

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

RESULTS HIGHLIGHTS

For the six months ended 30 June 2023

- Contracted sales amounted to approximately RMB17,610 million, and contracted sales area amounted to approximately 1,135,462 square meters;
- Revenue amounted to approximately RMB12,299 million, representing a decrease of approximately 27.2% over the corresponding period in 2022;
- Rental income and income from provision of commercial operational services and residential property management services amounted to approximately RMB2,028 million, representing an increase of approximately 5.6% over the corresponding period in 2022;
- Core earnings attributable to the owners of the Company was approximately RMB1,280 million, representing a decrease of approximately 24.3% over the corresponding period in 2022.

The board (the “**Board**”) of directors (the “**Directors**”) of Powerlong Real Estate Holdings Limited (the “**Company**” or “**Powerlong**”) is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2023, together with the comparative figures for the corresponding period in 2022, as follows:

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		30 June 2023	31 December 2022
		Unaudited	Audited
	<i>Note</i>	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property and equipment		6,546,379	6,534,602
Investment properties	3	81,107,822	80,688,538
Intangible assets		7,553	8,594
Goodwill		20,640	20,640
Investments accounted for using the equity method		10,299,893	9,864,901
Deferred income tax assets		1,959,903	1,713,294
Financial assets at fair value through profit or loss		1,528	1,528
Financial assets at fair value through other comprehensive income		50,567	50,791
Prepayments		663,469	663,469
Trade receivables	4	–	232,084
		100,657,754	99,778,441
Current assets			
Properties under development		63,042,406	68,705,423
Completed properties held for sale		18,349,186	18,293,581
Contract assets		812,069	694,594
Trade receivables	4	2,018,530	3,102,728
Other receivables		23,018,237	24,398,791
Prepayments		4,761,417	5,155,816
Prepaid taxes		1,825,998	1,674,691
Financial assets at fair value through profit or loss		130,268	138,695
Restricted cash		2,334,065	2,218,049
Cash and cash equivalents		8,946,984	9,589,869
		125,239,160	133,972,237
Total assets		225,896,914	233,750,678

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

		30 June 2023 Unaudited <i>RMB'000</i>	31 December 2022 Audited <i>RMB'000</i>
	<i>Note</i>		
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium		36,779	36,779
Other reserves		2,168,782	2,165,705
Retained earnings		<u>38,997,308</u>	<u>38,903,081</u>
		41,202,869	41,105,565
Perpetual Capital Instruments		551,064	519,781
Non-controlling interests		<u>20,520,085</u>	<u>20,976,248</u>
Total equity		<u>62,274,018</u>	<u>62,601,594</u>
LIABILITIES			
Non-current liabilities			
Borrowings	5	47,839,140	43,406,681
Lease liabilities		2,635,811	2,654,368
Other payables	6	–	89,491
Deferred income tax liabilities		<u>7,620,807</u>	<u>7,817,109</u>
		58,095,758	53,967,649
Current liabilities			
Borrowings	5	13,079,609	19,685,552
Trade and other payables	6	41,234,383	44,891,658
Contract liabilities		34,733,732	36,763,915
Current income tax liabilities		16,310,453	15,712,813
Lease liabilities		<u>168,961</u>	<u>127,497</u>
		105,527,138	117,181,435
Total liabilities		<u>163,622,896</u>	<u>171,149,084</u>
Total equity and liabilities		<u>225,896,914</u>	<u>233,750,678</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2023	2022
	<i>Note</i>	Unaudited	Unaudited
		RMB'000	RMB'000
Revenue	2	12,299,291	16,897,225
Cost of sales		(8,751,680)	(11,664,474)
Gross profit		3,547,611	5,232,751
Fair value losses on investment properties – net	3	(464,536)	(44,620)
Selling and marketing costs		(393,423)	(543,548)
Administrative expenses		(662,303)	(784,349)
Net impairment (losses)/gains on financial assets		(126,819)	72,578
Other income and gains/(losses) – net		5,437	(619,711)
Operating profit		1,905,967	3,313,101
Finance costs – net	7	(1,561,435)	(1,310,765)
Share of profit of investments accounted for using the equity method		738,581	548,832
Profit before income tax		1,083,113	2,551,168
Income tax expense	8	(791,193)	(1,337,886)
Profit for the period		291,920	1,213,282
Other comprehensive income			
<i>Items that may be reclassified to profit or loss:</i>			
Currency translation differences		12,415	9,507
<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		(169)	(2,485)
Total other comprehensive income for the period, net of tax		12,246	7,022
Total comprehensive income for the period		304,166	1,220,304

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	Six months ended 30 June	
	2023	2022
	Unaudited	Unaudited
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit attributable to:		
Owners of the Company	94,227	698,066
Holders of Perpetual Capital Instruments	31,283	18,844
Non-controlling interests	166,410	496,372
	291,920	1,213,282
Total comprehensive income attributable to:		
Owners of the Company	106,473	705,088
Holders of Perpetual Capital Instruments	31,283	18,844
Non-controlling interests	166,410	496,372
	304,166	1,220,304
Earnings per share for profit attributable to owners of the Company during the period (expressed in RMB cents per share)		
	9	
– Basic	2.3	16.9
– Diluted	2.3	16.9

NOTES TO THE INTERIM FINANCIAL INFORMATION

1 Basis of preparation and accounting policies

The interim financial information for the six months ended 30 June 2023 has been prepared in accordance with HKAS 34 “Interim Financial Reporting”.

The interim financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, the interim financial information should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2022 and any public announcement made by the Company during the interim reporting period.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those set out in the Group’s annual financial statements for the year ended 31 December 2022.

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

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

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

The following new standards and amendments and interpretation to standards have been published that are not mandatory for the year beginning on 1 January 2023 and have not been early adopted by the Group:

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

Going concern basis

The Group continued to record a profit for the period of RMB292 million in its operating results during the period (six months ended 30 June 2022: RMB1,213 million). The Group's revenue decreased from RMB16,897 million for the six months ended 30 June 2022 to RMB12,299 million for the six months ended 30 June 2023. As at 30 June 2023, the Group recorded a net current assets of RMB19,712 million, and the Group's current portion of borrowings amounted to RMB13,080 million, while its cash and cash equivalents (excluding restricted cash) amounted to RMB8,947 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 obtain cash from external financing to meet its loan repayment obligations.

In view of the above, 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 been encouraging to increase buyers' interests and stimulate 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;
- (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; and
- (iv) The Group will continue to take active measures to control administrative costs and maintain containment of 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 30 June 2023. 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 30 June 2023. Accordingly, the Directors are satisfied that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis.

2 Segment information

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

Segment results represent profit earned by each segment without fair value losses on financial assets measured at fair value through profit or loss, losses on disposal of financial assets measured at fair value through profit or loss, unallocated operating costs, finance costs – net and income tax expense.

The segment results and other segment items for the six months ended 30 June 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	Elimination RMB’000	Group RMB’000
Six months ended 30 June 2023						
(Unaudited)						
Gross segment revenue	9,827,335	1,045,218	1,274,830	444,971	–	12,592,354
Inter-segment revenue	–	(103,914)	(187,853)	(1,296)	–	(293,063)
Revenue	<u>9,827,335</u>	<u>941,304</u>	<u>1,086,977</u>	<u>443,675</u>	–	<u>12,299,291</u>
Share of post-tax profit/(losses) of joint ventures and associates	734,546	–	(73)	4,108	–	738,581
Segment results	2,411,737	469,604	136,089	(156,244)	–	2,861,186
Fair value losses on financial assets measured at fair value through profit or loss						(8,036)
Unallocated operating costs						(208,602)
Finance costs – net (<i>Note 7</i>)						<u>(1,561,435)</u>
Profit before income tax						1,083,113
Income tax expense						<u>(791,193)</u>
Profit for the period						<u>291,920</u>
Depreciation and amortisation recognised as expenses	31,867	–	4,739	116,178	–	152,784
Fair value losses on investment properties – net (<i>Note 3</i>)	–	(413,781)	(50,755)	–	–	<u>(464,536)</u>

The segment results and other segment items for the six months ended 30 June 2022 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>
Six months ended 30 June 2022						
(Unaudited)						
Gross segment revenue	14,546,615	950,842	1,259,612	436,417	–	17,193,486
Inter-segment revenue	–	(84,880)	(205,023)	(6,358)	–	(296,261)
Revenue	<u>14,546,615</u>	<u>865,962</u>	<u>1,054,589</u>	<u>430,059</u>	<u>–</u>	<u>16,897,225</u>
Share of post-tax profit/(losses) of joint ventures and associates	550,786	–	(1,547)	(407)	–	548,832
Segment results	4,283,431	634,366	169,448	(115,797)	–	4,971,448
Fair value losses on financial assets measured at fair value through profit or loss						(11,663)
Losses on disposal of financial assets measured at fair value through profit or loss						(4,384)
Unallocated operating costs						(1,093,468)
Finance costs – net (<i>Note 7</i>)						<u>(1,310,765)</u>
Profit before income tax						2,551,168
Income tax expense						<u>(1,337,886)</u>
Profit for the period						<u>1,213,282</u>
Depreciation and amortisation recognised as expenses	34,898	–	3,971	102,581	–	141,450
Fair value gains/(losses) on investment properties – net (<i>Note 3</i>)	<u>–</u>	<u>1,566</u>	<u>(46,186)</u>	<u>–</u>	<u>–</u>	<u>(44,620)</u>

Segment assets and liabilities as at 30 June 2023 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>
At 30 June 2023 (Unaudited)						
Segment assets	117,497,720	82,042,740	4,916,705	12,886,117	(6,422,113)	210,921,169
Other assets						<u>14,975,745</u>
Total assets						<u>225,896,914</u>
Segment assets include:						
Interests in joint ventures and associates	10,245,622	–	54,271	–	–	10,299,893
Segment liabilities	64,359,174	2,289,898	2,193,874	4,569,036	(6,422,113)	66,989,869
Other liabilities						<u>96,633,027</u>
Total liabilities						<u>163,622,896</u>
Capital expenditure	<u>9,076</u>	<u>957,565</u>	<u>2,795</u>	<u>253,994</u>	<u>–</u>	<u>1,223,430</u>

Segment assets and liabilities as at 31 December 2022 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>
At 31 December 2022 (Audited)						
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 and associates	9,810,557	–	54,344	–	–	9,864,901
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 (six months ended 30 June 2022) (unaudited)	314,844	718,228	2,954	309,589	–	<u>1,345,615</u>

There are no differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss.

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

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

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

Segment liabilities consist of operating liabilities.

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

3 Investment properties

	Completed investment properties RMB'000	Investment properties under construction RMB'000	Total RMB'000
Six months ended 30 June 2023 (Unaudited)			
Opening amount as at 1 January 2023	67,657,997	13,030,541	80,688,538
Additions	–	957,565	957,565
Fair value (losses)/gains – net	(656,283)	191,747	(464,536)
Disposals	(73,745)	–	(73,745)
Closing amount as at 30 June 2023	<u>66,927,969</u>	<u>14,179,853</u>	<u>81,107,822</u>
Six months ended 30 June 2022 (Unaudited)			
Opening amount as at 1 January 2022	61,794,376	16,535,379	78,329,755
Additions	29,660	688,568	718,228
Consolidations of entities previously held as associates	1,256,537	–	1,256,537
Transfers	1,897,071	(1,897,071)	–
Fair value (losses)/gains – net	(75,300)	30,680	(44,620)
Disposals	(685,883)	–	(685,883)
Closing amount as at 30 June 2022	<u>64,216,461</u>	<u>15,357,556</u>	<u>79,574,017</u>

4 Trade receivables

	30 June 2023	31 December 2022
	Unaudited	Audited
	RMB'000	RMB'000
Trade receivables (<i>Note (a)</i>)	2,311,645	3,488,267
– Third parties	2,272,547	3,435,268
– Related parties	39,098	52,999
Less: loss allowance (<i>Note (b)</i>)	(293,115)	(153,455)
	2,018,530	3,334,812
Less: non-current portion	–	(232,084)
Trade receivables	2,018,530	3,102,728

- (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.

As at 30 June 2023 and 31 December 2022, the ageing analysis of trade receivables of the Group based on revenue recognition date was as follows:

	30 June 2023	31 December 2022
	Unaudited	Audited
	RMB'000	RMB'000
Within one year	1,589,741	2,794,700
Over one year	721,904	693,567
	2,311,645	3,488,267

- (b) The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 30 June 2023, a provision of RMB293,115,000 was made for trade receivables (31 December 2022: RMB153,455,000).

5 Borrowings

	30 June 2023	31 December 2022
	Unaudited	Audited
	RMB'000	RMB'000
Borrowings included in non-current liabilities:		
Senior notes	15,203,810	13,258,162
Corporate bonds	5,841,561	6,293,177
Commercial mortgage backed securities	2,238,315	2,263,300
Assets-backed securities	208,459	260,557
Bank borrowings	34,838,765	36,357,253
– secured	34,748,411	36,268,819
– unsecured	90,354	88,434
Other borrowings – secured	1,265,849	1,929,565
Less: amounts due within one year	(11,757,619)	(16,955,333)
	47,839,140	43,406,681
Borrowings included in current liabilities:		
Senior notes	–	1,351,857
Bank borrowings	136,000	875,802
– secured	136,000	778,290
– unsecured	–	97,512
Other borrowings	1,185,990	502,560
– secured	1,175,990	494,480
– unsecured	10,000	8,080
Add: current portion of long-term borrowings	11,757,619	16,955,333
	13,079,609	19,685,552
Total borrowings	60,918,749	63,092,233

6 Trade and other payables

	30 June 2023	31 December 2022
	Unaudited	Audited
	RMB'000	RMB'000
Trade payables (<i>Note (a)</i>)	14,387,325	15,313,841
– Related parties	24,513	9,879
– Third parties	13,976,086	14,729,978
– Notes payable – third parties	386,726	573,984
Other payables and accruals	21,766,875	22,439,321
– Related parties	10,486,215	11,864,851
– Non-controlling interests	5,406,259	5,348,346
– Third parties	5,874,401	5,226,124
Value-added tax received in advance from customers	1,480,612	2,364,264
Dividend payables	352,990	352,990
Dividend payables to non-controlling interests	27,865	–
Payables for retention fee	876,780	1,432,146
Interest payable	1,724,922	1,790,729
Other taxes payable	596,334	1,267,178
Payables for acquisition of land use rights	20,680	20,680
	41,234,383	44,981,149
Less: non-current portion		
Other payables – third parties	–	(89,491)
Current portion	41,234,383	44,891,658

(a) As at 30 June 2023 and 31 December 2022, the ageing analysis of trade payables of the Group based on invoice date was as follows:

	30 June 2023	31 December 2022
	Unaudited	Audited
	RMB'000	RMB'000
Within one year	11,364,481	14,291,768
Over one year	3,022,844	1,022,073
	14,387,325	15,313,841

7 Finance costs – net

	Six months ended 30 June	
	2023	2022
	Unaudited	Unaudited
	RMB'000	RMB'000
Interest expense:		
– Borrowings	2,261,805	2,460,429
– Lease liabilities	68,079	97,993
	<u>2,329,884</u>	<u>2,558,422</u>
Less: finance costs capitalized	(1,549,506)	(2,146,217)
Foreign exchange losses on financing activities – net	843,674	1,021,130
	<u>1,624,052</u>	<u>1,433,335</u>
Finance costs		
Interest income of bank deposits	(62,617)	(122,570)
Finance costs – net	<u>1,561,435</u>	<u>1,310,765</u>

8 Income tax expense

	Six months ended 30 June	
	2023	2022
	Unaudited	Unaudited
	RMB'000	RMB'000
Current income tax:		
– PRC corporate income tax	473,050	1,583,670
– PRC land appreciation tax	601,451	536,064
	<u>1,074,501</u>	<u>2,119,734</u>
Deferred income tax:		
– PRC corporate income tax	(200,567)	(725,436)
– PRC land appreciation tax	(82,741)	(56,412)
	<u>(283,308)</u>	<u>(781,848)</u>
	<u>791,193</u>	<u>1,337,886</u>

PRC corporate income tax

The income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the period, based on the existing legislation, interpretations and practices in respect thereof. The corporate income tax rate applicable to the group entities located in the PRC (“**PRC subsidiaries**”) is 25% according to the Corporate Income Tax Law of the People’s Republic of China effective on 1 January 2008.

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 and fulfil requirements under 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 on 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 Group’s direct 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 the interim financial information as the Group did not have assessable profit in Hong Kong for the period. The profit of the group entities in Hong Kong is mainly derived from dividend income, which is not subject to Hong Kong profits tax.

9 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 period.

	Six months ended 30 June	
	2023 Unaudited	2022 Unaudited
Profit attributable to shareholders of the Company (RMB'000)	<u>94,227</u>	<u>698,066</u>
Weighted average number of ordinary shares in issue (thousand shares)	<u>4,140,403</u>	<u>4,140,403</u>
Basic earnings per share (RMB cents per share)	<u>2.3</u>	<u>16.9</u>

(b) Diluted

Since there was no dilutive potential ordinary shares during the six months ended 30 June 2023, diluted earnings per share is equal to basic earnings per share (30 June 2022: same).

10 Dividends

No interim dividend in respect of the six months ended 30 June 2023 was proposed by the Board (six months ended 30 June 2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

Since the beginning of the year, in face of the complexity and severity of the international environment and the slackened growth of the global economy in general, the People's Republic of China (the "PRC") still managed to have economic revival on the rise and steady progress of high-quality development, showcasing its remarkable development resilience and potentials with long-standing positive fundamentals. In the real estate sector, the market is undergoing a period 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. Demand-side easing policies were primarily about gradually lifting the respective measures of restrictions on purchases, loans and sales, reduction of down payment, reduction of home loan interest rate, 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 improve the balance sheet of 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 six months ended 30 June 2023, the Group conducted its business activities in the following major business segments, namely (i) property development; (ii) property investment; (iii) commercial operational and residential property management; and (iv) other property development related businesses. During the period under review, property development remained as the main revenue stream of the Group.

Property Development

As a result of the continuous impact of the severe operating environment in the real estate industry, for the six months ended 30 June 2023, the contracted sales of the Group together with its associates and joint ventures amounted to approximately RMB17,610 million (for the six months ended 30 June 2022: RMB23,241 million). For the six months ended 30 June 2023, the contracted sales area of the Group together with its associates and joint ventures amounted to approximately 1,135,462 square meters (for the six months ended 30 June 2022: 1,532,058 square meters).

Set forth below is the distribution of contracted sales of the Group during the six months ended 30 June 2023:

Distribution	For the six months ended 30 June 2023		
	Sales area <i>sq.m.</i>	Sales amount <i>RMB'000</i>	Average selling price <i>RMB/sq.m.</i>
Commercial	229,270	3,375,773	14,724
Residential	906,192	14,234,103	15,708
Total	<u>1,135,462</u>	<u>17,609,876</u>	<u>15,509</u>

Property Investment and Commercial Operational and Residential Property Management

To generate a stable and recurring income, the Group also retained and operated certain commercial properties for leasing. As at 30 June 2023, the Group had an aggregate gross floor area (“GFA”) of approximately 7,834,363 square meters (as at 31 December 2022: approximately 7,743,836 square meters) held as investment properties (including completed properties and properties under construction), representing an increase of approximately 1.2% as compared with that as at 31 December 2022.

During the six months ended 30 June 2023, one asset-light project operated and managed by the Group, namely Xiangtang Powerlong Plaza, successfully commenced operation on 16 May 2023. As at 30 June 2023, the Group held and managed 60 shopping malls and managed 10 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 30 June 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 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), 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 30 June 2023, the Group had a quality land bank amounting to a total GFA of approximately 23.67 million square meters, of which approximately 20.61 million square meters were properties under development and construction and approximately 3.06 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 30 June 2023, approximately 64.2% of the Group's land bank was located in the Yangtze River Delta region.

OUTLOOK

As the real estate industry is gradually shifting from the rapid development in the past to a new trend of stable development, the supply and demand relationship in the real estate market and the pattern of urbanization are undergoing significant trending and structural changes, and the differentiation between different cities and regions is becoming more obvious. It is expected that in the second half of 2023, China's real estate industry will continue to be easing in an orderly manner under the policy keynote of "properties being for residential dwellings instead of speculation" and city-specific policies. City-specific policies will be made more precise, to better support the rigid and upgraders' housing needs, guard against and resolve real estate financial risks, and continue to level up the financial support for ensuring property delivery, to ensure the stable and healthy development of the real estate market. In a stage where the real estate industry is gradually moving towards high-quality and stable development, the real estate enterprises will continue to focus on "ensuring timely delivery of products and stabilizing operation" and continue to strengthen refined management and control. Efforts will be made to uplift delivery capability, 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, in mid-2023, the Group put forward the development theme of "overcoming difficulties, moving forward with wisdom and courage", to implement the operation and management mission of "creating new value by focusing on projects", and work on "managing change, eliminating obstacles, and full blossoming" to achieve "guaranteed sales"; "strengthening budgets, precise use, and breakthroughs in financing" to achieve "effective control of funds"; "key resources, full attention, achieving mission" to achieve "project sprint"; "breaking the routine, fully exploring, outperforming the expected" to achieve "maximum realization of value"; "responsibility mechanism, matching of persons and job posts, supporting business" to achieve "ongoing implementation of management measures", thereby continuing to return to a virtuous development track. In an environment where the real estate industry is still facing challenges, the Group will always strive to adhere to stable operation, stick to the bottom line of "ensuring delivery", honour its commitments and target "quality delivery", and fulfill its promises to ensure the full delivery of projects nationwide. The Group will holistically enhance its refined management, and pragmatically proceed with formulation and implementation of plans. The confidence of all staff members, their team spirit and selfless dedication, and their brave undertaking of responsibilities and historic mission in the course of sound development of the enterprise, will continually 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 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 advantageous resources and strive to implement its plan of high-quality opening within the year. The Group will continue to adhere to its customer and quality service orientation, continue to enhance the operation quality of projects and business atmosphere, accelerate the adjustment and renovation process of existing projects, utilize technology to empower smart business and improve the overall project management efficiency. We will actively respond to changes in the market and consumption, think out of the box, break out of the routine, constantly update the mix of business formats, establish project signatures, create a rich consumption scenario, further stimulate commercial vitality, continuously improve consumer satisfaction and satisfy consumers' diversified lifestyles.

Against the backdrop where the real estate industry in China is in a period of intense adjustments, the Group will continue to strengthen its financial risk management, secure the Group's cashflow, expedite collection of sales proceeds and debt interests receivable, 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, enhance control over costs, strictly control non-core and unnecessary operating expenses, 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 multi-dimensional 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 remain 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 from 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 six months ended 30 June 2023, the Group recorded a total revenue of approximately RMB12,299 million (for the six months ended 30 June 2022: approximately RMB16,897 million), representing a decrease of approximately 27.2% as compared with the corresponding period in 2022. This was mainly attributable to the decrease in revenue from property sales.

Revenue from Property Sales

During the six months ended 30 June 2023, the Group strictly complied with its original completion and delivery schedule for the delivery of the corresponding projects. Revenue from projects sold and delivered for the six months ended 30 June 2023 amounted to approximately RMB9,827 million (for the six months ended 30 June 2022: approximately RMB14,547 million), representing a decrease of approximately 32.4% 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 six months ended 30 June 2023:

		For the six months ended 30 June 2023		
		GFA sold & delivered (sq.m.)	Amount sold & delivered (RMB million)	Average selling price (RMB/sq.m.)
Yangtze River Delta	Commercial	120,446	1,214	10,079
	Residential	379,817	7,294	19,204
Hainan	Commercial	3,845	38	9,883
	Residential	511	8	15,656
Guangdong-Hong Kong- Macau Bay Area	Commercial	45	1	22,222
	Residential	6,001	101	16,831
Others	Commercial	58,343	273	4,679
	Residential	100,473	898	8,938
	Total	<u>669,481</u>	<u>9,827</u>	<u>14,679</u>
	Commercial	182,679	1,526	8,353
	Residential	<u>486,802</u>	<u>8,301</u>	<u>17,052</u>

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

For the six months ended 30 June 2023, the Group recorded rental income after elimination of intra-group transactions from investment properties amounting to approximately RMB941 million (for the six months ended 30 June 2022: approximately RMB866 million), representing an increase of approximately 8.7% as compared with the corresponding period in 2022.

For the six months ended 30 June 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 RMB1,087 million (for the six months ended 30 June 2022: approximately RMB1,054 million), representing an increase of approximately 3.1% as compared with the corresponding period in 2022.

For the six months ended 30 June 2023, the Group recorded rental income from investment properties and income from provision of commercial operational services and residential property management services amounting to approximately RMB2,028 million (for the six months ended 30 June 2022: approximately RMB1,920 million), representing an increase of approximately 5.6% as compared with the corresponding period in 2022. This was mainly attributable to the economies of scale brought by the increasing GFA of properties held for investment and commercial and residential properties managed by the Group.

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 six months ended 30 June 2023, the Group recorded income from other property development related businesses amounting to approximately RMB444 million (for the six months ended 30 June 2022: approximately RMB430 million), representing an increase of approximately 3.3% as compared with the corresponding period in 2022, which was mainly due to the lifting of COVID-19-related restrictions, so the Group's hotel operations have gradually resumed.

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. For the six months ended 30 June 2023, cost of sales amounted to approximately RMB8,752 million (for the six months ended 30 June 2022: approximately RMB11,664 million), representing a decrease of approximately 25.0% as compared with the corresponding period in 2022, which was mainly due to the decrease in the GFA of properties sold and delivered, leading to a decrease in the total cost.

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2023, gross profit amounted to approximately RMB3,548 million (for the six months ended 30 June 2022: approximately RMB5,233 million), representing a decrease of approximately 32.2% as compared with the corresponding period in 2022, which was mainly due to the decrease in revenue from property sales. Gross profit margin decreased by 2.2 percentage points from 31.0% for the six months ended 30 June 2022 to 28.8% for the six months ended 30 June 2023, 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 six months ended 30 June 2023, the Group recorded fair value losses of approximately RMB465 million (for the six months ended 30 June 2022: fair value losses of approximately RMB45 million). The fair value losses increased by approximately RMB420 million as compared with the corresponding period in 2022, mainly due to the continued downward trend of the real estate market after the end of the epidemic and insufficient socio-economic domestic demand, leading to the decrease in demand for shopping malls leasing.

Selling and Marketing Costs and Administrative Expenses

For the six months ended 30 June 2023, the Group's selling and marketing costs and administrative expenses amounted to approximately RMB1,056 million (for the six months ended 30 June 2022: approximately RMB1,328 million), representing a decrease of approximately 20.5% as compared with the corresponding period in 2022, which was mainly attributable to the decrease in the scale of projects sales and management. The Group will continue to exercise stringent control over expenses and costs whilst at the same time strive to continue the Group's business expansion.

Share of Profit of Investments Accounted for Using the Equity Method

For the six months ended 30 June 2023, share of post-tax profit of investments accounted for using the equity method amounted to approximately RMB739 million (for the six months ended 30 June 2022: approximately RMB549 million), representing an increase of approximately 34.6% 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 Expense

Income tax expense of the Group amounted to approximately RMB791 million for the six months ended 30 June 2023 (for the six months ended 30 June 2022: approximately RMB1,338 million), representing a decrease of approximately 40.9% as compared with the corresponding period in 2022, which was mainly due to the decrease in the PRC corporate income tax.

Profit Attributable to Owners of the Company

For the six months ended 30 June 2023, the profit attributable to owners of the Company amounted to approximately RMB94 million (for the six months ended 30 June 2022: approximately RMB698 million), representing a decrease of approximately 86.5% over the corresponding period in 2022.

For the six months ended 30 June 2023, basic earnings per share was approximately RMB2.3 cents (for the six months ended 30 June 2022: approximately RMB16.9 cents), representing a decrease of approximately 86.5% over the corresponding period in 2022.

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 period under review)^(Note) for the six months ended 30 June 2023 reached approximately RMB1,484 million (for the six months ended 30 June 2022: approximately RMB2,268 million), representing a decrease of approximately 34.6% as compared with that in the corresponding period in 2022.

Core earnings attributable to owners of the Company (being the profit excluding the attributable 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 period under review)^(Note) for the six months ended 30 June 2023 reached approximately RMB1,280 million (for the six months ended 30 June 2022: approximately RMB1,691 million), representing a decrease of approximately 24.3% as compared with the corresponding period in 2022.

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 investment in development projects.

The Group's cash and cash equivalents and restricted cash amounted to approximately RMB11,281 million in total as at 30 June 2023 (as at 31 December 2022: approximately RMB11,808 million), representing a decrease of approximately 4.5% as compared with that as at 31 December 2022.

(Note: The Group believes that the presentation of core earnings, 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.)

Borrowings

Total borrowings of the Group as at 30 June 2023 was approximately RMB60,919 million (as at 31 December 2022: approximately RMB63,092 million), representing a decrease of approximately 3.4% as compared with that as at 31 December 2022. The Group's borrowings comprise bank and other borrowings of approximately RMB37,427 million, corporate bonds of approximately RMB5,842 million, commercial mortgage backed securities (the "CMBS") of approximately RMB2,238 million, assets-backed securities (the "ABS") of approximately RMB208 million and senior notes of approximately RMB15,204 million.

Out of the total borrowings, approximately RMB13,080 million was repayable within one year, while approximately RMB47,839 million was repayable after one year.

Net Gearing Ratio

As at 30 June 2023, the Group had a net gearing ratio (which is total borrowings less cash and cash equivalents and restricted cash over total equity) of approximately 79.7% (as at 31 December 2022: approximately 81.9%).

Borrowing Costs

Total interest expenses for the six months ended 30 June 2023 amounted to approximately RMB2,330 million (for the six months ended 30 June 2022: approximately RMB2,558 million), representing a decrease of approximately 8.9% as compared with the corresponding period in 2022. The decrease was mainly due to the decrease in total borrowings of the Group as compared with the corresponding period in 2022. The effective interest rate decreased slightly from 6.43% for the six months ended 30 June 2022 to 6.36% for the six months ended 30 June 2023, due to the Group's tightened control over finance costs. The Group will continue to enhance its stringent control over finance costs.

Credit Policy

Trade receivables mainly arose from sales and lease of properties. Receivables in respect of sales and lease of properties are settled in accordance with the terms stipulated in the sale and purchase agreements and lease agreements respectively.

Pledge of Assets

As at 30 June 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 RMB85,494 million (as at 31 December 2022: RMB89,541 million) to secure borrowings of the Group. The total secured bank and other borrowings and CMBS as at 30 June 2023 amounted to approximately RMB39,565 million (as at 31 December 2022: approximately RMB41,734 million). The ABS of RMB208 million (as at 31 December 2022: 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 30 June 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:

	30 June 2023 Unaudited RMB'000	31 December 2022 Audited RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	20,775,474	22,935,267
Guarantees for borrowings of joint ventures and associates	1,097,379	866,466
	<u>21,872,853</u>	<u>23,801,733</u>

Commitments

(1) Commitments for property development expenditures

	30 June 2023 Unaudited RMB'000	31 December 2022 Audited RMB'000
Contracted but not provided for		
– Property development activities	9,038,977	10,316,531
– Acquisition of land use rights	2,695,230	3,298,879
	<u>11,734,207</u>	<u>13,615,410</u>

(2) Lease commitments

As at 30 June 2023, the Group did not have any material short-term lease commitment.

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 Renminbi. The major non-RMB financial assets or liabilities as at 30 June 2023 are the Group's borrowings denominated in US\$ or HK\$ totalling approximately RMB23,511 million. Any depreciation of Renminbi would adversely affect the value of any dividends to be paid by the Group to the shareholders of the Company (the "**Shareholders**") outside the PRC. The Group currently does not engage in hedging activities designed or used 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 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 six months ended 30 June 2023.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this announcement, the Group had not authorised any plans for any other material investments or additions of capital assets as at 30 June 2023.

EMPLOYEES AND EMOLUMENT POLICY

As at 30 June 2023, the Group employed a total of 10,466 full-time employees (as at 31 December 2022: 10,046 employees). The total staff costs of the Group incurred was approximately RMB1,240 million for the six months ended 30 June 2023. 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 pay level in the industry. In relation to staff training, the Group also provides different types of training programs for its staff to improve their skills and develop their respective expertise.

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30 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**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (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 six months ended 30 June 2023. No incident of non-compliance was noted by the Company throughout the six months ended 30 June 2023.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 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 the applicable code provisions set out in Part 2 of the Corporate Governance Code contained in Appendix 14 to the Listing Rules during the six months ended 30 June 2023. Further information about the corporate governance practices of the Company will be set out in the interim report of the Company for the six months ended 30 June 2023.

AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”), which comprises three independent non-executive Directors pursuant to the Listing Rules.

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2023 and considered that such results have been prepared in accordance with applicable accounting standards and requirements with sufficient disclosure.

EVENTS AFTER THE REPORTING PERIOD

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.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, throughout the six months ended 30 June 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 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The interim report of the Company for the six months ended 30 June 2023 will be despatched to the Shareholders and made available on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.powerlong.com in due course.

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

Hong Kong, 25 August 2023

As at the date of this announcement, the executive Directors 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 is Ms. Hoi Wa Fan; and the independent non-executive Directors are Dr. Ngai Wai Fung, Dr. Mei Jian Ping and Dr. Ding Zu Yu.