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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)

VOLUNTARY ANNOUNCEMENT

References are made to the Company's announcements dated 24 March 2022 and 29 March 2022 in relation to, among other matters, the change of auditors and the publication of unaudited annual results for the year ended 31 December 2021.

This announcement is made by Powerlong Commercial Management Holdings Limited (the **"Company"**, together with its subsidiaries, the **"Group"**) on a voluntary basis to provide the shareholders of the Company and potential investors with further information on (1) the matters relating to the resignation letter of PricewaterhouseCoopers (**"PwC"**), the former auditor of the Company; (2) the impact of the coronavirus disease (COVID-19) pandemic on the audit on the Group's financial statements for the year ended 31 December 2021 (the **"FY2021 Audit"**); and (3) expected publication date of the audited annual results of the Company for the year ended 31 December 2021.

(1) MATTERS RELATING TO THE RESIGNATION OF AUDITOR

The Company would like to provide certain clarification in relation to the resignation of PwC as auditor as noted in PwC's resignation letter.

Background

In the course of its audit on the Company's consolidated financial statements for the year ended 31 December 2021, PwC obtained a bank confirmation regarding a bank deposit (the **"Bank Deposit"**) of the subsidiary of the Company (the **"Relevant Subsidiary"**) from a bank (the **"Bank"**), pursuant to which the Bank Deposit was confirmed by the Bank as unrestricted deposit. However, upon subsequent telephone enquiry made by PwC with the confirmation letter handling department of the Bank, PwC was informed that such department did not handle the bank confirmation, and the relevant bank account number was under the restricted deposit category (the **"Inconsistencies"**).

The Bank Deposit is a type of structured deposit product where the principal of the Bank Deposit is 100% guaranteed by the Bank with the interest rate (the “**Interest Rate**”) comprising a fixed rate plus a variable rate which is linked to the 1-year China Loan Prime Rate authorised by the People’s Bank of China. The Bank Deposit is by nature similar to a fixed deposit, which had a term of not more than 12 months, during which early withdrawal is not allowed prior to the expiry of the term (the “**Restriction**”). This Restriction allows the Group to earn a higher interest rate than a deposit without the Restriction. The Group has been generating net cash inflow in the past three years to finance its operation, and it still has surplus cash to earn a higher interest income with principal 100% guaranteed by placing the Bank Deposit. The Bank Deposit was made for treasury purpose in accordance with the Group’s treasury policy.

The Company’s view and clarification

The Company would like to clarify that the Group was not involved in the audit confirmation process apart from verifying the information in the bank confirmation before it was sent out by PwC, and that PwC received the responses from the Bank in the ordinary and usual course of the audit confirmation workstream. The Company was not in the position to explain the Inconsistencies without obtaining further clarification and response from the Bank, which clarification request had been made by the Group with the Bank and yet response to it has not been received due to the COVID-19 pandemic in Shanghai.

The Company would like to emphasize that the Inconsistencies would only affect the classification of the Bank Deposit as restricted cash or unrestricted cash in the consolidated financial statements of the Company. Regardless of whether the cash deposit account in question is regarded as a restricted or unrestricted account, the Bank Deposit would still be classified as bank deposit in the consolidated financial statements of the Company.

Subject to audit, the Bank Deposit was classified as “cash and bank balances” in the Company’s consolidated balance sheet as at 31 December 2021 as set out on page 3 of the Company’s 2021 unaudited annual results announcement dated 29 March 2022. As at the date of this announcement, RMB1,100 million of the Bank Deposit had matured, and the remaining RMB900 million (the “**Remaining Bank Deposit**”) will mature in November 2022. The Remaining Bank Deposit only accounted for approximately 22.6% and 17.6% of the Group’s cash and bank balances as at 31 December 2021, and the Group’s total assets as at 31 December 2021, respectively, based on the Company’s unaudited consolidated management accounts as at 31 December 2021. The Group had sufficient working capital for its ordinary and usual course of business and placing of the Bank Deposit with the Restriction would not affect the overall liquidity of the Group from a cash flow management perspective and would not affect its operation at all, and could generate additional finance income for the Group.

The Audit Committee's view

The Company discussed the matters relating to the Inconsistencies with the audit committee of the Company (the “**Audit Committee**”). The Audit Committee agreed with the Company's view that the underlying matter associated with the Bank Deposit does not amount to an audit issue for the purpose of the audit of the Group's annual results for the year ended 31 December 2021 and only concerns the classification of the Bank Deposit in the Group's financial statements as restricted or unrestricted bank deposit, and did not consider an investigation by the Group would be necessary in light of the COVID-19 pandemic situation faced by the Group. It also concurred with the Company's view that the placing of the Bank Deposit with the Bank would not affect the overall liquidity of the Group from a cash flow management perspective and would not affect its operation at all.

Elite Partners' view

The Company's new auditor, Elite Partners (CPA) Limited (“**Elite Partners**”), has received the information and explanation provided by the management of the Group regarding the Inconsistencies and the Bank Deposit and will perform the designated audit procedures to verify the management's explanation. Based on the discussions between the management of the Group and the Audit Committee with Elite Partners, the Company understands that: (i) Elite Partners will implement appropriate audit procedures to address the classification of the Bank Deposit; and (ii) subject to completion of audit procedures, based on the information and explanation provided by the management of the Group and the initial analysis performed on the terms of the Bank Deposit, Elite Partners considers that the Bank Deposit shall only concern the classification of the Bank Deposit as restricted or unrestricted bank deposit in the Group's financial statements.

(2) IMPACT OF THE COVID-19 PANDEMIC ON THE FY2021 AUDIT

The COVID-19 pandemic had adversely affected the Group's financial reporting and audit progress for the FY2021 Audit. In particular, the Minhang Qibao area (閔行七寶地區) in Shanghai, where the Group's head office is located, had been subject to mandatory quarantine measures imposed by the local authorities, including lockdown and access restriction of residential neighborhoods and office buildings, business suspension and multiple rounds of mandatory COVID-19 testing. In February 2022, the general manager of the finance department and other financial staff of the Group had been subject to quarantine for one week. In early March 2022, approximately 90% of the staff members of the Group's head office in Shanghai had been subject to mandatory quarantine including a quarantine period from 3 to 4 days and up to 20 days, and were unable to perform their duties as normal to varying extents. Courier services had also been disrupted due to concern of spreading of COVID-19 in the community.

The foregoing had (i) limited office access by the Group's management and staff and the auditor's staff, (ii) limited access to the onsite accounting records, information and system of the Group; (iii) disrupted or impaired the financial reporting and audit work schedule and efficiency; (iv) disrupted or delayed the provision of information and materials; (v) disrupted or delayed the sending and receipt of documents, including the preparation and dispatch of audit confirmation letters and bank confirmations; and (vi) reduced the manpower resources and total work hours available for financial reporting and audit work. In addition, due to the travel restrictions and quarantine measures and lack of other qualified or experienced staff, the Group had not been able to re-allocate additional manpower resources from other offices or departments to ensure timely completion of the financial reporting and audit related work. As a result, there was unexpected delay to the original audit work plan and schedule, and the Company was not able to complete the necessary procedures in order for the Company to finalize its audited consolidated financial statements for the financial year ended 31 December 2021 by 31 March 2022.

As at the date of this announcement, the Group's head office building is still subject to access restriction due to the recent lockdown policy and measures imposed by the Shanghai government and over 60% of the staff members of the Group's head office in Shanghai (including all the senior management and all financial reporting staff) remain subject to quarantine.

(3) EXPECTED PUBLICATION DATE OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

Based on discussion with Elite Partners, it is expected that the audited consolidated annual results of the Company for the year 31 December 2021 will be published no later than 15 May 2022.

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

Hong Kong, 31 March 2022

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