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## **Powerlong Commercial Management Holdings Limited** **寶龍商業管理控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 9909)**

### **DISCLOSEABLE AND CONNECTED TRANSACTION**

### **ACQUISITION OF AN OFFICE BUILDING IN SHANGHAI**

#### **THE TRANSACTION**

On 11 May 2022 (after trading hours), Shanghai Shangsheng (a wholly-owned subsidiary of the Company) and Powerlong Fumin entered into the Agreement, pursuant to which Shanghai Shangsheng conditionally agreed to purchase the Property from Powerlong Fumin at a consideration of RMB867,699,672.

The Property is a 24-storey office building located in Baoshan District, Shanghai, the PRC and has a total gross floor area of approximately 34,987.89 sqm. As at the date of this announcement, the whole office building comprising the Property has been leased to the Lessee for a term of 10 years from 28 June 2020 to 27 June 2030 (both days inclusive).

#### **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, Powerlong Fumin is a wholly-owned subsidiary of Powerlong Holdings, which is the controlling shareholder of the Company. Hence, Powerlong Fumin is a connected person of the Company, and the Transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios (as defined in the Listing Rules) for the Transaction is more than 5% but less than 25%, the Transaction constitutes a discloseable transaction for the Company which is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules, and is also a connected transaction for the Company which is subject to the reporting, announcement, circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **GENERAL**

The Company will convene the EGM for the Independent Shareholders to consider and, if thought fit, approve the Transaction.

An Independent Board Committee comprising all the independent non-executive Directors, namely Dr. Lu Xiongwen, Ms. Ng Yi Kum, Estella and Mr. Chan Wai Yan, Ronald, has been established to advise the Independent Shareholders in relation to the Agreement and the transactions contemplated thereunder. Red Sun Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

A circular containing, amongst other things, further information on the Transaction, a valuation report on the Property, a letter from the Independent Board Committee, a letter from the Independent Financial Adviser, notice of EGM and other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 14 June 2022 as additional time is required to prepare and finalize the information to be included in the circular.

**As completion of the Transaction is subject to the fulfillment of the Condition, the Transaction may or may not proceed. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.**

## **INTRODUCTION**

On 11 May 2022 (after trading hours), Shanghai Shangsheng (a wholly-owned subsidiary of the Company) and Powerlong Fumin entered into the Agreement, pursuant to which Shanghai Shangsheng conditionally agreed to purchase the Property from Powerlong Fumin at a consideration of RMB867,699,672.

Principal terms of the Agreement are set forth below:

## **THE AGREEMENT**

### **Date**

11 May 2022

### **Parties**

- (i) Shanghai Shangsheng (a wholly-owned subsidiary of the Company), as purchaser; and
- (ii) Powerlong Fumin (a wholly-owned subsidiary of Powerlong Holdings), as seller.

## Subject matter

Pursuant to the Agreement, Shanghai Shangsheng conditionally agreed to purchase, and Powerlong Fumin conditionally agreed to sell, the Property, which is a 24-storey office building located in Baoshan District, Shanghai, the PRC and has a total gross floor area of approximately 34,987.89 sqm. As at the date of this announcement, the whole office building comprising the Property has been leased to the Lessee for a term of 10 years from 28 June 2020 to 27 June 2030 (both days inclusive). Upon completion of the Transaction, Powerlong Fumin shall transfer and novate all its rights and obligations under the existing lease agreement regarding the Property with the Lessee in favour of Shanghai Shangsheng. Further details of the Property are set out under the section headed “Information on the Property” in this announcement.

The Agreement is a framework agreement which sets out the key commercial terms for the sale and purchase of the Property. Shanghai Shangsheng and Powerlong Fumin shall enter into a formal sale and purchase agreement for commodity real estate products with reference to the requirements of the relevant real estate transaction regulatory authority in the PRC (the “**SP Agreement**”) within 10 business days after the satisfaction of the Condition. The SP Agreement may only contain provisions which are in all material respects consistent with the binding principles, guidelines, terms and conditions set out in the Agreement, unless otherwise agreed between the parties and subject to their compliance with the applicable Listing Rules.

## Consideration

The consideration payable by Shanghai Shangsheng for the purchase of the Property is RMB867,699,672 (the “**Consideration**”), representing RMB24,800 per sqm. The Consideration was determined between Shanghai Shangsheng and Powerlong Fumin after arm’s length negotiations with reference to, among others, (i) the valuation of approximately RMB929.40 million as at 10 May 2022 as assessed by an independent professional valuer under the direct comparison method, taking into account the comparable sale transactions available in the market; (ii) an agreed discount to the valuation in light of the one-off bulk purchase of the entire building of the Property; and (iii) the saving of sales agency fees and marketing expenses that would otherwise be incurred by Powerlong Fumin for the sale of the Property on the market through third party agent(s).

The Consideration shall be payable by Shanghai Shangsheng in cash in the follow manner:

- (i) a sum of RMB86,769,967.20, representing 10% of the Consideration, shall be paid to Powerlong Fumin within 10 business days after the signing of the Agreement as a deposit (the “**Deposit**”). The Deposit shall be treated as part payment of the Consideration upon completion of the Transaction. If the Agreement is terminated for any reason, the Deposit shall be refunded to Shanghai Shangsheng without any interest within 10 business days after the termination of the Agreement;
- (ii) a sum of RMB173,539,934.40, representing 20% of the Consideration, shall be paid to Powerlong Fumin within 10 business days after the signing of the SP Agreement (the “**First Installment**”); and
- (iii) a sum of RMB607,389,770.40, representing the balance of the Consideration, shall be paid to Powerlong Fumin in one lump sum within 20 business days after the signing of the SP Agreement.

The Consideration is expected to be funded by the internal resources of the Group.

The original cost of the Property to Powerlong Fumin is estimated to be approximately RMB422.76 million, representing the land cost and construction cost attributable to the Property incurred by the Powerlong Group for the development of the Property.

### **Encumbrances**

The Property has been pledged to certain commercial banks as collateral for a syndicated loan of Powerlong Fumin. Powerlong Fumin has undertaken to obtain the consent of the relevant banks for the sale of the Property to Shanghai Shangsheng as contemplated under the Agreement, and to procure for the release of such pledge upon completion of the Transaction.

### **Condition precedent**

The Transaction is conditional upon the Independent Shareholders having approved the Transaction in the manner as required under Chapter 14A of the Listing Rules (the “**Condition**”).

If the Condition is not fulfilled on or before 30 September 2022 (or such other date as may agreed between the parties in writing), the Agreement shall terminate automatically.

**As completion of the Transaction is subject to the fulfillment of the Condition, the Transaction may or may not proceed. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.**

### **Completion**

Shanghai Shangsheng and Powerlong Fumin shall enter into the SP Agreement within 10 business days after the satisfaction of the Condition. Within 20 business days after the payment of the First Installment by Shanghai Shangsheng, Powerlong Fumin shall deliver the Property to Shanghai Shangsheng. Within 10 business days after the full payment of the Consideration by Shanghai Shangsheng, Powerlong Fumin shall submit the application of title transfer registration in respect of the Property with the relevant real estate administration authority in the PRC.

## INFORMATION ON THE PROPERTY

The Property comprises a 24-storey office building with a total gross floor area of approximately 34,987.89 sqm. The Property is located at No. 669 Tongji Road, Baoshan District, Shanghai, the PRC and in proximity to the Baoyang Road Station of Shanghai Metro Line 3. The Property (known as Building No. 7, Baoyang Powerlong Plaza) is part of the commercial development project of the Powerlong Group in Baoyang which has a total site area of approximately 59,793.80 sqm with commercial, office, hotel and serviced apartments usages and has commenced operation in December 2019. The Property has in total 168 office units in the building and the size of each unit is approximately 185 to 235 sqm.

The whole office building of the Property has been leased out to the Lessee under a lease agreement which has a term of 10 years commencing from 28 June 2020 to 27 June 2030 (both days inclusive) (the “**Term**”). The Lessee has an option to renew the lease for a further term of at least two years upon expiry of the Term. The rent payable by the Lessee under the lease is subject to an increment of 6% at the commencement of the 4th, 7th and 10th year of the Term, and the Lessee is entitled to a rent-free period of 6 months for the 1st year of the Term, 2 months for each of the 2nd and 3rd year of the Term, and 1 month for each of the 4th to 9th year of the Term. As at the date of this announcement, the lease is in the 2nd year of the Term. The annual rent paid/payable by the Lessee for the 1st year and the current year of the Term was/is approximately RMB16.60 million and RMB27.67 million, respectively.

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, (i) the Lessee’s business scope includes enterprise management consultancy, convention and exhibition services, leasing of self-owned equipment, marketing and sales planning, property management, sale of daily consumables, carpark management and leasing of non-residential properties; (ii) the Lessee is a wholly-owned subsidiary of Suzhou Torch, which in turn is owned as to 51% by China Fortune Land Development Co., Ltd. (華夏幸福基業股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600340); and (iii) the Lessee and its ultimate beneficial owners are Independent Third Parties.

## **REASONS AND BENEFITS**

The Property is strategically located in Baoshan District, Shanghai, the PRC with convenient access to Shanghai Metro Line 3 and comprehensive commercial facilities in the vicinity. The Property has been leased out to the Lessee for a term of 10 years and can generate rental income for the Group up to 2030. The Company takes the view that the Transaction represents an opportunity for the Group to acquire a high quality asset at a favourable price which has the potential for capital gain and can broaden the revenue source of the Group.

As at 31 December 2021, the cash and bank balance of the Group amounted to approximately RMB3,991.6 million, and the Group has been generating a net cash inflow from operating activities in the past three years to finance its operation. As such, the Group still has surplus cash to acquire the Property which can provide a stable source of rental income for the Group, generate a higher rate of return than the interest rate available from bank deposits generally available in the PRC, and preserve the value of the Group's assets against inflation, and the Transaction will not affect the overall liquidity of the Group from a cash flow management perspective and will not affect its operation at all.

In recent years, with the rapid development and growth of the Group, the current head office of the Group in Minhang District, Shanghai, the PRC has been utilized to full capacity and the Group has re-located some of its staff to other locations in Shanghai. As such, there is a need for the Group to expand its overall office space at suitable locations in Shanghai to cater for its growing workforce in a cost-efficient manner. In addition, Baoyang Powerlong Plaza is a key pilot project for the intelligent commerce business of the Group as all of the intelligent commerce products and services of the Group are first put to trial use and implementation at Baoyang Powerlong Plaza. Based on the Company's current estimates, a relocation of staff to the Property will generate an overall cost saving for the Group by reducing the ongoing rental expenses incurred by the Group for leasing third party office space, which can outweigh the potential decrease in rental income from the Property due to the partial conversion to self-use. In light of the foregoing, the Company believes that the Property is potentially an excellent choice to house the operations and research and development functions of the intelligent commerce business of the Group. Subject to further negotiation with the Lessee, the Group currently intends to take back possession of up to two floors of office space in the Property for self-use.

The Directors (excluding the independent non-executive Directors whose view will be given upon receiving the advice from the Independent Financial Adviser) consider that the transactions contemplated under the Agreement are not entered into in the usual and ordinary course of business of the Group but are conducted on normal commercial terms, are fair and reasonable, and in the interest of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Powerlong Fumin is a wholly-owned subsidiary of Powerlong Holdings, which is the controlling shareholder of the Company. Hence, Powerlong Fumin is a connected person of the Company, and the Transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios (as defined in the Listing Rules) for the Transaction is more than 5% but less than 25%, the Transaction constitutes a discloseable transaction for the Company which is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules, and is also a connected transaction for the Company which is subject to the reporting, announcement, circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **GENERAL**

As at the date of this announcement, (i) Mr. Hoi Wa Fong (brother of Ms. Hoi Wa Fan and cousin of Ms. Hoi Wa Lam), an executive Director, holds approximately 14.66% of the issued shares of Powerlong Holdings; (ii) Ms. Hoi Wa Fan (sister of Mr. Hoi Wa Fong and cousin of Ms. Hoi Wa Lam), a non-executive Director, holds approximately 6.96% of the issued shares of Powerlong Holdings; (iii) Ms. Hoi Wa Lam (cousin of Mr. Hoi Wa Fong and Ms. Hoi Wa Fan), a non-executive Director, holds approximately 0.38% of the issued shares of Powerlong Holdings; and (iv) Mr. Chen Deli, an executive Director and the chief executive officer of the Company, is an associate president of Powerlong Holdings. Accordingly, each of Mr. Hoi Wa Fong, Ms. Hoi Wa Fan, Ms. Hoi Wa Lam and Mr. Chen Deli is considered to have a material interest in the transactions contemplated under the Agreement, and has abstained from voting on the Board resolutions to approve the entering into of the Agreement.

The Company will convene the EGM to seek the approval of the Independent Shareholders for the entering into of the Agreement and the transactions contemplated thereunder. Powerlong Holdings, Mr. Hoi Wa Fong, Ms. Hoi Wa Fan, Ms. Hoi Wa Lam and Mr. Chen Deli and their respective associates (including Powerlong Real Estate (BVI) Holdings Limited, Huihong Management (PTC) Limited, Sky Infinity Holdings Limited, Mr. Chen Deli, Tricor Trust (Hong Kong) Limited and Soar Eagle Enterprises Limited, who in aggregate hold 473,100,000 Shares, representing approximately 73.59% of the issued share capital of the Company, as at the date of this announcement) shall abstain from voting at the EGM for the resolutions to approve such matters.

An Independent Board Committee comprising all the independent non-executive Directors, namely Dr. Lu Xiongwen, Ms. Ng Yi Kum, Estella and Mr. Chan Wai Yan, Ronald, has been established to advise the Independent Shareholders in relation to the Agreement and the transactions contemplated thereunder. Red Sun Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

A circular containing, amongst other things, further information on the Transaction, a valuation report on the Property, a letter from the Independent Board Committee, a letter from the Independent Financial Adviser, notice of EGM and other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 14 June 2022 as additional time is required to prepare and finalize the information to be included in the circular.

## **INFORMATION OF THE PARTIES INVOLVED**

The Company is an investment holding company and the Group is a leading service provider engaging in commercial operational services and residential property management services in the PRC.

Shanghai Shangsheng is a wholly-owned subsidiary of the Company and is principally engaged in investment management consultation, corporate management consultation and property management.

Powerlong Holdings is an investment holding company and the Powerlong Group is a leading real estate developer in the PRC specializing in the development and operation of high quality, large-scale and integrated commercial and residential complexes.

Powerlong Fumin is a wholly-owned subsidiary of Powerlong Holdings and is principally engaged in real estate development and operation, property management and asset management.

## **DEFINITIONS**

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

“Agreement”	the agreement entered into between Shanghai Shangsheng and Powerlong Fumin on 11 May 2022 in relation to the sale and purchase of the Property
“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Powerlong Commercial Management Holdings Limited (寶龍商業管理控股有限公司), 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 (stock code: 9909)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules



“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among others, the Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“Independent Board Committee”	an independent board committee comprising all independent non-executive Directors, namely Dr. Lu Xiongwen, Ms. Ng Yi Kum, Estella and Mr. Chan Wai Yan, Ronald, formed to advise the Independent Shareholders in relation to the Agreement and the transactions contemplated thereunder
“Independent Financial Adviser”	Red Sun Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance, which has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders other than Shareholders with a material interest in the transactions contemplated under the Agreement
“Independent Third Party(ies)”	third party(ies) who is/are independent of, and not connected with, the Company and its connected persons
“Lessee”	Shanghai Chuangjing Enterprise Management Co., Ltd.* (上海創靜企業管理有限公司), a company established in the PRC with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Powerlong Fumin”	上海寶龍富閩房地產開發有限公司 (Shanghai Powerlong Fumin Real Estate Development Co., Ltd.*), a company established in the PRC and a wholly-owned subsidiary of Powerlong Holdings
“Powerlong Group”	Powerlong Holdings and its subsidiaries
“Powerlong Holdings”	Powerlong Real Estate Holdings Limited (寶龍地產控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability and the shares of which are listed on Main Board of the Stock Exchange (stock code: 1238)

“PRC”	the People’s Republic of China
“Property”	the property located in Baoshan District, Shanghai, the PRC, the details of which are set out in the section headed “Information on the Property” of this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Shangsheng”	上海商盛投資管理諮詢有限公司 (Shanghai Shangsheng Investment Management Consultancy Co., Ltd.*), a company established in the PRC and a wholly-owned subsidiary of the Company
“Shares”	ordinary shares with a par value of HK\$0.01 each in the capital of the Company
“Shareholders”	holder(s) of the Shares
“sqm”	square metre(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Suzhou Torch”	Suzhou Torch Innovation and Venture Incubation Management Co., Ltd.* (蘇州火炬創新創業孵化管理有限公司), a company established in the PRC with limited liability
“Transaction”	the sale and purchase of the Property as contemplated under the Agreement
“%”	per cent

\* *for identification purposes only*

By Order of the Board  
**Powerlong Commercial Management Holdings Limited**  
**Hoi Wa Fong**  
*Chairman*

Hong Kong, 11 May 2022

*As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Hoi Wa Fong, Mr. Chen Deli and Mr. Zhang Yunfeng, two non-executive Directors, namely, Ms. Hoi Wa Fan and Ms. Hoi Wa Lam, and three independent non-executive Directors, namely, Dr. Lu Xiongwen, Ms. Ng Yi Kum, Estella and Mr. Chan Wai Yan, Ronald.*