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POWERLONG REAL ESTATE HOLDINGS LIMITED

寶龍地產控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1238)

ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

SUMMARY OF RESULTS

For the year ended 31 December 2021

- Contracted sales amounted to approximately RMB101,227 million, representing an increase of approximately 24.1% as compared with the corresponding period in 2020.
- Revenue amounted to approximately RMB39,902 million, representing an increase of approximately 12.4% as compared with the corresponding period in 2020.
- Rental income and income from provision of commercial operational services and residential property management services amounted to approximately RMB3,708 million, representing an increase of approximately 14.6% as compared with the corresponding period in 2020.
- Profit attributable to the owners of the Company was approximately RMB5,992 million, representing a decrease of approximately 1.7% as compared with the corresponding period in 2020.
- Core earnings attributable to the owners of the Company was approximately RMB3,766 million, representing an increase of approximately 4.7% as compared with the corresponding period in 2020.
- The proposal for the declaration of a final dividend for the year ended 31 December 2021 will be announced in the 2021 audited annual results announcement.
- Subject to completion of audit, the 2021 audited annual results announcement is currently expected to be published by no later than 15 May 2022.

The board (the “**Board**”) of directors (the “**Directors**”) of Powerlong Real Estate Holdings Limited (the “**Company**” or “**Powerlong**”) hereby announces the unaudited consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2021, together with comparative figures for the year ended 31 December 2020. For the reasons as disclosed in the announcement of the Company dated 24 March 2022 and explained in the section headed “Delay in Publication of Audited Annual Results” in this announcement, the unaudited consolidated annual results of the Group for the year ended 31 December 2021 contained in this announcement are based on the consolidated management accounts of the Company for the year ended 31 December 2021, which have yet to be agreed with the Company’s auditor.

CONSOLIDATED BALANCE SHEET

		31 December	
		2021	2020
		Unaudited	Audited
	<i>Note</i>	RMB’000	RMB’000
ASSETS			
Non-current assets			
Property and equipment		6,228,971	5,221,769
Investment properties	3	78,329,755	58,243,338
Intangible assets		4,859	5,420
Goodwill		20,640	20,640
Investments accounted for using the equity method		9,769,743	7,642,200
Deferred income tax assets		1,109,849	800,680
Financial assets at fair value through profit or loss		558	313
Financial assets at fair value through other comprehensive income		299,081	439,057
Prepayments		571,656	1,269,164
Trade receivables	4	222,781	–
		96,557,893	73,642,581
Current assets			
Properties under development		70,865,579	48,719,297
Completed properties held for sale		16,833,381	14,589,666
Contract assets		557,363	406,338
Trade receivables	4	3,009,089	2,163,838
Other receivables		24,181,964	16,027,938
Prepayments		6,381,782	10,131,446
Prepaid taxes		1,411,024	865,430
Financial assets at fair value through profit or loss		189,924	308,983
Restricted cash		5,661,262	2,937,270
Cash and cash equivalents		19,407,192	25,338,726
		148,498,560	121,488,932
Total assets		245,056,453	195,131,513

		31 December	
		2021	2020
		Unaudited	Audited
	<i>Note</i>	RMB'000	RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium		36,779	36,795
Other reserves		1,808,496	1,582,187
Retained earnings		38,848,385	34,601,884
		<hr/>	<hr/>
		40,693,660	36,220,866
Perpetual Capital Instruments		519,781	519,781
Non-controlling interests		21,194,011	15,060,519
		<hr/>	<hr/>
Total equity		62,407,452	51,801,166
		<hr/>	<hr/>
LIABILITIES			
Non-current liabilities			
Borrowings	5	50,934,930	45,899,678
Lease liabilities		2,349,586	675,920
Other payables	6	137,115	182,167
Deferred income tax liabilities		8,472,243	7,242,444
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		61,893,874	54,000,209
		<hr/>	<hr/>
Current liabilities			
Borrowings	5	22,022,693	20,667,678
Trade and other payables	6	46,378,690	35,229,517
Contract liabilities		38,925,437	22,757,332
Current income tax liabilities		13,238,405	10,462,611
Lease liabilities		189,902	213,000
		<hr/>	<hr/>
		120,755,127	89,330,138
Total liabilities		182,649,001	143,330,347
		<hr/>	<hr/>
Total equity and liabilities		245,056,453	195,131,513
		<hr/>	<hr/>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2021	2020
		Unaudited	Audited
	Note	RMB'000	RMB'000
Revenue	2	39,902,461	35,495,300
Cost of sales	7	(27,383,411)	(22,679,514)
Gross profit		12,519,050	12,815,786
Fair value gains on investment properties – net	3	1,710,955	2,095,764
Selling and marketing costs	7	(1,392,470)	(1,096,220)
Administrative expenses	7	(1,911,870)	(1,545,590)
Net impairment losses on financial assets		(241,415)	(150,002)
Other income and gains – net	8	1,390,342	184,226
Operating profit		12,074,592	12,303,964
Finance (costs)/income – net	9	(434,718)	312,433
Share of profit of investments accounted for using the equity method		507,903	666,990
Profit before income tax		12,147,777	13,283,387
Income tax expense	10	(4,811,652)	(4,468,037)
Profit for the year		7,336,125	8,815,350
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Currency translation differences		(5,556)	(16,027)
<i>Items that will not be reclassified to profit or loss</i>			
Revaluation gains on property and equipment transferred to investment properties, net of tax		–	92,203
Changes in the fair value of financial assets at fair value through other comprehensive income, net of tax		(134,231)	42,688
Total other comprehensive income for the year, net of tax		(139,787)	118,864
Total comprehensive income for the year		7,196,338	8,934,214

		Year ended 31 December	
		2021	2020
		Unaudited	Audited
<i>Note</i>		RMB'000	RMB'000
Profit attributable to:			
	Owners of the Company	5,992,099	6,093,216
	Holders of Perpetual Capital Instruments	38,000	50,979
	Non-controlling interests	1,306,026	2,671,155
		<u>7,336,125</u>	<u>8,815,350</u>
Total comprehensive income attributable to:			
	Owners of the Company	5,852,312	6,212,080
	Holders of Perpetual Capital Instruments	38,000	50,979
	Non-controlling interests	1,306,026	2,671,155
		<u>7,196,338</u>	<u>8,934,214</u>
Earnings per share for profit attributable to owners of the Company for the year (expressed in RMB cents per share)			
	– Basic	144.7	147.1
	– Diluted	144.7	147.1

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NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

(i) Compliance with HKFRSs and HKCO

These consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

(ii) Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss and investment properties which are carried at fair value.

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

The Group has applied the following new standards, amendments to existing standards and interpretation for the first time for their financial year beginning on 1 January 2021:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform Phase 2
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(iv) **New standards and amendments to existing standards that have been issued but are not effective and have not been early adopted by the Group**

The following new standards, amendments, interpretation to standards and accounting guideline have been published that are not mandatory for the year ended 31 December 2021 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual improvements project	Annual improvements to HKFRSs 2018–2020	1 January 2022
Revised AG 5	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations	1 January 2022
HKFRS 17	Insurance contracts	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 HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
HK Int 5 (2020)	Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (2020))	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined by the HKICPA

The adoption of the new and amended standards and interpretation did not have a material impact on the consolidated financial statements of the Group.

2 SEGMENT INFORMATION

The executive directors, as the chief operating decision-makers (“**CODM**”) of the Group, review the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group is organised into four business segments: property development, property investment, commercial operation and residential property management, and other property development related businesses. Other property development related businesses are mainly operations of hotels. As the CODM considers most of the Group’s consolidated revenue and results are attributable to the market in the People’s Republic of China (the “**PRC**”) and the Group’s consolidated assets are substantially located in the PRC, no geographical information is presented.

Revenue consists of sales of properties, rental income of investment properties, income from provision of commercial operational services and residential property management services and other property development related businesses. Revenue of the year consists of the following:

	Year ended 31 December	
	2021	2020
	Unaudited	Audited
	RMB'000	RMB'000
Sales of properties	35,034,613	31,485,863
Rental income of investment properties	1,681,437	1,561,769
Income from provision of commercial operational services and residential property management services	2,026,622	1,674,459
Income of other property development related businesses	1,159,789	773,209
	39,902,461	35,495,300

- (a) Segment results represent the profit earned by each segment without fair value (losses)/gains on financial assets, dividend income of financial assets, unallocated operating costs, finance (costs)/income – net and income tax expense. The segment results and other segment items for the year ended 31 December 2021 are as follows:

For the year ended 31 December 2021 (Unaudited)	Property development RMB'000	Property investment RMB'000	Commercial operation and residential property management RMB'000	Other property development related businesses RMB'000	Elimination RMB'000	Group RMB'000
Gross segment revenue	35,034,613	1,819,437	2,463,996	1,202,075	–	40,520,121
Inter-segment revenue	–	(138,000)	(437,374)	(42,286)	–	(617,660)
Revenue	<u>35,034,613</u>	<u>1,681,437</u>	<u>2,026,622</u>	<u>1,159,789</u>	<u>–</u>	<u>39,902,461</u>
Share of post-tax (losses)/profit of joint ventures	(112,350)	–	1,407	–	–	(110,943)
Share of post-tax profits/(losses) of associates	634,159	–	–	(15,313)	–	618,846
Segment results	<u>9,798,927</u>	<u>3,156,784</u>	<u>253,063</u>	<u>123,272</u>	<u>–</u>	<u>13,332,046</u>
Fair value losses on financial assets at fair value through profit or loss						(77,335)
Unallocated operating costs						(672,216)
Finance cost – net						(434,718)
Profit before income tax						12,147,777
Income tax expense						(4,811,652)
Profit for the year						<u>7,336,125</u>
Depreciation and amortisation recognised as expenses	57,601	–	5,167	232,338	–	295,106
Fair value gains/(losses) on investment properties – net (Note 3)	<u>–</u>	<u>1,813,041</u>	<u>(102,086)</u>	<u>–</u>	<u>–</u>	<u>1,710,955</u>

The segment results and other segment items included in the profit for the year ended 31 December 2020 are as follows:

For the year ended 31 December 2020 (Audited)	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Commercial operation and residential property management <i>RMB'000</i>	Other property development related businesses <i>RMB'000</i>	Elimination <i>RMB'000</i>	Group <i>RMB'000</i>
Gross segment revenue	31,485,863	1,667,926	1,921,238	800,204	–	35,875,231
Inter-segment revenue	–	(106,157)	(246,779)	(26,995)	–	(379,931)
Revenue	<u>31,485,863</u>	<u>1,561,769</u>	<u>1,674,459</u>	<u>773,209</u>	<u>–</u>	<u>35,495,300</u>
Share of post-tax profits/(losses) of joint ventures	304,116	–	(3,009)	–	–	301,107
Share of post-tax profits of associates	365,850	–	–	33	–	365,883
Segment results	10,386,981	3,226,859	293,011	(174,955)	–	13,731,896
Fair value gains on financial assets at fair value through profit or loss						12,817
Dividend income of financial assets						1,218
Unallocated operating costs						(774,977)
Finance income – net						<u>312,433</u>
Profit before income tax						13,283,387
Income tax expense						<u>(4,468,037)</u>
Profit for the year						<u>8,815,350</u>
Depreciation and amortisation recognised as expenses	60,806	–	5,741	212,959	–	279,506
Fair value gains/(losses) on investment properties – net (<i>Note 3</i>)	<u>–</u>	<u>2,187,227</u>	<u>(91,463)</u>	<u>–</u>	<u>–</u>	<u>2,095,764</u>

Sales between segments are carried out in accordance with the terms of the underlying agreements. The revenue from external parties reported to the CODM is measured in a manner consistent with that in the consolidated statement of comprehensive income.

- (b) Segment assets, liabilities and interests in joint ventures and associates as at 31 December 2021 and capital expenditure for the year then ended are as follows:

As at 31 December 2021 (Unaudited)	Property development RMB'000	Property investment RMB'000	Commercial operation and residential property management RMB'000	Other property development related businesses RMB'000	Elimination RMB'000	Group RMB'000
Segment assets	142,843,678	77,432,465	4,877,578	8,977,976	(6,822,467)	227,309,230
Other assets						<u>17,747,223</u>
Total assets						<u>245,056,453</u>
Segment assets include:						
Interests in joint ventures	4,115,275	–	53,918	–	–	4,169,193
Interests in associates	5,560,267	–	–	40,283	–	<u>5,600,550</u>
Segment liabilities	71,129,680	2,701,404	2,086,525	6,586,311	(6,822,467)	75,681,453
Other liabilities						<u>106,967,548</u>
Total liabilities						<u>182,649,001</u>
Capital expenditure	350,927	13,916,250	53,615	942,271	–	<u>15,263,063</u>

Segment assets, liabilities and interests in joint ventures and associates as at 31 December 2020 and capital expenditure for the year then ended are as follows:

As at 31 December 2020 (Audited)	Property development RMB'000	Property investment RMB'000	Commercial operation and residential property management RMB'000	Other property development related businesses RMB'000	Elimination RMB'000	Group RMB'000
Segment assets	114,108,767	59,670,436	4,461,571	6,850,757	(5,461,981)	179,629,550
Other assets						<u>15,501,963</u>
Total assets						<u>195,131,513</u>
Segment assets include:						
Interests in joint ventures	4,304,080	–	2,511	–	–	4,306,591
Interests in associates	3,289,911	–	–	45,698	–	<u>3,335,609</u>
Segment liabilities	43,797,373	1,739,480	2,259,492	4,701,951	(5,461,981)	47,036,315
Other liabilities						<u>96,294,032</u>
Total liabilities						<u>143,330,347</u>
Capital expenditure	94,149	3,872,238	509,792	676,954	–	<u>5,153,133</u>

Segment assets are reconciled to total assets as follows:

	31 December	
	2021	2020
	Unaudited	Audited
	RMB'000	RMB'000
Segment assets	227,309,230	179,629,550
Other assets		
– Prepaid taxes	1,411,024	865,430
– Deferred income tax assets	1,109,849	800,680
– Unallocated cash and cash equivalents and restricted cash	4,429,896	5,796,947
– Other receivables from related parties	10,208,929	7,211,693
– Unallocated property and equipment	52,361	69,308
– Other corporate assets	45,601	9,552
– Financial assets at fair value through other comprehensive income	299,081	439,057
– Financial assets at fair value through profit or loss	190,482	309,296
Total assets	245,056,453	195,131,513

Segment liabilities are reconciled to total liabilities as follows:

	31 December	
	2021	2020
	Unaudited	Audited
	RMB'000	RMB'000
Segment liabilities	75,681,453	47,036,315
Other liabilities		
– Current income tax liabilities	13,238,405	10,462,611
– Deferred income tax liabilities	8,472,243	7,242,444
– Current borrowings	22,022,693	20,667,678
– Non-current borrowings	50,934,930	45,899,678
– Other payables to related parties	11,363,136	10,986,310
– Dividend payables to non-controlling interests	–	148,880
– Other corporate liabilities	936,141	886,431
Total liabilities	182,649,001	143,330,347

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

Segment assets consist primarily of property and equipment, investment properties, intangible assets, properties under development, completed properties held for sale, contract assets, receivables and cash and cash equivalents.

Segment liabilities consist of operating liabilities.

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

3 INVESTMENT PROPERTIES

	Completed investment properties <i>RMB'000</i>	Investment properties under construction <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended 31 December 2021 (Unaudited)			
Opening net book amount	52,519,420	5,723,918	58,243,338
Additions	42,501	13,916,250	13,958,751
Acquisition of a subsidiary	2,790,805	1,144,248	3,935,053
Transfer from property and equipment	483,557	–	483,557
Transfers	5,272,300	(5,272,300)	–
Fair value gains – net	687,692	1,023,263	1,710,955
Disposals	(1,899)	–	(1,899)
At 31 December 2021	61,794,376	16,535,379	78,329,755
Year ended 31 December 2020 (Audited)			
Opening net book amount	46,578,183	4,506,458	51,084,641
Additions	540,434	3,832,772	4,373,206
Acquisition of a subsidiary	73,838	–	73,838
Transfer from property and equipment	496,326	–	496,326
Revaluation gains upon transfer from property and equipment	122,937	–	122,937
Transfers	3,925,704	(3,925,704)	–
Fair value gains – net	785,372	1,310,392	2,095,764
Disposals	(3,374)	–	(3,374)
At 31 December 2020	52,519,420	5,723,918	58,243,338

4 TRADE RECEIVABLES

	31 December	
	2021	2020
	Unaudited	Audited
	RMB'000	RMB'000
Trade receivables (<i>Note (a)</i>)	3,384,614	2,259,611
– Third parties	3,377,871	2,218,069
– Related parties	6,743	41,542
Less: loss allowance (<i>Note (b)</i>)	(152,744)	(95,773)
	3,231,870	2,163,838
Less: non-current portion		
Trade receivables – third parties	(222,781)	–
	3,009,089	2,163,838

- (a) The majority of the Group's sales are derived from sales of properties and rental income. Proceeds in respect of sales of properties and rental income are to be received in accordance with the terms of related sales and purchase agreements and rental contracts.

The ageing analysis of trade receivables as at the respective balance sheet date is as follows:

	31 December	
	2021	2020
	Unaudited	Audited
	RMB'000	RMB'000
Within 90 days	1,821,856	1,803,234
Over 90 days and within 180 days	72,096	86,589
Over 180 days and within 365 days	1,164,454	210,146
Over 365 days	326,208	159,642
	3,384,614	2,259,611

- (b) The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 December 2021, a provision of RMB152,744,000 was made against the gross amounts of trade receivables (2020: RMB95,773,000).

The closing loss allowance for trade receivables reconcile to the opening loss allowance as follows:

	Year ended 31 December	
	2021	2020
	Unaudited	Audited
	RMB'000	RMB'000
At 1 January	95,773	46,074
Provision for impairment	82,481	57,491
Receivables written off during the year as uncollectible	(20,035)	(6,001)
Unused amount reverse	(5,475)	(1,791)
	<hr/>	<hr/>
At 31 December	152,744	95,773

- (c) As at 31 December 2021 and 2020, the fair value of trade receivables approximated their carrying amounts.

5 BORROWINGS

	31 December	
	2021	2020
	Unaudited	Audited
	RMB'000	RMB'000
Borrowings included in non-current liabilities:		
Senior notes	12,939,366	13,765,707
Corporate bonds	8,993,868	11,928,398
Commercial mortgage backed securities	2,329,278	2,341,364
Assets-backed securities	1,275,949	1,269,231
Bank borrowings	39,543,692	32,965,056
– secured	39,461,932	32,819,276
– unsecured	81,760	145,780
Other borrowings – secured	2,168,600	350,000
Less: current portion of non-current borrowings	(16,315,823)	(16,720,078)
	<hr/>	<hr/>
	50,934,930	45,899,678
	<hr/>	<hr/>
Borrowings included in current liabilities:		
Senior notes	3,160,562	–
Bank borrowings – secured	1,261,368	2,384,600
Other borrowings	984,940	763,000
– secured	822,040	763,000
– unsecured	162,900	–
Short-term commercial papers	300,000	800,000
Current portion of long-term borrowings	16,315,823	16,720,078
	<hr/>	<hr/>
	22,022,693	20,667,678
	<hr/>	<hr/>
Total borrowings	72,957,623	66,567,356

6 TRADE AND OTHER PAYABLES

	31 December	
	2021	2020
	Unaudited	Audited
	RMB'000	RMB'000
Trade payables (<i>Note (a)</i>)	16,197,293	13,183,955
– Related parties	40,273	25,800
– Third parties	15,014,075	12,890,578
– Notes payable – third parties	1,142,945	267,577
Other payables and accruals	23,839,652	17,500,555
– Related parties	11,363,136	10,986,310
– Non-controlling interests	6,503,912	3,824,565
– Third parties	5,972,604	2,689,680
Payables for retention fee	1,525,557	823,415
Value-added tax received in advance from customers	2,451,453	1,928,838
Interest payable	1,096,805	1,068,161
Payables for acquisition of land use rights	1,379	23,751
Other taxes payable	1,403,666	734,129
Dividend payables to non-controlling interests	–	148,880
	46,515,805	35,411,684
Less: non-current portion		
Other payables – third parties	(137,115)	(182,167)
Current portion	46,378,690	35,229,517

- (a) The ageing analysis of trade payables as at 31 December 2021 and 2020 based on invoice date is as follows:

	31 December	
	2021	2020
	Unaudited	Audited
	RMB'000	RMB'000
Within 90 days	6,674,871	8,993,850
Over 90 days and within 180 days	7,209,571	2,513,720
Over 180 days and within 365 days	889,272	1,217,702
Over 365 days and within 3 years	1,423,579	458,683
	16,197,293	13,183,955

7 EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing costs and administrative expenses are analysed as follows:

	Year ended 31 December	
	2021	2020
	Unaudited	Audited
	RMB'000	RMB'000
Cost of properties sold – including construction cost, land cost and interest cost	24,184,806	20,156,143
Staff costs (including directors' emoluments)	2,547,194	1,672,436
Employee benefit expenditure – including directors' emoluments	2,918,632	1,942,297
Less: capitalised in properties under development, investment properties under construction and construction in progress	(371,438)	(269,861)
Taxes and other levies	384,308	262,581
Advertising costs	860,610	700,078
Subcontracting costs	443,650	459,513
Hotel operations expenses	289,978	296,977
Depreciation and amortisation	295,106	279,506
– Property and equipment	225,134	224,351
– Right-of-use assets	69,411	54,968
– Intangible assets	561	187
Utilities	141,909	138,303
Office related expenses	111,483	93,863
Donations	34,564	68,892
Rental expenses	24,190	30,237
Auditor's remuneration	14,908	11,666
– Audit services	8,800	8,000
– Non-audit services	6,108	3,666

8 OTHER INCOME AND GAINS – NET

	Year ended 31 December	
	2021	2020
	Unaudited	Audited
	RMB'000	RMB'000
Fair value gains on the remeasurement of investments in joint ventures	558,355	37,919
Revaluation gains on completed properties held for sale transferred to investment properties	400,132	–
Gains on disposal of a joint venture and an associate	233,978	2,000
Interest income	169,693	82,241
Exchange gains – net	40,236	42,861
Dividend income of financial assets at fair value through profit or loss	–	1,218
(Losses)/gains on disposal of investment properties	(3,516)	2,062
Fair value (losses)/gains on financial assets at fair value through profit or loss	(77,335)	12,817
Others	68,799	3,108
	1,390,342	184,226

9 FINANCE COSTS/(INCOME) – NET

	Year ended 31 December	
	2021	2020
	Unaudited	Audited
	RMB'000	RMB'000
Interest expense:		
Borrowings	5,089,445	4,275,175
Lease liabilities	104,026	35,595
	<u>5,193,471</u>	<u>4,310,770</u>
Less: finance costs capitalised	(3,820,465)	(3,004,478)
Foreign exchange gains on financing activities – net	(595,024)	(1,205,882)
	<u>777,982</u>	<u>100,410</u>
Finance costs		
Interest income of bank deposits	(343,264)	(413,133)
Gains of early redemption of senior note	–	290
	<u>–</u>	<u>290</u>
Finance costs/(income) – net	<u>434,718</u>	<u>(312,433)</u>

10 INCOME TAX EXPENSE

	Year ended 31 December	
	2021	2020
	Unaudited	Audited
	RMB'000	RMB'000
Current income tax:		
PRC corporate income tax	2,655,935	2,366,554
PRC land appreciation tax	2,284,891	1,679,846
	<u>4,940,826</u>	<u>4,046,400</u>
Deferred income tax:		
PRC corporate income tax	77,805	513,759
PRC land appreciation tax	(206,979)	(92,122)
	<u>(129,174)</u>	<u>421,637</u>
	<u>4,811,652</u>	<u>4,468,037</u>

PRC corporate income tax

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof. The corporate income tax rate applicable to the group entities located in Mainland China is 25%.

PRC withholding income tax

According to the new Corporate Income Tax Law of the PRC, starting from 1 January 2008, a withholding tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong according to the tax treaty arrangements between the PRC and Hong Kong.

PRC land appreciation tax (“LAT”)

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT effective 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective on 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Group has made provision of LAT for sales of properties according to the aforementioned progressive rate, except for certain group companies which calculate the LAT based on deemed tax rates in accordance with the approved taxation method obtained from tax authorities.

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 accordingly, is exempted from Cayman Islands income tax. The Company’s subsidiaries in the British Virgin Islands were incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, are exempted from British Virgin Islands income tax.

Hong Kong profits tax

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

11 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 year.

	Year ended 31 December	
	2021 Unaudited	2020 Audited
Profit attributable to owners of the Company (RMB'000)	<u>5,992,099</u>	<u>6,093,216</u>
Weighted average number of ordinary shares in issue (thousand shares)	<u>4,141,135</u>	<u>4,142,654</u>
Basic earnings per share (RMB cents per share)	<u>144.7</u>	<u>147.1</u>

(b) Diluted

Since there was no dilutive potential ordinary shares during the year ended 31 December 2021, diluted earnings per share is equal to basic earnings per share (31 December 2020: same).

12 DIVIDENDS

The dividend paid in 2021 consists of (i) the payment of the 2020 final cash dividend of HK\$33.0 cents per ordinary share totalling HK\$1,366,993,000 (equivalent to RMB1,124,912,000) (2019 final cash dividend and special dividend of HK\$31.0 cents per ordinary share totalling HK\$1,284,145,000) and (ii) 2021 interim dividend of HK\$18.0 cents per ordinary share in form of cash totalling HK\$745,272,000 (equivalent to RMB608,679,000) (2020 interim dividend: HK\$12.0 cents per ordinary share totalling HK\$497,088,000).

The proposal for the declaration of a final dividend for the year ended 31 December 2021 will be announced in the 2021 audited annual results announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

During the year ended 31 December 2021, the People's Republic of China (the “**PRC**” or “**China**”) continued to showcase its remarkable resilience against the complicated backdrop of the COVID-19 pandemic, registering new breakthroughs in economy on both aggregate and per capita basis. In the real estate industry, the industry scale went up to a historic high, with further differentiations among cities. The Yangtze River Delta and the Guangdong-Hong Kong-Macau Bay Area continued to take the lead. Under stringent austerity policies, performance of the property market differed significantly in the first half and second half of the year. The third quarter of the year saw the start of price drop, dwindling land market, and cutback on both the price and quantity in the supply-demand landscape. Since the fourth quarter of the year, the austerity measures on the property market began to soften, with the ongoing implementation of city-specific policies and the emphasis on support for reasonable housing needs, under the general keynote of “properties being for residential dwellings instead of speculation”. Measures including the reduction of home loan interest rate, reduction of down payment and absorption of talents were rolled out in a number of first- and second-tier cities, increasingly gathering market confidence. With the continual release of proactive property market policies and rebound of price and quantity of transactions, property developers are starting to follow the trend by lowering leverage and reducing debts, paving way for the healthy and virtuous approach of sustainable and high-quality development.

BUSINESS REVIEW

For the year ended 31 December 2021, the Group conducted its business activities in the following major business segments, namely (i) property development; (ii) property investment; (iii) commercial operation and residential property management; and (iv) other property development related businesses. During the year under review, property development remained as the main revenue stream of the Group.

Property Development

For the year ended 31 December 2021, the contracted sales of the Group together with its associates and joint ventures amounted to approximately Renminbi (“**RMB**”) 101,227 million (2020: approximately RMB81,551 million), representing an increase of approximately 24.1% as compared with the corresponding period in 2020. In 2021, the contracted sales area of the Group together with its associates and joint ventures amounted to 6,410,452 square meters (2020: 5,327,291 square meters), representing an increase of approximately 20.3% as compared with the corresponding period in 2020.

For the year ended 31 December 2021, the Group's contracted sales recorded a year-on-year increase, primarily attributable to: (i) the Group's adherence to the strategic focus on the Yangtze River Delta and the Guangdong-Hong Kong-Macau Bay Area and intensive expansion in specific cities; (ii) the Group's ongoing efforts in strengthening its product research and development and the precise positioning of its products, and its commitment to quality and emphasis on customer experience in developing its products; (iii) the continual optimization of management structure, the formation of multidimensional management platform, the reduction of intermediate levels of hierarchy, and thus the substantial enhancement of management efficiency; (iv) the continual refinement of management, adjusting the pace of supply according to market conditions and basing production on sale; and (v) the continual enhancement in sales capability and the localized sales strategies adopted by the Group to accommodate local market needs and satisfy the requirements of the local governments of the PRC. The Group's ability to handle large projects was further strengthened, with 10 projects each of which achieving contracted sales of more than RMB2 billion. During the year ended 31 December 2021, the key contributing projects of the Group (together with its associates and joint ventures) were located in Ningbo, Hangzhou, Haikou, Nanjing, Jinhua, Wenzhou, Xiamen, Wuxi, Zhuhai and Shanghai.

Set forth below is the distribution of the Group's contracted sales during the year ended 31 December 2021:

For the year ended 31 December 2021			
Distribution	Sales area <i>sq.m.</i>	Sales amount <i>RMB'000</i>	Average selling price <i>RMB/sq.m.</i>
Commercial	1,164,888	16,453,399	14,124
Residential	5,245,564	84,774,048	16,161
Total	6,410,452	101,227,447	15,791

Property Investment and Commercial Operational and Residential Property Management

To generate a stable and recurring income, the Group has also retained and operated certain commercial properties for leasing. As at 31 December 2021, the Group had an aggregate gross floor area ("GFA") of approximately 7,286,508 square meters (2020: approximately 5,642,485 square meters) held as investment properties (including properties completed and under construction), representing an increase of approximately 29.1% as compared with 2020.

During the year ended 31 December 2021, the Group (together with its associates and joint ventures) has completed and commenced operation of eleven new shopping malls. The following Powerlong plazas successfully commenced operation on the following dates: Wenling Powerlong Plaza and Zhuji Powerlong Plaza on 11 June 2021; Zhoushan Powerlong Plaza on 25 June 2021; Wenzhou Airport Powerlong Plaza on 30 September 2021; Ningbo Fenghua Powerlong Plaza and Ningbo Gaoxin Powerlong Plaza on 30 October 2021; Yiwu Qingkou Powerlong Plaza, Yixing Powerlong Plaza and Zhuhai Gaoxin Powerlong Plaza on 27 November 2021; Lanxi Powerlong Plaza on 27 December 2021; and Hangzhou Jinnan Powerlong Plaza on 31 December 2021.

During the year ended 31 December 2021, two of the asset-light projects operated and managed by the Group commenced operation. Huizhou Rongcan Powerlong Plaza and Yancheng Jianhu Powerlong Plaza successfully commenced operation on 22 December 2021.

With the Group's enhanced ability of regionalized operation and management, increasing sophistication in tenant sourcing, upgraded tenant mix and continuous development of the commercial operation and management, as at 31 December 2021, the Group held and managed 59 commercial plazas and managed eight asset-light projects, with the number of commercial plazas in operation held and the floor area in operation and management both being amongst the forefront of the industry.

Hotel Business

The Group continued to develop its hotel business as a source of its long-term recurring income with core businesses in operating international brand hotels and self-operated brand chain hotels.

As at 31 December 2021, the Group owned eight international brand hotels, namely Le Meridien Shanghai Minhang (上海閔行寶龍艾美酒店), Radisson Blu Shanghai Pudong Jinqiao (上海寶龍麗笙酒店), Radisson Exhibition Center Shanghai (上海國展寶龍麗筠酒店), Hotel W Xiamen (廈門W酒店), Four Points by Sheraton Taicang Suzhou (蘇州太倉寶龍福朋喜來登酒店), Four Points by Sheraton Qingdao, Chengyang (青島城陽寶龍福朋喜來登酒店), Aloft Yancheng (鹽城雅樂軒酒店) and Wyndham Grand Plaza Royale Powerlong Fuyang (阜陽寶龍溫德姆至尊豪廷大酒店), and also owned and operated twelve self-owned brand chain hotels, namely ARTELS Qingdao (青島寶龍藝築酒店), ARTELS Anxi Quanzhou (泉州安溪寶龍藝築酒店), ARTELS+ Huaian (淮安藝悅酒店), ARTELS+ Fuyang Hangzhou (杭州富陽藝悅酒店), ARTELS+ Collection Lingang Shanghai (上海臨港藝悅精選酒店), ARTELS+ Collection Hechuan Chongqing (重慶合川藝悅精選酒店), ARTELS+ Wujing Shanghai (上海吳涇藝悅酒店), ARTELS+ Xinxiang (新鄉藝悅酒店), JUNTELS Binjiang Hangzhou (杭州濱江藝珺酒店), JUNTELS Penglai Yantai (煙台蓬萊藝珺酒店), ARTELS+ Penglai Yantai (煙台蓬萊藝悅酒店) and JUNTELS Tai'an (泰安寶龍藝珺酒店).

Land Bank Replenishment

The Group's strategy is to maintain a portfolio of land bank which is sufficient to support the Group's own property development pipeline for the forthcoming three to five years. In the future, the Group will continue to adhere to and optimize the "1+1+N" development strategy, focusing on Yangtze River Delta and the Guangdong-Hong Kong-Macau Bay Area while exploring other premium regions that offer opportunities; and to precisely lay out strategic plans and grasp the policy directions in a timely manner, in strict adherence to the principle of value investment.

As at 31 December 2021, the Group had a quality land bank amounting to a total GFA of approximately 36.5 million square meters, of which approximately 26.4 million square meters were properties under development and construction and approximately 10.1 million square meters were properties held for future development. The land bank under development will be used for the development of large-scale commercial and residential properties with quality residential properties, serviced apartments, office buildings and hotels. As at 31 December 2021, approximately 67.1% of the land bank of the Group is located in the Yangtze River Delta region.

During the year ended 31 December 2021, the Group upheld cautious and stringent standards on land investment decision, and the following prime land parcels were added to the Group's land bank:

Newly acquired land parcels in 2021 (as at 31 December 2021)

Project Name	Land Nature	Site Area ('000 sq.m.)	Total GFA* ('000 sq.m.)	Attributable interest
Zhongshan Qijiang Xincheng Project (中山岐江新城項目)	Commercial/residential	167.3	538.0	50.6%
Shaoxing Pingshui 2020-03 Land Lot Project (紹興平水2020-03地塊項目)	Residential	24.2	36.2	26.5%
Shaoxing Pingshui 2020-06 Land Lot Project (紹興平水2020-06地塊項目)	Residential	33.8	48.9	26.5%
Fuzhou Lianjiang Phase 2 Project (福州連江二期項目)	Commercial/residential	29.2	64.3	39.7%
Nanjing Qixia District Xincheng Station Project (南京栖霞區新生圩站項目)	Commercial/residential	87.9	187.8	65.0%
Wenzhou Rui'an Jinzishan Project (溫州瑞安巾子山項目)	Commercial/residential	193.5	431.0	27.3%
Taizhou Wenling Chengxi Zhonghua Road Land Lot Project (台州溫嶺城西中華路地塊項目)	Residential	18.2	30.4	39.0%
Bozhou Nanhu Municipal Park North Side Land Lot Project (亳州南湖市政公園北側地塊項目)	Commercial/residential	245.3	470.6	89.2%
Taizhou Wenling Daxi Town Tielu New Area Land Lot Project (台州溫嶺市大溪鎮鐵路新區地塊項目)	Commercial/residential	39.5	138.3	23.4%
Chuzhou Tianchang Project (滁州天長項目)	Commercial/residential	147.9	261.7	100.0%
Wuhan Qiaokou Project (武漢礄口項目)	Commercial	37.5	212.4	77.9%
Xuancheng Wanlinghu South Side Land Lot Project (宣城宛陵湖南側地塊項目)	Commercial/residential	199.4	398.8	58.0%
Quanzhou Luojiang District Majia Town No. LJ2018-04-01 Land Lot Project (泉州市洛江區馬甲鎮LJ2018-04-01號地塊項目)	Residential	54.3	108.5	24.9%
Quanzhou Luojiang District Majia Town No. LJ2018-04-02 Land Lot Project (泉州市洛江區馬甲鎮LJ2018-04-02號地塊項目)	Residential	58.1	116.2	16.0%
Luoyang Longmen Road No. 31 Land Lot Project (洛陽龍門路31號地塊項目)	Commercial/residential	41.3	124.0	100.0%
Luoyang Wangchunmen Street No. 32 Land Lot Project (洛陽望春門街32號地塊項目)	Commercial/residential	21.2	91.2	100.0%

Project Name	Land Nature	Site Area ('000 sq.m.)	Total GFA* ('000 sq.m.)	Attributable interest
Suzhou Changshu Mocheng Street Commercial and Residential Land Lot Project (蘇州常熟莫城街道商住地塊項目)	Commercial/residential	53.9	156.9	95.0%
Zhangzhou Changtai A2 Land Lot Project (漳州長泰A2地塊項目)	Residential	47.8	62.2	65.6%
Foshan Dali Project (佛山大瀝項目)	Commercial/residential	119.0	358.2	46.7%
Taizhou Wenling XQ070120 Land Lot Project (台州溫嶺 XQ070120地塊項目)	Residential	51.8	124.3	22.6%
Taizhou Wenling XQ070123 Land Lot Project (台州溫嶺XQ070123地塊項目)	Residential	16.3	39.1	22.6%
Jiaxing Pinghu Xincang No. 22 Land Lot Project (嘉興平湖新倉22號地塊項目)	Residential	56.9	102.4	33.3%
Wuhan Caidian Sino-French Project (武漢蔡甸中法項目)	Commercial/residential	108.9	244.2	39.0%
Jinhua Wuyi County Development Zone Zhengaoshan Residential Land Lot Project (金華武義縣開發區真高山住宅地塊項目)	Residential	60.4	151.1	19.5%
Wenzhou Cangnan Complex Project (溫州蒼南綜合體項目)	Commercial/residential	108.5	303.9	88.8%
Fuzhou Yongtai Phase 2 Project (福州永泰二期項目)	Commercial/residential	54.2	129.5	63.1%
Changzhou Liyang Zhongguancun Zhennv Road North Land Lot Project (常州溧陽中關村貞女路北側地塊項目)	Residential	69.5	139.1	51.0%
Wuxi Xuxiang Project (無錫徐巷項目)	Residential	30.8	80.0	100.0%
Suzhou Lingbi Project (宿州靈璧項目)	Residential	77.8	194.6	100.0%
Total		2,254.4	5,343.8	

* Total GFA excludes underground and car parking spaces.

OUTLOOK

Driven by numerous austerity policies, the real estate industry of China is undergoing a reform process of rational comeback of stability, whilst the real estate industry's pivotal support to the overall economy and its role in improving quality of living will remain unchanged. It is anticipated that in 2022, the resilience of China's economy, the general keynote of "stability prevails; properties being for residential dwellings instead of speculation; and adoption of city-specific policies" and the regathering of market confidence will provide strong momentum to drive the continual steady growth of the real estate industry. On the other hand, under the differentiations among cities and driven by the new landscape of the real estate industry featured by debt reduction, deleveraging and high-quality development, property developers will have more precise deployment among cities, grasp the needs of different customer bases in a more fine-tuned manner, pay more attention to quality enhancement and customer experience, seek to upgrade and rejuvenate under new opportunities and new challenges, and achieve ongoing stable operation as well as sustainable and high-quality development.

Faced with the new market opportunities and challenges, the Group has rolled out a policy of "generating intrinsic value and attaining perfection", in realizing the notion of "fully benchmarked, zero inventory, sound operation and strong elements" for its operation and management. From within the enterprise, the Group will excavate more areas for value enhancement and business growth. The Group will hold firm to principles of quality and responsibilities, foster the optimization and upgrade of products and services, and support the steady, healthy and sustainable development of the industry.

Following market upsurge in the first half of 2021 and the deep adjustments in the second half of the same year for the real estate industry, the Group has assessed the situation based on its own development needs. In 2022, the focus will be on 10 key tasks as follows: "Uplifting empowerment, refining strategic elements, exemplifying commercial values, targeting destocking in sales, engaging in highly-focused investments, securing capital security, overall coordination of operation, showcasing of technology and quality, enhancement of cost system, and expedited growth of secondary segments". The Group will ceaselessly enhance and optimize its "commercial + residential" standardized system covering product modules, technology management, construction standards and process management. Based upon customers' aspiration to and needs for good living, the Group will seek to attain perfection in each and every segment of process, solidify product quality by detailed management, and deliver products which are finely fabricated.

The Group will continue to adhere to and optimize the "1+1+N" development strategy, focusing on Yangtze River Delta and the Guangdong-Hong Kong-Macau Bay Area while exploring other premium regions that offer opportunities, to expand its premium land bank and lay solid foundation for its sustainable, healthy and high-quality development. In key regional hubs, the Group will strengthen market tracking and research, adhere to more precise and fine-tuned product positioning, and strictly comply with the principle of value investment in acquiring land bank.

The Group will continue to integrate and consolidate its significant resources with the aim of opening eleven shopping malls in 2022. It will continue to uphold its customer-and quality-centered philosophy, fabricate high-quality products of superior standard, leverage upon technology empowerment to create the ecology of Powerlong Commercial Management Holdings Limited, uplift the quality and efficiency of project management holistically, and create commercial spaces with love. The Group will continue to further expand the commercial operational service segment by way of strategic acquisitions and asset-light management output.

The Group will continue to foster a steady and safe system of financial control, with continual efforts on enhancing and optimizing the digitized development of financial management for better financial effectiveness and better internal financial control. Meanwhile, the Group will control the overall debt scale, optimize its financing structure, constantly enhance its financing capability and lower its financing cost.

The Group will proactively promote the parallel development of both its talents and the enterprise, and call for employees' pragmatism and revamped re-definition of themselves. The Group will mobilize individuals for the betterment of their self-worth; re-engineer process for the enhancement of working efficiency; and provide multidimensional incentives for building an elite team. The Group will continue to uphold a human resources strategy of "unlocking potential and pooling of talent"; establish a platform and create opportunities for the career development of its staff, with a view to realizing mutual growth and benefits.

The Group will adhere to the corporate mission of "create space full of love", follow the corporate values of "simple, truthful, prosper together, forward forever", and continue to live up to the corporate philosophy of "honest, modest, innovative and devoted". It will firmly gather the wisdom and power of all fellow folks of Powerlong, to build the Group into a well-respected, century-lasting and world-leading commercial operator of city space, with a view to continually creating new values for its customers, employees, shareholders and society.

FINANCIAL REVIEW

Revenue

Revenue of the Group mainly comprises income of property sales, rental income from investment properties, income from provision of commercial operational services and residential property management services and income from other property development related businesses. For the year ended 31 December 2021, the Group recorded a total revenue of approximately RMB39,902 million (2020: approximately RMB35,495 million), representing an increase of approximately 12.4% as compared with the corresponding period in 2020. This was attributable to the increase in income from each of the Group's business segments.

Income of Property Sales

During the year ended 31 December 2021, the Group strictly complied with its original schedule for the completion and delivery of the corresponding projects. The revenue from projects sold and delivered for the year ended 31 December 2021 amounted to approximately RMB35,035 million (2020: approximately RMB31,486 million), representing an increase of approximately 11.3% as compared with the corresponding period in 2020. This was mainly attributable to the increase in the sales of residential properties.

Set forth below are the details regarding the properties sold and delivered during the year ended 31 December 2021:

		For the year ended 31 December 2021		
Geographical Location		GFA sold and delivered (sq.m.)	Amount sold and delivered (RMB million)	Average selling price (RMB/sq.m.)
Yangtze River Delta	Commercial	656,768	6,165	9,387
	Residential	1,616,434	20,562	12,721
Hainan	Commercial	68,142	389	5,709
	Residential	191,022	2,658	13,915
Guangdong-Hong Kong- Macau Bay Area	Commercial	4,694	139	29,612
	Residential	64,107	1,410	21,994
Others	Commercial	111,776	547	4,894
	Residential	360,749	3,165	8,773
Total		3,073,692	35,035	11,398
		Commercial	841,380	7,239
		Residential	2,232,312	27,796
				12,452

Rental Income from Investment Properties and Income from Provision of Commercial Operational Services and Residential Property Management Services

For the year ended 31 December 2021, the Group recorded rental income after elimination of intra-group transactions from investment properties of approximately RMB1,681 million (2020: approximately RMB1,562 million), representing an increase of approximately 7.6% as compared with the corresponding period in 2020.

For the year ended 31 December 2021, income from provision of commercial operational services and residential property management services was mainly derived from projects developed by the Group and other third parties. The net income after elimination of intra-group transactions amounted to approximately RMB2,027 million (2020: approximately RMB1,674 million), representing an increase of approximately 21.1% as compared with the corresponding period in 2020.

For the year ended 31 December 2021, the Group's rental income from investment properties and income from provision of commercial operational services and residential property management services totalled to approximately RMB3,708 million (2020: approximately RMB3,236 million), representing an increase of approximately 14.6% as compared with the corresponding period in 2020. In addition to the economies of scale brought by the increasing GFA of properties held and commercial and residential properties managed by the Group, the Group managed to match the local consumer demand and the Group's market penetration rate was increased as a result of the continuous enhancement of its commercial operating capability.

Income from Other Property Development Related Businesses

Income from other property development related businesses mainly comprises income from hotel operation and the provision of consultation services. For the year ended 31 December 2021, the Group recorded an income after elimination of intra-group transactions from other property development related businesses of approximately RMB1,160 million (2020: approximately RMB773 million), representing an increase of approximately 50.1% as compared with the corresponding period in 2020, mainly attributable to the year-on-year growth in income from hotel operations and the provision of consultation service.

Cost of Sales

Cost of sales mainly represents the direct cost related to the property development of the Group. It comprises cost of land use rights, construction costs and decoration costs as well as other costs. Cost of sales for the year ended 31 December 2021 amounted to approximately RMB27,383 million (2020: approximately RMB22,680 million), representing an increase of approximately 20.7% as compared with the corresponding period in 2020, which was mainly due to the increase in the total properties sold and delivered, leading to an increase in the total costs.

Gross Profit and Gross Profit Margin

For the year ended 31 December 2021, gross profit amounted to approximately RMB12,519 million (2020: approximately RMB12,816 million), representing a decrease of approximately 2.3% as compared with the corresponding period in 2020. Gross profit margin amounted to 31.4%, representing a decrease of approximately 4.7 percentage points from 36.1% for the corresponding period in 2020.

Fair Value Gains on Investment Properties

For the year ended 31 December 2021, the Group recorded revaluation gains on investment properties of approximately RMB1,711 million (2020: approximately RMB2,096 million), representing a decrease of approximately 18.4% as compared with the corresponding period in 2020. The decrease in revaluation gains on investment properties was mainly attributable to the relatively moderate growth in the market rents of shopping malls.

Selling and Marketing Costs and Administrative Expenses

The Group's selling and marketing costs and administrative expenses for the year ended 31 December 2021 amounted to approximately RMB3,304 million (2020: approximately RMB2,642 million), representing an increase of approximately 25.1% over the corresponding period in 2020, mainly attributable to the Group's business growth, leading to an expansion in the scale of sales and projects management. The Group will continue to exercise stringent control over expenses and costs whilst striving to continue with the Group's business expansion.

Share of Profit of Investments Accounted for Using the Equity Method

For the year ended 31 December 2021, share of post-tax profit of investments accounted for using the equity method amounted to approximately RMB508 million (2020: approximately RMB667 million), representing a decrease of approximately 23.8% as compared with the corresponding period in 2020, which was mainly due to the decrease in net profit from joint ventures.

Income Tax Expenses

The Group's income tax expenses for the year ended 31 December 2021 amounted to approximately RMB4,812 million (2020: approximately RMB4,468 million), representing an increase of approximately 7.7% as compared with the corresponding period in 2020, primarily due to the increase in PRC land appreciation tax.

Profit Attributable to Owners of the Company

For the year ended 31 December 2021, the Group recorded profit attributable to owners of the Company of approximately RMB5,992 million (2020: approximately RMB6,093 million), representing a decrease of approximately 1.7% as compared with the corresponding period in 2020.

For the year ended 31 December 2021, basic earnings per share was approximately RMB144.7 cents (2020: approximately RMB147.1 cents), representing a decrease of approximately 1.6% as compared with the corresponding period in 2020.

Core earnings (being the profit excluding the fair value gains on investment properties, revaluation gains on completed properties held for sale transferred to investment properties and foreign exchange gains/losses on financing activities during the year under review) for the year ended 31 December 2021 reached approximately RMB5,152 million (2020: approximately RMB6,038 million), representing a decrease of approximately 14.7% as compared with the corresponding period in 2020.

Core earnings attributable to owners of the Company (being the profit excluding the fair value gains on investment properties, revaluation gains on completed properties held for sale transferred to investment properties and foreign exchange gains/losses on financing activities during the year under review) for the year ended 31 December 2021 reached approximately RMB3,766 million (2020: approximately RMB3,596 million), representing an increase of approximately 4.7% as compared with the corresponding period in 2020.

LIQUIDITY AND FINANCIAL RESOURCES

Cash Position

The long-term funding and working capital required by the Group are primarily derived from income generated from core business operations, bank borrowings and cash proceeds raised from issuance of bonds, which were used as working capital and for investment in property development.

The Group's cash and cash equivalents and restricted cash amounted to approximately RMB25,068 million in total as at 31 December 2021 (2020: approximately RMB28,276 million), representing a decrease of approximately 11.3% as compared with the end of 2020.

Borrowings

Total borrowings of the Group as at 31 December 2021 was approximately RMB72,958 million (2020: approximately RMB66,567 million), representing an increase of approximately 9.6% as compared with the end of 2020. The Group's borrowings comprise bank and other borrowings of approximately RMB43,959 million, corporate bonds of approximately RMB8,994 million, short-term commercial papers of approximately RMB300 million, commercial mortgage backed securities (the "CMBS") of approximately RMB2,329 million, assets-backed securities (the "ABS") of approximately RMB1,276 million and senior notes of approximately RMB16,100 million.

Out of the total borrowings, approximately RMB22,023 million was repayable within one year, while approximately RMB50,935 million was repayable after one year.

On 11 January 2021, the Company completed the issuance of senior notes in an aggregate principal amount of US\$100 million at 102.656% of the principal amount that are listed on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), with a nominal interest rate of 5.95% per annum (consolidated and formed a single series with the US\$200 million 5.95% senior notes due 2025 issued by the Company on 30 October 2020 and the US\$100 million 5.95% senior notes due 2025 issued by the Company on 28 December 2020, both being listed on the SGX-ST), which will mature on 30 April 2025. Please refer to the announcements of the Company dated 4 January 2021 and 12 January 2021 for further details.

On 11 January 2021, Shanghai Powerlong Industrial Development Co. Ltd (“**Shanghai Powerlong**”), a wholly-owned subsidiary of the Company, issued the first tranche of corporate bonds for the year 2021 in an aggregate principal amount of RMB1,000 million, with a nominal interest rate of 6.60% per annum. Please refer to the announcement of the Company dated 12 January 2021 for further details.

On 25 January 2021, Shanghai Powerlong issued the first tranche of the super short-term commercial paper for the year 2021 in an aggregate principal amount of RMB440 million, with a nominal interest rate of 5.70% per annum and a maturity date of 23 October 2021. Please refer to the announcement of the Company dated 27 January 2021 for further details.

On 14 April 2021, the Company completed the issuance of senior notes in an aggregate principal amount of US\$200 million at 99.903% of the principal amount that are listed on the SGX-ST, with a nominal interest rate of 3.90% per annum, which will mature on 13 April 2022. Please refer to the announcement of the Company dated 15 April 2021 for further details.

On 16 April 2021, Shanghai Powerlong issued the second tranche of corporate bonds for the year 2021 in an aggregate principal amount of RMB1,500 million, with a nominal interest rate of 6.50% per annum. Please refer to the announcement of the Company dated 19 April 2021 for further details.

On 13 May 2021, the Company completed the issuance of senior notes in an aggregate principal amount of US\$200 million at 99.127% of the principal amount that are listed on the SGX-ST, with a nominal interest rate of 4.90% per annum, which will mature on 13 May 2026. Please refer to the announcements of the Company dated 6 May 2021 and 14 May 2021 for further details.

On 4 June 2021, Shanghai Powerlong issued the first tranche of the medium-term notes for the year 2021 in an aggregate principal amount of RMB1,000 million, with a nominal interest rate of 5.80% per annum and a maturity date of 7 June 2024. Please refer to the announcement of the Company dated 7 June 2021 for further details.

On 10 June 2021, Shanghai Powerlong issued the third tranche of corporate bonds for the year 2021 in an aggregate principal amount of RMB470 million, with a nominal interest rate of 5.70% per annum. Please refer to the announcement of the Company dated 11 June 2021 for further details.

On 9 July 2021, the Company as the borrower, The Bank of East Asia, Limited, Macau Branch and Luso International Banking Limited (“**Luso Bank**”) as the mandated lead arranger and coordinator, the financial institutions set out therein, as the original lenders and Luso Bank as the agent, and other parties thereto, entered into a facility agreement (the “**July 2021 Facility Agreement**”) in relation to a 42-month term dual currency triple tranche loan facility in an amount of up to US\$200 million equivalent (which includes incremental facilities) (the “**July 2021 Term Loan Facility**”). Pursuant to the July 2021 Facility Agreement, it is an event of default, among other things, if the Company does not comply with the undertaking to procure that Mr. Hoi Kin Hong and Mr. Hoi Wa Fong, in aggregate, (i) remain as the single largest shareholder of the Company; (ii) maintain (directly or indirectly) beneficial equity interest of not less than 40% of the total issued shares of the Company; and (iii) maintain management control of the Company. Please refer to the announcement of the Company dated 9 July 2021 for further details of the July 2021 Term Loan Facility.

On 26 July 2021, the Company completed the issuance of senior notes in an aggregate principal amount of US\$200 million at 99.662% of the principal amount that are listed on the SGX-ST, with a nominal interest rate of 4.00% per annum, which will mature on 25 July 2022. Please refer to the announcement of the Company dated 28 July 2021 for further details.

On 9 August 2021, the Company as the borrower, Bank of China (Hong Kong) Limited, Bank of Communications (Hong Kong) Limited, The Bank of East Asia Limited and The Hongkong and Shanghai Banking Corporation Limited (“**HSBC**”) as the mandated lead arranger and coordinator, the financial institutions set out therein as the original lenders and HSBC as the agent, and other parties thereto, entered into a facility agreement (the “**August 2021 Facility Agreement**”) in relation to a 42-month term dual currency dual tranche loan facility in an amount of up to US\$210 million equivalent (which includes incremental facilities) (the “**August 2021 Term Loan Facility**”). Pursuant to the August 2021 Facility Agreement, it is an event of default, among other things, if the Company does not comply with the undertaking to procure that Mr. Hoi Kin Hong and Mr. Hoi Wa Fong, in aggregate, (i) remain as the single largest shareholder of the Company; (ii) maintain (directly or indirectly) beneficial equity interest of not less than 40% of the total issued shares of the Company; and (iii) maintain management control of the Company. Please refer to the announcement of the Company dated 9 August 2021 for further details of the August 2021 Term Loan Facility.

On 30 August 2021, Shanghai Powerlong issued the second tranche of the super short-term commercial paper for the year 2021 in an aggregate principal amount of RMB300 million, with a nominal interest rate of 5.00% per annum and a maturity date of 28 February 2022. Please refer to the announcement of the Company dated 2 September 2021 for further details.

On 5 October 2021, the Company completed the issuance of senior notes in an aggregate principal amount of US\$100 million at 100.00% of the principal amount that are listed on the SGX-ST, with a nominal interest rate of 5.00% per annum and a maturity date of 3 October 2022. For further details, please refer to the announcement of the Company dated 13 October 2021.

On 15 December 2021, the Company completed the issuance of senior notes in an aggregate principal amount of US\$150 million at 87.238% of the principal amount that are listed on the SGX-ST, with a nominal interest rate of 6.25% per annum (consolidated and formed a single series with the US\$200 million 6.25% senior notes due 2024 issued by the Company on 10 August 2020 and the US\$150 million 6.25% senior notes due 2024 issued by the Company on 29 September 2020, both being listed on the SGX-ST), which will mature on 10 August 2024. Please refer to the announcements of the Company dated 10 December 2021 and 17 December 2021 for further details.

On 23 December 2021, the Company completed the issuance of senior notes in an aggregate principal amount of US\$135 million at 83.074% of the principal amount that are listed on the SGX-ST, with a nominal interest rate of 5.95% per annum (consolidated and formed a single series with the US\$200 million 5.95% senior notes due 2025 issued by the Company on 30 October 2020, the US\$100 million 5.95% senior notes due 2025 issued by the Company on 28 December 2020 and the US\$100 million 5.95% senior notes due 2025 issued by the Company on 11 January 2021, all being listed on the SGX-ST), which will mature on 30 April 2025. Please refer to the announcements of the Company dated 20 December 2021 and 28 December 2021 for further details.

Net Gearing Ratio

As at 31 December 2021, the Group had a net gearing ratio (which is calculated on the basis of total borrowings less cash and cash equivalents and restricted cash over total equity) of approximately 76.7% (31 December 2020: approximately 73.9%), representing an increase of 2.8 percentage points as compared with the corresponding period in 2020.

Borrowing Cost

Total interest expenses as at 31 December 2021 amounted to approximately RMB5,193 million (2020: approximately RMB4,311 million), representing an increase of approximately 20.5% as compared with the end of 2020. The increase was mainly due to the increase in total borrowings. The effective interest rate decreased slightly from 6.44% for 2020 to 6.42% for 2021, due to tight control over finance costs. The Group will continue to implement stringent control over finance costs.

Credit Policy

Trade receivables mainly arose from sale and leasing of properties. Receivables in relation to sale and leasing of properties are therefore settled in accordance with the terms stipulated in the sale and purchase agreements and lease agreements, respectively.

Pledge of Assets

As at 31 December 2021, the Group pledged its property and equipment, land use rights, investment properties, properties under construction, completed properties held for sale and restricted cash with carrying amount of approximately RMB103,261 million (2020: approximately RMB74,651 million) to secure borrowings of the Group. The total secured bank and other borrowings and CMBS as at 31 December 2021 amounted to approximately RMB46,043 million (2020: approximately RMB38,658 million). The ABS of RMB1,276 million were secured by the trade receivables of the Group. The senior notes issued by the Company are guaranteed and secured by share pledges of certain non-PRC subsidiaries and non-PRC joint ventures of the Group.

Contingent Liabilities

As at 31 December 2021, the Group had no significant contingent liabilities.

Financial Guarantees

The face value of the financial guarantees provided by the Group is analysed as below:

	As at 31 December	
	2021	2020
	Unaudited	Audited
	RMB'000	RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	32,685,377	29,461,621
Guarantees for borrowings of joint ventures and associates	1,234,831	1,394,430
	33,920,208	30,856,051

Commitments

(1) Commitments for property development expenditures

	As at 31 December	
	2021	2020
	Unaudited	Audited
	RMB'000	RMB'000
Contracted but not provided for		
– Property development activities	14,477,443	14,102,853
– Acquisition of land use rights	3,448,488	5,954,026
	17,925,931	20,056,879

(2) Leases commitments

As at 31 December 2021, the Group did not have any material short-term lease obligations.

FOREIGN CURRENCY RISK

The Group primarily operates its business in the PRC. The currency in which the Group denominates and settles substantially all of its transactions is RMB. As at 31 December 2021, the Group's financial assets or liabilities denominated in currencies other than RMB were mainly borrowings denominated in United States dollars or Hong Kong dollars, in the total amount of approximately RMB22,836 million. Any depreciation of RMB would adversely affect the value of any dividends the Group pays to the shareholders of the Company (the "Shareholders") outside of the PRC. The Group currently does not engage in any hedging activities designed or intended to manage foreign exchange rate risk. The Group will continue to monitor foreign exchange changes to best preserve the Group's cash value.

SIGNIFICANT INVESTMENTS HELD AND MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in this announcement, the Group did not hold any significant investments and did not conduct any material acquisition or disposal of subsidiaries, associates or joint ventures during the year ended 31 December 2021.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this announcement, the Group had not authorised any plans for other material investments or additions of capital assets as at 31 December 2021.

EMPLOYEES AND EMOLUMENT POLICY

For the year ended 31 December 2021, the Group employed a total of 13,212 full-time employees (2020: 11,517 employees). The total staff costs of the Group for the year ended 31 December 2021 amounted to approximately RMB2,919 million. The Group has adopted a performance-based rewarding system to motivate its staff. In addition to a basic salary, year-end bonuses are offered to those staff with outstanding performance. The Group reviews the remuneration policies and packages on a regular basis and makes necessary adjustments commensurate with the remuneration level in the industry. 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.

EVENTS AFTER THE REPORTING PERIOD

Partial Repurchase of Senior Notes

As of 28 February 2022, the Company had made partial repurchases of the US\$200,000,000 3.9% senior notes due 2022 issued by the Company and listed on the SGX-ST in the aggregate principal amount of US\$10,000,000. Please refer to the announcements of the Company dated 25 February 2022 and 28 February 2022 for further details.

Redemption of the 2020 Corporate Bonds

On 16 March 2022, Shanghai Powerlong deposited all necessary funds into the designated bank account of China Securities Depository and Clearing Corporation Limited for the redemption of the 2020 corporate bonds specialized in rental housing (Tranche 1) in the PRC (the “**2020 Corporate Bonds**”) at maturity in full at their outstanding principal amount together with interest accrued to the maturity date. The 2020 Corporate Bonds were redeemed on 20 March 2022. Please refer to the announcement of the Company dated 16 March 2022 for further details.

Save as disclosed above, after the year ended 31 December 2021 and up to the date of this announcement, the Group had no significant events occurred which have material impact on the performance and the value of the Group.

Change of auditors

Reference is made to the announcement of the Company dated 24 March 2022.

PricewaterhouseCoopers has resigned as auditor of the Company with effect from 24 March 2022. The Board has, resolved, having regard to the recommendation from the audit committee of the Company (the “**Audit Committee**”), to approve the appointment of Elite Partners CPA Limited (“**Elite Partners**”) as the new auditor of the Company to fill the casual vacancy following the resignation of PricewaterhouseCoopers with effect from 24 March 2022 and to hold office until the conclusion of the next annual general meeting of the Company.

DIVIDEND

The proposal for the declaration of a final dividend for the year ended 31 December 2021 will be announced in the 2021 audited annual results announcement to be published at a later date.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) 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. 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. Specific enquiry has been made by the Company to all the Directors who have confirmed compliance with the required standard set out in the Model Code for the year ended 31 December 2021. No incident of non-compliance was noted by the Company throughout the year ended 31 December 2021.

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

During the year ended 31 December 2021, the Company repurchased 2,000,000 of its own shares on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) at a total consideration of approximately HK\$12,847,920.06, exclusive of commissions and other expenses. The shares repurchased by the Company were cancelled on 23 September 2021. Details of the repurchases were as follows:

Date of repurchase	Number of Shares repurchased	Consideration per Share		Total consideration paid for repurchase HK\$
		Highest price paid HK\$	Lowest price paid HK\$	
19 August 2021	1,000,000	6.5	6.4	6,440,000
20 August 2021	1,000,000	6.47	6.25	6,407,920.06
Total	2,000,000			12,847,920.06

Save as the above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

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^(Note) contained in Appendix 14 to the Listing Rules during the year ended 31 December 2021. Further information about the corporate governance practices of the Company will be set out in the annual report of the Company for the year ended 31 December 2021.

Note: A new Corporate Governance Code came into effect on 1 January 2022. As the period under review in this announcement is for the year ended 31 December 2021, the Corporate Governance Code described in this announcement is the Corporate Governance Code in effect during the year ended 31 December 2021.

AUDIT COMMITTEE AND REVIEW OF UNAUDITED ANNUAL RESULTS

The Company has established the Audit Committee, which comprises three independent non-executive Directors, pursuant to the requirements under Rule 3.21 of the Listing Rules.

The Audit Committee has reviewed the unaudited consolidated annual results of the Group for the year ended 31 December 2021 and considered that such results have been prepared in accordance with applicable accounting standards and requirements with sufficient disclosure.

DELAY IN PUBLICATION OF AUDITED ANNUAL RESULTS

Reference is made to the announcement of the Company dated 24 March 2022.

Due to the impact of the COVID-19 epidemic in the PRC which restricts the Group's ability to gather necessary documents on a timely basis, the Company was not able to complete the necessary procedures in order for the Company to finalize its audited consolidated financial statements for the financial year ended 31 December 2021 by 31 March 2022. As a result, the unaudited consolidated annual results of the Group for the year ended 31 December 2021 contained in this announcement are based on the consolidated management accounts of the Company for the year ended 31 December 2021, which have yet to be agreed with the Company's auditor, Elite Partners.

Elite Partners has informed the Company that it currently expects to be in a position to complete its audit and deliver its audit opinion by no later than 15 May 2022. Following the completion of the audit by Elite Partners, the Company will publish an announcement containing, among others, (i) the audited consolidated annual results of the Group for the year ended 31 December 2021 as agreed with Elite Partners, (ii) the proposed date on which the forthcoming annual general meeting of the Company (the "AGM") will be held, (iii) the period during which the register of members of the Company will be closed in order to determine the Shareholders' eligibility to attend and vote at the AGM and despatch the annual report for the year ended 31 December 2021 as soon as practicable.

The Company will make further announcement(s) as and when necessary if there are other material developments in the completion of the auditing process.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, throughout the year ended 31 December 2021 and up to the date of this announcement, the Company had maintained a sufficient public float of more than 25% of the total number of issued shares of the Company as required under the Listing Rules.

PUBLICATION OF THE 2021 ANNUAL RESULTS AND THE 2021 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) as well as the website of the Company (www.powerlong.com). Subject to completion of audit, the Company currently expects to issue a further announcement by no later than 15 May 2022 in relation to the audited annual results for the year ended 31 December 2021 of the Group as agreed by the Company's auditor and the adjustments (if any) to the unaudited annual results contained herein.

The annual report of the Company for the year ended 31 December 2021 will be despatched to the Shareholders and made available on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

This year marked the twelfth anniversary of the Company's listing on the Main Board of the Stock Exchange. In tandem with the overall development of China's real estate market and the continual achievement of the operating goals of the Group, Powerlong has also achieved leap-frog enhancement in its corporate governance and value creation, which would not have been possible without the strenuous support of the community at large. On behalf of the Board, I would like to express my gratitude to the Company's shareholders, investors, customers and business partners for their trust and support, and to staff members of the Group for their devotion and perseverance. The Group will remain firm on its beliefs, continue to provide products and services of ever better quality to its customers, create better return for its shareholders and investors, and create better value for the society.

The financial information contained herein in respect of the unaudited annual results of the Group have not been audited and have not been agreed with the auditor. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company. When in doubt, shareholders of the Company and potential investors are advised to seek advice from professional parties or financial advisers.

By Order of the Board
Powerlong Real Estate Holdings Limited
Hoi Kin Hong
Chairman

Hong Kong, 29 March 2022

As at the date of this announcement, the executive Directors of the Company are Mr. Hoi Kin Hong, Mr. Hoi Wa Fong, Mr. Xiao Qing Ping, Ms. Shih Sze Ni Cecilia and Mr. Zhang Hong Feng; the non-executive Director of the Company is Ms. Hoi Wa Fan; and the independent non-executive Directors of the Company are Dr. Ngai Wai Fung, Dr. Mei Jian Ping and Dr. Ding Zu Yu.