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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)

CONTINUING CONNECTED TRANSACTION

DIGITALIZATION SERVICE AGREEMENT

On 17 April 2020, the Company entered into the Digitalization Service Agreement with Shanghai Yueshang, pursuant to which, Shanghai Yueshang agreed that it will provide digitalization technology services to the Group for a term of three years with retrospective effect from 1 January 2020 and ending on 31 December 2022 (both days inclusive).

LISTING RULES IMPLICATIONS

Shanghai Yueshang is owned as to 45% by Mr. Hoi Wa Fong, an executive Director and a substantial shareholder of the Company, with the remaining 55% interests being owned by other Independent Third Parties. By virtue of Mr. Hoi Wa Fong's interest in Shanghai Yueshang, Shanghai Yueshang is therefore an associate of Mr. Hoi Wa Fong and hence a connected person at the listed issuer level of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Digitalization Service Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios for the transactions contemplated under the Digitalization Service Agreement are, on an annual basis, more than 0.1% but less than 5%, the transactions contemplated under the Digitalization Service Agreement are subject to the reporting and announcement requirements but are exempted from the circular and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

BACKGROUND

On 17 April 2020, the Company entered into the Digitalization Service Agreement with Shanghai Yueshang, pursuant to which, Shanghai Yueshang agreed that it will provide digitalization technology services to the Group for a term of three years with retrospective effect from 1 January 2020 and ending on 31 December 2022 (both days inclusive).

Details of the Digitalization Service Agreement are set forth below:

DIGITALIZATION SERVICE AGREEMENT

Date

17 April 2020

Parties

- (1) the Company; and
- (2) Shanghai Yueshang.

Duration

The Digitalization Service Agreement has a fixed term of three years with retrospective effect from 1 January 2020 and ending on 31 December 2022 (both days inclusive).

Subject

Pursuant to the Digitalization Service Agreement, Shanghai Yueshang will provide certain digitalization technology services to the Group, including but not limited to building internet digital services, information systems and hardware deployment for the Group (the “**Services**”) on a project-by-project basis.

The Digitalization Service Agreement is a framework agreement which provides the mechanism for the provision of the Services by Shanghai Yueshang to the Group. It is envisaged that from time to time and as required, individual service agreements will be required to be entered into between the Group and Shanghai Yueshang. Each individual service agreement will set out the relevant Services to be provided by Shanghai Yueshang to the Group and the service fees. The individual service agreements may only contain provisions which are in all material respects consistent with the binding principles, guidelines, terms and conditions set out in the Digitalization Service Agreement. As the individual service agreements are simply further elaborations on the Digitalization Service Agreement, they do not constitute new categories of connected transactions as far as the Listing Rules are concerned.

Price

The basis of determining the service fees payable by the Group in respect of the Services contemplated under the Digitalization Service Agreement will be determined in the ordinary course of business, on normal commercial terms, negotiated on an arm's length basis, on similar basis as the Group transacts business with other independent service providers and shall be on terms which are no less favorable to the Group than those offered by other independent service providers.

The total final service price shall be determined through commercial negotiation in accordance with the fair market prices obtained by the Company through public bidding and other methods.

Payment

Payment of the Services will be settled by way of cash within 30 days after confirmation of work done by both parties, subject to the terms of the separate service agreements in respect of the Services to be entered into between the Group and Shanghai Yueshang under the Digitalization Service Agreement.

PRICING POLICIES AND INTERNAL CONTROL

As a general principle, the price and terms of the individual service agreements in respect of the Services will be determined in the ordinary course of business, on normal commercial terms, negotiated on arm's length basis, on similar basis as the Group transacts business with other independent service providers and shall be on terms which are no less favorable to the Group than those offered by other independent service providers. Subject to the general principle disclosed above, the Group will also take into account the following factors when determining the service fee payable in respect of the Services: (i) the prevailing market rates of the Services; (ii) the quality and fees of the Services available in the market; and (iii) the expected cost to be incurred by Shanghai Yueshang in providing such Services. In determining the service fee payable under the Digitalization Service Agreement, the Group will also invite service providers in the market (including the Independent Third Party(ies)) to participate in a tender to get a reference on the prevailing market rates for the relevant Services. The prices obtained through the tender process will be reviewed and evaluated by the relevant personnel of the cost control centre and information department of the Group and to be compared against the market rates obtained through the regular price research conducted by the Company. Where the terms of an offer from, and product quality delivered by, Shanghai Yueshang are more favorable than those offered by other independent service providers to the Group, the Group may award the tender to Shanghai Yueshang.

The pricing policy for all the continuing connected transactions of the Group will be supervised and monitored by the relevant personnel and management of the Group to ensure that all the continuing connected transactions are conducted on normal commercial terms and in accordance with the pricing policy of the Group and will not be prejudicial to the interests of the Company and the Shareholders as a whole. The relevant personnel and management of the Group will conduct regular checks and assess whether individual transactions contemplated under continuing connected transactions are conducted in accordance with the terms of the agreement and will also regularly review whether the price charged/paid for a specific transaction is fair and reasonable and in accordance with the aforesaid pricing policy. The independent non-executive Directors will continue to review the transactions contemplated under the Digitalization Service Agreement and the auditors of the Company will also conduct an annual review on the pricing terms and annual caps thereof.

Accordingly, the Directors consider that the internal control mechanism is effective to ensure that the Services contemplated under the Digitalization Service Agreement have been and will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.

ANNUAL CAPS AND BASIS OF DETERMINATION

The proposed annual caps of the Services contemplated under the Digitalization Service Agreement for each of the financial years ending 31 December 2020, 2021 and 2022 are set out below:

	For the year ending 31 December 2020 (RMB)	For the year ending 31 December 2021 (RMB)	For the year ending 31 December 2022 (RMB)
Provision of the Services by Shanghai Yueshang	45,000,000	60,000,000	85,000,000

The annual caps of the Services contemplated under the Digitalization Service Agreement are determined with reference to (i) the anticipated business volume of the Group and Shanghai Yueshang for the three financial years ending 31 December 2022, taking into account of the projects volume and the project development plan of the Group during such period; and (ii) the historical transaction amount between the Group and Shanghai Yueshang for the year ended 31 December 2019. The Digitalization Service Agreement also provides that the terms and conditions in relation to the Services to be provided by Shanghai Yueshang to the Group should not be less favorable than those available to independent third parties from Shanghai Yueshang.

Shanghai Yueshang had previously provided services similar to the Services to be provided under the Digitalization Service Agreement to the Group during the year ended 31 December 2019 and the actual historical amount between the Company and Shanghai Yueshang for the year ended 31 December 2019 amounted to RMB19,645,000. From 1 January 2020 up till the date of this announcement, the actual transaction amount between the Company and Shanghai Yueshang for the Services provided by Shanghai Yueshang to the Group amounted to RMB7,252,000.

The increase of the proposed annual caps for the three years ending 31 December 2022 as compared to the historical amount was mainly due to commencement of data intelligence stage for the big-data platform in relation to the Group's existing projects, including digital transformation of the marketing system involving in-depth development, for example WeChat platform migration as well as other systems upgrades. It is further expected that the digitalization upgrade will be a continuing process for the next forthcoming years with an increasing trend corresponding to the increasing level of effort to further enhance the digitalization capability of the Group to increase overall efficiency.

REASONS FOR AND BENEFITS OF ENTERING INTO THE DIGITALIZATION SERVICE AGREEMENT

The Company is an investment holding company and the Group is a leading real estate developer in the PRC specializing in the development and operation of high-quality, largescale, integrated commercial and residential complexes. Shanghai Yueshang has agile technological innovation and product research and development capabilities, and rich experience in digitalization services for real estate companies in the PRC.

Through the Services to be provided by Shanghai Yueshang pursuant to the Digitalization Service Agreement, problem commonly encountered by many real estate companies in their internet information platform can be effectively resolved so as to meet the new business and operational requirements. The Services will enable the Group to build a complete and accurate data platform to centralize data for value assessment which will help the development of the business of the Group to be conducted in a more efficient manner.

Prior to the entering of the Digitalization Service Agreement, Shanghai Yueshang has been providing digitalization services to the Group during the year ended 31 December 2019. Taking into consideration of the previous cooperation and the stable as well as strategic business relationship that the Group and Shanghai Yueshang has established, the Directors consider that it is in the interest of the Company to enter into the Digitalization Service Agreement as Shanghai Yueshang is familiar with the specifications, standards and requirements of the Group and the Group has confidence on the quality of the services provided by Shanghai Yueshang. The Digitalization Service Agreement was entered into in the usual and ordinary courses of business of the Group and the transactions contemplated thereunder will be conducted on arm's length basis and on normal commercial terms. The Directors (including the independent non-executive Directors) consider that the terms of the Digitalization Service Agreement are fair and reasonable and the entering into of the Digitalization Service Agreement is in the interest of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Shanghai Yueshang is owned as to 45% by Mr. Hoi Wa Fong, an executive Director and a substantial shareholder of the Company, with the remaining 55% interests being owned by other Independent Third Parties. By virtue of Mr. Hoi Wa Fong's interest in Shanghai Yueshang, Shanghai Yueshang is therefore an associate of Mr. Hoi Wa Fong and hence a connected person at the listed issuer level of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Digitalization Service Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios for the transactions contemplated under the Digitalization Service Agreement are, on an annual basis, more than 0.1% but less than 5%, the transactions contemplated under the Digitalization Service Agreement are subject to the reporting and announcement requirements but are exempted from the circular and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

As at the date of this announcement, each of Mr. Hoi Kin Hong, Mr. Hoi Wa Fong and Ms. Hoi Wa Fan holds 44.27%, 14.60% and 6.39% of the total number of issued shares of the Company, respectively. Ms. Shih Sze Ni Cecilia is the spouse of Mr. Hoi Wa Fong. Each of Mr. Hoi Kin Hong, Mr. Hoi Wa Fong, Ms. Hoi Wa Fan and Ms. Shih Sze Ni Cecilia is a Director. As Mr. Hoi Kin Hong, Mr. Hoi Wa Fong, Ms. Shih Sze Ni Cecilia and Ms. Hoi Wa Fan are considered to have a material interest in the transactions contemplated under the Digitalization Service Agreement, each of them have abstained from voting on the Board resolution to approve the entering into of the Digitalization Service Agreement.

INFORMATION IN RELATION TO SHANGHAI YUESHANG

Shanghai Yueshang was established in 2015. As at the date of this announcement, it is owned as to 45% by 上海任俠企業管理有限公司 (Shanghai Renxia Corporate Management Co., Ltd.*), a company wholly-owned by Mr. Hoi Wa Fong, as to 27% by 上海商悅企業管理中心(有限合夥) (Shanghai Shangyue Enterprise Management Center (LLP)*), as to 18% by 施珊雅 (Ms. Shi Shanya) and as to 9.9% by 寧波保稅區易沃德投資合夥企業(有限合夥) (Ningbo Baoshui Yiwode Investment Partnership (L.P.)*). Save for 上海任俠企業管理有限公司 (Shanghai Renxia Corporate Management Co., Ltd.*) being a company wholly-owned by Mr. Hoi Wa Fong, all other shareholders of Shanghai Yueshang and their respective ultimate beneficial owner are Independent Third Parties. Shanghai Yueshang is mainly engaged in internet information services, software development, technology transfer and consulting, data processing business, as well as provision of products and services including IT infrastructure construction, cloud computation, big data and artificial intelligence.

DEFINITIONS

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

“associate”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Company”	Powerlong Real Estate Holdings Limited, a company incorporated in the Cayman Islands as an exempted company with limited liability, whose Shares are listed on the main board of the Stock Exchange
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Digitalization Service Agreement”	the framework agreement entered into between the Company and Shanghai Yueshang on 17 April 2020 in relation to digitization services to be provided by Shanghai Yueshang to the Group
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party”	third party(ies) who is/are independent of, and not connected with, the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“RMB”	the lawful currency of the PRC
“Shanghai Yueshang”	上海悦商信息科技有限公司 (Shanghai Yueshang Information Technology Co., Ltd.), a company established in the PRC
“Shareholders”	holder(s) of the Shares
“Shares”	ordinary shares with a par value of HK\$0.01 each in the capital of the Company;

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“%”

per cent

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

Hong Kong, 17 April 2020

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.