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If you are in any doubt as to any aspect of this circular or as to what action to take in relation to this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional public accountant or other professional adviser.

If you have sold or transferred all your shares in Poly Property Services Co., Ltd., you should at once hand this circular, together with the enclosed proxy form, to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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POLY PROPERTY SERVICES CO., LTD.

保利物業服務股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 06049)

**MAJOR AND CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING OF 2021**

**Independent Financial Adviser
to the Independent Board Committee and the Independent Shareholders**



红日资本有限公司

RED SUN CAPITAL LIMITED

A notice convening the EGM of Poly Property Services Co., Ltd. to be held at the Conference Room, 2nd Floor, East Tower, Poly Plaza, No. 832 Yue Jiang Zhong Road, Hai Zhu District, Guangzhou, Guangdong Province, the PRC at 9:30 a.m. on Wednesday, 15 September 2021 is set out on pages EGM-1 to EGM-2 of this circular. A proxy form for use at the EGM is also enclosed in this circular. Such proxy form is also published on the designated website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.polywuye.com).

Shareholders who intend to appoint a proxy to attend the EGM shall complete and return the enclosed proxy form in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude Shareholders from attending and voting in person at the EGM thereof should they so wish.

PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

To safeguard the health and safety of Shareholders and to prevent and control the spread of COVID-19, the Company will take the following precautionary measures at the EGM:

- (1) compulsory temperature checks
- (2) wearing of face masks throughout the EGM (please bring your own mask)
- (3) no souvenirs will be distributed and no refreshments will be served

To the extent permitted by law, any person who does not comply with the precautionary measures (1) and (2) as set out above may be denied entry into the venue of the EGM at the absolute discretion of the Company. Shareholders may appoint the chairman of the meeting as their proxy to vote on the relevant resolutions at the EGM instead of attending the EGM in person.

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PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

Having considered the influence of COVID-19 epidemic and the guidelines and requirements for the control of its spread, the following precautionary measures will be taken at the EGM by the Company to ensure the safety of Shareholders and other attendees:

- (i) compulsory body temperature checks will be conducted on every attendee at the entrance of the venue of the EGM. Any person with a body temperature of over 37.3 degrees Celsius will be denied entry into the venue of the EGM.
- (ii) all attendees shall bring and wear their own face masks inside the venue of the EGM at all times, and to maintain an appropriate distance between seats.
- (iii) no souvenirs will be distributed and no refreshments will be served at the EGM.

To the extent permitted by law, any person who does not comply with the precautionary measures (i) to (ii) as set out above may be denied entry into the venue of the EGM at the absolute discretion of the Company in order to ensure the safety of the attendees at the EGM.

In the interest of stakeholders' health and safety, the Company reminds all Shareholders that physical attendance at the EGM is not necessary for the purpose of exercising voting rights. Shareholders, particularly those who are subject to quarantine, are recommended to use a form of proxy with voting instructions inserted to appoint the chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM instead of attending the EGM in person.

The form of proxy is attached to this circular for Shareholders who opt to receive physical circulars. Alternatively, the form of proxy can be downloaded from the designated website of the Stock Exchange (www.hkexnews.hk) and the "Investor Relations — Announcements and Notices" section of the website of the Company (www.polywuye.com). If you are not a registered Shareholder (if your Shares are held via banks, brokers, custodians or the Hong Kong Securities Clearing Company Limited), you should consult directly with your banks or brokers or custodians (as the case may be) to assist you with the appointment of proxy.

PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

Shareholders are recommended by the Company that physical attendance at the EGM is not necessary. If Shareholders have any questions about the relevant resolutions, or about the Company or any matters for communication with the Board, they are welcome to contact the Company as follows:

Tel: +86 020 8989 9959

Email: stock@polywuye.com

If Shareholders have any questions relating to the EGM, please contact Tricor Investor Services Limited, the share registrar, as follows:

Tricor Investor Services Limited

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

E-mail: is-enquiries@hk.tricorglobal.com

Tel: +852 2980 1333

Fax: +852 2810 8185

DEFINITIONS

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

“Articles of Association”	the articles of association of the Company currently in force
“Board”	the board of Directors of the Company
“China Poly Group”	China Poly Group Corporation Limited (中國保利集團有限公司), a wholly state-owned company established in the PRC on 9 February 1993 and wholly-owned by the State-owned Assets Supervision and Administration Commission of the State Council, and a controlling shareholder of the Company
“Company”	Poly Property Services Co., Ltd., a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the main board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB
“EGM”	the extraordinary general meeting of the Company scheduled to be convened on Wednesday, 15 September 2021
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign shares in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and listed on the main board of the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“Independent Board Committee”	an independent committee of the Board composed of all independent non-executive Directors, namely Mr. Wang Xiaojun, Ms. Tan Yan and Mr. Wang Peng
“Independent Financial Adviser” or “Red Sun Capital”	Red Sun Capital Limited, a licensed corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the transactions contemplated under the Parking Space Leasing and Sales Agency Services Framework Agreement (including the annual caps)
“Independent Shareholders”	Shareholders other than those who are required by the Listing Rules to abstain from voting at the EGM on the resolution to approve the transactions contemplated under the Parking Space Leasing and Sales Agency Services Framework Agreement (including the annual caps)
“Latest Practicable Date”	20 August 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Parking Space Leasing and Sales Agency Services Framework Agreement”	the Parking Space Leasing and Sales Agency Services Framework Agreement dated 16 July 2021 and entered into by the Company and Poly Developments and Holdings
“Poly Developments and Holdings”	Poly Developments and Holdings Group Co., Ltd. (保利發展控股集團股份有限公司), a joint stock company incorporated in the PRC with limited liability, whose shares are listed on the main board of the Shanghai Stock Exchange (stock code: 600048). Poly Developments and Holdings is a controlling shareholder of the Company
“Poly Developments and Holdings Group”	Poly Developments and Holdings and its associates (but excluding the Group)

DEFINITIONS

“PRC”	the People’s Republic of China, but for the purpose of this circular and for geographical reference only and except where the context requires, references in this circular to “China” and the “PRC” do not include Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus of the Company dated 9 December 2019
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended from time to time
“Share(s)”	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, comprising the Domestic Shares and H Shares
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	supervisor(s) of the Company
“Xizang Yingyue”	Xizang Yingyue Investment Management Co., Ltd. (西藏贏悅投資管理有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of Poly Developments and Holdings
“%”	per cent

In this circular, the terms “associate”, “connected person”, “connected transaction”, “continuing connected transaction”, “controlling shareholder” and “subsidiary” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

The English names of Chinese entities included in this circular are unofficial translations of their Chinese names and are included for identification purposes only.



POLY PROPERTY SERVICES CO., LTD.
保利物業服務股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 06049)

Non-executive Directors:

Mr. Huang Hai (*Chairman*)

Mr. Liu Ping

Mr. Hu Zaixin

Executive Director:

Ms. Wu Lanyu

Independent Non-executive Directors:

Mr. Wang Xiaojun

Ms. Tan Yan

Mr. Wang Peng

*Registered office and principal place
of business in the PRC:*

Rooms 201-208,

No. 688 Yue Jiang Zhong Road,

Hai Zhu District,

Guangzhou,

Guangdong Province, the PRC

Principal place of business in Hong Kong:

40/F, Dah Sing Financial Centre

248 Queen's Road East

Wanchai, Hong Kong

26 August 2021

To the Shareholders

Dear Sir/Madam,

**MAJOR AND CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING OF 2021**

1. INTRODUCTION

The purpose of this circular is to provide you with the notice of the EGM and the information reasonably necessary to enable you to make an informed decision on whether to vote for or against the proposed resolution at the EGM.

At the EGM, an ordinary resolution will be proposed to consider and approve the transactions contemplated under the Parking Space Leasing and Sales Agency Services Framework Agreement (including the annual caps).

In order to enable you to have a better understanding of the resolution to be proposed at the EGM and to make an informed decision in the circumstance where sufficient and necessary information is available, the Company has provided the Shareholders with detailed information in this circular.

LETTER FROM THE BOARD

2. BUSINESSES TO BE CONSIDERED AT THE EGM

To consider and approve the transactions contemplated under the Parking Space Leasing and Sales Agency Services Framework Agreement (including the annual caps)

Reference is made to the announcement of the Company dated 16 July 2021, in which the Company announced that it has entered into the Parking Space Leasing and Sales Agency Services Framework Agreement.

(A) Parking Space Leasing and Sales Agency Services Framework Agreement

The principal terms of the Parking Space Leasing and Sales Agency Services Framework Agreement are set out below:

Date	:	16 July 2021
Parties	:	(i) the Company; and (ii) Poly Developments and Holdings
Term	:	The Parking Space Leasing and Sales Agency Services Framework Agreement shall take effect from the date on which it is considered and approved at the EGM to 31 December 2023.

The cooperation within the term of the Parking Space Leasing and Sales Agency Services Framework Agreement is divided into three cycles: the first cycle is from the effective date of the Parking Space Leasing and Sales Agency Services Framework Agreement to 31 December 2021, the second cycle is from 1 January 2022 to 31 December 2022, and the third cycle is from 1 January 2023 to 31 December 2023.

LETTER FROM THE BOARD

Subject matter : Pursuant to the Parking Space Leasing and Sales Agency Services Framework Agreement, the Group will provide exclusive parking spaces sales and leasing agency services (the “**Exclusive Leasing and Sales Rights**”) in respect of the target parking spaces (the “**Target Parking Spaces**”) to Poly Developments and Holdings Group to facilitate the sales and leasing activities of parking space properties. Poly Developments and Holdings Group shall not entrust the Target Parking Spaces to other third parties for sales or leasing.

In respect of the Target Parking Spaces, the Exclusive Leasing and Sales Rights are the sole and exclusive rights entitled to the Group, and Poly Developments and Holdings Group shall not sell, transfer or dispose of in any other manner any of the Target Parking Spaces to third parties unless agreed by both parties through negotiation.

The Group and Poly Developments and Holdings Group will enter into specific contracts (the “**Specific Contracts**”) to specify the specific projects and the number of Target Parking Spaces during each cooperation cycle.

Pricing policy : The agency services adopt the leasing and sales at the base price model: The Group and Poly Developments and Holdings Group will enter into specific negotiations on the base price for the sales and leasing of the Target Parking Spaces (the “**Cooperation Rights on Leasing and Sales at Base Price**”). Poly Developments and Holdings Group will transfer or lease (as the case may be) the Target Parking Spaces to any third party customers designated by the Group at the request of the Group at an agreed price not lower than the aforesaid base price, and the excess of the agreed price over the base price for sales and leasing will be attributable to the Group as agency service fees. Poly Developments and Holdings Group will settle the payment to the Group on a monthly basis after receiving the payment from third party customers. The transactions will be conducted on normal commercial terms.

LETTER FROM THE BOARD

The base price for sales or leasing is the minimum price to be charged by Poly Development and Holdings Group for the sales or leasing of the Target Parking Spaces, which in principle shall not exceed 80% of the agreed price for sales or leasing. The base price for sales or leasing will be determined with reference to the level of the agency service fees, and the level of discount of the base price for sales or leasing to the agreed price equals the level of agency services fees, which shall be at least 20% of the agreed price. Such return margin is higher than the level of fixed commission charged by the Group for its previous parking space agency business. In determining the agency service fees, the Group will estimate the costs of such service and comprehensively take into account factors such as labour costs, selling and marketing expenses, difficulties in acting as agency in leasing and sales. In general, the base price for sales or leasing shall not exceed 80% of the agreed price. The discount of the base price for sales or leasing to the agreed price of a specific project will be determined by comprehensively taking into account factors such as occupancy rate, parking space ratio, sales stage and quality of parking spaces of the projects.

The agreed price will be determined through negotiation by relevant members of the Group and Poly Developments and Holdings Group with reference to the comparable average price in the surrounding markets of the Target Parking Spaces.

Deposits : In order to obtain the Exclusive Leasing and Sales Rights and the Cooperation Rights on Leasing and Sales at Base Price for the Target Parking Spaces, the Group shall pay deposits to Poly Developments and Holdings Group in an amount not exceeding 50% of the aggregate of the relevant value of the Target Parking Spaces under the Specific Contracts (being the sum of the base price for sales and leasing).

LETTER FROM THE BOARD

During each cooperation cycle, the Group may replace the unleased and unsold Target Parking Spaces with other parking spaces of the same value.

When each cooperation cycle expires or the Parking Space Leasing and Sales Agency Services Framework Agreement is dismissed or terminated for any reason, Poly Developments and Holdings Group will withdraw the Exclusive Leasing and Sales Rights and the Cooperation Rights on Leasing and Sales at Base Price for unleased and unsold parking spaces and return the corresponding deposits. During each cooperation cycle, if the Group attains an early completion of the leasing and sales of all Target Parking Spaces, Poly Developments and Holdings Group shall return the corresponding deposits after the completion of the leasing and sales.

The deposits payable by the Group under the Parking Space Leasing and Sales Agency Services Framework Agreement is expected to be funded by internal resources of the Group.

By paying the deposits to acquire the Exclusive Leasing and Sales Rights and Cooperation Rights on Leasing and Sales at Base Price, the Group can obtain a preferential discounted base price for sales or leasing, pursuant to which the agency service fees receivable by the Group is the amount received in excess of the base price for sales and leasing (being at least 20% of the agreed price), which is greater than the potential returns that can be generated under the original fixed commission agency model, and the risk of holding unsold and vacant parking spaces will not be passed on to the Group.

LETTER FROM THE BOARD

As aforementioned, the amount of the deposits shall not exceed 50% of the aggregate of the relevant value of the Target Parking Spaces (being the sum of the base price for sales or leasing) under the Specific Contracts while the base price for sales or leasing shall not exceed 80% of the agreed price (being the final transaction price for leasing and sales paid by third party customers), meaning that the deposits shall not exceed 40% of the agreed price. It is noted from the announcement of another listed issuer that deposits are also paid by another listed issuer for its exclusive parking spaces sales agency businesses and the deposit rate of 40% paid by the Group is more favourable as compared with its peer. In addition, according to the information from market researches currently available to the Group, other agents providing similar services in the market may also pay deposits to the developers which might not be fully refundable. However, the deposit rates vary depending on the project conditions and transaction terms and hence might not be entirely comparable.

On a whole, the payment of deposits provides a higher discount to the base price and considerable potential returns, and the deposits can be fully returned with limited risks. The cooperation terms are no less favourable than those available to the independent third parties. Accordingly, the Board considers the deposits and the deposit rates to be normal business practices.

LETTER FROM THE BOARD

The Group has maintained a long-term business relationship with Poly Developments and Holdings Group. Poly Developments and Holdings is listed on the main board of the Shanghai Stock Exchange (stock code: 600048). As disclosed in the annual report of Poly Developments and Holdings for the year ended 31 December 2020, Poly Developments and Holdings Group is financially sound and its audited balance of cash and cash equivalents and net assets as at 31 December 2020 were RMB145,279.84 million and RMB266,637.88 million respectively. The maximum balance of the deposits in each cooperation cycle is only 2.06% and 1.13% of the aforesaid balance of cash and cash equivalents and net assets of Poly Development Holdings Group respectively. At the same time, Poly Developments and Holdings undertakes that Poly Developments and Holdings Group shall pay default interests if it fails to return the deposits in accordance with the terms of the Parking Space Leasing and Sales Agency Services Framework Agreement. Furthermore, the Directors did not note any material adverse credit events and/or defaults in relation to Poly Developments and Holdings Group based on its public announcements in the past 24 months. Therefore, the Board considers that the default risk of Poly Developments and Holdings Group is extremely low.

The deposits will be fully returned upon the expiry of each cooperation cycle or the early completion of leasing and sales of all the Target Parking Spaces by the Group. The Group will review the return of deposits in such cycle upon the expiry of each cooperation cycle, assess the major risks of the deposit model, which includes a review of the latest financial position and payment ability of the Poly Developments and Holdings Group before deciding whether to commence a new cooperation cycle, the scale of the business and the amount of the deposits to be paid.

LETTER FROM THE BOARD

In view of the above, the Board considers that the major risks in payment of deposits under the Parking Space Leasing and Sales Agency Services Framework Agreement is extremely low and the aforementioned measures are sufficient to properly safeguard the assets of the Company.

(B) Proposed Annual Caps and Basis of Determination

Proposed Annual Caps for Deposits

Pursuant to Chapter 14A of the Listing Rules, the Company is required to set annual caps for the deposits payable by the Group under the Parking Space Leasing and Sales Agency Services Framework Agreement, details of which are set out in the table below.

	From the effective date of the Parking Space Leasing and Sales Agency Services Framework Agreement to 31 December 2021	From 1 January 2022 to 31 December 2022	From 1 January 2023 to 31 December 2023
Proposed Annual Caps	RMB3,000 million	RMB3,000 million	RMB3,000 million

The above proposed annual caps for the deposits are the maximum balance of the deposits paid by the Group to Poly Developments and Holdings Group at any time during the year.

The above proposed annual caps were determined after taking into account the following:

- (i) the estimated value of parking spaces of Poly Developments and Holdings Group available for sales/leasing by the Group as an agent for the year ending 31 December 2021 pursuant to the Parking Space Leasing and Sales Agency Services Framework Agreement, taking into account factors including, but not limited to, the number of parking space agency projects under negotiation currently known to the Group, historical sales of parking spaces of relevant projects and the surrounding comparable average price range, resources that the Group may allocate to the business, and the ability to meet the service demand;

LETTER FROM THE BOARD

- (ii) the Parking Space Leasing and Sales Agency Services Framework Agreement stipulates that, (1) the total accumulated value of the Target Parking Spaces (being the sum of the base price for sales and leasing) during each cooperation cycle shall not exceed RMB6 billion; and (2) the deposits to be paid shall not exceed 50% of the relevant total value of the Target Parking Spaces (being the sum of the base price for sales and leasing), i.e. not more than RMB3 billion in aggregate during each cooperation cycle; and
- (iii) during the three years ending 31 December 2023, the amount of deposits to be paid by the Group to Poly Developments and Holdings Group is expected to remain stable, taking into account factors including, but not limited to: (1) the estimated value of parking spaces of Poly Developments and Holdings Group available for sales/leasing by the Group as an agent for the year ending 31 December 2021 pursuant to the Parking Space Leasing and Sales Agency Services Framework Agreement; and (2) the Group will steadily push forward the parking space sales and leasing agency business in 2022 and 2023.

Proposed Annual Caps for Agency Service Fees

Pursuant to Chapter 14A of the Listing Rules, the Company is required to set annual caps for the agency service fees receivable by the Group under the Parking Space Leasing and Sales Agency Services Framework Agreement, details of which are set out in the table below.

	From the effective date of the Parking Space Leasing and Sales Agency Services Framework Agreement to 31 December 2021	From 1 January 2022 to 31 December 2022	From 1 January 2023 to 31 December 2023
Proposed Annual Caps	RMB300 million	RMB750 million	RMB750 million

LETTER FROM THE BOARD

The above proposed annual caps were determined after taking into account the following:

- (i) the estimated value of parking spaces of Poly Developments and Holdings Group available for sales/leasing by the Group as an agent for the three years ending 31 December 2023 pursuant to the Parking Space Leasing and Sales Agency Services Framework Agreement, taking into account factors including, but not limited to, the number of parking space agency projects under negotiation currently known to the Group, historical sales of parking spaces of relevant projects and the surrounding comparable average price range;
- (ii) the base price standards for sales and leasing determined by the Group and Poly Developments and Holdings Group, which in principle shall not exceed 80% of the agreed price for sales or leasing. For details in relation to the determination of the base price for sales or leasing, please refer to the section on “Pricing policy”; and
- (iii) taking into account that, the effective transaction period for the year ending 31 December 2021 is less than half a year whereas the transactions in 2022 and 2023 will cover full years, it is expected that demand for and scale of the parking space sales and leasing agency services to be provided by the Group to Poly Developments and Holdings Group in 2022 and 2023 will increase significantly as compared with that for the year ending 31 December 2021.

(C) Reasons for and Benefits of The Transactions

The Group is a leading comprehensive property management service provider in China with extensive property management scale and state-owned background. Based on its diversified layout, the Group is committed to connecting various premium internal and external resources to provide property owners in the community with high-quality and diversified living services and provide customers with more valuable professional service portfolios.

LETTER FROM THE BOARD

To cooperate with Poly Development and Holdings Group on the parking space agency business, the Group can: (i) further expand the Group's asset management business and rapidly improve the capabilities of diversified asset sales and leasing; and (ii) promote the steady growth of the Group's value-added services business, thereby broadening the Group's revenue base, enhancing the profitability and bringing valuable returns to the Shareholders.

(D) Opinion of The Board

In view of the above reasons and benefits and given that the transactions contemplated under the Parking Space Leasing and Sales Agency Services Framework Agreement (including the annual caps) are conducted in the ordinary and usual course of business of the Company and are on normal commercial terms or better, the Board considers that the transactions contemplated under the Parking Space Leasing and Sales Agency Services Framework Agreement (including the annual caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

None of the Directors has any material interest in the transactions contemplated under the Parking Space Leasing and Sales Agency Services Framework Agreement. Considering that Mr. Huang Hai is the secretary of the board and the officer of the board of directors of Poly Developments and Holdings, Mr. Liu Ping is the chairman and a director of Poly Developments and Holdings and Mr. Hu Zaixin is the deputy secretary of the party committee of Poly Developments and Holdings, all of them abstained from voting on the Board resolution approving the Parking Space Leasing and Sales Agency Services Framework Agreement.

(E) Internal Control Measures

The Company will adopt the following internal policies and measures to ensure that the transactions under the Parking Space Leasing and Sales Agency Services Framework Agreement are implemented in accordance with the Parking Space Leasing and Sales Agency Services Framework Agreement, which, in specific, include but not limited to:

- (1) the management and the finance department of the Company will closely monitor through continuous and timely inquiries the execution of the Specific Contracts under the Parking Space Leasing and Sales Agency Services Framework Agreement, in order to monitor and ensure that the above businesses are falling within the applicable annual caps;
- (2) the auditors of the Company will also conduct an annual review on the Parking Space Leasing and Sales Agency Services Framework Agreement and the relevant annual caps and provide confirmation in the annual report of the Company;

LETTER FROM THE BOARD

- (3) before entering into Specific Contracts, the business department of the Group will review and compare (i) (if any) the return margin of at least two similar parking space sales agency transactions between the Group and independent third parties during the same period (i.e. transactions of similar nature in terms of service type and content, project location, quality of the subject parking spaces, etc.); and (ii) (if any) levels of agency service fees of certain comparable projects in the market (i.e. transactions of similar nature in terms of service type and content, project location, pricing method, etc.) in order to ensure that the agency service fees to be gained by the Company are no less favourable than those offered by independent customers;
- (4) the business department of the Group will: (i) review the project proposals submitted each time before a Specific Contract is entered into; and (ii) upon expiry of each cooperation cycle, conduct a re-evaluation based on the overall average price for sales and leasing of the project in the previous year and the surrounding market conditions of the Target Parking Spaces, and make use of process control to ensure that the agreed price is fair and reasonable and on par with the comparable average prices in the surrounding markets of the Target Parking Spaces;
- (5) the business department of the Group will review and consider each Specific Contract on a case-by-case basis, including but not limited to the specific project scale, project location, discount of the base price to the agreed price and potential returns etc., so as to ascertain that the deposit rate agreed in each Specific Contract does not exceed 50% of the relevant total value of the Target Parking Spaces and is on normal commercial terms;
- (6) the implementation of Specific Contracts shall be subject to the proper approval of the relevant personnel of the finance department, the compliance department and the management of the Group to ensure that the Specific Contracts are in compliance with the pricing policy and principal terms of the Parking Space Leasing and Sales Agency Services Framework Agreement and that the agency service fees are determined at prices not lower than those offered by the Group to independent third parties and the deposit rates are on normal commercial terms;

LETTER FROM THE BOARD

- (7) the independent non-executive Directors of the Company will also conduct an annual review on the implementation and execution of the Specific Contracts entered into pursuant to the Parking Space Leasing and Sales Agency Services Framework Agreement to ensure that the Specific Contracts are conducted in accordance with the terms (including the pricing policy) set out in the Parking Space Leasing and Sales Agency Services Framework Agreement;
- (8) the transaction data is provided periodically (as one of the items in the management accounts) to the management of the Company for review and monitoring. The finance department of the Company will arrange for designated personnel to closely monitor the actual amounts involved in connected transactions pursuant to the Parking Space Leasing and Sales Agency Services Framework Agreement on a monthly basis and submit to the management of the Company the transaction data every month, with the aim of assessing the proportion of the annual cap reached by the actual amounts of the connected transactions in a timely manner;
- (9) while reviewing the total transaction amount under the Parking Space Leasing and Sales Agency Services Framework Agreement, the Company will verify the estimated transaction amounts with the finance and operation departments. If the actual transaction amount reaches a certain percentage of the proposed annual cap at any time, advice shall be sought from the audit committee and the Board of the Company on appropriate measures, including but not limited to revising the proposed annual cap (if necessary) in accordance with the Listing Rules, in order to avoid exceeding the approved annual cap. If the actual transaction amount reaches 80% of the annual cap at any time, the Company will closely monitor such businesses and shall comply with the review and disclosure procedures in a timely manner if necessary; and
- (10) in the event that it is necessary to adjust the annual caps due to business development needs or other reasons, such arrangements will be made in advance and strictly in compliance with the relevant requirements under the Listing Rules.

LETTER FROM THE BOARD

(F) *Implications under The Listing Rules*

As at the Latest Practicable Date, Poly Developments and Holdings is interested in an aggregate of 72.289% of the total issued share capital of the Company and is a controlling shareholder and a connected person of the Company. Accordingly, the transactions contemplated under the Parking Space Leasing and Sales Agency Services Framework Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio calculated in accordance with the Listing Rules in respect of the relevant highest annual cap for the deposit expense portion under the Parking Space Leasing and Sales Agency Services Framework Agreement is higher than 25% but lower than 75%, the deposit expense portion under the Parking Space Leasing and Sales Agency Services Framework Agreement also constitutes a major transaction of the Company. The Company shall be subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

In addition, as the highest applicable percentage ratio calculated in accordance with the Listing Rules in respect of the highest annual cap for the agency service fees income under the Parking Space Leasing and Sales Agency Services Framework Agreement exceeds 5%, the Company shall be subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(G) *Information on The Parties*

Information of the Group

The Company is a joint stock company with limited liability established in the PRC on 26 June 1996. The Group is a leading comprehensive property management service provider in the PRC with extensive property management scale and state-owned background, and is mainly engaged in providing property management services, value-added services to non-property owners and community value-added services.

LETTER FROM THE BOARD

Information of Poly Developments and Holdings

Poly Developments and Holdings, whose shares are listed on the main board of the Shanghai Stock Exchange, is a joint stock company established in the PRC with limited liability on 14 September 1992. Poly Developments and Holdings focuses on the business of real estate development and operation, and builds an ecological development platform of real estate, which is driven by the real estate investment and development business as its core, with integrated services and real estate finance business as two supplementary businesses.

3. EGM AND PROXY ARRANGEMENT

The proxy form of the EGM is enclosed herewith.

If you intend to appoint a proxy to attend the EGM, you are required to complete and return the accompanying proxy form in accordance with the instructions printed thereon. H Shareholders are required to return the proxy form to the Company's H Share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong and Domestic Shareholders are required to return the proxy form to the Company's principal place of business in the PRC at Rooms 201-208, No. 688 Yue Jiang Zhong Road, Hai Zhu District, Guangzhou, Guangdong Province, the PRC by personal delivery or by post not less than 24 hours before the time fixed for holding the EGM or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or at any adjourned meeting should you so wish.

The register of members of the Company will be closed from Friday, 10 September 2021 to Wednesday, 15 September 2021, both days inclusive, during which period no transfer of the Shares will be registered. In order for the H Shareholders to qualify for attending and voting at the EGM, all properly completed share transfer forms together with the relevant H Shares certificates shall be lodged with the Company's H Share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 9 September 2021. Shareholders whose names appear on the register of members of the Company on Wednesday, 15 September 2021 are entitled to attend and vote at the EGM.

4. VOTING BY POLL

According to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a shareholders' general meeting must be taken by poll. Accordingly, the chairman of the EGM will exercise his power under the Articles of Association to demand a poll in relation to the proposed resolution at the EGM. The Company shall announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules. As for the resolution to approve the Parking Space Leasing and Sales Agency Services Framework Agreement (including the annual caps), China Poly Group and its associates (including Poly Developments and Holdings and Xizang Yingyue), which were interested in an aggregate of 72.289% of the total issued share capital of the Company as at the Latest Practicable Date, will abstain from voting as required by the Listing Rules.

LETTER FROM THE BOARD

5. RECOMMENDATION

The Board (including independent non-executive Directors) considers that the resolution proposed at the EGM to approve the transactions contemplated under the Parking Space Leasing and Sales Agency Services Framework Agreement (including the annual caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the proposed resolution at the EGM.

6. FURTHER INFORMATION

Your attention is drawn to other parts of this circular, which contain further information on the Group and other information required to be disclosed under the Listing Rules.

Yours faithfully,
By Order of the Board
POLY PROPERTY SERVICES CO., LTD.
Huang Hai
Chairman of the Board and Non-executive Director



POLY PROPERTY SERVICES CO., LTD.
保利物業服務股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 06049)

26 August 2021

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company to the Shareholders of even date (the “**Circular**”), to which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter have the same meanings given to them in the section headed “Definitions” of the Circular.

We have been appointed to form the Independent Board Committee to advise the Independent Shareholders on whether the transactions contemplated under the Parking Space Leasing and Sales Agency Services Framework Agreement (including the annual caps) are on normal commercial terms or better, in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of Company and the Shareholders as a whole.

We wish to draw your attention to the letter of advice from Red Sun Capital, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the transactions contemplated under the Parking Space Leasing and Sales Agency Services Framework Agreement (including the annual caps), as set out on pages 24 to 48 of the Circular; and the letter from the Board as set out on pages 6 to 21 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the information contained in the letter from the Board, and the factors and reasons considered by, and the opinion of, Red Sun Capital as stated in its letter of advice, we consider that the transactions contemplated under the Parking Space Leasing and Sales Agency Services Framework Agreement (including the annual caps) are on normal commercial terms or better, in the ordinary and usual course of business of the Group, fair and reasonable, and in the interests of the Company and the Shareholders as a whole. We recommend the Independent Shareholders to vote in favour of the ordinary resolution in respect of the transactions contemplated under the Parking Space Leasing and Sales Agency Services Framework Agreement (including the annual caps) to be proposed at the EGM.

Yours faithfully,
**The Independent Board Committee of
POLY PROPERTY SERVICES CO., LTD.**
Wang Xiaojun, Tan Yan, Wang Peng
Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and Independent Shareholders in relation to Parking Space Leasing and Sales Agency Services Framework Agreement and the transactions contemplated thereunder (including the annual caps) for inclusion in this circular.



红日资本有限公司
RED SUN CAPITAL LIMITED

Unit 3303, 33/F, West Tower, Shun Tak Centre,
168-200 Connaught Road Central,
Hong Kong
Tel: (852) 2857 9208
Fax: (852) 2857 9100

26 August 2021

To: *The Independent Board Committee and the Independent Shareholders of Poly Property Services Co., Ltd.*

Dear Sirs,

MAJOR AND CONTINUING CONNECTED TRANSACTIONS

I. INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders with regard to the Parking Space Leasing and Sales Agency Services Framework Agreement and the transactions contemplated thereunder (including the annual caps) in connection with the provision of exclusive parking space sales and leasing agency services to Poly Developments and Holdings Group, details of which are contained in the letter from the Board (the “**Letter from the Board**”) as set out in the circular to the Shareholders dated 26 August 2021 (the “**Circular**”). Unless otherwise specified, terms defined in the Circular have the same meanings in this letter.

As disclosed in the Letter from the Board, as at the Latest Practicable Date, Poly Developments and Holdings is interested in an aggregate of approximately 72.289% of the total issued share capital of the Company, and is a controlling Shareholder and a connected person of the Company. Accordingly, the transactions contemplated under the Parking Space Leasing and Sales Agency Services Framework Agreement (including the annual caps) will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio calculated in accordance with the Listing Rules in respect of the relevant highest annual cap for the deposit expense portion under the Parking Space Leasing and Sales Agency Services Framework Agreement is higher than 25% but lower than 75%, the deposit expense portion under the Parking Space Leasing and Sales Agency Services Framework Agreement also constitutes a major transaction of the Company. The Company shall be subject to the reporting, announcement, annual review and independent shareholders’ approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In addition, as the highest applicable percentage ratio calculated in accordance with the Listing Rules in respect of the highest annual cap for the agency service fees income under the Parking Space Leasing and Sales Agency Services Framework Agreement exceeds 5%, the Company shall be subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

II. THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Wang Xiaojun, Ms. Tan Yan and Mr. Wang Peng, has been formed to advise the Independent Shareholders on the transactions contemplated under the Parking Space Leasing and Sales Agency Services Framework Agreement (including the annual caps). We have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

Our appointment has been approved by the Independent Board Committee. Our role as the independent financial adviser is to give our recommendation to the Independent Board Committee and the Independent Shareholders as to whether the transactions contemplated under the Parking Space Leasing and Sales Agency Services Framework Agreement (including the annual caps) are conducted in the ordinary and usual course of business of the Group, on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, are in the interests of the Company and the Shareholders as a whole, and how the Independent Shareholders should vote in respect of the relevant resolution to approve the transactions contemplated under Parking Space Leasing and Sales Agency Services Framework Agreement (including the annual caps) at the EGM.

III. OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from and not connected with the Company, Poly Developments and Holdings or any relevant parties in connection with the Parking Space Leasing and Sales Agency Services Framework Agreement and accordingly, are qualified to give independent advice to the Independent Board Committee and the Shareholders regarding the transactions contemplated under the Parking Space Leasing and Sales Agency Services Framework Agreement (including the annual caps).

In the last two years, save for our appointment as the independent financial adviser in relation to the property leasing agreements entered into between the Group and Poly Developments and Holdings/its subsidiary, details of which are set out in the circular of the Company dated 12 May 2021, we have not acted as independent financial adviser to independent board committee and/or independent shareholders of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Apart from normal professional fees paid or payable to us in connection with the previous appointment as the independent financial adviser as mentioned above and this appointment as the independent financial adviser in relation to the transactions contemplated under Parking Space Leasing and Sales Agency Services Framework Agreement (including the annual caps), no arrangements exist whereby we have received or will receive any fees or benefits from the Group or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

IV. BASIS OF OUR ADVICE

In formulating our advice, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Group, the Directors and/or senior management of the Company (the “**Management**”). We have assumed that all information, representations and opinions contained or referred to in the Circular or made, given or provided to us by the Company, the Directors and the Management, for which they are solely and wholly responsible, were true and accurate and complete in all material respects at the time when they were made and continue to be so as at the Latest Practicable Date. We have assumed that all the opinions and representations made by the Directors in the Circular have been reasonably made after due and careful enquiry. The Directors and the Management confirmed that no material facts have been omitted from the information provided and referred to in the Circular.

We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the financial position, business and affairs of the Group, Poly Developments and Holdings or their respective history, experience and track records, or the prospects of the markets in which they respectively operate.

We consider that we have been provided with sufficient information to enable us to reach an informed view and to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Group, the Directors and/or the Management and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely for their consideration of the transactions contemplated under Parking Space Leasing and Sales Agency Services Framework Agreement (including the annual caps), and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

V. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation on the Parking Space Leasing and Sales Agency Services Framework Agreement, we have taken the following principal factors and reasons into consideration:

1. Information of the Group

The Company is a joint stock company with limited liability established in the PRC on 26 June 1996. The Group is a leading comprehensive property management service provider in the PRC with extensive property management scale and state-owned background, and is mainly engaged in providing property management services, value-added services to non-property owners and community value-added services.

Set out below is the summary of the Group's audited consolidated statement of income and consolidated balance sheet for the years ended 31 December 2018, 2019 and 2020 as extracted from the annual report of the Group for the year ended 31 December 2019 (the "2019 Annual Report") and the annual report of the Group for the year ended 31 December 2020 (the "2020 Annual Report"):

Summary of consolidated statement of income

	For the year ended 31 December		
	2020	2019	2018
	RMB' million	RMB' million	RMB' million
	(audited)	(audited)	(audited)
Revenue			
Property management services	4,947.6	3,843.8	2,909.5
Value-added services to non-property owners	1,341.3	968.7	696.5
Community value-added services			
– Other value-added services	1,089.8	910.3	581.6
– Sales of goods	658.5	244.0	41.8
Total	8,037.2	5,966.8	4,229.4
Profit for the year attributable to owners of the Company	673.5	490.5	328.4

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Financial performance for the years ended 31 December 2019 and 2020

For the year ended 31 December 2020, total revenue of the Group amounted to approximately RMB8,037.2 million, representing an increase of approximately 34.7% as compared to the corresponding period of 2019. It was mainly attributable to (i) an increase in revenue driven by the continuous increase in the management scale of the Group; and (ii) rapid development of value-added services of the Group during the year.

For the year ended 31 December 2020, (i) revenue from property management services amounted to approximately RMB4,947.6 million, representing an increase of approximately 28.7% as compared to the corresponding period of 2019, which was mainly due to the expansion of gross floor area ("GFA") under management and the increase in the number of projects under management of the Group; (ii) revenue from value-added services to non-property owners for the year ended 31 December 2020 increased by approximately 38.5% as compared to the corresponding period of 2019, which was mainly due to an increase in the number of projects provided with pre-delivery services and the rapid growth of other value-added services to non-property owners; and (iii) revenue from community value-added services for the year ended 31 December 2020 increased by approximately 51.5% as compared to the corresponding period of 2019, which was mainly due to (a) the expansion of management scale and increase in number of service users of the Group as well as the provision of a wide range of community convenience services to property owners attributable to customer loyalty arising from our high-quality basic property management services; (b) the service capacity of vertical businesses, including move-in and furnishing services, community retail, community media and housekeeping services, was enhanced as we could get more resources from the supply chain and our operation became more well-established; and (c) the provision of livelihood supporting services to property owners in the Group's residential communities across the country, including the provision of direct delivery of vegetables and fresh produce to residential communities and anti-pandemic and disinfection services during the pandemic.

For the year ended 31 December 2020, profit attributable to owners of the Company amounted to approximately RMB673.5 million, representing an increase of approximately 37.3% as compared to approximately RMB490.5 million of the corresponding period of 2019.

Financial performance for the years ended 31 December 2018 and 2019

For the year ended 31 December 2019, total revenue of the Group amounted to approximately RMB5,966.8 million, representing an increase of approximately 41.1% as compared to the corresponding period of 2018. It was mainly attributable to (i) an increase in revenue driven by the continuous increase in the management scale of the Group; and (ii) rapid development of various value-added services of the Group during the year.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the year ended 31 December 2019, (i) revenue from property management services amounted to approximately RMB3,843.8 million, representing an increase of approximately 32.1% as compared to the corresponding period of 2018, which was mainly due to the expansion of GFA under management and the increase in the number of projects under management of the Group; (ii) revenue from value-added services to non-property owners for the year ended 31 December 2019 increased by approximately 39.1% as compared to the corresponding period of 2018, which was mainly due to an increase in projects provided with pre-delivery services and the increasing penetration ratio of other value-added services to non-property owners; and (iii) revenue from community value-added services for the year ended 31 December 2019 increased by approximately 85.2% as compared to the corresponding period of 2018, which was mainly due to (a) the expansion of management scale and increase in number of service users of the Group as well as the provision of a wide range of community convenience services to property owners attributable to the high-quality basic property management services and customer stickiness; and (b) the active development of vertical value-added services, including move-in and furnishing services, community retail and community media.

For the year ended 31 December 2019, profit attributable to owners of the Company amounted to approximately RMB490.5 million, representing an increase of approximately 49.3% as compared to approximately RMB328.4 million of the corresponding period of 2018, which was mainly attributable to the expansion of the Group's business scale, continued improvement in profitability and increase in contribution from high profit business.

Summary of the consolidated statement of financial position

As part of our analysis on the financial position of the Group as at 31 December 2018, 2019 and 2020, we have set out the following information:

Financial position as at 31 December 2019 and 31 December 2020

Total assets of the Group as at 31 December 2020 primarily comprised of (i) cash and cash equivalents balance, which amounted to approximately RMB7,448.1 million, representing an increase of approximately 14.4% as compared to approximately RMB6,508.6 million as at 31 December 2019, primarily due to additional funds raised from the Company's over-allotment of H shares and the increase in the Group's net operating cash inflows; and (ii) trade and bills receivables balance, which amounted to approximately RMB888.1 million, representing an increase of approximately RMB496.7 million as compared to approximately RMB391.4 million as at 31 December 2019, primarily attributable to (i) the increase in trade receivables from third parties as a result of the expansion of the GFA under management of the Group and the increase in the number of projects; and (ii) an increase in trade receivables from related parties as a result of the increase in the scale of revenue with related parties.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Total liabilities of the Group as at 31 December 2020 primarily comprised of (i) accruals and other payables, which amounted to approximately RMB1,246.8 million, representing an increase of approximately 5.6% as compared to approximately RMB1,180.2 million as at 31 December 2019; (ii) contract liabilities balance, which amounted to approximately RMB1,181.9 million, representing an increase of approximately 26.2% as compared to approximately RMB936.7 million as at 31 December 2019; and (iii) trade payables balance, which increased by approximately 56.7% from approximately RMB253.4 million as at 31 December 2019 to approximately RMB397.1 million attributable to the expansion of the Group's GFA under management and the increase in the scale of subcontracting of services to independent third-party service providers.

Financial position as at 31 December 2018 and 2019

Total assets cash and cash equivalents of the Group as at 31 December 2019 amounted to approximately RMB6,508.6 million, representing an increase of approximately 262.9% as compared to approximately RMB1,793.6 million as at 31 December 2018, primarily attributable to the Company's successful fund raising exercise in relation to the issuance of H shares on the Stock Exchange on 19 December 2019 (the "**H-share Listing**").

The remaining total assets of the Group as at 31 December 2019 mainly comprised of trade and bills receivables, which amounted to approximately RMB391.4 million, representing an increase of approximately RMB195.1 million as compared to approximately RMB196.3 million as at 31 December 2018, primarily attributable to an increase in the trade receivables from both third parties and related parties following the expansion of the Group's GFA under management and increase in number of projects.

As at 31 December 2019, total liabilities balance mainly comprised of accruals and other payables of approximately RMB1,180.2 million and contract liabilities of approximately RMB936.7 million, the year-on-year increase of approximately 32.9% and 33.0%, respectively.

As at 31 December 2019, the Group's total equity amounted to approximately RMB5,122.2 million, representing an increase of approximately RMB4,429.1 million or approximately 639.0% as compared to approximately RMB693.1 million as at 31 December 2018, which was primarily due to the funds raised from its H-share Listing and the finance results of the Group for the year ended 31 December 2019.

2. Information of Poly Developments and Holdings

As set out in the letter from the Board, Poly Developments and Holdings, the shares of which are listed on the main board of the Shanghai Stock Exchange, is a joint stock company established in the PRC with limited liability on 14 September 1992. Poly Developments and Holdings focuses on the business of real estate

development and operation, and builds an ecological development platform of real estate, which is driven by the real estate investment and development business as its core, with integrated services and real estate finance business as two supplementary businesses.

3. Overview of the PRC landscape

According to information published on the website of the National Bureau of Statistics of the PRC (<http://data.stats.gov.cn>), the PRC recorded year-on-year growth in gross domestic product (“GDP”) in 2020 of approximately 2.3% (2019: 6.0%). Given the ongoing development and impact of the COVID-19 outbreak, which is expected to be temporary in nature, the growth of GDP of the PRC for 2020 was lower than the growth recorded in 2019. Nonetheless, despite the then short-term challenging environment, the PRC economy achieved positive growth for 2020.

The PRC government had implemented policies to promote urbanisation in the PRC through to, among others, (i) accelerate the agricultural population urbanisation (加快農業轉移人口市民化) by implementing three main strategies, namely further reform of the household registration system* (深化戶籍制度改革), implementation of the residence permit system* (實施居住證制度) and improvement on the system for promoting urbanisation of agricultural population* (健全促進農業轉移人口市民化的機制); and (ii) optimise urbanisation layout* (優化城鎮化佈局和形態) by implementing three main strategies, namely the acceleration of the construction and advancement of urban agglomeration* (加快城市群建設發展), enhance the drive of activities by central cities* (增強中心城市輻射帶動功能) and speeding up of the development of small and medium-sized cities and characteristic towns* (加快發展中小城市和特色鎮).

In addition, based on publication by the PRC government in relation to the Fourteenth Five Year Plan* (十四五規劃), the PRC government will focus on enhancing the quality and efficacy of the overall economy with a view to attain sustainable and healthy development through, among others, (i) the improvement of supply chain modernisation* (提升產業鏈供應鏈現代化水平); (ii) the development of strategic new industries* (發展戰略性新興產業); (iii) the acceleration of modern service industries development* (加快發展現代服務業); (iv) the coordination of infrastructure construction advancement* (統籌推進基礎設施建設); and (v) the acceleration of the development of digitalisation* (加快數位化發展)¹.

The development of the PRC property market continues to be influenced by changes in PRC government policies at a national and regional level, market environment as well as the overall economic development of the PRC. On this basis, it is expected that the increase in urbanisation rate in the PRC and continuous development of the PRC economy shall continue to drive growth for the PRC property-related industries.

¹ Publication of the State Council of the PRC titled “中共中央關於制定國民經濟和社會發展第十四個五年規劃和二〇三五年遠景目標的建議” (Source: www.gov.cn/zhengce/2020-11/03/content_5556991.htm)

4. Reasons for and benefits of the Parking Space Leasing and Sales Agency Services Framework Agreement

As set out in the Letter from the Board, the Group is a leading comprehensive property management service provider in the PRC with extensive property management scale and state-owned background, and is mainly engaged in providing property management services, value-added services to non-property owners and community value-added services. Based on its diversified layout, the Group is committed to connecting various premium internal and external resources to provide property owners in the community with high-quality and diversified living services and provide customers with more valuable professional service portfolios.

To cooperate with Poly Development and Holdings Group on the parking space agency business, the Group can: (i) further expand the Group's asset management business and rapidly improve the capabilities of diversified asset sales and leasing; and (ii) promote the steady growth of the Group's value-added services business, thereby broadening the Group's revenue base, enhancing the profitability and bringing valuable returns to the Shareholders.

Having considered that, (i) the Group is principally engaged in property management and relevant value-added services in China; (ii) the Management considered that the transactions contemplated under the Parking Space Leasing and Sales Agency Services Framework Agreement are a furtherance of the Group's asset management business; (iii) the revenue to be generated from the provision of parking space sales and leasing agency services shall broaden the income base of the Group; and (iv) the annual caps, if approved, would facilitate the transactions contemplated under the Parking Space Leasing and Sales Agency Services Framework Agreement for the years ending 31 December 2021, 2022 and 2023 to ensure that they can be carried out in an effective and efficient manner without the need for the Company to seek Shareholders' approval on a transaction-by-transaction basis, we concur with the Directors' view that the transactions contemplated under the Parking Space Leasing and Sales Agency Services Framework Agreement are in the interests of the Company as a whole.

5. Principal terms of the Parking Space Leasing and Sales Agency Services Framework Agreement

The following information of the Parking Space Leasing and Sales Agency Services Framework Agreement has been extracted from the Letter from the Board:

Date: 16 July 2021

Parties: (i) the Company; and
(ii) Poly Developments and Holdings

Term: The Parking Space Leasing and Sales Agency Services Framework Agreement shall take effect from the date on which it is considered and approved at the EGM to 31 December 2023.

The cooperation within the term of the Parking Space Leasing and Sales Agency Services Framework Agreement is divided into three cycles: the first cycle is from the effective date of the Parking Space Leasing and Sales Agency Services Framework Agreement to 31 December 2021, the second cycle is from 1 January 2022 to 31 December 2022, and the third cycle is from 1 January 2023 to 31 December 2023.

Subject matter: Pursuant to the Parking Space Leasing and Sales Agency Services Framework Agreement, the Group will provide exclusive parking spaces sales and leasing agency services (the “**Exclusive Leasing and Sales Rights**”) in respect of the target parking spaces (the “**Target Parking Spaces**”) to Poly Developments and Holdings Group to facilitate the sales and leasing activities of parking space properties. Poly Developments and Holdings Group shall not entrust the Target Parking Spaces to other third parties for sales or leasing.

In respect of the Target Parking Spaces, the Exclusive Leasing and Sales Rights are the sole and exclusive rights entitled to the Group, and Poly Developments and Holdings Group shall not sell, transfer or dispose of in any other manner any of the Target Parking Spaces to third parties unless agreed by both parties through negotiation.

The Group and Poly Developments and Holdings Group will enter into specific contracts (the “**Specific Contracts**”) to specify the specific projects and the number of Target Parking Spaces during each cooperation cycle.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pricing policy:

The agency services adopt the leasing and sales at the base price model: The Group and Poly Developments and Holdings Group will enter into specific negotiations on the base price for the sales and leasing of the Target Parking Spaces (the **“Cooperation Rights on Leasing and Sales at Base Price”**). Poly Developments and Holdings Group will transfer or lease (as the case may be) the Target Parking Spaces to any third party customers designated by the Group at the request of the Group at an agreed price not lower than the aforesaid base price, and the excess of the agreed price over the base price for sales and leasing will be attributable to the Group as agency service fees. Poly Developments and Holdings Group will settle the payment to the Group on a monthly basis after receiving the payment from third party customers. The transactions will be conducted on normal commercial terms.

The base price for sales or leasing is the minimum price to be charged by Poly Development and Holdings Group for the sales or leasing of the Target Parking Spaces, which in principle shall not exceed 80% of the agreed price for sales or leasing. The base price for sales or leasing will be determined with reference to the level of the agency service fees, and the level of discount of the base price for sales or leasing to the agreed price equals the level of agency services fees, which shall be at least 20% of the agreed price. Such return margin is higher than the level of fixed commission charged by the Group for its previous parking space agency business. In determining the agency service fees, the Group will estimate the costs of such service and comprehensively take into account factors such as labour costs, selling and marketing expenses, difficulties in acting as agency in leasing and sales. In general, the base price for sales or leasing shall not exceed 80% of the agreed price. The discount of the base price for sales or leasing to the agreed price of a specific project will be determined by comprehensively taking into account factors such as occupancy rate, parking space ratio, sales stage and quality of parking spaces of the projects.

The agreed price will be determined through negotiation by relevant members of the Group and Poly Developments and Holdings Group with reference to the comparable average price in the surrounding markets of the Target Parking Spaces.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Deposit:

In order to obtain the Exclusive Leasing and Sales Rights and the Cooperation Rights on Leasing and Sales at Base Price for the Target Parking Spaces, the Group shall pay deposits to Poly Developments and Holdings Group in an amount not exceeding 50% of the aggregate of the relevant value of the Target Parking Spaces under the Specific Contracts (being the sum of the base price for sales and leasing).

During each cooperation cycle, the Group may replace the unleased and unsold Target Parking Spaces with other parking spaces of the same value.

When each cooperation cycle expires or the Parking Space Leasing and Sales Agency Services Framework Agreement is dismissed or terminated for any reason, Poly Developments and Holdings Group will withdraw the Exclusive Leasing and Sales Rights and the Cooperation Rights on Leasing and Sales at Base Price for unleased and unsold parking spaces and return the corresponding deposits. During each cooperation cycle, if the Group attains an early completion of the leasing and sales of all Target Parking Spaces, Poly Developments and Holdings Group shall return the corresponding deposits after the completion of the leasing and sales.

The deposits payable by the Group under the Parking Space Leasing and Sales Agency Services Framework Agreement is expected to be funded by internal resources of the Group.

By paying the deposits to acquire the Exclusive Leasing and Sales Rights and Cooperation Rights on Leasing and Sales at Base Price, the Group can obtain a preferential discounted base price for sales or leasing, pursuant to which the agency service fees receivable by the Group is the amount received in excess of the base price for sales and leasing (being at least 20% of the agreed price), which is greater than the potential returns that can be generated under the original fixed commission agency model, and the risk of holding unsold and vacant parking spaces will not be passed on to the Group.

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As aforementioned, the amount of the deposits shall not exceed 50% of the aggregate of the relevant value of the Target Parking Spaces (being the sum of the base price for sales or leasing) under the Specific Contracts while the base price for sales or leasing shall not exceed 80% of the agreed price (being the final transaction price for leasing and sales paid by third party customers), meaning that the deposits shall not exceed 40% of the agreed price. It is noted from the announcement of another listed issuer that deposits are also paid by another listed issuer for its exclusive parking spaces sales agency businesses and the deposit rate of 40% paid by the Group is more favourable as compared with its peer. In addition, according to the information from market researches currently available to the Group, other agents providing similar services in the market may also pay deposits to the developers which might not be fully refundable. However, the deposit rates vary depending on the project conditions and transaction terms and hence might not be entirely comparable.

On a whole, the payment of deposits provides a higher discount to the base price and considerable potential returns, and the deposits can be fully returned with limited risks. The cooperation terms are no less favourable than those available to the independent third parties. Accordingly, the Board considers the deposits and the deposit rates to be normal business practices.

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The Group has maintained a long-term business relationship with Poly Developments and Holdings Group. Poly Developments and Holdings is listed on the main board of the Shanghai Stock Exchange (stock code: 600048). As disclosed in the annual report of Poly Developments and Holdings for the year ended 31 December 2020, Poly Developments and Holdings Group is financially sound and its audited balance of cash and cash equivalents and net assets as at 31 December 2020 were RMB145,279.84 million and RMB266,637.88 million respectively. The maximum balance of the deposits in each cooperation cycle is only 2.06% and 1.13% of the aforesaid balance of cash and cash equivalents and net assets of Poly Development Holdings Group respectively. At the same time, Poly Developments and Holding undertakes that Poly Developments and Holdings Group shall pay default interests if it fails to return the deposits in accordance with the terms of the Parking Space Leasing and Sales Agency Services Framework Agreement. Furthermore, the Directors did not note any material adverse credit events and/or defaults in relation to Poly Developments and Holdings Group based on its public announcements in the past 24 months. Therefore, the Board considers that the default risk of Poly Developments and Holdings Group is extremely low.

The deposits will be fully returned upon the expiry of each cooperation cycle or the early completion of leasing and sales of all the Target Parking Spaces by the Group. The Group will review the return of deposits in such cycle upon the expiry of each cooperation cycle, assess the major risks of the deposit model, which includes a review of the latest financial position and payment ability of the Poly Developments and Holdings Group before deciding whether to commence a new cooperation cycle, the scale of the business and the amount of the deposits to be paid.

In view of the above, the Board considers that the major risks in payment of deposits under the Parking Space Leasing and Sales Agency Services Framework Agreement is extremely low and the aforementioned measures are sufficient to properly safeguard the assets of the Company.

6. Pricing basis and internal procedures of the Group in respect of the Parking Space Leasing and Sales Agency Services Framework Agreement

As extracted from the Letter from the Board, the Company will adopt the following internal policies and measures to ensure that the transactions under the Parking Space Leasing and Sales Agency Services Framework Agreement are implemented in accordance with the Parking Space Leasing and Sales Agency Services Framework Agreement, which, in specific, include but not limited to:

- (i) the management and the finance department of the Company will closely monitor through continuous and timely inquiries the execution of the Specific Contracts under the Parking Space Leasing and Sales Agency Services Framework Agreement in order to monitor and ensure that the above businesses are falling within the applicable annual caps;
- (ii) the auditors of the Company will also conduct an annual review on the Parking Space Leasing and Sales Agency Services Framework Agreement and the relevant annual caps and provide confirmation in the annual report of the Company;
- (iii) before entering into Specific Contracts, the business department of the Group will review and compare (a) (if any) the return margin of at least two similar parking space sales agency transactions between the Group and independent third parties during the same period (i.e. transactions of similar nature in terms of service type and content, project location, quality of the subject parking spaces, etc.); and (b) (if any) levels of agency service fees of certain comparable projects in the market (i.e. transactions of similar nature in terms of service type and content, project location, pricing method, etc.) in order to ensure that the agency service fees to be gained by the Company are no less favourable than those offered by independent customers;
- (iv) the business department of the Group will: (a) review the project proposals submitted each time before a Specific Contract is entered into; and (b) upon expiry of each cooperation cycle, conduct a re-evaluation based on the overall average price for sales and leasing of the project in the previous year and the surrounding market conditions of the Target Parking Spaces, and make use of process control to ensure that the agreed price is fair and reasonable and on par with the comparable average prices in the surrounding markets of the Target Parking Spaces;
- (v) the business department of the Group will review and consider each Specific Contract on a case-by-case basis, including but not limited to the specific project scale, project location, discount of the base price to the agreed price and potential returns etc., so as to ascertain that the

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deposit rate agreed in each Specific Contract does not exceed 50% of the relevant total value of the Target Parking Spaces and is on normal commercial terms;

- (vi) the implementation of Specific Contracts shall be subject to the proper approval of the relevant personnel of the finance department, the compliance department and the management of the Group to ensure that the Specific Contracts are in compliance with the pricing policy and principal terms of the Parking Space Leasing and Sales Agency Services Framework Agreement and that the agency service fees are determined at prices not lower than those offered by the Group to independent third parties and the deposit rates are on normal commercial terms;
- (vii) the independent non-executive Directors of the Company will also conduct an annual review on the implementation and execution of the Specific Contracts entered into pursuant to the Parking Space Leasing and Sales Agency Services Framework Agreement to ensure that the Specific Contracts are conducted in accordance with the terms (including the pricing policy) set out in the Parking Space Leasing and Sales Agency Services Framework Agreement;
- (viii) the transaction data is provided periodically (as one of the items in the management accounts) to the management of the Company for review and monitoring. The finance department of the Company will arrange for designated personnel to closely monitor the actual amounts involved in connected transactions pursuant to the Parking Space Leasing and Sales Agency Services Framework Agreement on a monthly basis and submit to the management of the Company the transaction data every month, with the aim of assessing the proportion of the annual cap reached by the actual amounts of the connected transactions in a timely manner;
- (ix) while reviewing the total transaction amount under the Parking Space Leasing and Sales Agency Services Framework Agreement, the Company will verify the estimated transaction amounts with the finance and operation departments. If the actual transaction amount reaches a certain percentage of the proposed annual cap at any time, advice shall be sought from the audit committee and the Board of the Company on appropriate measures, including but not limited to revising the proposed annual cap (if necessary) in accordance with the Listing Rules, in order to avoid exceeding the approved annual cap. If the actual transaction amount reaches 80% of the annual cap at any time, the Company will closely monitor such businesses and shall comply with the review and disclosure procedures in a timely manner if necessary; and
- (x) in the event that it is necessary to adjust the annual caps due to business development needs or other reasons, such arrangements will be made in advance and strictly in compliance with the relevant requirements under the Listing Rules.

Our View

In this connection, we also obtained and reviewed relevant internal documents from the Management, including the internal control procedures adopted by the Company for the governing of continuing connected transactions. The internal control procedures have set out various control measures governing the transactions contemplated under the Parking Space Leasing and Sales Agency Services Framework Agreement including, among others, (i) the business department of the Group will review and compare the return margin of at least two similar parking space sales agency transactions between the Group and independent third parties during the same period, where applicable, and levels of agency service fees of certain comparable projects in the market, where applicable; (ii) the business department of the Group will review the subject project proposals each time before a Specific Contract is entered into and upon expiry of each cooperation cycle, conduct a re-evaluation based on the overall average price for sales and leasing of the subject project in the previous year and the surrounding market conditions of the Target Parking Spaces; (iii) the implemental of Specific Contracts shall be subject to approval from relevant personnel of the finance department, the compliance department and the management of the Group; (iv) the independent non-executive Directors of the Company will also conduct an annual review on the implementation and execution of the Specific Contracts; and (v) the finance department will closely monitor the aggregate transaction amounts and notify the Management if the aggregate transaction amounts become close to the annual caps. Based on the documents reviewed and as confirmed by the Management, we considered that effective implementation of these internal control policies would ensure the transactions under the Parking Space Leasing and Sales Agency Services Framework Agreement to be conducted on terms which are fair and reasonable.

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7. Basis for determining the annual caps

Proposed annual cap for deposit

In respect of the proposed annual caps, the amount of deposit payable by the Group under the Parking Space Leasing and Sales Agency Services Framework Agreement are set out below:

	From the effective date of the Parking Space Leasing and Sales Agency Services Framework Agreement to 31 December 2021 <i>RMB' million</i>	From 1 January 2022 to 31 December 2022 <i>RMB' million</i>	From 1 January 2023 to 31 December 2023 <i>RMB' million</i>
Proposed annual caps	3,000	3,000	3,000

The above proposed annual caps for the deposits are the maximum balance of the deposits paid by the Group to Poly Developments and Holdings Group at any time during the year.

As set out in the Letter from the Board, the above proposed annual caps were determined after taking into account the following:

- (i) the estimated value of parking spaces of Poly Developments and Holdings Group available for sales/leasing by the Group as an agent for the year ending 31 December 2021 pursuant to the Parking Space Leasing and Sales Agency Services Framework Agreement, taking into account factors including, but not limited to, the number of parking space agency projects under negotiation currently known to the Group, historical sales of parking spaces of relevant projects and the surrounding comparable average price range, resources that the Group may allocate to the business, and the ability to meet the service demand;
- (ii) the Parking Space Leasing and Sales Agency Services Framework Agreement stipulates that (1) the total accumulated value of the Target Parking Spaces (being the sum of the base price for sales and leasing) during each cooperation cycle shall not exceed RMB6 billion; and (2) the deposits to be paid shall not exceed 50% of the relevant total value of the Target Parking Spaces (being the sum of the base price for sales and leasing), i.e. not more than RMB3 billion in aggregate during each cooperation cycle; and

- (iii) during the three years ending 31 December 2023, the amount of deposits to be paid by the Group to Poly Developments and Holdings Group is expected to remain stable, taking into account factors including, but not limited to: (1) the estimated value of parking spaces of Poly Developments and Holdings Group available for sales/leasing by the Group as an agent for the year ending 31 December 2021 pursuant to the Parking Space Leasing and Sales Agency Services Framework Agreement; and (2) the Group will steadily push forward the parking space sales and leasing agency business in 2022 and 2023.

Our analysis

We also obtained a schedule (the “**Car Parking Space Schedule**”) listing out the car parking spaces available for the Group to sell or lease from the Poly Developments and Holdings Group pursuant to the Parking Space Leasing and Sales Agency Services Framework Agreement. We noted that the Car Parking Space Schedule was based on the number of car parking spaces available from various areas in the PRC mainly including the Southern China region, Central region, Northwest region and Southeast region. As advised by the Management, these regions mainly cover Guangdong, Sichuan and other provinces in the PRC, mainly in first and second-tier cities, and the property projects owned by Poly Developments and Holdings Group were concentrated in first and second-tier cities. We also noted that the Car Parking Space Schedule sets out information such as the selling price range and average selling price of those subject car parking spaces in the respective PRC regions. On this basis, based on the number of car parking spaces available and the average selling price of these subject car parking spaces, the aggregate value of car parking spaces available from Poly Developments and Holdings Group for the Group to select to sell or lease is significantly higher than the proposed annual caps for deposits for the year ending 31 December 2021.

We discussed and understood from the Management that the estimated value of sold and leased parking spaces of Poly Developments and Holdings Group available for sales and leasing by the Group as an agent in 2021 were arrived at after taking into consideration of factors including but not limited to, the number of parking space agency projects that the Group is currently negotiating, the historical sales of related parking spaces project and the range of comparable average prices in the surrounding area, and the resources that the Group can allocate to the business and the ability to undertake service.

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The Base Price, the return margin and the deposit

The Management advised that the Base Price, which in principle shall not exceed 80% of the agreed price for sales or leasing of the Target Parking Spaces. Such agreed price shall be determined subject to the pricing policy under the principal terms of the Parking Space Leasing and Sales Agency Services Framework Agreement (the “**Pricing Policy**”) and the internal control procedures as set out under section headed “6. Pricing basis and internal procedures of the Group in respect of the Parking Space Leasing and Sales Agency Services Framework Agreement” in this letter above. Having considered our analysis and work performed in connection the internal control procedures as set out thereunder, and that the subject agreed price shall be determined with reference to, including but not limited to, the then prevailing market price of the Target Parking Spaces and the average price range of surrounding comparable car parking spaces, the Base Price, which shall be at a discount of 20% or more of the agreed price (the “**Discount**”) for any Target Parking Spaces sold and/or leased, will be lower than the prevailing market price (i.e. the agreed price) for the Target Parking Spaces, and will be subject to the internal procedures, detailed under section headed “5. Principal terms of the Parking Space Leasing and Sales Agency Services Framework Agreement” in this letter.

In this connection, we have reviewed car parking space agency agreements entered into by the Group and independent third parties in the past and market research conducted by the Company and noted that such commission rate (the “**Historical Agency Service Fee**”) were lower than the expected agency service fees to be received by the Group pursuant to the Parking Space Leasing and Sales Agency Services Framework Agreement of not less than 20% of the agreed price of the Target Parking Space(s).

Based on our discussion with the Management, we noted that in order to negotiate for (i) the Base Price to be set at a discount of 20% or more of the agreed price and (ii) the Exclusive Leasing and Sales Rights in respect of the Target Parking Spaces, which the Management considered to be favourable to the Group as a whole, the Group was requested to pay a deposit in an amount not exceeding 50% of the aggregate of the relevant value of the Target Parking Spaces under the Specific Contracts (being the sum of the base price for sales and leasing). Having considered, among others, (i) Poly Development and Holdings Group shall return the corresponding deposits to the Group after the expiration of each cooperation cycle and/or the termination of the Parking Space Leasing and Sales Agency Services Framework Agreement; (ii) the deposit enabled the Group to negotiate for the Discount, the Exclusive Leasing and Sales Rights in respect of the Target Parking Spaces, and earn a notably higher rate of agency service fee compared to the Historical Agency Service Fee as detailed above; (iii) it is not uncommon market practice for a party to pay a deposit/earnest money in return for an exclusive right over a period of time; and (iv) the Group recorded deposits and bank balances of approximately RMB7,448.1 million as at 31 December 2020 based on its

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published annual report for the year ended 31 December 2020, while the prevailing one-year deposit rate published by the People's Bank of China ("PBOC") is 1.50% per annum, as extracted from the website of PBOC (www.pbc.gov.cn), the terms of the Parking Space Leasing and Sales Agency Services Framework Agreement would provide an opportunity allowing the Group to generate a comparatively higher return for the Group in terms of agency fees through utilising its financial resources which is being deposited at bank at the aforesaid interest rate, the Directors considered and we concur that the terms of the Parking Space Leasing and Sales Agency Services Framework Agreement to be fair and reasonable as a whole.

In addition, as set out in the annual report of Poly Developments and Holdings for the year ended 31 December 2020, there were 753 property development with a total gross floor area of approximately 291.7 million square metre under construction and proposed to construct in the PRC, including commercial, residential and office buildings located in various cities such as Guangzhou, Beijing, Shanghai and Chengdu. Moreover, as at the end of 2020, we noted that Poly Developments and Holdings Group had a resources on hand of approximately 170.1 million square metres in the PRC, of which approximately 77.1 million square metres were to be developed. On this basis, we considered the estimated value of parking spaces of the Poly Developments and Holdings Group available for sales and leasing by the Group as an agent, which were used as a basis to determine the proposed annual caps for the year ending 31 December 2021 to be reasonable.

As advised by the Management, the Group has maintained a long-term business relationship with Poly Developments and Holdings, which is listed on the main board of the Shanghai Stock Exchange (stock code: 600048). The Group has also assessed the financial position of Poly Developments and Holdings Group and noted that the maximum balance of the deposits in each cooperation cycle represented approximately 2.06% and 1.13% of cash and cash equivalents and net assets, respectively, of Poly Development and Holdings Group as at 31 December 2020 based on its published annual report for the year ended 31 December 2020. Poly Developments and Holdings is a listed subsidiary of a state-owned enterprise in the PRC. Furthermore, the Directors did not note any material adverse credit events and/or defaults in relation to Poly Developments and Holdings Group based on its public announcements in the past 24 months prior to the Latest Practicable Date. Therefore, the Board considers that the default risk of Poly Developments and Holdings Group to be extremely low.

The Management further advised that the Group will monitor and review the latest financial position, assess the default risks and payment ability of the Poly Developments and Holdings Group on an ongoing basis as well as upon the expiration of each cooperation cycle prior to committing to the renewal of a new cooperation cycle, the scale of the business and the amount of the deposits to be paid thereunder.

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In view of the above, the Directors are of the view, and we concur, that the major risks in repayment of deposits by the Poly Developments and Holdings Group under the Parking Space Leasing and Sales Agency Services Framework Agreement is low and the aforementioned measures together with effective implementation should be sufficient to properly safeguard the assets of the Company.

In connection with the proposed annual caps for the years ending 31 December 2022 and 2023, taking into account the Group will steadily promote the development of parking space sales and leasing agency business in the year ending 31 December 2022 and 2023, the Company has taken a prudent and conservative approach by assuming no any growth to the estimated deposits to be placed by the Group and maintained the proposed annual caps for the years ending 31 December 2022 and 2023 to be the same as that of the year ending 31 December 2021, which is considered to be reasonable.

Proposed annual cap for agency service fees

In respect of the proposed annual caps, the amount of agency service fee receivable by the Group under the Parking Space Leasing and Sales Agency Services Framework Agreement are set out below:

	From the effective date of the Parking Space Leasing and Sales Agency Services Framework Agreement to 31 December 2021 <i>RMB' million</i>	From 1 January 2022 to 31 December 2022 <i>RMB' million</i>	From 1 January 2023 to 31 December 2023 <i>RMB' million</i>
Proposed Annual Caps	300	750	750

As disclosed in the Letter from the Board, the above proposed annual caps were determined after taking into account the following:

- (i) the estimated value of parking spaces of Poly Developments and Holdings Group available for sales/leasing by the Group as an agent for the three years ending 31 December 2023 pursuant to the Parking Space Leasing and Sales Agency Services Framework Agreement, taking into account factors including, but not limited to, the number of parking space agency projects under negotiation currently known to the Group, historical sales of parking spaces of relevant projects and the surrounding comparable average price range;

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- (ii) the base price standards for sales and leasing determined by the Group and Poly Developments and Holdings Group, which in principle shall not exceed 80% of the agreed price for sales or leasing. For details in relation to the determination of the base price for sales or leasing, please refer to the section on “Pricing policy” in the Letter from the Board; and
- (iii) taking into account that, the effective transaction period for the year ending 31 December 2021 is less than half a year whereas the transactions in 2022 and 2023 will cover full years, it is expected that demand for and scale of the parking space sales and leasing agency services to be provided by the Group to Poly Developments and Holdings Group in 2022 and 2023 will increase significantly as compared with that for the year ending 31 December 2021.

Our analysis

As discussed with the Management, we noted that the proposed annual caps for agency service fees were also determined with reference to, among others, (i) during the years ending 31 December 2021, 2022 and 2023, the estimated value of car parking spaces provided by the Group for the Group to commence the parking space agency business based on the Parking Space Leasing and Sales Agency Services Framework Agreement; and (ii) the base price of the subject car parking spaces, which in principle shall not exceed 80% of the agreed price, which shall primarily be based on the then prevailing market value. Having considered that (i) the schedule of the EGM and the timing of entering into Specific Contracts; and (ii) the initial preparation required for the commencement of sales and leasing of car parking business, the Management estimated that certain proportion of the subject car parking spaces would be sold or leased during the year ending 31 December 2021. We also noted that each of 2022 and 2023 shall be a complete year compared to a partial year for sales and/or lease activities for 2021, given the required time for the subject framework agreement to become effective, on this basis, the Management estimated that comparatively more car parking spaces would be sold or leased during the years ending 31 December 2022 and 2023. With reference to (i) the base price of the subject car parking spaces, which in principle shall not exceed 80% of the agreed price; (ii) the estimated sales and leased level to be attained in the years ending 31 December 2021, 2022 and 2023; and (iii) the estimated value of car parking spaces available from Poly Developments and Holdings Group for the Group to select, the proposed annual caps of agency services fee were estimated to be RMB300 million, RMB750 million and RMB750 million, respectively.

Based on the aforesaid factors considered by the Management, we concur with the Management that the basis of determining the proposed annual caps of agency service fee for the years ending 31 December 2021, 2022 and 2023 to be fair and reasonable.

Summary

Having considered that (i) the overview of the expected growth in the PRC economy and its building construction activities which have been set out under the paragraph headed “3. Overview of the PRC landscape” in this letter above; (ii) the estimated value of sold and leased parking spaces of the Poly Developments and Holdings Group available for sales and leasing by the Group as an agent; (iii) the potential projects and projects under development by the Poly Developments and Holdings Group; and (iv) the basis and assumption for the calculation of the proposed annual caps, we consider the basis for determining the proposed annual caps to be fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Nevertheless, the Shareholders are advised that the proposed annual caps only represent an estimate by the Group based on the information available at the relevant time and is not an indication of actual deposits to be paid by the Group. In addition, the proposed annual caps would provide the Group with the flexibility but not the obligation to provide sales and leasing agency services to Poly Developments and Holdings Group and the Group shall comply with the relevant internal control measures prior to entering into any Specific Contracts.

VI. RECOMMENDATION

Having considered, among others,

- (i) the reasons for and benefits of the for entering into the Parking Space Leasing and Sales Agency Services Framework Agreement;
- (ii) the transactions contemplated under the Parking Space Leasing and Sales Agency Services Framework Agreement are a furtherance of the Group’s asset management business and shall broaden the income base of the Group;
- (iii) the transactions contemplated under the Parking Space Leasing and Sales Agency Services Framework Agreement shall be conducted in the ordinary and usual course of business of the Group and on normal commercial terms, detailed analysis of which have been set out under the sections headed “6. Pricing basis and internal procedures of the Group in respect of the Parking Space Leasing and Sales Agency Services Framework Agreement” and “7. Basis for determining the annual caps” in this letter above; and
- (iv) the basis for determining the annual caps included, amongst other things, the estimated car parking spaces to be exclusively sold or leased by the Group is reasonable, details of which are set out in the section headed “7. Basis for determining the annual caps” in this letter above,

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we consider that the transactions contemplated under the Parking Space Leasing and Sales Agency Services Framework Agreement (including the annual caps) are conducted in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of the Parking Space Leasing and Sales Agency Services Framework Agreement are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Parking Space Leasing and Sales Agency Services Framework Agreement.

Yours faithfully,
for and on behalf of
Red Sun Capital Limited
Lewis Lai
Managing Director

Mr. Lewis Lai is a licensed person registered with the SFC and a responsible officer of Red Sun Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 14 years of experience in the corporate finance industry.

* *For identification purposes only*

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group for the financial year ended 31 December 2018 including the auditors' report thereon and the notes thereto, have been set out on pages I-1 to I-63 of the Prospectus (<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/1209/2019120900027.pdf>) and are incorporated by reference into this circular.

The audited consolidated financial statements of the Group for the financial year ended 31 December 2019 including the auditors' report thereon and the notes thereto published on 22 April 2020, have been set out on pages 74 to 166 of the annual report of the Company for the year ended 31 December 2019 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0422/2020042201146.pdf>) and are incorporated by reference into this circular.

The audited consolidated financial statements of the Group for the financial year ended 31 December 2020 including the auditors' report thereon and the notes thereto published on 19 April 2021, have been set out on pages 84 to 186 of the annual report of the Company for the year ended 31 December 2020 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0419/2021041901270.pdf>) and are incorporated by reference into this circular.

2. STATEMENT OF INDEBTEDNESS

As at 30 June 2021, being the latest practicable date for the purpose of this indebtedness statement, the Group had lease liabilities of approximately RMB43.43 million.

Save as disclosed above, as at 30 June 2021, the Group did not have any banking facilities, any unutilised banking facilities or any outstanding or authorised but unissued debt securities, term loans, other borrowings or, indebtedness in the nature of borrowing, acceptance credits, hire purchase commitments, mortgages and charges, contingent liabilities or guarantees outstanding.

3. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, after taking into consideration the effect of the Parking Space Leasing and Sales Agency Services Framework Agreement and the present financial resources available to the Group, including funds internally generated from its business operations, the Group will have sufficient working capital for its business operations for at least the next twelve months from the date of this circular in the absence of unforeseen circumstances.

The Company has obtained the confirmation by its auditor BDO Limited on the statement in the preceding paragraph as required under Rule 14.66(12) of the Listing Rules.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

For the year ended 31 December 2020, the Group recorded approximately RMB8,037.2 million of revenue, and approximately RMB696.1 million of profit for the year, representing an increase of approximately 34.7% and 38.3% respectively, as compared to the year ended 31 December 2019.

The property management industry is facing a period with strategic opportunities that witnesses the speeding up of the process of industry regulation and market-oriented development, the expansion of service scope, industrialisation of value-added services and digitalization. The Group will echo with and respond to national policies and capitalise on any strategic opportunities in the prime time for the development of the industry, while expanding and optimizing our scale, introducing more innovative business models, continuing to improve our customer experience and speeding up technological empowerment to steadily promote the implementation of the Company's strategies, so as to achieve healthy corporate development.

5. FINANCIAL IMPACT OF THE TRANSACTIONS CONTEMPLATED UNDER THE PARKING SPACE LEASING AND SALES AGENCY SERVICES FRAMEWORK AGREEMENT TO THE GROUP

The Company believes that the parking space leasing and sales agency services under the Parking Space Leasing and Sales Agency Services Framework Agreement will not have any material impact of the profits, assets and liabilities of the Group. The commencement of the parking space leasing and sales agency services business is beneficial for the Group to (i) further expand the Group's asset management business and rapidly improve the capabilities of diversified asset sales and leasing; and (ii) promote the steady growth of the Group's value-added services business, thereby broadening the Group's revenue base, enhancing the profitability and bringing valuable returns to the Shareholders.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

INTERESTS OF DIRECTORS, SUPERVISORS AND THE CHIEF EXECUTIVE

As at the Latest Practicable Date, the interests and/or short positions of the Directors, Supervisors and chief executive of the Company in the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they were taken or deemed to have under such provisions of the SFO), or under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”), were as follows:

Name of Director/ Supervisor	Name of associated corporation	Nature of interest	Number of shares held in associated corporation	Approximate percentage of interest in the total issued share capital of the associated corporation
Huang Hai	Poly Developments and Holdings	Beneficial owner	1,050,697 (L)	0.008%
Liu Ping	Poly Developments and Holdings	Beneficial owner	7,409,642 (L)	0.06%
	Poly Developments and Holdings	Beneficial owner	37,542 ⁽²⁾	0.0003%
Hu Zaixin	Poly Developments and Holdings	Beneficial owner	832,954 (L)	0.006%
	Poly Developments and Holdings	Beneficial owner	37,543 ⁽²⁾	0.0003%
Wu Lanyu	Poly Developments and Holdings	Beneficial owner	102,388 (L)	0.0008%
	Poly Developments and Holdings	Interest of spouse	800,000 (L)	0.006%
	Poly Union Chemical Holding Group Co., Ltd. ⁽³⁾	Beneficial owner	1,900 (L)	0.0003%

Name of Director/ Supervisor	Name of associated corporation	Nature of interest	Number of shares held in associated corporation	Approximate percentage of interest in the total issued share capital of the associated corporation
Liu Huiyan	Poly Developments and Holdings	Beneficial owner	246,410 (L)	0.002%
	Poly Developments and Holdings	Beneficial owner	81,911 ⁽²⁾	0.0006%

Notes:

- (1) The letter “L” denotes the person’s long position in the shares.
- (2) Such interest is in the form of share options as at the Latest Practicable Date. The shareholding percentage is calculated (i) by assuming full exercise of the relevant options; and (ii) based on the total number of shares of Poly Developments and Holdings without taking into account the share options granted but not yet exercised, as at the Latest Practicable Date.
- (3) Poly Union Chemical Holding Group Co., Ltd. (保利聯合化工控股集團股份有限公司), formerly known as Guizhou Jiulian Industrial Explosive Material Development Co., Ltd. (貴州久聯民爆器材發展股份有限公司).

Save as disclosed above, as at the Latest Practicable Date,

- (a) none of the Directors, Supervisors or chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code; and
- (b) Mr. Huang Hai is the secretary of the board and the officer of the board of Poly Developments and Holdings and a director of Xizang Yingyue. Mr. Liu Ping is the chairman and a director of Poly Developments and Holdings. Mr. Hu Zaixin is the deputy secretary of the party committee of Poly Developments and Holdings. Ms. Liu Huiyan is the general manager of audit management centre of Poly Developments and Holdings. Saved as disclosed herein, none of the Directors, Supervisors or chief executive of the Company was a director or employee of a company which had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS/ARRANGEMENTS

As at the Latest Practicable Date, none of the Directors or Supervisors of the Company had any direct or indirect interest in any assets which have since 31 December 2020 (being the date to which the latest published audited financial statements of the Group were made up), been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors or Supervisors of the Company was materially interested in any contract or arrangement subsisting which is significant in relation to the business of the Group.

DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, to the best knowledge and belief of the Directors and the Supervisors after having made all reasonable enquiries, none of the Directors, Supervisors or their respective close associates was considered to have any interest in a business which competed or was likely to compete, either directly or indirectly, with the business of the Group.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors and Supervisors has entered into a service contract with the Company.

The term of office of all Directors or Supervisors is effective from their respective appointment dates until the expiry of the term of the second session of the Board and the supervisory committee (i.e. 22 October 2022).

Apart from the foregoing, as at the Latest Practicable Date, none of the Directors or Supervisors had entered into any service contract with any members of the Group which was not determinable by the employer within one year without payment of compensation other than statutory compensation.

MATERIAL CONTRACTS

Save as disclosed below, there were no material contracts (not being contracts entered into in the ordinary course of business) which had been entered into by any member of the Group within two years immediately preceding the Latest Practicable Date:

- (a) the deed of indemnity dated 29 November 2019 entered into by Poly Developments and Holdings as indemnifier in favour of the Company (for itself and as trustee for its subsidiaries) containing certain indemnities as further described in the paragraph headed "5. Other information — (B) Indemnities" in Appendix VI to the Prospectus;

- (b) the non-competition undertakings dated 29 November 2019 entered into by each of China Poly Group and Poly Developments and Holdings in favour of the Company, as further described in the section headed “Relationship with Controlling Shareholders — Delineation of Our Business from Our Controlling Shareholders and Their Respective Close Associates” in the Prospectus;
- (c) the cornerstone investment agreement dated 29 November 2019 entered into among the Company, GIC Private Limited, the Joint Sponsors (as defined in the Prospectus) and UBS AG Hong Kong Branch, in respect of such number of Offer Shares (as defined in the Prospectus) available for purchase at the Offer Price (as defined in the Prospectus) for an aggregate amount of US\$85 million in Hong Kong dollar equivalent (rounded down to the nearest dealing unit), as further described in the section headed “Cornerstone Investors” in the Prospectus;
- (d) the cornerstone investment agreement dated 29 November 2019 entered into among the Company, Gaoling Fund, L.P., YHG Investment, L.P., the Joint Sponsors (as defined in the Prospectus) and GF Securities (Hong Kong) Brokerage Limited, in respect of such number of Offer Shares (as defined in the Prospectus) available for purchase at the Offer Price (as defined in the Prospectus) for an aggregate amount of US\$35 million in Hong Kong dollar equivalent (rounded down to the nearest dealing unit), as further described in the section headed “Cornerstone Investors” in the Prospectus;
- (e) the cornerstone investment agreement dated 29 November 2019 entered into among the Company, China Structural Reform Fund Co., Ltd (中國國有企業結構調整基金股份有限公司), the Joint Sponsors (as defined in the Prospectus) and ABCI Securities Company Limited, in respect of such number of Offer Shares (as defined in the Prospectus) available for purchase at the Offer Price (as defined in the Prospectus) for an aggregate amount of US\$30 million in Hong Kong dollar equivalent (rounded down to the nearest dealing unit), as further described in the section headed “Cornerstone Investors” in the Prospectus;
- (f) the cornerstone investment agreement dated 29 November 2019 entered into among the Company, CCCC International Holding Limited and the Joint Sponsors (as defined in the Prospectus), in respect of such number of Offer Shares (as defined in the Prospectus) available for purchase at the Offer Price (as defined in the Prospectus) for an aggregate amount of US\$30 million in Hong Kong dollar equivalent (rounded down to the nearest dealing unit), as further described in the section headed “Cornerstone Investors” in the Prospectus;

- (g) the Hong Kong underwriting agreement dated 6 December 2019 relating to the Hong Kong Public Offering (as defined in the Prospectus) entered into by, among others, the Company, the Joint Sponsors (as defined in the Prospectus), the Joint Global Coordinators (as defined in the Prospectus) and the Hong Kong Underwriters (as defined in the Prospectus) as further described in the section entitled “Underwriting — Underwriting Arrangements and Expenses” in the Prospectus;
- (h) the international underwriting agreement dated 13 December 2019 relating to the International Offering (as defined in the Prospectus) entered into by, among others, the Company, the Joint Global Coordinators (as defined in the Prospectus) and the International Underwriters (as defined in the Prospectus) as further described in the section entitled “Underwriting — The International Offering” in the Prospectus;
- (i) the deposit service framework agreement dated 7 April 2020 entered into between the Company and Poly Finance Company Limited (保利財務有限公司) (“**Poly Finance**”), pursuant to which Poly Finance provides deposit services to the Group, as further described in the section “Letter from the Board - 2.7 To consider and approve the terms of the Deposit Service Framework Agreement (including the Annual Cap) and the transactions contemplated thereunder” in the Company’s circular dated 22 May 2020;
- (j) the office leasing contract (《寫字樓租賃合同》) dated 16 October 2020 entered into between Guangzhou Poly Business Commercial Property Development Co., Ltd. (廣州保利商業物業發展有限公司) (“**Poly Business Commercial Property**”, a wholly-owned subsidiary of the Company) and Poly Developments and Holdings, pursuant to which Poly Developments and Holdings agreed to lease the Subject Properties (as defined in the undermentioned announcement) it owned to Poly Business Commercial Property for business management on an as-is basis with the rent payable in the form of “guaranteed rent + shared rent”, and during the lease term the total guaranteed rent is approximately RMB221 million while the shared rent is calculated based on the actual operating income, as further described in the Company’s announcement dated 16 October 2020; and

- (k) the office leasing contract (《寫字樓租賃合同》) dated 1 April 2021 entered into between Poly Business Commercial Property and Poly Developments and Holdings and the supplemental agreement thereto dated 1 April 2021 and the office leasing contract (《寫字樓租賃合同》) dated 1 April 2021 entered into between Poly Business Commercial Property and Guangzhou Ruichi Corporate Management Co., Ltd. (“**Guangzhou Ruichi**”, a wholly-owned subsidiary of Poly Developments and Holdings) and the supplemental agreement thereto dated 1 April 2021, pursuant to which Poly Developments and Holdings and Guangzhou Ruichi agreed to lease the Subject Properties (as defined in the undermentioned circular) respectively owned by them to Poly Business Commercial Property for operation and management on an as-is basis with the total amount of lump sum rent being approximately RMB855 million and the total amount of the remaining rent being approximately RMB160 million which is subject to adjustment with reference to the actual total rent received for the relevant Subject Properties in the relevant period, and Poly Business Commercial Property and Poly Developments and Holdings agreed to amend the office leasing contract (《寫字樓租賃合同》) dated 16 October 2020, as further described in the section “Letter from the Board - 2.1 To consider and approve the discloseable and connected transaction and continuing connected transactions” in the Company’s circular dated 12 May 2021.

LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any material litigation or arbitration which could have a material effect on its financial condition or results of operations. So far as the Directors are aware, no such litigation or arbitration of material importance is pending or threatened against any member of the Group.

MATERIAL ADVERSE CHANGE

The Directors confirm that they were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Company were made up.

EXPERT

The following is the qualification of the expert who has provided its opinion or advice, which are contained in this circular:

Name	Qualification
Red Sun Capital	a licensed corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the transactions contemplated under the Parking Space Leasing and Sales Agency Services Framework Agreement (including the annual caps)

Red Sun Capital has given and has not withdrawn its written consent to the issue of this circular, with the inclusion therein of its letter and/or report or the references to its name in the form and context in which it appears.

As at the Latest Practicable Date, Red Sun Capital did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group and did not have any interest, either direct or indirect, in any assets which had since 31 December 2020, being the date to which the latest published audited financial statements of the Company were made up, been acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to any member of the Group.

MISCELLANEOUS

- (a) The registered office of the Company is at Rooms 201-208, No. 688 Yue Jiang Zhong Road, Hai Zhu District, Guangzhou, Guangdong Province, the PRC.
- (b) The principal place of business in Hong Kong of the Company is at 40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong.
- (c) The joint company secretaries of the Company are Mr. Yin Chao, who was qualified as a secretary of the board of directors by the Shanghai Stock Exchange; and Mr. Lau Kwok Yin, a member of the Hong Kong Institute of Certified Public Accountants, a Chartered Financial Analyst charterholder and a fellow of the Chartered Governance Institute and the Hong Kong Institute of Chartered Secretaries.
- (d) The Company's H Share Registrar is Tricor Investor Services Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

- (e) The English text of this circular shall prevail over its Chinese text in case of inconsistency.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong for a period of 14 days from the date of this circular:

- (a) the Articles of Association;
- (b) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out in this circular;
- (c) the audited consolidated financial statements of the Company for each of the years ended 31 December 2019 and 2020;
- (d) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out in this circular;
- (e) the written consent from Red Sun Capital referred to in the paragraph headed "*EXPERT*" in this Appendix;
- (f) the service contracts of the Directors and Supervisors referred to in the paragraph headed "*DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS*" in this Appendix;
- (g) the material contracts referred to in the paragraph headed "*MATERIAL CONTRACTS*" in this Appendix;
- (h) Parking Space Leasing and Sales Agency Services Framework Agreement;
- (i) the Company's circular dated 12 May 2021 in respect of (1) Discloseable and Connected Transaction; and (2) Continuing Connected Transactions; and
- (j) this circular.



POLY PROPERTY SERVICES CO., LTD.
保利物業服務股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 06049)

**NOTICE OF THE SECOND EXTRAORDINARY
GENERAL MEETING OF 2021**

NOTICE IS HEREBY GIVEN THAT the extraordinary general meeting (the “EGM”) of Poly Property Services Co., Ltd. (the “Company”) will be held at 9:30 a.m. at the Conference Room, 2nd Floor, East Tower, Poly Plaza, No. 832 Yue Jiang Zhong Road, Hai Zhu District, Guangzhou, Guangdong Province, the PRC on Wednesday, 15 September 2021 for the purposes of considering and, if thought fit, approving the following resolution. In this notice, unless the context otherwise requires, terms used herein shall have the same meanings as defined in the Company’s circular dated 26 August 2021 (the “Circular”).

ORDINARY RESOLUTION

1. To consider and approve the transactions contemplated under the Parking Space Leasing and Sales Agency Services Framework Agreement (including the annual caps).

By Order of the Board

POLY PROPERTY SERVICES CO., LTD.

Huang Hai

Chairman of the Board and Non-executive Director

Guangzhou, the PRC, 26 August 2021

As at the date of this notice, the non-executive Directors of the Company are Mr. Huang Hai, Mr. Liu Ping and Mr. Hu Zaixin; the executive Director of the Company is Ms. Wu Lanyu; and the independent non-executive Directors of the Company are Mr. Wang Xiaojun, Ms. Tan Yan and Mr. Wang Peng.

NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING OF 2021

Notes:

1. The resolution at the EGM will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The results of the poll will be published on the designated website of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (www.hkexnews.hk) and the website of the Company (www.polywuye.com) in accordance with the Listing Rules.
2. All shareholders of the Company are eligible for attending the EGM. Any shareholder of the Company entitled to attend and vote at the EGM convened by the above notice is entitled to appoint a proxy or more than one proxy to attend the EGM and vote instead of him/her. A proxy need not be a shareholder of the Company. If more than one proxy is appointed, the number of shares in respect of which each such proxy so appointed must be specified in the relevant proxy form. Every shareholder of the Company present in person or by proxy shall be entitled to one vote for each share held by him/her.
3. In order to be valid, the proxy form together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be completed and returned to (i) the Company’s principal place of business in the People’s Republic of China (the “**PRC**”) at Rooms 201-208, No. 688 Yue Jiang Zhong Road, Hai Zhu District, Guangzhou, Guangdong Province, the PRC (for domestic shareholders) or (ii) the Company’s H Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong (for H shareholders) not less than 24 hours before the time appointed for the EGM. Completion and return of the proxy form will not preclude a shareholder of the Company from attending and voting at the EGM or any adjourned meeting thereof should he/she so wish.
4. The register of members of the Company will be closed from Friday, 10 September 2021 to Wednesday, 15 September 2021, both days inclusive, during which period no transfer of the shares will be registered. In order for the H shareholders to qualify for attending and voting at the EGM, all properly completed share transfer forms together with the relevant H share certificates shall be lodged with the Company’s H Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 9 September 2021. Shareholders whose names appear on the register of members of the Company on Wednesday, 15 September 2021 are entitled to attend and vote at the EGM.
5. The EGM is expected to take no more than half a day. Shareholders of the Company who attend the EGM (in person or by proxy) shall bear their own travelling and accommodation expenses. Shareholders of the Company may contact the Company via telephone at +86 20 8989 9959 and email at stock@polywuye.com for any enquires in respect of the EGM.