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POWERLONG

宝龙

POWERLONG REAL ESTATE HOLDINGS LIMITED

寶龍地產控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1238)

**PROPOSED SPIN-OFF AND SEPARATE LISTING OF
POWERLONG REIT
ON THE MAIN BOARD OF
THE STOCK EXCHANGE OF HONG KONG LIMITED**

THE PROPOSED SPIN-OFF

The Company proposes to spin-off and separately list the units of Powerlong REIT, a collective investment scheme which will be constituted as a unit trust, on the Main Board of the Stock Exchange and subject to the authorisation by the SFC of the Powerlong REIT under Part IV of the SFO. The separate listing of the Powerlong REIT Units on the Main Board of the Stock Exchange constitutes a spin-off of the Powerlong REIT by the Company under PN15. The Stock Exchange has confirmed that the Company may proceed with the Proposed Spin-off.

POWERLONG REIT'S APPLICATION FOR AUTHORISATION

On 27 August 2021, the REIT Manager, through the Joint Listing Agents, submitted an application form for real estate investment trusts to the SFC for the authorization of the Powerlong REIT in connection with the application for listing of, and permission to deal in, the Powerlong REIT Units on the Stock Exchange.

It is intended that Powerlong REIT will conduct a global offering of its units (comprising a public offering and an international offering) in connection with the Listing. It is intended that Qualifying Shareholders will be provided with an assured entitlement to the Powerlong REIT Units under the Global Offering, subject to certain conditions. Details of such assured entitlement have not yet been finalised and the Company will make further announcement(s) in this regard as and when appropriate.

Upon completion of the Proposed Spin-off and Listing, the Company is expected to own less than 50% Powerlong REIT Units.

The key objectives of Powerlong REIT is to provide its unitholders with stable distributions and the potential for sustainable long-term growth in the distributions and enhancement in the value of the commercial and retail properties by owning and investing in high quality recurrent rental income generating from commercial and retail properties in the PRC. Powerlong REIT will not engage in the property development business upon completion of the Proposed Spin-off.

POWERLONG REIT'S APPLICATION FOR LISTING

Subject to the grant of the authorisation by of the SFC of Powerlong REIT, the REIT Manager will submit, through the Joint Listing Agents, a listing application form (Form A2) to the Stock Exchange to apply for listing of, and permission to deal in, the Powerlong REIT Units on the Main Board of the Stock Exchange.

LISTING RULES IMPLICATIONS

The Proposed Spin-off constitutes a disposal of the interest in a subsidiary of the Company under Rule 14.29 of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Proposed Spin-off in accordance with the Listing Rules exceed 5% but all of them are less than 25%, the Proposed Spin-off constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

GENERAL

Shareholders and other investors are reminded that there is no assurance that the SFC will grant the authorisation of Powerlong REIT and that the Stock Exchange will approve the Proposed Spin-off and the Listing. The Company will make further announcement(s) in relation to the Proposed Spin-off as and when appropriate.

As the Listing is conditional upon, among other things, the grant of the authorisation by the SFC, the approval of the Stock Exchange, the final decision of the Board and the board of directors of REIT Manager, market conditions and other considerations, the Proposed Spin-off may or may not occur. Shareholders and other investors are reminded to exercise caution when dealing in the securities of the Company.

INTRODUCTION

The Company proposes to spin-off and separately list the units of Powerlong REIT, a collective investment scheme which will be constituted as a unit trust, on the Main Board of the Stock Exchange and subject to the authorisation by the SFC of the Powerlong REIT under Part IV of the SFO. The separate listing of the Powerlong REIT Units on the Main Board of the Stock Exchange constitutes a spin-off of the Powerlong REIT by the Company under PN15. The Stock Exchange has confirmed that the Company may proceed with the Proposed Spin-off.

On 27 August 2021, the REIT Manager, through the Joint Listing Agents, submitted an application form for real estate investment trusts to the SFC for the authorization of the Powerlong REIT in connection with the application for listing of, and permission to deal in, the Powerlong REIT Units on the Stock Exchange. Subject to the grant of the authorisation by of the SFC of Powerlong REIT, the REIT Manager will submit, through the Joint Listing Agents, a listing application form (Form A2) to the Stock Exchange to apply for listing of, and permission to deal in, the Powerlong REIT Units on the Main Board of the Stock Exchange.

THE PROPOSED SPIN-OFF

The Proposed Spin-off involves the spin-off and separate listing of the Powerlong REIT Units on the Main Board of the Stock Exchange by way of a Global Offering by Powerlong REIT. The details of the Global Offering have yet to be finalised. As at the date of this announcement, Powerlong REIT is yet to be constituted. It is intended that upon completion of the Proposed Spin-off and the Listing, the Company will own less than 50% Powerlong REIT Units.

POWERLONG REIT

The key objectives of Powerlong REIT is to provide its unitholders with stable distributions and the potential for sustainable long-term growth in the distributions and enhancement in the value of the commercial and retail properties by owning and investing in high quality recurrent rental income generating from commercial and retail properties in the PRC. Powerlong REIT will not engage in the property development business upon completion of the Proposed Spin-off.

RATIONALE AND BENEFITS OF THE PROPOSED SPIN-OFF

The Company considers that it is commercially beneficial and in the interest of the Shareholders to proceed with the Proposed Spin-off as the Proposed Spin-off is expected to create greater value for the Company and the Shareholders as a whole for the following reasons:

- (a) as it is currently contemplated, the day-to-day property management functions for the REIT Properties will be delegated to the Powerlong CM Group. The Proposed Spin-off will create synergies among the Retained Group, the Powerlong REIT and Powerlong CM Group by establishing a fully integrated platform encompassing property development, property operation and management and asset management which will enhance operational efficiency of the Company;
- (b) the net proceeds to be received by the Company from the Proposed Spin-off will provide the Retained Group with funds for its operations, thereby enabling the Retained Group to reduce its net borrowings, and hence improve its liquidity and gearing position. It would also provide the Retained Group with capital to fund new investment opportunity;
- (c) the Proposed Spin-off will allow the Company to capitalise part of the REIT Properties in the form of upfront cash proceeds as well as enable the Shareholders to benefit from the Company's continuing interest in Powerlong REIT;
- (d) the Proposed Spin-off is a beneficial attempt to develop innovative financing channels for the Powerlong REIT Group and to connect with the international capital markets as a separate listed entity by enabling the Powerlong REIT Group to have a separate funding platform and an enlarged shareholder base thereby enhancing the fund raising capabilities of the Powerlong REIT Group;
- (e) the Proposed Spin-off will enable the Powerlong REIT Group to provide the unitholders with the potential for sustainable long-term growth in the distributions payable to them and the benefits which flow from the enhancement in the value of the portfolio of properties of Powerlong REIT;
- (f) the Proposed Spin-off will enable the Retained Group and the Powerlong REIT Group to pursue a more targeted development, conduct strategic planning and better allocate resources. The Retained Group and the Powerlong REIT Group will both benefit from the decision-making process under the independent management structure to seize emerging business opportunities, in particular the Powerlong REIT Group which has a dedicated management team focusing on its development; and
- (g) the Proposed Spin-off will improve the Company's image and reputation in the real estate industry, thereby enhancing the ability to attract strategic investors and partners. This may provide synergies for the Retained Group and the Powerlong REIT Group.

ASSURED ENTITLEMENT AND FURTHER ANNOUNCEMENT

The Board will give due regard to the interests of the Shareholders by providing the Qualifying Shareholders with an assured entitlement to Powerlong REIT Units under the Global Offering, subject to certain conditions, if the Board and the board of directors of the REIT Manager decide to proceed with the Proposed Spin-off and the Global Offering, the SFC has granted the authorisation of Powerlong REIT and the Stock Exchange has given its approval to the Listing. Details of such assured entitlement have not yet been finalised. The Company will make further announcement(s) in this regard as and when appropriate.

INFORMATION ON THE GROUP

The Group is one of the leading property developers in the PRC and is dedicated to developing and operating high quality, large-scale and multi-functional commercial real estate projects, with extensive presence in the businesses of property development, property investment, commercial operational and residential property management and other property development related businesses.

LISTING RULES IMPLICATIONS

The Proposed Spin-off constitutes a disposal of the interest in a subsidiary of the Company under Rule 14.29 of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Proposed Spin-off in accordance with the Listing Rules exceed 5% but all of them are less than 25%, the Proposed Spin-off constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

GENERAL

A redacted form of the application proof of Powerlong REIT's listing document (the "**Application Proof**") is expected to be available for reviewing and downloading on the Stock Exchange's website at <http://www.hkexnews.hk/APP/SEHKAPPMainIndex.htm>. The Application Proof contains, among other things, certain business and financial information relating to the Powerlong REIT Group. Shareholders should note that the Application Proof is in draft form and the information contained in it is subject to change which may be material.

Shareholders and other investors are reminded that there is no assurance that the SFC will grant the authorisation of Powerlong REIT and that the Stock Exchange will approve the Proposed Spin-off and the Listing. The Company will make further announcement(s) in relation to the Proposed Spin-off as and when appropriate.

As the Listing is conditional upon, among other things, the grant of the authorisation by the SFC, the approval of the Stock Exchange, the final decision of the Board and the board of directors of REIT Manager, market conditions and other considerations, the Proposed Spin-off may or may not occur. Shareholders and other investors are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Board”	the board of Directors of the Company;
“Company”	Powerlong Real Estate Holdings Limited (寶龍地產控股有限公司) (stock code: 1238), an exempted company incorporated in the Cayman Islands with limited liability on 18 July 2007, the shares of which are listed on the Main Board of the Stock Exchange;
“Directors”	directors of the Company;
“Global Offering”	the offering to the public in Hong Kong for subscription, and the international offering with certain professional and institutional investors and other investors of the Powerlong REIT Units;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Joint Listing Agents”	CLSA Capital Markets Limited and BOCI Asia Limited jointly appointed by the Company;
“Listing”	the listing of the Powerlong REIT Units on the Main Board of the Stock Exchange;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PN15”	Practice Note 15 to the Listing Rules;
“Powerlong CM”	Powerlong Commercial Management Holdings Limited (寶龍商業管理控股有限公司) (stock code: 9909), an exempted company incorporated in the Cayman Islands with limited liability on 25 March 2019, the shares of which are listed on the Main Board of the Stock Exchange;
“Powerlong CM Group”	Powerlong CM and its subsidiaries;
“Powerlong REIT”	Powerlong Commercial Real Estate Investment Trust (寶龍商業房地產投資信託基金), a real estate investment trust which will be constituted as a unit trust by a trust deed to be entered into between the manager and the trustee of such trust upon the authorisation by the SFC under Part IV of the SFO;

“Powerlong REIT Group”	Powerlong REIT, its subsidiaries and its underlying assets;
“Powerlong REIT Units”	units of Powerlong REIT;
“PRC”	the People’s Republic of China;
“Proposed Spin-off”	the proposed spin-off and separate listing of the Powerlong REIT Units on the Main Board of the Stock Exchange;
“Qualifying Shareholders”	Shareholders whose names appear in the register of members of the Company on the Record Date, other than Shareholders whose names appear in the register of members of the Company on the Record Date and whose addresses as shown in such register are in any of the specified territories and any Shareholders or beneficial Shareholders at that time who are otherwise known by the Company to be resident in any of the specified territories;
“Record Date”	the record date for ascertaining the Qualifying Shareholders who shall be entitled to assured entitlements;
“REIT Manager”	Powerlong REIT Management Limited, an indirect wholly-owned subsidiary of the Company and the proposed manager of Powerlong REIT, was incorporated in Hong Kong on 16 April 2021;
“REIT Properties”	certain shopping malls owned by the Group to be injected into the Powerlong REIT Group for the purpose of the Proposed Spin-off
“Retained Group”	the Company and its subsidiaries, excluding the Powerlong REIT Group and the Powerlong CM Group;
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Shareholders”	shareholders of the Company;

“Stock Exchange”

The Stock Exchange of Hong Kong Limited; and

“%”

per cent.

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

Hong Kong, 27 August 2021

As at the date of this announcement, the executive directors of the Company are Mr. Hoi Kin Hong, Mr. Hoi Wa Fong, Mr. Xiao Qing Ping, Ms. Shih Sze Ni Cecilia and Mr. Zhang Hong Feng; the non-executive director of the Company is Ms. Hoi Wa Fan; and the independent non-executive directors of the Company are Dr. Ngai Wai Fung, Dr. Mei Jian Ping and Dr. Ding Zu Yu.