merger Accounting for Common Control Combination	1 January 2022
Amendments to HKFRS 9, HKAS 39, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase two	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint ventures	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, these standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(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 recognises 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised 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 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise 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 associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

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

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

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.11.

2.4 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 of 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 recognised at cost and adjusted thereafter to recognise 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 recognised 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 recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised 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.

2.5 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 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 recognised within "other income" in the consolidated statements of comprehensive income.

2.7 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 recognised 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 derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the reporting 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 recognised within "other income" in the consolidated statements of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 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 varying from 2 to 20 years.

2.9 Intangible assets

(a) Goodwill

Goodwill is measured as described in Note 2.2.1(a). Goodwill arising on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill is not amortised but its impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGUs containing the goodwill is compared with the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Customer contracts

Customer contracts acquired in a business combination are recognised at fair value at the acquisition date. If have a finite useful life and is subsequently carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method over the expected life of 10 years for the customer contracts.

2.10 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial assets

2.11.1 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 amortised 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.

2.11.2 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:

- **Amortised 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 amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the consolidated statement of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- **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 recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised 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 amortised 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 recognised in profit or loss and presented net in 'other gains – net' in the period in which it arises.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial assets (Continued)

2.11.2 Recognition and measurement (Continued)

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 recognised 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 recognised 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.

2.11.3 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 recognised amounts and there is an intention to settle on a net basis, or realise 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.

2.12 Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses associated with its assets carried at amortised 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 recognised 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 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 recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 19 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.

2.14 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.

2.15 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.

2.16 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 recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statements of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised 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 and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Current and deferred income tax (Continued)

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, 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 recognised 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 realised or the deferred income tax liability is settled.

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

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 recognised 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 utilised.

(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.

2.18 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 organised 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)

2.18 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 recognises 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 recognises 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 recognised 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 recognised until the time of leave.

2.19 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 is also equity-settled share-based payment transaction.

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

During the vesting periods, the Group revises its estimates of the number of awarded shares that are expected to ultimately vest based on the vesting conditions at the end of each reporting period. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to employee share-based compensation expense in the current year, with a corresponding adjustment to the employee share-based capital reserve.

2.20 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised 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 recognised 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 recognised 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 recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 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 recognised 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 is recognised 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 recognises 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 recognised on a gross basis when the related service are rendered.

- (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 recognises 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Revenue recognition (Continued)

(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 recognises 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 recognised 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.

(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 contract, if recoverable, are capitalised and presented as assets and subsequently amortised when the related revenue is recognised. The Group applied the practical expedient to recognise the incremental costs of obtaining a contract as an expense immediately if the amortisation period is less than 12 months.

2.22 Interest income

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 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 recognised 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.

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 recognised on a straight-line basis over the lease term as an expense in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Leases (Continued)

The Group as a lessee (Continued)

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 recognised 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 maximise 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.

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 recognised 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 capitalised when incurred, and are recognised 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 recognised 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.

2.24 Dividend distribution

Dividend distribution to the Company’s shareholders is recognised 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Government grants

Grants from the government are recognised 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 recognised in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

2.26 Financial guarantee contracts

Financial guarantee contracts are recognised 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 recognised less, where appropriate, the cumulative amount of income recognised 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 recognised as part of the cost of the investment.

2.27 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares, and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

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 minimise 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 2020, 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. To manage this risk, during the year 2020, the Group closely monitor the exchange rate and had exchanged majority of the cash at bank into RMB. The Group has not entered into any forward exchange contract to hedge its exposure to foreign exchange risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities as at 31 December 2020 and 2019 are as follows:

	As at 31 December 2020 RMB'000	2019 RMB'000
Financial assets		
– HK\$	181,084	1,237,578
– US\$	66	70
	181,150	1,237,648
Financial liabilities		
– HK\$	8	526
– US\$	–	20,675
	8	21,201

As at 31 December 2020, if RMB had strengthened/weakened by 5%, against HK\$ with all other variable held constant, post-tax profit for the year would have been RMB9,054,000 lower/higher (2019: RMB61,853,000 lower/higher), mainly as a result of net foreign exchange gains/losses on translation of HK\$ denominated cash and other payables to related parties.

As at 31 December 2020, if RMB had strengthened/weakened by 5%, against US\$ with all other variable held constant, post-tax profit for the year would have been RMB3,000 lower/higher (2019: RMB1,030,000 higher/lower), mainly as a result of net foreign exchange gains/losses on translation of US\$ denominated cash and other payables to related parties.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

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*

Operating lease and trade receivables have been assessed for impairment on a collective basis based on different credit risk characteristics. They are categorised as follows for assessment purpose:

Group 1 Operating lease and trade receivables due from related parties

Group 2 Operating lease and trade receivables due from third parties

For Group 1, operating lease and trade receivables due from related parties, which the Group assessed the credit risk associated was low, the Group has large number of customers and there was no concentration of credit risk. Thus, the expected loss rate for Group 1 was 1.56%, a loss allowance of RMB511,000 therefrom was made at 31 December 2020 (31 December 2019: nil).

For Group 2, 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. Thus, a loss allowance of RMB42,366,000 for the receivable therefrom was made at 31 December 2020 (31 December 2019: RMB21,174,000).

(iii) *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. Thus, the Group used the 12 months ECL method to assess credit loss of other receivables.

(iv) 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.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

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.

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

	As at 31 December 2020		
	Expected loss rate	Gross carrying amount RMB'000	Loss allowance provision RMB'000
Operating lease and trade receivables			
Related parties (Note 19)	1.56%	32,718	(511)

As at the respective balance sheet date, the loss allowance provision for operating lease and trade 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 (excluding receivables from related parties)					
At 31 December 2020					
Expected loss rate	9.63%	36.50%	61.93%	100.00%	
Gross carrying amount (RMB'000)	120,696	20,387	20,318	10,712	172,113
Loss allowance provision (RMB'000)	(11,629)	(7,442)	(12,583)	(10,712)	(42,366)
At 31 December 2019					
Expected loss rate	5.00%	25.00%	60.00%	100.00%	
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)

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 other receivables 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
Other receivables *					
At 31 December 2020					
Expected loss rate	5.25%	26.25%	63.00%	100.00%	
Gross carrying amount (RMB'000)	53,148	4,488	759	299	58,694
Loss allowance provision (RMB'000)	(2,790)	(1,178)	(478)	(299)	(4,745)
At 31 December 2019					
Expected loss rate	5.00%	25.00%	60.00%	100.00%	
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)

As at the respective balance sheet date, the loss allowance provision for operating lease and trade and other receivables (excluding prepayments and interest receivable from bank deposits) reconciled 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 2020	21,174	3,602	24,776
Provision for loss allowance recognised in profit or loss	21,703	1,143	22,846
At 31 December 2020	42,877	4,745	47,622

	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 recognised in profit or loss	7,753	(509)	7,244
Loss allowance decrease due to disposal of subsidiaries	—	(93)	(93)
At 31 December 2019	21,174	3,602	24,776

* Excluding prepayments and interest receivables from bank deposits.

As at 31 December 2020, the gross carrying amount of operating lease and trade and other receivables (excluding prepayments and interest receivables from bank deposits) was RMB263,525,000 (2019: RMB184,086,000) and thus the maximum exposure to losses was RMB215,903,000 (2019: RMB159,310,000).

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 2020					
Lease liabilities	209,060	67,912	194,031	895,473	1,366,476
Trade and other payables*	900,163	—	—	—	900,163
Long term payables	—	3,271	—	—	3,271
	1,109,223	71,183	194,031	895,473	2,269,910
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

* 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 2020 and 31 December 2019, asset-liability ratio of the Group is as follows:

	As at 31 December 2020	2019
Asset liability ratio	52.1%	48.7%

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation

(a) Financial assets and liabilities

The Group's financial instruments recognised in the consolidated balance sheets are mainly operating lease and trade receivables, other receivables, financial assets at fair value through profit or loss and financial liabilities carried at amortised 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 2020 and 31 December 2019, the Group had no financial instrument in level 1 and level 2.

The following table presents the Group's financial assets measured and recognised at fair value at 31 December 2020 on a recurring basis:

	As at 31 December 2020 Level 3 RMB'000
Financial assets at fair value through profit or loss ("FVPL") — contingent consideration	313

As at 31 December 2020, the Group's FVPL was a receivable under a contingent consideration arrangement in relation to subsidiaries acquired which was classified as Level 3. There were no transfers between levels during the year ended 31 December 2020 (2019: same). The fair value of financial instrument included in level 3 is disclosed in Note 30(a).

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 recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation 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 maximise 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 and gains, unallocated operating costs, finance costs-net, share of net losses of joint ventures accounted for using the equity method and income tax expenses. Revenue recognised at a point in time from contracts with customers represents revenue from market research and positioning services. Other revenue from contracts with customers is recognised 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 2020

	Commercial operational services RMB'000	Residential property management services RMB'000	Group RMB'000
Gross segment revenue	1,562,925	358,313	1,921,238
Revenue from contracts with customers	1,381,436	358,313	1,739,749
— at a point in time	85,803	—	85,803
— over time	1,295,633	358,313	1,653,946
Revenue from other sources			
— rental income	181,489	—	181,489
Segment results	417,751	55,325	473,076
Other income and gains			32,613
Unallocated operating costs			(72,117)
Interest expense			(33,811)
Interest income			23,164
Share of net losses of joint ventures accounted for using the equity method			(3,009)
Profit before income tax			419,916
Income tax expenses			(112,550)
Profit for the year			307,366
Depreciation and amortisation	96,749	1,575	98,324

Notes to the Consolidated Financial Statements

5 SEGMENT INFORMATION (Continued)

(a) (Continued)

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 and amortisation	98,974	4,862	103,836

Notes to the Consolidated Financial Statements

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 2020

	Commercial operational services RMB'000	Residential property management services RMB'000	Elimination RMB'000	Group RMB'000
Segment assets	1,123,065	100,751	(4,512)	1,219,304
Other assets				3,301,119
Total assets				4,520,423
Segment liabilities	2,005,859	215,673	(4,512)	2,217,020
Other liabilities				137,500
Total liabilities				2,354,520
Capital expenditure	586,382	1,631	—	588,013

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

Notes to the Consolidated Financial Statements

5 SEGMENT INFORMATION (Continued)

Segment assets are reconciled to total assets as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Segment assets	1,219,304	522,844
Other assets		
Current income tax recoverables	2,726	2,705
Deferred income tax assets	74,457	48,421
Unallocated cash and cash equivalents and restricted cash	3,212,997	2,515,618
Unallocated property and equipment	220	35
Other corporate assets	10,406	1,465
Financial assets at fair value through profit and loss	313	—
Total assets	4,520,423	3,091,088

Segment liabilities are reconciled to total liabilities as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Segment liabilities	2,217,020	1,362,494
Other liabilities		
Current income tax liabilities	101,410	33,562
Deferred income tax liabilities	2,891	—
Other payables due to related parties	3,410	88,759
Other corporate liabilities	29,789	19,101
Total liabilities	2,354,520	1,503,916

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, intangible assets, receivables from commercial and residential property management services and cash and cash equivalents.

Segment liabilities consist primarily of trade and other payables (excluding other payables due to related parties with non-trade nature), lease liabilities, contract liabilities, advances from lessees and long-term payables.

Capital expenditure comprises additions to property and equipment and investment properties.

Notes to the Consolidated Financial Statements

6 REVENUE

(a) Revenue of the Group for the year ended 31 December 2020 is as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Type of services		
<i>Rental income:</i>		
– Commercial property lease income	181,489	205,359
<i>Revenue from customer:</i>		
– Commercial operational services		
Market research and positioning, business tenant sourcing, opening preparation services	214,708	143,231
Commercial operation and management services	1,166,728	986,519
Commercial operation service during the operation stage	370,032	318,905
Commercial property management service	796,696	667,614
	1,381,436	1,129,750
– Residential property management services		
Pre-sale management services	14,730	13,128
Residential property management services	271,362	222,217
Other value-added services	72,221	50,003
	358,313	285,348
Total	1,921,238	1,620,457
Type of customers		
External customers (iii)	1,592,314	1,369,994
Fellow subsidiaries (i)	246,779	227,689
Other related parties (ii)	82,145	22,774
Total	1,921,238	1,620,457

(i) For the year ended 31 December 2020, revenue arising from the Remaining Powerlong Group and other entities controlled by Mr. Hoi (the “Fellow Subsidiaries”) contributed 12.8% of the Group’s revenue (2019: 14.1%). 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 (2019: none).

(ii) Other related parties represented associates or jointly controlled entities of 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	
	2020	2019
	RMB'000	RMB'000
Contract liabilities	309,187	263,202

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 recognised in relation to contract liabilities.

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year		
– Commercial operational services	210,562	106,882
– Residential property management services	52,640	26,897
	263,202	133,779

(ii) Unsatisfied performance obligations

For commercial operational services and residential property management services, the Group recognises 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	
	2020	2019
	RMB'000	RMB'000
Employee and other labour costs	705,617	607,728
Outsourced security, greening, cleaning and maintenance costs	288,409	246,228
Utilities	127,466	106,308
Short-term lease expenditure (Note (a))	115,716	116,749
Depreciation and amortisation (Notes 14, 15 and 16)	98,324	103,836
Promotion and advertising expenses	35,099	41,255
Travelling and entertainment expenses	26,097	24,295
Office expenses	25,375	17,387
Taxes and other levies	10,269	8,510
Professional fees	8,954	3,253
Variable lease payments (Note 26(b))	7,576	14,391
Listing expenses	—	29,420
Auditors' remuneration		
– Audit services	2,500	1,200
– Non-Audit services	274	—
Others	45,757	30,577
	1,497,433	1,351,137

- (a) Short-term lease payment represented the annual fee for lease the car parks, common areas and advertising spaces from Powerlong Group. The lease contract with one year lease term and will be subject to negotiation for renew requirement.

8 STAFF COSTS

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Wages and salaries	497,213	449,070
Social insurance expenses (Note (a))	34,445	76,239
Housing benefits	27,888	20,690
Other employee benefits (Note (b))	16,738	12,259
Share-based payments (Note 24)	18,416	—
	594,700	558,258

8 STAFF COSTS (Continued)

- (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.

The Group received a partial exemption of social insurance expenses according to social insurance relief policy of the local municipal governments during the COVID-19 outbreak for the year ended 31 December 2020.

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

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2020 included two directors (2019: one director) whose emoluments are shown in note 33. The emoluments payable to the remaining three individuals are as follows (2019: four individuals):

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Wages and salaries	1,930	2,880
Pension costs, housing funds, medical insurance and other social insurances	283	536
Bonus	144	576
	2,357	3,992

The emoluments fell within the following bands:

	Number of individuals	
	Year ended 31 December	2019
	2020	
Emolument bands (in HK dollar)		
Nil – HK\$1,000,000	1	–
HK\$1,000,001 – HK\$1,500,000	2	4

During the year ended 31 December 2020, 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 (2019: nil).

9 OTHER INCOME AND GAINS

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Other income		
Penalty income	14,152	10,297
Government grants (Note (a))	13,223	2,288
Others	1,577	2,655
	28,952	15,240
Other gains		
Gain on lease termination	—	2,055
Foreign exchange gains	1,661	—
Gain on disposal of an associate	2,000	—
	3,661	2,055
	32,613	17,295

- (a) The government grants represented mainly rewards, tax refunds and rental refunds for COVID-19 from local government without attached conditions.

10 FINANCE COSTS – NET

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
<i>Interest expense in respect of:</i>		
Bank borrowings	—	19,894
Lease liabilities (Note 26(b))	33,811	20,368
	33,811	40,262
<i>Interest income in respect of:</i>		
Bank deposits	(23,164)	(7,718)
	(23,164)	(7,718)
Foreign exchange gains on financing activities – net	—	(442)
Finance costs – net	10,647	32,102

Notes to the Consolidated Financial Statements

11 SUBSIDIARIES

The subsidiaries of which the Company held direct or indirect interest as at 31 December 2020 and 2019 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 2020	Attributable equity interest of the Group as at 31 December 2019	Principal activities and place of operation
<i>Directly owned:</i>						
Powerlong (BVI) V Limited	The BVI, 11 August 2008	Limited liability company	US\$50,000	100%	100%	Investment holding, The British Virgin Islands
<i>Indirectly owned:</i>						
Powerlong Commercial Group Holdings Limited	Hong Kong, 3 October 2008	Limited liability company	HK\$50,000	100%	100%	Investment holding, Hong Kong
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
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
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	N/A	100%	Commercial operation, Xinxiang, the PRC
Xinxiang Powerlong Property Management Company Limited	The PRC, 14 January 2011	Limited liability company	RMB1,000,000	N/A	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

Notes to the Consolidated Financial Statements

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 2020	Attributable equity interest of the Group as at 31 December 2019	Principal activities and place of operation
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
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
Hangzhou Junlong Enterprise Management Company Limited	The PRC, 23 July 2014	Limited liability company	RMB1,000,000	100%	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
Tianjin Junlong Commercial Management Company Limited	The PRC, 21 October 2011	Limited liability company	RMB1,000,000	100%	100%	Commercial operation, Tianjin, 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
Dongying Powerlong Commercial Management Company Limited	The PRC, 20 November 2014	Limited liability company	RMB1,000,000	100%	100%	Commercial operation, Dongying, the PRC

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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 2020	Attributable equity interest of the Group as at 31 December 2019	Principal activities and place of operation
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 Jiashang Digital Technology Company Limited	The PRC, 17 April 2019	Limited liability company	RMB20,000,000	100%	100%	Technology development, Shanghai, the PRC
Shanghai Baojuan Commercial Operational Management Company Limited	The PRC, 9 October 2019	Limited liability company	RMB1,000,000	100%	100%	Commercial operation, Shanghai, the PRC
Shanghai Aoxi Enterprise Development Company Limited	The PRC, 30 July 2020	Limited liability company	RMB500,000	100%	N/A	Investment holding, Shanghai, the PRC
Shanghai Yunshao Technology Company Limited	The PRC, 4 December 2020	Limited liability company	RMB1,000,000	100%	N/A	Technology development, Shanghai, the PRC
Shanghai Yunxu Enterprise Management Company Limited	The PRC, 13 April 2020	Limited liability company	RMB1,000,000	100%	N/A	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
Zhejiang Powerlong Xinghui Commercial Management Company Limited ("Xinghui")	The PRC, 27 October 2015	Limited liability company	RMB10,000,000	60%	N/A	Commercial operation, Hangzhou, the PRC

Notes to the Consolidated Financial Statements

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 2020	Attributable equity interest of the Group as at 31 December 2019	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
Elitelong Holdings Limited	The BVI, 10 September 2020	Limited liability company	USD50,000	100%	N/A	Shares held for shares award scheme
Zhejiang Xingyuecheng Commercial Operation Management Company Limited	The PRC, 11 February 2018	Limited liability company	RMB10,000,000	60%	N/A	Commercial operation, Hangzhou, the PRC
Ningbo Xinghui Commercial Management Company Limited	The PRC, 1 March 2019	Limited liability company	RMB5,000,000	60%	N/A	Commercial operation, Ningbo, the PRC
Jiashan Xingyuecheng Commercial Management Company Limited	The PRC, 12 February 2018	Limited liability company	RMB5,000,000	60%	N/A	Commercial operation, Jiashan, the PRC
Hangzhou Xinghui Property Management Company Limited	The PRC, 4 August 2016	Limited liability company	RMB5,000,000	60%	N/A	Commercial operation, Hangzhou, the PRC
Ningbo Xingjiefang Commercial Management Company Limited	The PRC, 25 February 2020	Limited liability company	RMB3,000,000	60%	N/A	Commercial operation, Ningbo, the PRC
Sanmen Xingyuecheng Trading Company Limited	The PRC, 17 November 2016	Limited liability company	RMB500,000	60%	N/A	Commercial operation, Sanmen, the PRC
Yiwu Xingyue Xiuhuli Commercial Management Company Limited ("Yiwu Xingyue") (Note (a))	The PRC, 13 July 2018	Limited liability company	RMB3,000,000	31%	N/A	Commercial operation, Yiwu, 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) The Group indirectly holds the equity interest in Yiwu Xingyue through layers of holding structure and the Group has control over the board of directors of Yiwu Xingyue who can make majority votes to decide the key financial and operating decisions of it. The proportion of equity interests as disclosed above represents the effective equity interests attributable to the Group.

12 INCOME TAX EXPENSES

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Current income tax		
– PRC corporate income tax	136,941	63,829
Deferred income tax (Note 28)		
– PRC corporate income tax	(24,391)	4,826
	112,550	68,655

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	
	2020 RMB'000	2019 RMB'000
Profit before income tax	419,916	247,269
Tax charge at statutory tax rate of 25% to profits in the respective group entities	104,979	61,817
Tax effects of:		
– Expenses not deductible for tax purposes	8,810	8,978
– Effect of income not subject to income tax	(415)	(896)
– Tax losses for which no deferred income tax asset was recognised	471	–
– Utilisation of tax losses previously not recognised for deferred tax asset	(1,295)	(1,244)
PRC corporate income tax	112,550	68,655

The effective income tax rate was 26.80% and 27.77% for the years ended 31 December 2020 and 2019.

12 INCOME TAX EXPENSES (Continued)

PRC corporate income tax

Income tax provision of the Group in respect of operations in the PRC has been calculated at the statutory tax rate of 25% 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 2020 (2019: 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

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year ended 31 December 2020.

In determining the weighted average number of ordinary shares in issue during the year ended 31 December 2019, the ordinary shares issued upon the incorporation of the Company, the ordinary shares issued in the reorganisation undertaken for the initial listing on 19 July 2019, and the capitalisation issue on 10 December 2019, were deemed to be issued on 1 January 2019 as if the Company has been incorporated by then.

	Year ended 31 December	
	2020	2019
Earnings (RMB'000)		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	305,064	178,614
Number of shares ('000)		
Weighted average number of ordinary shares for the purpose of basic earnings per share	621,117	405,822
Effect of dilutive potential ordinary shares:		
Awarded shares (Note 24)	26	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	621,143	405,822

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 2020				
Opening net book amount	–	908	6,020	6,928
Acquisition through business combination (Note 30)	–	213	89	302
Additions	–	720	7,803	8,523
Disposals	–	(58)	(322)	(380)
Depreciation charge	–	(1,211)	(4,343)	(5,554)
Closing net book amount	–	572	9,247	9,819
As at 31 December 2020				
Cost	–	6,762	24,463	31,225
Accumulated depreciation	–	(6,190)	(15,216)	(21,406)
Net book amount	–	572	9,247	9,819
Year ended 31 December 2019				
Opening net book amount	167,751	1,116	4,626	173,493
Additions	–	921	5,520	6,441
Disposals	(148,994)	(340)	(910)	(150,244)
Disposal of subsidiaries	(15,838)	(3)	(134)	(15,975)
Depreciation charge	(2,919)	(786)	(3,082)	(6,787)
Closing net book amount	–	908	6,020	6,928
As at 31 December 2019				
Cost	–	6,216	19,547	25,763
Accumulated depreciation	–	(5,308)	(13,527)	(18,835)
Net book amount	–	908	6,020	6,928

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Cost of services	1,881	2,919
Administrative expenses	3,673	3,868
	5,554	6,787

15 INVESTMENT PROPERTIES

	Leased commercial properties – right-of-use assets RMB'000
Year ended 31 December 2020	
Opening net book amount	207,207
Additions (Note (a))	499,743
Acquisition through business combination (Note 30)	73,838
Depreciation charge	(92,583)
Closing net book amount	688,205
As at 31 December 2020	
Cost	1,140,190
Accumulated depreciation	(451,985)
Net book amount	688,205
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

(a) For the year ended 31 December 2020, the additions of right-of-use assets were mainly comprised of three leases in commercial properties with lease term periods of 20 years. The contract amounts in aggregate amounted to RMB485,327,000.

(b) As at 31 December 2020, the fair values of the investment properties approximated to RMB892,547,000 (2019: RMB367,230,000).

(c) **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 2020.

As at 31 December 2020 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 (2019: level 3).

15 INVESTMENT PROPERTIES (Continued)

(d) Valuation processes of the Group

The Group's investment properties were valued at 31 December 2020, by independent professionally qualified valuer who holds a recognised 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.

(e) 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 2020 (2019: None).

Valuation techniques	Unobservable inputs	Range of unobservable inputs		Relationship of unobservable inputs to fair value
		As at 31 December 2020	As at 31 December 2019	
Income approach	Term yields	7.50%-7.75%	7.50%-8.75%	The higher the term yields, the lower the fair value
	Reversionary yields	7.50%-7.75%	7.50%-8.75%	The higher the reversionary yields, the lower the fair value
	Market rents (RMB/ square meter/month)	11-230	10-221	The higher the market rents, the higher the fair value

16 INTANGIBLE ASSETS

	Customer contracts RMB'000	Goodwill RMB'000	Total RMB'000
Year ended 31 December 2020			
Opening net book amount	—	—	—
Acquisition through business combination (Note 30)	5,607	20,640	26,247
Amortisation charge	(187)	—	(187)
Closing net book amount	5,420	20,640	26,060
As at 31 December 2020			
Cost	5,607	20,640	26,247
Accumulated amortisation	(187)	—	(187)
Net book amount	5,420	20,640	26,060

Amortisation of intangible assets were charged to the following categories in the consolidated statements of comprehensive income:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Cost of services	187	—

- (a) During the year ended 31 December 2020, the Group acquired Xinghui (Note 30). Total identifiable net assets acquired as at the acquisition date were amounted to RMB24,822,000, including identified customer contracts of RMB5,607,000 recognised by the Group.

The excess of the consideration transferred over the fair value of the identifiable net assets attributable to the Group is recorded as goodwill.

- (b) An independent valuation was performed by an independent valuer to determine the amount of the customer contracts recognised by the Group during 2020. Methods and key assumptions in determining the fair value of the customer contracts as at the acquisition date are disclosed as follows:

	Valuation technique	Post tax discount rate	Expected life of intangible assets
Customer contracts	Discounted cash flow	26%	10 years

16 INTANGIBLE ASSET (Continued)

(c) Impairment tests for goodwill

As at 31 December 2020, goodwill of RMB20,640,000 has been allocated to the cash-generating unit of the subsidiary acquired for impairment testing.

Management performed an impairment assessment on the goodwill as at 31 December 2020. The calculations used cash flow projections based on financial budgets covering an eight-year period approved by management.

The following table sets forth each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

	As at 31 December 2020
Revenue (average annual growth rate)	8%
Gross margin	39%
Earnings before interest and tax ("EBIT") margin during the projection period (%)	26%

Revenue refers to the average annual growth rate over the eight-year forecast period. It is based on the CGU's growth forecasts and the average long-term growth rate for the relevant industry.

Gross margin refers to the average margin as a percentage of revenue over the eight-year forecast period. It is determined based on the CGU's past performance and their expectations for market development.

EBIT margin based on past performance and management's expectations for the future.

By reference to the recoverable amount assessed by the independent valuer as at 31 December 2020, the directors of the Company determined that no impairment provision on goodwill was required as at 31 December 2020 (31 December 2019: Nil).

17 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The movement of the investments accounted for using the equity method during the year is as follows:

	Year ended 31 December 2020 RMB'000
As at 1 January 2020	4,700
Share of post-tax losses of joint ventures	(3,009)
Unrealised gains	820
As at 31 December 2020	2,511

Nature of investments in joint ventures as at 31 December 2020:

Name of entity	Place and date of establishment/incorporation	Authorised/ registered/paid-in capital	Proportion of ownership interest
Shanghai Baoshen Digital Technology Co., Ltd.	PRC 18 April 2019	Registered and paid-in capital of RMB10,000,000	47%
Hainan Baochang Property Management Co., Ltd.	PRC 7 January 2020	Registered and paid-in capital of RMB10,000,000 and nil respectively	51%

18 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Financial assets		
Financial assets at amortised cost		
Operating lease and trade receivables	161,954	113,881
Other receivables (excluding prepayments)	53,949	46,611
Cash and cash equivalents	3,449,101	2,616,113
Restricted cash	518	19
	3,665,522	2,776,624
FVPL	313	—
	3,665,835	2,776,624
Financial liabilities		
Financial liabilities at amortised costs		
Trade and other payables (excluding accrued payroll and other taxes payables)	900,163	651,701
Lease liabilities	861,888	416,553
Long term payables	3,271	—
	1,765,322	1,068,254

19 OPERATING LEASE AND TRADE RECEIVABLES

	As at 31 December 2020 RMB'000	2019 RMB'000
Operating lease receivables (Note (a))		
– Third parties	17,170	4,660
Trade receivables (Note (a))		
– Related parties (Note 31(d))	32,718	47,707
– Third parties	154,943	82,688
	187,661	130,395
Less: allowance for impairment (Note (b))	(42,877)	(21,174)
	161,954	113,881

- (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 ageing 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 2020 RMB'000	2019 RMB'000
0-30 days	49,187	23,070
31-180 days	51,472	46,391
181-365 days	46,128	14,472
1-2 years	20,386	29,036
2-3 years	20,319	14,338
Over 3 years	17,339	7,748
	204,831	135,055

- (b) The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 December 2020, a provision of RMB42,877,000 (2019: RMB21,174,000) was made against the gross amounts of operating lease and trade receivables (Note 3.1.2).
- (c) As at 31 December 2020 and 31 December 2019, the operating lease and trade receivables were denominated in RMB, and the fair values approximated their carrying amounts.

20 PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December 2020 RMB'000	2019 RMB'000
Other receivables		
– Payments on behalf of tenants or residents (Note (a))	50,767	45,265
– Interest receivables from bank deposits	–	1,182
– Others	7,927	3,766
	58,694	50,213
Less: allowance for impairment	(4,745)	(3,602)
	53,949	46,611
Prepayments		
– Third parties (Note (b))	50,615	35,547
– Related parties (Note 31(d))	195	3,786
– Expenses to be capitalised relating to over-allotment issue	–	5,170
	50,810	44,503
	104,759	91,114

(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.

21 CASH AND CASH EQUIVALENTS

	As at 31 December 2020 RMB'000	2019 RMB'000
Cash at bank and in hand (Note (a))	3,449,619	2,616,132
Other bank deposits	(518)	(19)
Cash and cash equivalents	3,449,101	2,616,113

Notes to the Consolidated Financial Statements

21 CASH AND CASH EQUIVALENTS (Continued)

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
RMB	3,268,469	1,378,484
HK\$	181,084	1,237,578
Other currencies	66	70
	3,449,619	2,616,132

22 SHARE CAPITAL AND PREMIUM

	Number of ordinary shares	Share capital		Share premium	Total
		HK\$'000	RMB'000	RMB'000	RMB'000
Authorised					
As at 1 January 2020 and 31 December 2020	2,000,000,000	20,000	17,905	—	17,905
Issued					
As at 1 January 2020	600,000,000	6,000	5,376	1,231,531	1,236,907
Dividends	—	—	—	(165,123)	(165,123)
Issued upon the exercise of the over-allotment option	(a) 22,500,000	225	199	184,448	184,647
Repurchased	(b) (1,000,000)	(10)	(9)	(8,543)	(8,552)
Issue of shares	(c) 11,250,000	113	95	231,219	231,314
Awarded shares	(d) 11,250,000	112	95	—	95
As at 31 December 2020	644,000,000	6,440	5,756	1,473,532	1,479,288

22 SHARE CAPITAL AND PREMIUM (Continued)

- (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. Net proceeds of the additional offering, after net of transactions cost attributable to the exercise of the over-allotment option of approximately HK\$5,788,000 (equivalent to approximately RMB5,170,000), amounted to approximately HK\$207,962,000 (equivalent to approximately RMB184,647,000).
- (b) On 30 January 2020 and 31 January 2020, the Company repurchased a total of 1,000,000 ordinary shares with cash considerations including transaction cost of approximately HK\$9,518,000 (equivalent to approximately RMB8,552,000) and such ordinary shares were cancelled on 24 March 2020.
- (c) On 10 September 2020, the Company entered into a subscription agreement with Mr. Chen Deli ("Mr. Chen"), an executive director and the chief executive officer of the Company, pursuant to which, the Company has conditionally agreed to allot and issue, and Mr. Chen has conditionally agreed to subscribe for the 11,250,000 new shares, at the subscription price of HK\$24.30 per share upon the terms and subject to the conditions set out in the subscription agreement. The Company had sought and obtained shareholders' approval at the extraordinary general meeting held on 24 November 2020. The subscription shares have been issued and allotted on 4 December 2020, amounted to approximately HK\$273,375,000 (equivalent to approximately RMB231,314,000).
- (d) On 24 November 2020, the Company's shareholders approved and adopted a shares award scheme ("Shares Award Scheme") (Note 24) and the Company has appointed Trictor Trust (Hong Kong) Limited as the trustee (the "Trustee") to assist with the administration of the awarded shares and Elitelong Holdings Limited, a wholly-owned subsidiary of the Trustee, as nominee. On 4 December 2020, the Board of the Company approved a new issuance of 11,250,000 ordinary shares to the Elitelong Holdings Limited.

Elitelong Holdings Limited was set up as a special vehicle for the purpose of holding the ordinary shares allotted and issued by the Company. As the Company has the power to direct the relevant activities of Elitelong Holdings Limited and can derive benefits from the contributions of the grantees, therefore, Elitelong Holdings Limited is consolidated by the Company and the 11,250,000 shares it held are presented as a deduction in equity as shares held for the Shares Award Scheme.

23 OTHER RESERVES

	Statutory reserves RMB'000	Shares Award Scheme – value of employee service RMB'000	Reserves for financial assets RMB'000	Total reserves RMB'000
Balance at 1 January 2020	22,430	–	–	22,430
Shares Award Scheme – value of employee service (Note 24)	–	18,416	–	18,416
Appropriation of statutory reserves	1,187	–	–	1,187
Balance at 31 December 2020	23,617	18,416	–	42,033
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	(5,919)	–	(19,747)	(25,666)
Balance at 31 December 2019	22,430	–	–	22,430

(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.

24 SHARES AWARD SCHEME

On 10 September 2020, the Board of the Company has resolved to adopt a Share Award Scheme in order to recognise and motivate contributions by certain Eligible Participants and to give incentives to retain them for the continual operation and development of the Group.

On 24 November 2020, as the grant date, the Company has further resolved to award an aggregate of 11,250,000 awarded shares ("Awarded Shares") to Mr. Chen. Such Awarded Shares have been issued to a trustee which hold on trust for Mr. Chen pursuant to the terms of the trust deed. These Awarded Shares shall then transfer to Mr. Chen after the relevant vesting conditions are fulfilled.

The Awarded Shares represent approximately 1.75% of the total number of shares in issue as of 31 December 2020.

Under the terms of the Shares Award Scheme, when the vesting conditions are fulfilled, the Awarded Shares shall be vested 50% in June 2023 and 50% in June 2025 respectively.

The Awarded Shares have an aggregate nominal value of HK\$112,500 and a fair value of HK\$226,688,000 based on the price of HK\$20.15 on grant date (equivalent to approximately RMB192,446,000). For the year ended 31 December 2020, an expense of RMB18,416,000 was recognised in relation to the Shares Award Scheme.

25 DIVIDEND

- (a) An interim dividend of HK\$10.0 cents (equivalent to RMB9.1 cents based on the exchange rate of 30 June 2020) per ordinary share, total amount of interim dividend of HK\$62,150,000 (equivalent to approximately RMB56,770,000) was paid.
- (b) On 2 March 2021, the Board recommended the payment of a final dividend of HK\$18.0 cents (equivalent to RMB15.1 cents based on the exchange rate of 31 December 2020) per ordinary share. Total amount of final dividend would be HK\$113,895,000 (equivalent to approximately RMB95,859,000) which is calculated according to the ordinary shares in issue as at 31 December 2020 excluding shares held for shares award scheme. The recommended final dividend in respect of 2020 is subject to the approval of shareholders in the forthcoming annual general meeting. These consolidated financial statements do not reflect this dividend payable.

26 LEASES

(a) Amounts recognised in the consolidated balance sheets

	As at 31 December 2020 RMB'000	2019 RMB'000
Leased in properties for sub-lease to tenants – Leased commercial properties (Note 15)	688,205	207,207
Lease liabilities		
Current	202,072	226,066
Non-current	659,816	190,487
	861,888	416,553

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

	Year ended 31 December 2020 RMB'000	2019 RMB'000
Depreciation charge		
Commercial properties (Note 15)	92,583	97,049
Car parks (Note 14)	–	2,919
	92,583	99,968
Interest expense (included in finance costs – net)	33,811	20,368
Variable lease payments (included in cost of services)	7,576	14,391
Short-term lease expenditure for car parks and common areas and advertising space (Note 7 (a))	115,716	116,749
Cash outflows for lease payments (including principal elements and relevant interest expense)	162,222	148,883

26 LEASES (Continued)

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Leases are payable:		
Within one year	209,060	232,238
Later than one year but not later than two years	67,912	115,428
Later than two years but not later than five years	194,031	100,116
Later than five years	895,473	—
Minimum lease payments	1,366,476	447,782
Future finance charge	(504,588)	(31,229)
Total lease liabilities	861,888	416,553
The present value of lease liabilities is as follows:		
Within one year	202,072	226,066
Later than one year but not later than two years	62,005	106,046
Later than two years but not later than five years	152,770	84,441
Later than five years	445,041	—
	861,888	416,553

27 TRADE AND OTHER PAYABLES

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Trade payables		
– Related parties (Note 31(d))	2,156	1,126
– Third parties	118,343	88,668
	120,499	89,794
Other payables		
– Related parties (Note 31(d))	161,826	88,759
– Receipts on behalf of tenants or residents (Note (a))	194,420	144,158
– Payables for promotion fees on behalf of owners of the commercial properties (Note (b))	31,119	–
– Deposits received (Note (c))	364,415	301,187
– Listing expenses payable	–	14,461
– Payables for business combination	10,239	–
– Others	17,645	13,342
	779,664	561,907
Accrued payroll	140,903	103,950
Other taxes payables	19,918	7,460
	1,060,984	763,111

- (a) Amounts represented the receipts on behalf of tenants or residents to settle the bills of utilities charges.
- (b) Usually, fees relating to promotion activities for commercial properties would be borne by the owners of the commercial properties. A budget would be reviewed by the property owners and prepaid to the Group in advance for subsequent usage. Amounts represented the payables to third parties suppliers in relation to promotion activities occurred on behalf of owners of commercial properties.
- (c) Amounts represented mainly deposits received from tenants as performance securities in relation to tenant agreements or property management service agreements.
- (d) As at 31 December 2020 and 2019, the carrying amounts of trade and other payables approximated their fair values.

27 TRADE AND OTHER PAYABLES (Continued)

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Within 1 year	116,029	86,024
1 to 2 years	3,598	1,585
2 to 3 years	872	2,185
	120,499	89,794

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
RMB	900,155	630,500
HK\$	8	526
US\$	—	20,675
	900,163	651,701

28 DEFERRED INCOME TAX

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Deferred tax assets:		
– Deferred tax asset to be recovered after more than 12 months	39,477	25,673
– Deferred tax asset to be recovered within 12 months	34,980	22,748
	74,457	48,421
Deferred income tax liabilities		
– Deferred tax asset to be recovered after more than 12 months	(2,138)	–
– Deferred tax liability to be recovered within 12 months	(753)	–
	(2,891)	–
	71,566	48,421

The net movements on the deferred taxation are as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Beginning of the year	48,421	49,912
Acquisition through business combination (Note 30)	(1,246)	–
Tax credited/(charged) in profit and loss	24,391	(4,826)
Disposals of subsidiaries	–	3,335
Ending of the year	71,566	48,421

Notes to the Consolidated Financial Statements

28 DEFERRED INCOME TAX (Continued)

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	Deferred tax liabilities – Fair value of intangible assets RMB'000	Total RMB'000
As at 1 January 2020	5,604	89,135	5,484	–	(51,802)	–	48,421
Credited/(charged) to the income tax expenses	5,088	127,502	10,263	–	(118,509)	47	24,391
Acquisition through business combination (Note 30)	–	1,895	–	–	(1,740)	(1,401)	(1,246)
At 31 December 2020	10,692	218,532	15,747	–	(172,051)	(1,354)	71,566
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	(608)	(2,305)	(334)	6,582	–	–	3,335
At 31 December 2019	5,604	89,135	5,484	–	(51,802)	–	48,421

As at 31 December 2020, the Group did not recognise deferred tax assets in respect of cumulative tax losses of RMB38,596,000 (2019: RMB39,640,000), as it is not probable that future taxable profits against which the losses can be utilised 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.

28 DEFERRED INCOME TAX (Continued)

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

Expiry year

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
2020	—	2,928
2021	7,004	7,004
2022	23,864	23,864
2023	5,844	5,844
2024	1,884	—
	38,596	39,640

Deferred income tax liabilities of RMB81,731,000 have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries incorporated in the PRC (2019: RMB51,883,000). Unremitted earnings totalled RMB817,310,000 as at 31 December 2020 (2019: RMB518,830,000), as the Group does not have a plan to distribute these earnings out of the PRC in the foreseeable future.

29 CASH GENERATED FROM OPERATIONS

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Profit before income tax	419,916	247,269
Adjustments for:		
Depreciation and amortisation (Note 7)	98,324	103,836
Net impairment losses on financial assets	22,846	7,244
Share of loss of investments accounted for using the equity method (Note 17)	3,009	—
Shares Award Scheme – value of employee service (Note 24)	18,416	—
Other gains (Note 9)	(2,000)	(2,055)
Finance costs (Note 10)	33,811	32,102
	594,322	388,396
Changes in working capital:		
Restricted cash as guarantee for notes payable and other operating activities	(499)	(436)
Operating lease and trade receivables	(66,920)	(39,385)
Prepayments and other receivables	927	(39,777)
Trade and other payables	307,019	175,899
Contract liabilities and advances from lessees	30,457	127,406
	865,306	612,103

29 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 (Note 26(a))	Other payables – related parties (non-trade) RMB'000 (Note 31(d))	Total RMB'000
As at 1 January 2020	–	416,553	39,168	455,721
Cash flows				
– Outflow from financing activities	–	(162,222)	(35,758)	(197,980)
Non-cash changes				
– Acquisition – leases	–	499,743	–	499,743
– Finance expense recognised	–	33,811	–	33,811
– Acquisition through business combination	–	74,003	–	74,003
As at 31 December 2020	–	861,888	3,410	865,298
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 recognised	19,894	20,368	–	40,262
– Offset with amounts due from related parties	–	–	(79,685)	(79,685)
– Net changes associated with disposal of subsidiaries	(366,850)	–	(138)	(366,988)
As at 31 December 2019	–	416,553	39,168	455,721

30 BUSINESS COMBINATION

Business combinations during the year included the acquisition of Xinghui at an aggregate purchase consideration of RMB34,799,000. Goodwill of RMB20,640,000 and total identifiable net assets of RMB24,822,000 were recognised.

The following table summarises the considerations paid or payable and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

	Total RMB'000
Purchase consideration	
– Cash paid	12,344
– Payable	22,768
– Contingent consideration (Note (a))	(313)
Total purchase consideration	34,799

Recognised amounts of identifiable assets acquired and liabilities assumed:

	Total RMB'000
Cash and cash equivalents	12,400
Right-of-use assets (Note 15)	73,838
Property, plant and equipment (Note 14)	302
Intangible assets (Note 16)	5,607
Investments accounted for using the equity method	1,000
Operating lease and trade receivables	2,856
Prepayments and other receivables	22,793
Deferred income tax assets (Note 28)	1,895
Contract liabilities	(2,929)
Trade and other payables	(14,713)
Lease liabilities	(74,003)
Current income tax liabilities	(1,083)
Deferred income tax liabilities (Note 28)	(3,141)
Total identifiable net assets	24,822
Less: non-controlling interest	(10,663)
Identifiable net assets attributable to the Group	14,159
Goodwill (Note 16)	20,640

30 BUSINESS COMBINATION (Continued)

Net cash inflow arising from the acquisitions during the year ended 31 December 2020:

	Total RMB'000
Total cash considerations	34,799
Less: cash considerations payable as at 31 December 2020	(22,455)
Cash consideration paid	12,344
Less: cash and cash equivalents in subsidiary acquired	(12,400)
Cash inflow in the year	(56)

- (a) The contingent consideration arrangement entitles the Group to have the receivable from the former owners of Xinghui which contingent upon the achievement of the performance guarantee during the five years between 2020 and 2024.

The fair value of the contingent consideration arrangement was estimated by calculating the present value of the future expected cash flows. The estimates are based on the discount rate and probability of achieving the target and might be modified by inspecting the performance from the acquisition date.

As at 31 December 2020, the fair value of the contingent considerations was RMB313,000. The asset is presented within FVPL in the balance sheet.

31 RELATED PARTY TRANSACTIONS**(a) Transactions with related parties**

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Revenue arising from provision of services (Note (ii))		
– Entities controlled by Mr. Hoi	246,779	227,689
– Entities jointly controlled by Mr. Hoi	82,145	22,774
	328,924	250,463
Office leasing expenditure paid/payable		
– Entities controlled by Mr. Hoi	1,859	1,702
Short-term lease expenditure for car parks, common areas and advertising space		
– Entities controlled by Mr. Hoi	107,218	116,749
Subscription for new ordinary shares by key management personnel (Note 22(c))	231,314	–
Disposal of lease for right-of-use assets (car parking lots)		
– Entities controlled by Mr. Hoi	–	148,994
Purchase of low-value consuming goods and others		
– Entities controlled by Mr. Hoi	5,088	1,840
Purchase of information technology services		
– Entities jointly controlled by Mr. Hoi	12,906	–

- (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.

31 RELATED PARTY TRANSACTIONS (Continued)**(b) Free trademark license agreement**

On 8 August 2019, a trademark licensing 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 as disclosed in Note 33 is set out below.

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Salaries and other short-term employee benefits	3,959	3,992

(d) Balances with related parties

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Trade receivables		
– Entities controlled by Mr. Hoi	21,606	47,586
– Entities jointly controlled by Mr. Hoi	11,112	121
	32,718	47,707
Prepayments (trade)		
– Entities controlled by Mr. Hoi	195	666
– Entities jointly controlled by Mr. Hoi (Note (i))	–	3,120
	195	3,786
Trade payables		
– Entities controlled by Mr. Hoi	2,081	1,126
– Entities jointly controlled by Mr. Hoi	75	–
	2,156	1,126
Other payables (non-trade)		
– Entities controlled by Mr. Hoi	3,292	38,819
– Entities jointly controlled by Mr. Hoi	118	349
	3,410	39,168

31 RELATED PARTY TRANSACTIONS (Continued)**(d) Balances with related parties** (Continued)

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Other payables (trade) (Note (ii))		
– Entities controlled by Mr. Hoi	121,337	43,253
– Entities jointly controlled by Mr. Hoi	37,079	6,338
	158,416	49,591
Contract liabilities		
– Entities controlled by Mr. Hoi	84,673	45,684
– Entities jointly controlled by Mr. Hoi	33,908	10,869
	118,581	56,553
Lease liabilities		
– Entities controlled by Mr. Hoi	–	8,805

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

32 BALANCE SHEET AND RESERVE MOVEMENTS OF THE COMPANY

		As at 31 December	
	Note	2020	2019
		RMB'000	RMB'000
Assets			
Non-current assets			
Interests in subsidiaries		306,747	306,747
Current assets			
Cash and cash equivalents		181,129	1,237,565
Other receivables		1,303,797	—
Prepayments		433	5,170
		1,485,359	1,242,735
Total assets		1,792,106	1,549,482
Equity			
Capital and reserves attributable to shareholders of the Company			
Share capital and premium		1,479,288	1,236,907
Other reserves	(a)	325,163	306,747
Shares held for shares award scheme		(95)	—
Accumulated losses	(a)	(44,276)	(26,012)
Total equity		1,760,080	1,517,642
Current liabilities			
Other payables to third parties		6,338	14,461
Other payables to subsidiaries		25,688	17,379
		32,026	31,840
Total liabilities		32,026	31,840
Total equity and liabilities		1,792,106	1,549,482

The balance sheet of the Company was approved by the Board of Directors on 2 March 2021 and was signed on its behalf.

Hoi Wa Fong
Director

Zhang Yunfeng
Director

32 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 31 December 2019	306,747	(26,012)	280,735
Shares Award Scheme – value of employee service (Note 24)	18,416	–	18,416
Losses for the year	–	(18,264)	(18,264)
As at 31 December 2020	325,163	(44,276)	280,887

33 DIRECTORS' 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. Chen Deli (joined the Group on 1 June 2020 and appointed on 15 June 2020)

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)

33 DIRECTORS' BENEFITS AND INTERESTS (Continued)**(a) Directors' emoluments**

The emolument, except for the director's fee, of Mr. Hoi Wa Fong, executive director in relation to his services rendered for the Group for the year ended 31 December 2020 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 (2019: nil).

The directors received emoluments from the Group for the year ended 31 December 2020 as follows:

Name	Fees RMB'000	Salaries RMB'000	Contributions to a retirement benefit scheme RMB'000	Other allowance and benefits in kind RMB'000	Share-based payments RMB'000 (Note 24)	Bonus RMB'000	Total RMB'000
Executive Directors							
Mr. Hoi Wa Fong	240	—	—	—	—	—	240
Mr. Chen Deli	140	—	—	—	18,416	—	18,556
Mr. Zhang Yunfeng	240	720	60	39	—	144	1,203
Non-executive Directors							
Ms. Hoi Wa Fan	158	—	—	—	—	—	158
Ms. Hoi Wa Lam	158	—	—	—	—	—	158
Independent Non-executive Directors							
Ms. Ng Yi Kum, Estella	264	—	—	—	—	—	264
Mr. Chan Wai Yan, Ronald	264	—	—	—	—	—	264
Dr. Lu Xiongwen	264	—	—	—	—	—	264
	1,728	720	60	39	18,416	144	21,107

33 DIRECTORS' BENEFITS AND INTERESTS (Continued)**(a) Directors' emoluments** (Continued)

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	Contributions to a retirement benefit scheme RMB'000	Other allowance and benefits in kind RMB'000	Bonus RMB'000	Total RMB'000
Executive director						
Mr. Zhang Yunfeng	—	720	101	33	144	998

(b) Directors' retirement benefits and termination benefits

During the year ended 31 December 2020, 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.

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

During the year ended 31 December 2020, 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 2020, 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 2020 or at any time during the year ended 31 December 2020 (2019: nil).

34 CONTINGENCIES

As at 31 December 2020, the Group did not have any significant contingent liabilities (2019: nil).

35 COMMITMENTS

As at 31 December 2020, the Group's future aggregate minimum lease payments under non-cancellable short-term leases arrangements were RMB158,878,000 and due within one year (2019: RMB124,823,000).

Five-Year Financial Summary

CONSOLIDATED BALANCE SHEET

	As at 31 December				
	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Assets					
Non-current assets	801,365	267,256	719,147	806,979	767,734
Current assets	3,719,058	2,823,832	1,458,465	941,012	1,196,005
Total assets	4,520,423	3,091,088	2,177,612	1,747,991	1,963,739
EQUITY AND LIABILITIES					
Total equity	2,165,903	1,587,172	229,923	96,371	17,779
Liabilities					
Non-current liabilities	665,978	190,487	350,679	450,042	443,712
Current liabilities	1,668,542	1,313,429	1,597,010	1,201,578	1,502,248
Total liabilities	2,354,520	1,503,916	1,947,689	1,651,620	1,945,960
Total equity and liabilities	4,520,423	3,091,088	2,177,612	1,747,991	1,963,739

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December				
	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Revenue	1,921,238	1,620,457	1,200,398	972,982	752,717
Cost of services	(1,326,692)	(1,192,050)	(874,524)	(719,579)	(588,303)
Gross profit	594,546	428,407	325,874	253,403	164,414
Selling and marketing expenses	(36,334)	(41,856)	(31,366)	(19,034)	(10,655)
Administrative expenses	(134,407)	(117,231)	(80,349)	(93,816)	(53,626)
Other income and gains	32,613	17,295	14,096	10,659	8,891
Net impairment losses on financial assets	(22,846)	(7,244)	(2,788)	(2,813)	(2,876)
Operating profit	433,572	279,371	225,467	148,399	106,148
Finance costs – net	(10,647)	(32,102)	(42,608)	(34,038)	(18,412)
Share of net losses of joint ventures accounted for using the equity method	(3,009)	–	–	–	–
Profit before income tax	419,916	247,269	182,859	114,361	87,736
Income tax expenses	(112,550)	(68,655)	(49,516)	(35,769)	(24,799)
Profit for the year	307,366	178,614	133,343	78,592	62,937
Total other comprehensive income for the year	–	–	209	–	11,438
Total comprehensive income for the year	307,366	178,614	133,552	78,592	74,375
Profit attributable to:					
Shareholders of the company	305,064	178,614	133,343	78,592	62,937
Non-controlling interests	2,302	–	–	–	–
	307,366	178,614	133,343	78,592	62,937
Total comprehensive income attributable to:					
Shareholders of the company	305,064	178,614	133,552	78,592	74,375
Non-controlling interests	2,302	–	–	–	–
	307,366	178,614	133,552	78,592	74,375

ANNUAL REPORT

年報 2020

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