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Powerlong Commercial Management Holdings Limited
寶龍商業管理控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 9909)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2022

SUMMARY OF RESULTS

- Revenue of the Group for the six months ended 30 June 2022 amounted to approximately RMB1,266.4 million, representing an increase of approximately 8.2% as compared with approximately RMB1,170.6 million for the corresponding period in 2021.
- Gross profit of the Group for the six months ended 30 June 2022 amounted to approximately RMB430.4 million, representing an increase of approximately 12.3% as compared with approximately RMB383.4 million for the corresponding period in 2021.
- Profit attributable to the owners of the Company for the six months ended 30 June 2022 amounted to approximately RMB240.3 million, representing an increase of approximately 18.2% as compared with approximately RMB203.3 million for the corresponding period in 2021.
- As at 30 June 2022, the gross floor area (“**GFA**”)^(Note) in operation of the Group’s commercial operational services amounted to approximately 10.2 million square meters (“**sq.m.**”), representing an increase of approximately 0.3 million sq.m. as compared with approximately 9.9 million sq.m. as at 31 December 2021; and the GFA delivered of residential property management services amounted to approximately 18.3 million sq.m., representing an increase of approximately 0.6 million sq.m. as compared with approximately 17.7 million sq.m. as at 31 December 2021.
- The Board recommends the payment of an interim dividend of HK\$0.15 per ordinary share for the six months ended 30 June 2022.

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

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Powerlong Commercial Management Holdings Limited (the “**Company**” or “**Powerlong CM**”) is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2022 (the “**Reporting Period**”), together with comparative figures for the corresponding period in 2021, as follows.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	Six months ended 30 June	
		2022	2021
		(Unaudited)	(Unaudited)
		RMB'000	RMB'000
Revenue	4	1,266,383	1,170,561
Cost of services		(835,949)	(787,197)
Gross profit		430,434	383,364
Selling and marketing expenses		(20,202)	(11,853)
Administrative expenses		(87,297)	(88,990)
Other income and other gains/(losses)	5	29,577	9,705
Impairment losses on financial assets-net		(14,140)	(13,602)
Operating profit		338,372	278,624
Finance (costs)/income – net		(8,759)	173
Share of results of joint ventures		(1,053)	823
Share of results of associates		2,600	–
Profit before income tax		331,160	279,620
Income tax expenses	6	(91,351)	(74,827)
Profit and total comprehensive income for the period		239,809	204,793
Profit and total comprehensive income attributable to:			
– Shareholders of the Company		240,344	203,338
– Non-controlling interests		(535)	1,455
		239,809	204,793
Earnings per share for profit attributable to shareholders of the Company for the period (expressed in RMB cents per share)			
– Basic earnings per share	7	38.05	32.14
– Diluted earnings per share	7	37.94	31.90

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		30 June 2022 (Unaudited) <i>RMB'000</i>	31 December 2021 (Audited) <i>RMB'000</i>
	<i>Notes</i>		
Assets			
Non-current assets			
Property and equipment		15,098	16,153
Financial assets at fair value through profit or loss		10,558	10,558
Investment properties		783,974	632,496
Intangible assets		4,608	4,859
Goodwill		20,640	20,640
Deferred income tax assets		76,787	71,359
Investments in joint ventures		2,123	3,176
Investments in associates		53,342	50,742
		967,130	809,983
Current assets			
Operating lease and trade receivables	9	294,025	161,024
Prepayments and other receivables		304,327	101,402
Current income tax recoverables		1,009	8,396
Cash and bank balances		3,625,423	3,991,601
		4,224,784	4,262,423
Total assets		5,191,914	5,072,406

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET *(continued)*

		30 June 2022 (Unaudited) <i>RMB'000</i>	31 December 2021 (Audited) <i>RMB'000</i>
	<i>Notes</i>		
Equity			
Share capital and premium	10	1,127,007	1,288,561
Other reserves		124,905	97,281
Shares held for shares award scheme		(95)	(95)
Retained earnings		<u>1,310,200</u>	<u>1,069,856</u>
Capital and reserves attributable to shareholders of the Company		<u>2,562,017</u>	<u>2,455,603</u>
Non-controlling interests		<u>14,598</u>	<u>15,133</u>
Total equity		<u>2,576,615</u>	<u>2,470,736</u>
Liabilities			
Non-current liabilities			
Deferred income tax liabilities		1,823	2,199
Lease liabilities		<u>900,730</u>	<u>713,990</u>
		<u>902,553</u>	<u>716,189</u>
Current liabilities			
Trade and other payables	11	1,243,859	1,209,042
Advances from lessees		24,921	25,696
Current income tax liabilities		147,157	129,253
Lease liabilities		41,835	63,417
Contract liabilities		<u>254,974</u>	<u>458,073</u>
		<u>1,712,746</u>	<u>1,885,481</u>
Total liabilities		<u>2,615,299</u>	<u>2,601,670</u>
Total equity and liabilities		<u>5,191,914</u>	<u>5,072,406</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

Powerlong Commercial Management Holdings Limited (the “**Company**”) was incorporated 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, Umland 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 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. 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 30 June 2022, Mr. Hoi Kin Hong (“**Mr. Hoi**”) held approximate 44.37% of interests in the issued share capital of Powerlong Holdings.

Powerlong Holdings and its subsidiaries exclusive of the Group are collectively referred to as the Remaining Powerlong Group in this interim financial information.

The interim financial information is presented in thousand Renminbi (“**RMB’000**”), unless otherwise stated. The interim financial information has been approved for issue by the Board of the Company on 30 August 2022.

The interim financial information has not been audited.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim financial information for the six months ended 30 June 2022 has been prepared in accordance with HKAS 34 “Interim Financial Reporting”.

The interim financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, the interim financial information should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2021 and any public announcement made by the Company during the interim reporting period.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those set out in the Group’s annual financial statements for the year ended 31 December 2021.

In the current interim period, the Group has adopted, for the first time, the following revised HKFRSs for the preparation of the Group’s condensed consolidated financial statements.

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The application of the revised standards in the current interim period has had no material impact on the amounts reported in these condensed consolidated financial statements and/or disclosures set in these condensed consolidated financial statements

New standards, amendments, interpretation and accounting guideline not yet adopted

The following new standards and amendments and interpretation to standards have been published that are not mandatory for the year beginning on 1 January 2022 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 HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
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 impact of new and amended standards above is still under assessment by the Group.

3 SEGMENT INFORMATION

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

The Group has two business segments:

– Commercial operational services

The Group is engaged in the provision of (a) 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 and shopping malls, and sub-leased them for long-term rental yield.

– Residential property management services

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

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

- (a) Segment results represent the profit earned by each segment without other income and other gains/(losses), unallocated operating costs, interest income, interest expense, share of results of joint ventures and associates 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 six months ended 30 June 2022 (Unaudited)

	Commercial operational services RMB'000	Residential property management services RMB'000	Group RMB'000
Gross segment revenue	<u>1,024,538</u>	<u>241,845</u>	<u>1,266,383</u>
Revenue from contracts with customers	949,236	241,845	1,191,081
– at a point in time	943	–	943
– over time	948,293	241,845	1,190,138
Revenue from other sources			
– rental income	75,302	–	75,302
Segment results	310,566	55,301	365,867
Other income and other gains/(losses)			29,577
Unallocated operating costs			(57,072)
Interest expense			(23,214)
Interest income			14,455
Share of results of joint ventures			(1,053)
Share of results of associates			2,600
Profit before income tax			331,160
Income tax expenses			(91,351)
Profit for the period			239,809
Depreciation and amortisation	<u>38,934</u>	<u>1,530</u>	<u>40,464</u>

For the six months ended 30 June 2021 (Unaudited)

	Commercial operational services <i>RMB'000</i>	Residential property management services <i>RMB'000</i>	Group <i>RMB'000</i>
Gross segment revenue	942,253	228,308	1,170,561
Revenue from contracts with customers	840,093	228,308	1,068,401
– at a point in time	48,089	–	48,089
– over time	792,004	228,308	1,020,312
Revenue from other sources			
– rental income	102,160	–	102,160
Segment results	274,967	49,807	324,774
Other income and other gains/(losses)			9,705
Unallocated operating costs			(55,855)
Interest expense			(22,164)
Interest income			22,337
Share of results of joint ventures			823
Profit before income tax			279,620
Income tax expenses			(74,827)
Profit for the period			204,793
Depreciation and amortisation	55,239	572	55,811

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

As at 30 June 2022 (Unaudited)

	Commercial operational services RMB'000	Residential property management services RMB'000	Elimination RMB'000	Group RMB'000
Segment assets	2,282,041	173,615	(38,314)	2,417,342
Other assets				2,774,572
Total assets				<u>5,191,914</u>
Segment liabilities	2,050,188	275,167	(38,314)	2,287,041
Other liabilities				328,258
Total liabilities				<u>2,615,299</u>
Capital expenditure (six months ended 30 June 2022) (Unaudited)	<u>190,024</u>	<u>943</u>	–	<u>190,967</u>

As at 31 December 2021 (Audited)

	Commercial operational services RMB'000	Residential property management services RMB'000	Elimination RMB'000	Group RMB'000
Segment assets	2,027,227	145,504	(25,419)	2,147,312
Other assets				2,925,094
Total assets				<u>5,072,406</u>
Segment liabilities	2,215,988	254,217	(25,419)	2,444,786
Other liabilities				156,884
Total liabilities				<u>2,601,670</u>
Capital expenditure (six months ended 30 June 2021) (Unaudited)	<u>48,667</u>	<u>5,559</u>	–	<u>54,226</u>

Segment assets are reconciled to total assets as follows:

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Segment assets	2,417,342	2,147,312
Other assets		
Current income tax recoverables	1,009	8,396
Deferred income tax assets	76,787	71,359
Unallocated cash and cash equivalents and restricted cash	2,627,043	2,770,721
Unallocated property and equipment	2,805	3,542
Other corporate assets	56,370	60,518
Financial assets at fair value through profit and loss	10,558	10,558
Total assets	5,191,914	5,072,406

Segment liabilities are reconciled to total liabilities as follows:

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Segment liabilities	2,287,041	2,444,786
Other liabilities		
Current income tax liabilities	147,157	129,253
Deferred income tax liabilities	1,823	2,199
Dividends payable	162,054	–
Other corporate liabilities	17,224	25,432
Total liabilities	2,615,299	2,601,670

The amounts provided to the CODM with respect to total assets and liabilities are measured in a manner consistent with that of the interim condensed consolidated balance sheet. These assets and liabilities are allocated based on the operations of the segments.

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

Segment liabilities consist of operating liabilities.

Capital expenditure comprises additions to intangible assets, property and equipment and investment properties.

4 REVENUE

(a) Revenue of the Group for the six months ended 30 June 2022 is as follows:

	Six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Type of services		
<i>Rental income:</i>		
– Commercial property lease income	<u>75,302</u>	<u>102,160</u>
<i>Revenue from customer:</i>		
– Commercial operational services		
Market research and positioning, business tenant sourcing, opening preparation services	94,883	136,129
Commercial operation and management services	854,353	703,964
Commercial operation service during the operation stage	311,663	264,935
Commercial property management service	<u>542,690</u>	<u>439,029</u>
	<u>949,236</u>	<u>840,093</u>
– Residential property management services		
Pre-sale management services	14,597	17,724
Property management services	191,017	163,384
Other value-added services	<u>36,231</u>	<u>47,200</u>
	<u>241,845</u>	<u>228,308</u>
	<u>1,266,383</u>	<u>1,170,561</u>

(i) For the six months ended 30 June 2022, revenue arising from the Remaining Powerlong Group contributed 17.0% of the Group's revenue (six months ended 30 June 2021: 15.6%). Other than the Remaining Powerlong Group and other entities controlled by Mr. Hoi, the Group has a large number of customers, none of them contributed 10% or more of the Group's revenue during the period (six months ended 30 June 2021: none).

(b) **Liabilities related to contracts with customers**

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Contract liabilities	<u>254,974</u>	<u>458,073</u>

Contract liabilities of the Group mainly arose from the advanced payments made by the customers while the underlying services are yet to be provided.

(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.

	Six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the period		
– Commercial operational services	389,829	247,350
– Residential property management services	68,244	61,837
	<u>458,073</u>	<u>309,187</u>

(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 the Group several months in advance that the services are no longer required.

5 OTHER INCOME AND OTHER GAINS/(LOSSES)

	Six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Other income		
Penalty income	12,742	5,871
Government grants (<i>Note (a)</i>)	9,286	5,209
Others	3,049	1,339
	<u>25,077</u>	<u>12,419</u>
Other gains/(losses)		
Foreign exchange gains/(losses)	4,500	(2,714)
	<u>29,577</u>	<u>9,705</u>

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

6 INCOME TAX EXPENSES

	Six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Current income tax		
– PRC corporate income tax	97,155	80,597
Deferred income tax		
– PRC corporate income tax	(5,804)	(5,770)
	<u>91,351</u>	<u>74,827</u>

PRC corporate income tax

Income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the period, 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 interim condensed consolidated financial statements as the Company and the Group did not have assessable profit in Hong Kong during the six months ended 30 June 2022 (six months ended 30 June 2021: nil). The profit of the group entities in Hong Kong is mainly derived from dividend income, which is not subject to Hong Kong profits tax.

7 EARNINGS PER SHARE

(a) Basic

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 six months ended 30 June 2021 and 2022.

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Earnings (RMB'000)		
Earnings for the purposes of basic and diluted earnings per share (profit attributable to owners of the Company)	<u>240,344</u>	<u>203,338</u>
Number of shares ('000)		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>631,650</u>	<u>632,750</u>
Basic earnings per share (RMB cents per share)	<u>38.05</u>	<u>32.14</u>

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Earnings (RMB'000)		
Earnings for the purposes of basic and diluted earnings per share (profit attributable to owners of the Company)	<u>240,344</u>	<u>203,338</u>
Number of shares ('000)		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>631,650</u>	<u>632,750</u>
Effect of dilutive potential ordinary shares:		
Awarded shares	<u>1,761</u>	<u>4,675</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>633,411</u>	<u>637,425</u>
Diluted earnings per share (RMB cents per share)	<u>37.94</u>	<u>31.90</u>

8 DIVIDEND

On 17 June 2022, the payment of a final dividend for the year ended 31 December 2021 amounting to HK\$189,495,000 (equivalent to approximately RMB161,554,000) (2021: HK\$113,895,000, equivalent to approximately RMB93,726,000) was approved in the annual general meeting of the Company. Such dividend will be paid on 13 October 2022.

On 30 August 2022, the Board recommended the payment of an interim dividend of HK\$0.15 (equivalent to approximately RMB0.13 based on the exchange rate of 30 June 2022) per ordinary share. Total amount of interim dividend would be HK\$94,747,500 (equivalent to approximately RMB81,027,000) which is calculated according to the ordinary shares in issue as at 30 June 2022 excluding shares held for shares award scheme. These interim condensed consolidated financial information has not reflected this dividend payable.

9 OPERATING LEASE AND TRADE RECEIVABLES

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Operating lease receivables (<i>Note (a)</i>)		
– Third parties	<u>27,655</u>	<u>26,908</u>
Trade receivables (<i>Note (a)</i>)		
– Related parties	64,028	30,647
– Third parties	<u>259,340</u>	<u>146,520</u>
	<u>323,368</u>	<u>177,167</u>
Operating lease and trade receivables	<u>351,023</u>	<u>204,075</u>
Less: allowance for impairment	<u>(56,998)</u>	<u>(43,051)</u>
	<u>294,025</u>	<u>161,024</u>

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

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

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
0-30 days	90,799	53,373
31-180 days	85,035	34,337
181-365 days	81,155	25,826
1-2 years	55,595	54,618
2-3 years	11,482	10,355
Over 3 years	26,957	25,566
	<u>351,023</u>	<u>204,075</u>

- (b) The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 30 June 2022, a provision of RMB56,998,000 was made against the gross amounts of operating lease and trade receivables (31 December 2021: RMB43,051,000).

- (c) As at 30 June 2022 and 31 December 2021, the operating lease and trade receivables were denominated in RMB, and their fair values approximated their carrying amounts.

10 SHARE CAPITAL AND PREMIUM

	Number of ordinary shares	Share capital		Share premium RMB'000	Total RMB'000
		HK\$'000	RMB'000		
Authorised					
As at 1 January 2022 and 30 June 2022	2,000,000,000	20,000	17,905	-	17,905
Issued					
As at 1 January 2022	642,900,000	6,429	5,747	1,282,814	1,288,561
Dividends (Note 8)	-	-	-	(161,554)	(161,554)
As at 30 June 2022 (Unaudited)	<u>642,900,000</u>	<u>6,429</u>	<u>5,747</u>	<u>1,121,260</u>	<u>1,127,007</u>
Authorised					
As at 1 January 2021 and 30 June 2021	2,000,000,000	20,000	17,905	-	17,905
Issued					
As at 1 January 2021	644,000,000	6,440	5,756	1,473,532	1,479,288
Dividends	-	-	-	(93,726)	(93,726)
As at 30 June 2021 (Unaudited)	<u>644,000,000</u>	<u>6,440</u>	<u>5,756</u>	<u>1,379,806</u>	<u>1,385,562</u>

11 TRADE AND OTHER PAYABLES

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Trade payables		
– Related parties	–	994
– Third parties	161,294	125,244
	161,294	126,238
Other payables		
– Related parties	56,720	161,159
– Receipts on behalf of tenants or residents (<i>Note (a)</i>)	248,565	230,023
– Payables for promotion fees	50,233	61,748
– Deposits received (<i>Note (b)</i>)	490,939	476,623
– Payables for business combination	4,058	3,271
– Others	2,897	16,565
	853,412	949,389
Accrued payroll	47,236	122,254
Other taxes payables	19,863	11,161
Dividend payables	162,054	–
	1,243,859	1,209,042

- (a) Amounts represented the receipts on behalf of tenants or residents to settle the bills of utilities charges.
- (b) Amounts represented mainly deposits received from tenants as performance securities in relation to tenant agreements or property management service agreements.
- (c) As at 30 June 2022 and 31 December 2021, the carrying amounts of trade and other payables approximated their fair values.

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

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Within 1 year	155,870	124,530
1 to 2 years	3,985	975
2 to 3 years	1,439	733
	<u>161,294</u>	<u>126,238</u>

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

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
RMB	1,014,706	1,075,627
HK\$	162,054	–
	<u>1,176,760</u>	<u>1,075,627</u>

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group is a leading commercial operational service provider in PRC. As at 30 June 2022, the Group had a total of 91 retail commercial properties in operation, with an aggregate GFA in operation of approximately 10.2 million sq.m. The Group had a total of 140 retail commercial properties with an aggregate contracted GFA of approximately 14.7 million sq.m. for which the Group had been contracted to provide commercial operational services. The Company enjoys considerable brand recognition in the markets where it operates. In March 2022, the Company was ranked among the 2022 China Top 100 Commercial Real Estate (2022中國商業地產百強企業) and was awarded 4th place in 2022 China Top 10 Commercial Real Estate in Operation (2022中國商業地產運營十強企業), both awarded by China Index Academy (中國指數研究院), and was recognized as one of the Listed Companies with the Best Corporate Social Responsibility (最具社會責任上市公司) by Zhitong Finance (智通財經) in March 2022, and so forth.

The Group also provides property management services for residential properties, office buildings and serviced apartments. As at 30 June 2022, the Group delivered residential property management services to 87 projects, with an aggregate GFA delivered of approximately 18.3 million sq.m., and was contracted to manage 139 projects with an aggregate contracted GFA of approximately 30.6 million sq.m..

With the mission of “creating space full of love”, the Company adheres to its corporate philosophy of “simple, truthful, prosper together, forward forever”, with a view to becoming a well-respected, century-lasting and world-leading operator of city space, thereby creating more room for value enhancement for customers and investors on an ongoing basis.

BUSINESS REVIEW

For the six months ended 30 June 2022, the Company 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 is mainly derived from its commercial operational services.

Commercial operational services: The Company provides 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) Commercial 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 to 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 stage, 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 services, common area, advertising space and car park management services.

The table below sets forth the Group's gross profit and gross profit margin by business segments for the periods indicated:

	Six months ended 30 June			
	2022		2021	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Commercial operational services	367,983	35.9	327,029	34.7
Residential property management services	62,451	25.8	56,335	24.7
Total	430,434	34.0	383,364	32.8

Commercial Operational Services

The Group provides professional commercial operational services to property owners, tenants and consumers mainly 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 six months ended 30 June 2022, the aggregate revenue of the Group's commercial operational services amounted to approximately RMB1,024.5 million, representing an increase of approximately 8.7% from approximately RMB942.3 million for the six months ended 30 June 2021; and the Group had GFA in operation of approximately 10.2 million sq.m., representing an increase of approximately 1.4 million sq.m. from approximately 8.8 million sq.m. for the corresponding period of 2021; 91 projects in operation, representing an increase of 20 projects from 71 projects for the corresponding period of 2021; contracted GFA of approximately 14.7 million sq.m., representing an increase of approximately 1.2 million sq.m. from approximately 13.5 million sq.m. for the corresponding period of 2021.

The table below sets forth a breakdown of the contracted GFA and GFA in operation as at the dates indicated and the revenue from commercial operational service segment for the periods indicated by geographic region:

	For the six months ended 30 June					
	2022			2021		
	Contracted GFA	GFA in operation	Revenue	Contracted GFA	GFA in operation	Revenue
<i>sq.m.</i>	<i>sq.m.</i>	<i>RMB</i> <i>(in thousands)</i>	<i>sq.m.</i>	<i>sq.m.</i>	<i>RMB</i>	
Yangtze River Delta ⁽¹⁾	9,540	6,522	727,095	8,857	5,299	661,506
Pearl River Delta ⁽²⁾	416	166	19,885	416	–	9,277
Others ⁽³⁾	4,743	3,546	277,558	4,226	3,540	271,470
Total	14,699	10,234	1,024,538	13,499	8,839	942,253

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.

NEW PROJECTS IN OPERATION

The Group's new retail commercial property projects in operation for the six months ended 30 June 2022 are shown in the following table:

No.	Name of project	Opening date <i>month-year</i>	City	Geographic region	Source of project	Manager	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 City											
1	Taizhou Jiaojiang Powerlong City (台州椒江寶龍城)	June 2022	Taizhou	Yangtze River Delta	Powerlong Real Estate	Powerlong CM	Entrusted management	127,936	93,620	–	34,316
Sub-total								127,936	93,620	–	34,316
Powerlong Xinghui											
1	Xianghu Slow Living Cultural Tourism Street Zone (湘湖慢生活文旅街區)	In operation ⁽¹⁾	Hangzhou	Yangtze River Delta	Third Party	Powerlong Xinghui	Advisory consultation	27,836	–	27,836	–
2	Hangzhou Fuyang Dongfangmao Commercial (杭州富陽東方茂商業)	In operation ⁽¹⁾	Hangzhou	Yangtze River Delta	Third Party	Powerlong Xinghui	Entrusted management	119,890	78,853	–	41,037
Sub-total								147,726	78,853	27,836	41,037
Total								275,662	172,473	27,836	75,353

Note:

- (1) For the third party project in operation obtained in June 2022, the Group will conduct refurbishment and upgrade upon completion of signing of contract.

ADDITIONAL PROJECTS FOR WHICH CONTRACTS WERE TERMINATED

The Group's retail commercial property projects for which contracts were terminated during the six months ended 30 June 2022 are shown in the following table:

No.	Name of Project	Date of Termination of Contract <i>month-year</i>	City	Geographic Region	Source of Project	Manager	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 Xinghui											
1	Yiwu Chengbei Commercial Centre (義烏城北商業中心)	January 2022	Jinhua	Yangtze River Delta	Third Party	Powerlong Xinghui	Advisory consultation	6,610	-	6,610	-
2	Xingyue • PARK (星悅 • PARK)	January 2022	Ningbo	Yangtze River Delta	Third Party	Powerlong Xinghui	Advisory consultation	4,314	4,314	-	-
Total								10,924	4,314	6,610	-

NEW CONTRACTED PROJECTS

New retail commercial property contracted projects as at the date of this announcement are shown in the following table:

No.	Name of project	City	Geographic region	Manager	Management model	Expected total GFA <i>(sq. m.)</i>
From the Group						
1	Zhongshan Powerlong Plaza (中山寶龍廣場)	Zhongshan	Pearl River Delta	Powerlong CM	Entrusted management	100,000
2	Wuxi Xinwu Powerlong Plaza (無錫新吳寶龍廣場)	Wuxi	Yangtze River Delta	Powerlong CM	Entrusted management	174,180
3	Wuhan Qiaokou Powerlong Plaza (武漢礄口寶龍廣場)	Wuhan	Others	Powerlong CM	Entrusted management	135,300
Sub-total						409,480
From independent third parties						
1	Lin'an IN Alley (臨安IN巷)	Hangzhou	Yangtze River Delta	Powerlong Xinghui	Advisory consultation	27,700
2	Xianghu Slow Living Cultural Tourism Street Zone (湘湖慢生活文旅街區)	Hangzhou	Yangtze River Delta	Powerlong Xinghui	Advisory consultation	27,836
3	Hangzhou Fuyang Dongfangmao Commercial (杭州富陽東方茂商業)	Hangzhou	Yangtze River Delta	Powerlong Xinghui	Entrusted management	119,890
Sub-total						175,426
Total						584,906

Occupancy Rate

The table below sets forth the average occupancy rate and GFA under management of retail commercial properties that had commenced operation as at 30 June 2022 by brands.

Brand	Average occupancy rate ⁽¹⁾		GFA in operation <i>(in thousand sq. m.)</i>
	As of 30 June		
	2022	2021	
	%	%	
Powerlong One Mall	99.0	98.7	171
Powerlong City	98.2	98.6	574
Powerlong Plaza	92.9	91.9	8,202
Powerlong Land	93.9	89.6	396
Powerlong Xinghui	93.1	91.2	891
Total	93.4	92.3	10,234

- (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.

PIPELINE PROJECTS IN THE SECOND HALF OF 2022

The Group's retail commercial property projects planning for opening in the second half of 2022 are shown in the following table:

No.	Name of project	Opening date ⁽¹⁾ <i>month-year</i>	City	Geographic region	Source of project	Management model	Expected total GFA <i>(sq.m)</i>
Powerlong Plaza							
1	Yuyao Powerlong Plaza (余姚寶龍廣場)	December 2022	Ningbo	Yangtze River Delta	Powerlong Real Estate	Entrusted management	65,915
2	Hangzhou Tech City Powerlong Plaza (杭州科技城寶龍廣場)	December 2022	Hangzhou	Yangtze River Delta	Powerlong Real Estate	Entrusted management	95,800
3	Jingdezhen Powerlong Plaza (景德鎮寶龍廣場)	December 2022	Jingdezhen	Others	Powerlong Real Estate	Entrusted management	110,000
4	Xiamen Tong'an Powerlong Plaza (廈門同安寶龍廣場)	December 2022	Xiamen	Others	Powerlong Real Estate	Entrusted management	102,356
Sub-total							374,071
Powerlong Land							
1	Shanghai Jiading Powerlong Land (上海嘉定寶龍天地)	December 2022	Shanghai	Yangtze River Delta	Powerlong Real Estate	Entrusted management	21,600
2	Xiamen Yuanboyuan Powerlong Land (廈門園博苑寶龍天地)	December 2022	Xiamen	Others	Third Party	Sublease	14,705
3	Xiamen Tangbian Powerlong Land (廈門塘邊寶龍天地)	December 2022	Xiamen	Others	Third Party	Sublease	28,475
Sub-total							64,780
Powerlong Xinghui							
1	Shaoxing Jindi Powerlong Plaza (紹興金帝寶龍廣場)	December 2022	Shaoxing	Yangtze River Delta	Third Party	Entrusted management	86,000
2	Dexing Yufan Powerlong Plaza (德興雨帆寶龍廣場)	December 2022	Shangrao	Others	Third Party	Entrusted management	45,899
Sub-total							131,899
Total							570,750

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

Residential Property Management Services

For the six months ended 30 June 2022, revenue of the Group's residential property management service business segment amounted to approximately RMB241.8 million, representing an increase of approximately 5.9% from approximately RMB228.3 million for the six months ended 30 June 2021; and the Group had GFA delivered of approximately 18.3 million sq.m., representing an increase of 1.9 million sq.m. from 16.4 million sq.m. for the corresponding period of 2021; 87 projects delivered, representing an increase of 18 projects from 69 projects for the corresponding period of 2021; contracted GFA of approximately 30.6 million sq.m., representing an increase of approximately 2.6 million sq.m. from approximately 28.0 million sq.m. for the corresponding period of 2021.

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

	For the six months ended 30 June					
	2022			2021		
	Contracted GFA	GFA delivered	Revenue	Contracted GFA	GFA delivered	Revenue
<i>sq.m.</i>	<i>sq.m.</i>	<i>RMB</i>	<i>sq.m.</i>	<i>sq.m.</i>	<i>RMB</i>	
			<i>(in thousands)</i>			
Yangtze River Delta ⁽¹⁾	19,201	8,673	138,764	16,545	6,853	138,370
Pearl River Delta ⁽²⁾	559	–	2,998	559	–	6,355
Others ⁽³⁾	10,877	9,619	100,083	10,877	9,525	83,583
Total	30,637	18,292	241,845	27,981	16,378	228,308

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.

WORK PLAN FOR THE SECOND HALF OF 2022

In retrospect, during the first half of 2022, the Coronavirus Disease 2019 (the “COVID-19”) pandemic persisted and cast repeated impacts. As such, in early March, Shanghai came under an unprecedented state that was close to lockdown. As the centre of the city clusters in the Yangtze River Delta region and the place of strategic layout of the Group in its focus on the Yangtze River Delta region, this undoubtedly had, to various extents, impacts on the shopping malls throughout the entire layout of the Group in the Yangtze River Delta region in the operational sense. Under this challenging business environment, the Group proactively launched different policies to support merchants during this difficult time. In addition, Taizhou Jiaojiang Powerlong City, being the third project in the PRC under our Powerlong City series, has been recognised as one of the key benchmark projects in the industry for this year, and commenced operation as scheduled notwithstanding the impact from the external environment, further solidifying the Group’s strategic layout in the Yangtze River Delta region. Due to the highly challenging external environment, it is anticipated that in the second half of 2022, one will see the Group’s ongoing efforts in further incentivizing commercial vitality, thereby uplifting consumers’ experience, continuing to empower its brands, creating more industry benchmarks, and building a more diversified “Powerlong Commercial Ecosystem”, which has been enshrined under the theme of “refinement in services, increase in average per-unit-GFA sales and establishment of benchmarking projects”.

1. Commercial Operational Services

(I) *Ongoing enhancement of operations*

In 2021, via property owners, physical renovation of properties were conducted to some of the Group’s shopping malls already in operation, while quality enhancements were made to project management, thereby achieving upgrades in various projects and securing steady increase in the overall pedestrian traffic and sales turnover in those shopping malls. While operation quality improves, the overall occupation rates also reached a record high level. Whilst the overall occupancy rate recorded slight decrease under the impact of the COVID-19 pandemic in the first half of 2022, the whole-year targeted occupancy rate of 96% will remain unchanged. In the second half of 2022, the Group will continue to learn from the success of adjustments in the past, and enhance tenant sourcing and tenant mix adjustment at those projects subject to enhancement works. Meanwhile, efforts will continue to be made in tenant sourcing and tenant mix adjustment for our premium projects to create more benchmarking projects and holistically increase the average per-unit-GFA sales as well as overall revenue at our projects.

(II) *Ongoing growth in scale*

In the first half of 2022, the Group successfully completed the high-quality opening of Taizhou Jiaojiang Powerlong City, being one of the key benchmark projects in the industry for this year. Looking forward to the second half of 2022, it is expected that 9 projects will be planned for commencing operations. Xiamen Tong’an Powerlong Plaza, being a key highlight of the year, will also have its high-quality opening in the second half of 2022. Meanwhile, the Group will continue to solidify the expansion of commercial asset-light projects, and extend more flexible mode of cooperation.

(III) Promotion of intelligent commerce

On the basis of the product research and development already completed in 2021, we achieved substantial growth of online business by strengthening application in the first half of 2022; our membership grew to approximately 5.6 million as of 30 June 2022, representing an increase of approximately 31% from the end of 2021. Consumption of members on a nationwide basis accounted for more than 17%, while consumption of members of certain benchmark projects exceeded 25%. In the second half of 2022, on the one hand, the Group will continue to solidify the well-established digitalization system of “operation team – consumers – tenants – investors”, foster the prevalence of system and advanced intelligent development, remarkably reduce costs and uplift efficiency, support tenants in enhancing operations and attracting consumers in an integrated manner. On the other hand, the Group will work with Tencent to, on this basis, introduce entertainment IP and contents interests into the system, with a view to devising feasible proposals of creating room for revenue growth for merchants’ operations and major members. In this connection, leading intelligent commerce will become the core competence for the Company in its asset-light output or in face of new business environment.

(IV) Talent optimization and organization

The Group will work around the “1+1+N” strategic plan to strengthen its presence in three key regions namely Zhejiang, Jiangsu and Shanghai, with Yangtze River Delta region as the core hub. The Group will continue to cultivate talents, recruit elite talents, stimulate employees’ potential through more competitive remuneration packages and incentivising policies, and build a first-class business operation team in the industry.

2. Residential Property Management Services

- (I) **Operations enhancement** – To solidify the housekeeping system as core competence of the properties of Powerlong, ceaselessly improve property owners’ satisfaction, uplift the Company’s collection rate and settlement rate, and enhance the Company’s overall operation capability;
- (II) **Quality enhancement** – By having internal control checking, external assessment, skills drill contests and promotion of system, we will further standardize the three-tier quality control mechanism of the properties of Powerlong, uplift the quality awareness of all members of the Group, and enhance property owners’ satisfaction;
- (III) **Efficiency enhancement** – By undergoing continual structural integration, multiple fissions, strategic collection, technology empowerment, market exploration and so forth, we will manage to enhance organizational efficiency.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2022, the Group recorded a revenue of approximately RMB1,266.4 million, representing an increase of approximately RMB95.8 million as compared with approximately RMB1,170.6 million for the six months ended 30 June 2021.

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

	For the six months ended 30 June			
	2022		2021	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Commercial Operational Services				
Market research and positioning, business tenant sourcing and opening preparation services	94,883	7.5	136,129	11.6
Commercial operation and management services	854,353	67.5	703,964	60.1
Commercial property lease income	75,302	5.9	102,160	8.8
	<u>1,024,538</u>	<u>80.9</u>	<u>942,253</u>	<u>80.5</u>
Residential Property Management Services				
Pre-sale management services	14,597	1.1	17,724	1.5
Property management services	191,017	15.1	163,384	14.0
Other value-added services	36,231	2.9	47,200	4.0
	<u>241,845</u>	<u>19.1</u>	<u>228,308</u>	<u>19.5</u>
Total	<u>1,266,383</u>	<u>100.0</u>	<u>1,170,561</u>	<u>100.0</u>

Market research and positioning, business tenant sourcing and opening preparation services

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

For the six months ended 30 June 2022, the Group's revenue from market research and positioning, business tenant sourcing and opening preparation services amounted to approximately RMB94.9 million, representing a period-on-period decrease of approximately 30.3% and accounting for approximately 7.5% of the Group's total revenue.

The decrease in the revenue from market research and positioning, business tenant sourcing and opening preparation services was primarily due to the fact that the Group provided market research and positioning, business tenant sourcing and opening preparation services with respect to less retail commercial properties compared to the corresponding period in 2021.

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 six months ended 30 June 2022, the Group's revenue from commercial operation and management services amounted to approximately RMB854.4 million, representing a period-on-period increase of approximately 21.4% and accounting for approximately 67.5% 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 the improvement in occupancy rate. For the six months ended 30 June 2022, the GFA in operation of the Group's commercial properties was approximately 10.2 million sq.m., representing a period-on-period increase of approximately 15.9%.

Commercial property lease income

The Group provides commercial property lease services with respect to units located within the shopping streets and shopping malls.

For the six months ended 30 June 2022, the Group's revenue derived from commercial property lease services amounted to approximately RMB75.3 million, representing a period-on-period decrease of approximately 26.3% and accounting for approximately 5.9% of the Group's total revenue.

The decrease in the revenue from commercial property lease services was primarily attributable to the decrease in the lease income of sublease projects.

Residential Property Management Services

The Group's residential property management services 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 six months ended 30 June 2022, the Group's revenue from residential property management services amounted to approximately RMB241.8 million, representing a period-on-period increase of approximately 5.9% and accounting for approximately 19.1% of the Group's total revenue.

The increase in the revenue from residential property management services was primarily attributable to: (i) the increase in the residential properties GFA delivered to approximately 18.3 million sq.m. for the six months ended 30 June 2022, representing a period-on-period increase of approximately 11.6%; and (ii) the improvement of service quality and the increase in the number of projects under management services.

Revenue indicated by type of customers is as follows:

	For the six months ended 30 June			
	2022		2021	
	RMB'000	%	RMB'000	%
Commercial Operational Services				
Fellow subsidiaries ⁽ⁱ⁾	174,691	13.8	124,059	10.6
Other related parties ⁽ⁱⁱ⁾	16,534	1.3	49,678	4.2
External customers ⁽ⁱⁱⁱ⁾	833,313	65.8	768,516	65.7
	1,024,538	80.9	942,253	80.5
Residential Property Management Services				
Fellow subsidiaries ⁽ⁱ⁾	40,368	3.2	58,688	5.0
Other related parties ⁽ⁱⁱ⁾	9,072	0.7	645	0.1
External customers ⁽ⁱⁱⁱ⁾	192,405	15.2	168,975	14.4
	241,845	19.1	228,308	19.5
Total	1,266,383	100.0	1,170,561	100.0

Notes:

- (i) Fellow subsidiaries represented the Remaining Powerlong Group and other entities controlled by Mr. Hoi.
- (ii) Other related parties represented entities jointly controlled by the Remaining Powerlong Group.
- (iii) External customers represented independent third parties.

Revenue derived from external customers represents the largest source of the Group's revenue. For the six months ended 30 June 2022, revenue derived from external customers was approximately RMB1,025.7 million, representing an increase of approximately RMB88.2 million from approximately RMB937.5 million for the six months ended 30 June 2021, and accounting for approximately 81.0% of the total revenue of the Group.

Revenue indicated by geographic regions is as follows:

	For the six months ended 30 June			
	2022		2021	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Commercial Operational Services				
Yangtze River Delta	727,095	57.4	661,506	56.5
Pearl River Delta	19,885	1.6	9,277	0.8
Others	277,558	21.9	271,470	23.2
	<u>1,024,538</u>	<u>80.9</u>	<u>942,253</u>	<u>80.5</u>
Residential Property Management Services				
Yangtze River Delta	138,764	11.0	138,370	11.8
Pearl River Delta	2,998	0.2	6,355	0.5
Others	100,083	7.9	83,583	7.2
	<u>241,845</u>	<u>19.1</u>	<u>228,308</u>	<u>19.5</u>
Total	<u>1,266,383</u>	<u>100.0</u>	<u>1,170,561</u>	<u>100.0</u>

For the six months ended 30 June 2022, the Group's commercial operational properties and residential management properties were primarily located in the Yangtze River Delta and the revenue generated from this region had further increased.

Cost of services

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

For the six months ended 30 June 2022, the Group's cost of services was approximately RMB835.9 million, representing a period-on-period increase of approximately 6.2%. 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 six months ended 30 June 2022 amounted to approximately RMB430.4 million, representing a period-on-period increase of approximately 12.3%. For the six months ended 30 June 2021, the gross profit margin was 34.0%, representing an increase of 1.2 percentage points as compared to 32.8% for the six months ended 30 June 2021.

The gross profit of commercial operational services for the six months ended 30 June 2022 amounted to approximately RMB368.0 million, representing a period-on-period increase of approximately 12.5%. The gross profit margin of the Group's commercial operational services for the six months ended 30 June 2022 was 35.9%, representing an increase of 1.2 percentage points as compared to 34.7% for the six months ended 30 June 2021, primarily due to the business growth and excellent cost control of the Group.

The gross profit of residential property management services for the six months ended 30 June 2022 amounted to approximately RMB62.4 million, representing a period-on-period increase of approximately 10.9%. The gross profit margin of the Group's residential property management services for the six months ended 30 June 2022 was 25.8%, representing an increase of 1.1 percentage points as compared to 24.7% for the six months ended 30 June 2021, primarily due to the continued expansion of the contracted GFA of residential properties, the increase in the number of contracts with residents and the optimization of revenue structure.

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

	For the six months ended 30 June			
	2022		2021	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Commercial operational services	367,983	35.9	327,029	34.7
Residential property management services	62,451	25.8	56,335	24.7
Total	<u>430,434</u>	<u>34.0</u>	<u>383,364</u>	<u>32.8</u>

For the six months ended 30 June 2022, the Group further fostered the project-regionalized integrated management. Meanwhile through technological upgrade and empowerment as well as enhancement in operation quality and standards, the Group laid a sound foundation for increasing the gross profit of its business in future years.

Other income and other gains/(losses)

Other income and other gains/(losses) mainly represented the various government grants and subsidies income from local governments and the forfeited deposits from tenants due to their premature termination of contracts. For the six months ended 30 June 2022, the Group's other income and other gains/(losses) amounted to approximately RMB29.6 million, representing a period-on-period increase of approximately 204.8%, which was mainly attributable to the increase in government grants received during the Reporting Period.

Impairment losses on financial assets – net

The Group's net impairment losses on financial assets mainly include the allowance for impairment made in respect of operating leases and trade receivables and other receivables. For the six months ended 30 June 2022, the Group's net impairment losses on financial assets amounted to approximately RMB14.1 million, representing a period-on-period increase of approximately 4.0%. This was mainly attributable to the adverse effect of COVID-19 pandemic on some tenants' business operations.

Finance (costs)/income – net

The Group's net finance (costs)/income mainly include interest expense on lease liabilities and net interest income from bank deposits.

For the six months ended 30 June 2022, the Group's net finance cost amounted to approximately RMB8.7 million, as compared to the net finance income of approximately RMB0.2 million for the corresponding period in 2021. This was mainly because of the decrease in interest income from bank deposits.

Income tax expense

The Group's income tax expense mainly comprises PRC corporate income tax. For the six months ended 30 June 2022, the effective income tax rate was 27.6%, representing an increase of 0.8 percentage point as compared to 26.8% for the six months ended 30 June 2021, primarily because the fees incurred by share incentives were non-deductible for tax.

Profit for the period

For the six months ended 30 June 2022, the Group's profit attributable to the owners of the Company was approximately RMB240.3 million, representing an increase of approximately 18.2% as compared with approximately RMB203.3 million for the six months ended 30 June 2021.

Operating lease and trade receivables

The Group's operating lease and trade receivables primarily arose from commercial property lease income for units located within the shopping malls and shopping streets as well as the provision of various services under the Group's commercial operational service segment and residential property management service segment. As at 30 June 2022, the Group's operating lease and trade receivables were approximately RMB294.0 million, representing an increase of approximately 82.6% as compared with approximately RMB161.0 million as of 31 December 2021, primarily attributable to the business growth of the Group.

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 and others. As at 30 June 2022, the Group's trade and other payables amounted to approximately RMB1,243.9 million, representing an increase of approximately 2.9% as compared with approximately RMB1,209.0 million as of 31 December 2021. This 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 30 June 2022, contract liabilities amounted to approximately RMB255.0 million, representing a decrease of approximately 44.3% as compared with approximately RMB458.1 million as of 31 December 2021, which was mainly due to the adverse effect of the COVID-19 pandemic on some tenants' business operations and decline in collection rate.

Contingent liabilities

As at 30 June 2022 and 31 December 2021, the Group did not have any material contingent liabilities.

Liquidity and capital resources

The Company has maintained stable financial condition and sufficient liquidity. As at 30 June 2022, the Group's cash and bank balances amounted to approximately RMB3,625.4 million, representing a decrease of approximately 9.2% as compared with approximately RMB3,991.6 million as of 31 December 2021. This was primarily attributable to the adverse effect of the COVID-19 pandemic.

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 30 June 2022, the Group had 6,275 (31 December 2021: 6,886) employees. The Group believes in the importance of attraction, recruitment and retention of quality employees in achieving the Group's success. The Group's success depends on the Group's ability to attract, retain and motivate qualified personnel. As part of the Group's retention strategy, the Group offers employees performance-based cash bonuses and other incentives in addition to basic 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 six months ended 30 June 2022, the Group did not experience any significant labour disputes or any difficulty in recruiting employees.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Company had not authorised any plan for other material investments or acquisition of capital assets as at 30 June 2022.

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

The Company has no significant investments or significant acquisitions, and has no disposal of subsidiaries, associates and joint ventures during the six months ended 30 June 2022.

IMPORTANT EVENTS AFTER THE REPORTING DATE

The Group did not have any other material subsequent events after the Reporting Period.

INTERIM DIVIDEND

At the Board meeting held on 30 August 2022, the Board recommended the payment of an interim dividend of HK\$0.15 per ordinary share for the six months ended 30 June 2022. Total amount of interim dividend would be HK\$94.7 million, which is calculated according to the number of ordinary shares in issue as at 30 June 2022, excluding shares held for Shares Award Scheme. The interim dividend will be paid on or around Tuesday, 20 December 2022 to the shareholders whose names appear on the register of members of the Company on Friday, 2 December 2022.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the shareholders' entitlement to the proposed interim dividend for the six months ended 30 June 2022, the register of members of the Company will be closed from Tuesday, 29 November 2022 to Friday, 2 December 2022, both days inclusive, during which period no transfer of shares of the Company will be registered.

For the purpose of determining the entitlement to the proposed interim dividend for the six months ended 30 June 2022, 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 Monday, 28 November 2022.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as the code for dealing in securities of the Company by the Directors. Having made specific enquiry by the Company to all the Directors, the Directors confirmed that they were in compliance with the required standard as set out in the Model Code during the Reporting Period. Relevant employees who are likely to be in possession of unpublished inside information of the Group are also subject to compliance with written guidelines on no less exacting terms than the Model Code throughout the Reporting Period.

CORPORATE GOVERNANCE

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

The Directors are of the view that the Company had complied with all applicable code provisions set out in the Corporate Governance Code contained in Part 2 of Appendix 14 to the Listing Rules as in force from time to time throughout the Reporting Period.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

REVIEW OF INTERIM RESULTS

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

The Audit Committee has reviewed the unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2022 with the Company's management and considered that such information have been prepared in accordance with applicable accounting standards and requirements with sufficient disclosure.

CHANGE OF JOINT COMPANY SECRETARY, AUTHORIZED REPRESENTATIVE AND PROCESS AGENT

The Board has been informed that Ms. Suen Pui Chun Hannah (“**Ms. Suen**”) who is a joint company secretary of the Company (the “**Joint Company Secretary**”), has tendered her resignation as the manager of corporate services of Vistra Corporate Services (HK) Limited, which is the external corporate services provider of the Company. As a result of the aforesaid resignation, Ms. Suen ceased to act as (i) the Joint Company Secretary; (ii) an authorized representative (the “**Authorized Representative**”) of the Company pursuant to Rule 3.05 of the Listing Rules; and (iii) an authorized representative of the Company to accept service of process and notices on behalf of the Company in Hong Kong as required under Rule 19.05(2) of the Listing Rules and Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “**Process Agent**”) with effect from 30 August 2022.

Ms. Suen has confirmed that she does not have any disagreement with the Board and there are no other matters in relation to her cessation to act in the above positions of the Company that need to be brought to the attention of the shareholders of the Company and the Stock Exchange.

Following the cessation of Ms. Suen to act as a Joint Company Secretary, the Board is pleased to announce that Ms. Leung Wai Yan (“**Ms. Leung**”) has been appointed as a Joint Company Secretary, the Authorized Representative and the Process Agent with effect from 30 August 2022. Ms. Jin Hong (“**Ms. Jin**”) will continue to serve as the other Joint Company Secretary.

The biographical details of Ms. Jin and Ms. Leung are set out below:

Ms. Jin

Ms. Jin 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 investor 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. Leung

Ms. Leung is currently a manager of corporate services of Vistra Corporate Services (HK) Limited. She has over 14 years of experience in providing company secretarial services to numerous listed and private companies.

Ms. Leung obtained a Bachelor of Business (Administrative Management) from University of South Australia. She has been an associate member of The Hong Kong Chartered Governance Institute and an associate member of The Chartered Governance Institute in the United Kingdom since 2009.

WAIVER FROM STRICT COMPLIANCE WITH RULES 3.28 AND 8.17 OF THE LISTING RULES

Reference is made to the waiver (the “**Waiver**”) granted to the Company by the Stock Exchange from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules in respect of the waiver period (i.e. from the date of appointment of Ms. Suen as a Joint Company Secretary (i.e. 18 December 2020) up to 29 December 2022) (the “**Waiver Period**”), subject to the condition that Ms. Suen, who meets the requirements under Rule 3.28 of the Listing Rules, is appointed as a Joint Company Secretary to assist Ms. Jin in discharging her duties and functions as a company secretary and in gaining the relevant experience as required under Rule 3.28 of the Listing Rules. For further details, please refer to the announcement of the Company dated 18 December 2020.

Given the condition of the Waiver could no longer be fulfilled following the resignation of Ms. Suen, the Company has applied to the Stock Exchange and has already been granted with a new waiver (the “**New Waiver**”) by the Stock Exchange from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules for the remaining period of the Waiver Period (i.e. from 30 August 2022 to 29 December 2022) (the “**New Waiver Period**”) in relation to the eligibility of Ms. Jin to act as a Joint Company Secretary, on the conditions that:

- (i) Ms. Jin will be assisted by Ms. Leung during the New Waiver Period;
- (ii) the New Waiver could be revoked if there are material breaches of the Listing Rules by the Company; and
- (iii) the Company will announce the reasons, details and conditions of the New Waiver, and the qualification and experience of Ms. Leung.

Before the end of the New Waiver Period, the Company must demonstrate and seek the Stock Exchange's confirmation that Ms. Jin, having had the benefit of Ms. Leung's assistance during the New Waiver Period, has attained the relevant experience and is capable of discharging the functions of a company secretary under Rule 3.28 of the Listing Rules such that a further waiver will not be necessary.

The Board would like to take this opportunity to express its gratitude to Ms. Suen for her valuable contributions to the Company during her tenure of service and extend its warm welcome to Ms. Leung on her new appointment.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

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

The interim report of the Company for the six months ended 30 June 2022 will be despatched to the shareholders of the Company and made available on the abovementioned websites in due course.

APPRECIATION

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

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

Hong Kong, 30 August 2022

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

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

* *For identification purpose only.*