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POWERLONG

宝龙

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)

**2022 ANNUAL RESULTS ANNOUNCEMENT
AND
ADOPTION OF THE AMENDED AND RESTATED
MEMORANDUM AND ARTICLES OF ASSOCIATION**

SUMMARY OF RESULTS

For the year ended 31 December 2022

- Contracted sales amounted to approximately RMB40,950 million. Contracted sales area amounted to approximately 2,724,167 square meters.
- Revenue amounted to approximately RMB31,378 million, representing a decrease of approximately 21.4% as compared with the corresponding period in 2021.
- Rental income and income from provision of commercial operational services and residential property management services amounted to approximately RMB3,851 million, representing an increase of approximately 3.9% as compared with the corresponding period in 2021.
- Core earnings attributable to the owners of the Company was approximately RMB2,451 million, representing a decrease of approximately 34.9% as compared with the corresponding period in 2021.

The board (the “**Board**”) of directors (the “**Directors**”) of Powerlong Real Estate Holdings Limited (the “**Company**” or “**Powerlong**”) is pleased to announce the annual consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2022, together with comparative figures for the year ended 31 December 2021, as follows.

CONSOLIDATED BALANCE SHEET

		31 December	
		2022	2021
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
ASSETS			
Non-current assets			
Property and equipment		6,534,602	6,228,971
Investment properties	4	80,688,538	78,329,755
Intangible assets		8,594	4,859
Goodwill		20,640	20,640
Investments accounted for using the equity method		9,864,901	9,769,743
Deferred income tax assets		1,713,294	1,109,849
Financial assets at fair value through profit or loss		1,528	558
Financial assets at fair value through other comprehensive income		50,791	299,081
Prepayments		663,469	571,656
Trade receivables	5	232,084	222,781
		99,778,441	96,557,893
Current assets			
Properties under development		68,705,423	70,865,579
Completed properties held for sale		18,293,581	16,833,381
Contract assets		694,594	557,363
Trade receivables	5	3,102,728	3,009,089
Other receivables		24,398,791	24,181,964
Prepayments		5,155,816	6,381,782
Prepaid taxes		1,674,691	1,411,024
Financial assets at fair value through profit or loss		138,695	189,924
Restricted cash		2,218,049	5,661,262
Cash and cash equivalents		9,589,869	19,407,192
		133,972,237	148,498,560
Total assets		233,750,678	245,056,453

		31 December	
		2022	2021
	<i>Note</i>	RMB'000	RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium		36,779	36,779
Other reserves		2,165,705	1,808,496
Retained earnings		38,903,081	38,848,385
		41,105,565	40,693,660
Perpetual Capital Instruments		519,781	519,781
Non-controlling interests		20,976,248	21,194,011
		62,601,594	62,407,452
LIABILITIES			
Non-current liabilities			
Borrowings	6	43,406,681	50,934,930
Lease liabilities		2,654,368	2,349,586
Other payables	7	89,491	137,115
Deferred income tax liabilities		7,817,109	8,472,243
		53,967,649	61,893,874
Current liabilities			
Borrowings	6	19,685,552	22,022,693
Trade and other payables	7	44,891,658	46,378,690
Contract liabilities		36,763,915	38,925,437
Current income tax liabilities		15,712,813	13,238,405
Lease liabilities		127,497	189,902
		117,181,435	120,755,127
Total liabilities		171,149,084	182,649,001
Total equity and liabilities		233,750,678	245,056,453

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Note</i>	Year ended 31 December	
		2022	2021
		RMB'000	RMB'000
Revenue	3	31,377,857	39,902,461
Cost of sales	8	(21,500,171)	(27,383,411)
Gross profit		9,877,686	12,519,050
Fair value (losses)/gains on investment properties – net	4	(87,760)	1,710,955
Selling and marketing costs	8	(1,113,572)	(1,392,470)
Administrative expenses	8	(1,569,949)	(1,911,870)
Net impairment losses on financial assets		(182,226)	(241,415)
Other income and (losses)/gains – net	9	(960,537)	1,390,342
Operating profit		5,963,642	12,074,592
Finance costs – net	10	(2,408,614)	(434,718)
Share of profit of investments accounted for using the equity method		616,087	507,903
Profit before income tax		4,171,115	12,147,777
Income tax expense	11	(2,557,548)	(4,811,652)
Profit for the year		1,613,567	7,336,125
Other comprehensive income/(expense)			
<i>Items that may be reclassified to profit or loss</i>			
Currency translation differences		21,542	(5,556)
<i>Items that will not be reclassified to profit or loss</i>			
Changes in the fair value of financial assets at fair value through other comprehensive income, net of tax		(184,547)	(134,231)
Total other comprehensive expense for the year, net of tax		(163,005)	(139,787)
Total comprehensive income for the year		1,450,562	7,196,338

		Year ended 31 December	
		2022	2021
	<i>Note</i>	RMB'000	RMB'000
Profit attributable to:			
Owners of the Company		407,749	5,992,099
Holders of Perpetual Capital Instruments		38,000	38,000
Non-controlling interests		1,167,818	1,306,026
		<u>1,613,567</u>	<u>7,336,125</u>
Total comprehensive income attributable to:			
Owners of the Company		244,744	5,852,312
Holders of Perpetual Capital Instruments		38,000	38,000
Non-controlling interests		1,167,818	1,306,026
		<u>1,450,562</u>	<u>7,196,338</u>
Earnings per share for profit attributable to owners of the Company for the year (expressed in RMB cents per share)			
	<i>12</i>		
– Basic		9.9	144.7
– Diluted		9.9	144.7
		<u>9.9</u>	<u>144.7</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Powerlong Real Estate Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 18 July 2007 as an exempted company with limited liability under the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company’s principal activity is investment holding. The Company and its subsidiaries (together, the “**Group**”) is principally engaged in property development, property investment, provision of commercial operational services, provision of residential property management services and other property development related services in the People’s Republic of China (the “**PRC**”).

The ultimate holding company of the Company is Skylong Holdings Limited and the ultimate controlling shareholder of the Company is Mr. Hoi Kin Hong.

The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 14 October 2009.

These consolidated financial statements are presented in thousand Renminbi (“**RMB’000**”), unless otherwise stated.

2 BASIS OF PREPARATION

(i) Compliance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) and Hong Kong Companies Ordinance (“**HKCO**”)

These consolidated financial statements of the Group have been prepared in accordance with all applicable HKFRS and disclosure requirements of the HKCO (Cap. 622 of the Laws of Hong Kong).

(ii) Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention, except for certain financial assets carried at fair value and investment properties which are carried at fair value.

(iii) Going concern basis

The Group continued to record a profit for the year of RMB1,614 million during the year ended 31 December 2022 (year ended 31 December 2021: RMB7,336 million). The Group’s revenue decreased from RMB39,902 million for the year ended 31 December 2021 to RMB31,378 million for the year ended 31 December 2022. As at 31 December 2022, the Group recorded a net current assets of RMB16,791 million, and the Group’s current portion of borrowings amounted to RMB19,686 million, while its cash and cash equivalents (excluding restricted cash) amounted to RMB9,590 million. In view of the prevailing slow-down of the property market, coupled with the limited source of financing from the capital market, the Group may take longer time than expected to realise cash from the sale of its properties and/or have the cash from external financing to meet its loan repayment obligations.

In view of aforesaid matters, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial sources to continue as a going concern. The following plans and measures are formulated to mitigate the liquidity pressure and to improve the financial position of the Group:

- (i) The Group is actively negotiating with several existing financial institutions and investors on the extension of certain borrowings. The Group is also actively negotiating with various financial institutions to secure new loans at reasonable costs.

- (ii) The Group will continue to implement measures to accelerate the pre-sales and sales of its properties under development and completed properties, and to speed up the collection of outstanding sales proceeds and other receivables. Recent relaxation of policies with regards to pre-sale requirements have spurred buyers' interests and stimulated demand. The Group will also continue to actively adjust sales and pre-sale activities to better respond to the changing market environment to achieve the latest budgeted sales and pre-sales volumes and amounts.
- (iii) The Group continues to identify suitable buyers and engage in discussions with certain potential buyers regarding the possible disposal of the equity interests in certain property development projects or shopping malls of the Group in order to raise additional funds.
- (iv) The Group will continue to take active measures to control administrative costs and capital expenditures.

The Directors have reviewed the Group's cash flow projections prepared by management, which cover a period of not less than twelve months from 31 December 2022. They are of the opinion that, taking into account the above mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2022. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

(iv) Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

(v) **New and amendments to HKFRSs in issue but not yet effective**

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendment to HKFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or 1 January 2024.

The Directors are in the process of assessing the potential impact of the new and amended HKFRSs but are not yet in a position to determine whether the new and amended HKFRSs will have a material impact on the Group's performance and financial position and on the disclosures. The new and amended HKFRSs may result in changes to how the Group's performance and financial position are prepared and presented in the future.

3 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	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of properties	26,480,586	35,034,613
Rental income of investment properties	1,740,857	1,681,437
Income from provision of commercial operational services and residential property management services	2,109,653	2,026,622
Income of other property development related businesses	1,046,761	1,159,789
	31,377,857	39,902,461

- (a) Segment results represent the profit earned by each segment without fair value losses on financial assets, losses on disposal of financial assets, unallocated operating costs, finance costs – net and income tax expense. The segment results and other segment items for the year ended 31 December 2022 are as follows:

	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	26,480,586	1,921,320	2,549,258	1,052,871	-	32,004,035
Inter-segment revenue	-	(180,463)	(439,605)	(6,110)	-	(626,178)
Revenue	<u>26,480,586</u>	<u>1,740,857</u>	<u>2,109,653</u>	<u>1,046,761</u>	<u>-</u>	<u>31,377,857</u>
Share of post-tax losses of joint ventures	(134,992)	-	(680)	-	-	(135,672)
Share of post-tax profits/(losses) of associates	756,928	-	-	(5,169)	-	751,759
Segment results	6,279,346	1,479,291	299,771	(381,532)	-	7,676,876
Fair value losses on financial assets at fair value through profit or loss						(38,415)
Losses on disposal of financial assets at fair value through profit or loss						(3,305)
Unallocated operating costs						(1,055,427)
Finance costs – net						<u>(2,408,614)</u>
Profit before income tax						4,171,115
Income tax expense						<u>(2,557,548)</u>
Profit for the year						<u>1,613,567</u>
Depreciation and amortisation recognised as expenses	81,150	-	7,912	224,037	-	313,099
Fair value losses on investment properties – net (Note 4)	-	(36,283)	(51,477)	-	-	<u>(87,760)</u>

The segment results and other segment items included in the profit for the year ended 31 December 2021 are as follows:

	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	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)/profits 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	9,798,927	3,156,784	253,063	123,272	–	13,332,046
Fair value losses on financial assets at fair value through profit or loss						(77,335)
Unallocated operating costs						(672,216)
Finance costs – net						<u>(434,718)</u>
Profit before income tax						12,147,777
Income tax expense						<u>(4,811,652)</u>
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 (<i>Note 4</i>)	<u>–</u>	<u>1,813,041</u>	<u>(102,086)</u>	<u>–</u>	<u>–</u>	<u>1,710,955</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 2022 and capital expenditure for the year then ended are as follows:

	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	130,604,333	79,955,703	4,884,707	10,893,206	(7,322,719)	219,015,230
Other assets						<u>14,735,448</u>
Total assets						<u>233,750,678</u>
Segment assets include:						
Interests in joint ventures	4,596,319	-	54,344	-	-	4,650,663
Interests in associates	5,214,238	-	-	-	-	5,214,238
Segment liabilities	67,638,732	2,949,523	2,588,826	5,824,675	(7,322,719)	71,679,037
Other liabilities						<u>99,470,047</u>
Total liabilities						<u>171,149,084</u>
Capital expenditure	196,563	2,003,754	5,041	488,009	-	<u>2,693,367</u>

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:

	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	-	5,600,550
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	14,440,833	53,615	943,104	-	<u>15,788,479</u>

Segment assets are reconciled to total assets as follows:

	31 December	
	2022	2021
	RMB'000	RMB'000
Segment assets	219,015,230	227,309,230
Other assets		
– Prepaid taxes	1,674,691	1,411,024
– Deferred income tax assets	1,713,294	1,109,849
– Unallocated cash and cash equivalents and restricted cash	262,141	4,429,896
– Other receivables from related parties	10,818,267	10,208,929
– Unallocated property and equipment	71,790	52,361
– Other corporate assets	4,251	45,601
– Financial assets at fair value through other comprehensive income	50,791	299,081
– Financial assets at fair value through profit or loss	140,223	190,482
	<hr/>	<hr/>
Total assets	233,750,678	245,056,453

Segment liabilities are reconciled to total liabilities as follows:

	31 December	
	2022	2021
	RMB'000	RMB'000
Segment liabilities	71,679,037	75,681,453
Other liabilities		
– Current income tax liabilities	15,712,813	13,238,405
– Deferred income tax liabilities	7,817,109	8,472,243
– Current borrowings	19,685,552	22,022,693
– Non-current borrowings	43,406,681	50,934,930
– Other payables to related parties	11,864,851	11,363,136
– Dividend payables	352,990	–
– Other corporate liabilities	630,051	936,141
	<hr/>	<hr/>
Total liabilities	171,149,084	182,649,001

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.

4 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 2022			
Opening net book amount	61,794,376	16,535,379	78,329,755
Additions	–	2,003,754	2,003,754
Consolidation of entities previously held as associates	1,256,537	–	1,256,537
Transfers	5,456,581	(5,456,581)	–
Fair value (losses)/gains – net	(163,614)	75,854	(87,760)
Disposals	(685,883)	–	(685,883)
Disposal of a subsidiary	–	(127,865)	(127,865)
	<u>67,657,997</u>	<u>13,030,541</u>	<u>80,688,538</u>
At 31 December 2022			
Year ended 31 December 2021			
Opening net book amount	52,519,420	5,723,918	58,243,338
Additions	42,501	14,440,833	14,483,334
Consolidations of entities previously held as joint ventures	2,790,805	619,665	3,410,470
Transfer from completed properties held for sale	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)
	<u>61,794,376</u>	<u>16,535,379</u>	<u>78,329,755</u>
At 31 December 2021			

5 TRADE RECEIVABLES

	31 December	
	2022	2021
	RMB'000	RMB'000
Trade receivables (<i>Note (a)</i>)	3,488,267	3,384,614
– Third parties	3,435,268	3,377,871
– Related parties	52,999	6,743
Less: loss allowance (<i>Note (b)</i>)	(153,455)	(152,744)
	3,334,812	3,231,870
Less: non-current portion		
Trade receivables – third parties	(232,084)	(222,781)
	3,102,728	3,009,089

- (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	
	2022	2021
	RMB'000	RMB'000
Within 90 days	1,996,494	1,821,856
Over 90 days and within 180 days	42,214	72,096
Over 180 days and within 365 days	755,992	1,164,454
Over 365 days	693,567	326,208
	3,488,267	3,384,614

- (b) The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 December 2022, a provision of RMB153,455,000 was made against the gross amounts of trade receivables (2021: RMB152,744,000).

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
At 1 January	152,744	95,773
Provision for impairment	26,135	82,481
Receivables written off during the year as uncollectible	(20,283)	(20,035)
Unused amount reverse	(5,141)	(5,475)
At 31 December	153,455	152,744

- (c) As at 31 December 2022 and 2021, the fair value of trade receivables approximated their carrying amounts.

6 BORROWINGS

	31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Borrowings included in non-current liabilities:		
Senior notes	13,258,162	12,939,366
Corporate bonds	6,293,177	8,993,868
Commercial mortgage backed securities	2,263,300	2,329,278
Assets-backed securities	260,557	1,275,949
Bank borrowings	36,357,253	39,543,692
– secured	36,268,819	39,461,932
– unsecured	88,434	81,760
Other borrowings – secured	1,929,565	2,168,600
Less: current portion of non-current borrowings	(16,955,333)	(16,315,823)
	43,406,681	50,934,930
Borrowings included in current liabilities:		
Bank borrowings	875,802	1,261,368
– Secured	778,290	1,261,368
– Unsecured	97,512	–
Other borrowings	502,560	984,940
– secured	494,480	822,040
– unsecured	8,080	162,900
Short-term commercial papers	–	300,000
Current portion of long-term borrowings	16,955,333	16,315,823
Senior notes	1,351,857	3,160,562
	19,685,552	22,022,693
Total borrowings	63,092,233	72,957,623

7 TRADE AND OTHER PAYABLES

	31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables (<i>Note (a)</i>)	15,313,841	16,197,293
– Related parties	9,879	40,273
– Third parties	14,729,978	15,014,075
– Notes payable – third parties	573,984	1,142,945
Other payables and accruals	22,439,321	23,839,652
– Related parties	11,864,851	11,363,136
– Non-controlling interests	5,348,346	6,503,912
– Third parties	5,226,124	5,972,604
Payables for retention fee	1,432,146	1,525,557
Value-added tax received in advance from customers	2,364,264	2,451,453
Interest payable	1,790,729	1,096,805
Payables for acquisition of land use rights	20,680	1,379
Other taxes payable	1,267,178	1,403,666
Dividend payables	352,990	–
	44,981,149	46,515,805
Less: non-current portion		
Other payables – third parties	(89,491)	(137,115)
Current portion	44,891,658	46,378,690

- (a) The ageing analysis of trade payables as at 31 December 2022 and 2021 based on invoice date is as follows:

	31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within 90 days	8,131,866	6,674,871
Over 90 days and within 180 days	5,126,252	7,209,571
Over 180 days and within 365 days	1,033,650	889,272
Over 365 days and within 3 years	1,022,073	1,423,579
	15,313,841	16,197,293

8 EXPENSES BY NATURE

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Cost of properties sold – including construction cost, land cost and interest cost	18,034,228	24,184,806
Staff costs (including directors' emoluments)	2,034,940	2,547,194
Employee benefit expenditure – including directors' emoluments	2,377,766	2,918,632
Less: capitalised in properties under development, investment properties under construction and construction in progress	(342,826)	(371,438)
Taxes and other levies	198,026	384,308
Advertising costs	718,665	860,610
Subcontracting costs	597,266	443,650
Hotel operations expenses	498,438	289,978
Depreciation and amortisation	313,099	295,106
– Property and equipment	242,899	225,134
– Right-of-use assets	69,625	69,411
– Intangible assets	575	561
Utilities	241,195	141,909
Office related expenses	81,164	111,483
Donations	25,896	34,564
Rental expenses	39,643	24,190
Auditor's remuneration	8,525	20,408
– Audit services	8,525	14,300
– Non-audit services	–	6,108

9 OTHER INCOME AND (LOSSES)/GAINS – NET

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Exchange (losses)/gains – net	(441,856)	40,236
Losses on disposal of investment properties	(359,195)	(3,516)
(Losses)/gains on disposal of a joint venture and an associate	(110,452)	233,978
Losses on disposal of subsidiaries	(75,584)	–
Fair value losses on financial assets at fair value through profit or loss	(38,415)	(77,335)
Fair value gains on the remeasurement of investments in joint ventures	–	558,355
Revaluation gains on completed properties held for sale transferred to investment properties	–	400,132
Interest income	48,016	169,693
Others	16,949	68,799
	(960,537)	1,390,342

10 FINANCE COSTS – NET

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Interest expense:		
Borrowings	4,669,399	5,089,445
Lease liabilities	117,651	104,026
	<u>4,787,050</u>	<u>5,193,471</u>
Less: finance costs capitalised	(4,053,109)	(3,820,465)
Foreign exchange losses/(gains) on financing activities – net	1,996,128	(595,024)
	<u>2,730,069</u>	<u>777,982</u>
Finance costs		
Interest income of bank deposits	(321,455)	(343,264)
	<u>2,408,614</u>	<u>434,718</u>

11 INCOME TAX EXPENSE

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Current income tax:		
PRC corporate income tax	2,400,077	2,655,935
PRC land appreciation tax	1,354,534	2,284,891
	<u>3,754,611</u>	<u>4,940,826</u>
Deferred income tax:		
PRC corporate income tax	(1,056,756)	77,805
PRC land appreciation tax	(140,307)	(206,979)
	<u>(1,197,063)</u>	<u>(129,174)</u>
	<u>2,557,548</u>	<u>4,811,652</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 Act, 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.

12 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	
	2022	2021
Profit attributable to owners of the Company (RMB'000)	<u>407,749</u>	<u>5,992,099</u>
Weighted average number of ordinary shares in issue (thousand shares)	<u>4,140,403</u>	<u>4,141,135</u>
Basic earnings per share (RMB cents per share)	<u>9.9</u>	<u>144.7</u>

(b) Diluted

Since there was no dilutive potential ordinary shares during the year ended 31 December 2022, diluted earnings per share is equal to basic earnings per share (31 December 2021: same).

13 DIVIDENDS

No final dividend in respect of the year ended 31 December 2022 was proposed by the Board (year ended 31 December 2021: HK\$10.0 cents per ordinary share).

The 2021 final dividend amounting to HK\$414,040,300 (equivalent to RMB352,990,000) (payable in cash, with scrip option) (2020: final dividend of HK\$1,366,993,000 (equivalent to RMB1,124,912,000)) was approved by the shareholders at the annual general meeting of the Company held on 17 June 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2022, against the complicated and ever-changing international environment, the continual resurgence of COVID-19 pandemic at home, and the continual persistence of unexpected factors, the economy of the People’s Republic of China (“**China**” or the “**PRC**”) weathered through pressure to achieve progress while maintaining stability. It continued to solidify the trend of recovery, showcasing its remarkable resilience and vast potentials. The real estate industry underwent intense adjustments. Under the general keynote of “properties being for residential dwellings instead of speculation”, city-specific policies that support the rigid and upgraders’ housing needs, timely delivery of products and stabilizing people’s livelihood, easing policies adopted by local governments were being optimized throughout the year. From demand side to enterprises’ side, supportive policies have been increasingly fortified. Demand-side easing policies focused primarily on optimizing measures for relaxation of the respective restrictions on purchases, sales and loans, reduction of down payment, reduction of home loan interest rate, stepping up of support for home purchases with provident fund, provision of subsidies for home purchases, reduction of transaction levies and so forth, thereby effectively lowering the barriers and costs of home purchases and fostering reasonable consumption on housing. On enterprises’ side, by fulfilling reasonable financing needs of real estate enterprises, the external financing environment available to real estate enterprises had gradually improved and thereby boosting confidence in the real estate market. With adequate assessment of the situation, real estate enterprises remained steadfast to “ensuring timely delivery of products, redemption of debts and sale of products”, which contributed to the steady and healthy development of the real estate market in China.

BUSINESS REVIEW

For the year ended 31 December 2022, 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

As a result of the severe operating environment in the real estate industry and the continuous impact of the COVID-19 pandemic, for the year ended 31 December 2022, the contracted sales of the Group together with its associates and joint ventures amounted to approximately Renminbi (“**RMB**”) 40,950 million (2021: approximately RMB101,227 million). In 2022, the contracted sales area of the Group together with its associates and joint ventures amounted to 2,724,167 square meters (2021: 6,410,452 square meters).

Set forth below is the distribution of the Group's contracted sales during the year ended 31 December 2022:

For the year ended 31 December 2022			
Distribution	Sales area <i>sq.m.</i>	Sales amount <i>RMB'000</i>	Average selling price <i>RMB/sq.m.</i>
Commercial	803,495	12,752,408	15,871
Residential	1,920,672	28,197,275	14,681
Total	<u>2,724,167</u>	<u>40,949,683</u>	<u>15,032</u>

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 2022, the Group had an aggregate gross floor area (“GFA”) of approximately 7,743,836 square meters (2021: approximately 7,286,508 square meters) held as investment properties (including properties completed and under construction), representing an increase of approximately 6.3% as compared with 2021.

During the year ended 31 December 2022, the Group (together with its associates and joint ventures) has completed and commenced operation of three new shopping malls, with the successful opening of Taizhou Jiaojiang Powerlong City on 24 June 2022, Hangzhou Tech City Powerlong Plaza on 30 September 2022, and Xiamen Tong'an Powerlong Plaza on 16 December 2022. As at 31 December 2022, the Group held and managed 60 shopping malls and managed 9 asset-light shopping malls, with the number of shopping malls 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 2022, 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 Chengyang Qingdao (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+ 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), JUNTELS Tai'an (泰安寶龍藝珺酒店) and JUNTELS Pan'an Jinhua (金華磐安寶龍藝珺酒店).

Land Bank

The Group will adhere to the “1+N” development strategy, focusing on the Yangtze River Delta while paying attention to and exploring other premium regions that offer opportunities. 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.

As at 31 December 2022, the Group had a quality land bank amounting to a total GFA of approximately 27.4 million square meters, of which approximately 23.1 million square meters were properties under development and construction and approximately 4.3 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 2022, approximately 67.1% of the land bank of the Group is located in the Yangtze River Delta region.

OUTLOOK

Into 2023, against the backdrop of gradual recovery on the demand side, ongoing clearance of stocks on the supply side, and continuation of expansionary policies, the general keynote of “properties being for residential dwellings instead of speculation” will continue to apply to China’s real estate industry, with a focus on “stabilizing pillars, guarding against risks, and favoring people’s livelihood”. City-specific policies will continue to strengthen the construction of affordable housing, support rigid and upgraders’ housing needs, and effectively guard against and resolve risks facing leading enterprises. It is envisaged that there will be room for optimization of policies on both the demand and supply sides. Differentiations across cities and regions will become more prominent in the real estate market, with core first-tier and second-tier cities likely to stabilize and revive, while financing environment for premium real estate enterprises is set to improve remarkably under the stable-credit policy. At a stage where the real estate industry gradually moves towards high-quality development, real estate enterprises will hold firm to the development trend of maintaining stability while seeking improvement. Whilst sticking to the bottom line of “timely delivery of products”, precise management will be implemented in a pragmatic manner, and efforts will be made to uplift product strengths and service capability, striving to achieve ongoing sound operation and sustainable high-quality development.

Faced with the challenges and opportunities presented by intense adjustments of the real estate industry in China, the Group will capture the market in a timely manner and grasp the policy window, under the development theme of “Marching forward for newer landscape” (一往無前，萬象再生), with the thorough implementation of the principles of “Focus on projects, breakthrough in sales, reshaping of credit, activation of asset management” (聚焦項目、突破銷售、重塑信用、激活資管) in operations and management. In 2023, the focus will be on eight key tasks as follows: “City-specific policies, activation of assets, securing sales, safeguarding financing, restoration of investment, intensification of asset management, business efficiency enhancement, and hotel renovation”. In the adversity of a difficult macro-environment, the Group will hold firm to sound operation and to the principle of responsibilities and remain committed to being a responsible enterprise. With the concerted efforts of all staff members in overcoming difficulties, adhering to “ensuring timely delivery of products, redemption of debts, and sale of products”, and by holding firm to the principles of quality and responsibilities, the Group will enhance its scientific management holistically, refine and quantify targets and responsibilities, continually foster the optimization and uplift of products and services, with a view to fostering the stable and healthy development and hence the virtuous cycle of the real estate market.

The Group will continue to adhere to prudent expansion of its premium land bank and adhere to the “1+N” development strategy, focusing on the Yangtze River Delta while paying attention to and exploring other premium regions that offer opportunities, so as to lay solid foundation for its sustainable and healthy operation and high-quality sustainable 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, seeking to achieve plans for high-quality openings within the year. Under the theme of “refinement in services, increase in average per-unit-GFA sales and establishment of benchmarking projects”, the Group empowers intelligent commerce with technology and innovation, seeking to uplift the quality awareness of all staff members and create more benchmarking projects. It will continue to uplift the quality of project management and organizational efficiency holistically. Tapping the characteristics of the project, the Group will present a differentiated consumption scenario, further incentivizing commercial vitality, uplifting consumers’ satisfaction, and striving to build a more diversified “Powerlong Commercial Eco-system” for consumers.

As the real estate industry in China enters a period of intensive adjustment, the Group will strengthen its financial risk management, strictly control the overall debt scale, revitalize stock assets, strengthen asset management, uplift occupancy rate and rental rate, lower financial leverage, lower gearing ratio, optimize financing structure, constantly enhance its financing capability, lower its financing cost, continue to foster a steady and safe system of financial control, and continue to enhance and optimize its ability in digitalized financial management, especially enhancement of Powerlong center of financial sharing, for better financial effectiveness and better financial risk management and internal control.

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” and 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 continue to be committed to being a responsible enterprise and following a path of high-quality sustainable development. It 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, with the same goals and paths and embracing difficulties, to contribute to fostering the steady and healthy development and virtuous cycle of the industry, with a view to continually creating further values for the corporation, its society and the country.

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 2022, the Group recorded a total revenue of approximately RMB31,378 million (2021: approximately RMB39,902 million), representing a decrease of approximately 21.4% as compared with the corresponding period in 2021. This was attributable to the decrease in revenue from property sales.

Income of Property Sales

During the year ended 31 December 2022, 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 2022 amounted to approximately RMB26,481 million (2021: approximately RMB35,035 million), representing a decrease of approximately 24.4% as compared with the corresponding period in 2021. This was mainly attributable to the decrease in the sales of residential properties.

Set forth below are the details regarding the properties sold and delivered during the year ended 31 December 2022:

Geographical location		For the year ended 31 December 2022		
		GFA sold and delivered (sq.m.)	Amount sold and delivered (RMB million)	Average selling price (RMB/sq.m.)
Yangtze River Delta	Commercial	527,372	4,650	8,818
	Residential	985,271	16,858	17,110
Hainan	Commercial	9,827	68	6,920
	Residential	8,330	124	14,886
Guangdong-Hong Kong- Macau Bay Area	Commercial	525	15	28,571
	Residential	165,693	3,853	23,253
Others	Commercial	104,355	474	4,542
	Residential	53,170	439	8,257
Total		<u>1,854,543</u>	<u>26,481</u>	<u>14,279</u>
Commercial		642,079	5,207	8,110
Residential		<u>1,212,464</u>	<u>21,274</u>	<u>17,545</u>

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

For the year ended 31 December 2022, the Group recorded rental income after elimination of intra-group transactions from investment properties of approximately RMB1,741 million (2021: approximately RMB1,681 million), representing an increase of approximately 3.6% as compared with the corresponding period in 2021.

For the year ended 31 December 2022, 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 RMB2,110 million (2021: approximately RMB2,027 million), representing an increase of approximately 4.1% as compared with the corresponding period in 2021.

For the year ended 31 December 2022, the Group's rental income from investment properties and income from provision of commercial operational services and residential property management services totalled approximately RMB3,851 million (2021: approximately RMB3,708 million), representing an increase of approximately 3.9% as compared with the corresponding period in 2021.

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 2022, the Group recorded an income after elimination of intra-group transactions from other property development related businesses of approximately RMB1,046 million (2021: approximately RMB1,160 million), representing a decrease of approximately 9.8% as compared with the corresponding period in 2021, mainly attributable to the year-on-year decrease in income from 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, decoration costs and other costs. Cost of sales for the year ended 31 December 2022 amounted to approximately RMB21,500 million (2021: approximately RMB27,383 million), representing a decrease of approximately 21.5% as compared with the corresponding period in 2021, which was mainly due to the decrease in the total properties sold and delivered, leading to a decrease in the total costs.

Gross Profit and Gross Profit Margin

For the year ended 31 December 2022, gross profit amounted to approximately RMB9,878 million (2021: approximately RMB12,519 million), representing a decrease of approximately 21.1% as compared with the corresponding period in 2021. Gross profit margin amounted to 31.5%, representing an increase of approximately 0.1 percentage point from 31.4% for the corresponding period in 2021.

Fair Value (Losses)/Gains on Investment Properties

For the year ended 31 December 2022, the Group recorded revaluation losses on investment properties of approximately RMB88 million as compared with revaluation gains of approximately RMB1,711 million for the corresponding period in 2021. The turnaround from fair value gains to fair value losses was mainly due to the slow growth in market rents of shopping malls as a result of the decrease in leasing demand under the continuous impact of the COVID-19 pandemic.

Selling and Marketing Costs and Administrative Expenses

The Group's selling and marketing costs and administrative expenses for the year ended 31 December 2022 amounted to approximately RMB2,684 million (2021: approximately RMB3,304 million), representing a decrease of approximately 18.8% over the corresponding period in 2021, which was mainly attributable to the decrease in the scale of property sales and property management projects. 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 2022, share of post-tax profit of investments accounted for using the equity method amounted to approximately RMB616 million (2021: approximately RMB508 million), representing an increase of approximately 21.3% as compared with the corresponding period in 2021, which was mainly due to the increase in net profit from joint ventures.

Income Tax Expenses

The Group's income tax expenses for the year ended 31 December 2022 amounted to approximately RMB2,558 million (2021: approximately RMB4,812 million), representing a decrease of approximately 46.8% as compared with the corresponding period in 2021, primarily due to the decrease in PRC corporate income tax and PRC land appreciation tax expenses.

Profit Attributable to Owners of the Company

For the year ended 31 December 2022, the Group recorded profit attributable to owners of the Company of approximately RMB408 million (2021: approximately RMB5,992 million), representing a decrease of approximately 93.2% as compared with the corresponding period in 2021.

For the year ended 31 December 2022, basic earnings per share was approximately RMB9.9 cents (2021: approximately RMB144.7 cents), representing a decrease of approximately 93.2% as compared with the corresponding period in 2021.

Core earnings (being the profit excluding the fair value gains/(losses) on investment properties, revaluation gains/(losses) 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 2022 amounted to approximately RMB3,676 million (2021: approximately RMB5,152 million), representing a decrease of approximately 28.6% as compared with the corresponding period in 2021.

Core earnings attributable to owners of the Company (being the profit excluding the fair value gains/(losses) on investment properties, revaluation gains/(losses) 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 2022 amounted to approximately RMB2,451 million (2021: approximately RMB3,766 million), representing a decrease of approximately 34.9% as compared with the corresponding period in 2021.

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 projects.

The Group's cash and cash equivalents and restricted cash amounted to approximately RMB11,808 million in total as at 31 December 2022 (2021: approximately RMB25,068 million), representing a decrease of approximately 52.9% as compared with the end of 2021.

Borrowings

Total borrowings of the Group as at 31 December 2022 was approximately RMB63,092 million (2021: approximately RMB72,958 million), representing a decrease of approximately 13.5% as compared with the end of 2021. The Group's borrowings comprise bank and other borrowings of approximately RMB39,665 million, corporate bonds of approximately RMB6,293 million, commercial mortgage backed securities (the "CMBS") of approximately RMB2,263 million, assets-backed securities (the "ABS") of approximately RMB261 million and senior notes of approximately RMB14,610 million.

Out of the total borrowings, approximately RMB19,686 million was repayable within one year, while approximately RMB43,406 million was repayable after one year.

Completion of the Exchange Offer and the Consent Solicitation

References are made to the announcements of the Company dated 4 July 2022, 13 July 2022, 14 July 2022, 16 July 2022, 19 July 2022 and 25 July 2022 (collectively, the “**Relevant Announcements**”). Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Relevant Announcements.

On 4 July 2022, the Company conducted the Exchange Offer and the Consent Solicitation with respect to (i) the Fourth 2022 Notes and the Second 2022 Notes upon the terms and subject to the conditions set forth in the Exchange Offer Memorandum; and (ii) the July 2019 Notes, the August 2020 Notes, the October 2020 Notes and the May 2021 Notes upon the terms and subject to the conditions set forth in the Consent Solicitation Statement. The Exchange Offer and the Consent Solicitation were completed on 15 July 2022. As part of the exchange consideration for the Exchange Notes, the Company issued (i) US\$169,770,700 in aggregate principal amount of the July 2023 New Notes; and (ii) US\$262,741,000 in aggregate principal amount of the January 2024 New Notes. For further details, please refer to the Relevant Announcements.

Net Gearing Ratio

As at 31 December 2022, 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 81.9% (31 December 2021: approximately 76.7%).

Borrowing Cost

Total interest expenses as at 31 December 2022 amounted to approximately RMB4,787 million (2021: approximately RMB5,193 million), representing a decrease of approximately 7.8% as compared with the end of 2021. The decrease was mainly due to the decrease in total borrowings. The effective interest rate decreased slightly from 6.42% for 2021 to 6.36% for 2022, 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 2022, 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 RMB89,541 million (2021: approximately RMB103,261 million) to secure borrowings of the Group. The total secured bank and other borrowings and CMBS as at 31 December 2022 amounted to approximately RMB41,734 million (2021: approximately RMB46,043 million). The ABS of RMB261 million were secured by the trade receivables of the Group. The senior notes issued by the Company were 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 2022, 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	
	2022	2021
	RMB'000	RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	22,935,267	32,685,377
Guarantees for borrowings of joint ventures and associates	866,466	1,234,831
	<u>23,801,733</u>	<u>33,920,208</u>

Commitments

(1) Commitments for property development expenditures

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Contracted but not provided for		
– Property development activities	10,316,531	14,477,443
– Acquisition of land use rights	3,298,879	3,448,488
	<u>13,615,410</u>	<u>17,925,931</u>

(2) Leases commitments

As at 31 December 2022, 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 2022, 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 RMB22,243 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 2022.

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 2022.

EMPLOYEES AND EMOLUMENT POLICY

For the year ended 31 December 2022, the Group employed a total of 10,046 full-time employees (2021: 13,212 employees). The total staff costs of the Group for the year ended 31 December 2022 amounted to approximately RMB2,378 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

As at the date of this announcement, no significant event has taken place subsequent to 31 December 2022.

DIVIDEND

The Board resolved not to recommend the payment of any final dividend for the year ended 31 December 2022.

ANNUAL GENERAL MEETING

The annual general meeting of the Company for the year ended 31 December 2022 (the “**Annual General Meeting**”) is proposed to be held on Friday, 16 June 2023. A notice convening the Annual General Meeting will be published and despatched in the manner as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the Shareholders’ rights to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Tuesday, 13 June 2023 to Friday, 16 June 2023, both days inclusive, during which period no transfer of the shares of the Company will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfer document 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, 12 June 2023.

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 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 2022. No incident of non-compliance was noted by the Company throughout the year ended 31 December 2022.

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

As of 31 March 2022, the Company had made partial repurchases of the 3.9% senior notes due 2022 issued by the Company and listed on the Singapore Exchange Securities Trading Limited (the “**April 2022 Notes**”) in the aggregate principal amount of US\$32,950,000. The April 2022 Notes matured on 13 April 2022 and was fully repaid by the Company. Please refer to the announcements of the Company dated 25 February 2022, 28 February 2022, 31 March 2022 and 6 April 2022 for further details.

On 16 March 2022, Shanghai Powerlong Industrial Development Co. Ltd 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, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2022.

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 Part 2 of the Corporate Governance Code contained in Appendix 14 to the Listing Rules during the year ended 31 December 2022. 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 2022.

AUDIT COMMITTEE

The Company has established an audit committee (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 audited consolidated annual results of the Group for the year ended 31 December 2022 and considered that such results have been prepared in accordance with applicable accounting standards and requirements with sufficient disclosure.

AUDITOR

The figures in respect of the Group's consolidated balance sheet, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in this announcement have been agreed by the Company's external auditor, Elite Partners CPA Limited ("**Elite Partners**"), to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2022. The work performed by Elite Partners in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Elite Partners on this announcement.

Elite Partners shall retire at the forthcoming Annual General Meeting, at which a resolution will be proposed for the re-appointment of Elite Partners as the auditor of the Company for a term of office until the conclusion of the next annual general meeting of the Company.

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 2022 and up to the date of this announcement, the Company has 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 2022 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The annual report of the Company for the year ended 31 December 2022 will be despatched to the Shareholders and made available on the website of the Stock Exchange (www.hkexnews.hk) as well as the website of the Company (www.powerlong.com) in due course.

ADOPTION OF THE AMENDED AND RESTATED MEMORANDUM AND ARTICLES OF ASSOCIATION

The Board proposes to amend the existing memorandum of association and articles of association of the Company (the “**Existing Memorandum and Articles**”) to (i) bring the Existing Memorandum and Articles in line with the latest requirements under the Listing Rules, including the amendments to Appendix 3 to the Listing Rules which took effect on 1 January 2022; (ii) provide flexibility to the Company in relation to the conduct and proceedings of general meetings of the Company; (iii) reflect the prevailing requirements under applicable laws of the Cayman Islands; and (iv) incorporate certain corresponding and housekeeping amendments (the “**Proposed Amendments**”).

The Board proposes to effect the Proposed Amendments by way of adoption of the amended and restated memorandum of association and articles of association (the “**Amended and Restated Memorandum and Articles**”) in substitution for, and to the exclusion of, the Existing Memorandum and Articles.

The adoption of the Amended and Restated Memorandum and Articles to incorporate the Proposed Amendments is subject to the approval of the Shareholders by way of a special resolution to be proposed at the Annual General Meeting. Prior to the passing of such special resolution at the Annual General Meeting, the Existing Memorandum and Articles shall remain valid.

A circular containing, among other matters, details of the Proposed Amendments and the proposed adoption of the Amended and Restated Memorandum and Articles, together with a notice convening the Annual General Meeting will be despatched to the Shareholders in due course.

APPRECIATION

This year marked the thirteenth 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 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.

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

Hong Kong, 30 March 2023

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.