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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)

DISCLOSEABLE TRANSACTION IN RELATION TO THE PAYMENT OF REFUNDABLE DEPOSITS UNDER THE SALES AGENCY AGREEMENTS

THE SALES AGENCY AGREEMENTS

The Board announces that Shanghai Powerlong Commercial (an indirect wholly-owned subsidiary of the Company) has entered into five Sales Agency Agreements with the CIFI Group, pursuant to which Shanghai Powerlong Commercial shall provide sales agency services in respect of the Exclusive Properties on an exclusive basis for an initial term commencing from 9 December 2022 and expiring on 30 December 2023, subject to extension for one year upon mutual agreement.

In consideration of the exclusive agency right to sell the Exclusive Properties, Shanghai Powerlong Commercial has paid the Deposits amounting to approximately RMB300.0 million (approximately HK\$331.7 million) in aggregate to the CIFI Group.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios in respect of the payment of the Deposits under the Sales Agency Agreements (in aggregate) exceed 5% but all of them are less than 25%, the payment of the Deposits under the Sales Agency Agreements constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to reporting and announcement requirements but exempt from the Shareholders' approval requirement.

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THE SALES AGENCY AGREEMENTS

The principal terms of the Sales Agency Agreements are set out below:

Date

9 December 2022

Parties

- (i) Shanghai Powerlong Commercial;
- (ii) the CIFI Project Companies; and
- (iii) CIFI Group Co.

The Exclusive Properties

The exclusive properties include shops and commercial premises of five property development projects of the CIFI Group that are located in Nanchang, Hefei, Kunming, Jiangyin and Luoyang in the PRC respectively with a total gross floor area (the “**GFA**”) of 36,891.26 sq.m. in aggregate (the “**Exclusive Properties**”).

Sales agency services and commission fee

Shanghai Powerlong Commercial shall provide sales agency services in respect of the Exclusive Properties on an exclusive basis for a term commencing from 9 December 2022 and expiring on 30 December 2023, subject to extension for one year upon mutual agreement. Shanghai Powerlong Commercial would be entitled to receive commission fee for each successful sale of the relevant Exclusive Properties representing approximately 8% to 10% of the transaction price, which is in line with market practice.

The commission fee shall be paid by the CIFI Project Companies to Shanghai Powerlong Commercial within five business days after confirmation of the commission fee amount by the parties at the end of each six-month cycle.

The Deposits

In consideration of the exclusive agency right to sell the Exclusive Properties, Shanghai Powerlong Commercial was required to pay and has paid refundable performance deposits (the “**Deposits**”) amounting to approximately RMB300.0 million (approximately HK\$331.7 million) in aggregate to the CIFI Group. The Deposits were funded by the internal resources of the Group.

The Deposits of approximately RMB300.0 million was determined after arm's length negotiation with reference to 30% of the agreed value of the Exclusive Properties (the “**Agreed Value**”). The Agreed Value was determined between the parties based on the selling price of the Exclusive Properties set by the CIFI Group and the market value of comparable properties in the relevant local markets, taking into account factors such as sales stage and quality of the shops and commercial premises.

The Deposits was agreed to be 30% of the Agreed Value primarily with reference to the following factors: (1) the deposit/earnest money payable for obtaining exclusive sales agency right of up to 100% of the value of the subject properties as observed in similar transactions of other companies listed on the Stock Exchange; (2) the Deposits would be fully refundable to the Group upon sale of all of the Exclusive Properties or termination of the Sales Agency Agreements; (3) the Deposits only represented a fraction of the market value of the Exclusive Properties; and (4) upon request by the Group, the CIFI Group would pledge assets of sufficient value to the Group to guarantee and secure the repayment of the Deposits to the Group.

The Deposits would be refundable to the Group in full in the following manner: (1) the Deposits would be adjusted every six months with reference to the total Agreed Value of the Exclusive Properties the sales of which have been confirmed at the end of each six-month cycle. The CIFI Group shall refund the corresponding portion of the Deposits of the Exclusive Properties sold to the Group within five business days after the completion of settlement for every six-month cycle; and (2) the remaining balance of the Deposits (if any) shall be repayable to the Group within three working days after the termination or expiry of the Sales Agency Agreements.

The Company considers the major risk in payment of the Deposits under the Sales Agency Agreements to be low and that the potential risk of recoverability of the Deposits could be mitigated with reference to, among other matters, the following factors: (1) the long track record period of CIFI Holdings as a listed company on the Stock Exchange since November 2012 and its relatively healthy net current asset and net asset positions as at 30 June 2022; (2) the Deposits represent a fraction of the market value of the Exclusive Properties, the Group would likely be able to recover the Deposits even if the Exclusive Properties could only be sold at a discount to the market price due to market downturn or other unfavourable factors; and (3) upon request by the Group, the CIFI Group would pledge assets of sufficient value to the Group to guarantee and secure the repayment of the Deposits to the Group.

In light of the foregoing, the Company takes the view that the payment of the Deposits to the CIFI Group is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

REASONS AND BENEFITS

The Company believes that, by cooperating with the CIFI Group in the sales agency business for the commercial properties developed by the CIFI Group, the Group can further expand and diversify the Group's business and broaden the Group's revenue base, enhancing the Group's profitability and bringing better returns to the Shareholders.

Although the Deposits are interest-free, considering that the deposit interest rates are generally low in the PRC and the Group has been generating a net cash inflow from operating activities in the past three years to finance its operation, the Company takes the view that (i) the potential return from the provision of sales agency services under the Sales Agency Agreements would outweigh the potential interest income that may arise from depositing the Deposits at banks or other financial institutions, and (ii) the payment of the Deposits would not have any significant adverse impact on the working capital position and liquidity of the Group.

Taking into consideration of the aforesaid, the Directors (including the independent non-executive Directors) consider that the Sales Agency Agreements and the payment arrangement of the Deposits thereunder are entered into in the ordinary and usual course of business of the Group, are in the interests of the Group and the Shareholders as a whole and the terms of the Sales Agency Agreements and the transactions contemplated thereunder (including the payment of the Deposits) are on normal commercial terms and fair and reasonable.

INFORMATION ON THE PARTIES

The Company is an investment holding company and the Group is a leading service provider engaging in commercial operational services and residential property management services in the PRC.

Shanghai Powerlong Commercial is an indirect wholly-owned subsidiary of the Company and is principally engaged in provision of commercial real estate management, property services, parking lot management, cleaning services, green maintenance services, business consulting, market consulting and surveys.

As at the date of this announcement, CIFI Group Co and each of the CIFI Project Companies are wholly-owned by CIFI Holdings. The CIFI Group is principally engaged in the businesses of property development, property investment and provision of property management services in the PRC.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the date of this announcement, CIFI Group Co and each of the CIFI Project Companies and their respective ultimate beneficial owners are Independent Third Parties.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios in respect of the payment of the Deposits under the Sales Agency Agreements (in aggregate) exceed 5% but all of them are less than 25%, the payment of the Deposits under the Sales Agency Agreements constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to reporting and announcement requirements but exempt from the Shareholders' approval requirement.

REMEDIAL MEASURES

The Company acknowledges that the notification and announcement in respect of the payment of the Deposits under the Sales Agency Agreements has been delayed due to the initial understanding that the payment of the Deposits is not a standalone transaction and is an integral part of the business arrangement under the Sales Agency Agreements, which is carried on in the ordinary and usual course of business of the Group and is revenue in nature. Hence, the Company did not consider the payment of the Deposits would constitute a notifiable transaction requirements under Chapter 14 of the Listing Rules and omitted to comply with the Listing Rules upon entering into the Sales Agency Agreements.

Going forward, to ensure a timely disclosure in compliance with the Listing Rules, the Company has taken the following remedial measures:

- (i) the Company has issued guidance letters to employees of business department reminding and explaining to them the relevant requirements under Chapter 14 of the Listing Rules, the reporting procedures for notifiable transactions under the Listing Rules, and the importance of identifying such transactions prior to execution of any agreements pursuant to which the Group is required to pay a refundable performance deposit;
- (ii) the capital market and company secretarial department of the Company shall continue to oversee and monitor the Company's on-going compliance with the Listing Rules; and
- (iii) the Group will arrange for training sessions on compliance requirements and computation of ratio tests for notifiable transactions so as to improve the standard of corporate governance and strengthen the internal control procedures of the Company.

The Directors are of the view that the above measures could effectively prevent the occurrence of similar non-compliance in the future.

DEFINITIONS

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

“Board”	the board of Directors
“CIFI Group”	CIFI Holdings and its subsidiaries
“CIFI Group Co”	CIFI Group Co., Ltd.* (旭輝集團股份有限公司). a company established in the PRC with limited liability and a subsidiary of CIFI Holdings
“CIFI Holdings”	CIFI Holdings (Group) Co. Ltd. (旭輝控股(集團)有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 00884)

“CIFI Project Companies”	collectively, Hefei Project Co, Luoyang Project Co, Kunming Project Co, Jiangyin Project Co and Nanchang Project Co
“Company”	Powerlong Commercial Management Holdings Limited (寶龍商業管理控股有限公司), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 9909)
“connected person(s)”	has the meaning given to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hefei Project Co”	Hefei Zhuozheng Property Development Co., Ltd.* (合肥卓正房地產開發有限公司), a company established in the PRC with limited liability and a subsidiary of CIFI Holdings
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) who is/are independent of, and not connected with, the Company and its connected persons in accordance with the Listing Rules
“Jiangyin Project Co”	Jiangyin Heqian Property Co., Ltd.* (江陰和謙置業有限公司), a company established in the PRC with limited liability and a subsidiary of CIFI Holdings
“Kunming Project Co”	Kunming Hekun Property Development Co., Ltd.* (昆明和坤房地產開發有限公司), a company established in the PRC with limited liability and a subsidiary of CIFI Holdings
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Luoyang Project Co”	Henan Changzhuo Property Development Co., Ltd.* (河南卓房地產開發有限公司), a company established in the PRC with limited liability and a subsidiary of CIFI Holdings
“Nanchang Project Co”	Nanchang Xingzhang Property Co., Ltd.* (南昌興彰置業有限公司), a company established in the PRC with limited liability and a subsidiary of CIFI Holdings

“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Sales Agency Agreements”	collectively, the five sales agency agreements entered into between Shanghai Powerlong Commercial, the respective CIFI Project Companies and CIFI Group Co on 9 December 2022
“Shanghai Powerlong Commercial”	Shanghai Powerlong Commercial Real Estate Management Co., Ltd.* (上海寶龍商業地產管理有限公司), an indirect wholly-owned subsidiary of the Company
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of Shares in the issued capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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

Hong Kong, 2 May 2023

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

* *The English translation of the Chinese names in this announcement where indicated is included for information only.*