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)

(1) 2023 ANNUAL RESULTS ANNOUNCEMENT; (2) ADOPTION OF THE AMENDED AND RESTATED MEMORANDUM AND ARTICLES OF ASSOCIATION; AND (3) APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTOR

SUMMARY OF RESULTS

For the year ended 31 December 2023

- Contracted sales amounted to approximately RMB27,524 million. Contracted sales area amounted to approximately 1,979,982 square meters.
- Revenue amounted to approximately RMB22,904 million, representing a decrease of approximately 27.0% as compared with the corresponding period in 2022.
- Rental income and income from provision of commercial operational services and residential property management services amounted to approximately RMB4,082 million, representing an increase of approximately 6.0% as compared with the corresponding period in 2022.
- Core losses attributable to the owners of the Company was approximately RMB1,148 million, representing a turnaround as compared with the corresponding period in 2022.

EVENTS AFTER THE REPORTING PERIOD

- As at 5:00 p.m. Hong Kong time on 26 March 2024, creditors holding approximately 77.9% of the In-Scope Debt have acceded to the RSA. For details, please refer to the announcement of the Company dated 26 March 2024.

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 2023, together with comparative figures for the year ended 31 December 2022, as follows.

CONSOLIDATED BALANCE SHEET

		31 December	
		2023	2022
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property and equipment		**6,611,465**	6,534,602
Investment properties	*4*	**78,946,839**	80,688,538
Intangible assets		**6,753**	8,594
Goodwill		**20,640**	20,640
Investments accounted for using the equity method		**9,563,660**	9,864,901
Deferred income tax assets		**2,576,795**	1,713,294
Financial assets at fair value through profit or loss		**514**	1,528
Financial assets at fair value through other comprehensive income		**50,322**	50,791
Prepayments		**550,628**	663,469
Trade receivables	*5*	**–**	232,084
		98,327,616	99,778,441
Current assets			
Properties under development		**60,049,689**	68,705,423
Completed properties held for sale		**16,893,542**	18,293,581
Contract assets		**132,602**	694,594
Trade receivables	*5*	**2,087,543**	3,102,728
Other receivables		**22,475,540**	24,398,791
Prepayments		**3,663,957**	5,155,816
Prepaid taxes		**1,811,621**	1,674,691
Financial assets at fair value through profit or loss		**117,375**	138,695
Restricted cash		**1,511,490**	2,218,049
Cash and cash equivalents		**7,734,844**	9,589,869
		116,478,203	133,972,237
Total assets		**214,805,819**	233,750,678

	Note	31 December 2023 RMB'000	2022 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium		**36,779**	36,779
Other reserves		**2,181,992**	2,165,705
Retained earnings		**36,249,392**	38,903,081
		38,468,163	41,105,565
Perpetual capital instruments		**578,942**	519,781
Non-controlling interests		**16,271,735**	20,976,248
Total equity		**55,318,840**	62,601,594
LIABILITIES			
Non-current liabilities			
Borrowings	*6*	**29,436,754**	43,406,681
Lease liabilities		**2,640,658**	2,654,368
Other payables	*7*	**–**	89,491
Deferred income tax liabilities		**7,428,169**	7,817,109
		39,505,581	53,967,649
Current liabilities			
Borrowings	*6*	**29,383,306**	19,685,552
Trade and other payables	*7*	**42,003,157**	44,891,658
Contract liabilities		**32,051,985**	36,763,915
Current income tax liabilities		**16,323,333**	15,712,813
Lease liabilities		**219,617**	127,497
		119,981,398	117,181,435
Total liabilities		**159,486,979**	171,149,084
Total equity and liabilities		**214,805,819**	233,750,678

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2023 RMB'000	2022 RMB'000
Revenue	*3*	**22,903,847**	31,377,857
Cost of sales	*8*	**(20,450,483)**	(21,500,171)
Gross profit		**2,453,364**	9,877,686
Fair value losses on investment properties – net	*4*	**(1,709,427)**	(87,760)
Selling and marketing costs	*8*	**(712,365)**	(1,113,572)
Administrative expenses	*8*	**(1,400,281)**	(1,569,949)
Net impairment losses on financial assets		**(183,619)**	(182,226)
Other income and losses – net	*9*	**(293,495)**	(960,537)
Operating (loss)/profit		**(1,845,823)**	5,963,642
Finance costs – net	*10*	**(1,351,074)**	(2,408,614)
Share of profit of investments accounted for using the equity method		**1,236,537**	616,087
(Loss)/profit before income tax		**(1,960,360)**	4,171,115
Income tax expense	*11*	**(616,920)**	(2,557,548)
(Loss)/profit for the year		**(2,577,280)**	1,613,567
Other comprehensive income/(expense)			
Items that may be reclassified to profit or loss			
Currency translation differences		**5,614**	21,542
Items that will not be reclassified to profit or loss			
Changes in the fair value of financial assets at fair value through other comprehensive income, net of tax		**(352)**	(184,547)
Total other comprehensive income/(expense) for the year, net of tax		**5,262**	(163,005)
Total comprehensive (loss)/income for the year		**(2,572,018)**	1,450,562

		Year ended 31 December	
		2023	2022
	Note	***RMB'000***	*RMB'000*
(Loss)/profit attributable to:			
Owners of the Company		**(2,653,089)**	407,749
Holders of perpetual capital instruments		**59,161**	38,000
Non-controlling interests		**16,648**	1,167,818
		(2,577,280)	1,613,567
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(2,647,827)**	244,744
Holders of perpetual capital instruments		**59,161**	38,000
Non-controlling interests		**16,648**	1,167,818
		(2,572,018)	1,450,562
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company for the year (expressed in RMB cents per share)	*12*		
– Basic		**(64.1)**	9.9
– Diluted		**(64.1)**	9.9

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 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**") are 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.

(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

For the year ended 31 December 2023, the Group incurred net loss of RMB2,577 million. As at 31 December 2023, the Group recorded net current liabilities of RMB3,503 million. As at 31 December 2023, the Group's current and non-current borrowings amounted to RMB29,383 million and RMB29,437 million respectively, while the Group had cash and cash equivalents (excluding restricted cash) amounting to RMB7,735 million.

These events or conditions indicate that material uncertainties exist that may cast significant doubt on the Group's ability to continue as a going concern. In view of such circumstances, the directors of the Company (the "**Directors**") have given careful consideration to the future liquidity and performance of the Group and the Group's available sources of financing and have considered the Group's cash flow projections prepared by management for a period of not less than 12 months from the end of reporting period. The following plans and measures are formulated with the objective to mitigate the liquidity pressure of the Group:

- The Company has appointed Haitong International Securities Company Limited as its financial adviser for its offshore debt restructuring. The Group is actively in discussions with the existing lenders on the renewal of the Group's certain borrowings. These discussions have been constructive and focused on possible actions in light of current circumstances but do require time to formulate or implement due to ongoing changes in market conditions. In addition, the Group will continue to seek for new sources of financing or accelerate asset sales to address upcoming financial obligations and future operating cash flow requirements whilst engaging in existing lenders;

- 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 been conducive to encouraging an increase in buyers' interests and stimulating demand. The Group will also continue to actively adjust sales and pre-sale activities to better respond to changing markets to achieve the latest budgeted sales and pre-sales volumes and amounts;

- The Group will continue to seek for suitable opportunities to dispose of its equity interest in certain project development companies to generate additional cash inflows. The Group's properties are predominantly located in higher tier cities that make it relatively more attractive to potential buyers and retain a higher value in current market conditions; and

- The Group has already taken measures to control administrative costs and contain unnecessary capital expenditures to preserve liquidity. The Group will continue to actively assess additional measures to further reduce discretionary spending.

On 23 February 2024, the Company and members of an ad hoc group of holders of certain loan facilities to which the Company is an obligor and certain senior notes issued or guaranteed by the Company (collectively, the "**In-Scope Debt**") entered into a restructuring support agreement (the "**RSA**") in relation to the restructuring of the In-Scope Debt by way of scheme(s) of arrangement in Hong Kong and/or other applicable jurisdiction(s) at the election of the Company (the "**Restructuring**").

As at 5:00 p.m. Hong Kong time on 26 March 2024, creditors holding approximately 77.9% of the In-Scope Debt have acceded to the RSA. It is a strong indication of such creditor's confidence in the Company.

For further details, please refer to the announcements of the Company dated 29 November 2023, 21 December 2023, 23 February 2024, 22 March 2024 and 26 March 2024.

As at the date of this announcement, the Restructuring has not yet become effective.

The Directors, taking into account the above plans and measures, are of the opinion that it is appropriate to prepare the consolidated financial statements for the year ended 31 December 2023 on a going concern basis.

The management has formulated a number of plans and taken a number of measures, but the Group's ability to continue as a going concern still depends on (i) whether it can successfully complete the Restructuring; and (ii) whether it can successfully negotiate with the lenders on the extension or deferral of the repayment of the outstanding borrowings.

Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the carrying amounts of the assets to their net recoverable amounts, to provide for any further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements of the Group for the year ended 31 December 2023.

(iv) New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amended to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17	Insurance Contracts and the related Amendments
Amendment to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a single transaction
Amendments to HKAS 12	International tax reform – Pillar Two Model Rules

Except as stated below, new and amendments to HKFRSs 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.

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 Presentation of Financial Statements is amended to replace all instances of the term "Significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial position and performance but has affected the disclosure of the Group's accounting policies.

(v) Amendments to HKFRSs that are not mandatorily for the current year

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

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to HKAS 1	Non-current Liabilities with Covenants[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[1]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[1]
Amendments to HKAS 21	Lack of Exchangeability[2]

1 Effective for annual periods beginning on or after 1 January 2024.
2 Effective for annual periods beginning on or after 1 January 2025.
3 Effective for annual periods beginning on or after a date to be determined.

The Group is in the process of assessing the potential impact of the amendments to HKFRSs but are not yet in a position to determine whether the amendments to HKFRSs will have a material impact on the Group's performance and financial position and on the disclosures. The amendments to 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	
	2023	2022
	RMB'000	*RMB'000*
Sales of properties	**17,737,075**	26,480,586
Rental income of investment properties	**1,813,970**	1,740,857
Income from provision of commercial operational services and residential property management services	**2,267,433**	2,109,653
Income of other property development related businesses	**1,085,369**	1,046,761
	22,903,847	31,377,857

(a) Segment results represent the performance for each segment without fair value losses on 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 2023 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*	Group *RMB'000*
Gross segment revenue	**17,737,075**	**2,003,728**	**2,635,746**	**1,090,987**	**23,467,536**
Inter-segment revenue	**–**	**(189,758)**	**(368,313)**	**(5,618)**	**(563,689)**
Revenue	**17,737,075**	**1,813,970**	**2,267,433**	**1,085,369**	**22,903,847**
Share of post-tax profits of joint ventures	**50,509**	**–**	**945**	**–**	**51,454**
Share of post-tax profits of associates	**1,184,783**	**–**	**–**	**300**	**1,185,083**
Segment results	**524,037**	**(21,833)**	**214,041**	**(326,305)**	**389,940**
Fair value losses on financial assets at fair value through profit or loss					**(16,150)**
Unallocated operating costs					**(983,076)**
Finance costs – net					**(1,351,074)**
Loss before income tax					**(1,960,360)**
Income tax expense					**(616,920)**
Loss for the year					**(2,577,280)**
Depreciation and amortisation recognised as expenses	**107,381**	**–**	**12,628**	**228,132**	**348,141**
Fair value losses on investment properties – net *(Note 4)*	**–**	**(1,623,329)**	**(86,098)**	**–**	**(1,709,427)**

The segment results and other segment items included in the profit 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*	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	26,480,586	1,740,857	2,109,653	1,046,761	31,377,857
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					(2,408,614)
Profit before income tax					4,171,115
Income tax expense					(2,557,548)
Profit for the year					1,613,567
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)	–	(87,760)

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 2023 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	**113,045,934**	**78,109,866**	**5,719,772**	**11,630,091**	**(8,220,455)**	**200,285,208**
Other assets						**14,520,611**
Total assets						**214,805,819**
Segment assets include:						
Interests in joint ventures	**5,559,506**	**–**	**772**	**–**	**–**	**5,560,278**
Interests in associates	**3,967,656**	**–**	**–**	**35,726**	**–**	**4,003,382**
Segment liabilities	**63,547,201**	**2,510,263**	**2,631,471**	**6,315,655**	**(8,220,455)**	**66,784,135**
Other liabilities						**92,702,844**
Total liabilities						**159,486,979**
Capital expenditure	**27,104**	**1,785,613**	**82,602**	**436,350**	**–**	**2,331,669**

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						14,735,448
Total assets						233,750,678
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						99,470,047
Total liabilities						171,149,084
Capital expenditure	196,563	2,003,754	5,041	488,009	–	2,693,367

Segment assets are reconciled to total assets as follows:

	31 December 2023 *RMB'000*	2022 *RMB'000*
Segment assets	**200,285,208**	219,015,230
Other assets		
– Prepaid taxes	**1,811,621**	1,674,691
– Deferred income tax assets	**2,576,795**	1,713,294
– Unallocated cash and cash equivalents and restricted cash	**181,372**	262,141
– Other receivables from related parties	**9,680,057**	10,818,267
– Unallocated property and equipment	**73,009**	71,790
– Other corporate assets	**29,546**	4,251
– Financial assets at fair value through other comprehensive income	**50,322**	50,791
– Financial assets at fair value through profit or loss	**117,889**	140,223
Total assets	**214,805,819**	233,750,678

Segment liabilities are reconciled to total liabilities as follows:

	31 December 2023 *RMB'000*	2022 *RMB'000*
Segment liabilities	**66,784,135**	71,679,037
Other liabilities		
– Current income tax liabilities	**16,323,333**	15,712,813
– Deferred income tax liabilities	**7,428,169**	7,817,109
– Current borrowings	**29,383,306**	19,685,552
– Non-current borrowings	**29,436,754**	43,406,681
– Other payables to related parties	**9,258,376**	11,864,851
– Dividend payables	**352,990**	352,990
– Other corporate liabilities	**519,916**	630,051
Total liabilities	**159,486,979**	171,149,084

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 RMB'000	Investment properties under construction RMB'000	Total RMB'000
Year ended 31 December 2023			
Opening net book amount	**67,657,997**	**13,030,541**	**80,688,538**
Additions	**–**	**1,785,613**	**1,785,613**
Transfers	**3,348,615**	**(3,348,615)**	**–**
Fair value losses – net	**(1,574,255)**	**(135,172)**	**(1,709,427)**
Disposals	**(1,817,885)**	**–**	**(1,817,885)**
At 31 December 2023	**67,614,472**	**11,332,367**	**78,946,839**
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
Consolidations of entities previously held as associates	1,256,537	–	1,256,537
Transfer	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)
At 31 December 2022	67,657,997	13,030,541	80,688,538

5 TRADE RECEIVABLES

	31 December 2023 *RMB'000*	2022 *RMB'000*
Trade receivables *(Note (a))*	**2,401,005**	3,488,267
– Third parties	**2,331,515**	3,435,268
– Related parties	**69,490**	52,999
Less: loss allowance *(Note (b))*	**(313,462)**	(153,455)
	2,087,543	3,334,812
Less: non-current portion		
Trade receivables – third parties	**–**	(232,084)
	2,087,543	3,102,728

(a) The majority of the Group's revenue 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	
	2023	2022
	RMB'000	*RMB'000*
Within 90 days	**1,288,634**	1,996,494
Over 90 days and within 180 days	**96,668**	42,214
Over 180 days and within 365 days	**281,718**	755,992
Over 365 days	**733,985**	693,567
	2,401,005	3,488,267

(b) The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 December 2023, a provision of RMB313,462,000 was made against the gross amounts of trade receivables (2022: RMB153,455,000).

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

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
At 1 January	**153,455**	152,744
Provision for impairment	**184,583**	26,135
Receivables written off during the year as uncollectible	**(12,616)**	(20,283)
Unused amount reverse	**(11,960)**	(5,141)
At 31 December	**313,462**	153,455

(c) As at 31 December 2023 and 2022, the fair value of trade receivables approximated their carrying amounts.

6 BORROWINGS

	31 December 2023 *RMB'000*	2022 *RMB'000*
Borrowings included in non-current liabilities:		
Senior notes	**15,415,215**	13,258,162
Corporate bonds	**5,825,332**	6,293,177
Commercial mortgage backed securities	**2,177,484**	2,263,300
Assets-backed securities	**203,362**	260,557
Bank borrowings	**32,497,480**	36,357,253
– secured	**32,409,395**	36,268,819
– unsecured	**88,085**	88,434
Other borrowings – secured	**2,464,687**	1,929,565
Less: current portion of non-current borrowings	**(29,146,806)**	(16,955,333)
	29,436,754	43,406,681
Borrowings included in current liabilities:		
Senior notes	**–**	1,351,857
Bank borrowings	**85,000**	875,802
– Secured	**85,000**	778,290
– Unsecured	**–**	97,512
Other borrowings	**151,500**	502,560
– secured	**151,500**	494,480
– unsecured	**–**	8,080
Add: Current portion of long-term borrowings	**29,146,806**	16,955,333
	29,383,306	19,685,552
Total borrowings	**58,820,060**	63,092,233

7 TRADE AND OTHER PAYABLES

	31 December 2023 RMB'000	2022 RMB'000
Trade payables *(Note (a))*	**13,672,727**	15,313,841
– Related parties	**18,136**	9,879
– Third parties	**13,411,892**	14,729,978
– Notes payable – third parties	**242,699**	573,984
Other payables and accruals	**23,769,137**	22,439,321
– Related parties	**9,258,376**	11,864,851
– Non-controlling interests	**5,022,977**	5,348,346
– Third parties	**9,487,784**	5,226,124
Payables for retention fee	**836,507**	1,432,146
Value-added tax received in advance from customers	**1,329,099**	2,364,264
Interest payable	**655,651**	1,790,729
Payables for acquisition of land use rights	**41,375**	20,680
Other taxes payable	**1,345,671**	1,267,178
Dividend payables	**352,990**	352,990
	42,003,157	44,981,149
Less: non-current portion		
Other payables – third parties	**–**	(89,491)
Current portion	**42,003,157**	44,891,658

(a) The ageing analysis of trade payables as at 31 December 2023 and 2022 based on invoice date is as follows:

	31 December 2023 RMB'000	2022 RMB'000
Within 90 days	**8,016,515**	8,131,866
Over 90 days and within 180 days	**3,899,212**	5,126,252
Over 180 days and within 365 days	**1,014,419**	1,033,650
Over 365 days	**742,581**	1,022,073
	13,672,727	15,313,841

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	
	2023	2022
	RMB'000	*RMB'000*
Cost of properties sold – including construction cost, land cost and interest cost	**17,371,574**	18,034,228
Staff costs (including directors' emoluments)	**1,762,954**	2,034,940
Employee benefit expenditure – including directors' emoluments	**1,987,301**	2,377,766
Less: capitalised in properties under development, investment properties under construction and construction in progress	**(224,347)**	(342,826)
Taxes and other levies	**116,236**	198,026
Advertising costs	**580,620**	718,665
Subcontracting costs	**650,312**	597,266
Hotel operations expenses	**511,261**	498,438
Depreciation and amortisation	**348,141**	313,099
– Property and equipment	**278,564**	242,899
– Right-of-use assets	**67,128**	69,625
– Intangible assets	**2,449**	575
Utilities	**260,168**	241,195
Office related expenses	**72,090**	81,164
Donations	**315**	25,896
Rental expenses	**13,699**	39,643
Auditor's remuneration	**7,311**	8,525

9 OTHER INCOME AND LOSSES – NET

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Losses on disposal of investment properties	**(535,234)**	(359,195)
Losses on disposal of joint ventures and associates	**(86,019)**	(110,452)
Fair value losses on financial assets at fair value through profit or loss	**(16,150)**	(38,415)
Interest income	**–**	48,016
Exchange gains/(losses) – net	**46,102**	(441,856)
Gains/(losses) on disposal of subsidiaries	**107,224**	(75,584)
Gains on disposal of property and equipment	**172,925**	–
Others	**17,657**	16,949
	(293,495)	(960,537)

10 FINANCE COSTS – NET

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Interest expense:		
Borrowings	**4,371,074**	4,669,399
Lease liabilities	**146,454**	117,651
	4,517,528	4,787,050
Less: finance costs capitalised	**(3,443,574)**	(4,053,109)
Foreign exchange losses on financing activities – net	**391,241**	1,996,128
Finance costs	**1,465,195**	2,730,069
Interest income of bank deposits	**(114,121)**	(321,455)
Finance costs – net	**1,351,074**	2,408,614

11 INCOME TAX EXPENSE

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Current income tax:		
PRC corporate income tax	**1,164,349**	2,400,077
PRC land appreciation tax	**704,895**	1,354,534
	1,869,244	3,754,611
Deferred income tax:		
PRC corporate income tax	**(1,133,149)**	(1,056,756)
PRC land appreciation tax	**(119,175)**	(140,307)
	(1,252,324)	(1,197,063)
	616,920	2,557,548

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 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 (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2023	2022
(Loss)/profit attributable to owners of the Company (RMB'000)	**(2,653,089)**	407,749
Weighted average number of ordinary shares in issue (thousand shares)	**4,140,403**	4,140,403
Basic (loss)/earnings per share (RMB cents per share)	**(64.1)**	9.9

(b) Diluted

Since there was no dilutive potential ordinary shares during the year ended 31 December 2023, diluted (loss)/earnings per share is equal to basic (loss)/earnings per share (year ended 31 December 2022: same).

13 DIVIDENDS

No final dividend in respect of the year ended 31 December 2023 was proposed by the Board (year ended 31 December 2022: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2023, in face of the enormous complexity of the international environment and the slackened recovery of the global economy, the People's Republic of China ("**China**" or the "**PRC**") managed to have economic revival on the rise and solid progress of high-quality development, with long-standing positive fundamentals. In the real estate sector, the market was undergoing a stage of intense adjustments. Under the general policy 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, the trend of easing policies continued. Policy relaxation stepped up even further at an accelerated pace, under the tone affirming the "significant changes in the supply and demand patterns in the real estate market". Demand-side easing policies were primarily about lifting the respective measures of restrictions on purchases, loans and sales, reduction of down payment, reduction of home loan interest rate, relaxing the requirements of residency, fostering absorption of talents, optimizing the support for home purchases with provident fund, provision of subsidies for home purchases and so forth, thereby effectively lowering the barriers and costs of home purchases and fostering reasonable consumption on housing. On enterprises' side, the main theme for policy refinement was to guard against and resolve risks facing real estate enterprises, to alleviate the liquidity pressure on premium real estate enterprises, and to level up the financial support for ensuring property delivery. With adequate assessment of the situation, real estate enterprises focused on "ensuring timely delivery of products and stabilizing operation", discharging corporate responsibilities and fostering the steady and healthy development of the real estate market.

BUSINESS REVIEW

For the year ended 31 December 2023, 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 source of revenue of the Group.

Property Development

Faced with the current complex economic environment and multiple challenges presented by the intense adjustments of the real estate industry in China, the Group is working relentlessly to ensure the timely delivery of its property development projects so as to protect the interests of home buyers and to secure cash resources for sustainable development. For the year ended 31 December 2023, the contracted sales of the Group together with its associates and joint ventures amounted to approximately Renminbi ("**RMB**") 27,524 million (2022: approximately RMB40,950 million). In 2023, the contracted sales area of the Group together with its associates and joint ventures amounted to 1,979,982 square meters (2022: 2,724,167 square meters).

Set forth below is the distribution of the Group's contracted sales during the year ended 31 December 2023:

	For the year ended 31 December 2023		
Distribution	**Sales area**	**Sales amount**	**Average selling price**
	sq.m.	*RMB'000*	*RMB/sq.m.*
Commercial	728,176	7,566,296	10,391
Residential	1,251,806	19,957,433	15,943
Total	1,979,982	27,523,729	13,901

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 2023, the Group had an aggregate gross floor area ("**GFA**") of approximately 8,215,509 square meters (2022: approximately 7,743,836 square meters) held as investment properties (including properties completed and under construction), representing an increase of approximately 6.1% as compared with 2022.

During the year ended 31 December 2023, the Group (together with its associates and joint ventures) completed and commenced operation of three new shopping malls, with the successful opening of Jinhua Jinyi Powerlong Plaza on 28 September 2023, Jingdezhen Powerlong Plaza on 14 October 2023, and Pizhou Powerlong Plaza on 22 December 2023. During the year ended 31 December 2023, one asset-light project operated and managed by the Group, namely Xuzhou Hexin Powerlong Plaza, was successfully opened on 28 September 2023. As at 31 December 2023, the Group held and managed 62 shopping malls and managed 8 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 2023, 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 eleven self-owned brand chain hotels, namely ARTELS Anxi Quanzhou (泉州安溪寶龍藝築酒店), ARTELS+ Fuyang Hangzhou (杭州富陽藝悦酒店), ARTELS+ Collection Lingang Shanghai (上海臨港藝悦精選酒店), ARTELS+ Collection Hechuan Chongqing (重慶合川藝悦精選酒店), ARTELS+ Wujing Shanghai (上海吳涇藝悦酒店), ARTELS+ Xinxiang (新鄉藝悦酒店), JUNTELS Binjiang Hangzhou (杭州濱江藝珺酒店), JUNTELS Penglai Yantai (煙台蓬萊藝珺酒店), JUNTELS Tai'an (泰安寶龍藝珺酒店), JUNTELS Pan'an Jinhua (金華磐安寶龍藝珺酒店) and JUNTELS Shaoxing (紹興柯橋藝珺酒店).

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 2023, the Group had a quality land bank amounting to a total GFA of approximately 21.94 million square meters, of which approximately 18.85 million square meters were properties under development and construction and approximately 3.09 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 2023, approximately 67.4% of the land bank of the Group is located in the Yangtze River Delta region.

OUTLOOK

Into 2024, it is envisaged that China's real estate industry will focus on "guarding against risks and stabilizing development", better integrating development and security, and effectively preventing and resolving risks in key areas. In order to adapt to the development trend of China's new urbanization and the new situation of changes in the supply and demand patterns in the real estate market, in future, it will accelerate the formulation of a new model of real estate development and level up the construction and supply of affordable housing, enhance the basic system related to commodity housing, to meet residents' rigid housing needs and upgraders' diversified housing needs. It is envisaged that the trend of the ongoing optimization and relaxation of demand-side policies will remain unchanged, and that such relaxation will step up even further. Efforts to cater to the reasonable needs for enterprise-side financing are expected to continue with more refined implementation, making available a better financing environment for real estate enterprises. Policies relating to the financial support for the construction of affordable housing, public infrastructure construction for "normal-use and emergency" and urban village transformation and so forth are expected to be implemented at an accelerated pace. In a stage where the real estate industry is gradually moving towards high-quality and stable development, the real estate enterprises will continue to adhere to "ensuring timely delivery of products and stabilizing operation", continue to strengthen refined management and control, and make efforts to uplift product strengths and service capability, explore and implement new approaches to sustainable development that match their own strengths, and strive to achieve ongoing sound operation and high-quality development.

Faced with the challenges and opportunities presented by intense adjustments in the real estate industry in China, the Group will gather devotions, strengths and perseverance under the development theme of "thriving with faith, concerted efforts"(心有所信、聚力行遠), with a focus on the key tasks of "prioritizing sales, tackling problems and difficulties; reducing debts for a lighter burden; and keeping promises and discharging responsibilities all the way through" (銷售第一，攻堅克難；盤活降債，輕裝上陣；信守承諾，負責到底) for 2024. In the adversity of a difficult macro-environment, the Group will always strive to adhere to stable operations, stick to the bottom-line of "ensuring delivery", remain committed to being a responsible enterprise, uphold the principles of quality and accountability, enhance its refined management holistically, refine and quantify targets and responsibilities, control costs in a scientific manner, continuously foster the optimization and uplift of products and services, and form new competitiveness of the enterprise. The confidence of all staff members, and their cohesion, endurance, and unwavering efforts to tackling problems and difficulties, will continuously drive the sound development of the enterprise and the virtuous cycle of the industry.

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 a 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. Powerlong Commercial Management Holdings Limited ("**Powerlong CM**"), a member of the Group, will adhere to the strategic layout of "focusing on the Yangtze River Delta and undertaking simultaneous development in South China", with a focus on "undertaking fine operation, enhancing branding, setting benchmarks and emphasizing appraisal", to improve the quality of its projects holistically and continue to optimize organizational efficiency. With a focus on project operation, it will focus on satisfaction, reputation and brand power of the projects, and also optimize the business structure, adjust product brands, and create commercial space that can provide emotional value. It will implement classification management under the approach of "further developing assets and enhancing value" for the projects in operation, to create more industry benchmarks and steadily build up the value ecosystem of Powerlong CM.

Against the backdrop where the real estate industry in China is in a period of intense adjustments, the Group is facing unprecedented liquidity pressure. The Group will endeavour and continue to adopt a series of liquidity management measures, expedite collection of sales proceeds and other receivables, extend the debt maturity of certain borrowings, foster a holistic solution for its offshore debts, seek to revitalize stock assets, strengthen asset management, uplift occupancy rate and rental rate, streamline organizational structure to enhance efficiency, control operating expenses and administrative costs, continue to stabilize our operation, ensure the timely delivery of property development projects, and secure cash resources for the sustainable development of the Group.

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.

Adhering to the initial intention of being a corporate citizen with social responsibilities, the Group will uphold its commitment to being a responsible enterprise and following a path of high-quality sustainable development. It will adhere to the corporate mission of "creating 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 2023, the Group recorded a total revenue of approximately RMB22,904 million (2022: approximately RMB31,378 million), representing a decrease of approximately 27.0% as compared with the corresponding period in 2022. This was attributable to the decrease in revenue from property sales.

Income of Property Sales

During the year ended 31 December 2023, 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 2023 amounted to approximately RMB17,737 million (2022: approximately RMB26,481 million), representing a decrease of approximately 33.0% as compared with the corresponding period in 2022. This was mainly attributable to the decrease in the delivery of residential properties and commercial properties.

Set forth below are the details regarding the properties sold and delivered during the year ended 31 December 2023:

		For the year ended 31 December 2023		
Geographical location		**GFA sold and delivered** *(sq.m.)*	**Amount sold and delivered** *(RMB million)*	**Average selling price** *(RMB/sq.m.)*
Yangtze River Delta	Commercial	257,475	2,505	9,729
	Residential	796,288	13,567	17,038
Hainan	Commercial	1,364	12	8,798
	Residential	2,670	36	13,483
Guangdong-Hong Kong-Macau Bay Area	Commercial	3,488	64	18,349
	Residential	20,522	294	14,326
Others	Commercial	88,515	142	1,604
	Residential	160,981	1,117	6,939
	Total	1,331,303	17,737	13,323
	Commercial	350,842	2,723	7,761
	Residential	980,461	15,014	15,313

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

For the year ended 31 December 2023, the Group recorded rental income after elimination of intra-group transactions from investment properties of approximately RMB1,814 million (2022: approximately RMB1,741 million), representing an increase of approximately 4.2% as compared with the corresponding period in 2022.

For the year ended 31 December 2023, 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 RMB2,268 million (2022: approximately RMB2,110 million), representing an increase of approximately 7.5% as compared with the corresponding period in 2022.

For the year ended 31 December 2023, the Group's rental income from investment properties and income from provision of commercial operational services and residential property management services totalled approximately RMB4,082 million (2022: approximately RMB3,851 million), representing an increase of approximately 6.0% as compared with the corresponding period in 2022.

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 2023, the Group recorded an income after elimination of intra-group transactions from other property development related businesses of approximately RMB1,085 million (2022: approximately RMB1,046 million), representing an increase of approximately 3.7% as compared with the corresponding period in 2022, mainly attributable to the lifting of COVID-19-related restrictions, enabling the Group's hotel operations to gradually resume.

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 2023 amounted to approximately RMB20,450 million (2022: approximately RMB21,500 million), representing a decrease of approximately 4.9% as compared with the corresponding period in 2022, 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 2023, gross profit amounted to approximately RMB2,453 million (2022: approximately RMB9,878 million), representing a decrease of approximately 75.2% as compared with the corresponding period in 2022, which was mainly due to the decrease in revenue from property sales and the provision for impairment of the relevant property projects based on the principle of prudence as a result of the severe operating environment in the real estate industry. Gross profit margin amounted to 10.7%, representing a decrease of approximately 20.8 percentage points from 31.5% for the corresponding period in 2022, which was mainly attributable to the provision of impairment for the relevant property projects based on the principle of prudence as a result of the severe operating environment in the real estate industry.

Fair Value Losses on Investment Properties

For the year ended 31 December 2023, the Group recorded revaluation losses on investment properties of approximately RMB1,709 million as compared with revaluation losses of approximately RMB88 million for the corresponding period in 2022. The fair value losses increased by approximately RMB1,621 million as compared with the corresponding period in 2022, mainly due to the continued downward trend of the real estate industry after the end of the COVID-19 pandemic and insufficient socio-economic domestic demand, leading to the decrease in demand for shopping malls leasing.

Selling and Marketing Costs and Administrative Expenses

The Group's selling and marketing costs and administrative expenses for the year ended 31 December 2023 amounted to approximately RMB2,113 million (2022: approximately RMB2,684 million), representing a decrease of approximately 21.3% as compared with the corresponding period in 2022, 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 2023, share of post-tax profit of investments accounted for using the equity method amounted to approximately RMB1,237 million (2022: approximately RMB616 million), representing an increase of approximately 100.8% as compared with the corresponding period in 2022, which was mainly due to the increase in net profit from joint ventures and associates.

Income Tax Expenses

The Group's income tax expenses for the year ended 31 December 2023 amounted to approximately RMB617 million (2022: approximately RMB2,558 million), representing a decrease of approximately 75.9% as compared with the corresponding period in 2022, primarily due to the decrease in PRC corporate income tax and PRC land appreciation tax expenses.

Profit/(Losses) Attributable to Owners of the Company

For the year ended 31 December 2023, the Group recorded loss attributable to owners of the Company of approximately RMB2,653 million (2022: profit attributable to owners of the Company of approximately RMB408 million), representing a turnaround as compared with the corresponding period in 2022.

For the year ended 31 December 2023, basic losses per share was approximately RMB64.1 cents (2022: basic earnings per share of approximately RMB9.9 cents), representing a turnaround as compared with the corresponding period in 2022.

Core losses (being the losses 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)*(Note)* for the year ended 31 December 2023 amounted to approximately RMB904 million (2022: core earnings of approximately RMB3,676 million), representing a turnaround as compared with the corresponding period in 2022.

Core losses attributable to owners of the Company (being the losses 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)*(Note)* for the year ended 31 December 2023 amounted to approximately RMB1,148 million (2022: core earnings attributable to owners of the Company of approximately RMB2,451 million), representing a turnaround as compared with the corresponding period in 2022.

(*Note:* The Group believes that the presentation of core earnings/losses, being a non-HKFRS measure, will facilitate the evaluation of financial performance of the Group by excluding potential impact of certain non-operating and non-recurring items. Such non-HKFRS measure may be defined differently from similar terms used by other companies. The Group's presentation of this non-HKFRS measure should not be construed as an inference that the Group's future results will be unaffected by these items.)

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 RMB9,246 million in total as at 31 December 2023 (2022: approximately RMB11,808 million), representing a decrease of approximately 21.7% as compared with the end of 2022.

Borrowings

Total borrowings of the Group as at 31 December 2023 was approximately RMB58,820 million (2022: approximately RMB63,092 million), representing a decrease of approximately 6.8% as compared with the end of 2022. The Group's borrowings comprise bank and other borrowings of approximately RMB35,199 million, corporate bonds of approximately RMB5,825 million, commercial mortgage backed securities (the "**CMBS**") of approximately RMB2,178 million, assets-backed securities (the "**ABS**") of approximately RMB203 million and senior notes of approximately RMB15,415 million.

Out of the total borrowings, approximately RMB29,383 million was repayable within one year, while approximately RMB29,437 million was repayable after one year.

Completion of the Exchange Offer, the Consent Solicitation and the Concurrent Consent Solicitation

References are made to the announcements of the Company dated 21 June 2023, 3 July 2023, 5 July 2023, 7 July 2023 and 10 July 2023 (collectively, the "**Relevant Announcements**"). Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Relevant Announcements.

On 21 June 2023, the Company conducted (i) the Exchange Offer with respect to the July 2021 Notes, the November 2019 Notes and the July 2019 Notes upon the terms and subject to the conditions set forth in the Exchange Offer Memorandum; (ii) the Consent Solicitation with respect to the 2024 Notes, the 2025 Notes and the 2026 Notes upon the terms and subject to the conditions set forth in the Consent Solicitation Statement; and (iii) the Concurrent Consent Solicitation with respect to the July 2022 A Notes and the July 2022 B Notes upon the terms and subject to the conditions set forth in the Concurrent Consent Solicitation Statement.

The Exchange Offer, the Consent Solicitation and the Concurrent Consent Solicitation were completed on 6 July 2023. As part of the exchange consideration for the Exchange Notes, the Company issued (i) US$17,189,000 in aggregate principal amount of the July 2024 New Notes, which will be consolidated and form a single series with the July 2022 A Notes (as amended); (ii) US$16,607,000 in aggregate principal amount of the January 2026 New Notes, which will be consolidated and form a single series with the July 2022 B Notes (as amended); and (iii) US$401,485,000 in aggregate principal amount of the December 2025 New Notes, respectively. For further details, please refer to the Relevant Announcements.

Net Gearing Ratio

As at 31 December 2023, 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 89.6% (31 December 2022: approximately 81.9%).

Borrowing Cost

Total interest expenses as at 31 December 2023 amounted to approximately RMB4,518 million (2022: approximately RMB4,787 million), representing a decrease of approximately 5.6% as compared with the end of 2022. The decrease was mainly due to the decrease in total borrowings. The effective interest rate increased slightly from 6.36% for 2022 to 6.48% for 2023, mainly due to the tightening of the financing environment. 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 2023, 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 RMB78,831 million (2022: approximately RMB89,541 million) to secure borrowings of the Group. The total secured bank and other borrowings and CMBS as at 31 December 2023 amounted to approximately RMB37,288 million (2022: approximately RMB41,734 million). The ABS of RMB203 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 2023, 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	
	2023	2022
	RMB'000	*RMB'000*
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	**18,800,618**	22,935,267
Guarantees for borrowings of joint ventures and associates	**1,373,057**	866,466
	20,173,675	23,801,733

Commitments

(1) Commitments for property development expenditures

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Contracted but not provided for		
– Property development activities	**8,428,038**	10,316,531
– Acquisition of land use rights	**1,476,172**	3,298,879
	9,904,210	13,615,410

(2) Leases commitments

As at 31 December 2023, 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 2023, the Group's financial assets or liabilities denominated in currencies other than RMB were mainly borrowings denominated in United States dollar or Hong Kong dollar, in the total amount of approximately RMB23,492 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 2023.

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 2023.

EMPLOYEES AND EMOLUMENT POLICY

For the year ended 31 December 2023, the Group employed a total of 9,234 full-time employees (2022: 10,046 employees). The total staff costs of the Group for the year ended 31 December 2023 amounted to approximately RMB1,987 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

On 23 February 2024, the Company and members of an ad hoc group of holders of certain loan facilities to which the Company is an obligor and certain senior notes issued or guaranteed by the Company (collectively, the "**In-Scope Debt**") entered into a restructuring support agreement (the "**RSA**") in relation to the restructuring of the In-Scope Debt by way of scheme(s) of arrangement in Hong Kong and/or other applicable jurisdiction(s) at the election of the Company (the "**Restructuring**"). As at 5:00 p.m. Hong Kong time on 26 March 2024, creditors holding approximately 77.9% of the In-Scope Debt have acceded to the RSA. For further details, please refer to the announcements of the Company dated 29 November 2023, 21 December 2023, 23 February 2024, 22 March 2024 and 26 March 2024.

As at the date of this announcement, the Restructuring has not yet become effective.

DIVIDEND

The Board resolved not to recommend the payment of any final dividend for the year ended 31 December 2023.

ANNUAL GENERAL MEETING

The annual general meeting of the Company for the year ended 31 December 2023 (the "**Annual General Meeting**") is proposed to be held on Friday, 14 June 2024. 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 (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") 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, 11 June 2024 to Friday, 14 June 2024, 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 Friday, 7 June 2024.

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 C3 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 2023. No incident of non-compliance was noted by the Company throughout the year ended 31 December 2023.

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

Save as disclosed under "LIQUIDITY AND FINANCIAL RESOURCES – Completion of the Exchange Offer, the Consent Solicitation and the Concurrent Consent Solicitation" of this announcement, 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 2023.

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 C1 to the Listing Rules during the year ended 31 December 2023. 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 2023.

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 2023 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 2023 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 2023. 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.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report from the external auditor of the Company:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material uncertainty related to going concern

As described in note 2.1 to the consolidated financial statements, the Group incurred net loss of RMB2,577 million for the year ended 31 December 2023 and, as at 31 December 2023, the Group recorded net current liabilities of RMB3,503 million. As at 31 December 2023, the Group's current and non-current borrowings amounted to RMB29,383 million and RMB29,437 million respectively, while the Group had cash and cash equivalents (excluding restricted cash) amounted to RMB7,735 million. These conditions, along with other matters as described in note 2.1 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 2023 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 2023 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The annual report of the Company for the year ended 31 December 2023 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 amended and restated 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 Rule 2.07A with respect to electronic dissemination of corporate communications which took effect from 31 December 2023; and (ii) incorporate certain corresponding and housekeeping amendments (the "**Proposed Amendments**").

The Board proposes to effect the Proposed Amendments by way of adoption of the second 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.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTOR

The Board announces that Ms. Liu Xiao Lan ("**Ms. Liu**") has been appointed as an independent non-executive Director and a member of the Audit Committee, the remuneration committee (the "**Remuneration Committee**") and the nomination committee of the Company with effect from 27 March 2024. The biographical details of Ms. Liu are set out below:

Ms. Liu, aged 58, is the founder and project director of Lanyu (Shanghai) Business Consulting Center (蘭毓(上海)商務諮詢中心) which is principally engaged in the provision of business consultation services to commercial real estate enterprises. As at the date of this announcement, Ms. Liu is concurrently an independent non-executive director of Excellence Commercial Property & Facilities Management Group Limited (stock code: 6989) and KWG Living Group Holdings Limited (stock code: 3913), both being companies listed on the Main Board of the Stock Exchange. From September 2013 to April 2020, Ms. Liu served as the chairman of the board of Shanghai Yizhen Investment Management Co., Ltd. (上海溢臻投資管理有限公司), where she was primarily responsible for its investment decisions and strategy formulation. From March 2012 to November 2012, Ms. Liu served as the general manager at Kunshan Stereo City Investment Management Co., Ltd. (昆山立體之城投資管理有限公司), where she was primarily responsible for project investment management. Ms. Liu served as an executive Director from July 2009 to April 2012 and as a non-executive Director from April 2012 to March 2014. From May 2005 to February 2012, Ms. Liu successively served as an assistant to the chief president, and vice general manager of the real estate management center and vice president of the Company, where she was primarily responsible for assisting the president with its daily operations, establishment of management systems of the project companies and the management of commercial property management business. From May 2002 to May 2005, she served as an assistant to the general manager and the head of the branch management center at Xiamen Powerlong Information Industry Development Co., Ltd. (廈門寶龍信息產業發展有限公司), where she was primarily responsible for assisting the general manager in the daily matters of the company and all its branches across China.

Ms. Liu has been serving as a mentor of the PMBA program of E-house & Wharton Case Study and Teaching Facility (易居沃頓案例研究與教育基地) since June 2015, an economic counselor of Chengdu Skyscraper Economics Promotion Association (成都市樓宇經濟促進會) since September 2019 and a special consultant of Tianfu Institute of Building Economy (樓宇經濟天府學院) since June 2019. Ms. Liu obtained her bachelor's degree in clinical medicine from Fujian University of Traditional Chinese Medicine (福建中醫藥大學) (formerly known as Fujian Chinese Traditional Medical College (福建中醫學院)) in the PRC in July 1988. She completed the Executive Development Program (高級管理培訓) offered by Xiamen University (廈門大學) in the PRC in September 2009 and the China Advanced Management Program offered by Wharton School of University of Pennsylvania in the United States in October 2019.

Save as disclosed, Ms Liu held no other directorship in any listed public companies in the last three years preceding the date of her appointment. Further, Ms Liu does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholders of the Company.

Ms Liu does not have any interest (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)) in the securities of the Company.

Ms. Liu has entered into a letter of appointment with the Company in relation to her appointment as an independent non-executive Director for a term from 27 March 2024 to 26 March 2027 (both days inclusive), subject to re-election at the forthcoming Annual General Meeting. Ms. Liu will hold the office until the conclusion of the Annual General Meeting and is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company. Ms. Liu is entitled to receive a basic annual director's fee of HK$300,000 for serving as an independent non-executive Director of the Company. The remuneration of Ms. Liu was determined by the Board upon the recommendation from the Remuneration Committee with reference to the prevailing market conditions, the Company's remuneration policy and her level of responsibilities undertaken in the Company.

Ms. Liu has confirmed (a) her independence as regards to each of the factors contained in Rules 3.13(1) to (8) of the Listing Rules; (b) that save as disclosed above, she has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected persons (as such term is defined in the Listing Rules) of the Company; and (c) that there are no other factors that may affect her independence at the time of her appointment.

Save as disclosed, there is no information required to be disclosed pursuant to the requirements of Rules 13.51(2)(h) to (v) of the Listing Rules, and there are no other matters that need to be brought to the attention of the Shareholders in relation to the appointment of Ms. Liu as an independent non-executive Director.

The Board would like to express its welcome to Ms. Liu for joining the Board.

APPRECIATION

This year marked the fourteenth 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, 27 March 2024

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, Dr. Ding Zu Yu and Ms. Liu Xiao Lan.