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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 2023**

SUMMARY OF RESULTS

- Revenue of the Group for the six months ended 30 June 2023 amounted to approximately RMB1,274.8 million, representing an increase of approximately 0.7% as compared with approximately RMB1,266.4 million for the corresponding period in 2022.
- Gross profit of the Group for the six months ended 30 June 2023 amounted to approximately RMB438.2 million, representing an increase of approximately 1.8% as compared with approximately RMB430.4 million for the corresponding period in 2022.
- The Group's profit attributable to shareholders of the Company ("**Shareholders**") for the six months ended 30 June 2023 amounted to approximately RMB257.0 million, representing an increase of approximately 6.9% as compared with approximately RMB240.3 million for the corresponding period in 2022.
- The Group's core profit attributable to Shareholders^{Note 1} for the six months ended 30 June 2023 amounted to approximately RMB288.0 million, representing an increase of approximately 7.5% as compared with approximately RMB268.0 million for the corresponding period in 2022.
- As at 30 June 2023, the contracted gross floor area ("**GFA**")^{Note 2} of the Group's commercial operational services amounted to approximately 15.3 million square meters ("**sq.m.**"); and the GFA in operation of the Group's commercial operational services amounted to approximately 10.7 million sq.m..
- The Board recommends the payment of an interim dividend of HK\$0.15 per ordinary share for the six months ended 30 June 2023.

Note 1: Disregarding the deduction of expenses of approximately RMB31.0 million in relation to the Shares Award Scheme.

Note 2: 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 2023 (the “**Reporting Period**”), together with comparative figures for the corresponding period in 2022, as follows.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	Six months ended 30 June	
		2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Revenue	4	1,274,830	1,266,383
Cost of services		<u>(836,619)</u>	<u>(835,949)</u>
Gross profit		438,211	430,434
Selling and marketing expenses		(30,638)	(20,202)
Administrative expenses		(87,621)	(87,297)
Other income and other gains/(losses) – net	5	31,216	29,577
Impairment losses on financial assets – net		<u>(14,158)</u>	<u>(14,140)</u>
Operating profit		337,010	338,372
Finance income/(costs) – net		12,764	(8,759)
Share of results of joint ventures		159	(1,053)
Share of results of associates		<u>(232)</u>	<u>2,600</u>
Profit before income tax		349,701	331,160
Income tax expenses	6	<u>(93,442)</u>	<u>(91,351)</u>
Profit and total comprehensive income for the period		<u>256,259</u>	<u>239,809</u>
Profit and total comprehensive income attributable to:			
– Shareholders of the Company		256,978	240,344
– Non-controlling interests		<u>(719)</u>	<u>(535)</u>
		<u>256,259</u>	<u>239,809</u>
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	40.63	38.05
– Diluted earnings per share	7	<u>40.63</u>	<u>37.94</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	30 June 2023	31 December 2022
	(Unaudited)	(Audited)
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets		
Non-current assets		
Property and equipment	12,158	12,982
Financial assets at fair value through profit or loss	11,138	11,138
Investment properties	714,257	751,872
Intangible assets	7,520	8,561
Goodwill	20,640	20,640
Deferred income tax assets	77,334	70,065
Investments in joint ventures	983	824
Investments in associates	53,288	53,520
	897,318	929,602
Current assets		
Inventories	4,248	–
Operating lease and trade receivables	337,339	232,463
Prepayments and other receivables	611,522	597,763
Current income tax recoverables	1,053	759
Cash and bank balances	3,528,484	3,452,680
	4,482,646	4,283,665
Total assets	5,379,964	5,213,267

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (continued)

		30 June 2023	31 December 2022
		(Unaudited)	(Audited)
	<i>Notes</i>	RMB'000	RMB'000
Equity			
Share capital and share premium	10	1,052,188	1,043,940
Other reserves		106,145	171,326
Shares held for shares award scheme	10	(44)	(95)
Retained earnings		1,769,909	1,512,931
		<u>2,928,198</u>	<u>2,728,102</u>
Capital and reserves attributable to shareholders of the Company			
		<u>2,928,198</u>	<u>2,728,102</u>
Non-controlling interests		<u>4,110</u>	<u>8,027</u>
Total equity		<u>2,932,308</u>	<u>2,736,129</u>
Liabilities			
Non-current liabilities			
Deferred income tax liabilities		1,492	1,592
Lease liabilities		900,690	901,274
		<u>902,182</u>	<u>902,866</u>
Current liabilities			
Trade and other payables	11	1,038,709	1,094,089
Advances from lessees		51,554	44,091
Current income tax liabilities		127,810	152,400
Lease liabilities		36,450	54,370
Contract liabilities		290,951	229,322
		<u>1,545,474</u>	<u>1,574,272</u>
Total liabilities		<u>2,447,656</u>	<u>2,477,138</u>
Total equity and liabilities		<u>5,379,964</u>	<u>5,213,267</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 Act, Cap. 22 (Act 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 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 2023, 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 directors of the Company on 24 August 2023.

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 2023 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 2022 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 2023 are the same as those set out in the Group’s annual financial statements for the year ended 31 December 2022.

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.

HKFRS 17	Insurance Contracts and the related Amendments
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKFRS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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 2023 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024

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) – net, unallocated operating costs, finance income/(costs) – net, share of result 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 2023 (Unaudited)

	Commercial operational services RMB'000	Residential property management services RMB'000	Group RMB'000
Gross segment revenue	<u>1,047,889</u>	<u>226,941</u>	<u>1,274,830</u>
Revenue from contracts with customers	960,772	226,941	1,187,713
– at a point in time	752	–	752
– over time	960,020	226,941	1,186,961
Revenue from other sources			
– rental income	87,117	–	87,117
Segment results	317,575	61,128	378,703
Other income and other gains/(losses) – net			31,216
Unallocated operating costs			(72,909)
Interest expense			(18,028)
Interest income			30,792
Share of results of joint ventures			159
Share of results of associates			<u>(232)</u>
Profit before income tax			349,701
Income tax expenses			<u>(93,442)</u>
Profit for the period			<u>256,259</u>
Depreciation and amortisation	<u>40,904</u>	<u>1,450</u>	<u>42,354</u>

For the six months ended 30 June 2022 (Unaudited)

	Commercial operational services <i>RMB'000</i>	Residential property management services <i>RMB'000</i>	Group <i>RMB'000</i>
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	<u>948,293</u>	<u>241,845</u>	<u>1,190,138</u>
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			<u>2,600</u>
Profit before income tax			331,160
Income tax expenses			<u>(91,351)</u>
Profit for the period			<u>239,809</u>
Depreciation and amortisation	<u>38,934</u>	<u>1,530</u>	<u>40,464</u>

- (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 2023 (Unaudited)

	Commercial operational services RMB'000	Residential property management services RMB'000	Elimination RMB'000	Group RMB'000
Segment assets	1,599,004	246,848	(11,661)	1,834,191
Other assets				3,545,773
Total assets				<u>5,379,964</u>
Segment liabilities	1,940,388	280,461	(11,661)	2,209,188
Other liabilities				238,468
Total liabilities				<u>2,447,656</u>
Capital expenditure (six months ended 30 June 2023) (Unaudited)	<u>2,002</u>	<u>812</u>	<u>–</u>	<u>2,814</u>

As at 31 December 2022 (Audited)

	Commercial operational services RMB'000	Residential property management services RMB'000	Elimination RMB'000	Group RMB'000
Segment assets	1,614,557	213,250	(53,827)	1,773,980
Other assets				3,439,287
Total assets				<u>5,213,267</u>
Segment liabilities	2,050,595	274,738	(53,827)	2,271,506
Other liabilities				205,632
Total liabilities				<u>2,477,138</u>
Capital expenditure (six months ended 30 June 2022) (Unaudited)	<u>190,024</u>	<u>943</u>	<u>–</u>	<u>190,967</u>

Segment assets are reconciled to total assets as follows:

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Segment assets	1,834,191	1,773,980
Other assets		
Current income tax recoverables	1,053	759
Deferred income tax assets	77,334	70,065
Unallocated cash and bank balances	3,400,277	3,300,950
Unallocated property and equipment	1,700	2,031
Other corporate assets	54,271	54,344
Financial assets at fair value through profit or loss	11,138	11,138
Total assets	<u>5,379,964</u>	<u>5,213,267</u>

Segment liabilities are reconciled to total liabilities as follows:

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Segment liabilities	2,209,188	2,271,506
Other liabilities		
Current income tax liabilities	127,810	152,400
Deferred income tax liabilities	1,492	1,592
Dividends payable	88,911	–
Other corporate liabilities	20,255	51,640
Total liabilities	<u>2,447,656</u>	<u>2,477,138</u>

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, intangible assets, receivables from commercial and residential property management services and cash and bank balances other than current income tax recoverables, deferred income tax assets, unallocated cash and bank balances, unallocated property and equipment, other corporate assets and financial assets at fair value through profit or loss.

Segment liabilities consist primarily of trade and other payables, lease liabilities, contract liabilities, advances from lessees and long-term payables other than current income tax liabilities, deferred income tax liabilities, other payables due to related parties and other corporate 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 2023 is as follows:

	Six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Type of services		
<i>Rental income:</i>		
– Commercial property lease income	<u>87,117</u>	<u>75,302</u>
<i>Revenue from customer:</i>		
– Commercial operational services		
Market research and positioning, business tenant sourcing, opening preparation services	48,042	94,883
Commercial operation and management services	912,730	854,353
Commercial operation service during the operation stage	365,323	311,663
Commercial property management service	<u>547,407</u>	<u>542,690</u>
	<u>960,772</u>	<u>949,236</u>
– Residential property management services		
Pre-sale management services	4,095	14,597
Property management services	171,137	191,017
Other value-added services	<u>51,709</u>	<u>36,231</u>
	<u>226,941</u>	<u>241,845</u>
	<u>1,274,830</u>	<u>1,266,383</u>

(i) For the six months ended 30 June 2023, revenue arising from the Remaining Powerlong Group contributed 14.7% of the Group's revenue (six months ended 30 June 2022: 17.0%). 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 2022: none).

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

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Contract liabilities	<u>290,951</u>	<u>229,322</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	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the period		
– Commercial operational services	175,959	389,829
– Residential property management services	53,363	68,244
	<u>229,322</u>	<u>458,073</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) – NET**

	Six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Other income		
Penalty income	11,250	12,742
Government grants (<i>Note (a)</i>)	16,598	9,286
Others	4,224	3,049
	<u>32,072</u>	<u>25,077</u>
Other (losses)/gains		
Foreign exchange (losses)/gains	(856)	4,500
	<u>31,216</u>	<u>29,577</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	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Current income tax		
– PRC corporate income tax	100,811	97,155
Deferred income tax		
– PRC corporate income tax	(7,369)	(5,804)
	<u>93,442</u>	<u>91,351</u>

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 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 Act, 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 2023 (six months ended 30 June 2022: 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 2022 and 2023.

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Earnings (RMB'000)		
Earnings for the purposes of basic and diluted earnings per share (profit attributable to owners of the Company)	<u>256,978</u>	<u>240,344</u>
Number of shares ('000)		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>632,556</u>	<u>631,650</u>
Basic earnings per share (RMB cents per share)	<u>40.63</u>	<u>38.05</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	
	2023 (Unaudited)	2022 (Unaudited)
Earnings (RMB'000)		
Earnings for the purposes of basic and diluted earnings per share (profit attributable to owners of the Company)	<u>256,978</u>	<u>240,344</u>
Number of shares ('000)		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>632,556</u>	<u>631,650</u>
Effect of dilutive potential ordinary shares:		
Awarded shares	<u>–</u>	<u>1,761</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>632,556</u>	<u>633,411</u>
Diluted earnings per share (RMB cents per share)	<u>40.63</u>	<u>37.94</u>

8 DIVIDEND

On 16 June 2023, the payment of a final dividend for the year ended 31 December 2022 amounting to HK\$96,435,000 (equivalent to approximately RMB87,924,000) (Final dividend for the year ended 31 December 2021: HK\$189,495,000, equivalent to approximately RMB161,554,000) was approved in the annual general meeting of the Company. Such dividend will be paid on 25 October 2023.

On 24 August 2023, the Board recommended the payment of an interim dividend of HK\$0.15 (equivalent to approximately RMB0.14 based on the exchange rate of 30 June 2023) per ordinary share. Total amount of interim dividend would be HK\$96,435,000 (equivalent to approximately RMB88,910,000) which is calculated based on the total number of ordinary shares in issue as at 30 June 2023. These interim condensed consolidated financial information has not reflected this dividend payable.

9 OPERATING LEASE AND TRADE RECEIVABLES

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Operating lease receivables (<i>Note (a)</i>)		
– Third parties	<u>30,433</u>	<u>24,363</u>
Trade receivables (<i>Note (a)</i>)		
– Related parties	128,904	59,941
– Third parties	<u>236,352</u>	<u>192,119</u>
	<u>365,256</u>	<u>252,060</u>
Operating lease and trade receivables	<u>395,689</u>	<u>276,423</u>
Less: allowance for impairment	<u>(58,350)</u>	<u>(43,960)</u>
	<u>337,339</u>	<u>232,463</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 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Within 1 year	273,915	214,563
1-2 years	68,473	25,381
2-3 years	37,310	15,825
Over 3 years	<u>15,991</u>	<u>20,654</u>
	<u>395,689</u>	<u>276,423</u>

- (b) The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 30 June 2023, a provision of RMB58,350,000 was made against the gross amounts of operating lease and trade receivables (31 December 2022: RMB43,960,000).
- (c) As at 30 June 2023 and 31 December 2022, the operating lease and trade receivables were denominated in RMB, and their fair values approximated their carrying amounts.

10 SHARE CAPITAL AND SHARE PREMIUM AND SHARES HELD FOR SHARES AWARD SCHEME

	Number of ordinary shares	Share capital		Share Premium	Total	Shares held for shares award scheme
		HK\$'000	RMB'000	RMB'000	RMB'000	RMB'000
Authorised						
As at 1 January 2023 and 30 June 2023	2,000,000,000	20,000	17,905	-	17,905	-
Issued						
As at 1 January 2023	642,900,000	6,429	5,747	1,038,193	1,043,940	(95)
Dividends	-	-	-	(87,924)	(87,924)	-
Vesting of awarded shares	-	-	-	96,172	96,172	51
As at 30 June 2023 (Unaudited)	642,900,000	6,429	5,747	1,046,441	1,052,188	(44)
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	(95)
Dividends	-	-	-	(161,554)	(161,554)	-
As at 30 June 2022 (Unaudited)	642,900,000	6,429	5,747	1,121,260	1,127,007	(95)

11 TRADE AND OTHER PAYABLES

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Trade payables		
– Related parties	1,033	1,341
– Third parties	168,261	121,378
	169,294	122,719
Other payables		
– Related parties	69,871	161,335
– Receipts on behalf of tenants or residents (<i>Note (a)</i>)	101,782	148,224
– Payables for promotion fees on behalf of owners of the commercial properties (<i>Note (b)</i>)	35,068	45,401
– Deposits received (<i>Note (c)</i>)	489,886	487,658
– Payables for business combination	–	4,241
– Others	20,255	26,299
	716,862	873,158
Accrued payroll	49,976	79,082
Other taxes payables	13,666	19,130
Dividend payables	88,911	–
	1,038,709	1,094,089

- (a) Amounts represented the receipts on behalf of tenants or residents to settle the bills of utilities charges.
- (b) The balance represented the receipts on behalf of owners of commercial properties to settle the expenses relating to promotion and marketing activities of car parks, common areas and advertising spaces.
- (c) Amounts represented mainly deposits received from tenants as performance securities in relation to tenant agreements or property management service agreements.
- (d) As at 30 June 2023 and 31 December 2022, the carrying amounts of trade and other payables approximated their fair values.

- (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:

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Within 1 year	158,914	116,217
1 to 2 years	7,525	5,009
2 to 3 years	1,786	844
Over 3 years	1,069	649
	<u>169,294</u>	<u>122,719</u>

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

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
RMB	886,156	995,877
HKD	88,911	–
	<u>975,067</u>	<u>995,877</u>

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group is a leading commercial operational service provider in the PRC. As at 30 June 2023, the Group had a total of 95 retail commercial properties in operation, with an aggregate GFA in operation of approximately 10.7 million sq.m.. The Group had a total of 143 retail commercial properties with an aggregate contracted GFA of approximately 15.3 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. The Company was awarded 2023 China Top 10 out of Top 100 Commercial Real Estate Enterprises (2023中國商業地產百強企業TOP10) by China Index Academy (中國指數研究院) in March 2023, Outstanding Enterprise Award in Commercial Property of the Year (年度商業地產卓越企業) by Winshang.com (贏商網) in May 2023, 2022 Outstanding City Commercial Operator (2022年度城市商業傑出運營商) by Linkshop.com (聯商網) in June 2023 and so forth.

The Group also provides property management services for residential properties, office buildings and serviced apartments. As at 30 June 2023, the Group delivered residential property management services to 105 projects, with an aggregate GFA delivered of approximately 20.1 million sq.m., and was contracted to manage 139 projects with an aggregate contracted GFA of approximately 29.8 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 2023, 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			
	2023		2022	
	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	378,318	36.1	367,983	35.9
Residential property management services	59,893	26.4	62,451	25.8
Total	438,211	34.4	430,434	34.0

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 2023, the aggregate revenue of the Group's commercial operational services amounted to approximately RMB1,047.9 million, representing an increase of approximately 2.3% from approximately RMB1,024.5 million for the six months ended 30 June 2022; and the Group had GFA in operation of approximately 10.7 million sq.m., representing an increase of approximately 0.5 million sq.m. from approximately 10.2 million sq.m. for the corresponding period of 2022; 95 projects in operation, representing a net increase of 4 projects from 91 projects for the corresponding period of 2022; contracted GFA of approximately 15.3 million sq.m., representing an increase of approximately 0.6 million sq.m. from approximately 14.7 million sq.m. for the corresponding period of 2022.

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 services segment for the periods indicated by geographic region:

	For the six months ended 30 June					
	2023			2022		
	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⁾	9,986	6,744	754,161	9,540	6,522	727,095
Pearl River Delta ⁽²⁾	416	166	16,539	416	166	19,885
Others ⁽³⁾	4,863	3,791	277,189	4,743	3,546	277,558
Total	15,265	10,701	1,047,889	14,699	10,234	1,024,538

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 during the six months ended 30 June 2023 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 Land											
1	Zhoushan Putuo Powerlong Land (舟山普陀寶龍天地)	June 2023	Zhoushan	Yangtze River Delta	Powerlong Real Estate	Powerlong CM	Entrusted management	92,100	-	40,800	51,300
Sub-total								92,100	-	40,800	51,300
Powerlong Xinghui											
1	Haiyan Beidajie (海鹽北大街)	June 2023	Jiaxing	Yangtze River Delta	Third Party	Powerlong Xinghui	Entrusted management	55,570	-	35,630	19,940
Sub-total								55,570	-	35,630	19,940
Total								147,670	-	76,430	71,240

New Contracted Projects

New retail commercial property contracted projects during the six months ended 30 June 2023 and up to the date of this announcement are shown in the following table:

No.	Name of project	City	Geographic region	Manager	Management model	Expected total GFA (sq. m.)
From independent third parties						
1	Xiangtang Powerlong Plaza (香塘寶龍廣場)	Taicang	Yangtze River Delta	Powerlong CM	Entrusted management	70,000
2	Shangrao Shuinanjie (上饒水南街) ⁽¹⁾	Shangrao	Others	Powerlong Xinghui	Advisory consultation	158,000
Sub-total						228,000
Total						228,000

(1) Contract was entered into in August 2023. It is not included in the scope of statistics in respect of the first half of 2023.

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 2023 by product category.

Product category	Average occupancy rate ⁽¹⁾		GFA in operation as of 30 June 2023
	30 June 2023	31 December 2022	(in thousand sq. m.)
Powerlong One Mall	99.4	98.5	171
Powerlong City	97.9	98.4	574
Powerlong Plaza	90.1	92.2	8,445
Powerlong Land	92.1	92.5	516
Powerlong Xinghui	92.3	92.3	995
Total	90.8	92.6	10,701

(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 2023

The Group's retail commercial property projects planned for opening in the second half of 2023 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)	October 2023	Ningbo	Yangtze River Delta	Powerlong Real Estate	Entrusted management	65,915
2	Jingdezhen Powerlong Plaza (景德鎮寶龍廣場)	October 2023	Jingdezhen	Others	Powerlong Real Estate	Entrusted management	129,209
3	Jinhua Jinyi Powerlong Plaza (金華金義寶龍廣場)	October 2023	Jinhua	Yangtze River Delta	Powerlong Real Estate	Entrusted management	92,743
4	Xuzhou Hexin Powerlong Plaza (徐州和信寶龍廣場)	October 2023	Xuzhou	Yangtze River Delta	Third Party	Entrusted management	197,251
5	Hangzhou Gongshu Powerlong Plaza (杭州拱墅寶龍廣場)	December 2023	Hangzhou	Yangtze River Delta	Powerlong Real Estate	Entrusted management	98,264
6	Pizhou Powerlong Plaza (邳州寶龍廣場)	December 2023	Xuzhou	Yangtze River Delta	Powerlong Real Estate	Entrusted management	129,514
7	Linhai Powerlong Plaza (臨海寶龍廣場)	December 2023	Taizhou	Yangtze River Delta	Third Party	Sublease	50,215
Sub-total							763,111
Powerlong Land							
1	Xiamen Yuanboyuan Powerlong Land (廈門圓博苑寶龍天地)	October 2023	Xiamen	Others	Third Party	Sublease	14,705
2	Xiamen Wenzao (廈門文灶)	December 2023	Xiamen	Others	Third Party	Sublease	41,658
Sub-total							56,363
Powerlong Xinghui							
1	Tiantai Cultural Center Powerlong Land (天臺文化中心寶龍天地)	October 2023	Taizhou	Yangtze River Delta	Third Party	Entrusted management	18,227
2	Wenzhou Yueqing Powerlong Plaza (溫州樂清寶龍廣場)	December 2023	Wenzhou	Yangtze River Delta	Third Party	Entrusted management	56,000
Sub-total							74,227
Total							893,701

- (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 2023, revenue of the Group's residential property management service business segment amounted to approximately RMB226.9 million, representing a decrease of approximately 6.2% from approximately RMB241.8 million for the six months ended 30 June 2022; and the Group had GFA delivered of approximately 20.1 million sq.m., representing an increase of 1.8 million sq.m. from 18.3 million sq.m. for the corresponding period of 2022; 105 projects delivered, representing a net increase of 18 projects from 87 projects for the corresponding period of 2022; contracted GFA of approximately 29.8 million sq.m., representing a decrease of approximately 0.8 million sq.m. from approximately 30.6 million sq.m. for the corresponding period of 2022.

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					
	2023			2022		
	Contracted GFA	GFA delivered	Revenue	Contracted GFA	GFA delivered	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⁾	19,253	10,586	139,069	19,201	8,673	138,764
Pearl River Delta ⁽²⁾	559	389	8,227	559	–	2,998
Others ⁽³⁾	9,984	9,104	79,645	10,877	9,619	100,083
Total	29,796	20,079	226,941	30,637	18,292	241,845

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 2023

During the year 2023, as restrictive measures were lifted after three years of COVID-19 pandemic, normalized operation was fully resumed in both the economy and society, and the consumption scenario returned to offline. Macroeconomic policies were vigorously adopted, with the National Development and Reform Commission (NDRC) promulgating the Measures Concerning the Recovery and Expansion of Consumption in which 20 substantial measures on the recovery and expansion of consumption were introduced to further cater to the consumption needs of residents and to unleash consumption potentials. In the first half of 2023, the gross domestic product (GDP) grew at 5.5% year on year, with total social retail consumption growing at 8.2%. The trend of recovery of the economy continued, and the consumption market recovered moderately in general.

With the gradual recovery of the offline consumption scenario and whilst shopping malls acted as the main traffic gateway for offline consumption, the Group saw a strong recovery in customer traffic and sales in the first half of 2023 with double-digit growth. Meanwhile, the Group continued to optimize and upgrade the brand portfolio of tenant mix, forging in-depth cooperation with the LVMH Group, the L’Oreal Group and so forth. More than 10 high-end cosmetics stores were unveiled in Xiamen Powerlong One Mall, creating a new high-end cosmetics matrix. Looking ahead to the second half of 2023, the Group will continue to adhere to the strategic layout of focusing on the Yangtze River Delta. In the face of changes in the market and consumption, the Group will think out of the box, break out of the routine, and constantly update the mix of business formats, establish project signatures, and proactively respond to changes in the market to create a rich consumption scenario and satisfy diversified lifestyles.

1. Establishing value pyramid

The Company’s value pyramid will be built by fully utilizing the project space and the revenue value of each business segment, while integrating the platform value of the commercial and property elements. Meanwhile, in the second half of 2023, we will continue to improve the operating quality and commercial atmosphere of our projects and accelerate the adjustment and renovation process of existing projects. For the operation of tenant sourcing, the Company will emphasize the panoramic review of the whole process of commercial management, including the promotion of tenant sourcing, data research, risk control, and tenant sourcing for empty stores. We will make use of intelligent technology to enhance the effectiveness of project management by using the AI assistant to monitor the whole process of the system, and by proactively pushing out alert information.

2. Continuously expanding brand influence

In March 2023, a conference on our full-year marketing strategies was successfully held under the theme of “Four Seasons of POWERLONG”. Based on the rhythm of business operation, festive seasons and holidays, the Group’s marketing strategies for the four seasons in 2023 were elaborated in detail along the four dimensions of “color, sound, taste and temperature”. In the second half of 2023, the Group will continue to launch splendid marketing activities focusing on the two seasons of “autumn and winter”, while the third “POWERLONG-ING” campaign will remain the key marketing activity of the year and will be held in October 2023, sparking the consumption boom as always.

3. Enhancing talent echelon construction

The Group will continue to take the Yangtze River Delta as the core hub of its strategic layout while paying attention to and exploring other premium regions that offer opportunities. Following the establishment of the tenant sourcing centers in six cities to give full play to the competence in regional tenant sourcing, in the second half of 2023, the Group will activate the YOUNG program to embrace business development in the new era through the selection of young leaders. The Group will continue to recruit and cultivate talents, conduct special training for project general managers, incentivize internal talents growing, devise a data-backed and intelligent system for appraising the individuals, and continue to optimize organizational efficiency, enhance efficiency of approval process, and build a first-class business operation team in the industry.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2023, the Group recorded a revenue of approximately RMB1,274.8 million, representing an increase of approximately RMB8.4 million as compared with approximately RMB1,266.4 million for the six months ended 30 June 2022.

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

	For the six months ended 30 June			
	2023		2022	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Commercial Operational Services				
Market research and positioning, business tenant sourcing and opening preparation services	48,042	3.8	94,883	7.5
Commercial operation and management services	912,730	71.6	854,353	67.5
Commercial property lease income	87,117	6.8	75,302	5.9
	<u>1,047,889</u>	<u>82.2</u>	<u>1,024,538</u>	<u>80.9</u>
Residential Property Management Services				
Pre-sale management services	4,095	0.3	14,597	1.1
Property management services	171,137	13.4	191,017	15.1
Other value-added services	51,709	4.1	36,231	2.9
	<u>226,941</u>	<u>17.8</u>	<u>241,845</u>	<u>19.1</u>
Total	<u>1,274,830</u>	<u>100.0</u>	<u>1,266,383</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 2023, the Group's revenue from market research and positioning, business tenant sourcing and opening preparation services amounted to approximately RMB48.0 million, representing a period-on-period decrease of approximately 49.4% and accounting for approximately 3.8% 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 2022.

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 2023, the Group's revenue from commercial operation and management services amounted to approximately RMB912.7 million, representing a period-on-period increase of approximately 6.8% and accounting for approximately 71.6% 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 operational capability. For the six months ended 30 June 2023, the GFA in operation of the Group's commercial properties was approximately 10.7 million sq.m., representing a period-on-period increase of approximately 4.9%.

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 2023, the Group's revenue derived from commercial property lease services amounted to approximately RMB87.1 million, representing a period-on-period increase of approximately 15.7% and accounting for approximately 6.8% of the Group's total revenue.

The increase in the revenue from commercial property lease services was primarily attributable to the increase 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 2023, the Group's revenue from residential property management services amounted to approximately RMB226.9 million, representing a period-on-period decrease of approximately 6.2% and accounting for approximately 17.8% of the Group's total revenue.

The decrease in the revenue from residential property management services was primarily because: (i) the pace of increase in contracted area of residential properties slowed down, and the revenue from pre-sale management services decreased, as a result of continued downturn of the real estate market in China; and (ii) for the six months ended 30 June 2023, the contracted area of residential properties was approximately 29.8 million sq.m., representing a decrease of approximately 0.8 million sq.m. from the corresponding period in 2022. It was primarily because the Group took the initiative to negotiate with the owners of a project and completed the rescission of contracts with the operation quality and performance of the project falling short of expectation. In the future, the Group will focus more resources on the development and improvement of quality projects.

Revenue indicated by type of customers is as follows:

	For the six months ended 30 June			
	2023		2022	
	RMB'000	%	RMB'000	%
Commercial Operational Services				
Fellow subsidiaries ⁽ⁱ⁾	160,875	12.6	174,691	13.8
Other related parties ⁽ⁱⁱ⁾	9,985	0.8	16,534	1.3
External customers ⁽ⁱⁱⁱ⁾	877,029	68.8	833,313	65.8
	<u>1,047,889</u>	<u>82.2</u>	<u>1,024,538</u>	<u>80.9</u>
Residential Property Management Services				
Fellow subsidiaries ⁽ⁱ⁾	26,978	2.1	40,368	3.2
Other related parties ⁽ⁱⁱ⁾	2,421	0.2	9,072	0.7
External customers ⁽ⁱⁱⁱ⁾	197,542	15.5	192,405	15.2
	<u>226,941</u>	<u>17.8</u>	<u>241,845</u>	<u>19.1</u>
Total	<u>1,274,830</u>	<u>100.0</u>	<u>1,266,383</u>	<u>100.0</u>

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 2023, revenue derived from external customers was approximately RMB1,074.6 million, representing an increase of approximately RMB48.9 million from approximately RMB1,025.7 million for the six months ended 30 June 2022, and accounting for approximately 84.3% of the total revenue of the Group.

Revenue indicated by geographic regions is as follows:

	For the six months ended 30 June		2022	
	2023			
	RMB'000	%	RMB'000	%
Commercial Operational Services				
Yangtze River Delta	754,161	59.2	727,095	57.4
Pearl River Delta	16,539	1.3	19,885	1.6
Others	277,189	21.7	277,558	21.9
	<u>1,047,889</u>	<u>82.2</u>	<u>1,024,538</u>	<u>80.9</u>
Residential Property Management Services				
Yangtze River Delta	139,069	10.9	138,764	11.0
Pearl River Delta	8,227	0.6	2,998	0.2
Others	79,645	6.3	100,083	7.9
	<u>226,941</u>	<u>17.8</u>	<u>241,845</u>	<u>19.1</u>
Total	<u>1,274,830</u>	<u>100.0</u>	<u>1,266,383</u>	<u>100.0</u>

For the six months ended 30 June 2023, 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 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 six months ended 30 June 2023, the Group's cost of services was approximately RMB836.6 million, representing a period-on-period increase of approximately 0.1%. Such increase in cost of services is 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 2023 amounted to approximately RMB438.2 million, representing a period-on-period increase of approximately 1.8%. For the six months ended 30 June 2022, the gross profit margin was 34.4%, representing an increase of 0.4 percentage point as compared to 34.0% for the six months ended 30 June 2022.

The gross profit of commercial operational services for the six months ended 30 June 2023 amounted to approximately RMB378.3 million, representing a period-on-period increase of approximately 2.8%. The gross profit margin of the Group's commercial operational services for the six months ended 30 June 2023 was 36.1%, representing an increase of 0.2 percentage point as compared to 35.9% for the six months ended 30 June 2022, 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 2023 amounted to approximately RMB59.9 million, representing a period-on-period decrease of approximately 4.1%. The gross profit margin of the Group's residential property management services for the six months ended 30 June 2023 was 26.4%, representing an increase of 0.6 percentage point as compared to 25.8% for the six months ended 30 June 2022, primarily because the Group continued to reduce the costs of some low-margin property management projects, and took the initiative to complete the rescission of contracts in respect of a project of poor operation quality.

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

	For the six months ended 30 June			
	2023		2022	
	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	378,318	36.1	367,983	35.9
Residential property management services	59,893	26.4	62,451	25.8
Total	438,211	34.4	430,434	34.0

For the six months ended 30 June 2023, 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) – net

Other net 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 2023, the Group's other income and other gains/(losses) – net amounted to approximately RMB31.2 million, representing a period-on-period increase of approximately 5.5%, 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 2023, the Group's impairment losses on financial assets – net amounted to approximately RMB14.2 million, representing a period-on-period increase of approximately 0.1%. This was mainly due to the fact that on the basis of prudent principles, the Group performed impairment tests on the carrying amount of trade receivables and other receivables, and made reasonable impairment provision.

Finance income/(costs) – net

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

For the six months ended 30 June 2023, the Group's net finance income amounted to approximately RMB12.8 million, as compared to the net finance cost of approximately RMB8.7 million for the corresponding period in 2022. This is mainly because of the increase in interest income from bank deposits.

Income tax expense

The Group's income tax expense mainly comprises PRC corporate income tax. The effective income tax rate of the Group remained relatively stable at approximately 26.7% and 27.6% for the six months ended 30 June, 2023 and 2022, respectively.

Profit for the period

For the six months ended 30 June 2023, the Group's profit attributable to the Shareholders was approximately RMB257.0 million, representing an increase of approximately 6.9% as compared with approximately RMB240.3 million for the six months ended 30 June 2022.

Operating lease and trade receivables

The Group's operating lease and trade receivables primarily arose from property leasing services 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 2023, the Group's operating lease and trade receivables were approximately RMB337.3 million, representing an increase of approximately 45.1% as compared with approximately RMB232.5 million as of 31 December 2022, 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 2023, the Group's trade and other payables amounted to approximately RMB1,038.7 million, representing a decrease of approximately 5.1% as compared with approximately RMB1,094.1 million as of 31 December 2022. This was primarily attributable to the decrease in receipts on behalf of tenants or residents.

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 2023, contract liabilities amounted to approximately RMB291.0 million, representing an increase of approximately 26.9% as compared with approximately RMB229.3 million as of 31 December 2022, which was mainly due to the expansion of the Group's business scale.

Contingent liabilities

As at 30 June 2023 and 31 December 2022, 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 2023, the Group's cash and bank balances amounted to approximately RMB3,528.5 million, representing an increase of approximately 2.2% as compared with approximately RMB3,452.7 million as of 31 December 2022. This was primarily attributable to the Group's stepped up efforts in collection.

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 2023, the Group had 5,686 (31 December 2022: 5,726) 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. In relation to staff training, the Group also provides different types of programs for its staff to improve their skills and develop their respective expertise. During the six months ended 30 June 2023, 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 2023.

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

The Company had no significant investments or significant acquisitions, and had no disposal of subsidiaries, associates and joint ventures during the six months ended 30 June 2023.

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 24 August 2023, the Board recommended the payment of an interim dividend of HK\$0.15 per ordinary share for the six months ended 30 June 2023 (30 June 2022: HK\$0.15 per ordinary share). Total amount of interim dividend would be HK\$96.4 million, which is calculated based on the total number of ordinary shares in issue as at 30 June 2023. The interim dividend will be paid on or around Wednesday, 20 December 2023 to the Shareholders whose names appear on the register of members of the Company on Friday, 1 December 2023.

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 2023, the register of members of the Company will be closed from Tuesday, 28 November 2023 to Friday, 1 December 2023, 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 2023, 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, 27 November 2023.

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 to 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 Company has adopted the applicable code provisions set out in Part 2 of the Corporate Governance Code contained in Appendix 14 to the Listing Rules as in force from time to time as its own code on corporate governance and, to the best knowledge of the Directors, the Company had complied with all applicable code provisions under the Corporate Governance Code 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 2023 with the Company's management and considered that such information have been prepared in accordance with applicable accounting standards and requirements with sufficient disclosure. There is no disagreement by the Audit Committee with the accounting treatment adopted by the Company.

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 2023 will be despatched to the Shareholders 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, 24 August 2023

As at the date of this announcement, the Board comprises of two executive Directors, namely, Mr. Hoi Wa Fong and Mr. Chen Deli, three non-executive Directors, namely, Mr. Zhang Yunfeng, 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.