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POWERLONG
宝龙

POWERLONG REAL ESTATE HOLDINGS LIMITED
寶龍地產控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1238)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 27 December 2018 in respect of the 2019 Security Service Agreement, pursuant to which Fujian Pingan agreed to provide certain security intelligentization system services to the Group for a term of three years from 1 January 2019 to 31 December 2021 (both days inclusive).

As the 2019 Security Service Agreement will be expiring on 31 December 2021, the Company and Fujian Pingan entered into the 2022 Security Service Agreement on 28 December 2021 to renew the framework for the provision of such services for a term of three years commencing from 1 January 2022 to 31 December 2024 (both days inclusive).

Fujian Pingan is owned as to 80% by Mr. Cai Guo Liang. Mr. Cai Guo Liang is a relative of Mr. Hoi Wa Fong, who is an executive Director and a substantial shareholder of the Company. Fujian Pingan is therefore an associate of Mr. Hoi Wa Fong and hence a connected person at the listed issuer level of the Company under the Listing Rules. Accordingly, the transactions contemplated under the 2022 Security Service Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios for the transactions contemplated under the 2022 Security Service Agreement is, on an annual basis, more than 0.1% but less than 5%, the transactions contemplated under the 2022 Security Service Agreement are subject to the reporting and announcement requirements but are exempted from the circular and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the announcement of the Company dated 27 December 2018 in respect of the 2019 Security Service Agreement, pursuant to which Fujian Pingan agreed to provide certain security intelligitization system services to the Group for a term of three years from 1 January 2019 to 31 December 2021 (both days inclusive).

As the 2019 Security Service Agreement will be expiring on 31 December 2021, the Company and Fujian Pingan entered into the 2022 Security Service Agreement on 28 December 2021 to renew the framework for the provision of such services for a term of three years commencing from 1 January 2022 to 31 December 2024 (both days inclusive).

Details of the 2022 Security Service Agreement are set out as below:

2022 SECURITY SERVICE AGREEMENT

Date: 28 December 2021

Parties: (1) the Company
(2) Fujian Pingan

Subject: Pursuant to the 2022 Security Service Agreement, Fujian Pingan will provide certain security intelligitization system services to the Group, including but not limited to building automation system and safety monitoring system for the Group (the “**Services**”) on a project-by-project basis.

The 2022 Security Service Agreement is a framework agreement which provides the mechanism for the provision of the Services by Fujian Pingan to the Group. It is envisaged that from time to time and as required, individual service agreements will be required to be entered into between the Group and Fujian Pingan. Each individual service agreement will set out the relevant Services to be provided by Fujian Pingan to the Group and the service fees. The individual service agreements may only contain provisions which are in all material respects consistent with the binding principles, guidelines, terms and conditions set out in the 2022 Security Service Agreement. As the individual service agreements are simply further elaborations on the 2022 Security Service Agreement, they do not constitute new categories of connected transactions as far as the Listing Rules are concerned.

Term: The 2022 Security Service Agreement has a fixed term of three years commencing from 1 January 2022 to 31 December 2024 (both days inclusive).

Price: The basis of determining the service fees payable by the Group in respect of the Services contemplated under the 2022 Security Service Agreement will be determined in the ordinary course of business, on normal commercial terms, with reference to certain factors including the size and location of the property projects of the Group for which the Services will be required and the anticipated costs

(including labour costs, technical costs and material costs), and negotiated on an arm's length basis, on similar basis as the Group transacts similar business with other independent service providers and shall be on terms which are no less favorable to the Group than those offered by other independent service providers.

Payment: Payment of the Services will be settled by way of cash within 30 days after confirmation of work done by both parties, subject to the terms of the individual service agreements in respect of the Services to be entered into between the Group and Fujian Pingan under the 2022 Security Service Agreement.

PRICING POLICIES AND INTERNAL CONTROL

As a general principle, the price and terms of the individual service agreements in respect of the Services will be determined in the ordinary course of business, on normal commercial terms, with reference to certain factors including the size and location of the property projects of the Group for which the Services will be required and the anticipated costs (including labour costs, technical costs and material costs), and negotiated on arm's length basis, on similar basis as the Group transacts similar business with other independent service providers and shall be on terms which are no less favorable to the Group than those offered by other independent service providers.

Subject to the general principle disclosed above, the Group will also take into account the following factors when determining the service fee payable in respect of the Services: (i) the prevailing market rates of the Services to be provided by Fujian Pingan to the Group; (ii) the quality and fees of the Services available in the market; and (iii) the expected costs to be incurred by Fujian Pingan in providing such Services. In determining the service fee payable under the 2022 Security Service Agreement, the Group may also invite service providers in the market (including the independent third party(ies)) to participate in a tender or to provide a quotation to get a reference on the prevailing market rates for the relevant Services. The prices obtained through the tender process or from quotation will be reviewed and evaluated by the relevant personnel of the cost management centre of the Group and be compared against the market rates obtained through the regular price research conducted by the Company. Where the terms of an offer from, and product quality delivered by, Fujian Pingan are more favorable to the Group than those offered by other independent service providers to the Group, the Group may award the contract to Fujian Pingan.

The pricing policy for all the continuing connected transactions of the Group will be supervised and monitored by the relevant personnel and management of the Group to ensure that all the continuing connected transactions are conducted on normal commercial terms and in accordance with the pricing policy of the Group and will not be prejudicial to the interests of the Company and the Shareholders as a whole. The relevant personnel and management of the Group will conduct regular checks and assess whether individual transactions contemplated under the continuing connected transactions are conducted in accordance with the terms of the agreement and will also regularly review whether the price charged/paid for a specific transaction is fair and reasonable and in accordance with the aforesaid pricing policy. The independent non-executive Directors will continue to review the transactions contemplated under the 2022 Security Service Agreement and the auditors of the Company will also conduct an annual review on the pricing terms and annual caps thereof. Accordingly, the Directors consider that the internal control mechanism is effective to ensure that the Services contemplated under

the 2022 Security Service Agreement have been and will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.

ANNUAL CAPS AND BASIS OF DETERMINATION

The proposed annual caps of the Services contemplated under the 2022 Security Service Agreement for each of the financial years ending 31 December 2022, 2023 and 2024 are set out below:

	For the year ending 31 December 2022	For the year ending 31 December 2023	For the year ending 31 December 2024
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
Provision of the Services by Fujian Pingan	200,000,000	205,000,000	220,000,000

The annual caps of the Services contemplated under the 2022 Security Service Agreement are determined with reference to (i) the anticipated business volume of the Group and Fujian Pingan for the three financial years ending 31 December 2024, taking into account of the portfolio of land bank to be maintained by the Group, the expected new projects volume and the project development plan during such period; and (ii) the historical transaction amounts between the Group and Fujian Pingan for the two years ended 31 December 2020 and the eleven months ended 30 November 2021. The 2022 Security Service Agreement also provides that the terms and conditions in relation to the Services to be provided by Fujian Pingan to the Group should not be less favorable to the Group than those available to independent third parties from Fujian Pingan.

The historical transaction amounts between the Company and Fujian Pingan for the two financial years ended 31 December 2020 and the eleven months ended 30 November 2021 are as follows:

	For the year ended 31 December 2019	For the year ended 31 December 2020	For the eleven months ended 30 November 2021
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
Provision of the Services by Fujian Pingan			
Annual cap	150,000,000	180,000,000	200,000,000*
Transaction amount	26,297,000	33,479,000	48,143,000**

* for the year ending 31 December 2021

** unaudited figure

As at the date of this announcement, the annual caps under the 2019 Security Service Agreement for the three financial years ending 31 December 2021 have not been exceeded.

REASONS FOR AND BENEFITS OF THE 2022 SECURITY SERVICE AGREEMENT

The Company is an investment holding company and the Group is a leading real estate developer in the PRC specializing in the development and operation of high-quality, large-scale, integrated commercial and residential complexes. Fujian Pingan is principally engaged in the business of providing security intelligentization system services.

Prior to the entering of the 2022 Security Service Agreement, Fujian Pingan has been providing security intelligentization system services to the Group pursuant to the 2019 Security Service Agreement. Taking into consideration of the stable and well-established cooperation history and strategic business relationship between the Group and Fujian Pingan, the Directors consider that it is in the interest of the Company to renew the arrangement with Fujian Pingan by entering into the 2022 Security Service Agreement as Fujian Pingan is familiar with the security intelligentization system's specifications, standards and requirements of the Group and the Group has confidence on the quality of the services provided by Fujian Pingan. The 2022 Security Service Agreement was entered into in the usual and ordinary courses of business of the Group and the transactions contemplated thereunder will be conducted on arm's length basis and on normal commercial terms. The Directors (including the independent non-executive Directors) consider that the terms of the 2022 Security Service Agreement are fair and reasonable and the entering into of the 2022 Security Service Agreement is in the interest of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Fujian Pingan is owned as to 80% by Mr. Cai Guo Liang. Mr. Cai Guo Liang is a relative of Mr. Hoi Wa Fong, who is an executive Director and a substantial shareholder of the Company. Fujian Pingan is therefore an associate of Mr. Hoi Wa Fong and hence a connected person at the listed issuer level of the Company under the Listing Rules. Accordingly, the transactions contemplated under the 2022 Security Service Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios for the transactions contemplated under the 2022 Security Service Agreement is, on an annual basis, more than 0.1% but less than 5%, the transactions contemplated under the 2022 Security Service Agreement are subject to the reporting and announcement requirements but are exempted from the circular and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

As at the date of this announcement, each of Mr. Hoi Kin Hong, Mr. Hoi Wa Fong and Ms. Hoi Wa Fan holds 44.37%, 14.66% and 6.96% of the total number of issued shares of the Company, respectively. Ms. Shih Sze Ni Cecilia is the spouse of Mr. Hoi Wa Fong. Each of Mr. Hoi Kin Hong, Mr. Hoi Wa Fong, Ms. Hoi Wa Fan and Ms. Shih Sze Ni Cecilia is a Director. As Mr. Hoi Kin Hong, Mr. Hoi Wa Fong, Ms. Shih Sze Ni Cecilia and Ms. Hoi Wa Fan are considered to have a material interest in the transactions contemplated under the 2022 Security Service Agreement, each of them had abstained from voting on the Board resolution to approve the entering into of the 2022 Security Service Agreement.

DEFINITIONS

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

“2019 Security Service Agreement”	the security service agreement dated 27 December 2018 entered into between the Company and Fujian Pingan in relation to the framework for provision of the Services for a term of three years from 1 January 2019 to 31 December 2021 (both days inclusive);
“2022 Security Service Agreement”	the security service agreement dated 28 December 2021 entered into between the Company and Fujian Pingan in relation to the framework for provision of the Services for a term of three years from 1 January 2022 to 31 December 2024 (both days inclusive);
“associate”	has the same meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Company”	Powerlong Real Estate Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange;
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Fujian Pingan”	Fujian Pingan Security Devices and Network Co., Ltd (福建平安報警網絡有限公司), a company established in the PRC which is owned as to 80% by Mr. Cai Guo Liang and 20% by Mr. Cui Wei who is an independent third party and not connected with the Company and its connected persons;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“PRC”	the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, Macau Special Administrative Region and Taiwan;

“relative”	has the same meaning ascribed to it under the Listing Rules;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholders”	holder(s) of the Shares;
“Shares”	ordinary shares with a par value of HK\$0.01 each in the capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	has the same meaning ascribed to it under the Listing Rules;
“%”	per cent.

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

Hong Kong, 28 December 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.