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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)

SUPPLEMENTAL ANNOUNCEMENT

**CONTINUING CONNECTED TRANSACTIONS –
CAR PARKING LOTS SALES AGENCY SERVICES
FRAMEWORK AGREEMENT**

Reference is made to the announcement of Powerlong Commercial Management Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 11 May 2022 (the “**Announcement**”) in relation to, among other matters, the entry into of the Car Parking Lots Sales Agency Services Framework Agreement (the “**Agreement**”) between Shanghai Shangsheng (a wholly-owned subsidiary of the Company) and Shanghai Powerlong (a wholly-owned subsidiary of Powerlong Holdings). Unless the context otherwise requires, terms defined or used in the Announcement shall have the same meanings when used herein.

This announcement provides further information about the transactions contemplated under the Agreement.

(1) Basis for determining the Deposit to be 30% of the Agreed Value

As disclosed in the Announcement, in consideration of the granting of the Exclusive Sales Agency Rights, the Group shall pay the Deposit to the Powerlong Group, which shall be 30% of the Agreed Value.

The Company takes the view that the Deposit equivalent to 30% of the Agreed Value is fair and reasonable after considering the following factors:

- (a) as the Group would obtain the Exclusive Sales Agency Rights over the Exclusive Car Parking Lots, an upfront payment of the Deposit was considered by the Powerlong Group to be necessary from a commercial perspective and in line with the similar transactions conducted by other companies listed on the Stock Exchange based on publicly available information. On the other hand, the upfront payment of the Deposit, which would be fully refundable to the Group upon expiry or early termination of the Agreement, enabled the Group to negotiate for a better commission fee rate arrangement as compared to that adopted by the Powerlong Group with independent third parties, which generally represents a commission fee rate of not more than 4%. The Deposit arrangement was considered by the parties to be mutually beneficial;

- (b) the rate of 30% of the Agreed Value is within the range of the earnest money/ deposit payable for obtaining exclusive sales agency right, which earnest money/ deposit could be up to 100% of the base price of the car parking lots, as observed in the sales agency transactions of other companies listed on the Stock Exchange based on publicly available information;
- (c) the Deposit at 30% of the Agreed Value would represent only a fraction of the market value of the Exclusive Car Parking Lots. In the unlikely event that the Powerlong Group fails to refund the Deposit to the Group, the Group would still be able to recover the Deposit through sale of the car parking lots, including sale at a discount to the market price;
- (d) the bank deposit interest rate available to the Group in the PRC is approximately 1.15% to 1.35% per annum. Although the Deposit will be refundable to the Group interest-free, the Company believes that the potential return from the exclusive sales agency arrangement (including the potential Agency Fee that could be earned by the Group) will outweigh the potential bank interest income that could be derived from placing the Deposit with banks or other financial institutions; and
- (e) the Agency Fee will be payable to the Group on a monthly basis and the corresponding portion of the Deposit will also be refunded to the Group on a monthly basis. The monthly settlement cycle implies that a relatively short credit period has been granted by the Group to the Powerlong Group, and the Group would be able to closely monitor the credit risk relating to the Deposit.

(2) Basis for determining the annual cap for the Deposit

The annual cap for the Deposit of RMB200 million has been determined based on (1) the Agreed Value of the Exclusive Car Parking Lots of approximately RMB660 million, which in turn was determined based on the market value of the Exclusive Car Parking Lots of approximately RMB662 million as appraised by an independent valuer; and (2) the Deposit equivalent to 30% of the Agreed Value, being RMB198 million.

(3) Recoverability of the Deposit and measures to mitigate the risks involved

The Company considers the major risk in payment of the Deposit under the Agreement to be low and that the potential risk could be mitigated with reference to, among other matters, the following factors:

- (a) the relatively low credit risk and liquidity risk of the Powerlong Group in light of the long-term business relationship between the Group and the Powerlong Group, the long track record period of Powerlong Holdings as a listed company since October 2009 and its relatively healthy net current asset and net asset positions as at 31 December 2021;
- (b) the default penalty clause in the Agreement, which serves to disincentivize the Powerlong Group from breaching its obligation of returning the Deposit to the Group under the Agreement;

- (c) the monthly settlement cycle of the Agency Fee and the Deposit corresponding to the car parking lots sold by the Group, which would allow the Group to gradually recover the Deposit on a monthly basis over the term of the Agreement depending on the sales progress;
- (d) the Exclusive Car Parking Lots are situated in property projects that are under the management of the Group. The Group can utilize its existing resources and network to promote the sales of the car parking lots to the potential buyers who are tenants or owners of the properties in a cost-efficient manner; and
- (e) as the Deposit represents a fraction of the market value of the car parking lots, the Group would likely be able to recover the Deposit even if the car parking lots could only be sold at a discount to the market price due to market downturn or other unfavourable factors.

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

Hong Kong, 6 June 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.