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POWERLONG

宝龙

POWERLONG REAL ESTATE HOLDINGS LIMITED

寶龍地產控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1238)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2024**

RESULTS HIGHLIGHTS

For the six months ended 30 June 2024

- Contracted sales amounted to approximately RMB7,332 million, and contracted sales area amounted to approximately 690,941 square meters;
- Revenue amounted to approximately RMB15,651 million, representing an increase of approximately 27.3% over the corresponding period in 2023;
- Rental income and income from provision of commercial operational services and residential property management services amounted to approximately RMB2,175 million, representing an increase of approximately 7.2% over the corresponding period in 2023;
- Core losses attributable to the owners of the Company was approximately RMB1,937 million, representing a turnaround as compared with the corresponding period in 2023.

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 2024, together with the comparative figures for the corresponding period in 2023, as follows:

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		30 June 2024	31 December 2023
		Unaudited	Audited
	<i>Note</i>	RMB’000	RMB’000
ASSETS			
Non-current assets			
Property and equipment		6,589,281	6,611,465
Investment properties	3	80,792,206	78,946,839
Intangible assets		5,661	6,753
Goodwill		20,640	20,640
Investments accounted for using the equity method		9,270,800	9,563,660
Deferred income tax assets		2,869,754	2,576,795
Financial assets at fair value through profit or loss		1,138	514
Financial assets at fair value through other comprehensive income		50,098	50,322
Prepayments		455,734	550,628
		100,055,312	98,327,616
Current assets			
Properties under development		52,247,776	60,049,689
Completed properties held for sale		17,136,924	16,893,542
Contract assets		92,421	132,602
Trade receivables	4	1,504,494	2,087,543
Other receivables		22,500,224	22,475,540
Prepayments		3,369,695	3,663,957
Prepaid taxes		1,737,107	1,811,621
Financial assets at fair value through profit or loss		117,981	117,375
Restricted cash		1,215,523	1,511,490
Cash and cash equivalents		6,424,847	7,734,844
		106,346,992	116,478,203
Total assets		206,402,304	214,805,819

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

		30 June 2024 Unaudited <i>RMB'000</i>	31 December 2023 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		2,159,544	2,181,992
Retained earnings		<u>33,626,523</u>	<u>36,249,392</u>
		35,822,846	38,468,163
Perpetual capital instruments		–	578,942
Non-controlling interests		<u>16,876,889</u>	<u>16,271,735</u>
Total equity		<u>52,699,735</u>	<u>55,318,840</u>
LIABILITIES			
Non-current liabilities			
Borrowings	5	28,843,851	29,436,754
Lease liabilities		2,891,002	2,640,658
Deferred income tax liabilities		<u>7,322,869</u>	<u>7,428,169</u>
		39,057,722	39,505,581
Current liabilities			
Borrowings	5	29,596,700	29,383,306
Trade and other payables	6	44,628,292	42,003,157
Contract liabilities		22,474,563	32,051,985
Current income tax liabilities		17,694,398	16,323,333
Lease liabilities		<u>250,894</u>	<u>219,617</u>
		114,644,847	119,981,398
Total liabilities		<u>153,702,569</u>	<u>159,486,979</u>
Total equity and liabilities		<u>206,402,304</u>	<u>214,805,819</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2024	2023
	<i>Note</i>	Unaudited	Unaudited
		RMB'000	RMB'000
Revenue	2	15,651,245	12,299,291
Cost of sales		(13,634,123)	(8,751,680)
Gross profit		2,017,122	3,547,611
Fair value losses on investment properties – net	3	(728,527)	(464,536)
Selling and marketing costs		(316,377)	(393,423)
Administrative expenses		(584,465)	(662,303)
Net impairment losses on financial assets		(61,521)	(126,819)
Other income and (losses)/gains – net		(161,427)	5,437
Operating profit		164,805	1,905,967
Finance costs – net	7	(570,938)	(1,561,435)
Share of (losses)/profit of investments accounted for using the equity method		(552,972)	738,581
(Loss)/profit before income tax		(959,105)	1,083,113
Income tax expense	8	(1,087,607)	(791,193)
(Loss)/profit for the period		(2,046,712)	291,920
Other comprehensive income			
<i>Items that may be reclassified to profit or loss:</i>			
Currency translation differences		2,096	12,415
<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		(168)	(169)
Total other comprehensive income for the period, net of tax		1,928	12,246
Total comprehensive (loss)/income for the period		(2,044,784)	304,166

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	Six months ended 30 June	
	2024	2023
	Unaudited	Unaudited
<i>Note</i>	RMB'000	RMB'000
(Loss)/profit attributable to:		
Owners of the Company	(2,622,869)	94,227
Holders of perpetual capital instruments	–	31,283
Non-controlling interests	576,157	166,410
	(2,046,712)	291,920
Total comprehensive (loss)/income attributable to:		
Owners of the Company	(2,620,941)	106,473
Holders of perpetual capital instruments	–	31,283
Non-controlling interests	576,157	166,410
	(2,044,784)	304,166
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company during the period (expressed in RMB cents per share)		
	9	
– Basic	(63.3)	2.3
– Diluted	(63.3)	2.3

NOTES TO THE INTERIM FINANCIAL INFORMATION

1 Basis of preparation and accounting policies

The interim financial information for the six months ended 30 June 2024 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 2023 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 2024 are the same as those set out in the Group’s annual financial statements for the year ended 31 December 2023.

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.

Amendments to HKAS 1	Classification of liabilities as current or non-current
Amendments to HKAS 1	Non-current liabilities with covenants
Amendments to HKFRS 16	Lease liability in sales and lease back
Amendments to HKAS 7 and HKFRS 7	Supplier finance arrangements
HK Interpretation 5 (2020)	Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause

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 2024 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKAS 21	Lack of exchangeability	1 January 2025
Amendment to HKFRS 9 and HKFRS 7	Classification and measurement of financial instruments	1 January 2026
HKFRS 18	Presentation and disclosure in financial statements	1 January 2027
HKFRS 19	Subsidiaries without public accountability disclosures	1 January 2027
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

Going concern basis

For the six months ended 30 June 2024, the Group incurred net loss of RMB2,047 million. As at 30 June 2024, the Group recorded net current liabilities of RMB8,298 million. As at 30 June 2024, the Group's current and non-current borrowings amounted to RMB29,597 million and RMB28,844 million respectively, while the Group had cash and cash equivalents (excluding restricted cash) amounting to RMB6,425 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 with the 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 18 July 2024, creditors holding approximately 88% 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, 26 March 2024, 28 April 2024 and 18 July 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 six months ended 30 June 2024 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/(loss) earned by each segment without fair value gains/(losses) on 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 included in the consolidated statement of comprehensive income for the six months ended 30 June 2024 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 2024						
(Unaudited)						
Gross segment revenue	13,027,028	1,082,941	1,332,942	450,801	–	15,893,712
Inter-segment revenue	–	(109,750)	(130,546)	(2,171)	–	(242,467)
Revenue	<u>13,027,028</u>	<u>973,191</u>	<u>1,202,396</u>	<u>448,630</u>	–	<u>15,651,245</u>
Share of post-tax losses of joint ventures and associates	(551,425)	–	(1,336)	(211)	–	(552,972)
Segment results	(306,910)	224,164	140,030	(132,297)	–	(75,013)
Fair value gains on financial assets at fair value through profit or loss						649
Unallocated operating cost						(313,803)
Finance costs – net (<i>Note 7</i>)						<u>(570,938)</u>
Profit before income tax						(959,105)
Income tax expenses						<u>(1,087,607)</u>
Profit for the period						<u>(2,046,712)</u>
Depreciation and amortisation recognised as expenses	21,855	–	3,909	131,353	–	157,117
Fair value losses on investment properties – net (<i>Note 3</i>)	–	(675,617)	(52,910)	–	–	<u>(728,527)</u>

The segment results and other segment items included in the consolidated statement of comprehensive income for the six months ended 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>
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>–</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>

Segment assets and liabilities as at 30 June 2024 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 2024 (Unaudited)						
Segment assets	100,907,684	81,164,223	5,454,386	12,104,116	(7,244,409)	192,386,000
Other assets						14,016,304
Total assets						<u>206,402,304</u>
Segment assets include:						
Interests in joint ventures and associates	9,270,067	–	733	–	–	9,270,800
Segment liabilities	56,478,447	2,546,936	2,941,773	4,920,994	(7,244,409)	59,643,741
Other liabilities						94,058,828
Total liabilities						<u>153,702,569</u>
Capital expenditure (six months ended 30 June 2024)	<u>122,562</u>	<u>2,574,628</u>	<u>8,479</u>	<u>146,505</u>	<u>–</u>	<u>2,852,174</u>

Segment assets and liabilities as at 31 December 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 31 December 2023 (Audited)						
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						<u>214,805,819</u>
Segment assets include:						
Interests in joint ventures and associates	9,527,162	–	772	35,726	–	9,563,660
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						<u>159,486,979</u>
Capital expenditure (six months ended 30 June 2023) (unaudited)	<u>9,076</u>	<u>957,565</u>	<u>2,795</u>	<u>253,994</u>	<u>–</u>	<u>1,223,430</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 2024 (Unaudited)			
Opening amount as at 1 January 2024	67,614,472	11,332,367	78,946,839
Additions	–	2,574,628	2,574,628
Transfers	1,477,126	(1,477,126)	–
Fair value (losses)/gains – net	(777,157)	48,630	(728,527)
Disposals	(734)	–	(734)
	<u>68,313,707</u>	<u>12,478,499</u>	<u>80,792,206</u>
Closing amount as at 30 June 2024			
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)
	<u>66,927,969</u>	<u>14,179,853</u>	<u>81,107,822</u>
Closing amount as at 30 June 2023			

4 Trade receivables

	30 June 2024	31 December 2023
	Unaudited	Audited
	RMB'000	RMB'000
Trade receivables (<i>Note (a)</i>)	1,831,083	2,401,005
– Third parties	1,767,873	2,331,515
– Related parties	63,210	69,490
Less: loss allowance (<i>Note (b)</i>)	(326,589)	(313,462)
	1,504,494	2,087,543

- (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 2024 and 31 December 2023, the ageing analysis of trade receivables of the Group based on revenue recognition date was as follows:

	30 June 2024	31 December 2023
	Unaudited	Audited
	RMB'000	RMB'000
Within one year	1,078,408	1,667,020
Over one year	752,675	733,985
	1,831,083	2,401,005

- (b) The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 30 June 2024, a provision of RMB326,589,000 was made against the gross amounts of trade receivables (31 December 2023: RMB313,462,000).

5 Borrowings

	30 June 2024	31 December 2023
	Unaudited	Audited
	RMB'000	RMB'000
Borrowings included in non-current liabilities:		
Senior notes	15,968,925	15,415,215
Corporate bonds	6,409,571	5,825,332
Commercial mortgage backed securities	2,138,541	2,177,484
Assets-backed securities	206,749	203,362
Bank borrowings	31,102,288	32,497,480
– secured	31,013,576	32,409,395
– unsecured	88,712	88,085
Other borrowings – secured	2,416,317	2,464,687
Less: amounts due within one year	(29,398,540)	(29,146,806)
	28,843,851	29,436,754
Borrowings included in current liabilities:		
Bank borrowings – secured	85,000	85,000
Other borrowings – secured	113,160	151,500
Add: current portion of long-term borrowings	29,398,540	29,146,806
	29,596,700	29,383,306
Total borrowings	58,440,551	58,820,060

6 Trade and other payables

	30 June 2024	31 December 2023
	Unaudited	Audited
	RMB'000	RMB'000
Trade payables (<i>Note (a)</i>)	14,971,636	13,672,727
– Related parties	21,638	18,136
– Third parties	14,769,545	13,411,892
– Notes payable – third parties	180,453	242,699
Other payables and accruals	23,728,447	23,769,137
– Related parties	9,802,524	9,258,376
– Non-controlling interests	5,249,280	5,022,977
– Third parties	8,676,643	9,487,784
Value-added tax received in advance from customers	1,655,130	1,329,099
Dividend payables	352,990	352,990
Payables for retention fee	821,156	836,507
Interest payable	1,254,124	655,651
Other taxes payable	1,821,297	1,345,671
Payables for acquisition of land use rights	23,512	41,375
	44,628,292	42,003,157

- (a) As at 30 June 2024 and 31 December 2023, the ageing analysis of trade payables of the Group based on invoice date was as follows:

	30 June 2024	31 December 2023
	Unaudited	Audited
	RMB'000	RMB'000
Within one year	12,000,911	12,930,146
Over one year	2,970,725	742,581
	14,971,636	13,672,727

7 Finance costs – net

	Six months ended 30 June	
	2024	2023
	Unaudited	Unaudited
	RMB'000	RMB'000
Interest expense:		
– Borrowings	1,929,942	2,261,805
– Lease liabilities	86,748	68,079
	2,016,690	2,329,884
Less: finance costs capitalized	(1,552,672)	(1,549,506)
Foreign exchange losses on financing activities – net	149,017	843,674
Finance costs	613,035	1,624,052
Interest income of bank deposits	(42,097)	(62,617)
Finance costs – net	570,938	1,561,435

8 Income tax expense

	Six months ended 30 June	
	2024	2023
	Unaudited	Unaudited
	RMB'000	RMB'000
Current income tax:		
– PRC corporate income tax	761,787	473,050
– PRC land appreciation tax	723,973	601,451
	1,485,760	1,074,501
Deferred income tax:		
– PRC corporate income tax	(320,976)	(200,567)
– PRC land appreciation tax	(77,177)	(82,741)
	(398,153)	(283,308)
	1,087,607	791,193

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 (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 period.

	Six months ended 30 June	
	2024 Unaudited	2023 Unaudited
(Loss)/profit attributable to shareholders of the Company (RMB'000)	<u>(2,622,869)</u>	<u>94,227</u>
Weighted average number of ordinary shares in issue (thousand shares)	<u>4,140,403</u>	<u>4,140,403</u>
Basic (loss)/earnings per share (RMB cents per share)	<u>(63.3)</u>	<u>2.3</u>

(b) Diluted

Since there was no dilutive potential ordinary shares during the six months ended 30 June 2024, diluted (loss)/earnings per share is equal to basic (loss)/earnings per share (30 June 2023: same).

10 Dividends

No interim dividend in respect of the six months ended 30 June 2024 was proposed by the Board (six months ended 30 June 2023: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

Since the beginning of this year, in the face of the more complex, challenging and uncertain international environment, the economy of the People's Republic of China (“**China**” or “**PRC**”) continued to recover and showed a positive trend. The economic operation was generally stable while making progress steadily, with long-standing positive fundamentals. The trend of high-quality development has not changed. In the real estate sector, the market was undergoing a stage of intense adjustments. Under the general policy keynote of “residential properties are for dwellings instead of speculation”, implementation of 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. With the proposal of “coordinated research on policies and measures to digest inventory housing and optimize incremental housing”, policies became more focused on stabilizing the market and destocking. Demand-side easing policies were primarily about gradually lifting restrictions on purchases, loans and sales, reducing down payments, lowering home loan interest rates, lowering transaction taxes, relaxing the requirements of residency, fostering absorption of talents, increasing 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 the release of demand for home purchases. On enterprises' side, the main theme of policies was still to guard against and resolve risks facing real estate enterprises, to deeply promote the “white-list” policy, more precisely support the reasonable financing needs of real estate projects and reduce the operating pressure of real estate enterprises. By adequately assessing 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 2024, 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 2024, the contracted sales of the Group together with its associates and joint ventures amounted to approximately RMB7,332 million (for the six months ended 30 June 2023: RMB17,610 million). For the six months ended 30 June 2024, the contracted sales area of the Group together with its associates and joint ventures amounted to approximately 690,941 square meters (for the six months ended 30 June 2023: 1,135,462 square meters).

Set forth below is the distribution of contracted sales of the Group for the six months ended 30 June 2024:

Distribution	For the six months ended 30 June 2024		
	Sales area <i>sq.m.</i>	Sales amount <i>RMB'000</i>	Average selling price <i>RMB/sq.m.</i>
Commercial	282,113	1,845,300	6,541
Residential	408,828	5,486,279	13,420
Total	<u>690,941</u>	<u>7,331,579</u>	<u>10,611</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 2024, the Group had an aggregate gross floor area (“GFA”) of approximately 8,226,773 square meters (as at 31 December 2023: approximately 8,215,509 square meters) held as investment properties (including completed properties and properties under construction), representing an increase of approximately 0.1% as compared with that as at 31 December 2023.

During the six months ended 30 June 2024, the Group (together with its associates and joint ventures) completed and commenced operation of one new shopping mall, with the successful opening of Hangzhou Gongshu Powerlong Plaza on 24 May 2024, and one asset-light project operated and managed by the Group, namely Taizhou Duqiao Powerlong Plaza, was successfully opened on 13 January 2024. As at 30 June 2024, the Group held and managed 61 shopping malls and managed 9 asset-light shopping malls, with the number of shopping malls in operation held and the floor area in operation and management both being amongst the forefront of the industry.

Hotel Business

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

As at 30 June 2024, the Group owned seven 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) 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), ARTELS+ Collection Yancheng (鹽城寶龍藝悅精選酒店), 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 30 June 2024, the Group had a quality land bank amounting to a total GFA of approximately 18.56 million square meters, of which approximately 15.17 million square meters were properties under development and construction and approximately 3.39 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 2024, approximately 59.9% of the Group's land bank was located in the Yangtze River Delta region.

OUTLOOK

It is envisaged that in the second half of 2024, the real estate industry will focus on “stabilizing the market and destocking”, better integrating development and security, and continually preventing and resolving risks in key areas. In order to adapt to the new changes in the supply and demand patterns in the real estate market and meet people’s new expectations for quality housing, in future, it will accelerate the formulation of a new model of real estate development, adhere to the principle of integration of digesting inventory housing and optimizing incremental housing, level up the construction and supply of affordable housing, and actively support the acquisition of inventory commodity housing for affordable housing while continuing to improve the “market+safeguarding” housing supply system, to better meet residents’ rigid housing needs and upgraders’ housing needs. It is envisaged that more easing demand-side policies will be launched. Efforts to cater to the reasonable needs for enterprise-side financing will continue with more refined implementation. Review and management of ‘white-list’ projects will be strengthened, enhancing capital protection for affordable housing, urban village transformation and public infrastructure construction for “normal-use and emergency”. In a stage where the real estate industry is gradually building a new model of 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, actively explore new models of 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 proposed the development theme of “rekindling passion and bringing success with constant effort” in mid-2024, with a focus on the key tasks of “rekindling passion, one strategy for one city and comprehensive responsibility” for the second half of 2024. The Group will accumulate team vitality, reach consensus and interpret goals, achieve big wins by accumulating small wins, make overall planning, execute timely communication between the upper and lower levels, resolutely implement strategies, make every effort to explore resources, strive for marketing performance, and take responsibility all the way to the end. In the adversity of a difficult macro-environment, the Group will always 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, focus on construction of good houses, continue to enhance its refined management, fully tap the differentiation advantage of product quality details, control costs in a scientific manner, continuously optimize products and services, continuously enhance its strengths in terms of products and brand, and form core advantages and 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 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. Powerlong Commercial Management Holdings Limited (“**Powerlong CM**”), a subsidiary of the Company, will continue to adhere to the strategic layout of focusing on the Yangtze River Delta and proactively respond to the changes in the market and consumption with a focus on “making every effort for tenant sourcing to undertake fine operation, implementing classification management to enhance value and attaching importance to the construction of talent echelon”. Powerlong CM will make breakthroughs from the ideas of sourcing traditional brands to innovate tenant sourcing resources, improve the refined management level of project operation and stimulate the vitality and enthusiasm of its operation team. Powerlong CM will implement classification management for projects in operation and polish service details of benchmarking projects. Powerlong CM will devise customized tenant sourcing adjustment plans for projects during incubation and projects pending improvement, so as to comprehensively improve the project management level and competitiveness. Powerlong CM will promote the construction of talent echelon in multiple dimensions, focus on cultural construction and continue to optimize organizational efficiency, so as to build a first-class business operation team in the industry.

In active response to liquidity pressure, the Group will continue to adopt a series of liquidity management measures, expedite collection of sales proceeds and other receivables, extend the debt maturity of certain borrowings, continually optimize financing structure, lower financing costs, and 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 its 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 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 “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, the 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 2024, the Group recorded a total revenue of approximately RMB15,651 million (for the six months ended 30 June 2023: approximately RMB12,299 million), representing an increase of approximately 27.3% as compared with the corresponding period in 2023. This was mainly attributable to the increase in revenue from property sales.

Revenue from Property Sales

During the six months ended 30 June 2024, 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 2024 amounted to approximately RMB13,027 million (for the six months ended 30 June 2023: approximately RMB9,827 million), representing an increase of approximately 32.6% as compared with the corresponding period in 2023. This was mainly attributable to the increase 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 2024:

		For the six months ended 30 June 2024		
		GFA sold & delivered (sq.m.)	Amount sold & delivered (RMB million)	Average selling price (RMB/sq.m.)
Yangtze River Delta	Commercial	132,805	1,218	9,171
	Residential	604,056	8,660	14,336
Hainan	Commercial	1,219	9	7,383
	Residential	71,341	966	13,541
Guangdong-Hong Kong- Macau Bay Area	Commercial	3,600	40	11,111
	Residential	27,209	410	15,069
Others	Commercial	63,024	380	6,029
	Residential	168,558	1,344	7,974
	Total	<u>1,071,812</u>	<u>13,027</u>	<u>12,154</u>
	Commercial	200,648	1,647	8,208
	Residential	<u>871,164</u>	<u>11,380</u>	<u>13,063</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 2024, the Group recorded rental income after elimination of intra-group transactions from investment properties amounting to approximately RMB973 million (for the six months ended 30 June 2023: approximately RMB941 million), representing an increase of approximately 3.4% as compared with the corresponding period in 2023.

For the six months ended 30 June 2024, 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 RMB1,202 million (for the six months ended 30 June 2023: approximately RMB1,087 million), representing an increase of approximately 10.6% as compared with the corresponding period in 2023.

For the six months ended 30 June 2024, the Group recorded rental income from investment properties and income from provision of commercial operational services and residential property management services amounting to approximately RMB2,175 million (for the six months ended 30 June 2023: approximately RMB2,028 million), representing an increase of approximately 7.2% as compared with the corresponding period in 2023. 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 2024, the Group recorded income from other property development related businesses amounting to approximately RMB449 million (for the six months ended 30 June 2023: approximately RMB444 million), representing an increase of approximately 1.1% as compared with the corresponding period in 2023.

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 2024, cost of sales amounted to approximately RMB13,634 million (for the six months ended 30 June 2023: approximately RMB8,752 million), representing an increase of approximately 55.8% as compared with the corresponding period in 2023, which was mainly due to the increase in the GFA of properties sold and delivered and the increase in the provision of impairment for the relevant property projects, leading to an increase in the total cost.

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2024, gross profit amounted to approximately RMB2,017 million (for the six months ended 30 June 2023: approximately RMB3,548 million), representing a decrease of approximately 43.2% as compared with the corresponding period in 2023, which was mainly due to the increase in the impairment provisions for 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 decreased by 15.9 percentage points from 28.8% for the six months ended 30 June 2023 to 12.9% for the six months ended 30 June 2024, which was mainly attributable to the increase in the impairment provisions 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 2024, the Group recorded fair value losses of approximately RMB729 million (for the six months ended 30 June 2023: fair value losses of approximately RMB465 million). The fair value losses increased by approximately RMB264 million as compared with the corresponding period in 2023, mainly due to the continued downward trend of the real estate market 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 2024, the Group's selling and marketing costs and administrative expenses amounted to approximately RMB901 million (for the six months ended 30 June 2023: approximately RMB1,056 million), representing a decrease of approximately 14.7% as compared with the corresponding period in 2023, 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 (Loss)/Profit of Investments Accounted for Using the Equity Method

For the six months ended 30 June 2024, the Group recorded share of post-tax loss of investments accounted for using the equity method of approximately RMB553 million as compared with share of post-tax profit of approximately RMB739 million for the corresponding period in 2023, representing a turnaround from the share of post-tax profit to the share of post-tax loss, which was mainly due to the net loss from joint ventures and associates.

Income Tax Expense

Income tax expense of the Group amounted to approximately RMB1,088 million for the six months ended 30 June 2024 (for the six months ended 30 June 2023: approximately RMB791 million), representing an increase of approximately 37.5% as compared with the corresponding period in 2023, which was mainly due to the increase in the PRC corporate income tax and PRC land appreciation tax expenses.

(Loss)/Profit Attributable to Owners of the Company

For the six months ended 30 June 2024, the loss attributable to owners of the Company amounted to approximately RMB2,623 million (for the six months ended 30 June 2023: profit attributable to owners of the Company of approximately RMB94 million), representing a turnaround as compared with the corresponding period in 2023.

For the six months ended 30 June 2024, basic loss per share was approximately RMB63.3 cents (for the six months ended 30 June 2023: basic earnings per share of approximately RMB2.3 cents), representing a turnaround as compared with the corresponding period in 2023.

Core losses (being the profit/(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 period under review)^(Note) for the six months ended 30 June 2024 reached approximately RMB1,351 million (for the six months ended 30 June 2023: core earnings of approximately RMB1,484 million), representing a turnaround as compared with the corresponding period in 2023.

Core losses attributable to owners of the Company (being the profit/(losses) 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 2024 reached approximately RMB1,937 million (for the six months ended 30 June 2023: core earnings attributable to owners of the Company of approximately RMB1,280 million), representing a turnaround as compared with the corresponding period in 2023.

(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 investment in development projects.

The Group's cash and cash equivalents and restricted cash amounted to approximately RMB7,640 million in total as at 30 June 2024 (as at 31 December 2023: approximately RMB9,246 million), representing a decrease of approximately 17.4% as compared with that as at 31 December 2023.

Borrowings

Total borrowings of the Group as at 30 June 2024 was approximately RMB58,441 million (as at 31 December 2023: approximately RMB58,820 million), representing a decrease of approximately 0.6% as compared with that as at 31 December 2023. The Group's borrowings comprise bank and other borrowings of approximately RMB33,717 million, corporate bonds of approximately RMB6,410 million, commercial mortgage backed securities (the "CMBS") of approximately RMB2,139 million, assets-backed securities (the "ABS") of approximately RMB207 million and senior notes of approximately RMB15,968 million.

Out of the total borrowings, approximately RMB29,597 million was repayable within one year, while approximately RMB28,844 million was repayable after one year.

Net Gearing Ratio

As at 30 June 2024, the Group had a net gearing ratio (which is total borrowings less cash and cash equivalents and restricted cash over total equity) of approximately 96.4% (as at 31 December 2023: approximately 89.6%).

Borrowing Costs

Total interest expenses for the six months ended 30 June 2024 amounted to approximately RMB2,017 million (for the six months ended 30 June 2023: approximately RMB2,330 million), representing a decrease of approximately 13.4% as compared with the corresponding period in 2023. The decrease was mainly due to the decrease in total borrowings of the Group as compared with the corresponding period in 2023. The effective interest rate decreased from 6.36% for the six months ended 30 June 2023 to 5.85% for the six months ended 30 June 2024, 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 2024, 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 RMB64,944 million (as at 31 December 2023: RMB78,831 million) to secure borrowings of the Group. The total secured bank and other borrowings and CMBS as at 30 June 2024 amounted to approximately RMB35,767 million (as at 31 December 2023: approximately RMB37,288 million). The ABS of RMB207 million (as at 31 December 2023: 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 30 June 2024, 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 2024 Unaudited RMB'000	31 December 2023 Audited RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	18,144,981	18,800,618
Guarantees for borrowings of joint ventures and associates	1,186,685	1,373,057
	<u>19,331,666</u>	<u>20,173,675</u>

Commitments

(1) Commitments for property development expenditures

	30 June 2024 Unaudited RMB'000	31 December 2023 Audited RMB'000
Contracted but not provided for		
– Property development activities	7,887,350	8,428,038
– Acquisition of land use rights	1,290,257	1,476,172
	<u>9,177,607</u>	<u>9,904,210</u>

(2) Lease commitments

As at 30 June 2024, 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 2024 are the Group's borrowings denominated in US\$ or HK\$ totalling approximately RMB24,995 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 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 2024.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this announcement, the Group had not authorized any plans for any other material investments or additions of capital assets as at 30 June 2024.

EMPLOYEES AND EMOLUMENT POLICY

As at 30 June 2024, the Group employed a total of 8,488 full-time employees (as at 31 December 2023: 9,234 employees). The total staff costs of the Group incurred were approximately RMB947 million for the six months ended 30 June 2024. 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 2024.

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 C3 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") 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 2024. No incident of non-compliance was noted by the Company throughout the six months ended 30 June 2024.

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 (including sale of treasury shares) of the Company during the six months ended 30 June 2024. As at 30 June 2024, the Company did not hold any treasury shares.

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 C1 to the Listing Rules during the six months ended 30 June 2024. 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 2024.

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**"), which comprises four 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 2024 and considered that such results have been prepared in accordance with applicable accounting standards and requirements with sufficient disclosure.

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 18 July 2024, creditors holding approximately 88% 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, 26 March 2024, 28 April 2024 and 18 July 2024. As at the date of this announcement, the Restructuring has not yet become effective.

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 2024 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 2024 will be 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, 28 August 2024

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