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If you have sold or transferred all your shares of Powerlong Commercial Management Holdings Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)**

### **(1) CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE; (2) PROPOSED ISSUE OF NEW SHARES TO A CONNECTED PERSON UNDER THE SCHEME PURSUANT TO SPECIFIC MANDATE; AND (3) NOTICE OF EGM**

**Independent Financial Adviser to  
the Independent Board Committee and the Independent Shareholders**



**红日资本有限公司**  
**RED SUN CAPITAL LIMITED**

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Capitalised terms used in this cover page shall have the same meanings as defined in this circular unless otherwise specified.

A notice convening the EGM of the Company to be held on Tuesday, 24 November 2020 at 2:00 p.m. at Jin Long Hall 2, 2nd Floor, Le Meridien Shanghai Minhang, No. 3199 Cao Bao Road, Minhang District, Shanghai, China is set out on pages EGM-1 to EGM-3 of this circular and a form of proxy for the EGM is despatched together with this circular. Whether or not you are able to attend the EGM, you are requested to complete, sign and return the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the enclosed form of proxy will not preclude you from attending and voting in person at such meeting or any adjournment meeting should you so wish.

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## DEFINITIONS

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

“Adoption Date”	10 September 2020, being the date on which the Board adopted the Scheme
“Award”	the award of the Awarded Shares
“Awarded Shares”	11,250,000 Shares resolved by the Board to award to Mr. Chen (or such other entities as designated and wholly-owned by Mr. Chen) under the Scheme on 10 September 2020
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday, Sunday and public holiday) on which the Stock Exchange is open for trading and on which banks are open for business in Hong Kong
“Commencement Date”	1 June 2020, being the date on which Mr. Chen was appointed the chief executive officer of the Company and whom was later appointed as an executive Director on 15 June 2020
“Company”	Powerlong Commercial Management Holdings Limited (寶龍商業管理控股有限公司) (formerly known as Powerlong Commercial Holdings Limited (寶龍商業控股有限公司)), an exempted company incorporated in the Cayman Islands with limited liability on 25 March 2019
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held on Tuesday, 24 November 2020 at 2:00 p.m. at Jin Long Hall 2, 2nd Floor, Le Meridien Shanghai Minhang, No. 3199 Cao Bao Road, Minhang District, Shanghai, China to consider, and if thought fit, approve, among other matters, the Subscription, the Award and the respective Specific Mandate

## DEFINITIONS

“Eligible Participants”	<p>any person belonging to the following classes of participants:</p> <ul style="list-style-type: none"><li>(a) any Employee;</li><li>(b) any non-executive directors (including independent non-executive directors) of the Company, any subsidiary or any entity in which any member of the Group holds any equity interest;</li><li>(c) any adviser (professional or otherwise), consultant to or expert in any area of business or business development of any member of the Group or any entity in which any member of the Group holds any equity interest; and</li><li>(d) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group</li></ul>
“Employee”	<p>any employee (whether full time or part time, including without limitation any executive director) of the Company and/or any member of the Group or any entity in which any member of the Group holds any equity interest</p>
“Excluded Participant”	<p>any Employee and non-executive director of any member of the Group who has tendered his/her resignation or who has been given a notice of dismissal by the Company and/or the relevant member of the Group</p>
“First Lock-up Period”	<p>a period of 36 months commencing from the Commencement Date (i.e. till 31 May 2023)</p>
“Group”	<p>the Company, its subsidiaries and such entities which are considered as subsidiaries of the Company under the applicable accounting standard and policy</p>
“HK\$”	<p>Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC</p>

## DEFINITIONS

“Independent Board Committee”	an independent board committee of the Board comprising all the independent non-executive Directors established for the purpose of advising the Independent Shareholders on the Subscription and the Award
“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 (Chapter 571 of the Laws of Hong Kong), which has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Award
“Independent Shareholders”	independent Shareholders other than Mr. Chen and his associates and are not required to abstain from voting at the EGM
“Latest Practicable Date”	30 October 2020 being the latest practicable date prior to the printing of this circular, for ascertaining certain information for inclusion in this circular
“Listing Committee”	has the meaning ascribed thereto in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long Stop Date”	31 December 2020, or such later date as the parties may agree
“Mr. Chen”	Mr. Chen Deli, an executive Director and the chief executive officer of the Company
“Partial Lapse”	shall have the meaning defined in the Scheme Rules
“PRC”	the People’s Republic of China
“Prospectus”	the prospectus of the Company dated 16 December 2019
“Remuneration Committee”	the remuneration committee of the Company
“Returned Share”	such awarded Shares and related income which are not vested and/or forfeited in accordance with the terms of the Scheme Rules

## DEFINITIONS

“Scheme”	the share award scheme adopted by the Board on 10 September 2020 whereby awards of Shares may be made to Eligible Participants (such Shares being subscribed or purchased by the Trustee) pursuant to the Trust Deed and the Scheme Rules
“Scheme Rules”	the rules governing the Scheme adopted by the Board
“Second Lock-up Period”	a period of 24 months commencing from the expiry of the First Lock-up Period (i.e. till 31 May 2025)
“Selected Participants”	Eligible Participant(s) selected by the Board who hold(s) a subsisting award
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Share Award Specific Mandate”	the specific mandate for the allotment and issue of the Award Shares, which is subject to approval by the Independent Shareholders voting by way of poll at the EGM
“Shareholder(s)”	holder(s) of Shares
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares by Mr. Chen (or such other entities as designated and wholly-owned by Mr. Chen) pursuant to the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement entered into among the Company and Mr. Chen dated 10 September 2020 in relation to the Subscription
“Subscription Price”	HK\$24.30 per Subscription Share
“Subscription Shares”	an aggregate of 11,250,000 new Shares to be allotted and issued by the Company to Mr. Chen under the Subscription

## DEFINITIONS

“Subscription Specific Mandate”	the specific mandate for the allotment and issue of the Subscription Shares, which is subject to approval by the Independent Shareholders voting by way of poll at the EGM
“subsidiary(ies)”	a company which is for the time being and from time to time a subsidiary undertaking (as defined in schedule 1 of the Companies Ordinance, Chapter 622 of the Laws of Hong Kong) of the Company, whether incorporated in Hong Kong or elsewhere
“Total Lapse”	shall have the meaning defined in the Scheme Rules
“Trust”	the trust constituted by the Trust Deed
“Trust Deed”	a trust deed entered into between the Company as settlor and the Trustee as trustee (as restated, supplemented and amended from time to time), which deed establishes the Scheme
“Trust Period”	shall have the meaning defined in the Trust Deed
“Trustee”	Tricor Trust (Hong Kong) Limited, a company incorporated in Hong Kong, (which is independent and not connected with the Company) and any additional or replacement trustees, being the proposed trustee or trustees for the time being of the trusts to be declared in the Trust Deed
“%”	per cent

LETTER FROM THE BOARD

**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)**

*Executive Directors:*

Mr. Hoi Wa Fong

*(Chairman of the Board and President)*

Mr. Chen Deli *(Chief Executive Officer)*

Mr. Zhang Yunfeng

*Non-executive Directors:*

Ms. Hoi Wa Fan

Ms. Hoi Wa Lam

*Independent non-executive Directors:*

Ms. Ng Yi Kum, Estella

Mr. Chan Wai Yan, Ronald

Dr. Lu Xiongwen

*Registered Office:*

P.O. Box 309

Ugland House

Grand Cayman

KY1-1104

Cayman Islands

*Place of Business in Hong Kong:*

19/F, Lee Garden One

33 Hysan Avenue

Causeway Bay

Hong Kong

6 November 2020

*To the Shareholders,*

Dear Sir/Madams,

**(1) CONNECTED TRANSACTION IN RELATION TO  
SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE; AND  
(2) PROPOSED ISSUE OF NEW SHARES TO A CONNECTED PERSON  
UNDER THE SCHEME PURSUANT TO SPECIFIC MANDATE**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 10 September 2020 in relation to, among others, (i) the Subscription Agreement with Mr. Chen, pursuant to which, the Company has conditionally agreed to allot and issue, and Mr. Chen has conditionally agreed to subscribe for the Subscription Shares, being 11,250,000 new Shares, subject to the approval by the Independent Shareholders at the EGM, by way of issue and allotment of new Shares pursuant to the Subscription Specific Mandate; and (ii) the award an aggregate of 11,250,000 Awarded Shares to Mr. Chen, an executive Director and the chief executive officer of the Company, subject to the approval by the Independent Shareholders at the EGM, by way of issue and allotment of new Shares pursuant to the Share Award Specific Mandate.



## LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) information regarding the Subscription and the Award; (ii) a letter from the Independent Board Committee to the Independent Shareholders in respect of the Subscription and the Award; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription and the Award; and (iv) a notice convening the EGM together with the form of proxy and other information as required under the Listing Rules.

### **CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE**

On 10 September 2020 (after trading hours), the Company entered into the Subscription Agreement with Mr. Chen, pursuant to which, the Company has conditionally agreed to allot and issue, and Mr. Chen has conditionally agreed to subscribe for the Subscription Shares, being 11,250,000 new Shares, at the Subscription Price of HK\$24.30 per Subscription Share upon the terms and subject to the conditions set out in the Subscription Agreement.

Details of the Subscription Agreement are set out below:

#### **THE SUBSCRIPTION AGREEMENT**

The principal terms of the Subscription Agreement are set out as follows.

##### **Date**

10 September 2020 (after trading hours)

##### **Parties**

- (i) the Company; and
- (ii) Mr. Chen

The Company, through its operating subsidiaries, is principally engaged in the provision of commercial operational services and residential property management services in the PRC.

Mr. Chen is an executive Director and the chief executive officer of the Company.

##### **Subscription Shares**

Pursuant to the Subscription Agreement, the Company has conditionally agreed to allot and issue, and Mr. Chen has conditionally agreed to subscribe, or procure any such other entities as designated and wholly-owned by Mr. Chen to subscribe, for the Subscription Shares, being 11,250,000 new Shares, at the Subscription Price of HK\$24.30 per Subscription Share upon the terms and subject to the conditions set out in the Subscription Agreement.

## LETTER FROM THE BOARD

The total number of 11,250,000 Subscription Shares to be issued and allotted under the Subscription Agreement represents (i) 1.81% of the total number of Shares in issue as at the Latest Practicable Date; and (ii) approximately 1.78% of the enlarged total number of Shares in issue upon completion of the Subscription (assuming there will be no change to the total number of Shares in issue from the date of the Latest Practicable Date to the date of completion of the Subscription other than the allotment and issue of the Subscription Shares by the Company).

Such 11,250,000 Subscription Shares have an aggregate nominal value of HK\$112,500 based on the par value of HK\$0.01 per Share and a market value of HK\$273,375,000 based on the closing price of HK\$24.30 per Share as quoted on the Stock Exchange on 10 September 2020, being the date of the Subscription Agreement.

In determining the number of Subscription Shares to be allotted and issued to Mr. Chen, the Company has:

- (i) considered the Subscription reflected the confidence and commitment of Mr. Chen to support the development of the Company, which would be beneficial to the long-term business development of the Group;
- (ii) considered the lock-up undertaking given by Mr. Chen signifies the long-term nature of the investment by Mr. Chen;
- (iii) compared and considered the dilutive impact that the Subscription may bring to the shareholding structure of the Company. In particular, the Company has taken into consideration that the Subscription will not result in the existing controlling shareholder of the Company having ceased to be a controlling shareholder of the Company; and
- (iv) considered that the public float requirement will not be breached as a result of the issue of the Subscription Shares to Mr. Chen. Accordingly, the Subscription will not have any negative impact and/or cause any instability of the shareholding structure to the Company.

### **Subscription Price**

The Subscription Price, being HK\$24.30 per Subscription Share, represents:

- (i) the closing price of HK\$24.30 per Share as quoted on the Stock Exchange on 10 September 2020, being the date of the Subscription Agreement;
- (ii) a discount of approximately 2.39% to the average closing price per Share of HK\$24.88 for the last five (5) consecutive trading days immediately preceding the date of the Subscription Agreement; and
- (iii) a discount of approximately 2.18% to the average closing price per Share of HK\$24.83 for the last ten (10) consecutive trading days immediately preceding the date of the Subscription Agreement.

## LETTER FROM THE BOARD

The Subscription Price was determined with reference to the market price of the Shares immediately preceding the date of the Subscription Agreement and was negotiated on an arm's length basis between the Company and Mr. Chen. The Board (excluding Mr. Chen, who is interested in the Subscription, and the independent non-executive Directors, whose views will be given after considering the advice from the Independent Financial Adviser) considers that the Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Conditions precedent to the Subscription Agreement**

Completion of the Subscription is subject to the fulfillment of the following conditions:

- (i) the listing of, and permission to deal in, the Subscription Shares being granted by the Stock Exchange (and such listing and permission not subsequently revoked prior to the completion of the Subscription); and
- (ii) the passing by the Shareholders of all necessary resolutions at the EGM in compliance with applicable laws and the Listing Rules to approve, among other things, the allotment and issue of the Subscription Shares pursuant to the Subscription Agreement and the Subscription Specific Mandate.

None of the above conditions can be waived by any of the parties to the Subscription Agreement.

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Subscription Shares. If any of the conditions above is not fulfilled on or before the Long Stop Date, the Subscription Agreement shall terminate and none of the parties shall be liable to the other or have any claim against the other party for damages, compensation or otherwise save and except any liability for antecedent breaches of any party.

As at the Latest Practicable Date, none of the conditions for the Subscription has been fulfilled.

### **Completion of the Subscription**

Subject to fulfillment of the conditions of the Subscription Agreement, completion of the Subscription will be occurred within five (5) business days from the date that the conditions to the Subscription Agreement are satisfied, or such other date as the parties may agree in writing, pursuant to which 11,250,000 Subscription Shares will be allotted and issued to Mr. Chen (or such other entities as designated and wholly-owned by Mr. Chen).

The Subscription Price for the Subscription shall be paid by Mr. Chen to the Company by way of cash at completion.

## LETTER FROM THE BOARD

### Lock-up Undertaking

Pursuant to the Subscription Agreement, Mr. Chen undertakes that:

- (i) during the First Lock-up Period, he, or such other entities as designated and wholly-owned by Mr. Chen to subscribe the Subscription Shares, shall not directly or indirectly, (i) sell, transfer, charge, encumber, create or grant any option over or otherwise dispose of any Subscription Shares; or (ii) enter into any swap, derivative or other arrangement that passes or transfers to another, in whole or in part, any of the economic interests in or beneficial ownership of any Subscription Shares; and
- (ii) during the Second Lock-up Period, he, or such other entities as designated and wholly-owned by Mr. Chen to subscribe the Subscription Shares, shall not directly or indirectly, (i) sell, transfer, charge, encumber, create or grant any option over or otherwise dispose of 50% of the Subscription Shares; or (ii) enter into any swap, derivative or other arrangement that passes or transfers to another, in whole or in part, any of the economic interests in or beneficial ownership of such 50% of the Subscription Shares.

### Ranking of the Subscription Shares

The Subscription Shares shall, when issued and fully paid, rank *pari passu* in all respects among themselves and with the Shares in issue at the time of issue and allotment of the Subscription Shares save in respect of any rights the record date therefor falls on or before the completion of the Subscription.

### Specific mandate to issue the Subscription Shares

The Subscription Shares will be allotted and issued pursuant to the Subscription Specific Mandate to be sought from the Independent Shareholders at the EGM.

### GRANT OF AWARDED SHARES

The Board is pleased to further announce that, on the same day, i.e. 10 September 2020 (the “**Date of Award**”), it has resolved to award an aggregate of 11,250,000 Awarded Shares to Mr. Chen, an executive Director and the chief executive officer of the Company, subject to the approval by the Independent Shareholders at the EGM, by way of issue and allotment of new Shares pursuant to the Share Award Specific Mandate. Upon issue and allotment of the new Shares, the Trustee will hold the new Shares. Subject to the satisfaction of the vesting conditions, such new and vested Awarded Shares shall be transferred to Mr. Chen according to the vesting schedule as mentioned below.

The aggregate of 11,250,000 new Awarded Shares to be awarded by the Company to Mr. Chen (or such other entities as designated and wholly-owned by Mr. Chen) represent approximately 1.81% of the total number of Shares in issue as at the Latest Practicable Date and approximately 1.75% of the total number of Shares in issue as enlarged by the issue and allotment of the Awarded Shares (assuming the completion of the Subscription

## LETTER FROM THE BOARD

and the Award, and no issue and/or buy back of Shares other than the issue of the Subscription Shares and the Awarded Shares).

Such 11,250,000 Awarded Shares have an aggregate nominal value of HK\$112,500 based on the par value of HK\$0.01 per Share and a market value of HK\$273,375,000 based on the closing price of HK\$24.30 per Share as quoted on the Stock Exchange on 10 September 2020, being the Date of Award.

The new Awarded Shares, when issued and fully paid, shall rank *pari passu* among themselves and with those Shares in issue, with the right to receive all dividends and other distributions declared, made or paid on or after the date of allotment.

Application will be made by the Company to the Stock Exchange for the granting of the listing of, and permission to deal in, the aggregate of 11,250,000 Awarded Shares in due course.

The grant of Awarded Shares to Mr. Chen has been approved by all the members of the Remuneration Committee.

### **Basis of determination of the Award**

In determining the size of the Award, the Company has considered:

- (i) Mr. Chen's role and responsibilities with the Group and his current level of remuneration;
- (ii) the market practice in relation to grant of shares under share incentive packages provided by other comparable companies;
- (iii) the recent business performance of the Group;
- (iv) the Group's overall business objectives and future development plan in the upcoming three financial years; and
- (v) performance target of Mr. Chen.

In particular, the Company made the Award taking into consideration that:

- (i) it is expected that at least 100 retail commercial properties will be newly managed by the Group in the upcoming 5 years, with an average of 20 newly-managed commercial properties each year. Accordingly, with the expected business expansion of the Group, it is important for the Company to retain talented personnel to manage the business portfolio;
- (ii) despite Mr. Chen has only become the Company's director since 15 June 2020, having taking into consideration of the background and experience of Mr. Chen, the Company strongly believes that Mr. Chen will be able to bring in significant contribution to the Group, by being a visionary leader with

## LETTER FROM THE BOARD

extensive experience and proven track record to lead the Group's managerial team to capture and seize the fast-growing opportunities and to overcome the ever-changing business hurdles under the high-growth environment. Accordingly, it is important to incentivize Mr. Chen;

- (iii) the Award will not be vested immediately upon the Date of Grant and the vesting period associated with the Award will further ensure the stability of the relationship between Mr. Chen and the Company;
- (iv) the Award will be subject to certain vesting conditions, including but not limited to the (a) satisfaction of corporate culture value, including honest and effective communication and understanding of the company mission as well as dedication to the Company's development (whether business-related and/or people-oriented), on the part of Mr. Chen; (b) Mr. Chen has not been degraded from his existing title within the Group on the relevant vesting date(s); and (c) satisfaction of the financial performance of the Group, which will be assessed by the key performance indicators set by the Company to be satisfied by Mr. Chen, namely the target three year compound annual growth rate for the years 2020 to 2022 and five year compound annual growth rate for the years 2020 to 2024 of 35% for the Group's profit after tax attributable to its owners exceeding HK\$800 million for the year ended 31 December 2024;
- (v) the share awards granted by other 15 comparable listed companies and noted that the size of award shares ranged between approximately 0.02% and 4.00% with an average of approximately 0.81% of the total number of shares in issue of the respective listed company; and
- (vi) the aggregated annual compensation package for key management staff, namely the five highest paid individuals, of listed companies primarily engaged in principal business similar to the Group ranged from approximately HK\$14.9 million and HK\$382.8 million, with an average of approximately HK\$100.1 million, as well as Mr. Chen's basis annual remuneration as a director of the Company of RMB240,000.

When considering the share awards granted by other comparable listed companies, the Company selected and compared an exhaustive list of 15 listed companies which (i) the shares of the subject listed company are listed on the Stock Exchange; and (ii) the profit after tax attributable to its equity holders for its latest completed financial year, the results of which has been published as at the Date of Grant, amounted to not less than HK\$600 million and not more than HK\$1,200 million, determined with reference to the key performance indicators to be satisfied by Mr. Chen under the vesting conditions. Whilst the Company recorded profit of RMB145 million for the six months ended 30 June 2020, in consideration of the target profit for the year ended 31 December 2024 (i.e. RMB800 million) being referenced in determining the size and amount of the Award granted and taking into consideration that it is important for the Company to assess, among others, whether the Award is in line with the market practice instead of narrowly focusing on one single industry which may or may not represent the market practice in general given companies may choose different remuneration methods to compensate its staff, while

## LETTER FROM THE BOARD

some may prefer remuneration in cash over equity of the listed company, and vice versa, some may prefer a combination of both, it is necessary to review a sizeable number of listed companies to obtain a representative view for general market practice to determine whether the Award is fair and reasonable and conducted on normal commercial terms. In view of the above and given the purpose of this analysis is to obtain an overview of general market practice in terms of compensation packages to key management with a view to assess, accordingly the Company also make included in its comparable listed companies with companies which formed part of the Hang Seng Composite MidCap Index whilst excluding listed companies which formed part of the Hang Seng Composite MidCap Index which are stated-owned enterprises. Based on the foregoing, the Company is of the view that comparable companies selected out from the Hang Seng Composite MidCap Index will also be relevant for the assessment and to provide the Company with an overview of general market practice in terms of compensation packages to key management. Further details in relation to the comparable listed companies considered by the Company are also set forth in the letter from the Independent Financial Adviser set out on pages 31 to 67 of this circular.

Based on the aforesaid, the Board (and the remuneration committee of the Company) considered the Award, including the number of Awarded Shares, is:

- (i) in line with the Company's remuneration policy;
- (ii) in line with the market practice within the industry; and
- (iii) fair and reasonable and in the interest of the Company and its Shareholders.

### Conditions

The issue and allotment of 11,250,000 Awarded Shares to Mr. Chen (or such other entities as designated and wholly-owned by Mr. Chen) is subject to the following conditions:

- (i) the approval by the Independent Shareholders of all necessary resolutions at the EGM in compliance with applicable laws and the Listing Rules to approve, among other things, the allotment and issue of the Awarded Shares to Mr. Chen pursuant to the Scheme and the Share Award Specific Mandate; and
- (ii) the grant of the listing approval by the Stock Exchange in respect of the Awarded Shares.

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Awarded Shares.



## LETTER FROM THE BOARD

As at the Latest Practicable Date, none of the conditions for the Award has been fulfilled.

### Details of the Award

The information in relation to the issue and allotment of 11,250,000 new Awarded Shares to Mr. Chen is set out below:

Securities to be issued:	11,250,000 Awarded Shares
Issue price:	New Shares shall be issued and allotted to the Trustee at nominal value of HK\$0.01 each. The aggregate nominal value of the Awarded Shares is HK\$112,500
Funds to be raised:	No consideration is required to be paid by Mr. Chen for the grant of the Awarded Shares. No fund will be raised by the Company as a result of the issue and allotment of the Awarded Shares
Identity of the allottee:	The Trustee, Tricor Trust (Hong Kong) Limited, who is, to the best knowledge, information and belief of the Directors, independent of the Company and connected persons of the Company, will hold the Awarded Shares in accordance with the Trust Deed
Vesting Schedule:	<p>The Awarded Shares shall be vested in two tranches as follows:</p> <ul style="list-style-type: none"><li>• 50% of the Awarded Shares shall be vested on the third anniversary of the Commencement Date, i.e. 1 June 2023; and</li><li>• 50% of the Awarded Shares shall be vested on the fifth anniversary of the Commencement Date, i.e. 1 June 2025</li></ul> <p>Upon issue and allotment of the new Shares, the Trustee will hold the new Shares. Subject to the satisfaction of the vesting conditions (if any), such new Awarded Shares shall be transferred to Mr. Chen (or such other entities as designated and wholly-owned by Mr. Chen) at no consideration according to the above vesting schedule</p>
Market price of the Shares:	<p>The closing price of the Shares as at 10 September 2020 as quoted on the Stock Exchange is HK\$24.30 per Share</p> <p>The average closing price of the Shares for the five consecutive trading days immediately preceding 10 September 2020 as quoted on the Stock Exchange is approximately HK\$24.88 per Share</p>



## LETTER FROM THE BOARD

### REASONS AND BENEFITS OF THE SUBSCRIPTION AND THE AWARD

The Company, through its operating subsidiaries, is principally engaged in the provision of commercial operational services and residential property management services in the PRC. The Subscription and the Award are not inter-conditional to each other and was primarily to create a further alignment between the Company and Mr. Chen as well as an incentive for Mr. Chen's joining and long-term commitment to the Group.

#### Background of Mr. Chen

Prior to Mr. Chen joining the Company, he was a director and co-president of Seazen Holdings Co., Ltd. ("**Seazen Holdings**"), a company listed on the Shanghai Stock Exchange (stock code: 601155) during the period from August 2016 to March 2020. Mr. Chen also has experience working in managerial roles in some other major real estate companies, including, (i) as an executive deputy general manager of the commercial management operational center of Dalian Wanda Commercial Real Estate Co., Ltd.; (ii) as a vice president as well as general manager and executive vice president of the merchants center as well as general manager of operational center of Dalian Wanda Business Management Group Co., Ltd.; (iii) as a vice president as well as executive vice president of the business management headquarter and general manager of the integrated management center of Dalian Wanda Commercial Real Estate Co., Ltd. in the PRC; (iv) as a general manager of Singapore CapitaLand Capital Commercial China; (v) as a general manager of Sichuan Huali Group Shunyuan Commercial Real Estate Company; and (vi) as a general manager of Singapore Yilai Group Wuhan Company.

Mr. Chen has proven track record and extensive experience in the PRC property management industry. His leadership and execution skills have brought enormous success and contributed significantly to the corporations which Mr. Chen worked for in the past as evidenced by, among others, (i) during Mr. Chen's tenure as a director and co-president of Seazen Holdings, he held a leading role in the development of the "Injoy Plaza" (吾悦廣場) brand which involved in the launch and/or preparation of over 100 shopping malls across the PRC; and (ii) according to the annual report of Seazen Holdings for the year ended 31 December 2016 and 31 December 2019, (a) income generated from the rental and management fee of Injoy Plazas increased by approximately RMB3,655 million or 828.8% from approximately RMB441.0 million for the year ended 31 December 2016 to approximately RMB4,096.0 million for the year ended 31 December 2019; and (b) overall revenue recorded increased by approximately RMB56.8 billion or 202.9% from approximately RMB28.0 billion for the year ended 31 December 2016 to approximately RMB84.8 billion for the year ended 31 December 2019.

Mr. Chen is a highly respected and reputable personnel within the industry.

#### The Subscription

In order to align the interests of the Company and the shareholders with those of Mr. Chen, the Company entered into the Subscription Agreement with Mr. Chen. The joining of Mr. Chen is considered invaluable as the Company expects the PRC property management market, both in the commercial and residential sectors, to continue its rapid

## LETTER FROM THE BOARD

development. The fast-evolving operating environment will present the Group with ample of opportunities for future growth but such will depend on whether the Group is able to further improve its existing level of property management and related operational services to satisfy the customers' increasing demand going forward. Taking into consideration of the importance for the Group to be led and managed by a visionary leader with extensive experience and proven track record to seize the opportunities and overcome challenges ahead, the joining of Mr. Chen to the Group is expected to bring in additional achievement for the Group in the long run. Mr. Chen's confidence and commitment towards the long-term and sustainable growth of the Group would be beneficial to the long-term business development of the Group.

In addition, the Subscription represents a valuable opportunity for the Company to raise fund to further strengthen its capital base and financial position, thereby laying down a more solid foundation for the Company to further its business development and accelerate its growth in the financial market. In particular, the Company is of the view that it is financially prudent to secure future funding so as to ensure the Company will have sufficient financial resources in the imminent and foreseeable future. As stated in the Company's interim report for the six months ended 30 June 2020, the outbreak of COVID-19 in early 2020 has brought enormous impact on and uncertainty to the industry. Under the current market environment, it is important for the Company to better equip itself. Coupled with the complicated and increasingly challenging international environment, it is important that the Group will be able to innovate upon new product varieties, new scenarios and new approaches in tandem with the consumption trend.

As at 30 June 2020, (i) the Group recorded cash and cash equivalents balance of RMB2,950.4 million, total liabilities of RMB1,832.9 million (represented non-current liabilities of RMB349.7 million and current liabilities of RMB1,483.2 million); and (ii) unutilized proceeds from the Company's initial public offering amounted to RMB1,412.6, which had designated usage. Further, the Group's cash and cash equivalent balance (excluding proceeds from the Company's initial public offering) as at 30 June 2020 were to support the cash outflows from its operating activities and payment of its liabilities mostly within one year. Accordingly, the Group's net cash and cash equivalents balance (total cash and cash equivalents balance minus total liabilities) was negative RMB295.1 million as at 30 June 2020.

## LETTER FROM THE BOARD

The net proceeds from the Subscription is expected to be approximately HK\$273 million and is expected to be applied by the Company as to 30% for personnel expansion, as to 30% for IT infrastructure enhancement and as to 40% for the development of the property leasing business and to be utilized on or before 30 June 2023 as follows:

<b>Intended usage of the proceeds from the Subscription</b>	<b>Intended amount for proposed usage</b>	<b>Expected timeline of use</b>
Personnel expansion: attract and recruit additional management personnel to the Group's projects and headquarter	Approximately HK\$81.9 million, representing as to 30% of the expected net proceeds from the Subscription	<p>On or before 30 June 2023, during which:</p> <ul style="list-style-type: none"> <li>(i) approximately HK\$15 million is expected to be utilized during the period from 1 July 2020 to 31 December 2020 ("2020 H2");</li> <li>(ii) approximately HK\$15 million is expected to be utilized during the period from 1 January 2021 to 30 June 2021 ("2021 H1");</li> <li>(iii) approximately HK\$15 million is expected to be utilized during the period from 1 July 2021 to 31 December 2021 ("2021 H2");</li> <li>(iv) approximately HK\$15 million is expected to be utilized during the period from 1 January 2022 to 30 June 2022 ("2022 H1");</li> <li>(v) approximately HK\$15 million is expected to be utilized during the period from 1 July 2022 to 31 December 2022 ("2022 H2"); and</li> <li>(vi) approximately HK\$6.9 million is expected to be utilized during the period from 1 January 2023 to 30 June 2023 ("2023 H1").</li> </ul>

## LETTER FROM THE BOARD

Intended usage of the proceeds from the Subscription	Intended amount for proposed usage	Expected timeline of use
IT infrastructure enhancement: create the “Precise Consumer Traffic System” which uses face recognition technology instead of traditional sensors to achieve accurate data collection and perform precise analysis on consumer traffic statistics	Approximately HK\$81.9 million, representing as to 30% of the expected net proceeds from the Subscription	<p>On or before 30 June 2023, during which:</p> <ul style="list-style-type: none"> <li data-bbox="911 442 1302 544">(i) approximately HK\$4.6 million is expected to be utilized during 2020 H2;</li> <li data-bbox="911 591 1302 693">(ii) approximately HK\$9.1 million is expected to be utilized during 2021 H1;</li> <li data-bbox="911 740 1302 842">(iii) approximately HK\$13.7 million is expected to be utilized during 2021 H2;</li> <li data-bbox="911 889 1302 991">(iv) approximately HK\$18.2 million is expected to be utilized during 2022 H1;</li> <li data-bbox="911 1038 1302 1140">(v) approximately HK\$18.2 million is expected to be utilized during 2022 H2; and</li> <li data-bbox="911 1187 1302 1281">(vi) approximately HK\$18.2 million is expected to be utilized during 2023 H1.</li> </ul>

## LETTER FROM THE BOARD

Intended usage of the proceeds from the Subscription	Intended amount for proposed usage	Expected timeline of use
Property leasing business: develop three leasing projects, namely the Shaoxing Keqiao Powerlong Plaza (紹興柯橋寶龍廣場), the Hangzhou Qingshanhu Powerlong Plaza (杭州青山湖寶龍廣場) and the Taizhou Duqiao Powerlong Plaza (台州杜橋寶龍廣場), which are expected to be opened in November 2020, December 2020 and December 2021, respectively	Approximately HK\$109.2 million, representing as to 40% of the expected net proceeds from the Subscription	<p>On or before 30 June 2023, during which:</p> <p>(i) approximately HK\$4 million is expected to be utilized during 2020 H2;</p> <p>(ii) approximately HK\$12.5 million is expected to be utilized during 2021 H1;</p> <p>(iii) approximately HK\$18.5 million is expected to be utilized during 2021 H2;</p> <p>(iv) approximately HK\$19 million is expected to be utilized during 2022 H1;</p> <p>(v) approximately HK\$26 million is expected to be utilized during 2022 H2; and</p> <p>(vi) approximately HK\$26 million is expected to be utilized during 2023 H1.</p>

One of the business strategies for the Company is to continue to deploy technology to enhance consumers' experience and engagement and improve the Group's operational efficiency as a whole. The Company plans to deploy technology, including artificial intelligence ("AI") and internet of things to promote consumer interaction and improve consumers' shopping experience. The Company also plans to continue to invest in its integrated online ecosystem to enhance its data handling capabilities, including introducing the usage of face recognition technology instead of traditional sensors to achieve accurate data collection and perform precise analysis on consumer traffic statistics. The Company intends to enhance its capabilities in analyzing consumer data and other operational data collected through its online ecosystem and utilize such analysis to assist its senior management in making business decisions with respect to retail commercial property planning and positioning, tenant mix determination and precision marketing. In addition, the Company intends to use AI to improve its operational efficiency and reduce labor costs. The development and application of IT infrastructure is important to the Group to maintain its competitiveness in the industry as the industry players are adopting various IT initiatives to improve their operational efficiency and to reduce their operating cost. The enhancement of the Group's IT

## LETTER FROM THE BOARD

infrastructure will require additional financial as well as human resources. The net proceeds from the Subscription will bring additional capital to the Company for the purpose of human expansion and IT infrastructure enhancement, and will provide certainty of funding in this regard. In terms of property leasing business, the Group plans to develop three leasing projects, namely the Shaoxing Keqiao Powerlong Plaza (紹興柯橋寶龍廣場), the Hangzhou Qingshanhu Powerlong Plaza (杭州青山湖寶龍廣場) and the Taizhou Duqiao Powerlong Plaza (台州杜橋寶龍廣場), and the development of which will require additional financial resources of the Group.

### **The Award**

The Scheme forms part of the incentive schemes of the Group. As aforesaid mentioned, Mr. Chen is a highly respected and reputable personnel within the industry and his joining to the Group is expected to bring in additional achievement for the Group in the long run. The Board considers that the award of the Awarded Shares to Mr. Chen further incentivize Mr. Chen by aligning the interests of Mr. Chen directly to the Shareholders through ownership of Shares. Further, the Scheme will also allow the Group to retain talents for the continual operation and development of the Group with the objective to increase the value of the Company in a long run. Furthermore, there will not be any actual cash outflow by the Group under the award of the Awarded Shares to provide incentives to the Selected Participants.

Based on the foregoing, the Directors consider that the terms and conditions of the Subscription and the Award are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

### **EQUITY FUND RAISING ACTIVITY DURING THE PAST TWELVE MONTHS**

The Shares of the Company were listed on the Stock Exchange on 30 December 2019 by way of global offering with a total number of 172,500,000 offer shares (including Shares issued as a result of the full exercise of the over-allotment option) issued and the net proceeds raised therefrom was approximately HK\$1,588.5 million. As at the Latest Practicable Date, there is no change in the intended use of net proceeds as previously disclosed in the Prospectus and the Company will gradually utilize the residual amount of

## LETTER FROM THE BOARD

the net proceeds in accordance with such intended purposes depending on actual business needs. Set forth below the status of the utilized net proceeds as at 30 September 2020 together with the expected timeline of use:

Business objective as stated in the Prospectus	Unutilized proceeds from the initial public offering as at 30 September 2020	Expected Timeline
Pursue strategic acquisition of and investment in other commercial operational service providers ( <i>Note 1</i> )	HK\$794.3 million	On or before 31 December 2023, during which:
		(i) approximately HK\$74.2 million is expected to be utilized during 2020 H2;
		(ii) approximately HK\$113.1 million is expected to be utilized during 2021 H1;
		(iii) approximately HK\$113.1 million is expected to be utilized during 2021 H2;
		(iv) approximately HK\$113.1 million is expected to be utilized during 2022 H1;
		(v) approximately HK\$120.3 million is expected to be utilized during 2022 H2;
		(vi) approximately HK\$132.6 million is expected to be utilized during 2023 H1; and
		(vii) approximately HK\$127.8 million is expected to be utilized during 2023 H2.

# LETTER FROM THE BOARD

Business objective as stated in the Prospectus	Unutilized proceeds from the initial public offering as at 30 September 2020	Expected Timeline
Upgrade information technology systems	HK\$387.2 million	<p data-bbox="911 410 1321 474">On or before 31 December 2023, during which:</p> <ul style="list-style-type: none"> <li data-bbox="911 523 1302 629">(i) approximately HK\$43.1 million is expected to be utilized during 2020 H2;</li> <li data-bbox="911 672 1302 778">(ii) approximately HK\$56.1 million is expected to be utilized during 2021 H1;</li> <li data-bbox="911 821 1302 927">(iii) approximately HK\$56.1 million is expected to be utilized during 2021 H2;</li> <li data-bbox="911 970 1302 1076">(iv) approximately HK\$56.1 million is expected to be utilized during 2022 H1;</li> <li data-bbox="911 1119 1302 1225">(v) approximately HK\$56.1 million is expected to be utilized during 2022 H2;</li> <li data-bbox="911 1268 1353 1374">(vi) approximately HK\$56.1 million is expected to be utilized during 2023 H1; and</li> <li data-bbox="911 1417 1302 1523">(vii) approximately HK\$63.7 million is expected to be utilized during 2023 H2.</li> </ul>



## LETTER FROM THE BOARD

Business objective as stated in the Prospectus	Unutilized proceeds from the initial public offering as at 30 September 2020	Expected Timeline
Make equity investment in certain tenants and suppliers	HK\$158.8 million	<p data-bbox="911 410 1321 474">On or before 31 December 2023, during which:</p> <ul style="list-style-type: none"> <li data-bbox="911 523 1302 625">(i) approximately HK\$27.8 million is expected to be utilized during 2020 H2;</li> <li data-bbox="911 672 1302 774">(ii) approximately HK\$27.8 million is expected to be utilized during 2021 H1;</li> <li data-bbox="911 821 1302 923">(iii) approximately HK\$27.8 million is expected to be utilized during 2021 H2;</li> <li data-bbox="911 970 1302 1072">(iv) approximately HK\$27.8 million is expected to be utilized during 2022 H1;</li> <li data-bbox="911 1119 1302 1221">(v) approximately HK\$43.9 million is expected to be utilized during 2022 H2;</li> <li data-bbox="911 1268 1355 1370">(vi) approximately HK\$1.9 million is expected to be utilized during 2023 H1; and</li> <li data-bbox="911 1417 1302 1519">(vii) approximately HK\$1.9 million is expected to be utilized during 2023 H2.</li> </ul>

## LETTER FROM THE BOARD

Business objective as stated in the Prospectus	Unutilized proceeds from the initial public offering as at 30 September 2020	Expected Timeline
Renovation of retail commercial properties developed or owned by independent third parties (Note 2)	HK\$79.5 million	On or before 30 June 2022, during which: <ul style="list-style-type: none"> <li>(i) approximately HK\$19.5 million is expected to be utilized during 2020 H2;</li> <li>(ii) approximately HK\$19.5 million is expected to be utilized during 2021 H1;</li> <li>(iii) approximately HK\$19.5 million is expected to be utilized during 2021 H2; and</li> <li>(iv) approximately HK\$21.0 million is expected to be utilized during 2022 H1.</li> </ul>
General business purpose and working capital	HK\$158.8 million	–
<b>Total</b>	<b>HK\$1,578.6 million</b>	

*Notes:*

- On 3 July 2020, Shanghai Yulong Property Management Company Limited.\* (上海御龍物業管理有限公司) (“**Shanghai Yulong**”), a wholly-owned subsidiary of the Company, entered into an investment agreement with an independent third party, pursuant to which Shanghai Yulong has conditionally agreed to acquire 60% equity interest in the registered capital of Zhejiang Xinghui Commercial Management Company Limited\* (浙江星匯商業管理有限公司) at an investment cost of approximately RMB40.6 million.
- In the third quarter of 2020, an amount of approximately RMB3 million has been incurred by the Group as project re-development costs for the development of Shaoxing Keqiao Powerlong Plaza (紹興柯橋寶龍廣場). As at the Latest Practicable Date, no actual payment has been made.

## LETTER FROM THE BOARD

### LISTING RULES IMPLICATIONS

Mr. Chen is an executive Director and the chief executive officer of the Company and therefore a connected person of the Company under the Listing Rules. Accordingly, (i) the entering into of the Subscription Agreement and the transactions contemplated thereunder; and (ii) the issue and allotment of 11,250,000 Awarded Shares to Mr. Chen constitute connected transactions of the Company, and is subject to the announcement, reporting and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Upon the allotment and issuance of the Awarded Shares and prior to the Awarded Shares having been vested to Mr. Chen, the Trustee will hold the Awarded Shares for and on behalf of Mr. Chen. As Mr. Chen's aggregate interests in under the Trust Deed will then be more than 30% of the limit under the Scheme, the Trustee will be considered as a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the portion of Awarded Shares to be granted to Mr. Chen which will be held by the Trustee for and on behalf of Mr. Chen prior to the vesting date will not be considered as "in public hands". Pursuant to the terms of the Trust Deed, the Trustee shall not deal in Shares at any time if the Trustee has received notice in writing from the Company that any such dealing at that time would be in breach of the provisions of any applicable laws, rules or regulations (including the Listing Rules). Accordingly, the Trustee will not acquire any further Shares for the purpose of the Scheme if the purchase of any further Shares will cause the public float of the Company falling below the minimum requirement under the Listing Rules.

### EFFECT ON THE SHAREHOLDING OF THE COMPANY

As at the Latest Practicable Date, the Company has 621,500,000 Shares in issue.

Assuming that there will be no other change to the total number of Shares in issue from the Latest Practicable Date to the date of completion of the Subscription, the shareholdings in the Company (a) as at the Latest Practicable Date; (b) immediately after the completion of the Subscription but before the Award; (c) immediately after the

## LETTER FROM THE BOARD

completion of the Award without taking into account the effects from the Subscription; and (d) immediately after the completion of the Subscription and the Award are and will be as follows:

	As at the Latest Practicable Date		Immediately after the completion of the Subscription but before the Award		Immediately after the completion of the Award without taking into account the effects from the Subscription		Immediately after the completion of the Subscription and the Award	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
<i>Directors and Shareholders</i>								
Powerlong Real Estate (BVI) Holdings Limited <sup>(1)</sup>	405,000,000	65.16	405,000,000	64.01	405,000,000	64.01	405,000,000	62.89
Huihong Management (PTC) Limited <sup>(2)</sup>	45,000,000	7.24	45,000,000	7.11	45,000,000	7.11	45,000,000	6.99
Mr. Chen (or such other entities as designated and wholly-owned by Mr. Chen)	-	-	11,250,000	1.78	11,250,000	1.78	22,500,000	3.49
Public Shareholders	171,500,000	27.59	171,500,000	27.10	171,500,000	27.10	171,500,000	26.63
<b>Total:</b>	<b>621,500,000</b>	<b>100</b>	<b>632,750,000</b>	<b>100</b>	<b>632,750,000</b>	<b>100</b>	<b>644,000,000</b>	<b>100</b>

*Notes:*

- Powerlong Real Estate (BVI) Holdings Limited is wholly-owned by Powerlong Real Estate Holdings Limited, which is in turn owned as to approximately 43.57% by Skylong Holdings Limited, a company wholly-owned by Mr. Hoi Kin Hong. By virtue of the SFO, each of Powerlong Real Estate Holdings Limited, Skylong Holdings Limited and Mr. Hoi Kin Hong is deemed to be interested in the same number of shares in which Powerlong Real Estate (BVI) Holdings Limited is interested in. Mr. Hoi Kin Hong and his spouse, Ms. Wong Lai Chan, also hold approximately 0.69% and 0.07% of direct interest in Powerlong Real Estate Holdings Limited, respectively. Mr. Hoi Wa Fong, an executive Director and chairman of the Board, is the son of Mr. Hoi Kin Hong and Ms. Wong Lai Chan.
- Huihong Management (PTC) Limited, the trustee of the Huihong Trust, is wholly-owned by Mr. Hoi Wa Fong and is set up for the purpose of a share incentive scheme to be adopted at least six months after the Listing. As at the Latest Practicable Date, the detailed terms of the share incentive scheme and the relevant grantees have not yet been confirmed. By virtue of the SFO, Mr. Hoi Wa Fong is deemed to be interested in the shares held by Huihong Management (PTC) Limited.
- It is assumed that there would be no other issue of new Shares and no repurchase of existing Shares before completion of the Subscription.
- The aggregate of the percentage figures in the table above may not add up to the relevant sub-total or total percentage figures shown due to rounding of the percentage figures to two decimal places.

## LETTER FROM THE BOARD

### BOARD APPROVAL

At the Board meeting held to approve the Subscription and the Award, Mr. Chen is considered as having a material interest in the respective transactions contemplated thereunder. Accordingly, Mr. Chen had abstained from voting on the Board resolutions for approving the Subscription Agreement and the Award, and the respective transactions contemplated thereunder.

Save as disclosed above, none of the Directors has a material interest in the Subscription Agreement and the Award and is required to abstain from voting on the relevant Board resolutions.

### EGM

The EGM will be held to consider and, if thought fit, passing the ordinary resolution to approve the issuance of new Shares pursuant to the Subscription and the Award to Mr. Chen. A notice convening the EGM of the Company to be held at Jin Long Hall 2, 2nd Floor, Le Meridien Shanghai Minhang, No. 3199 Cao Bao Road, Minhang District, Shanghai, China at 2:00 p.m. on Tuesday, 24 November 2020 is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use by the Shareholders at the EGM is enclosed.

For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 18 November 2020 to Tuesday, 24 November 2020, both days inclusive, during which period no transfer of shares will be registered. In order to determine the identity of the shareholders who are entitled to attend and vote at the EGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 17 November 2020.

Whether or not you intend to attend and vote at the EGM in person, you are requested to complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending or voting in person at the EGM or any adjournment thereof should you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the resolution set out in the notice of the EGM will be put to vote by way of poll at the EGM. An announcement on the poll vote results will be made by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

## LETTER FROM THE BOARD

As at the Latest Practicable Date, to the best knowledge, information and belief of the Directors, no Shareholders had a material interest in the issuance of new Shares pursuant to the Subscription and the Award to Mr. Chen and would be required to abstain from voting at the EGM.

### INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising Ms. Ng Yi Kum, Estella, Mr. Chan Wai Yan, Ronald and Dr. Lu Xiongwen, all being the independent non-executive Directors, has been formed to advise the Shareholders on whether the issuance of new Shares pursuant to the Subscription and the Award to Mr. Chen is fair and reasonable and in the interests of the Company and the Shareholders as a whole, and how to vote on the resolution at the EGM. Red Sun Capital Limited has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

### RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information as contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

### RECOMMENDATION

The Directors (including the independent non-executive Directors and excluding Mr. Chen) consider that the issuance of new Shares pursuant to the Subscription and the Award to Mr. Chen is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors and excluding Mr. Chen) recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the issuance of new Shares pursuant to the Subscription and the Award to Mr. Chen.

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 30 of this circular, which contains its recommendation to the Independent Shareholders as to the issuance of new Shares pursuant to the Subscription and the Award to Mr. Chen; and (ii) the letter from Red Sun Capital Limited set out on pages 31 to 67 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the issuance of new Shares pursuant to the Subscription and the Award to Mr. Chen and the principal factors and reasons considered by it in arriving at its opinions.

## LETTER FROM THE BOARD

### GENERAL

Your attention is drawn to the general information set out in the appendix to this circular.

Yours faithfully  
By order of the Board  
**HOI Wa Fong**  
*Chairman*

\* *For identification purpose only*

**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)**

6 November 2020

*To the Independent Shareholders,*

Dear Sir/Madam,

**(1) CONNECTED TRANSACTION IN RELATION TO  
SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE; AND  
(2) PROPOSED ISSUE OF NEW SHARES TO A CONNECTED PERSON  
UNDER THE SCHEME PURSUANT TO SPECIFIC MANDATE**

We refer to the circular of the Company dated 6 November 2020 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members to form the Independent Board Committee and to advise you on whether the issuance of new Shares pursuant to the Subscription and the Award to Mr. Chen is fair and reasonable and in the interests of the Company and the Shareholders as a whole and how to vote on the resolution at the EGM. Red Sun Capital Limited has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board set out on pages 6 to 29 of the Circular and the letter from Independent Financial Adviser set out on pages 31 to 67 of the Circular. Your attention is also drawn to the “Letter from the Board” in the Circular and the additional information set out in the appendix thereto.

Having taken into account (i) the terms and conditions of the connected transaction, and (ii) the advice and recommendations of Independent Financial Adviser as set out from pages 31 to 67 of the Circular, we are of the opinion that the issuance of new Shares pursuant to the Subscription and the Award to Mr. Chen, whilst is not in the ordinary and usual course of business of the Group, the terms of which are on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the issuance of new Shares pursuant to the Subscription and the Award to Mr. Chen.

Yours faithfully,  
**Independent Board Committee**

**Ms. Ng Yi Kum, Estella**  
*Independent non-executive  
Director*

**Mr. Chan Wai Yan, Ronald**  
*Independent non-executive  
Director*

**Dr. Lu Xiongwen**  
*Independent non-executive  
Director*



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*Set out below is the full text of the letter from Red Sun Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription, the Award and the respective Specific Mandate and the transaction contemplated thereunder, for the purpose of inclusion in this circular.*



**红日资本有限公司**  
**RED SUN CAPITAL LIMITED**

Unit 3303, 33/F, West Tower,  
Shun Tak Centre,  
168-200 Connaught Road Central,  
Hong Kong

6 November 2020

*To: The independent board committee and the independent shareholders of  
Powerlong Commercial Management Holdings Limited*

Dear Sirs

**(1) CONNECTED TRANSACTION IN RELATION TO  
SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE;  
AND  
(2) PROPOSED ISSUE OF NEW SHARES TO A CONNECTED PERSON  
UNDER THE SCHEME PURSUANT TO SPECIFIC MANDATE**

**I. INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription, the Award and the respective Specific Mandate (together the “**Connected Transactions**”) and the transaction contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 6 November 2020 issued by the Company to the Shareholders (the “**Circular**”), of which this letter of advice forms part. Unless otherwise defined, terms used in this letter shall have the same meanings as those defined in the Circular.

On 10 September 2020, the Company entered into the Subscription Agreement with Mr. Chen, pursuant to which, the Company has conditionally agreed to allot and issue, and Mr. Chen has conditionally agreed to subscribe for the Subscription Shares, being 11,250,000 new Shares, at the Subscription Price of HK\$24.30 per Subscription Share upon the terms and subject to the conditions set out in the Subscription Agreement.

The total number of 11,250,000 Subscription Shares to be issued and allotted under the Subscription Agreement represents (i) 1.81% of the total number of Shares in issue as at the Latest Practicable Date; and (ii) approximately 1.78% of the enlarged total number of Shares in issue upon completion of the Subscription (assuming there will be no change to the total number of Shares in issue from the Latest Practicable Date to the date of completion of the Subscription other than the allotment and issue of the Subscription Shares by the Company).

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 10 September 2020, the Company adopted the Scheme. Details of the Scheme Rules have been set out in the Letter from the Board.

On 10 September 2020, it has resolved to award an aggregate of 11,250,000 Awarded Shares to Mr. Chen, an executive Director and the chief executive officer of the Company, subject to the approval by the Independent Shareholders at the EGM, by way of issue and allotment of new Shares pursuant to the Share Award Specific Mandate.

The aggregate of 11,250,000 new Awarded Shares to be awarded by the Company to Mr. Chen, subject to vesting conditions, represent approximately 1.81% of the total number of Shares in issue as at the Latest Practicable Date and approximately 1.75% of the total number of Shares in issue as enlarged by the issue and allotment of the Awarded Shares (assuming the completion of the Subscription and the Award, and no issue and/or buy back of Shares other than the issue of the Subscription Shares and the Awarded Shares).

Mr. Chen is an executive Director and the chief executive officer of the Company and therefore a connected person of the Company under the Listing Rules. Accordingly, (i) the entering into of the Subscription Agreement and the transactions contemplated thereunder; and (ii) the issue and allotment of 11,250,000 Awarded Shares to Mr. Chen, constitute connected transactions of the Company, and is subject to the announcement, reporting and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### II. THE INDEPENDENT BOARD COMMITTEE

The Board comprises of 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, Ms. Ng Yi Kum, Estella, Mr. Chan Wai Yan, Ronald and Dr. Lu Xiongwen.

The Independent Board Committee comprising all the independent non-executive Directors, namely Ms. Ng Yi Kum, Estella, Mr. Chan Wai Yan, Ronald and Dr. Lu Xiongwen has been established to advise the Independent Shareholders on whether the terms of the Connected Transactions and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Red Sun Capital Limited has been appointed by the Board with the approval of the Independent Board Committee as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

### III. OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any business relationship with or interest in the Company or Mr. Chen that could reasonably be regarded as relevant in assessing our independence. Save for our appointment as the Independent Financial Adviser, Red Sun Capital did not act as an independent financial adviser to the Company under the Listing Rules in the past two years. Apart from the normal advisory fee payable to us in connection with our appointment as the independent financial adviser, no

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

arrangement exists whereby we shall receive any other fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

### IV. BASIS OF OUR OPINION

In formulating our advice, we have relied solely on the statements, information, opinions, beliefs and representations for matters relating to the Group, the Trustee, Mr. Chen and their respective shareholders and management contained in the Circular and the information and representations provided to us by the Group and/or its senior management (the “**Management**”) and/or the Directors. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, the Directors and the Management and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have assumed that all such statements, information, opinions, beliefs and representations contained or referred to in the Circular (including this letter) or otherwise provided or made or given by the Group and/or the Management and/or the Directors and for which it is/they are solely responsible were true and accurate, and valid and complete in all material respects at the time they were made and given and continue to be true and accurate, and valid and complete in all material respects as at the date of the Circular. We have assumed that all the opinions, beliefs and representations for matters relating to the Group, the Trustee, Mr. Chen made or provided by the Management and/or the Directors contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and/or the Management and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have been provided with sufficient information and documents to enable us to reach an informed view and the Company has assured us no material information has been withheld from us to allow us to reasonably rely on the information provided so as to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions, beliefs and representations provided to us by the Group and/or the Management and/or the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification nor have we conducted any independent investigation into information provided by the Directors and the Management, background, business or affairs or future prospects of the Company, Mr. Chen and, where applicable, their respective shareholder(s) and subsidiaries or affiliates, and their respective history, experience and track records, or the prospects of the markets in which they respectively operate.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Connected Transactions and the transactions contemplated thereunder, and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

## V. PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion to the Independent Board Committee and the Independent Shareholders in respect of the Connected Transactions, we have taken into consideration the following principal factors and reasons:

### 1. Information of the Group

#### 1.1. Background information of the Group

As set out in the Letter from the Board, the Group is primarily engaged in the provision of commercial operational services and residential property management services in the PRC.

Set out below is a summary of the Group's operating results by activities, as extracted from the published annual report of the Company for the year ended 31 December 2019 (the "2019 Annual Report") and the published interim report of the Company for the six months ended 30 June 2020 (the "2020 Interim Report"):

*Summary of the Group's consolidated financial performance:*

	For the year ended 31 December		For the six months ended 30 June	
	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)	(unaudited)
<b>Revenue</b>	<b>1,200,398</b>	<b>1,620,457</b>	<b>749,059</b>	<b>868,621</b>
– Commercial operational services	979,631	1,335,109	621,162	700,407
– Residential property management services	220,767	285,348	127,897	168,214
Gross profit	325,874	428,407	197,887	254,833
<b>Profit for the year attributable to:</b>	<b>133,343</b>	<b>178,614</b>	<b>87,136</b>	<b>144,912</b>
– shareholders of the Company	133,343	178,614	87,136	144,912
– non-controlling interest	–	–	–	–

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*For the year ended 31 December 2019*

The revenue of the Group increased by approximately RMB420.1 million or 35.0% from approximately RMB1,200.4 million for the year ended 31 December 2018 to approximately RMB1,620.5 million for the year ended 31 December 2019.

For the commercial operational services segment, the revenue increased by approximately RMB355.5 million or 36.3% from approximately RMB979.6 million for the year ended 31 December 2018 to approximately RMB1,335.1 million for the year ended 31 December 2019. Such increase was mainly attributable to (i) the revenue from the commercial operation and management services increased by approximately RMB267.2 million or 37.1% because of the increase in the aggregate GFA under management and the existing retail commercial properties entering into maturity stage of operation with higher occupancy rate; and (ii) the revenue from the provision of market research and positioning, tenant sourcing and opening preparation services increased by approximately RMB91.0 million or 174.3%, driven by the Group having provided market research and positioning, tenant sourcing and opening preparation services to 22 retail commercial properties for the year ended 31 December 2019, compared to 13 for the year ended 31 December 2018.

For the residential property management services segment, the revenue also increased by approximately RMB64.6 million or 29.3% from approximately RMB220.8 million for the year ended 31 December 2018 to approximately RMB285.3 million for the year ended 31 December 2019. Such increase was mainly attributable to (i) the increase in the residential properties GFA under management to approximately 11.5 million sq.m. for the year ended 31 December 2019, representing a year-on-year increase of approximately 12.7%; and (ii) the improvement of service quality and the increase in the number of contracts with residents, especially for other value-added services.

The gross profit of the Group increased by approximately RMB102.5 million or 31.5% from approximately RMB325.9 million for the year ended 31 December 2018 to approximately RMB428.4 million for the year ended 31 December 2019. Such increase in gross profit was in line with the increase in revenue as set out above.

As a result, the net profit of the Group increased by approximately RMB45.3 million or 34.0% from approximately RMB133.3 million for the year ended 31 December 2018 to approximately RMB178.6 million for the year ended 31 December 2019.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*For the six months ended 30 June 2020*

The revenue of the Group increased by approximately RMB119.6 million or 16.0% from approximately RMB749.1 million for the six months ended 30 June 2019 to approximately RMB868.6 million for the six months ended 30 June 2020.

For the commercial operational services segment, the revenue increased by approximately RMB79.2 million or 12.7% from approximately RMB621.2 million for the six months ended 30 June 2019 to approximately RMB700.4 million for the six months ended 30 June 2020. Such increase was mainly attributable to the Group had (i) GFA under management of approximately 7.0 million sq.m., representing an increase of approximately 0.6 million sq.m. from 6.4 million sq.m. for the corresponding period of 2019; (ii) 51 projects under management, representing an increase of 6 projects from 45 projects for the corresponding period of 2019; and (iii) contracted GFA of approximately 9.9 million sq.m., representing an increase of approximately 2.4 million sq.m. from approximately 7.5 million sq.m. for the corresponding period of 2019.

For the residential property management services segment, the revenue also increased by approximately RMB40.3 million or 31.5% from approximately RMB127.9 million for the six months ended 30 June 2019 to approximately RMB168.2 million for the six months ended 30 June 2020. Such increase was mainly attributable to the Group had (i) GFA under management of approximately 11.6 million sq.m., representing an increase of approximately 1.0 million sq.m. from approximately 10.6 million sq.m. for the corresponding period of 2019; (ii) 52 projects under management, representing an increase of 8 projects from 44 projects for the corresponding period of 2019; and (iii) contracted GFA of approximately 19.9 million sq.m., representing an increase of approximately 2.8 million sq.m. from approximately 17.1 million sq.m. for the corresponding period of 2019.

The gross profit of the Group increased by approximately RMB56.9 million or 28.8% from approximately RMB197.9 million for the six months ended 30 June 2019 to approximately RMB254.8 million for the six months ended 30 June 2020. Such increase in gross profit was mainly driven by the increase in revenue and improvement in gross profit margin.

As a result, the net profit of the Group increased by approximately RMB78.1 million or 66.4% from approximately RMB87.1 million for the six months ended 30 June 2019 to approximately RMB144.9 million for the six months ended 30 June 2020.



# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

## *Summary of the Group's consolidated financial position:*

	<b>As at 31 December</b>		<b>As at</b>
	<b>2018</b>	<b>2019</b>	<b>30 June</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Total assets	2,177,612	3,091,088	3,627,542
Total liabilities	1,947,689	1,503,916	1,832,904
Total equity attributable to:	229,923	1,587,172	1,794,638
– shareholders of the Company	229,923	1,587,172	1,794,638
– non-controlling interests	–	–	–

The Group's total assets increased from approximately RMB2,177.6 million as at 31 December 2018 to approximately RMB3,091.1 million as at 31 December 2019 which was mainly attributable to the increase in cash and cash equivalents of approximately RMB2,062.7 million, mainly attributable to the net proceeds from the Group's initial public offering (the "IPO"). It was also noted that the Group's total liabilities decreased from approximately RMB1,947.7 million as at 31 December 2018 to approximately RMB1,503.9 million as at 31 December 2019 which was mainly attributable to (i) the Group had disposed certain subsidiaries, the liabilities of which were no longer included in the Group's consolidated financial statements; and (ii) repaid all its then outstanding bank borrowings as at 31 December 2019. As a result of the above, the total equity of the Group increased from approximately RMB229.9 million as at 31 December 2018 to approximately RMB1,587.2 million as at 31 December 2019.

The Group's total assets increased from approximately RMB3,091.1 million as at 31 December 2019 to approximately RMB3,627.5 million as at 30 June 2020 which was mainly attributable to (i) the increase in cash and cash equivalents of approximately RMB334.3 million; (ii) the increase in investment properties of approximately RMB148.3 million; (iii) the increase in operating lease and trade receivables of approximately RMB32.7 million; and (iv) the increase in deferred income tax assets of approximately RMB14.6 million. It was also noted that the Group's total liabilities increased from approximately RMB1,503.9 million as at 31 December 2019 to approximately RMB1,832.9 million as at 30 June 2020 which was mainly attributable to the net effect of (i) the increase in non-current lease liabilities of approximately RMB159.2 million; (ii) the increase in dividend payables of approximately RMB113.5 million; (iii) the increase in trade and other payables of approximately RMB70.4 million; (iv) increase in current income tax liabilities of approximately RMB28.0 million; and (v) the decrease in current lease liabilities of approximately RMB35.6 million. As a result of the above, the total equity of the Group increased from approximately RMB1,587.2 million as at 31 December 2019 to approximately RMB1,794.6 million as at 30 June 2020.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We noted from the 2020 Interim Report that the Group recorded a cash balance of approximately RMB2,950.4 million as at 30 June 2020. However, the Group also recorded total liabilities of approximately RMB1,832.9 million, which comprised of (i) non-current liabilities of approximately RMB349.7 million; and (ii) current liabilities of approximately RMB1,483.2 million. We understand from the Management that excluding the unutilized IPO proceeds of approximately RMB1,412.6 million which had designated usage, the Group's cash and cash equivalent balance as at 30 June 2020 is sufficient to support the expected cash need for its operating use and payment of its liabilities within one year. In addition, we noted from the Management that it is not sufficient to support the proposed use of proceeds as set out under the section headed "Reasons and benefits of the Subscription and the Award" in the Letter from the Board, which detailed that the net proceeds from the Subscription is expected to be approximately HK\$273 million and shall be applied by the Company as to 30% for personnel expansion, as to 30% for IT infrastructure enhancement and as to 40% for the development of the property leasing business. The net proceeds from the Subscription will bring additional capital to the Company for the purpose of human expansion and IT infrastructure enhancement, and will provide certainty of funding in this regard. In terms of property leasing business, the Group plans to develop three leasing projects, namely the Shaoxing Keqiao Powerlong Plaza (紹興柯橋寶龍廣場), the Hangzhou Qingshanhu Powerlong Plaza (杭州青山湖寶龍廣場) and the Taizhou Duqiao Powerlong Plaza (台州杜橋寶龍廣場), and the development of which will require additional financial resources of the Group. On this basis, we concur with the Management that the Group's cash and cash equivalent balance as at 30 June 2020 is not considered to be excessive.

Furthermore, we noted from the Management that (i) the Subscription was entered into by the Company and Mr. Chen as Mr. Chen is confident and committed in the long-term development of the Group. The Subscription facilitates the further alignment of interests of the Company and Mr. Chen; and (ii) the unutilized IPO proceeds has designated usage and planned timeline for utilization, whilst the proceeds from the Subscription will be utilized by the Company for the additional measures to be implemented by the Company, which was not originally contemplated by the Company at the time of its listing. Further analysis on the terms of the Subscription and expected use of proceeds from the Subscription are set out under the paragraph headed "4. Subscription" in this letter below.



**2. Background of Mr. Chen**

Mr. Chen was appointed as the chief executive officer of the Group with effect from 1 June 2020. With reference to the announcement of the Company dated 1 June 2020 and information provided by the Company, a summary of the biographical details of Mr. Chen are set out below:

Mr. Chen was a director and co-president of Seazen Holdings Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 601155) during the period from August 2016 to March 2020. From August 2010 to July 2016, Mr. Chen assumed various positions, among which including as an executive deputy general manager of the commercial management operational center of Dalian Wanda Commercial Real Estate Co., Ltd., vice president as well as general manager and executive vice president of the merchants center as well as general manager of operational center of Dalian Wanda Business Management Group Co., Ltd. and vice president as well as executive vice president of the business management headquarter and general manager of the integrated management center of Dalian Wanda Commercial Real Estate Co., Ltd. in the PRC. From June 2006 to August 2010, he served as a general manager of Singapore CapitaLand Capital Commercial China. For the period from September 2001 to May 2006, he was a general manager of Sichuan Huali Group Shunyuan Commercial Real Estate Company. From September 1997 to September 2001, he served as a general manager of Singapore Yilai Group Wuhan Company.

Mr. Chen obtained an executive master's degree in business administration (EMBA) from The Southwestern University of Finance and Economics in Chengdu Sichuan, the PRC in December 2013. He is currently pursuing a doctoral degree of business administration (DBA) at the Western Business School, The Southwestern University of Finance and Economics of China in Chengdu Sichuan, the PRC.

We also understand that from the Company that Mr. Chen has proven track record and extensive experience in the PRC property management industry. His leadership and execution skills have brought enormous success and contributed significantly to the corporations which Mr. Chen worked for in the past as evidenced by, among others, (i) during Mr. Chen's tenure as a director and co-president of Seazen Holdings Co., Ltd., being a company listed on the Shanghai Stock Exchange (stock code: 601155), he held a leading role in the development of the "Injoy Plaza" (吾悦廣場) brand which involved in the launch and/or preparation of over 100 shopping malls across the PRC; and (ii) according to the annual report of Seazen Holdings Co., Ltd. for the year ended 31 December 2016 and 31 December 2019, (a) income generated from the rental and management fee of Injoy Plazas increased by approximately RMB3,655 million or 828.8% from approximately RMB441.0 million for the year ended 31 December 2016 to approximately RMB4,096.0 million for the year ended 31 December 2019; and (b) overall revenue recorded increased by approximately RMB56.8 billion or 202.9% from approximately RMB28.0 billion for the year ended 31 December 2016 to approximately RMB84.8 billion for the year ended 31 December 2019. In addition to

his track record during his tenure as a director and co-president Seazen Holdings Co., Ltd, Mr. Chen also has prior experience working in managerial roles in other major real estate companies, for example, Dalian Wanda Commercial Real Estate Co., Ltd., Singapore CapitaLand Capital Commercial China and Sichuan Huali Group Shunyuan Commercial Real Estate Company. Such experience is considered invaluable as the Company expects the PRC property management market, both in the commercial and residential sectors, to continue its rapid development as (i) the rate of urbanisation in the PRC continue to increase on the back of favourable PRC government policies, amongst others, the promotion of urbanisation remains one of the main objectives of the PRC government under its Thirteenth Five Year Plan ( 十三 五 規 劃 ) through accelerating the urbanisation of agricultural population\* (加快農業轉移人口市民化), accelerating construction and advancement of urban agglomeration\* (加快城市群建設發展) and speeding up of the development of small and medium-sized cities and characteristic towns\* (加快發展中小城市和特色鎮) as well as other PRC government policies; and (ii) growth in per capita disposable income, which represented an increase of approximately 5.8% from 2018 to 2019 according to a publication<sup>1</sup> from the National Bureau of Statistics of China, is also considered to be another driving factor behind the growing PRC property management industry. The Management also expects that the middle- to high-income class of the PRC urban population will continue to demand for better working and living conditions and higher quality property management services, against this backdrop, the emerging middle- to high-income class of the PRC urban population and their growing spending power will be a substantial driving force and influence on the future development of mid- to high-end property management services in the PRC. The Company is of the view that the fast-evolving operating environment will present ample of opportunities for future growth but such will depend on whether the Group is able to further improve its existing level of property management and related operational services to satisfy the customers' increasing demand going forward. On this basis, the Company considered that it is of paramount importance for the Group to be led and managed by a visionary leader with extensive experience and proven track record to seize the opportunities and overcome challenges ahead, hence the appointment of Mr. Chen as the Chief Executive Officer of the Group.

The Management advised that it is expected that at least 100 retail commercial properties will be newly managed by the Group in the upcoming five years, with an average of 20 newly-managed commercial properties each year. Accordingly, with the expected business expansion of the Group, it is important for the Company to retain an experienced leader like Mr. Chen to manage the Group's business going forward. Furthermore, the Group has experienced significant business growth in the recent past as further detailed under the paragraph "1.1. Background information of the Group", the Management noted that such growth gave rise to new challenges, including but not limited to the sourcing and evaluating new attractive opportunities, managing an increasing portfolio of properties, customers and

<sup>1</sup> *Households' Income and Consumption Expenditure in 2019*,  
[http://www.stats.gov.cn/english/PressRelease/202001/t20200119\\_1723719.html](http://www.stats.gov.cn/english/PressRelease/202001/t20200119_1723719.html)

tenants while striving to improve service standards, expansion of different aspects of the Group's business as well as broadening of the Group's income base. In this connection, we understand from the Management that Mr. Chen is a key personnel to the future development of the Group as well as to lead the Group to overcome the aforesaid challenges.

**3. Reasons and benefits of the Subscription and the Award**

The Company, through its operating subsidiaries, is principally engaged in the provision of commercial operational services and residential property management services in the PRC.

The Subscription represents a valuable opportunity for the Company to raise fund to further strengthen its capital base and financial position, thereby laying down a more solid foundation for the Company to further its business development and accelerate its growth in the financial market. The Subscription also reflected Mr. Chen's confidence and support for the development of the Company and provide an opportunity to create a further alignment between the Company and Mr. Chen. The net proceeds from the Subscription is expected to be approximately HK\$273 million and is expected to be applied by the Company as to (i) 30% for personnel expansion; (ii) 30% for IT infrastructure enhancement; and (iii) 40% for the development of the property leasing business and to be utilized on or before 30 June 2023.

The Scheme forms part of the incentive schemes of the Group. The Board considers that the award of the Awarded Shares to Mr. Chen provides incentives to Mr. Chen by aligning the interests of Mr. Chen directly to the Shareholders through ownership of Shares. Further, the Scheme will also allow the Group to retain talents for the continual operation and development of the Group with the objective to increase the value of the Company in a long run. Furthermore, there will not be any actual cash outflow by the Group under the award of the Awarded Shares to provide incentives to the Selected Participants.

Based on the foregoing, the Directors consider that the terms and conditions of the Subscription and the Award are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. For details of our analysis on the fairness and reasonableness assessment on the Subscription and the Award, please refer to the sections headed "4. Subscription" and "5. Grant of Awarded Shares" in this letter below.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### 4. Subscription

#### 4.1. *Principal terms of the Subscription Agreement*

Set out below are the principal terms of the Subscription Agreement based on the Letter from the Board:

##### *Date*

10 September 2020 (after trading hours)

##### *Parties*

- (i) the Company; and
- (ii) Mr. Chen

##### *Subscription Shares*

The total number of 11,250,000 Subscription Shares to be issued and allotted under the Subscription Agreement represents (i) 1.81% of the total number of Shares in issue as at the Latest Practicable Date; and (ii) approximately 1.78% of the enlarged total number of Shares in issue upon completion of the Subscription (assuming there will be no change to the total number of Shares in issue from the Latest Practicable Date to the date of completion of the Subscription other than the allotment and issue of the Subscription Shares by the Company).

Such 11,250,000 Subscription Shares have an aggregate nominal value of HK\$112,500 based on the par value of HK\$0.01 per Share and a market value of HK\$273,375,000 based on the closing price of HK\$24.30 per Share as quoted on the Stock Exchange on 10 September 2020, being the date of the Subscription Agreement.

The Subscription Price was determined with reference to the market price of the Shares immediately preceding the date of the Subscription Agreement and was negotiated on an arm's length basis between the Company and Mr. Chen.

##### *Conditions precedent to the Subscription Agreement*

Completion of the Subscription is subject to the fulfillment of the following conditions:

- (i) the listing of, and permission to deal in, the Subscription Shares being granted by the Stock Exchange (and such listing and permission not subsequently revoked prior to the completion of the Subscription); and

- (ii) the passing by the Shareholders of all necessary resolutions at the EGM in compliance with applicable laws and the Listing Rules to approve, among other things, the allotment and issue of the Subscription Shares pursuant to the Subscription Agreement and the Subscription Specific Mandate.

For further details on the terms of the Subscription Agreement, including completion of the Subscription, lock-up undertaking and ranking of the Subscription Shares, please refer to the section headed “The Subscription Agreement” in the Letter from the Board.

#### **4.2. Evaluation of the Subscription Price**

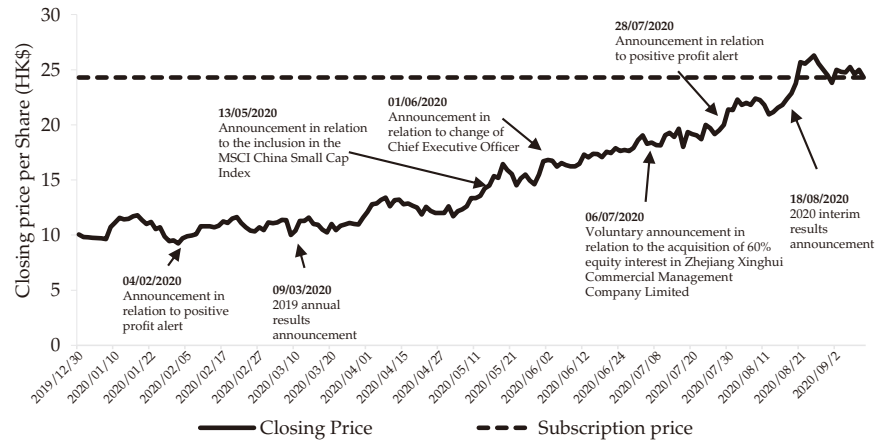
##### *a) Review on Share price performance*

We note that the Subscription Price of HK\$24.30 per Subscription Share represents:

- (i) the closing price of HK\$24.30 per Share as quoted on the Stock Exchange on 10 September 2020, being the date of the Subscription Agreement;
- (ii) a discount of approximately 2.39% to the average closing price per Share of approximately HK\$24.88 for the last five (5) consecutive trading days immediately preceding the date of the Subscription Agreement;
- (iii) a discount of approximately 2.18% to the average closing price per Share of approximately HK\$24.83 for the last ten (10) consecutive trading days immediately preceding the date of the Subscription Agreement;
- (iv) a premium of approximately 3.2% over the average closing price of approximately HK\$23.50 per Share for the last thirty (30) consecutive trading days immediately preceding the date of the Subscription Agreement;
- (v) a premium of approximately 14.9% over the closing price of HK\$21.15 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (vi) a premium of approximately 669.0% over the unaudited consolidated net asset value attributable to owners of the Company as at 30 June 2020 of approximately RMB2.89 per Share, which equivalent to approximately HK\$3.16 per Share.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As part of our analysis, we have reviewed the daily closing price of the Shares as quoted on the Stock Exchange for the period since the Company's listing (i.e. 30 December 2019) and up to and including 10 September 2020 (the "Last Trading Date") (the "Review Period"):



During the Review Period, the closing prices of the Shares ranged from HK\$9.25 per Share recorded on 3 February 2020 to HK\$26.3 per Share recorded on 26 August 2020. For the majority of the Review Period, save for a certain period in August and September 2020, the closing Share price was lower than that of the Subscription Price. Based on our analysis, the Subscription Price of HK\$24.3 per Subscription Share is within range and above the average closing prices of approximately HK\$15.3 per Share during the Review Period.

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

## *b) Trading liquidity of Shares*

We have also reviewed the trading volume data in respect of the Shares during the Review Period as set out in the table below:

	Number of trading days in the month/period	Total trading volume for the month/period (Number of Shares)	Average daily trading volume for the month/period (Number of Shares)	Percentage of average daily trading volume to number of Shares in issue as at the relevant month/period end (Note 1)  (%)
<b>2019</b>				
December (commencing from 30 December)	2	96,416,734	48,208,367	8.03%
<b>2020</b>				
January	20	95,158,486	4,757,924	0.79%
February	20	48,179,557	2,408,978	0.39%
March	22	50,092,190	2,276,918	0.37%
April	19	18,963,656	998,087	0.16%
May	20	27,700,449	1,385,022	0.22%
June	21	19,263,332	917,302	0.15%
July	22	30,289,453	1,376,793	0.22%
August	21	32,843,536	1,563,918	0.25%
September (up to and including Last Trading Date)	8	16,600,888	2,075,111	0.33%
<b>Average daily trading volume for the Review Period</b>				<b>0.40%</b> (Note 2)

*Source:* The website of the Stock Exchange as well as next day disclosure returns, monthly returns and announcements published by the Company on the website of the Stock Exchange

*Notes:*

1. The percentage of average daily trading volume to number of Shares in issue as at the end of relevant month/period is calculated based on (i) total trading volume divided by the corresponding number of trading days for the relevant month/period; divided by (ii) total number of Shares in issue as at the corresponding month/period end.
2. The average daily trading volume for the Review Period is calculated based on (i) total trading volume for the Review Period divided by the total number of trading days during the Review Period; divided by (ii) total number of Shares in issue as at 31 August 2020.



As illustrated in the table above, the percentage of average daily trading volume of the Shares per month to the total issued Shares as at the relevant month/period end during the Review Period ranged from approximately 0.15% (June 2020) to 8.03% (December 2019), with the average daily trading volume of the Review Period at approximately 0.40% to the total issued Shares as at 31 August 2020. On this basis, we consider the average daily trading volume of the Shares during the Review Period to be moderate. In view of the above, we considered that it is reasonable to set the Subscription Price close to the then prevailing Share price as at the Last Trading Date with a view to balance the relatively moderate liquidity of the Shares during the Review Period.

*c) Comparable issues analysis*

For comparison purposes, we have, on a best effort basis, conducted market research on recent subscription of new shares issued by companies listed on the Stock Exchange under specific mandate that were announced during the twelve-month period prior to the Last Trading Day (the “**Comparable Issues**”) as we considered that twelve complete calendar months is an appropriate benchmark to reflect the recent market practice and conditions of the general prevailing market on the Stock Exchange, and the adopted time span can cover sufficient number of comparable subscriptions to reflect the prevailing market trend.

The selection of the Comparable Issues was based on the following criteria, (i) subscription of new shares under specific mandate carried out by companies listed on the Main Board of the Stock Exchange; and (ii) the purpose of the subject share issuance was not for part/full settlement of a consideration for a transaction. Based on such criteria, we have identified an exhaustive list of 21 Comparable Issues, further details of which are set out below.

We compared the respective premium over/discount to the closing price of the shares of the Comparable Issues prior to/on the relevant last trading day (the “**Premium/Discount**”) and the last five consecutive trading days immediately prior and including the last trading day (the “**Five Days Premium/Discount**”) as represented by the subscription price of such Comparable Issues with the corresponding Premium/Discount and Five Days Premium/Discount represented by the Subscription Price. Shareholders should note that although the business, operations and prospects of the Group are not the same as the listed issuers of the Comparable Issues, the Comparable Issues are only used to provide a general reference for recent market practice on



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subscription of new shares issued by listed companies under specific mandate. We set out our findings in the table below:

Announcement date of the Comparable Issues	Issuers of the Comparable Issues (Stock Code)	Principal business activities	Premium/ (discount) of subscription price over/to the closing price prior to/on the last trading day of the respective announcement %	Premium/ (discount) of subscription price over/to the average closing price of five trading days prior to and including the last trading day prior to/on the date of the respective announcement %	Lock-up period
2- Sept-20	China Uptown Group Company Limited (2330)	Trading of raw sugar	47.1	38.1	No
13-Aug-20	OCI International Holdings Limited (329)	Securities trading and investments, provision of asset management services	6.56	3.17	No
24-Jul-20	Hao Tian Development Group Limited (474)	Money lending; securities investment; provision of commodities and securities brokerage and other financial services; asset management; property leasing; and rental and trading of construction machinery	(13.79)	(15.25)	No
24-Jul-20	Hainan Meilan International Airport Company Limited ("Hainan Meilan") (357)	Aviation and non-aviation businesses, which included, among others, leasing of commercial outlets at Meilan Airport	N/A (Note 1)	N/A (Note 1)	No
20-Jul-20	China Metal Resources Utilization Limited ("China Metal") (1636)	Manufacturing, sales and trading of copper and related products	60.60 (Note 2)	48.00 (Note 2)	Yes
13-Jul-20	51 Credit Card Inc. (2051)	Operation of online credit card management platform	(24.05)	(1.64)	No

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Announcement date of the Comparable Issues	Issuers of the Comparable Issues (Stock Code)	Principal business activities	Premium/ (discount) of subscription price over/to the closing price prior to/on the last trading day of the respective announcement %	Premium/ (discount) of subscription price over/to the average closing price of five trading days prior to and including the last trading day prior to/on the date of the respective announcement %	Lock-up period
6-Jul-20	China Jinmao Holdings Group Limited (817)	City operations, property development, finance and services, commercial leasing, retail operations and hotel operations	(6.56)	(0.56)	Yes
23-Apr-20	Binhai Investment Company Limited (2886)	Sales of piped natural gas, construction and gas pipeline installation service, gas passing through service and sales of bottled natural gas	0.00	5.56	No
20-Apr-20	China Saite Group Company Limited (153)	Integrated steel structure and prefabricated construction solution service provider	(18.70)	3.30	No
14-Apr-20	AsiaInfo Technologies Limited (1675)	Provision of telecom software products and related services	(27.60)	(26.40)	Yes
3-Apr-20	Gemini Investments (Holdings) Limited ("Gemini") (174)	Investment in fund platform, fund investments, property investment and development and securities investment businesses	81.80 (Note 2)	98.00 (Note 2)	Yes
27-Mar-20	Asia Energy Logistics Group Limited (351)	(i) Railway construction and operations; and (ii) shipping and logistics businesses	(3.03)	(6.98)	No
26-Mar-20	VCREDIT Holdings Limited (2003)	Provision of consumer finance in China	3.29	4.60	Yes

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Announcement date of the Comparable Issues	Issuers of the Comparable Issues (Stock Code)	Principal business activities	Premium/ (discount) of subscription price over/to the closing price prior to/on the last trading day of the respective announcement %	Premium/ (discount) of subscription price over/to the average closing price of five trading days prior to and including the last trading day prior to/on the date of the respective announcement %	Lock-up period
6-Feb-20	China Finance Investment Holdings Limited (875)	Growing and trading of agricultural produce; provision of money lending services; and securities trading and brokerage services	(31.60)	(33.90)	No
22-Jan-20	CT Vision (International) Holdings Limited (994)	Building construction business, sales of piles and renewable energy business	(21.57)	(21.41)	Yes
8-Jan-20	Sunway International Holdings Limited (58)	Manufacturing and trading of pre-stressed high strength concrete pile, ready-mixed concrete, sand-lime bricks, aerated concrete products and eco-concrete products and provision of financial services	25.00	24.07	No
29-Nov-19	Shougang Concord International Enterprises Company Limited (697)	Trading of iron ore, management and operations of car parking assets and management of private funds	(13.04)	(15.25)	No
19-Nov-19	Panda Green Energy Group Limited (686)	Development, investment, operation and management of solar power plants and other renewable energy projects	7.76	9.17	No
10-Nov-19	BC Technology Group Limited (863)	Provision for traditional advertising and business park area management services	(8.73)	11.71	No

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Announcement date of the Comparable Issues	Issuers of the Comparable Issues (Stock Code)	Principal business activities	Premium/ (discount) of subscription price over/to the closing price prior to/on the last trading day of the respective announcement %	Premium/ (discount) of subscription price over/to the average closing price of five trading days prior to and including the last trading day prior to/on the date of the respective announcement %	Lock-up period
27-Sep-19	Global Bio-chem Technology Group Company Limited (809)	Manufacture and sale of corn refined products, amino acids, corn sweeteners and polyol chemicals	(20.00)	(23.70)	Yes
20-Sep-19	Evergreen Products Group Limited (1962)	Manufacturing, distribution and retail business of hair products	(14.36)	(13.41)	Yes
<b>Maximum (Note 2)</b>			<b>47.10</b>	<b>38.10</b>	
<b>Minimum (Note 2)</b>			<b>(31.60)</b>	<b>(33.90)</b>	
<b>Average (Note 2)</b>			<b>(6.30)</b>	<b>(3.27)</b>	
<b>The Subscription</b>			<b>0.00</b>	<b>(2.39)</b>	<b>Yes</b>

*Source:* The website of the Stock Exchange as well as next day disclosure returns, monthly returns and announcements published by the Company on the website of the Stock Exchange

*Notes:*

- As disclosed in the circular of Hainan Meilan dated 20 August 2020, the subscription shares will be allotted and issued at a subscription price which is at the higher of net asset value reference and 90% of the highest among (i) the closing price of H share as quoted on the Stock Exchange at the effective date where all relevant conditions precedent of the subject subscription agreement are fulfilled or waived (the “Effective Date”); (ii) the average closing price of H shares as quoted on the Stock Exchange over the last five (5) trading days prior to the Effective Date; (iii) the average closing price of H shares as quoted on the Stock Exchange over the last ten (10) trading days prior to the Effective Date; and (iv) the average closing price of H shares as quoted on the Stock Exchange over the last twenty (20) trading days prior to the Effective Date. Given the subject subscription price has not been finalised as at the Last Trading Day, we have not calculated a Premium/Discount for the share subscription of Hainan Meilan.
- Given the premium under the issuance of shares by Gemini and China Metal are substantially higher than the range of the Premium/Discounts of the other Comparable Issues and with a view to ensure the Comparable Issues reflects the general market conditions, Gemini and China Metal, each considered as an outlier, were excluded from the analysis.

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Based on the analysis on the Comparable Issues, we noted that the premium of Gemini and China Metal's subscription price over their closing price on the last trading day of approximately 81.80% and 60.60%, respectively, were significantly above all other Comparable Issues as evidenced by (i) the next highest Premium/Discount Comparable Issue was at approximately 47.10% premium, whereas the premium under each of the subscription by Gemini and China Metal was significantly higher by approximately 34.7 percentage point and 13.5 percentage point, respectively; and (ii) the average Premium/Discount of the Comparable Issues (excluding Gemini and China Metal, each considered as an outlier) was on a discount of approximately 6.30%, where the premium under each of the subscription by Gemini and China Metal was significantly higher by approximately 88.10 percentage point and 66.90 percentage point, respectively.

We also noted that the closing share price of Gemini in the past 12 months prior to the subject subscription announcement has been volatile, which ranged from HK\$0.445 (16 and 19 March 2020) and HK\$0.91 (various trading days in April and May 2019). As set out in its annual report, as at 31 December 2019, the equity attributable to owners of Gemini amounted to approximately HK\$5,446.1 million which was substantially higher than its market capitalisation as at the date of the subject subscription agreement of approximately HK\$248.3 million, based on its closing share price of HK\$0.55 and its then issued number of shares of 451,390,000.

We also noted that the closing share price of China Metal in the past 12 months prior to the subject subscription announcement also fluctuated significantly between HK\$0.27 (24 June 2020) and HK\$3.73 (22 July 2019). Such significant movement in the closing share price of China Metal may or may not be attributable to, among others, the market reactions to the information contained in (i) China Metal's announcement dated 5 June 2019, which set out that its controlling shareholder entered into framework agreements with certain state-owned enterprise in the PRC and another company, pursuant to which its controlling shareholder intends to sell approximately 29.0% and 10.82% of the issued share capital of China Metal to the aforesaid state-owned enterprise and another company, respectively; (ii) the announcement of China Metal dated 19 May 2020 setting out that there was a certain research report issued on 17 May 2020 which sets out certain allegations relating to China Metal's financial performance, certain strategy of and transactions carried out by China Metal; (iii) China Metal's announcement dated 16 June 2020 that there was forced sale of a small proportion of shares of China Metal owned by its chairman who is also an executive director, by certain stock brokers; and (iv) the delay in publication of its audited annual results announcement for the year ended 31 December 2019 as per its various announcements published in May, June, July and August 2020.

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On this basis, having considered, in particular, (i) their significant share price fluctuations in the 12 months immediately prior to the respective subscription agreement; and (ii) the abnormally high subscription premium compared to other Comparable Issues, we have excluded Gemini and China Metal from our analysis hereunder as its inclusion of which would distort the results of our analysis.

As set out in the table above, we noted that the Premium/Discount represented by the subscription prices of the Comparable Issues, excluding the outliers, ranged from a discount of approximately 31.60% to a premium of approximately 47.10%, with an average of a discount of approximately 6.3%. The Subscription Price is the same as the closing price of the Shares as at the Last Trading Day, which is within the range of the average Premium/Discount of Comparable Issues. On the other hand, the Five Days Premium/Discount represented by the subscription prices of the Comparable Issues, excluding the outliers, ranged from a discount of approximately 33.90% to a premium of approximately 38.10%, with an average of a discount of approximately 3.27%. The discount of approximately 2.39% represented by the Subscription Price is therefore within range and at a smaller discount to the average of the Five Days Premium/Discount of Comparable Issues.

Besides, we further note that 12 out of 19 Comparable Issues (excluding the outliers) were issued at a discount to the closing price as at the date of its subscription announcement and 10 out of 19 Comparable Issues (excluding the outliers) were issued at a discount to the average closing price of five trading days prior to and including the last trading day of its subscription announcement.

Given the primary purpose of the Comparable Issues was to provide a general reference for recent market practice by listed companies on share subscriptions under specific mandate, we considered that the above analysis on Comparable Issues served the aforesaid stated purpose.

### *d) Summary of our analysis*

Having taken into account the following:

- (i) the Subscription Price represents a discount of approximately 2.39% to the average closing price of the Shares of the last five (5) consecutive trading days prior to and including the Last Trading Date;

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- (ii) the Subscription Price represents a discount of approximately 2.18% and a premium of approximately 3.2% over the average closing price of the Shares on the last ten (10) and thirty (30) consecutive trading days prior to and including the Last Trading Date, respectively; and
- (iii) the Premium/Discount and Five Days Premium/Discount represented by the Subscription Price are within range and broadly in line with the average of the Premium/Discount and Five Days Premium/Discount of the Comparable Issues respectively,

we are of the view that the Subscription Price is fair and reasonable and in the interests so far as the Independent Shareholders are concerned.

### 5. Grant of Awarded Shares

#### 5.1. *Principal terms of the Award*

As set out in the Letter from the Board, the issue and allotment of 11,250,000 Awarded Shares to Mr. Chen (or such other entities as designated and wholly-owned by Mr. Chen) is subject to (i) the approval by the Independent Shareholders of all necessary resolutions at the EGM in compliance with applicable laws and the Listing Rules to approve, among other things, the allotment and issue of the Awarded Shares to Mr. Chen pursuant to the Scheme and the Share Award Specific Mandate; and (ii) the grant of the listing approval by the Stock Exchange in respect of the Awarded Shares.

##### a) *Vesting period*

The Awarded Shares shall be vested in two tranches as follows:

- 50% of the Awarded Shares shall be vested on the third anniversary of the Date of Award, i.e. 1 June 2023; and
- 50% of the Awarded Shares shall be vested on the fifth anniversary of the Date of Award, i.e. 1 June 2025.

Upon issue and allotment of the new Shares, the Trustee will hold the new Shares. Subject to the satisfaction of the vesting conditions, please refer to section headed “Grant of awarded shares – Conditions” as set out in the Letter from the Board for details, such new Awarded Shares shall be transferred to Mr. Chen (or such other entities as designated and wholly-owned by Mr. Chen) at no consideration according to the above vesting schedule.

*b) Market price of the Awarded Shares*

The closing price of the Shares as at 10 September 2020 as quoted on the Stock Exchange is HK\$24.3 per Share. The average closing price of the Shares for the thirty consecutive trading days immediately preceding 10 September 2020 as quoted on the Stock Exchange is approximately HK\$23.5 per Share.

**5.2. Basis of determination of the Award**

As disclosed in the Letter from the Board, the Company has considered various factors in determination the Award, please refer to section headed “Grant of awarded shares – Basis of determination of the Award” in the Letter from the Board for details.

**5.3. Our analysis**

*a) Comparison with share award schemes of other companies*

With a view to assess the fairness and reasonableness of the terms of the Award, we have reviewed announcements of listed companies, which granted share awards to, where applicable, their connected person(s), such as member(s) of the board and/or director(s) at its subsidiary level, senior management and other employees, whereby the connected person(s) under the subject grant made up over half of the number of grantees. We have identified an exhaustive list of 16 grants of share award (the “**Comparable Grants**”) by companies listed on the Stock Exchange and the subject announcement in relation to the grant of shares falls within the period (the “**Review Period**”) from 1 October 2019 up to and including 10 September 2020 (the “**Date of Grant**”).

It should be noted that although the size, business nature, scale of operations and prospects of the Company are not exactly the same as the Comparable Grants, this analysis is conducted with the view to identify a general reference to the recent market practice in relation to similar type of transactions, hence we consider the Comparable Grants to be a representative sample for the purpose of our analysis. Set out below is a



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summary of the Comparable Grants based on the information contained in the respective transaction announcement issued by the subject listed company:

No.	Date of announcement	Company name (stock code)	Number of grantee(s) (Note)	Percentage of total number of awarded shares/restricted awarded shares to total number of shares in issue on the date of the announcement (approx.)	Percentage of total number of awarded shares to connected person(s) to total number of shares in issue on the date of the announcement (approx.)	Vesting date/period
1	7/9/2020	3SBio Inc. (1530)	1 connected person	0.39%	0.39%	Not disclosed
2	25/8/2020	PuraPharm Corporation Limited (1498)	1 connected person	0.25%	0.25%	Approximately 33% on 1 January 2021 Approximately 8% each on the first day of every month from 1 February 2021
3	29/6/2020	Hao Tian International Construction Investment Group Limited (1341)	4 connected persons	1.30%	1.30%	Approximately 33% on 29 June 2021 Approximately 33% on 29 June 2022 Approximately 34% on 29 June 2023
4	22/6/2020	China Kepei Education Group Limited (1890)	21 grantees, including 14 connected persons	0.72%	0.56%	Not disclosed
5	15/5/2020	Tang Palace (China) Holdings Limited (1181)	1 grantee, who is a connected person	0.29%	0.29%	Not disclosed
6	23/4/2020	Bosideng International Holdings Limited (3998)	7 connected persons	0.81%	0.81%	30% from 23 July 2021 to 23 July 2024 30% from 23 July 2022 to 23 July 2024 40% from 23 July 2023 to 23 July 2024
7	2/4/2020	Redsun Properties Group Limited (1996)	total grantees not disclosed, but included 3 connected persons	0.39%	0.15%	Not disclosed
8	1/4/2020	Razer Inc. (1337)	total grantees not disclosed, but included 8 connected persons	1.05%	1.03%	25% on 25 March 2021 25% on 1 January 2022 25% on 1 January 2023 25% on 1 January 2024

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No.	Date of announcement	Company name (stock code)	Number of grantee(s) (Note)	Percentage of total number of awarded shares/restricted awarded shares to total number of shares in issue on the date of the announcement (approx.)	Percentage of total number of awarded shares to connected person(s) to total number of shares in issue on the date of the announcement (approx.)	Vesting date/period
9	30/3/2020	CIFI Holdings Limited (884)	1 grantee, who is a connected person	0.06%	0.06%	On or after 31 March 2020
10	21/1/2020	Edvantage Group Holdings Limited (382)	17 grantees, including 9 connected persons	0.18%	0.11%	Not disclosed
11	13/1/2020	NetDragon Websoft Holdings Limited (777)	1 grantee, who is a connected person	0.02%	0.02%	Vest immediately
12	30/12/2019	Galaxy Entertainment Group Limited (27)	total grantees not disclosed, but included 6 connected persons	0.06%	0.01%	30% on 30 December 2020 30% on 30 December 2021 40% on 30 December 2022
13	13/12/2019	Sun Entertainment Group Limited (8082)	1 grantee, who is a connected person	0.24%	0.24%	Approximately 67% vest immediately; and Approximately 33% vest upon fulfilment of certain financial performance within 3 years from the date of grant
14	11/11/2019	Best Food Holding Company Limited (1488)	3 grantees who are connected persons	2.75%	2.75%	20% on 31 December 2019 20% on 31 December 2020 20% on 31 December 2021 20% on 31 December 2022 20% on 31 December 2023

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No.	Date of announcement	Company name (stock code)	Number of grantee(s) (Note)	Percentage of total number of awarded shares/restricted awarded shares to total number of shares in issue on the date of the announcement (approx.)	Percentage of total number of awarded shares to connected person(s) to total number of shares in issue on the date of the announcement (approx.)	Vesting date/period
15	1/11/2019	Razer Inc. (1337)	all eligible employees including 3 connected persons	0.48%	0.03%	25% on 1 October 2020 25% on 1 October 2021 25% on 1 October 2022 25% on 1 October 2023
16	14/10/2019	Bingo Group Holdings Limited (8220)	certain number of grantees, including 1 connected person	4.00%	0.50%	For connected person: First anniversary of the date of grant  For other grantees: 50% on first anniversary of the date of grant; and 50% on second anniversary of the date of grant
			Maximum	4.0%	2.75%	
			Minimum	0.02%	0.01%	
			Average	0.81%	0.53%	
		The Company	Mr. Chen, being a connected person	1.81%	1.81%	50% on the third anniversary of the grant; and 50% on the fifth anniversary of the grant

*Note:* With a view to ensure all relevant grants are included, we have included the grants whereby the subject announcements did not specifically set out the total number of grantees.

As shown from the table above, we noted that the vesting date/period of the Comparable Grants ranged from immediate vesting up to around 4.5 years after the date of grant. As set out in the Letter from the Board, the Connected Award Shares shall be vested, subject to the fulfilment of certain conditions, on the third and fifth anniversary of the Date of Grant, which is slightly longer than the maximum years of vesting period of the Comparable Grants.

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Furthermore, we noted that the size of award shares of the Comparable Grants granted to the grantees ranged between approximately 0.02% and 4.00% with an average of approximately 0.81% of the total number of shares in issue as at the date of the relevant announcement. The Award Shares represent approximately 1.81% of the total number of Shares in issue as at the Date of Grant is within the range of the Comparable Grants.

As such, having considered (i) the vesting period is broadly in line with the vesting period of the Comparable Grants; and (ii) the proportion of the Award to the total number of issued Shares is within the respective range of the Comparable Grants, we are of the view that the vesting period and the proportion of the Award are reasonable and in line with general market practice.

*b) Our analysis on compensation packages*

Further to our analysis on the market comparable share awards above, which primarily focused on the proportion of the Award to the subject listed companies as a whole with a view to provide a general reference for market practice of share awards by listed companies, we have conducted further analysis on compensation packages of listed companies for its key management staff, namely the highest paid individuals and five highest paid individuals, the information of which are set out in their respective published annual reports. The reasons for focusing the analysis on highest paid individuals and five highest paid individuals are that we recognise the organisation structure of each company and responsibilities of key management vary from company to company, while certain companies may rely more heavily on a small number of individuals, other companies may rely more on a group of individuals, and it is general market practice for companies to reward their employees based on their respective contributions. On this basis, we considered that conducting analysis on the highest paid individuals and five highest paid individuals would allow us to get a more relevant comparison for the compensation packages of the identified companies.

In this connection, for the purpose of our compensation package analysis, we have primarily based on the principal business of the Group, namely provision of operational services in the commercial property management sector, and the financial performance under the key performance indicators set by the Company to be satisfied by Mr. Chen, namely the target three year compound annual growth rate and five year compound annual growth rate for the Group's profit after tax attributable to its owners (the "**Target Profit**"), which if attained, would see the Group's Target Profit exceeding HK\$800 million<sup>3</sup> in the fifth year of grant. Based on the aforesaid factors, the following criteria was set for selecting comparables, (i) the shares of the subject listed company are

<sup>3</sup> For the avoidance of doubt, this is not a profit estimate, forecast or indication of any kind, and there is no assurance of whether the Group will or will not attain the relevant key performance indicators.

listed on the Stock Exchange; (ii) the profit after tax attributable to its equity holders for its latest completed financial year, the results of which has been published as at the Date of Grant, amounted to not less than HK\$600 million and not more than HK\$1,200 million, determined with reference to the key performance indicators to be satisfied by Mr. Chen under the vesting conditions; and (iii) engaged in the provision of operational services in the commercial property management sector, of which generated over 50% of its total revenue for the latest completed financial year (the “**Initial Criteria**”). Based on the Initial Criteria, we were not able to identify any comparable company. Despite our attempt to expand Initial Criteria (iii) to cover other property management companies, we still did not identify any listed companies which satisfy the aforesaid Initial Criteria.

In view of the above and given the purpose of this analysis is to obtain an overview of general market practice in terms of compensation packages to key management with a view to assess, among others, whether the Award is in line with the market practice instead of narrowly focusing on one single industry which may or may not represent the market practice in general given companies may choose different remuneration methods to compensate its staff, while some may prefer remuneration in cash over equity of the listed company, and vice versa, some may prefer a combination of both, as such we considered that there is a need to review a sizeable number of listed companies to obtain a representative view for general market practice to determine whether the Award is fair and reasonable and conducted on normal commercial terms. On this basis, we have expanded Initial Criteria (iii) to cover the listed companies which formed part of the Hang Seng Composite MidCap Index<sup>4</sup>, while keeping the Initial Criteria (i) and (ii) the same. There were 187 Hang Seng Composite MidCap Index constituents as at the Grant Date, with a view to ensure a more suitable comparison, we have excluded stated-owned enterprises, as the board of directors of which are directly/indirectly nominated by, where applicable, the State-owned Assets Supervision and Administration Commission of the State Council and/or PRC government, and their remuneration packages may have to follow certain internal guidelines and are not determined solely by market factors as the remuneration packages of the board of directors of private sector corporations typically would, and real estate investment trusts given their organisation structure is not directly comparable to typical listed companies (together the “**Final Criteria**”). Based on the Final Criteria, on a best effort basis, we have identified an exhaustive list of 15 listed companies (the “**Compensation Packages Comparable Companies**”). The table below sets out the aggregated compensation packages<sup>5</sup> of the highest paid individuals (the “**Highest Paid Individual Annual**

<sup>4</sup> Source: <https://www.hsi.com.hk/eng/indexes/all-indexes/sizeindexes>

<sup>5</sup> Compensation packages may include but not limited to (i) wages and salaries; (ii) performance and discretionary bonuses; (iii) share-based payment; (iv) social insurance expenses; (v) housing benefits; (vi) pensions and/or other retirement benefit scheme; and (vii) other benefits in kind and/or allowances.

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**Compensation Package”**) and the five highest paid individuals (the **“Aggregated Annual Compensation Package”**) of the Compensation Packages Comparable Companies as set out in its latest published annual report:

Company name (stock code)	Principal business	Annual Compensation Package of the highest paid individuals		Aggregated Annual Compensation Package of the five highest paid individuals	
		in its presentation currency in million (Note 1) (approximately)	in HK\$' million (approximately)	in its presentation currency in million (Note 1) (approximately)	in HK\$' million (approximately)
PCCW Limited (8)	Provision of telecommunications and related services	HK\$33.9	HK\$33.9	HK\$99.5	HK\$99.5
Shangri-La Asia Limited (69)	Hotel operations	USD2.3	HK\$18.1	USD10.6	HK\$82.6
Melco International Development Limited (200)	Integrated casino and entertainment resort development and related operations and property businesses	HK\$205.7	HK\$205.7	HK\$382.8	HK\$382.8
ASM Pacific Technology Limited (522)	Manufacture of machines and tools used in semiconductor and electronic assembly industries	HK\$14.7	HK\$14.7	HK\$39.1	HK\$39.1
Luk Fook Holdings (International) Limited (590)	Sale of jewelleryes	HK\$54.9	HK\$54.9	HK\$72.5	HK\$72.5

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company name (stock code)	Principal business	Annual Compensation Package of the highest paid individuals		Aggregated Annual Compensation Package of the five highest paid individuals	
		in its presentation currency in million (Note 1) (approximately)	in HK\$' million (approximately)	in its presentation currency in million (Note 1) (approximately)	in HK\$' million (approximately)
China East Education Holdings Limited (667)	Operation of vocational education institutions	RMB6.5	HK\$7.2	RMB32.6	HK\$35.9
Tongcheng-Elong Holdings Limited (780)	Online travel products and services	RMB67.6	HK\$74.4	RMB142.5	HK\$156.8
China Education Group Holdings Limited (839)	Provision of private higher education services	RMB7.7	HK\$8.5	RMB13.6	HK\$14.9
L'occitane International S.A. (973)	Manufacture and sales of cosmetics and well-being products	EUR1.0	HK\$8.9	EUR3.6	HK\$32.1
Health and Happiness (H&H) International Holdings Limited (1112)	Manufacture and sale of premium pediatric nutritional	RMB24.9	HK\$27.4	RMB61.8	HK\$68.0

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company name (stock code)	Principal business	Annual Compensation Package of the highest paid individuals		Aggregated Annual Compensation Package of the five highest paid individuals	
		in its presentation currency in million (Note 1) (approximately)	in HK\$' million (approximately)	in its presentation currency in million (Note 1) (approximately)	in HK\$' million (approximately)
3SBio Inc. (1530)	Development, production, marketing and sale of pharmaceutical products	RMB194.0	HK\$213.4	RMB264.5	HK\$290.9
Yihai International Holding Limited (1579)	Research, development, manufacturing, distribution and sales of compound condiments	RMB27.3	HK\$30.0	RMB67.6	HK\$74.3
Samsonite International S.A (1910)	Design, manufacture, sourcing and distribution of luggages, business and computer bags, outdoor and casual bags, travel accessories and slim protective cases for personal electronic devices	USD4.4	HK\$34.3	USD11.8	HK\$92.0
SSY Group Limited (2005)	Research, development, manufacture and sale of pharmaceutical products	HK\$13.0	HK\$13.0	HK\$19.0	HK\$19.0



# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company name (stock code)	Principal business	Annual Compensation Package of the highest paid individuals		Aggregated Annual Compensation Package of the five highest paid individuals	
		in its presentation currency in million (Note 1) (approximately)	in HK\$' million (approximately)	in its presentation currency in million (Note 1) (approximately)	in HK\$' million (approximately)
Vinda International Holdings Limited (3331)	Manufacture and sale hygiene products	HK\$11.5	HK\$11.5	HK\$42.9	HK\$42.9
	Maximum		HK\$213.4		HK\$382.8
	Minimum		HK\$7.2		HK\$14.9
	Average		HK\$50.4		HK\$100.2
The Group			HK\$54.7 (the "Calculated Highest Paid Individual Annual Compensation Package") (Note 2)		HK\$58.7 (the "Calculated Aggregated Annual Compensation Package") (Note 3)

*Source:* the website of the Stock Exchange and the respective published annual report of the Compensation Packages Comparable Companies.

*Notes:*

- (1) For illustration purposes only and unless otherwise stated, conversion of RMB, US\$ and EURO into Hong Kong dollars in this table is based on the exchange rate of RMB1.0 to HK\$1.1, US\$1.0 to HK\$7.8 and EURO1.0 to HK\$8.9. Such conversion should not be construed as a representation that any amount has been, could have been, or may be, exchanged at this or any other rate.
- (2) The Group's Highest Paid Individual Annual Compensation Package is calculated based on the stated annual remuneration package of Mr. Chen and the average annualised amount of the Award over the vesting period of five years based on the closing price of Share as at the Date of Award (i.e. 10 September 2020). It should be noted that the vesting of the Awarded Shares is subject to certain conditions being satisfied, thus it may or may not materialise, and the Highest Paid Individual Annual Compensation Package is for the purpose of this analysis only and does not reflect the actual financial effects of the grant of the Awarded Shares to be recorded by the Group.

- (3) The Group's Aggregated Annual Compensation Package of the five highest paid individuals is calculated based on (i) the stated annual remuneration package of Mr. Chen and the average annualised amount of the Award over the vesting period of five years based on the closing price of Share as at the Date of Award (i.e. 10 September 2020); and (ii) the amount of remuneration to one Director and three other highest paid individuals, based on information provided by the Management and/or 2019 Annual Report. It should be noted that the vesting of the Awarded Shares is subject to certain conditions being satisfied, thus it may or may not materialise, and the Calculated Aggregated Annual Compensation Package is for the purpose of this analysis only and does not reflect the actual financial effects of the grant of the Awarded Shares to be recorded by the Group.

We have conducted analysis on the Highest Paid Individual Annual Compensation Package and Aggregated Annual Compensation Package, being the compensation packages of the highest paid individual and aggregated compensation packages of the five highest paid individuals, respectively, of the Compensation Packages Comparable Companies because we recognised that the role, responsibilities, contribution and importance of individuals, even for positions such as the chief executive officer, would vary from listed company to listed company, as would the size of the board and senior management team. Having considered the above, we are of the view that conducting a comparison based on both the Highest Paid Individual Annual Compensation Package and Aggregated Annual Compensation Package would provide a reasonable assessment.

Based on the table above, the Highest Paid Individual Annual Compensation Package ranged from approximately HK\$7.2 million and HK\$213.4 million, with an average of approximately HK\$50.4 million, while the Aggregated Annual Compensation Package of the Compensation Packages Comparable Companies ranged from approximately HK\$14.9 million and HK\$382.8 million, with an average of approximately HK\$100.2 million. The Calculated Highest Paid Individual Annual Compensation Package and the Calculated Aggregated Annual Compensation Package of the Group amounted to approximately HK\$54.7 million and HK\$58.7 million, respectively, being within range of the Highest Paid Individual Annual Compensation Package and Aggregated Annual Compensation Package of the Compensation Packages Comparable Companies, respectively. As the Compensation Packages Comparable Companies are engaged in various industries, it provides a general market reference for prevailing market compensation packages of a wide spectrum of listed companies for its key management staff selected based on the Final Criteria, thereby providing a balance basis for a comprehensive assessment on evaluating whether the remuneration package of Mr. Chen is on normal commercial terms by comparing it against the general market remuneration rate for listed companies as set out above without unduly bias on a single industry and/or subject to potential distortions arising from a comparative smaller sample size.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered each of the Calculated Highest Paid Individual Annual Compensation Package and Calculated Aggregated Annual Compensation Package of the Group is within range of the Highest Paid Individual Annual Compensation Package and Aggregated Annual Compensation Package of the Compensation Packages Comparable Companies, respectively, we are of the view that the Awarded Shares, which forms part of the Calculated Highest Paid Individual Annual Compensation Package and Calculated Aggregated Annual Compensation Package of the Group, is on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

*c) Summary of our analysis*

Having considered, in particular,

- (i) the background and importance of Mr. Chen to the Group's future development;
- (ii) the reasons and benefits of the Award;
- (iii) the vesting period of Award is broadly in line with the vesting period of the Comparable Grants, which further aligns the long-term interests of the grantee with the Company and its Shareholders;
- (iv) the Award Shares represent approximately 1.81% of the total number of Shares in issue as at the Date of Grant, which is within the range of the Comparable Grants; and
- (v) the Calculated Highest Paid Individual Annual Compensation Package and the Calculated Aggregated Annual Compensation Package of the Group, which the Awarded Shares forms part of, is within range of the Highest Paid Individual Annual Compensation Package and Aggregated Annual Compensation Package of the Compensation Packages Comparable Companies, respectively,

we are of the view that the terms of the Award are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### 5.4. Financial effects of the Award

In accordance with the terms of the Scheme, holder of the Award shall receive the awarded Shares when vesting occurs. The fair value of the Award granted is based on the grant-date fair value of the underlying Shares. The grant-date fair values of the Shares granted is generally recognised as an expense, with a corresponding increase in a reserve account in equity over the vesting period of the Award.

The amount recognised as an expense is adjusted to reflect the number of Award for which the vesting conditions are expected to be met, such that the amount ultimately recognised is based on the number of Award that meet the vesting conditions at the vesting date. Upon vesting of the Awarded Shares, the Awarded Shares will be issued and the corresponding balance in the reserve account will be transferred to share capital account in equity.

### 6. Possible effect on the shareholding interest of the existing public Shareholders

As at the Latest Practicable Date, the Company has 621,500,000 Shares in issue.

Assuming that there will be no other change to the total number of Shares in issue from the Latest Practicable Date to the date of completion of the Subscription and the vesting of the Award in full, for illustration purposes only, the shareholdings in the Company (i) as at the Latest Practicable Date; (ii) immediately after the completion of the Subscription and the Award; (iii) immediately after the completion of the Award without taking into account the effects from the Subscription; and (iv) immediately after the completion of the Subscription without taking into account the effects from the Award, are and will be as follows:

	As at the date of the Latest Practicable Date		Immediately after the completion of the Subscription but before the Award		Immediately after the completion of the Award without taking into account the effects from the Subscription		Immediately after the completion of the Subscription and the Award	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
<i>Directors and Shareholders</i>								
Powerlong Real Estate (BVI) Holdings Limited <sup>(1)</sup>	405,000,000	65.16	405,000,000	64.01	405,000,000	64.01	405,000,000	62.89
Huihong Management (PTC) Limited <sup>(2)</sup>	45,000,000	7.24	45,000,000	7.11	45,000,000	7.11	45,000,000	6.99
Mr. Chen (or such other entities as designated and wholly-owned by Mr. Chen)	-	-	11,250,000	1.78	11,250,000	1.78	22,500,000	3.49
Public Shareholders	171,500,000	27.59	171,500,000	27.10	171,500,000	27.10	171,500,000	26.63
<b>Total:</b>	<b>621,500,000</b>	<b>100.00</b>	<b>632,750,000</b>	<b>100.00</b>	<b>632,750,000</b>	<b>100.00</b>	<b>644,000,000</b>	<b>100.00</b>

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### *Notes:*

1. Powerlong Real Estate (BVI) Holdings Limited is wholly-owned by Powerlong Real Estate Holdings Limited, which is in turn owned as to approximately 43.57% by Skylong Holdings Limited, a company wholly-owned by Mr. Hoi Kin Hong. By virtue of the SFO, each of Powerlong Real Estate Holdings Limited, Skylong Holdings Limited and Mr. Hoi Kin Hong is deemed to be interested in the same number of shares in which Powerlong Real Estate (BVI) Holdings Limited is interested in. Mr. Hoi Kin Hong and his spouse, Ms. Wong Lai Chan, also hold approximately 0.69% and 0.07% of direct interest in Powerlong Real Estate Holdings Limited, respectively. Mr. Hoi Wa Fong, an executive Director and chairman of the Board, is the son of Mr. Hoi Kin Hong and Ms. Wong Lai Chan.
2. Huihong Management (PTC) Limited, the trustee of the Huihong Trust, is wholly-owned by Mr. Hoi Wa Fong and is set up for the purpose of a share incentive scheme to be adopted at least six months after the Listing. As at the Latest Practicable Date, the detailed terms of the share incentive scheme and the relevant grantees have not yet been confirmed. By virtue of the SFO, Mr. Hoi Wa Fong is deemed to be interested in the shares held by Huihong Management (PTC) Limited.
3. It is assumed that there would be no other issue of new Shares and no repurchase of existing Shares before completion of the Subscription.
4. The aggregate of the percentage figures in the table above may not add up to the relevant sub-total or total percentage figures shown due to rounding of the percentage figures to two decimal places.

## VI. RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that Subscription Agreement, the Award and the respective Specific Mandate are on normal terms of which are fair and reasonable so far as the Independent Shareholders are concerned. The Subscription, the Award and the respective Specific Mandate are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Company. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Subscription, the Award and the respective Specific Mandate, and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully  
For and on behalf of  
**Red Sun Capital Limited**  
**Lewis Lai**  
*Managing Director*

*Mr. Lewis Lai is a licensed person registered with the SFC and a responsible officer of Red Sun Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 13 years of experience in the corporate finance industry.*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS OF DIRECTORS

As at the Latest Practicable Date, the interests and short positions of our Directors or chief executives of our Company in the shares, underlying shares and debentures of our Company or its associated corporation (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as contained in Appendix 10 to the Listing Rules were as follows:

### (i) Long position in shares and underlying shares of the Company

Name of Director	Nature of interest	Number of ordinary shares	Approximate percentage of holding <sup>(1)</sup>
Mr. Hoi Wa Fong <sup>(2)</sup>	Interest in a controlled corporation	45,000,000	7.24%

*Notes:*

1. The calculation is based on the total number of 621,500,000 shares in issue as at the Latest Practicable Date.
2. Huihong Management (PTC) Limited, the trustee of the Huihong Trust, is wholly-owned by Mr. Hoi Wa Fong for the purpose of a share incentive scheme to be adopted at least six months after the Listing. As of the Latest Practicable Date, the detailed terms of the share incentive scheme and the relevant grantees had not been confirmed. By virtue of the SFO, Mr. Hoi Wa Fong is deemed to be interested in the Shares held by Huihong Management (PTC) Limited.

## (ii) Long position in shares of associated corporations

Name of Director	Name of associate Corporation	Nature of interest	Number of shares interested	Approximate percentage of interest
Mr. Hoi Wa Fong	Powerlong Real Estate Holdings Limited	Beneficial owner, founder of a discretionary trust and interest of spouse <sup>(1)</sup>	605,509,400	14.62%
Ms. Hoi Wa Fan	Powerlong Real Estate Holdings Limited	Beneficial owner and interest of a controlled corporation <sup>(2)</sup>	265,246,000	6.40%
Ms. Hoi Wa Lam	Powerlong Real Estate Holdings Limited	Beneficial owner	13,807,000	0.33%

*Notes:*

- Of the 605,509,400 shares in Powerlong Real Estate Holdings Limited which Mr. Hoi Wa Fong is interested in, (i) 596,018,000 shares are held by Sky Infinity Holdings Limited, which is owned by Seletar Limited and Serangoon Limited as nominee in trust for Credit Suisse Trust Limited, the trustee of the Sky Infinity Trust. Mr. Hoi Wa Fong is the settlor of the Sky Infinity Trust; (ii) 8,988,000 shares are held by Mr. Hoi Wa Fong in his personal capacity; and (iii) 503,400 shares are held by Ms. Shih Sze Ni Cecilia, the spouse of Mr. Hoi Wa Fong.
- Of the 265,246,000 shares in Powerlong Real Estate Holdings Limited which Ms. Hoi Wa Fan is interested in, (i) 203,776,000 shares are held by Walong Holdings Limited and Mantong (HK) Trading Co., Ltd, which is wholly and beneficially owned by Ms. Hoi Wa Fan; and (ii) 61,470,000 shares are held by Ms. Hoi Wa Fan in her personal capacity.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executives of the Company had, or were deemed to have, any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (b) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

### 3. SERVICE CONTRACTS

None of the Directors has any existing or proposed service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

#### 4. DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as the Directors are aware, the following persons (other than the Directors or chief executives of the Company) and companies had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

##### (i) Long position in shares of the Company

Name of Shareholder	Capacity/Nature of interest	Number of ordinary shares	Approximate percentage of holding <sup>(1)</sup>
Mr. Hoi Kin Hong	Interest in a controlled corporation	405,000,000	65.16%
Powerlong Real Estate (BVI) Holdings Limited <sup>(2)</sup>	Beneficial owner	405,000,000	65.16%
Powerlong Real Estate Holdings Limited <sup>(2)</sup>	Interest in a controlled corporation	405,000,000	65.16%
Skylong Holdings Limited <sup>(2)</sup>	Interest in a controlled corporation	405,000,000	65.16%
Ms. Wong Lai Chan <sup>(3)</sup>	Interest of spouse	405,000,000	65.16%
Huihong Management (PTC) Limited <sup>(4)</sup>	Beneficial owner	45,000,000	7.24%
Ms. Shih Sze Ni Cecilia <sup>(5)</sup>	Interest of spouse	45,000,000	7.24%

*Notes:*

- The calculation is based on the total number of 621,500,000 Shares in issue as at the Latest Practicable Date.
- Powerlong Real Estate (BVI) Holdings Limited is wholly-owned by Powerlong Real Estate Holdings Limited, which is in turn owned as to approximately 43.57% by Skylong Holdings Limited, a company wholly-owned by Mr. Hoi Kin Hong. By virtue of the SFO, each of Powerlong Real Estate Holdings Limited, Skylong Holdings Limited and Mr. Hoi Kin Hong is deemed to be interested in the same number of Shares in which Powerlong Real Estate (BVI) Holdings Limited is interested in. Mr. Hoi Kin Hong and Ms. Wong Lai Chan also hold approximately 0.69% and 0.07% of direct interest in Powerlong Real Estate Holdings Limited, respectively. Mr. Hoi Wa Fong is the son of Mr. Hoi Kin Hong and Ms. Wong Lai Chan.
- Ms. Wong Lai Chan is the spouse of Mr. Hoi Kin Hong. By virtue of the SFO, Ms. Wong Lai Chan is deemed to be interested in the Shares held by Mr. Hoi Kin Hong.
- Huihong Management (PTC) Limited, the trustee of the Huihong Trust, is wholly-owned by Mr. Hoi Wa Fong and is set up for the purpose of a share incentive scheme to be adopted at least six months after the date of listing of the Shares on the Stock Exchange. As at the Latest Practicable Date, the detailed terms of the share incentive scheme and the relevant grantees have not yet been confirmed. By virtue of the SFO, Mr. Hoi Wa Fong is deemed to be interested in the Shares held by Huihong Management (PTC) Limited.
- Ms. Shih Sze Ni Cecilia is the spouse of Mr. Hoi Wa Fong. By virtue of the SFO, Ms. Shih Sze Ni Cecilia is deemed to be interested in the shares held by Mr. Hoi Wa Fong.



**5. MATERIAL ADVERSE CHANGE**

The Directors confirm there is no material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited financial statements of the Group were made up, up to and including the Latest Practicable Date.

**6. DIRECTOR'S INTERESTS IN ASSETS**

As at the Latest Practicable Date, none of the Directors had any interest, either directly or indirectly, in any assets which has since 31 December 2019 (being the date to which the latest published audited consolidated financial statements of the Group were made up), up to the Latest Practicable Date, been acquired or disposed of by or leased to, any member of the Group or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

**7. DIRECTORS' INTERESTS IN CONTRACT OR ARRANGEMENT OF SIGNIFICANCE**

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the date of this circular and which is significant in relation to the business of the Group.

**8. COMPETING INTEREST**

As at the Latest Practicable Date, none of the Directors and their associates was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group.

**9. QUALIFICATION AND CONSENT OF EXPERT**

The following is the qualification of the expert who has given opinion or advice, which are contained or referred to in this circular:

Name	Qualification
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 (Chapter 571 of the Laws of Hong Kong)

As at the Latest Practicable Date, Red Sun Capital Limited did not have (i) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group and (ii) any direct or indirect interest in any assets which had, since 31 December 2019 (being the date to which the latest published audited consolidated financial

statements of the Company were made up), been acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to any member of the Group.

Red Sun Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which it appears.

#### **10. DOCUMENTS AVAILABLE FOR INSPECTION**

The following documents will be available for inspection during normal business hours at the registered address of the Company in Hong Kong at 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) a copy of the Subscription Agreement;
- (b) a copy of the Scheme;
- (c) the letter from the Board, the text of which is set out in the section headed "Letter from the Board" in this circular;
- (d) the letter from Red Sun Capital Limited to the Independent Board Committee and the Independent Shareholders in respect of the Subscription and the Award;
- (e) the letter of consent referred to the paragraph headed "Qualification and Consent of Expert" in this appendix; and
- (f) this circular.

## NOTICE OF EXTRAORDINARY GENERAL MEETING

# 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)**

## NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (“**EGM**”) of the shareholders of Powerlong Commercial Management Holdings Limited (the “**Company**”) will be held at 2:00 p.m. on Tuesday, 24 November 2020 at Jin Long Hall 2, 2nd Floor, Le Meridien Shanghai Minhang, No. 3199 Cao Bao Road, Minhang District, Shanghai, China for the following purposes:

To consider and, if thought fit, pass with or without amendments, the following resolution as ordinary resolutions:

1. “**THAT**

- (a) the Subscription Agreement dated 10 September 2020 (a copy of which has been produced to this meeting marked “A” and signed by the chairman of this meeting for the purpose of identification) entered into between the Company and Mr. Chen Deli (“**Mr. Chen**”) in relation to the subscription of 11,250,000 new ordinary shares of the Company (the “**Subscription Shares**”) at the subscription price of HK\$24.30 per Subscription Share, and all transactions contemplated thereunder and all other matters thereof and incidental thereto and in connection therewith, be and are hereby generally and unconditionally approved, confirmed and ratified in all respects;
- (b) conditional upon The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting the listing of, and permission to deal in the Subscription Shares, the directors (the “**Directors**” and each a “**Director**”) of the Company be and are hereby granted a specific mandate (the “**Subscription Specific Mandate**”) to allot and issue the Subscription Shares, such Subscription Specific Mandate being in addition to and not prejudicing or revoking any general or specific mandate(s) which has/have been granted or from time to time be granted to the Directors by the shareholders of the Company; and
- (c) any one Director be and is hereby generally and unconditionally authorised to do all such acts or things and execute and deliver all such documents, instruments and agreements which they consider necessary, desirable or expedient to give effect to the transactions contemplated by the Subscription Agreement and the allotment and issue of the Subscription Shares, and to agree to such variation, amendments or waiver of matters relating thereto as are, in the opinion of the Director, in the interests of the Company.”

## NOTICE OF EXTRAORDINARY GENERAL MEETING

### 2. “THAT

- (a) the grant of 11,250,000 new ordinary shares of the Company (the “**Awarded Shares**”) pursuant to the share award scheme adopted by the Company on 10 September 2020 (a copy of which has been produced at the EGM marked “B” and signed by the chairman of the EGM for the purpose of identification) to Mr. Chen be and is hereby approved and confirmed;
- (b) conditional upon the Stock Exchange granting the listing of, and permission to deal in the Awarded Shares, the Directors be and are hereby granted a specific mandate (the “**Share Award Specific Mandate**”) to allot and issue the Awarded Shares, such Share Award Specific Mandate being in addition to and not prejudicing or revoking any general or specific mandate(s) which has/have been granted or from time to time be granted to the Directors by the shareholders of the Company; and
- (c) the allotment and issue of the Awarded Shares to Tricor Trust (Hong Kong) Limited, to hold on trust for Mr. Chen pursuant to the Scheme be hereby approved and confirmed.”

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

Hong Kong, 6 November 2020

#### *Notes:*

- 1. Any shareholder entitled to attend and vote at the EGM shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A proxy need not be a shareholder of the Company. A shareholder who is the holder of two or more Shares may appoint more than one proxy to attend and vote on the same occasion.
- 2. Where there are joint registered holders of any Share(s), any one of such joint holders may attend and vote at the EGM, either in person or by proxy in respect of such Share(s) as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the EGM or any adjournment thereof (as the case may be), the more senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
- 3. In order to be valid, a form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited at the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not less than 48 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be).
- 4. Completion and return of the form of proxy will not preclude members from attending and voting at the EGM or any adjournment thereof (as the case may be) should they so wish and in such event, the form of proxy shall be deemed to be revoked.

## NOTICE OF EXTRAORDINARY GENERAL MEETING

5. The register of members of the Company will be closed from Wednesday, 18 November 2020 to Tuesday, 24 November 2020, both days inclusive, during which period no transfer of shares will be registered. In order to determine the identity of the shareholders who are entitled to attend and vote at the EGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 17 November 2020.

*As at the date of this notice, 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, Ms. Ng Yi Kum, Estella, Mr. Chan Wai Yan, Ronald and Dr. Lu Xiongwen.*