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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)

CONNECTED TRANSACTIONS FORMATION OF JOINT VENTURE COMPANIES

The Board announces that on 31 May 2013, Powerlong Land Development, a wholly-owned subsidiary of the Company, and Xiamen Hongbaorong entered into the JV Agreements pursuant to which Powerlong Land Development and Xiamen Hongbaorong have agreed to establish the JV Companies to cooperate in the development of the Land. Upon the establishment of the JV Companies, Powerlong Land Development and Xiamen Hongbaorong will respectively own 75% and 25% of the equity interest in the JV Companies.

Xiamen Hongbaorong is a company owned as to 70% by Ms. Xu Jian Man and 30% by Mr. Cai Xiang Jiang, respectively. Ms. Xu Jian Man is the sister of Mr. Hoi Kin Hong, the executive Director and the chairman of the Company, and the aunty of Mr. Hoi Wa Fong, Ms. Hoi Wa Fan and Ms. Shih Sze Ni, the directors of the Company. Mr. Cai Xiang Jiang is the spouse of Ms. Xu Jian Man. Each of Ms. Xu Jian Man, Mr. Cai Xiang Jiang and Xiamen Hongbaorong is therefore an associate of Mr. Hoi Kin Hong, Mr. Hoi Wa Fong, Ms. Hoi Wa Fan and Ms. Shih Sze Ni, and hence a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the joint venture arrangements under the JV Agreements constitute connected transactions for the Company under the Listing Rules. As at the date of this announcement, each of Mr. Hoi Kin Hong, Mr. Hoi Wa Fong and Ms. Hoi Wa Fan holds 45.33%, 14.96% and 7.41% of the total issued share capital of the Company, respectively.

As each of the applicable percentage ratios (other than the profits ratio) as set out in the Listing Rules in respect of the capital committed to the establishment of the JV Companies are more than 0.1% but is less than 5%, the joint venture arrangements under the JV Agreements are subject to the reporting and announcement requirements but exempted from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board announces that on 31 May 2013, Powerlong Land Development, a wholly-owned subsidiary of the Company, and Xiamen Hongbaorong entered into the JV Agreements pursuant to which Powerlong Land Development and Xiamen Hongbaorong have agreed to establish the JV Companies to cooperate in the development of the Land.

THE JV AGREEMENTS

(i) JV Agreement A – Formation of Yingju Real Estate

Date: 31 May 2013

Parties: (1) Powerlong Land Development, an indirect wholly-owned subsidiary of the Company; and

(2) Xiamen Hongbaorong, a company owned as to 70% by Ms. Xu Jian Man and 30% by Mr. Cai Xiang Jiang, the spouse of Ms. Xu Jian Man, as at the date of this announcement.

Registered capital of Yingju Real Estate

Yingju Real Estate will be an equity joint venture company established in the PRC with a registered capital of US\$20,000,000. Pursuant to the JV Agreement A, Powerlong Land Development and Xiamen Hongbaorong have agreed to make a capital contribution of US\$15,000,000 and US\$5,000,000, respectively to the registered capital of Yingju Real Estate. Such capital contribution was determined after arm's length negotiation between Powerlong Land Development and Xiamen Hongbaorong with reference to the initial capital requirement of the joint venture in the development of Land A. The total capital contribution of US\$20,000,000 will be used to satisfy part of the land premium of Land A, construction costs and other investment costs.

Upon establishment of Yingju Real Estate, Powerlong Land Development and Xiamen Hongbaorong respectively own 75% and 25% of the equity interest in Yingju Real Estate and the financial results of Yingju Real Estate will be consolidated into the consolidated financial statements of the Group and Yingju Real Estate will be accounted for as a subsidiary of the Company. The investment of Powerlong Land Development in Yingju Real Estate will be funded by internal resources of the Group and bank borrowings.

Business scope of Yingju Real Estate

The scope of business of Yingju Real Estate will include property development, sale and lease of properties and property management in the PRC. The joint venture of Yingju Real Estate shall have a term of 50 years.

Board composition of Yingju Real Estate

Yingju Real Estate will be managed by the board of directors of Yingju Real Estate. The board of directors of Yingju Real Estate will comprise four members, three of whom (including the chairman of the board of directors of Yingju Real Estate) shall be appointed by Powerlong Land Development and one of whom shall be appointed by Xiamen Hongbaorong. Powerlong Land Development and Xiamen Hongbaorong will jointly appoint the supervisor of Yingju Real Estate. The chairman of the board of directors of Yingju Real Estate will have the right to nominate the general manager whom shall be elected by the board of directors of Yingju Real Estate.

Profit sharing of Yingju Real Estate

Powerlong Land Development and Xiamen Hongbaorong will share the profit and loss of Yingju Real Estate in proportion to their respective capital contribution to Yingju Real Estate.

(ii) JV Agreement B – Formation of Yingju Cultural Development

Date: 31 May 2013

Parties: (1) Powerlong Land Development, an indirect wholly-owned subsidiary of the Company; and

(2) Xiamen Hongbaorong, a company owned as to 70% by Ms. Xu Jian Man and 30% by Mr. Cai Xiang Jiang, the spouse of Ms. Xu Jian Man, as at the date of this announcement.

Registered capital of Yingju Cultural Development

Yingju Cultural Development will be an equity joint venture company established in the PRC with a registered capital of US\$15,000,000. Pursuant to the JV Agreement B, Powerlong Land Development and Xiamen Hongbaorong have agreed to make a capital contribution of US\$11,250,000 and US\$3,750,000, respectively to the registered capital of Yingju Cultural Development. Such capital contribution was determined after arm's length negotiation between Powerlong Land Development and Xiamen Hongbaorong with reference to the initial capital requirement of the joint venture in the development of Land B. The total capital contribution of US\$15,000,000 will be used to satisfy part of the land premium of Land B, construction costs and other investment costs.

Upon establishment of Yingju Cultural Development, Powerlong Land Development and Xiamen Hongbaorong respectively own 75% and 25% of the equity interest in Yingju Cultural Development and the financial results of Yingju Cultural Development will be consolidated into the consolidated financial statements of the Group and Yingju Cultural Development will be accounted for as a subsidiary of the Company. The investment of Powerlong Land Development in Yingju Cultural Development will be funded by internal resources of the Group and bank borrowings.

Business scope of Yingju Cultural Development

The scope of business of Yingju Cultural Development will include property development, sale and lease of properties, property management and travel consultancy services in the PRC. The joint venture of Yingju Cultural Development shall have a term of 50 years.

Board composition of Yingju Cultural Development

Yingju Cultural Development will be managed by the board of directors of Yingju Cultural Development. The board of directors of Yingju Cultural Development will comprise four members, three of whom (including the chairman of the board of directors of Yingju Cultural Development) shall be appointed by Powerlong Land Development and one of whom shall be appointed by Xiamen Hongbaorong. Powerlong Land Development and Xiamen Hongbaorong will jointly appoint the supervisor of Yingju Cultural Development. The chairman of the board of directors of Yingju Cultural Development will have the right to nominate the general manager whom shall be elected by the board of directors of Yingju Cultural Development.

Profit sharing of Yingju Cultural Development

Powerlong Land Development and Xiamen Hongbaorong will share the profit and loss of Yingju Cultural Development in proportion to their respective capital contribution to Yingju Cultural Development.

INFORMATION ABOUT THE LAND

Land A

Land A is located at San Li He Street, Jiaozhou, Shandong with a total site area of approximately 78,620 square meters. The approved purposes of Land A are for both commercial and residential uses. The term of the land use rights of Land A granted is 70 years for residential premises and 40 years for commercial premises. The consideration for the Land A is RMB139.24 million (equivalent to approximately HK\$174.93 million), which was determined after a public bidding process. Land A, which will be developed by Yingju Real Estate, is intended to be developed into residential buildings and commercial complex with supermarkets, restaurants, recreation and sports centers, serviced apartments, offices and residential buildings. The Board considers that the consideration for Land A is fair and reasonable having taken into account the current market conditions, the location, development costs and development potential of Land A. The consideration for the acquisition of Land A is to be paid in stages and in such amounts as stipulated in the relevant land grant contract. The consideration will be funded by Powerlong Land Development and Xiamen Hongbaorong by way of equity and/or shareholders' loan or other form of financing to be agreed by Powerlong Land Development and Xiamen Hongbaorong.

Land B

Land B is located at Shao Hai Xin Cheng, Jiaozhou, Shandong with a total site area of approximately 128,467 square meters. The approved purposes of Land B are for both commercial and residential uses. The term of the land use rights of Land B is 70 years for residential premises and 40 years for commercial premises. Land B, which will be developed by Yingju Cultural Development, is intended to be developed into a historical and cultural district with serviced-apartments, village for artists, high-end residential properties as well as parking lots. The consideration for Land B is RMB129.38 million (equivalent to approximately HK\$162.54 million), which was determined after a public bidding process. The Board considers that the consideration

for Land B is fair and reasonable having taken into account the current market conditions, the location, development costs and development potential of Land B. The consideration for the acquisition of Land B is to be paid in stages and in such amounts as stipulated in the relevant land grant contract. The consideration will be funded by Powerlong Land Development and Xiamen Hongbaorong by way of equity and/or shareholders' loan or other form of financing to be agreed by Powerlong Land Development and Xiamen Hongbaorong.

REASONS FOR AND BENEFITS OF ENTERING INTO THE JV AGREEMENTS

Given that the Land is situated at one of the strategic areas of the Group which is in line with the Group's development plan going forward, the development and participation in the development of the Land will enhance the Group's market position and enlarge the Group's market share in such area. Accordingly, the Directors (including the independent non-executive Directors) consider that the investment in the JV Companies by Powerlong Land Development and the transactions contemplated under the JV Agreements have been made on normal commercial terms and that such terms are fair and reasonable so far as the Company and the Shareholders are concerned and that the JV Agreements and the investment in the JV Companies are in the interest of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

Xiamen Hongbaorong is a company owned as to 70% by Ms. Xu Jian Man and 30% by Mr. Cai Xiang Jiang. Ms. Xu Jian Man is the sister of Mr. Hoi Kin Hong, an executive Director and the chairman of the Company, and the aunty of Mr. Hoi Wa Fong, Ms. Hoi Wa Fan and Ms. Shih Sze Ni, the directors of the Company. Mr. Cai Xiang Jiang is the spouse of Ms. Xu Jian Man. Each of Ms. Xu Jian Man, Mr. Cai Xiang Jiang and Xiamen Hongbaorong is an associate of Mr. Hoi Kin Hong, Mr. Hoi Wa Fong, Ms. Hoi Wa Fan and Ms. Shih Sze Ni, and hence a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the joint venture arrangements under the JV Agreements constitute connected transactions for the Company under the Listing Rules. As at the date of this announcement, each of Mr. Hoi Kin Hong, Mr. Hoi Wa Fong and Ms. Hoi Wa Fan holds 45.33%, 14.96% and 7.41% of the total issued share capital of the Company, respectively. Since Mr. Hoi Kin Hong, Mr. Hoi Wa Fong, Ms. Hoi Wa Fan and Ms. Shih Sze Ni have material interests in the transaction contemplated under the JV Agreements, each of them have abstained from voting for the Board resolution to approve the formation of the JV Companies and the transactions contemplated under the JV Agreements.

As each of the applicable percentage ratios (other than the profits ratio) as set out in the Listing Rules in respect of the capital committed to the establishment of the JV Companies are more than 0.1% but is less than 5%, the joint venture arrangements under the JV Agreements are subject to the reporting and announcement requirements but exempted from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The Group is a leading property developer in China specializing in the development and operation of high-quality, large-scale, integrated retail and residential complexes. Powerlong Land Development is a wholly-owned subsidiary of the Company and is an investment holding company.

Xiamen Hongbaorong is a limited liability company established in the PRC and is principally engaged in provision of investment and corporate finance management and consultancy services in the PRC.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Board”	the board of Directors
“Company”	Powerlong Real Estate Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“JV Agreement A”	the joint venture agreement dated 31 May 2013 entered into between Powerlong Land Development and Xiamen Hongbaorong in relation to the formation of Yingju Real Estate
“JV Agreement B”	the joint venture agreement dated 31 May 2013 entered into between Powerlong Land Development and Xiamen Hongbaorong in relation to the formation of Yingju Cultural Development
“JV Agreements”	JV Agreement A and JV Agreement B
“JV Companies”	Yingju Real Estate and Yingju Cultural Development
“Land”	Land A and Land B
“Land A”	one plot of land located at San Li He Street, Jiaozhou, Shandong (膠州市三裡河街道) with a total site area of approximately 78,620 square meters
“Land B”	five plots of land located at Shao Hai Xin Cheng, Jiaozhou, Shandong (膠州市少海新城) with a total site area of approximately 128,467 square meters
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	People’s Republic of China
“Powerlong Land Development”	Powerlong Land Development Limited (寶龍置地發展有限公司), a limited company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“US\$”	United States dollars, the lawful currency in the United States
“Xiamen Hongbaorong”	Xiamen Hongbaorong Investment Management Co., Ltd.* (廈門弘寶融投資管理有限公司), a company established in the PRC with limited liability and as at the date of this announcement, owned as to 70% by Ms. Xu Jian Man and 30% by Mr. Cai Xiang Jiang
“Yingju Cultural Development”	Qingdao Powerlong Yingju Cultural Tourism Development Co., Ltd. (青島寶龍英聚文化旅遊開發有限公司), an equity joint venture company to be established in the PRC by Powerlong Land Development and Xiamen Hongbaorong in the shareholding of 75% and 25%, respectively for the cooperation in the development of Land B
“Yingju Real Estate”	Qingdao Powerlong Yingju Real Estate Development Co., Ltd. (青島寶龍英聚置地發展有限公司), an equity joint venture company to be established in the PRC by Powerlong Land Development and Xiamen Hongbaorong in the shareholding of 75% and 25%, respectively for the cooperation in the development of Land A
“%”	per cent.

* For identification purpose only.

For illustration purposes, amount in RMB in this announcement have been translated into HK\$ at HK\$1.00 = RMB0.79599.

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

Hong Kong, 31 May 2013

As at the date of this announcement, the executive Directors are Mr. Hoi Kin Hong, Mr. Hoi Wa Fong, Mr. Xiao Qing Ping and Ms. Shih Sze Ni; the non-executive Directors are Ms. Hoi Wa Fan and Ms. Liu Xiao Lan; and the independent non-executive Directors are Dr. Ngai Wai Fung, Mr. Mei Jian Ping and Ms. Nie Mei Sheng.