

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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).

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of 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)

**(1) DISCLOSEABLE AND CONTINUING CONNECTED
TRANSACTIONS**
**(2) PROPOSED APPOINTMENT OF AUDITORS FOR THE YEAR 2022
AND
NOTICE OF THE THIRD EXTRAORDINARY
GENERAL MEETING OF 2022**

**Independent Financial Adviser of
Independent Board Committee and
Independent Shareholders
in respect of the 2023-2025
Deposit Service Framework Agreement**



**Independent Financial Adviser of
Independent Board Committee and
Independent Shareholders
in respect of the Parking Space
Agency Framework Agreement (Phase II)**



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 Thursday, 29 December 2022 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

The attendees shall strictly comply with the rules and requirements of epidemic prevention and control in Guangzhou. To the extent permitted by law, any person who does not comply with the precautionary measures (1) and (2) as set out above and other measures of epidemic prevention and control may be denied entry into the venue of the EGM at the absolute discretion of the Company. Shareholders may also 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.

14 December 2022

CONTENTS

	<i>Page</i>
PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING	1
DEFINITIONS	3
LETTER FROM THE BOARD	8
1. INTRODUCTION	8
2. BUSINESSES TO BE CONSIDERED AT THE EGM	9
3. EGM AND PROXY ARRANGEMENT	29
4. VOTING BY POLL	29
5. RECOMMENDATION	30
6. FURTHER INFORMATION	30
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	31
LETTER FROM MAXA CAPITAL	33
LETTER FROM RED SUN CAPITAL	45
APPENDIX I — GENERAL INFORMATION	I-1
NOTICE OF THE THIRD EXTRAORDINARY GENERAL MEETING OF 2022	EGM-1

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 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.

The attendees shall strictly comply with the rules and requirements of epidemic prevention and control in Guangzhou. To the extent permitted by law, any person who does not comply with the precautionary measures (i) to (ii) as set out above and other measures of epidemic prevention and control 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

17/F, Far East Finance Centre

16 Harcourt Road

Hong Kong

Email: 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:

“2023-2025 Deposit Service Framework Agreement”	the Deposit Service Framework Agreement entered into between the Company and Poly Finance dated 4 November 2022
“Annual Cap(s)”	<p>In respect of the 2023-2025 Deposit Service Framework Agreement, the proposed maximum daily balance of deposits (including interests paid thereon) that may be placed with Poly Finance under the 2023-2025 Deposit Service Framework Agreement;</p> <p>in respect of the Parking Space Agency Framework Agreement (Phase II), the proposed annual cap(s) for the deposits or agency service fees under the Parking Space Agency Framework Agreement (Phase II) (aggregated with the annual caps under the Parking Space Agency Framework Agreement (Phase I), if applicable)</p>
“Articles of Association”	the articles of association of the Company currently in force
“Baker Tilly China”	Baker Tilly China Certified Public Accountants (天職國際會計師事務所(特殊普通合伙))
“Baker Tilly HK”	Baker Tilly Hong Kong Limited (天職香港會計師事務所有限公司)
“BDO”	BDO Limited (香港立信德豪會計師事務所有限公司)
“BDO China”	BDO China SHU LUN PAN Certified Public Accountants LLP (立信會計師事務所(特殊普通合伙))
“Board”	the board of Directors of the Company
“CBIRC”	China Banking and Insurance Regulatory Commission, an institution authorised by the State Council to supervise the establishment and continuing operation of banking and insurance institutions

DEFINITIONS

“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 (國務院國有資產監督管理委員會). China Poly Group is the controlling shareholder of the Company
“Company” or “Poly Property”	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
“Deposit Services”	deposit services provided by Poly Finance to the Group
“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 Thursday, 29 December 2022
“Former CBRC”	the former China Banking Regulatory Commission (原中國銀行業監督管理委員會)
“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”	Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	the Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Wang Xiaojun, Ms. Tan Yan and Mr. Zhang Liqing

DEFINITIONS

“Independent Shareholders”	shareholders other than those who are required by the Listing Rules to abstain from voting at the EGM on the resolutions approving (i) the 2023-2025 Deposit Service Framework Agreement and the transactions contemplated thereunder (including the Annual Cap); and (ii) the Parking Space Agency Framework Agreement (Phase II) and the transactions contemplated thereunder (including the Annual Caps)
Independent Third Party (ies)”	independent third parties who are not connected persons (as defined in the Listing Rules) of the Company and are independent of and not connected with the Company and its connected persons
“Latest Practicable Date”	9 December 2022, 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 of Hong Kong Limited
“Maxa Capital”	Maxa Capital Limited, a corporation licensed under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, and appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the 2023-2025 Deposit Service Framework Agreement and the transactions contemplated thereunder (including the Annual Cap)
“Original Deposit Service Framework Agreement”	the Deposit Service Framework Agreement dated 7 April 2020 entered into between the Company and Poly Finance
“Parking Space Agency Framework Agreement (Phase I)”	the Parking Space Leasing and Sales Agency Services Framework Agreement dated 16 July 2021 entered into by the Company and Poly Developments and Holdings, which constituted a major transaction and continuing connected transactions of the Company, and was approved by the Independent Shareholders at the extraordinary general meeting held on 15 September 2021

DEFINITIONS

“Parking Space Agency Framework Agreement (Phase II)”	the Parking Space Leasing and Sales Agency Services Framework Agreement (Phase II) dated 16 November 2022 entered into by the Company and Poly Developments and Holdings
“PBOC”	The People’s Bank of China (中國人民銀行), the central bank of the PRC
“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 subsidiaries, excluding the Group
“Poly Finance”	Poly Finance Company Limited (保利財務有限公司), a sino-foreign joint venture non-bank financial institution incorporated in the PRC and a connected person of the Company
“PRC”	the People’s Republic of China, but for the purpose of this circular and for geographical reference only, except where the context requires, references in this circular to the “PRC” do not include Hong Kong, Macau Special Administrative Region of the PRC and Taiwan of the PRC
“Red Sun Capital”	Red Sun Capital Limited, a corporation licensed under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, and appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Parking Space Agency Framework Agreement (Phase II) and the transactions contemplated thereunder (including the Annual Caps)
“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

DEFINITIONS

“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 Hetai”	Xizang Hetai Enterprise Management Co., Ltd. (西藏和泰企業管理有限公司), formerly known as 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” 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. Zhang Liqing

*Registered office and principal place of
business in the PRC:*
48–49th Floor, Poly Plaza,
832 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

14 December 2022

To the Shareholders

Dear Sir/Madam,

(1) DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTIONS
(2) PROPOSED APPOINTMENT OF AUDITORS FOR THE YEAR 2022
AND
NOTICE OF THE THIRD EXTRAORDINARY GENERAL MEETING OF 2022

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 resolutions at the EGM.

At the EGM, ordinary resolutions will be proposed to consider and approve (i) the 2023-2025 Deposit Service Framework Agreement and the transactions contemplated thereunder (including the Annual Cap); (ii) the Parking Space Agency Framework Agreement (Phase II) and the transactions contemplated thereunder (including the Annual Caps); and (iii) the appointment of Baker Tilly China and Baker Tilly HK as the domestic and overseas auditors of the Company for the year 2022, respectively.

LETTER FROM THE BOARD

In order to enable you to have a better understanding of the resolutions 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 detailed information in this circular.

2. BUSINESSES TO BE CONSIDERED AT THE EGM

2.1 TO CONSIDER AND APPROVE THE 2023-2025 DEPOSIT SERVICE FRAMEWORK AGREEMENT AND THE TRANSACTIONS CONTEMPLATED THEREUNDER (INCLUDING THE ANNUAL CAP)

(A) Background

Reference is made to the announcement of the Company dated 7 April 2020 and the circular of the Company dated 22 May 2020 in relation to, among other things, the Original Deposit Service Framework Agreement entered into between the Company and Poly Finance, pursuant to which the Group may use the Deposit Services provided by Poly Finance. Poly Finance is a subsidiary of China Poly Group, the controlling shareholder of the Company. Therefore, Poly Finance is a connected person of the Company and the Group's use of Deposit Services provided by Poly Finance constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Reference is made to the announcement of the Company dated 4 November 2022, in which the Company announced that as the Original Deposit Service Framework Agreement will expire on 31 December 2022, and the Company intends to continue to use the Deposit Services, on 4 November 2022, the Company entered into the 2023-2025 Deposit Service Framework Agreement with Poly Finance to renew the Deposit Services provided under the Original Deposit Service Framework Agreement for a term commencing from 1 January 2023 and ending on 31 December 2025.

(B) 2023-2025 Deposit Service Framework Agreement

The principal terms of the 2023-2025 Deposit Service Framework Agreement are set out below:

- Date: 4 November 2022
- Parties: (i) the Company; and
(ii) Poly Finance

LETTER FROM THE BOARD

Term: Commence on 1 January 2023 and expire on 31 December 2025. Subject to compliance with all relevant requirements under the Listing Rules, the 2023-2025 Deposit Service Framework Agreement may be renewed upon expiry by agreement between the parties thereto.

Conditions precedent: The 2023-2025 Deposit Service Framework Agreement is subject to the Company having obtained the Independent Shareholders' approval.

Subject matter: Pursuant to the 2023-2025 Deposit Service Framework Agreement, Poly Finance shall provide Deposit Services to the Group.

The 2023-2025 Deposit Service Framework Agreement does not restrict the Group's use of services provided by third-party commercial banks or financial institutions. The Group may (but is not obliged to) use the Deposit Services provided by Poly Finance pursuant to the 2023-2025 Deposit Service Framework Agreement.

Pricing policies: Poly Finance undertakes to provide the Deposit Services to the Group according to the following pricing policies:

- (i) the interest rates for the deposits placed by the Group with Poly Finance will be higher than the average interest rate offered by independent major PRC state-owned commercial banks for comparable deposits of the same type and term; and
- (ii) the commercial terms offered by Poly Finance in respect of the Deposit Services will be more favourable than those offered by independent major PRC state-owned commercial banks.

LETTER FROM THE BOARD

As stated in the above pricing policy in the 2023-2025 Deposit Service Framework Agreement, for the purpose of ensuring the interest rate in respect of the deposits placed by the Group with Poly Finance will be higher than the average deposit interest rate offered by independent major PRC state-owned commercial banks for comparable deposits of the same type and term, the finance department of the Company will be responsible for liaising with Poly Finance and will review the deposit interest rates and commercial terms offered by at least three independent major PRC state-owned commercial banks (such as China Construction Bank, Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China or Bank of Communications, etc.), and will obtain their quotations on deposit interest rates via online enquiry. The above steps will ultimately ensure that the deposit interest rate offered by Poly Finance to the Group: (i) will be higher than the average deposit interest rate offered by the comparable banks for comparable deposits of the same type and term (i.e. the average deposit interest rate offered by the comparable banks for deposits of the same type and term plus certain premium); and (ii) shall not exceed the upper limit of the interest rate prescribed by the PBOC.

Further, to determine whether the commercial terms provided by Poly Finance are favourable, apart from considering the deposit interest rate provided, the Group will also consider other factors, to the extent applicable, including: (i) any applicable settlement fees; and (ii) efficiency of the withdrawal procedures. So far as the Deposit Services are concerned, the settlement services to be provided by Poly Finance to the Group will be free of charge and the Group may withdraw the deposits on the same day on which its instruction is given to Poly Finance in accordance with its procedural requirements. The deposits are repayable on demand.

The Group has the discretion in deciding whether or not to use the Deposit Services provided by Poly Finance. If the Group considers the interest rate and other commercial terms offered by Poly Finance do not meet the above requirements, the Group is not obliged to, and therefore will not use the Deposit Services provided by Poly Finance.

LETTER FROM THE BOARD

(C) Historical Transaction Amounts

The following table sets out the historical maximum daily balance of deposits (including interests paid thereon) placed with Poly Finance by the Group:

	Year ended 31 December			For the nine months ended 30 September
	2019	2020	2021	2022
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Maximum daily balance of deposits placed by the Group with Poly Finance (including interest paid thereon)	1,177.7	1,264.5	1,938.7	1,938.7

Under the Original Deposit Service Framework Agreement entered into on 7 April 2020, the Group and Poly Finance agreed that the maximum daily balance of deposits (including interests paid thereon) placed by the Group with Poly Finance shall be capped at RMB2,030.0 million. Poly Finance was able to fulfill all the deposit withdrawal requests made by the Group during the term of the Original Deposit Service Framework Agreement.

(D) Proposed Annual Cap and Basis of Determination

Under the 2023-2025 Deposit Service Framework Agreement, it is proposed that the maximum daily balance of deposits (including interests paid thereon) that may be placed by the Group with Poly Finance for each of the three years ending 31 December 2023, 2024 and 2025 shall be capped at RMB2,030.0 million.

The above Annual Cap has been determined with reference to the following factors:

- (1) the historical transaction amounts of the maximum daily balance of deposits (including interests paid thereon) placed by the Group with Poly Finance for the three years ended 31 December 2021 and the nine months ended 30 September 2022;
- (2) the historical cash balance position of the Group and the Group's potential continuing demand for the Deposit Services;

LETTER FROM THE BOARD

- (3) the non-exclusiveness of the Deposit Services: the Deposit Services will be obtained by the Group on a voluntary and non-exclusive basis. There is no restriction under the 2023-2025 Deposit Service Framework Agreement for the Group to source deposit services from third party financial institutions or commercial banks and the Group may make its selection at its sole discretion based on the relevant conditions and service quality provided by third party financial institutions or commercial banks. In general, apart from Poly Finance, the Group also places cash deposits with other commercial banks and financial institutions in the PRC.
- (4) the Group's risk management guiding principle when selecting providers of deposit services: in deciding whether to place deposits with Poly Finance or third party financial institutions or commercial banks, the Group will take into account the terms, the quality of services offered by and the choices of deposit services available from the relevant financial institutions, their credit ratings and market reputation, and their understanding of the Group's operations, etc. In addition, the Group will strive to maintain a stable and healthy treasury management portfolio. While implementing treasury centralisation management, the Group will deposit its current cash with a few reputable financial institutions based on business operation's and treasury management's concerns, so as to avoid the risk of over-concentration of funds in a single financial institution. In respect of the 2023-2025 Deposit Service Framework Agreement, the Group considers that the Deposit Services (including the Annual Cap) are consistent with the Group's treasury management policy.

(E) Reasons for and Benefits of the Transactions

Poly Finance has maintained a long-term and stable cooperation with the Group, and is familiar with the Group's business operation and cash management model, thus it is capable of providing stable, appropriate, efficient, convenient and flexible Deposit Services to the Group. In addition, depositing funds with Poly Finance is consistent with the Group's relevant requirements on treasury centralisation and overall management.

At the same time, Poly Finance will provide Deposit Services to the Group at interest rates higher than the average interest rates for deposits of the same type and term offered by independent major PRC state-owned commercial banks. The commercial terms of the Deposit Services offered by Poly Finance are more favourable than those offered by independent major PRC state-owned commercial banks.

LETTER FROM THE BOARD

(F) Opinion of the Board

In view of the above reasons and benefits, given the 2023-2025 Deposit Service Framework Agreement and the transactions contemplated thereunder (including the Annual Cap) are conducted in the ordinary and usual course of business of the Company and on normal commercial terms or better, the Board is of the view that the 2023-2025 Deposit Service Framework Agreement and the transactions contemplated thereunder (including the Annual Cap) 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 2023-2025 Deposit Service Framework Agreement and none of them is required to abstain from voting on the Board resolution approving the 2023-2025 Deposit Service Framework Agreement.

(G) Internal Control Measures

The Company has adopted internal policies and measures in relation to cash management to ensure that the Deposit Services are conducted in accordance with the 2023-2025 Deposit Service Framework Agreement and its pricing policies, including but not limited to:

- (1) the finance department of the Company will be responsible for liaising with Poly Finance and at least three independent major PRC state-owned commercial banks in relation to, among other things, commercial terms, and will formulate a deposit service plan after comparing the deposit services of the same type and same period offered by Poly Finance and other independent major PRC state-owned commercial banks (such as China Construction Bank, Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China or Bank of Communications, etc.) and submit the same to the management of the Company for approval to ensure that the deposit interest rates and commercial terms offered by Poly Finance are in line with the pricing policies for Deposit Services as set out in the 2023-2025 Deposit Service Framework Agreement and are fair and reasonable;
- (2) the designated treasury management personnel of the Company's finance department shall: (i) submit daily treasury statement (including, among others, the deposit balance with Poly Finance on the respective day) to the management of the Company; and (ii) compile statistics on the maximum daily balance of deposits (including interests paid thereon) on a monthly basis and report the relevant status to the management of the Company in a timely manner, to ensure the actual amounts of connected transactions do not exceed the limits approved by the general meeting;

LETTER FROM THE BOARD

- (3) the Company's auditors will also conduct an annual review on the pricing policy of the relevant agreements and the Annual Cap, and provide confirmation in the Company's annual report;
- (4) the independent non-executive Directors will also review the implementation and use of the Deposit Services to ensure that the Deposit Services are carried out in accordance with the terms (including the pricing policy) as set out in the 2023-2025 Deposit Service Framework Agreement;
- (5) in the event where the Annual Cap needs to be adjusted due to business development needs or other reasons, arrangements will be made in advance and the relevant requirements under the Listing Rules will be strictly complied with;
- (6) Poly Finance is a non-bank financial institution subject to supervision of the CBIRC and shall operate business in accordance with the Measures for the Administration of Finance Companies of Enterprise Groups (the "**Administrative Measures**") issued by the Former CBRC (now merged to become the CBIRC) for the purpose of overseeing the operation and reducing the possibility of financial risks of finance companies of enterprise groups. The Administrative Measures set forth several rules/measures on supervision, management and risk control with regard to operating finance companies of enterprise groups, including but not limited to maintaining certain financial ratios and report to the CBIRC;
- (7) Poly Finance will assist the Group in annual reviews of the management of deposits placed with Poly Finance, including the provision of data and records such as fund flow, interest rates and deposit balances under the 2023-2025 Deposit Service Framework Agreement and other data and records as may be required by the auditors of the Group for the purpose of reporting on the relevant continuing connected transactions; and
- (8) Poly Finance will, at the request of the Company, provide its annual financial reports and documents and data in relation to the continuing connected transactions to the Company.

(H) Implications under the Listing Rules

As at the Latest Practicable Date, China Poly Group and its associates were interested in an aggregate of 72.289% of the total issued share capital of the Company, hence China Poly Group is the controlling shareholder and thus a connected person of the Company. Poly Finance is owned as to an aggregate of 94.18% by China Poly Group and its associates, and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the 2023-2025 Deposit Service 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 Annual Cap under the 2023-2025 Deposit Service Framework Agreement exceeds 5% but is less than 25%, the Company shall be subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Meanwhile, the transactions contemplated under the 2023-2025 Deposit Service Framework Agreement also constitute a discloseable transaction of the Company, and the Company shall be subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

(I) Information on the Parties

Information on the Group

The Company is a joint stock company with limited liability incorporated 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.

Information on Poly Finance

Poly Finance is a sino-foreign joint venture non-bank financial institution incorporated in the PRC on 11 March 2008 and is owned as to 94.18% by China Poly Group and its associates and 5.82% by Credit Suisse AG, an Independent Third Party. Poly Finance is a non-banking financial institution with a financial licence issued by the CBIRC. Poly Finance is mainly engaged in providing deposit services, credit services, settlement services and other financial services.

LETTER FROM THE BOARD

As a non-banking financial institution, Poly Finance is subject to on-going supervision by the CBIRC and is required to comply with applicable regulations relating to interest rates issued by the PBOC. Poly Finance is also subject to various regulatory and capital adequacy requirements, including capital adequacy ratios, loan-to-deposit ratios, limit on interbank loans and deposit reserve thresholds.

2.2 TO CONSIDER AND APPROVE THE PARKING SPACE AGENCY FRAMEWORK AGREEMENT (PHASE II) AND THE TRANSACTIONS CONTEMPLATED THEREUNDER (INCLUDING THE ANNUAL CAPS)

(A) Background

References are made to the announcement of the Company dated 16 July 2021 and the circular of the Company dated 26 August 2021 in relation to the Parking Space Agency Framework Agreement (Phase I) entered into between the Company and Poly Developments and Holdings, pursuant to which, the Group may provide exclusive parking spaces sales and leasing agency services to Poly Developments and Holdings Group. The Parking Space Agency Framework Agreement (Phase I) was approved by the Independent Shareholders at the general meeting convened on 15 September 2021 and became effective.

On 16 November 2022, the Company entered into the Parking Space Agency Framework Agreement (Phase II) with Poly Developments and Holdings to meet the business needs for continuing development. The principal terms of the Parking Space Agency Framework Agreement (Phase II) are as follows:

(B) Parking Space Agency Framework Agreement (Phase II)

The principal terms of the Parking Space Agency Framework Agreement (Phase II) are set out below:

Date	:	16 November 2022
Parties	:	(i) the Company; and (ii) Poly Developments and Holdings
Term	:	Three years from the date on which the Parking Space Agency Framework Agreement (Phase II) is considered and approved at the EGM.

LETTER FROM THE BOARD

Subject matter : Pursuant to the Parking Space Agency Framework Agreement (Phase II), 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, gift, pledge 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 agreed cooperation of both parties on specific projects and the number of Target Parking Spaces.

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 typically requires third party customers to make payment in full for the selling/leasing prices at the time of entering into the sales or leasing contracts for parking spaces or pay by installments. As the Group is responsible for introducing third party customers to Poly Developments and Holdings Group, the Group will closely follow up the payment status of third party customers. Poly Developments and Holdings Group will settle the

LETTER FROM THE BOARD

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 Developments 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. In determining the agency service fees, the Group will estimate the costs of such services, taking into account factors such as labour costs, marketing expenses and difficulties of the leasing and sales agency. In determining the base price for sales or leasing, the discount of base price to the agreed price of a specific project will be determined by taking into account factors such as occupancy rate, parking spaces ratio, stage of sales and quality of parking spaces of the project; and 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. Those projects which are (i) within the proximity of the specific project; and (ii) of similar type targeting at similar customer group will be selected as comparable when determining the agreed price. The similarity in the stages of selling cycle and the average selling/leasing prices of these comparable over the past 12 months would also be taken into account, and adjustment may be made considering the most recent market trends and economic development.

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).

During the term of the agreement, the Group may replace the unleased and unsold Target Parking Spaces with other parking spaces of the same value. If there is no other parking spaces with exact same value, Poly Developments and Holdings Group will return the corresponding deposits to the Group.

Before 30 June and 31 December of each year, Poly Developments and Holdings Group is required to return the existing deposits. Meanwhile, the Group will evaluate and decide whether to make adjustments to the business, and based on such evaluation results pay the corresponding amount of deposits to Poly Developments and Holdings Group. The evaluation will be based on (i) the number of the remaining parking spaces available for sale or lease; (ii) the average premium (i.e. the difference between the agreed price and the based price) for sales or leasing; and (iii) the turnover rate of the sales or leasing of the Target Parking Spaces. In the event that the Group attains

LETTER FROM THE BOARD

an early completion of the leasing and sales of all Target Parking Spaces or the Specific Contracts are not renewed upon expiry, Poly Developments and Holdings Group shall return the corresponding deposits after the completion of the leasing and sales or the expiry of the Specific Contracts. If the Parking Space Agency Framework Agreement (Phase II) is rescinded or terminated for any reason, Poly Developments and Holdings Group will revoke the Exclusive Leasing and Sales Rights and the Cooperation Rights on Leasing and Sales at Base Price for unleased and unsold Target Parking Spaces and return the corresponding deposits.

The deposits payable by the Group under the Parking Space Agency Framework Agreement (Phase II) are expected to be funded by internal resources of the Group.

By paying the deposits to obtain the Exclusive Leasing and Sales Rights and the Cooperation Rights on Leasing and Sales at Base Price, the Group can obtain a preferential discounted base price for sales and leasing, and the Group will receive the amount in excess of the base price for sales and leasing as the agency service fees. Such potential return is greater than that generated from the Group's original fixed commission agency model, and the risk of holding unsold and vacant parking spaces will not be passed on to the Group. As aforementioned, the amount of deposits shall not exceed 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 or leasing). In general, 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. Accordingly, the Board considers the deposits and the deposit ratio to be normal commercial terms.

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). Poly Developments and Holdings undertakes that it shall pay default interest if Poly Developments and Holdings Group fails to return the deposits in accordance with the Parking Space Agency Framework Agreement (Phase II). 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 minimal.

In view of the above, the Board is of the view that the risks of the payment of deposits under the Parking Space Agency Framework Agreement (Phase II) are remote, and the above measures are sufficient to properly safeguard the assets of the Company.

LETTER FROM THE BOARD

(C) 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 Agency Framework Agreement (Phase II), details of which are set out in the table below.

	From the effective date of the Parking Space Agency Framework Agreement (Phase II) to 31 December 2022	From 1 January 2023 to 31 December 2023	From 1 January 2024 to 31 December 2024	From 1 January 2025 to the expiry of the Parking Space Agency Framework Agreement (Phase II)
Proposed Annual Caps	RMB2,000 million	RMB2,000 million	RMB2,000 million	RMB2,000 million

The above proposed Annual Caps represent the maximum balance of the deposits payable by the Group to Poly Developments and Holdings Group at any time during the year.

The above proposed Annual Caps were determined after considering the following:

- (1) the estimated value of parking spaces of Poly Developments and Holdings Group available for sales/leasing by the Group as an agent for each of the years during the term of the agreement pursuant to the Parking Space Agency Framework Agreement (Phase II), 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;
- (2) resources that the Group may allocate to the business, the ability to meet the service demand, and the steady business development strategy of the Group;
- (3) the deposits agreed to be paid under the Parking Space Agency Framework Agreement (Phase II) 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 and leasing), and the maximum balance of deposits shall not be over RMB2 billion at any time during the term of agreement; and

LETTER FROM THE BOARD

- (4) the maximum balance of the deposits payable by the Group pursuant to the Parking Space Agency Framework Agreement (Phase I) during the period from the effective date of the agreement (i.e. 15 September 2021) to 31 December 2021 and the nine months ended 30 September 2022 amounted to RMB3,000 million and RMB3,000 million, respectively.

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 Agency Framework Agreement (Phase II), details of which are set out in the table below.

	From the effective date of the Parking Space Agency Framework Agreement (Phase II) to 31 December 2022	From 1 January 2023 to 31 December 2023	From 1 January 2024 to 31 December 2024	From 1 January 2025 to the expiry of the Parking Space Agency Framework Agreement (Phase II)
Proposed Annual Caps	RMB50 million	RMB600 million	RMB600 million	RMB600 million

The above proposed Annual Caps were determined after considering the following:

- (1) the estimated value of parking spaces of Poly Developments and Holdings Group available for sales/leasing by the Group as an agent during the term of the agreement pursuant to the Parking Space Agency Framework Agreement (Phase II), 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;
- (2) the base price standards for sales and leasing determined by the Group and Poly Developments and Holdings Group, being not exceeding 80% of the agreed price for sales and leasing in principle. For details of determining the base price for sales and leasing, please refer to the section headed "Pricing policy";

LETTER FROM THE BOARD

- (3) the agency service fees receivable by the Group pursuant to the Parking Space Agency Framework Agreement (Phase I) for the period from the effective date of the agreement (i.e. 15 September 2021) to 31 December 2021 and the nine months ended 30 September 2022 amounted to approximately RMB60 million and approximately RMB191 million, respectively. Meanwhile, the Group has established a dedicated team for parking space leasing and sales agency services, and with the further expansion of the team, the maturity of its members' business experience and the rapid enhancement of its business capability, it is expected to achieve better performance results in the future; and
- (4) taking into account the effective transaction period for the year ending 31 December 2022 is only less than one month, while it covers a whole year or nearly a whole year for 2023, 2024 and 2025, it is expected that the demand and scale of the parking space sales and leasing agency services to be provided by the Group to Poly Developments and Holdings Group in 2023, 2024 and 2025 will be increased significantly as compared with those for the year ending 31 December 2022.

(D) Reasons for and Benefits of the Transactions

The Group is a leading comprehensive property management service provider in the PRC with extensive property management scale and state-owned background. The Group continues to pay close attention to the diversified community needs of property owners and builds a community value-added service ecosystem by connecting internal and external quality resources, so as to provide property owners with high-quality, convenient and value-for-money community services and products and create high-quality living experience.

The Group has commenced the parking space leasing and sales agency cooperation business with Poly Developments and Holdings Group since 2021. This business has fully leveraged the customer stickiness and scenario-based service advantages of property services, built an excellent and professional asset operation team, and enhanced the Group's industrial capabilities in the field of asset operation and asset management.

Entering into the Parking Space Agency Framework Agreement (Phase II) with Poly Developments and Holdings can further expand the scale of the Group's overall asset operation business, improve and enhance the Group's ability in the sales and leasing of diversified asset; strengthen the building of a professional team, further accumulate experience in asset operation services and enhance the parking space leasing and sales agency service capabilities; at

LETTER FROM THE BOARD

the same time, it can also optimize the Group's overall industry layout in value-added community services, thereby achieving long-term sustainable and stable growth.

(E) Opinion of the Board

In view of the above reasons and benefits and given the Parking Space Agency Framework Agreement (Phase II) and the transactions contemplated thereunder (including the Annual Caps) are conducted in the ordinary and usual course of business of the Company and on normal commercial terms or better, the Board is of the view that the Parking Space Agency Framework Agreement (Phase II) and the transactions contemplated thereunder (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 Agency Framework Agreement (Phase II). 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 a director and the deputy secretary of the party committee of Poly Developments and Holdings, all of them have abstained from voting on the Board resolution approving the Parking Space Agency Framework Agreement (Phase II).

(F) Internal Control Measures

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

- (1) the management and the finance department of the Group will closely monitor through continuous and timely inquiries the execution of the Specific Contracts under the Parking Space Agency Framework Agreement (Phase II), 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 Agency Framework Agreement (Phase II) 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 margin of return of similar parking space sales agency transactions (i.e. transactions of similar nature in terms of service type and content, project location, quality of the subject parking spaces, etc.) between the Group and Independent Third Parties during the same period; and (ii) (if any) levels of agency service fees of comparable projects in the nearby market of the project (i.e. transactions of similar nature in terms of service type and content, project location, pricing method, etc.), so as to ensure that the agency service fees to be received by the Company are no less favourable than those offered by Independent Third Parties;
- (4) the business department of the Group will (i) review the project proposal submitted each time before entering into a Specific Contract; and (ii) re-evaluate the transaction by reference to the overall average selling and leasing price of the project and the market conditions of the surrounding area of the Target Parking Spaces as at 30 June and 31 December of each year, and make use of process control to ensure that the agreed price is fair and reasonable and on par with the average price in the surrounding comparable market 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 deposits ratio agreed in each Specific Contract does not exceed 50% of the aggregate of the relevant 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 Agency Framework Agreement (Phase II), and that the agency service fees are determined at prices not lower than those offered by the Group to Independent Third Parties (if any) and the deposits ratio is on normal commercial terms;
- (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 Agency Framework Agreement (Phase II) to ensure that the Specific Contracts are conducted in accordance with the terms (including the pricing policy) set out in the Parking Space Agency Framework Agreement (Phase II);

LETTER FROM THE BOARD

- (8) provision of transaction data (as one of the items in the management accounts) regularly to the management of the Company for review and monitoring. The finance department of the Company will arrange designated personnel to closely monitor the actual amount of the connected transactions under the Parking Space Agency Framework Agreement (Phase II) on a monthly basis, and will submit the transaction data to the management of the Company every month to assess the actual amount of the connected transactions as a percentage of the Annual Caps in a timely manner;
- (9) when reviewing the total transaction amount under the Parking Space Agency Framework Agreement (Phase II), the management of the Company will check the forecasted transaction amount with the finance and operation departments. If the actual transaction amount at any time reaches a certain percentage of the proposed Annual Caps, advice shall be sought from the audit committee of the Company and the Board on appropriate measures, including but not limited to revising the proposed Annual Caps (if necessary) in accordance with the requirements of the Listing Rules, to avoid exceeding the approved Annual Caps. If the actual transaction amount at any time exceeds 80% of the Annual Caps, the Company will closely monitor such businesses, and shall comply with the review and disclosure procedures in a timely manner if necessary;
- (10) the finance department of the Group will remind Poly Developments and Holdings Group its obligation to return the deposits 3 business days before 30 June and 31 December of each year. If the deposits are not duly returned, the legal department of the Group will take appropriate measures, including but not limited to issuing demand letter and/or initiating formal legal proceedings, to recover the deposits 30 days after the due date. Further, the management of the Group will review the announcements and financial reports published by Poly Developments and Holdings regularly and evaluate the financial or trading position of Poly Developments and Holdings Group timely; and
- (11) 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

(G) 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 Agency Framework Agreement (Phase II) will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Annual Caps for the deposit expense portion and the agency service fees income portion under the Parking Space Agency Framework Agreement (Phase II) are both higher than 5%, the Company is subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

On 16 July 2021, the Company entered into the Parking Space Agency Framework Agreement (Phase I) with Poly Developments and Holdings. As (i) the highest applicable percentage ratio, if calculated on an aggregated basis, in respect of the Annual Caps under the Parking Space Agency Framework Agreement (Phase II) together with the Parking Space Agency Framework Agreement (Phase I) is higher than 25% but lower than 100%; and (ii) the Parking Space Agency Framework Agreement (Phase I) constituted a major transaction and continuing connected transactions of the Company and had complied with the reporting, announcement, annual review and Independent Shareholders' approval requirements, accordingly, pursuant to Chapter 14 of the Listing Rules, the Parking Space Agency Framework Agreement (Phase II) also constitutes a discloseable transaction of the Company, the Company is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

(H) Information on the Parties

Information on the Group

The Company is a joint stock company with limited liability incorporated 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 on Poly Developments and Holdings

Poly Developments and Holdings, whose shares are listed on the main board of Shanghai Stock Exchange, is a joint stock company incorporated 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 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.

2.3 TO CONSIDER AND APPROVE THE APPOINTMENT OF BAKER TILLY CHINA AND BAKER TILLY HK AS THE DOMESTIC AND OVERSEAS AUDITORS OF THE COMPANY FOR THE YEAR 2022 RESPECTIVELY

Reference is made to the announcement of the Company dated 4 November 2022, in which the Company announced that in accordance with the requirements on the term of service of accounting firms under the Circular on the Issues Relating to Accounting Firms Undertaking Audit of Final Financial Accounts of Central State-Owned Enterprises (Cai Kuai [2011] No. 24) (《關於會計師事務所承擔中央企業財務決算審計有關問題的通知》(財會[2011]24號)) issued by the Ministry of Finance of the People's Republic of China, BDO China and BDO had tendered their resignation to the Board as the domestic and overseas auditors of the Company for the year 2022, respectively, with effect from 4 November 2022.

BDO China and BDO had been the domestic and overseas auditors of the Company since 2012 and 2019, respectively, and had maintained good communication with the Company during their terms of service. Each of BDO China and BDO had confirmed to the Board in writing that there were no matters in relation to their resignation as the auditors of the Company that need to be brought to the attention of the Shareholders.

According to Article 164 of the Company's Articles of Association, if there is a vacancy in the position of accounting firm of the Company, the Board of Directors may appoint an accounting firm to fill such vacancy before the convening of the shareholders' general meeting.

Accordingly, as proposed by the audit committee of the Company, Baker Tilly China and Baker Tilly HK had been appointed as the new domestic and overseas auditors of the Company, respectively, with effect from 4 November 2022, to fill the casual vacancies following the resignation of BDO China and BDO and to hold office until the conclusion of the EGM at which the formal appointment of auditors will be considered.

LETTER FROM THE BOARD

A resolution will be proposed at the EGM to seek approval from the Shareholders for the appointment of Baker Tilly China and Baker Tilly HK as the domestic and overseas auditors of the Company for the year 2022, respectively, for a term commencing from the date of the EGM until the conclusion of the next annual general meeting of the Company, and seek approval from the Shareholders' general meeting for the Board to authorise the management to determine their remunerations and enter into the relevant agreements.

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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong and Domestic Shareholders are required to return the proxy form to the Company's principal place of business in the PRC at 48-49th Floor, Poly Plaza, 832 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 Thursday, 22 December 2022 to Thursday, 29 December 2022, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 21 December 2022. Shareholders whose names appear on the register of members of the Company on Thursday, 29 December 2022 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 resolutions 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. In respect of the resolutions in relation to (i) the 2023-2025 Deposit Service Framework Agreement and the transactions contemplated thereunder (including the Annual Cap); and (ii) the Parking Space Agency Framework Agreement (Phase II) and the transactions contemplated thereunder (including the Annual Caps), China Poly Group and its associates (including Poly Developments and Holdings and Xizang Hetai), 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 on the proposal at the EGM in accordance with the requirements under the Listing Rules.

LETTER FROM THE BOARD

5. RECOMMENDATION

The Board (including independent non-executive Directors) considers the resolutions proposed at the EGM in respect of (i) the 2023-2025 Deposit Service Framework Agreement and the transactions contemplated thereunder (including the Annual Cap); (ii) the Parking Space Agency Framework Agreement (Phase II) and the transactions contemplated thereunder (including the Annual Caps); and (iii) the appointment of Baker Tilly China and Baker Tilly HK as the domestic and overseas auditors of the Company for the year 2022, respectively, 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 these proposed resolutions 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)

14 December 2022

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE 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 (i) the 2023-2025 Deposit Service Framework Agreement and the transactions contemplated thereunder (including the Annual Cap) and (ii) the Parking Space Agency Framework Agreement (Phase II) and the transactions contemplated thereunder (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 Maxa Capital and the letter of advice from Red Sun Capital, the independent financial advisers appointed to advise the Independent Board Committee and the Independent Shareholders in relation to (i) the 2023-2025 Deposit Service Framework Agreement and the transactions contemplated thereunder (including the Annual Cap) and (ii) the Parking Space Agency Framework Agreement (Phase II) and the transactions contemplated thereunder (including the Annual Caps), as set out on pages 33 to 67 of the Circular and the letter from the Board as set out on pages 8 to 30 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 Maxa Capital and Red Sun Capital as stated in their letters of advice, we consider that (i) the 2023-2025 Deposit Service Framework Agreement and the transactions contemplated thereunder (including the Annual Cap) and (ii) the Parking Space Agency Framework Agreement (Phase II) and the transactions contemplated thereunder (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 (i) the 2023-2025 Deposit Service Framework Agreement and the transactions contemplated thereunder (including the Annual Cap) and (ii) the Parking Space Agency Framework Agreement (Phase II) and the transactions contemplated thereunder (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, Zhang Liqing**
Independent Non-Executive Directors

LETTER FROM MAXA CAPITAL

The following is the full text of the letter from Maxa Capital, the independent financial adviser, to the Independent Board Committee and the Independent Shareholders setting out its advice in respect of the terms of the 2023-2025 Deposit Service Framework Agreement and the transactions contemplated thereunder (including the annual cap), which has been prepared for the purpose of inclusion in this circular.



Unit 1908, Harbour Center
25 Harbour Road
Wan Chai
Hong Kong

14 December 2022

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

Dear Sir or Madam,

DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTIONS – 2023-2025 DEPOSIT SERVICE FRAMEWORK AGREEMENT

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the 2023-2025 Deposit Service Framework Agreement, the transactions contemplated thereunder and the annual cap (the “**Deposit Annual Cap**”), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 14 December 2022 (the “**Circular**”), of which this letter forms parts. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 4 November 2022, Poly Finance, a subsidiary of China Poly Group, entered into the 2023-2025 Deposit Service Framework Agreement with the Company, pursuant to which Poly Finance will provide the Deposit Services to the Group for a term commencing from 1 January 2023 to 31 December 2025.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, China Poly Group and its associates were interested in an aggregate of 72.289% of the total issued share capital of the Company, hence China Poly Group is the controlling shareholder and thus a connected person of the Company. Poly Finance is owned as to an aggregate of 94.18% by China Poly Group and its associates, and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the 2023-2025 Deposit Service Framework Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

LETTER FROM MAXA CAPITAL

As the highest applicable percentage ratio under the Listing Rules in respect of the Deposit Annual Cap exceeds 5% but is less than 25%, the transactions contemplated under the 2023-2025 Deposit Service Framework Agreement shall be subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Meanwhile, the transactions contemplated under the 2023-2025 Deposit Service Framework Agreement also constitute a discloseable transaction of the Company, which shall be subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

The Independent Board Committee comprising Mr. Wang Xiaojun, Ms. Tan Yan and Mr. Zhang Liqing, being all the independent non-executive Directors, has been established to advise the Independent Shareholders on the terms of the 2023-2025 Deposit Service Framework Agreement and the transactions contemplated thereunder (including the Deposit Annual Cap). We, Maxa Capital, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from the Company in accordance with Rule 13.84 of the Listing Rules and accordingly, were qualified to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the 2023-2025 Deposit Service Framework Agreement and the transactions contemplated thereunder (including the Deposit Annual Cap). In the past two years, we were appointed once by the Company as the independent financial adviser, details of which were set out in the circular of the Company dated 12 May 2021. The aforesaid previous appointment was limited to providing one-off independent advisory service, for which Maxa Capital received normal professional fees. Accordingly, we do not consider such previous appointment gives rise to any conflict of interests for Maxa Capital in acting as the independent financial adviser in respect of the 2023-2025 Deposit Service Framework Agreement and the transactions contemplated thereunder (including the Deposit Annual Cap). Saved as disclosed above and apart from the normal advisory fee payable to us in connection with this appointment, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we consider that we have reviewed sufficient and relevant information and documents and have taken reasonable steps as required under Rule 13.80 of the Listing Rules to reach an informed view and to provide a reasonable basis for our recommendation. We have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors. We have reviewed, inter alia, the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that (i) all statements, information and representations provided by the Directors; and (ii) the information referred to in the Circular, for which they are solely responsible, were true and accurate at the time when they were provided and continued to

LETTER FROM MAXA CAPITAL

be so as at the Latest Practicable Date and the Shareholders will be notified of any material changes to such information and representations before the EGM. We have also assumed that all statements of belief, opinion, intention and expectation made by the Directors in the Circular were reasonably made after due enquiry and careful consideration.

The Company confirmed that they have, at our request, provided us with all currently available information and documents which are available under present circumstances to enable us to reach an informed view and we have relied on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our opinion. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the representations and opinions expressed by the Company and/or the Directors. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors nor have we conducted any form of in-depth investigation into the business and affairs or the prospects of the Group and Poly Finance.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the 2023-2025 Deposit Service Framework Agreement and the transactions contemplated thereunder (including the Deposit Annual Cap), we have taken into consideration the following principal factors and reasons:

1. Background information of the Group and Poly Finance

1.1 Information of the Group

The Company is a joint stock company with limited liability incorporated 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 MAXA CAPITAL

Set out below is a summary of the consolidated financial information of the Group for the two years ended 31 December 2020 (“FY2020”) and 31 December 2021 (“FY2021”) and for the six months ended 30 June 2021 (“1H2021”) and 30 June 2022 (“1H2022”) as extracted from the annual report of the Company for the year ended 31 December 2021 (the “2021 AR”) and the interim report of the Company for the six months ended 30 June 2022 (the “2022 IR”):

	For the year ended		For the six months ended	
	31 December		30 June	
	2020	2021	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	8,037,156	10,782,549	5,153,133	6,449,437
Gross profit	1,499,061	2,014,640	1,031,473	1,304,879
Profit for the year/period	696,115	870,884	505,052	635,533
				As at
				30 June
		2020	2021	2022
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(audited)	(audited)	(unaudited)
Deposits and bank balances		7,448,102	7,690,572	5,223,878
Total assets		9,444,182	11,137,923	12,419,669

As shown in the table above, the total revenue of the Group was approximately RMB10,782.5 million for FY2021, representing an increase of 34.2% as compared to approximately RMB8,037.2 million for FY2020. The profit for the year was approximately RMB870.9 million for FY2021, representing an increase of approximately 25.1% as compared to approximately RMB696.1 million for FY2020. The total revenue of the Group was approximately RMB6,449.4 million for 1H2022, representing an increase of 25.2% as compared to approximately RMB5,153.1 million for 1H2021. The profit for the period was approximately RMB635.5 million for 1H2022, representing an increase of approximately 25.8% as compared to approximately RMB505.1 million for 1H2021.

The Group’s deposits and bank balances amounted to approximately RMB7,690.6 million as at 31 December 2021, representing an increase of approximately 3.3% as compared to RMB7,448.1 million as at 31 December 2020. The Group’s total assets amounted to approximately RMB11,137.9 million as at 31 December 2021, representing an increase of approximately 17.9% as compared to approximately RMB9,444.2 million as at 31 December 2020. The Group’s deposits and bank balances amounted to approximately RMB5,223.9 million as at 30 June 2022, representing a decrease of approximately 32.1% as compared to RMB7,690.6 million as at 31 December 2021, such decrease was mainly because the Group deployed funds into the asset operation business and value-added business with

higher utilisation efficiency. The Group's total assets amounted to approximately RMB12,419.7 million as at 30 June 2022, representing an increase of approximately 11.5% as compared to approximately RMB11,137.9 million as at 31 December 2021.

1.2 Information of Poly Finance

Poly Finance is a sino-foreign joint venture non-bank financial institution incorporated in the PRC on 11 March 2008 and is owned as to 94.18% by China Poly Group and its associates and 5.82% by Credit Suisse AG, an Independent Third Party. Poly Finance is a non-bank financial institution with a financial licence issued by the CBIRC. Poly Finance is mainly engaged in providing deposit services, credit services, settlement services and other financial services.

As a non-bank financial institution, Poly Finance is subject to on-going supervision by the CBIRC and is required to comply with applicable regulations relating to interest rates issued by the PBOC. Poly Finance is also subject to various regulatory and capital adequacy requirements, including capital adequacy ratios, loan-to-deposit ratios, limit on interbank loans and deposit reserve thresholds.

2. Reasons for and benefits of the Deposit Services

Poly Finance has maintained a long-term and stable cooperation with the Group, and is familiar with the business operation and cash management model of the Group. In view of the stability and suitability of the Deposit Services provided by Poly Finance in the past, Poly Finance is well-positioned to serve the financial needs of the Group in an efficient, convenient and flexible manner.

Moreover, Poly Finance will provide the Deposit Services to the Group at interest rates which are higher than the average interest rates offered by other independent major PRC state-owned commercial banks for deposits of the same type and term; and the commercial terms of the Deposit Services offered by Poly Finance will be more favourable than those offered by independent major PRC state-owned commercial banks.

The Company has the sole discretion to deposit and withdraw its deposits with Poly Finance from time to time without any restriction. Also, the use of the Deposit Services will not restrict the Group to approach or engage other independent financial institutions in the PRC to provide similar services. Therefore, we consider that the entering into of the 2023-2025 Deposit Service Framework Agreement provide an alternative to the Group to deposit its funds on interest rates and terms more favourable than those offered by other independent major PRC state-owned commercial banks.

LETTER FROM MAXA CAPITAL

Having considered that (i) the Group may, but is not obliged to, utilise the Deposit Services should the interest rates offered by Poly Finance are more favourable than those offered by other independent major PRC state-owned commercial banks for deposits of similar nature and of the same term; (ii) Poly Finance is familiar with the Group's business operation and cash management model; (iii) use of the Deposit Services are consistent with the Group's relevant requirement on treasury centralisation and overall management, we are of the view that the Deposit Services are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group.

3. 2023-2025 Deposit Service Framework Agreement

The principal terms of the 2023-2025 Deposit Service Framework Agreement are set out below:

Date	:	4 November 2022
Parties	:	(i) the Company; and (ii) Poly Finance
Term	:	Commence on 1 January 2023 and expire on 31 December 2025. Subject to compliance with all relevant requirements under the Listing Rules, the 2023-2025 Deposit Service Framework Agreement may be renewed upon expiry by agreement between the parties thereto.
Conditions precedent	:	The 2023-2025 Deposit Service Framework Agreement is subject to the Company having obtained the Independent Shareholders' approval.
Subject matter	:	Pursuant to the 2023-2025 Deposit Service Framework Agreement, Poly Finance shall provide Deposit Services to the Group.

The 2023-2025 Deposit Service Framework Agreement does not restrict the Group from engaging services provided by third-party commercial banks or financial institutions. The Group may (but is not obliged to) use the Deposit Services provided by Poly Finance pursuant to the 2023-2025 Deposit Service Framework Agreement.

LETTER FROM MAXA CAPITAL

Pricing policy : Poly Finance undertakes to provide the Deposit Services to the Group according to the following pricing policy:

- (i) the interest rates for the deposits placed by the Group with Poly Finance will be higher than the average interest rate offered by independent major PRC state-owned commercial banks for comparable deposits of the same type and term; and
- (ii) the commercial terms offered by Poly Finance in respect of the Deposit Services will be more favourable than those offered by independent major PRC state-owned commercial banks.

As mentioned in the Letter from the Board and the above pricing policy, for the purpose of ensuring the interest rate in respect of the deposits placed by the Group with Poly Finance will be higher than the average deposit interest rate offered by independent major PRC state-owned commercial banks for comparable deposits of the same type and term, the finance department of the Company will be responsible for liaising with Poly Finance and will review the deposit interest rates and commercial terms offered by at least three independent major PRC state-owned commercial banks (such as China Construction Bank, Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, or Bank of Communications, etc.), and will obtain their quotations on deposit interest rates via online enquiry. The above steps will ultimately ensure that the deposit interest rate offered by Poly Finance to the Group (i) will be higher than the average deposit interest rate offered by the comparable banks for comparable deposits of the same type and term (i.e. the average deposit interest rate offered by the comparable banks for deposits of the same type and term plus certain premium); and (ii) shall not exceed the upper limit of the interest rate prescribed by the PBOC.

Further, to determine whether the commercial terms provided by Poly Finance are favourable, apart from considering the deposit interest rate provided, the Group will also consider other factors, to the extent applicable, including (i) any applicable settlement fees; and (ii) efficiency of the withdrawal procedures. So far as the Deposit Services are concerned, the settlement services to be provided by Poly Finance to the Group will be free of charge and the Group may withdraw the deposits on the same day on which its instruction is given to Poly Finance in accordance with its procedural requirements. The deposits are repayable on demand.

The Group has the discretion in deciding whether or not to use the Deposit Services provided by Poly Finance. If the Group considers the interest rate and other commercial terms offered by Poly Finance do not meet the above requirements, the Group is not obliged to and therefore will not use the Deposit Services provided by Poly Finance.

LETTER FROM MAXA CAPITAL

We have discussed with the Company and understand that the Group in the past primarily placed demand deposits and call deposits with Poly Finance. We have obtained and reviewed in total seven sets of deposit interest income notices (covering both demand deposits and call deposits) of Poly Finance from the Company. We have compared the interest rates offered by Poly Finance with the list of RMB deposit interest rates as published on the official websites of other independent major PRC state-owned commercial banks. Based on the above, we noted that the interest rates of the relevant deposits placed with Poly Finance were higher than the deposit interest rates of the same type and term offered by other independent major PRC state-owned commercial banks and the Group has followed the pricing policy under the Original Deposit Service Framework Agreement.

In view of the above, in particular that the interest rates offered by Poly Finance will be higher than the average interest rate offered by independent major PRC state-owned commercial banks for comparable deposits of the same type and term, we consider that the terms of the 2023-2025 Deposit Service Framework Agreement are on normal commercial terms or better, fair and reasonable so far as the Independent Shareholders are concerned.

4. The Proposed Deposit Annual Cap

4.1 Historical transaction amounts

The following table sets out the historical maximum daily balance of deposits (including interests paid thereon) placed with Poly Finance by the Group:

	For the year ended 31 December			For the nine months ended 30 September
	2019	2020	2021	2022
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>
Maximum daily balance of deposits placed by the Group with Poly Finance (including interests paid thereon)	1,177.7	1,264.5	1,938.7	1,938.7

Under the Original Deposit Service Framework Agreement entered into on 7 April 2020, the Group and Poly Finance agreed that the maximum daily balance of deposits (including interests paid thereon) placed by the Group with Poly Finance shall be capped at RMB2,030.0 million. Poly Finance was able to fulfill all the deposit withdrawal requests made by the Group during the term of the Original Deposit Service Framework Agreement.

LETTER FROM MAXA CAPITAL

4.2 *The Proposed Deposit Annual Cap and Basis of Determination*

Under the 2023-2025 Deposit Service Framework Agreement, it is proposed that the maximum daily balance of deposits (including interests paid thereon) that may be placed by the Group with Poly Finance for each of the three years ending 31 December 2023, 2024 and 2025 shall be capped at RMB2,030.0 million.

We note from the Letter from the Board that the Deposit Annual Cap has been determined with reference to the following factors:

- (i) The historical transaction amounts of the maximum daily balance of deposits (including interests paid thereon) placed by the Group with Poly Finance for the three years ended 31 December 2021 and the nine months ended 30 September 2022;
- (ii) the historical cash balance position of the Group and the Group's potential continuing demand for the Deposit Services;
- (iii) the non-exclusiveness of the Deposit Services: The Deposit Services will be obtained by the Group on a voluntary and non-exclusive basis. There is no restriction under the 2023-2025 Deposit Service Framework Agreement for the Group to source deposit services from third party financial institutions or commercial banks and the Group may make its selection at its sole discretion based on the relevant conditions and service quality provided by the third-party financial institutions or commercial banks. In general, apart from Poly Finance, the Group also places cash deposits with other commercial banks and financial institutions in the PRC.
- (iv) the Group's risk management guiding principle when selecting providers of deposit services: In deciding whether to place deposits with Poly Finance or third party financial institutions or commercial banks, the Group will take into account the terms, the quality of services offered by and the choices of deposit services available from the relevant financial institutions, their credit ratings and market reputation, and their understanding of the Group's operations, etc. In addition, the Group will strive to maintain a stable and healthy treasury management portfolio. While implementing treasury centralisation management, the Group will deposit its current cash with a few reputable financial institutions based on business operation's and treasury management's concerns, so as to avoid the risk of overconcentration of funds in a single financial institution. In respect of the 2023-2025 Deposit Service Framework Agreement, the Group considers that the Deposit Services (including the Deposit Annual Cap) are consistent with the Group's treasury management policy.

LETTER FROM MAXA CAPITAL

We noted the Deposit Annual Cap remains the same as the annual cap of the Original Deposit Service Framework Agreement is close to the maximum daily deposit with Poly Finance for the three years ended 31 December 2021 and the nine months ended 30 September 2022. According to the basis of determining the Deposit Annual Cap as discussed above, we consider that the Deposit Annual Cap is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

5. Internal Control Measures

We noted that the Company has adopted internal policies and measures in relation to cash management to ensure that the Deposit Services are conducted in accordance with the 2023-2025 Deposit Service Framework Agreement and its pricing policies, details of which were set out in the section headed “2.1(G) Internal Control Measures” in the Letter from the Board.

We have obtained and reviewed the Company’s relevant procedural manual and noted the internal control measures in such manual are in line with the description in the Letter from the Board. We have also reviewed certain sample daily treasury statements (including, among others, the deposit balance with Poly Finance on the respective day) submitted to the management of the Company and certain sample monthly reports on statistics on the maximum daily balance of deposits (including interests paid thereon) and noted the annual cap under the Original Deposit Service Framework Agreement was not exceeded.

As mentioned in the section headed “3. The 2023-2025 Deposit Service Framework Agreement”, we have reviewed and compared the interest rates provided by Poly Finance and offered by major PRC state-owned commercial banks to the Group and noted that the Group has followed the pricing policy under the Original Deposit Service Framework Agreement in determining the interest rates of the deposit services with Poly Finance.

Pursuant to Rules 14A.55 and 14A.56 of the Listing Rules, the independent non-executive Directors and auditor of the Company will conduct annual review and issue confirmations regarding the continuing connected transactions of the Company each year. We have reviewed the 2021 AR and noted that the independent non-executive Directors and the auditor of the Company have reviewed the non-exempt continuing connected transactions, which include the transactions under the Original Deposit Service Framework, during FY2021 and provided the relevant confirmations. As confirmed with the Company, the Company will continue to comply with the relevant annual review requirement under the Listing Rules on an on-going basis.

In light of the above, we concur with the Directors’ view that the Group has implemented effective internal policies to monitor the Deposit Services and the Deposit Annual Cap and hence the interest of the Independent Shareholders would be safeguarded.

LETTER FROM MAXA CAPITAL

On the other hand, as mentioned in the Letter from the Board, Poly Finance is a non-bank financial institution subject to supervision of the CBIRC and shall operate business in accordance with the Measures for the Administration of Finance Companies of Enterprise Groups (《企業集團財務公司管理辦法》) (the “**Administrative Measures**”) issued by the Former CBRC (now merged to become the CBIRC) for the purpose of overseeing the operation and reducing the possibility of financial risks of finance companies of enterprise groups. The Administrative Measures set forth several rules/measures on supervision, management and risk control with regard to operating finance companies of enterprise groups, including but not limited to maintaining certain financial ratios and report to the CBIRC.

The following table sets forth the key financial ratio requirements of the Administrative Measures and the respective financial ratios of Poly Finance as at 31 December 2019, 31 December 2020, 31 December 2021 and 30 June 2022 as provided by the Company:

Financial ratio	Requirements	Financial ratios of Poly Finance			
		As at 30 June 2022 <i>(approximate %)</i>	As at 31 December 2021 <i>(approximate %)</i>	As at 31 December 2020 <i>(approximate %)</i>	As at 31 December 2019 <i>(approximate %)</i>
Capital adequacy ratio	Not less than 10%	15.60	12.36	13.94	15.22
Inter-financial institution borrowing balances to total capital ratio	Not more than 100%	–	–	22.43	–
Total amount of outstanding guarantees to total capital ratio	Not more than 100%	12.08	52.82	71.33	87.30
Short-term and long-term investment to total capital ratio	Not more than 70%	66.57	64.14	26.02	39.33
Self-owned fixed assets to total capital ratio	Not more than 20%	0.09	0.08	0.04	0.05

As shown in the table above, Poly Finance complied with the relevant financial ratio requirements as set out in the Administrative Measures as at the relevant dates. As advised by the management of the Company, there is no record of non-compliance with relevant laws and regulations of the PRC by Poly Finance during FY2019, FY2020, FY2021 and 1H2022.

LETTER FROM MAXA CAPITAL

Poly Finance will assist the Group in annual reviews of the management of deposits placed with Poly Finance, including the provision of data and records such as fund flow, interest rates and deposit balances under the 2023-2025 Deposit Service Framework Agreement, and other data and records as may be required by the auditors of the Group for the purpose of reporting on the relevant continuing connected transactions. Poly Finance will, at the request of the Company, provide its annual financial reports and documents and data in relation to the continuing connected transactions to the Company.

In view of the above, we consider that Poly Finance has solid credibility and repayment ability.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the 2023-2025 Deposit Service Framework Agreement and the transactions contemplated thereunder (including the Deposit Annual Cap) are on normal commercial terms or better and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the 2023-2025 Deposit Service Framework Agreement and the transactions contemplated thereunder (including the Deposit Annual Cap) are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favor of the resolution to be proposed at the EGM in respect of the 2023-2025 Deposit Service Framework Agreement and the transactions contemplated thereunder (including the Deposit Annual Cap).

Yours faithfully,
For and on behalf of
Maxa Capital Limited
Dian Deng
Managing Director

Ms. Dian Deng is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Maxa Capital to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 14 years of experience in corporate finance industry.

LETTER FROM RED SUN CAPITAL

The following is the full text of the letter from Red Sun Capital which sets out its advice to the Independent Board Committee and Independent Shareholders in relation to the Parking Space Agency Framework Agreement (Phase II) 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

Room 310, 3/F,
China Insurance Group Building,
141 Des Voeux Road Central,
Hong Kong

Tel: (852) 2857 9208

Fax: (852) 2857 9100

14 December 2022

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

Dear Sirs,

DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTIONS — PARKING SPACE AGENCY FRAMEWORK AGREEMENT (PHASE II)

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 Agency Framework Agreement (Phase II) 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 14 December 2022 (the “**Circular**”). Unless otherwise specified, terms defined in the Circular have the same meanings in this letter.

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

As the highest applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Annual Caps for the deposit expense portion and the agency service fees income portion under the Parking Space Agency Framework Agreement (Phase II) are both higher than 5%, the Company is subject to the reporting, announcement, annual review and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM RED SUN CAPITAL

It is noted from the Letter from the Board that as (i) the highest applicable percentage ratio, if calculated on an aggregated basis, in respect of the Annual Caps under the Parking Space Agency Framework Agreement (Phase II) together with the Parking Space Agency Framework Agreement (Phase I) is higher than 25% but lower than 100%; and (ii) the Parking Space Agency Framework Agreement (Phase I) constituted a major transaction and continuing connected transactions of the Company and had complied with the reporting, announcement, annual review and Independent Shareholders' approval requirements, accordingly, pursuant to Chapter 14 of the Listing Rules, the Parking Space Agency Framework Agreement (Phase II) also constitutes a discloseable transaction of the Company, the Company is subject to the notification and announcement requirements under Chapter 14 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. Zhang Liqing, has been formed to advise the Independent Shareholders on the transactions contemplated thereunder the Parking Space Agency Framework Agreement (Phase II) (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 thereunder the Parking Space Agency Framework Agreement (Phase II) (including the Annual Caps) are entered into in the ordinary and usual course of business, 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 thereunder Parking Space Agency Framework Agreement (Phase II) (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 Agency Framework Agreement (Phase II) and accordingly, are qualified to give independent advice to the Independent Board Committee and the Shareholders regarding the transactions contemplated thereunder the Parking Space Agency Framework Agreement (Phase II) (including the Annual Caps).

In the last two years, save for our appointment as the independent financial adviser in relation to (i) the property leasing agreements entered into between the Group and Poly Developments and Holdings/its subsidiaries, details of which are set out in the circular of the Company dated 12 May 2021; (ii) the parking space leasing and sales agency services framework agreement entered into between the Group and Poly Developments and Holdings, details of which are set out in the circular of the Company dated 26 August 2021; and (iii) the property leasing agreement entered into between the Group and Poly

LETTER FROM RED SUN CAPITAL

Developments and Holdings, details of which are set out in the announcement of the Company dated 31 December 2021, we have not acted as independent financial adviser to independent board committee and/or independent shareholders of the Group.

Apart from normal professional fees paid or payable to us in connection with the aforementioned appointments and this appointment as the independent financial adviser in relation to the transactions contemplated thereunder Parking Space Agency Framework Agreement (Phase II) (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 and the Directors. 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 and the Directors, 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 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 Group 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 and the Directors 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 thereunder Parking Space Agency Framework Agreement (Phase II) (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 RED SUN CAPITAL

V. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation on the Parking Space Agency Framework Agreement (Phase II), 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 incorporated 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.

We have set out below a summary of (i) the audited consolidated statements of comprehensive income and consolidated statements of financial position for the years ended 31 December 2020 and 2021 as extracted from the Company's annual report for the year ended 31 December 2021 (the "2021 Annual Report"); and (ii) the unaudited consolidated financial results for the six months ended 30 June 2021 and 2022 as set out in the Company's interim report for the six months ended 30 June 2022 (the "2022 Interim Report"), respectively:

Summary of consolidated statement of profit or loss

	For the year ended		For the six months ended	
	31 December		30 June	
	2020	2021	2021	2022
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue				
Property management services	4,947.6	6,670.4	3,143.4	3,954.9
Value-added services to non-property owners	1,341.3	1,811.2	806.8	1,092.2
Community value-added services				
– Other value-added services	1,089.8	1,506.5	728.0	817.9
– Sales of goods	658.5	794.4	474.9	584.3
Total Revenue	8,037.2	10,782.5	5,153.1	6,449.4
Profit for the year/period attributable to owners of the Company	673.5	845.7	490.8	628.3

LETTER FROM RED SUN CAPITAL

Financial performance for six months ended 30 June 2021 and 2022

As set out in the 2022 Interim Report, total revenue of the Group amounted to approximately RMB6,449.4 million for the six months ended 30 June 2022, representing an increase of approximately 25.2% as compared to the corresponding period of 2021, including (i) revenue from property management services amounted to approximately RMB3,954.9 million, representing an increase of approximately 25.8% as compared to the corresponding period of 2021; (ii) revenue from value-added services to non-property owners amounted to approximately RMB1,092.2 million, representing an increase of approximately 35.4% as compared to the corresponding period of 2021; and (iii) revenue from community value-added services amounted to approximately RMB1,402.3 million, representing a growth of approximately 16.6% compared to the corresponding period in 2021. The Group's contracted gross floor area ("GFA") amounted to approximately 731.6 million sq.m. with a total of 2,575 contracted projects, covering 206 cities across 29 provinces, municipalities and autonomous regions in the PRC, and the GFA under management was approximately 523.1 million sq.m with a total of 1,910 projects under management as at 30 June 2022.

For the six months ended 30 June 2022, profit attributable to owners of the Company amounted to approximately RMB628.3 million, representing an increase of approximately 28.0% as compared to approximately RMB490.8 million of the corresponding period of 2021.

Financial performance for the years ended 31 December 2020 and 2021

As set out in the 2021 Annual Report, total revenue of the Group amounted to approximately RMB10,782.5 million for the year ended 31 December 2021, representing an increase of approximately 34.2% as compared to the corresponding period of 2020, including (i) revenue from property management services amounted to approximately RMB6,670.4 million, representing an increase of approximately 34.8% as compared to the corresponding period of 2020; (ii) revenue from value-added services to non-property owners was approximately RMB1,811.2 million, representing an increase of approximately 35.0% as compared to the corresponding period of 2020; and (iii) revenue from community value-added services amounted to approximately RMB2,300.9 million, representing a growth of approximately 31.6% compared to the corresponding period. The Group has entered into 196 cities across 29 provinces, autonomous regions and municipalities in the PRC, and recorded a GFA under management of approximately 465.3 million sq.m. with a total of 1,786 projects under management, and a contracted GFA of approximately 656.3 million sq.m. with a total of 2,428 contracted projects as at 31 December 2021.

LETTER FROM RED SUN CAPITAL

For the year ended 31 December 2021, profit attributable to owners of the Company amounted to approximately RMB845.7 million, representing an increase of approximately 25.6% as compared to the profit attributable to owners of the Company of approximately RMB673.5 million for the year ended 31 December 2020.

Our analysis on the consolidated statement of financial position as at 30 June 2022

Based on the information as set out in the 2022 Interim Report, we have further conducted the following analysis on the financial position of the Group as at 30 June 2022:

Total assets of the Group as at 30 June 2022 primarily comprised of (i) deposits and bank balances of approximately RMB5,223.9 million; (ii) prepayments, deposits and other receivables of approximately RMB3,766.7 million; and (iii) trade and bills receivables balance of approximately RMB2,262.7 million.

Total liabilities of the Group as at 30 June 2022 primarily comprised of (i) accruals and other payables of approximately RMB2,149.8 million; (ii) contract liabilities balance of approximately RMB1,356.4 million; and (iii) trade payables balance of approximately RMB1,233.4 million.

Please refer to the 2022 Interim Report for further details of the financial information of the Group.

2. Information of Poly Developments and Holdings

As set out in the Letter from the Board, Poly Developments and Holdings, whose shares are listed on the main board of Shanghai Stock Exchange, is a joint stock company incorporated 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 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. Reasons for and benefits of the transactions

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. The Group continues to pay close attention to the diversified community needs of property owners and builds a community value-added service ecosystem by connecting internal and external quality resources, so as to provide property owners with high-quality, convenient and value-for-money community services and products and create high-quality living experience.

LETTER FROM RED SUN CAPITAL

The Group has commenced the parking space leasing and sales agency cooperation business with Poly Developments and Holdings Group since 2021. This business has fully leveraged the customer stickiness and scenario-based service advantages of property services, built an excellent and professional asset operation team, and enhanced the Group's industrial capabilities in the field of asset operation and asset management.

Entering into the Parking Space Agency Framework Agreement (Phase II) with Poly Developments and Holdings can further expand the scale of the Group's overall asset operation business, improve and enhance the Group's ability in the sales and leasing of diversified asset; strengthen the building of a professional team, further accumulate experience in asset operation services and enhance the parking space leasing and sales agency service capabilities; at the same time, it can also optimize the Group's overall industry layout in value-added community services, thereby achieving long-term sustainable and stable growth.

Having considered that, (i) the Group is principally engaged in the provision of property management and relevant value-added services in the PRC; (ii) the transactions contemplated thereunder the Parking Space Agency Framework Agreement (Phase II) 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 thereunder the Parking Space Agency Framework Agreement (Phase II) for a period of three years, from the effective date to the expiry date, 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 Board's view that the transactions contemplated thereunder the Parking Space Agency Framework Agreement (Phase II) are in the interests of the Company as a whole.

4. Principal terms of the Parking Space Agency Framework Agreement (Phase II)

The following principal terms of the Parking Space Agency Framework Agreement (Phase II) and other relevant information have been extracted from the Letter from the Board:

Date:	16 November 2022
Parties:	(i) The Company; and (ii) Poly Developments and Holdings
Term:	Three years from the date on which the Parking Space Agency Framework Agreement (Phase II) is considered and approved at the EGM.

LETTER FROM RED SUN CAPITAL

Subject matter: Pursuant to the Parking Space Agency Framework Agreement (Phase II), 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, gift, pledge 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 agreed cooperation of both parties on specific projects and the number of Target Parking Spaces.

Pricing policy

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 typically requires third party customers to make payment in full for the selling/leasing prices at the time of entering into the sales or leasing contracts for parking spaces or pay by installments. As the Group is responsible for introducing third party customers to Poly Developments and Holdings Group, the Group will closely follow up the payment status of third party customers. 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 RED SUN CAPITAL

The base price for sales or leasing is the minimum price to be charged by Poly Developments 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. In determining the agency service fees, the Group will estimate the costs of such services, taking into account factors such as labour costs, marketing expenses and difficulties of the leasing and sales agency. In determining the base price for sales or leasing, the discount of base price to the agreed price of a specific project will be determined by taking into account factors such as occupancy rate, parking spaces ratio, stage of sales and quality of parking spaces of the project; and 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. Those projects which are (i) within the proximity of the specific project; and (ii) of similar type targeting at similar customer group will be selected as comparable when determining the agreed price. The similarity in the stages of selling cycle and the average selling/leasing prices of these comparable over the past 12 months would also be taken into account, and adjustment may be made considering the most recent market trends and economic development.

In relation to the 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).

During the term of the agreement, the Group may replace the unleased and unsold Target Parking Spaces with other parking spaces of the same value. If there is no other parking spaces with exact same value, Poly Developments and Holdings Group will return the corresponding deposits to the Group.

Before 30 June and 31 December of each year, Poly Developments and Holdings Group is required to return the existing deposits. Meanwhile the Group will evaluate and decide whether to make adjustments to the business, and based on such evaluation results pay the corresponding amount of deposits to Poly Developments and Holdings Group. The evaluation will be based on (i) the number of the remaining parking spaces available for sale or lease; (ii) the average premium (i.e. the difference between the agreed price and the based price) for sales and leasing; and (iii) the turnover rate of the sales or leasing of the Target Parking Spaces. In the event that the Group attains an early completion of the leasing and sales of all Target Parking Spaces or the Specific Contracts are not renewed upon expiry, Poly Developments and Holdings Group shall return the corresponding deposits after the completion of the leasing and sales or the expiry of the Specific Contracts. If the Parking Space Agency Framework Agreement (Phase II) is rescinded or terminated for any reason, Poly Developments and Holdings

LETTER FROM RED SUN CAPITAL

Group will revoke the Exclusive Leasing and Sales Rights and the Cooperation Rights on Leasing and Sales at Base Price for unleased and unsold Target Parking Spaces and return the corresponding deposits.

The deposits payable by the Group under the Parking Space Agency Framework Agreement (Phase II) are expected to be funded by internal resources of the Group.

By paying the deposits to obtain the Exclusive Leasing and Sales Rights and the Cooperation Rights on Leasing and Sales at Base Price, the Group can obtain a preferential discounted base price for sales and leasing, and the Group will receive the amount in excess of the base price for sales and leasing as the agency service fees. Such potential return is greater than that generated from the Group's original fixed commission agency model, and the risk of holding unsold and vacant parking spaces will not be passed on to the Group. As aforementioned, the amount of deposits shall not exceed 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 or leasing). In general, 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. Accordingly, the Board considers the deposits and the deposit ratio to be normal commercial terms.

The Board has considered a range of factors as set out under section headed "Deposits" in the Letter from the Board and is of the view that the default risk of Poly Developments and Holdings Group is minimal.

In view of the above, we concur with the Board's view that the risks of the payment of deposits under the Parking Space Agency Framework Agreement (Phase II) are remote, and the above measures are sufficient to properly safeguard the assets of the Company.

LETTER FROM RED SUN CAPITAL

5. Pricing basis and internal procedures of the Group in respect of the Parking Space Agency Framework Agreement (Phase II)

As set out in the Letter from the Board, for transactions contemplated under the Parking Space Agency Framework Agreement (Phase II), the Company will adopt internal policies and measures, including, among others, the following:

- (i) the management and the finance department of the Group will closely monitor through continuous and timely inquiries the execution of the Specific Contracts under the Parking Space Agency Framework Agreement (Phase II), 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 Agency Framework Agreement (Phase II) 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 margin of return of similar parking space sales agency transactions (i.e. transactions of similar nature in terms of service type and content, project location, quality of the subject parking spaces, etc.) between the Group and Independent Third Parties during the same period; and (b) (if any) levels of agency service fees of comparable projects in the nearby market of the project (i.e. transactions of similar nature in terms of service type and content, project location, pricing method, etc.), so as to ensure that the agency service fees to be received by the Company are no less favourable than those offered by Independent Third Parties;
- (iv) the business department of the Group will (a) review the project proposal submitted each time before entering into a Specific Contract; and (b) re-evaluate the transaction by reference to the overall average selling and leasing price of the project and the market conditions of the surrounding area of the Target Parking Spaces as at 30 June and 31 December of each year, and make use of process control to ensure that the agreed price is fair and reasonable and on par with the average price in the surrounding comparable market 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 deposits ratio agreed in each Specific Contract does not exceed 50% of the aggregate of the relevant value of the Target Parking Spaces and is on normal commercial terms;

LETTER FROM RED SUN CAPITAL

- (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 Agency Framework Agreement (Phase II), and that the agency service fees are determined at prices not lower than those offered by the Group to Independent Third Parties (if any) and the deposits ratio is 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 Agency Framework Agreement (Phase II) to ensure that the Specific Contracts are conducted in accordance with the terms (including the pricing policy) set out in the Parking Space Agency Framework Agreement (Phase II);
- (viii) provision of transaction data (as one of the items in the management accounts) regularly to the management of the Company for review and monitoring. The finance department of the Company will arrange designated personnel to closely monitor the actual amount of the connected transactions under the Parking Space Agency Framework Agreement (Phase II) on a monthly basis, and will submit the transaction data to the management of the Company every month to assess the actual amount of the connected transactions as a percentage of the Annual Caps in a timely manner;
- (ix) when reviewing the total transaction amount under the Parking Space Agency Framework Agreement (Phase II), the management of the Company will check the forecasted transaction amount with the finance and operation departments. If the actual transaction amount at any time reaches a certain percentage of the proposed Annual Caps, advice shall be sought from the audit committee of the Company and the Board on appropriate measures, including but not limited to revising the proposed Annual Caps (if necessary) in accordance with the requirements of the Listing Rules, to avoid exceeding the approved Annual Caps. If the actual transaction amount at any time exceeds 80% of the Annual Caps, the Company will closely monitor such businesses, and shall comply with the review and disclosure procedures in a timely manner if necessary;
- (x) the finance department of the Group will remind Poly Developments and Holdings Group its obligation to return the deposits 3 business days before 30 June and 31 December of each year. If the deposits are not duly returned, the legal department of the Group will take appropriate measures, including but not limited to issuing demand letter and/or initiating formal legal proceedings, to recover the deposits 30 days after

LETTER FROM RED SUN CAPITAL

the due date. Further, the management of the Group will review the announcements and financial reports published by Poly Developments and Holdings regularly and evaluate the financial or trading position of Poly Developments and Holdings Group timely; and

- (xi) 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 analysis and our view

In this connection, we also obtained and reviewed relevant internal documents from the Company, 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 thereunder the Parking Space Agency Framework Agreement (Phase II) including, among others, (i) the business department of the Group will review and compare the return margin of 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 conduct a re-evaluation based on the overall average price for sales and leasing of the subject project and the surrounding market conditions of the Target Parking Spaces as at 30 June and 31 December of each year; (iii) the implementation 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 of the Group if the aggregate transaction amounts become close to the Annual Caps. Based on the documents reviewed and as confirmed by the Company, we considered that effective implementation of these internal control policies would ensure the transactions under the Parking Space Agency Framework Agreement (Phase II) to be conducted on terms that are fair and reasonable.

LETTER FROM RED SUN CAPITAL

6. Basis for determining the proposed Annual Caps

Proposed Annual Caps for deposits payable

As set out in the Letter from the Board, the proposed Annual Caps for the deposits payable by the Group under the Parking Space Agency Framework Agreement (Phase II) are as follows:

	From the effective date of the Parking Space Agency Framework Agreement (Phase II) to 31 December 2022 (the "Effective Date")	From 1 January 2023 to 31 December 2023	From 1 January 2024 to 31 December 2024	From 1 January 2025 to the expiry of the Parking Space Framework Agreement (Phase II) (the "Expiry Date")
Proposed Annual Caps for deposit payable by the Group	RMB2,000 million	RMB2,000 million	RMB2,000 million	RMB2,000 million

The above proposed Annual Caps represent the maximum balance of the deposits that will be payable 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 considering 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 each of the years during the term of the agreement pursuant to the Parking Space Agency Framework Agreement (Phase II), 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) resources that the Group may allocate to the business, the ability to meet the service demand, and the steady business development strategy of the Group;

LETTER FROM RED SUN CAPITAL

- (iii) the deposits agreed to be paid under the Parking Space Agency Framework Agreement (Phase II) 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 and leasing), and the maximum balance of deposits shall not over RMB2 billion at any time during the term of agreement; and
- (iv) the maximum balance of the deposits payable by the Group pursuant to the Parking Space Agency Framework Agreement (Phase I) during the period from the effective date of the agreement (i.e. 15 September 2021) to 31 December 2021 and the nine months ended 30 September 2022 amounted to RMB3,000 million and RMB3,000 million, respectively.

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 Agency Framework Agreement (Phase II). We noted that the Car Parking Space Schedule was based on the number of car parking spaces available, currently or potentially, from various areas in the PRC mainly including the Southern China region, Eastern China region and Central China region.

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 higher than the proposed Annual Caps for Deposits for the years ending 31 December 2022 and 2023. Furthermore, the proposed Annual Caps for deposits for the year ending 31 December 2024 and from 1 January 2025 to the Expiry Date are at the same level as that of the year ending 31 December 2023.

We discussed and understood from the Company 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 from the Effective Date 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.

LETTER FROM RED SUN CAPITAL

The Base Price, the return margin and the deposit

With reference to the Letter from the Board, 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 Agency Framework Agreement (Phase II) (the "**Pricing Policy**") and the internal control procedures as set out under section headed "5. Pricing basis and internal procedures of the Group in respect of the Parking Space Agency Framework Agreement (Phase II)" 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 "4. Principal terms of the Parking Space Agency Framework Agreement (Phase II)" in this letter.

Based on our discussion with the Company, 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, 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). Relevant value of the Target Parking Spaces for sale shall not exceed 80% of the agreed price for the subject parking spaces (i.e. the base price for sale), and the relevant value of the Target Parking Space for leasing shall not exceed 80% of the agreed price of the subject parking spaces during their leasing duration (i.e. the base price for leasing).

Having considered, among others, the following analysis and factors:

- (i) Poly Developments and Holdings Group shall return the corresponding deposits to the Group before 30 June and 31 December of each year and/or after the termination of the Parking Space Agency Framework Agreement (Phase II);
- (ii) the deposit enabled the Group to negotiate for the Discount, the Exclusive Leasing and Sales Rights in respect of the Target Parking Spaces;

LETTER FROM RED SUN CAPITAL

- (iii) based on market research of listed companies conducted by us, we noted there are various transactions conducted by other listed companies of a similar nature, such includes the following transaction precedents, of which the subject announcement(s) and/or circular issued by Main Board listed companies fall within 12 months immediately preceding the date of the announcement of the Company in relation to the Parking Space Agency Framework Agreement (Phase II) dated 16 November 2022 (the “**Market Precedents**”), on a non-exhaustive basis, set out in a tabular format below:

Company name (stock code)	Date of announcement / circular (where applicable)	Base price / reserve price to the market price of the underlying asset	Rate of agency fees	Rate of deposit / earnest money to base price
Sino-Ocean Service Holding Limited (6677)	14 October 2022 (announcement)	shall not exceed 80% of the average price of comparable parking spaces in the surrounding markets of the relevant target parking spaces (i.e. the base price)	assuming the target parking spaces are sold at market price, at least 20% of the respective selling price will be generated as the exclusive sales agency fees	not exceeding 50% of the relevant base price
Dexin Services Group Limited (2215)	9 June 2022 (announcement), 16 September 2022 (circular)	in principle shall not exceed 80% of the agreed price for sales or leasing	being the excess of the agreed price over the base price for sales and leasing or an amount calculated based on the aforesaid excess after taking into consideration of various factors, which shall be at least 20% of the agreed price for sales or leasing	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)
Powerlong Commercial Management Holdings Limited (9909)	11 May 2022 and 6 June 2022 (announcements)	being 65% of the market value for the sales of the exclusive car parking lots	being the sum of (i) the multiple of the base price and an agreed rate; and (ii) the multiple of the difference between the sales price and the base price (if any) and another agreed rate, the aforesaid agreed rates were not specified in the subject announcement	shall be approximately 30% of the agreed value, which represents approximately 46.2% of the base price

LETTER FROM RED SUN CAPITAL

Company name (stock code)	Date of announcement / circular (where applicable)	Base price / reserve price to the market price of the underlying asset	Rate of agency fees	Rate of deposit / earnest money to base price
Xinyuan Property Management Service (Company) Limited (1895)	various announcements since December 2021 to May 2022, 17 May 2022 (circular)	61% of the 2020 valuation price of the car parking spaces	amounted to at least 20% of the market valuation of such designated car parking space	equal to 100% of the car parking reserve prices pursuant to the subject agreement
A-Living Smart City Services Co., Ltd. (3319)	22 April 2022 (announcement)	will be not more than 65% of the agreed market value for the sales and leasing of the exclusive parking spaces	being the sum of (i) the multiple of the base price and an agreed rate; and (ii) the multiple of the difference between the sales price and the base price (if any) and another agreed rate. the aforesaid agreed rates were not specified in the subject announcement	shall not exceed 30% of the base price of the exclusive parking spaces
Sino-Ocean Service Holding Limited (6677)	30 December 2021 and 20 January 2022 (announcements)	shall not exceed 80% of the average price of comparable parking spaces in the surrounding markets of the relevant target parking spaces	being difference between the actual sales price paid by third party purchaser(s) and the relevant base price, and expects that at least 20% of the respective selling price will be generated as exclusive sales agency fees	determined with reference to the base price for the sale of the relevant target parking spaces
the Company (6049)	16 November 2022	shall not exceed 80% of the agreed price for sales or leasing	the excess of the agreed price over the base price for sales and leasing	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 and leasing)

Based on the Market Precedents, 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 that the deposits rate and the agency service fee rate under the Parking Space Agency Framework are both within the range of the Market Precedents;

LETTER FROM RED SUN CAPITAL

- (iv) the Group recorded deposits and bank balances of approximately RMB5,223.9 million as at 30 June 2022 based on its published 2022 Interim Report for the six months ended 30 June 2022, while comparing with the prevailing deposit rate* (金融機構人民幣存款基準利率) published in the website of the People's Bank of China, the terms of the Parking Space Agency Framework Agreement (Phase II) 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, the Directors considered and we concur that the terms of the Parking Space Agency Framework Agreement (Phase II) to be fair and reasonable as a whole;
- (v) in addition, as set out in the annual report of Poly Developments and Holdings for the year ended 31 December 2021, there were 820 property development with a total gross floor area of approximately 312.0 million sq.m. under construction and proposed to construct in the PRC, including commercial, residential and office buildings located in various cities such as Guangzhou, Beijing, and Shanghai. 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 2022 to be reasonable;
- (vi) 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 during the term of Parking Space Agency Framework Agreement (Phase II) represented approximately 1.29% and 0.62% of cash and cash equivalents and net assets, respectively, of Poly Developments and Holdings Group as at 30 June 2022 based on its published interim report for the six months 30 June 2022;
- (vii) based on the third quarter report published by Poly Developments and Holdings Group, (a) the operating income and profit attributable to the shareholders of Poly Developments and Holdings Group amounted to approximately RMB156.4 billion and RMB13.1 billion for the nine months ended 30 September 2022, respectively, representing an increase of approximately 13.0% and a slight decrease of approximately 3.6% compared to the corresponding nine months period in the prior year, respectively; and (b) the equity attributable to the shareholders of

LETTER FROM RED SUN CAPITAL

Poly Developments and Holdings Group amounted to approximately RMB201.3 billion, representing an increase of approximately 3.0% compared to that as of 31 December 2021; For further information of the Poly Developments and Holdings Group, please refer to the section headed “2. Information of Poly Developments and Holdings” in this letter; and

- (viii) furthermore, the Directors did not note any material adverse development to the latest financial position, 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 to be minimal,

the Board is of the view, and we concur, that the risks in repayment of deposits by the Poly Developments and Holdings Group under the Parking Space Agency Framework Agreement (Phase II) is low and the aforementioned measures adopted by the Company are sufficient to properly safeguard the assets of the Company.

Proposed Annual Caps for agency service fees

The following table sets forth the proposed Annual Caps for agency service fees under the Parking Space Agency Framework Agreement (Phase II):

	From the Effective Date to 31 December 2022	From 1 January 2023 to 31 December 2023	From 1 January 2024 to 31 December 2024	From 1 January 2025 to the Expiry Date
Proposed Annual Caps for agency service fees	RMB50 million	RMB600 million	RMB600 million	RMB600 million

As set out in the Letter from the Board, the proposed Annual Caps for agency service fees were determined after considering the following:

- (i) the estimated value of parking spaces of Poly Developments and Holdings Group available for sale/leasing by the Group as an agent during the term of the agreement pursuant to the Parking Space Agency Framework Agreement (Phase II), 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;

LETTER FROM RED SUN CAPITAL

- (ii) the base price standards for sales and leasing determined by the Group and Poly Developments and Holdings Group, being not exceeding 80% of the agreed price for sales and leasing in principle. For details of determining the base price for sales and leasing, please refer to the section headed “Pricing policy” as set out in the Letter from the Board;
- (iii) the agency service fees receivable by the Group pursuant to the Parking Space Agency Framework Agreement (Phase I) for the period from the effective date of the agreement (i.e. 15 September 2021) to 31 December 2021 and the nine months ended 30 September 2022 amounted to approximately RMB60 million and approximately RMB191 million, respectively; meanwhile, the Group has established a dedicated team for parking space leasing and sales agency services. With the further expansion of the team, the maturity of its members’ business experience and the rapid enhancement of its business capability, it is expected to achieve better performance results in the future; and
- (iv) taking into account the effective transaction period for the year ending 31 December 2022 is only less than one month, while it covers a whole year or nearly a whole year for 2023, 2024 and 2025, it is expected that the demand and scale of the parking space sales and leasing agency services to be provided by the Group to Poly Developments and Holdings Group in 2023, 2024 and 2025 will be increased significantly as compared with those for the year ending 31 December 2022.

Our analysis and our view

We noted from the Letter from the Board that the proposed Annual Caps for agency service fees were also determined with reference to, among others, (i) during the years ending 31 December 2022 (from the Effective Date), 2023, 2024 and 2025 (up to the Expiry Date), the estimated value of car parking spaces for the Group to carry on the parking space agency business based on the Parking Space Agency Framework Agreement (Phase II); 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. 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 lease level to be attained in the years ending 31 December 2022, 2023, 2024 and 2025 (during the effective period of the Parking Space Agency Framework Agreement (Phase II)); 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 for agency services fees were estimated to be RMB50 million, RMB600 million, RMB600 million and RMB600 million, respectively.

LETTER FROM RED SUN CAPITAL

Based on the aforesaid factors considered by the Company, we concur with the Company that the basis of determining the proposed Annual Caps for agency service fees for the three-year period ending on the Expiry Date to be fair and reasonable.

Summary

Having considered that (i) the estimated value of car parking spaces of the Poly Developments and Holdings Group available for sales and leasing by the Group as an agent; (ii) the potential projects and projects under development by the Poly Developments and Holdings Group; and (iii) 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 as well as take into account the merits and associated risks at the material time 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 Agency Framework Agreement (Phase II);
- (ii) the transactions contemplated thereunder the Parking Space Agency Framework Agreement (Phase II) are a furtherance of the Group's asset management business and shall broaden the income base of the Group;
- (iii) the transactions contemplated thereunder the Parking Space Agency Framework Agreement (Phase II) 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 "5. Pricing basis and internal procedures of the Group in respect of the Parking Space Agency Framework Agreement (Phase II)" and "6. Basis for determining the proposed Annual Caps"; and

LETTER FROM RED SUN CAPITAL

- (iv) the basis for determining the Annual Caps included, among 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 “6. Basis for determining the proposed Annual Caps” in this letter above,

we consider that the Parking Space Agency Framework Agreement (Phase II) and transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group, on normal commercial terms, and the terms of the Parking Space Agency Framework Agreement (Phase II) 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 Agency Framework Agreement (Phase II), including the Annual Caps.

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 15 years of experience in the corporate finance industry.

** For identification purposes only*

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 the 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 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 the Company or its associated corporation	Capacity	Number of shares held in the Company or its associated corporation	Approximate percentage of the total issued shares of the Company or its associated corporation (%)
Huang Hai	Poly Developments and Holdings	Beneficial owner	1,095,697 (L)	0.009
Liu Ping	Poly Developments and Holdings	Beneficial owner	7,723,184 (L)	0.06
Hu Zaixin	Poly Developments and Holdings	Beneficial owner	925,497 (L)	0.007
Wu Lanyu	Poly Property ⁽¹⁾	Other ⁽²⁾	116,800 (L) ⁽²⁾	0.02

Notes:

As shown in the disclosed information:

Long position – L;

(1) As at the Latest Practicable Date, the Company had a total of 553,333,400 issued shares, comprising 400,000,000 domestic shares and 153,333,400 H Shares.

(2) Ms. Wu Lanyu has accepted 116,800 restricted H Shares granted by the Company under the restricted share incentive scheme.

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

- (a) none of the Directors, Supervisors and chief executives had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO); or which are recorded in the register required to be kept pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the Hong Kong 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. Mr. Liu Ping is the chairman and a director of Poly Developments and Holdings. Mr. Hu Zaixin is a director and the deputy secretary of the party committee of Poly Developments and Holdings. Saved as disclosed in this paragraph, none of the Directors, Supervisors or chief executives 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 2021 (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.

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 expiring or determinable by the employer within one year without payment of compensation other than statutory compensation.

MATERIAL ADVERSE CHANGE

The Directors confirm that there is no material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Company were made up.

EXPERTS

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

Name	Qualification
Maxa 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 2023-2025 Deposit Service Framework Agreement and the transactions contemplated thereunder (including the Annual Cap)
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 Parking Space Agency Framework Agreement (Phase II) and the transactions contemplated thereunder (including the Annual Caps)

Each expert 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, each expert 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 2021, 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

The English text of this circular shall prevail over its Chinese text in case of inconsistency.

DOCUMENTS ON DISPLAY

Copies of the 2023-2025 Deposit Service Framework Agreement and the Parking Space Agency Framework Agreement (Phase II) will be published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.polywuye.com) from the date of this circular up to and including the date of the EGM.



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 THIRD EXTRAORDINARY
GENERAL MEETING OF 2022**

NOTICE IS HEREBY GIVEN THAT the third extraordinary general meeting of 2022 (the “EGM”) of Poly Property Services Co., Ltd. (the “Company”) will 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 on Thursday, 29 December 2022 at 9:30 a.m. for the purposes of considering and, if thought fit, approving the following resolutions. In this notice, unless the context otherwise requires, terms used herein shall have the same meanings as defined in the Company’s circular dated 14 December 2022 (the “Circular”).

ORDINARY RESOLUTIONS

1. To consider and approve the 2023-2025 Deposit Service Framework Agreement and the transactions contemplated thereunder (including the Annual Cap).
2. To consider and approve the Parking Space Agency Framework Agreement (Phase II) and the transactions contemplated thereunder (including the Annual Caps).
3. To consider and approve the appointment of Baker Tilly China Certified Public Accountants and Baker Tilly Hong Kong Limited as the domestic and overseas auditors of the Company for the year 2022, respectively, for a term until the conclusion of the next annual general meeting of the Company, and to approve the Board to authorise the management to determine their remunerations and enter into the relevant agreements.

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

Guangzhou, the PRC, 14 December 2022

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 is Ms. Wu Lanyu; and the independent non-executive Directors are Mr. Wang Xiaojun, Ms. Tan Yan and Mr. Zhang Liqing.

NOTICE OF THE THIRD EXTRAORDINARY GENERAL MEETING OF 2022

Notes:

1. All of the resolutions 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 (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 48–49th Floor, Poly Plaza, 832 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 17/F, Far East Finance Centre, 16 Harcourt Road, 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 Thursday, 22 December 2022 to Thursday, 29 December 2022, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 21 December 2022. Shareholders whose names appear on the register of members of the Company on Thursday, 29 December 2022 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 enquiries in respect of the EGM.