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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)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

References are made to the announcements of the Company dated 17 April 2020 and 6 May 2020 in relation to the 2020 Digitalization Service Agreement, pursuant to which Shanghai Yueshang agreed to provide digitalization services to the Group for a term of three years from 1 January 2020 to 31 December 2022 (both days inclusive).

As the 2020 Digitalization Service Agreement will be expiring on 31 December 2022, the Company and Shanghai Yueshang entered into the 2023 Digitalization Service Agreement on 28 December 2022 to renew the framework for the provision of such services for a term of three years commencing from 1 January 2023 to 31 December 2025 (both days inclusive).

LISTING RULES IMPLICATIONS

Shanghai Yueshang is owned as to 33.8% by Mr. Hoi Wa Fong, an executive Director and substantial shareholder of the Company, and as to 8.3% by Shanghai Jiashang, a non-wholly-owned subsidiary of the Company, with the remaining 57.9% interests being owned by other independent third parties. 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 2023 Digitalization Service Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios for the transactions contemplated under the 2023 Digitalization Service Agreement is, on an annual basis, more than 0.1% but less than 5%, the transactions contemplated under the 2023 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

References are made to the announcements of the Company dated 17 April 2020 and 6 May 2020 in relation to the 2020 Digitalization Service Agreement, pursuant to which Shanghai Yueshang agreed to provide digitalization services to the Group for a term of three years from 1 January 2020 to 31 December 2022 (both days inclusive).

As the 2020 Digitalization Service Agreement will be expiring on 31 December 2022, the Company and Shanghai Yueshang entered into the 2023 Digitalization Service Agreement on 28 December 2022 to renew the framework for the provision of such services for a term of three years commencing from 1 January 2023 to 31 December 2025 (both days inclusive).

Details of the 2023 Digitalization Service Agreement are set out below:

2023 DIGITALIZATION SERVICE AGREEMENT

Date: 28 December 2022

Parties: (1) the Company
(2) Shanghai Yueshang

Subject: Pursuant to the 2023 Digitalization Service Agreement, Shanghai Yueshang will provide digitalization 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 2023 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 2023 Digitalization Service Agreement. As the individual service agreements are simply further elaborations on the 2023 Digitalization Service Agreement, they do not constitute new categories of connected transactions as far as the Listing Rules are concerned.

Term: The 2023 Digitalization Service Agreement has a fixed term of three years commencing from 1 January 2023 to 31 December 2025 (both days inclusive).

Price: The basis of determining the service fees payable by the Group in respect of the Services contemplated under the 2023 Digitalization Service Agreement will be determined in the ordinary course of business, on normal commercial terms, and negotiated on an arm’s length basis, on similar basis as the Group transacts similar

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.

Payment: Payment of the Services will be settled by way of cash within 30 days after confirmation of services provided by both parties, subject to the terms of the individual service agreements in respect of the Services to be entered into between the Group and Shanghai Yueshang under the 2023 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, with reference to certain factors including the size and location of the property projects of the Group for which the Services will be required and the anticipated costs (including labour costs, technical costs and material costs), and negotiated on arm's length basis, on similar basis as the Group transacts similar 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 to be provided by Shanghai Yueshang to the Group; (ii) the quality and fees of the Services available in the market; and (iii) the expected costs to be incurred by Shanghai Yueshang in providing such Services. In determining the service fee payable under the 2023 Digitalization Service Agreement, the Group may also invite service providers in the market (including the independent third party(ies)) to provide a quotation to get a reference on the prevailing market rates for the relevant Services. The prices obtained from quotation will be reviewed and evaluated by the relevant personnel of the cost department and information department of the Group and 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 to the Group than those offered by other independent service providers to the Group, the Group may award the contract 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 the continuing connected transactions are conducted in accordance with the terms of the agreement and will also regularly review on a quarterly basis 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 2023 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 2023 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 2023 Digitalization Service Agreement for each of the financial years ending 31 December 2023, 2024 and 2025 are set out below:

	For the year ending 31 December 2023	For the year ending 31 December 2024	For the year ending 31 December 2025
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
Provision of the Services by Shanghai Yueshang	50,100,000	57,500,000	61,000,000

The annual caps of the Services contemplated under the 2023 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 2025, taking into account of the anticipated projects volume and project development plan of the Group during such period; and (ii) the historical transaction amounts between the Group and Shanghai Yueshang for the two years ended 31 December 2021 and the eleven months ended 30 November 2022.

The historical transaction amounts between the Company and Shanghai Yueshang for the two financial years ended 31 December 2021 and the eleven months ended 30 November 2022 are as follows:

	For the year ended 31 December 2020	For the year ended 31 December 2021	For the eleven months ended 30 November 2022
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
Provision of the Services by Shanghai Yueshang			
Annual cap	45,000,000	60,000,000	85,000,000*
Transaction amount	22,653,000	31,630,000	19,765,000**

* for the year ending 31 December 2022

** unaudited figure

As at the date of this announcement, the annual caps under the 2020 Digitalization Service Agreement for the three financial years ending 31 December 2022 have not been exceeded.

REASONS FOR AND BENEFITS OF THE 2023 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, large-scale, integrated commercial and residential complexes. Shanghai Yueshang has strong technological innovation and product research and development capabilities, and rich experience in digitalization services for related industries of real estate companies in the PRC.

Through the Services to be provided by Shanghai Yueshang pursuant to the 2023 Digitalization Service Agreement, problems commonly encountered by the Group in the internet information platform can be effectively resolved so as to meet the new business and operational requirements. Such Services will enable the Group to build a complete and accurate data platform which will effectively facilitate the business expansion of the Group and create new room for value enhancement.

Prior to the entering of the 2023 Digitalization Service Agreement, Shanghai Yueshang has been providing digitalization services to the Group pursuant to the 2020 Digitalization Service Agreement. Taking into consideration of the stable and well-established cooperation history and strategic business relationship between the Group and Shanghai Yueshang, the Directors consider that it is in the interest of the Company to renew the arrangement with Shanghai Yueshang by entering into the 2023 Digitalization Service Agreement as Shanghai Yueshang is familiar with the specifications, standards and requirements of the Group and the Group has confidence in the quality of the services provided by Shanghai Yueshang.

In light of the foregoing, the Directors (including the independent non-executive Directors) consider that (i) the 2023 Digitalization Service Agreement and the transactions contemplated thereunder are/will be entered into on normal commercial terms and in the usual and ordinary courses of business of the Group; (ii) the terms of the 2023 Digitalization Service Agreement, the transactions contemplated thereunder and the proposed annual caps for those transactions for the three years ending 31 December 2025 are fair and reasonable, and (iii) the entering into of the 2023 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 33.8% by Mr. Hoi Wa Fong, an executive Director and substantial shareholder of the Company, and as to 8.3% by Shanghai Jiashang, a non-wholly-owned subsidiary of the Company, with the remaining 57.9% interests being owned by other independent third parties. 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 2023 Digitalization Service Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios for the transactions contemplated under the 2023 Digitalization Service Agreement is, on an annual basis, more than 0.1% but less than 5%, the transactions contemplated under the 2023 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 44.37%, 14.66% and 6.96% 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 2023 Digitalization Service Agreement, each of them had abstained from voting on the Board resolution to approve the entering into of the 2023 Digitalization Service Agreement.

INFORMATION ABOUT SHANGHAI YUESHANG

Established in 2015, Shanghai Yueshang is principally 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. As at the date of this announcement, Shanghai Yueshang is owned as to (i) 33.8%, (ii) 22.5%, (iii) 11.3%, (iv) 8.3%, (v) 8.3%, (vi) 8.3% and (vii) 7.5% by (i) Shanghai Renxia, (ii) Shanghai Shangyue, (iii) Mr. Wu Bichuan (吳弼川), (iv) Shanghai Jiashang, (v) Shenzhen Tencent, (vi) JAFCO Asia and (vii) Ningbo Yiwode respectively.

As at the date of this announcement, Shanghai Renxia is a company established in the PRC with limited liability, and is principally engaged in services including corporate management and consultation, business information consultation, property management, brand management and car park management, and is wholly-owned by Mr. Hoi Wa Fong, an executive Director.

As at the date of this announcement, Shanghai Shangyue is a limited partnership established in the PRC, and is principally engaged in business management consulting, business information consulting, marketing planning, conference services, exhibition display services, market information consulting and survey services, and is owned as to (i) 60%, (ii) 14%, (iii) 10%, (iv) 10%, (v) 3% and (vi) 3% by (i) Ms. Shi Shanya (施珊雅), (ii) Mr. Sun Qijun (孫啟君), (iii) Mr. Cui Wei (崔巍), (iv) Mr. Wu Dingting (吳定庭), (v) Mr. Wu Bichuan (吳弼川) and (vi) Mr. Shi Lei (石磊) respectively, each of whom being an independent third party.

As at the date of this announcement, JAFCO Asia is a limited partnership established in the PRC, and is principally engaged in equity investment and related investment consultation, and is owned as to 99% and 1% by JAFCO Asia Technology Fund VII Pte. Ltd. (with 43.94% of interests indirectly held by JAFCO Co., Ltd., a company listed on the main board of the Tokyo Stock Exchange, Japan (Stock Code: 8595), and 56.06% of interests indirectly held by various limited partners with shareholding of less than 10%) and JAFCO Asia Technology Holdings VII (S) Pte. Ltd. respectively.

As at the date of this announcement, Ningbo Yiwode is a limited partnership established in the PRC, and is principally engaged in industrial investment, asset management, investment management and

investment consulting, and is owned as to 22.93% by E-House (China) Management Company Limited (a subsidiary of E-House (China) Enterprise Holdings Limited (Stock Code: 2048)), 9.17% by Shanghai Hecan Industry Company Limited (an indirect wholly-owned subsidiary of the Company), 9.17% by Shanghai Ronggu Chuangye Investment Company Limited and the remaining 58.73% by 21 individuals, 2 limited companies and 1 fund entity, each holding less than 10% in Ningbo Yiwode and each of them is an independent third party.

DEFINITIONS

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

“2020 Digitalization Service Agreement”	the digitalization service agreement dated 17 April 2020 entered into between the Company and Shanghai Yueshang in relation to the framework for provision of the Services for a term of three years from 1 January 2020 to 31 December 2022 (both days inclusive)
“2023 Digitalization Service Agreement”	the digitalization service agreement dated 28 December 2022 entered into between the Company and Shanghai Yueshang in relation to the framework for provision of the Services for a term of three years from 1 January 2023 to 31 December 2025 (both days inclusive)
“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Powerlong Real Estate Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“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(ies)”	third party(ies) independent of and not connected with the Company or its connected persons

“JAFCO Asia”	集富亞洲一期(上海)股權投資合夥企業(有限合夥)(JAFCO Asia Phase I (Shanghai) Equity Investment Partnership (Limited Partnership)*), a partnership established in the PRC and an independent third party
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Ningbo Yiwode”	寧波保稅區易沃德投資合夥企業(有限合夥)(Ningbo Baoshui Yiwode Investment Partnership (Limited Partnership)*), a partnership established in the PRC and an independent third party
“Powerlong CM”	Powerlong Commercial Management 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 (stock code: 9909), and a non-wholly-owned subsidiary of the Company as at the date of this announcement
“PRC”	the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Jiashang”	上海嘉緗數字科技有限公司(Shanghai Jiashang Digital Technology Company Limited*), a company established in the PRC with limited liability which is mainly engaged in technology development and is a wholly-owned subsidiary of Powerlong CM and a non-wholly-owned subsidiary of the Company as at the date of this announcement
“Shanghai Renxia”	上海任俠企業管理有限公司(Shanghai Renxia Corporate Management Co., Ltd.*), a company established in the PRC with limited liability and is wholly-owned by Mr. Hoi Wa Fong
“Shanghai Shangyue”	上海商悅企業管理中心(有限合夥)(Shanghai Shangyue Enterprise Management Center (Limited Partnership)*), a partnership established in the PRC
“Shanghai Yueshang”	上海悅商信息科技有限公司(Shanghai Yueshang Information Technology Co., Ltd.*), a company established in the PRC with limited liability
“Shareholder(s)”	holder(s) of the Shares
“Share(s)”	ordinary shares with a par value of HK\$0.01 each in the capital of the Company

“Shenzhen Tencent” 深圳市騰訊產業創投有限公司 (Shenzhen Tencent Industrial Venture Capital Co., Ltd.), a company established in the PRC with limited liability and is principally engaged in venture capital corporate management consulting and investment consulting, and an independent third party

“Stock Exchange” The Stock Exchange of Hong Kong Limited

“substantial shareholder” has the same meaning ascribed to it under the Listing Rules

“%” per cent.

** for identification purpose only*

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

Hong Kong, 28 December 2022

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