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POLY PROPERTY SERVICES CO., LTD.

保利物業服務股份有限公司

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

(Stock Code: 06049)

DISCLOSEABLE AND CONNECTED TRANSACTION

RENEWAL OF THE 2021 PROPERTY LEASING AGREEMENTS

On 22 April 2024, Poly Business Commercial Property, a wholly-owned subsidiary of the Company, as lessee, entered into the 2024 Property Leasing Agreements with Poly Developments and Holdings, Guangzhou Ruchi, Guangzhou Ruifu and Guangzhou Ruizi, as Landlords, to renew the agreements for the connected transactions contemplated under the 2021 Property Leasing Agreements.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, 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 of the Company whereas Guangzhou Ruichi, Guangzhou Ruifu and Guangzhou Ruizi are wholly-owned subsidiaries of Poly Developments and Holdings. Therefore, Poly Developments and Holdings, Guangzhou Ruichi, Guangzhou Ruifu and Guangzhou Ruizi are all connected persons of the Company under the Listing Rules. Accordingly, the 2024 Property Leasing Agreements and the transactions contemplated thereunder will constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the value of right-of-use assets for the lump sum rents portion under the 2024 Property Leasing Agreements calculated pursuant to the Listing Rules is more than 5% but less than 25%, the Company is subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The lump sum rents portion under the 2024 Property Leasing Agreements will also constitute a discloseable transaction of the Company, and the Company is also subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

As each of the highest applicable percentage ratio in respect of the relevant highest annual cap for each of the remaining rents portion and the subleasing income portion under the 2024 Property Leasing Agreements calculated pursuant to the Listing Rules is more than 0.1% but less than 5%, the remaining rents portion and the subleasing income portion under the 2024 Property Leasing Agreements are only subject to the reporting, announcement and annual review requirements, but are exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

EGM

The Company intends to submit the proposal to the EGM to seek the approval from independent Shareholders on the 2024 Property Leasing Agreements and the transactions contemplated thereunder (including the annual caps). Poly Developments and Holdings and its associates (including Xizang Hetai), which are interested in an aggregate of 72.289% of the total issued share capital of the Company as at the date of this announcement, will abstain from voting on the proposal at the EGM. The proposal will be passed by way of an ordinary resolution and voted on by way of poll in accordance with the requirements under the Listing Rules.

An independent board committee comprising all the independent non-executive Directors has been formed, and shall advise the independent Shareholders on the terms of the 2024 Property Leasing Agreements. An independent financial adviser will be appointed by the Company to advise the independent board committee and the independent Shareholders in this regard.

A circular containing, among other matters, (i) further details of the 2024 Property Leasing Agreements; (ii) a letter from the independent board committee; (iii) a letter from the independent financial adviser; (iv) a property valuation report prepared according to Chapter 5 of the Listing Rules; (v) notice of the EGM; and (vi) other information concerning the Company as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 31 May 2024 as additional time is needed for its preparation.

1. BACKGROUND

Reference is made to the announcement of the Company dated 1 April 2021 and the circular dated 12 May 2021 in relation to, among others, the 2021 Property Leasing Agreements entered into by the Company with Poly Developments and Holdings and Guangzhou Ruchi. As the 2021 Property Leasing Agreements are about to expire, on 22 April 2024, the Company entered into the 2024 Property Leasing Agreements with Poly Developments and Holdings, Guangzhou Ruchi, Guangzhou Ruifu and Guangzhou Ruizi to renew the agreements for the connected transactions contemplated under the 2021 Property Leasing Agreements.

2. THE 2024 PROPERTY LEASING AGREEMENTS

(A) Principal terms

Date: 22 April 2024

Parties: *Lessee*

(i) Poly Business Commercial Property;

Landlords

(ii) Poly Developments and Holdings;

(iii) Guangzhou Ruichi;

(iv) Guangzhou Ruifu; and

(v) Guangzhou Ruizi

Subject properties: (i) Poly Skyline Plaza (Poly Plaza) (保利天幕廣場) (保利發展廣場), the east tower, at No.832, Yue Jiang Zhong Road, Haizhu District and on B1, No. 33 Chen Yue Road, Haizhu District, Guangzhou (東塔, 廣州市海珠區閱江中路832號、海珠區宸悅路33號地下1層)

(ii) Poly Skyline Plaza (Poly Plaza) (保利天幕廣場) (保利發展廣場), the west tower, at No.826, Yue Jiang Zhong Road, Haizhu District, Guangzhou (西塔, 廣州市海珠區閱江中路826號)

(iii) Poly International Plaza (保利國際廣場) at No. 688 Yue Jiang Zhong Road, Haizhu District, Guangzhou (廣州市海珠區閱江中路688號)

(iv) Guangzhou Poly Center (廣州保利中心) at No. 5 Linjiang Avenue, Tianhe District, Guangzhou (廣州市天河區臨江大道5號)

Lease term: From 28 May 2024 to 27 May 2027, subject to the Company obtaining the approval of independent Shareholders at the EGM.

Subject matter: The Landlords agreed that the Subject Properties shall be operated and managed by Poly Business Commercial Property on an as-is basis.

Rental expenses and Payment arrangements: Poly Business Commercial Property will make a lump sum payment of approximately RMB840 million within 15 days after 28 May 2024 or the date on which the Company obtaining the approval of the 2024 Property Leasing Agreements from independent Shareholders (whichever is later).

The estimated value of the remaining total rent is approximately RMB103 million, and the total rent actually received by the relevant Subject Properties in the current period will be adjusted and settled according to the agreed formula. According to the agreed formula, if the total rent actually received (excluding value-added tax) by the relevant Subject Properties for the current period is higher or lower than the base rent, the remaining rent payable in the current period will be increased or decreased accordingly, and the adjustment amount is 50% of the difference between the total rent actually received by the relevant Subject Property for the current period and the base rent. Poly Business Commercial Property will settle the remaining rent payable for the current period every 12 months during the lease term, and is payable within 60 days after the end of each 12-month period.

The lump-sum rent and the remaining rent under the 2024 Property Leasing Agreements were arrived at after arm's length negotiations between the parties and were determined with reference to (i) the valuation report prepared by an independent valuer (details to be disclosed in the circular); (ii) the actual rental income in the past of the Subject Properties; and (iii) the terms of the existing leasing contracts of the Subject Properties. The remaining rent adjustment mechanism is designed to reduce the risk to both parties arising from any fluctuation in the total amount of rent actually received by the Subject Properties.

The rents under the 2024 Property Leasing Agreements are expected to be funded by the Group's internal resources.

Terms and pricing policy relating to subleasing to connected persons:

As Poly Developments and Holdings Group will continue to lease back some of the Subject Properties from Poly Business Commercial Property for its own use under the existing arrangement, Poly Business Commercial Property will become the lessor of such reserved and newly rented properties upon the signing of the 2024 Property Leasing Agreements. The Subleasing Transactions between Poly Business Commercial Property and Poly Developments and Holdings Group constitute continuing connected transactions.

According to the 2024 Property Leasing Agreements, the pricing principles for the Subleasing Transactions between Poly Business Commercial Property and Poly Developments and Holdings Group are:

- (i) For the existing leasing contracts, the existing rent shall be kept for the remaining lease term without modification. Upon the expiration of the existing leasing contracts, the rents will be priced in accordance with the pricing principle in subparagraph (ii) below.

- (ii) For the new leasing contracts, the amount of rent shall be in line with the market pricing principle with reference to factors such as the market rents of relevant properties and the market rents of comparable properties, etc., and shall be no less than the price at which Poly Business Commercial Property leases comparable properties to Independent Third Parties. The contracts shall be carried out on normal commercial terms.

Conditions precedent: Except for the approval of independent Shareholders at the EGM in accordance with the Listing Rules, all the conditions precedent of the 2024 Property Leasing Agreements have been satisfied.

(B) Historical transaction amount

For each of the three years ended 31 December 2021, 2022 and 2023, the remaining rents paid by Poly Business Commercial Property to Poly Developments and Holdings under the 2021 Property Leasing Agreements were RMB25.5 million, RMB62.7 million and RMB47.9 million, respectively. For each of the three years ended 31 December 2021, 2022 and 2023, the subleasing income received by Poly Business Commercial Property from Poly Developments and Holdings Group under the 2021 Property Leasing Agreements were RMB39.3 million, RMB69.4 million and RMB68.6 million, respectively.

(C) Accounting implications of entering into the 2024 Property Leasing Agreements

According to HKFRS 16, the lump sum rents payable by the Group under the 2024 Property Leasing Agreements are capital by nature, and will be recognised as right-of-use assets of the Group in an amount of RMB840 million as at the date of the commencement of the lease term. The remaining rents payable by the Group under the 2024 Property Leasing Agreements are revenue by nature, and will be recognised as expenses of the Group over the lease term of the 2024 Property Leasing Agreements.

The subleasing income from subleasing to connected persons by the Group is revenue by nature, and will be recognised as income of the Group over the lease term of the 2024 Property Leasing Agreements.

(D) Annual caps and basis of determination

Annual caps on expenses for remaining rents

Pursuant to Chapter 14A of the Listing Rules, the Company is required to set an annual cap for the adjustable remaining rents portion payable by Poly Business Commercial Property under the 2024 Property Leasing Agreements. Details are set out in the following table.

	From 28 May 2024 to 31 December 2024	From 1 January 2025 to 31 December 2025	From 1 January 2026 to 31 December 2026	From 1 January 2027 to 27 May 2027
Annual cap	RMB24.0 million	RMB44.4 million	RMB52.3 million	RMB23.5 million

The above annual caps were determined after taking into account the following factors and calculated with reference to the remaining rent adjustment formula:

- (i) the historical amount and the historical occupancy rates under the property leasing agreements entered into between the Group and Poly Developments and Holdings Group; and
- (ii) the existing leasing arrangements (including actual lease term, level of rent (taking into account the average rent of different Subject Properties), etc. in the tenure of the leasing contracts).

Annual caps for subleasing income

Pursuant to Chapter 14A of the Listing Rules, the Company is required to set an annual cap for the rent receivable from Poly Developments and Holdings Group by Poly Business Commercial Property under the Subleasing Transactions. Details are set out in the following table.

	From 28 May 2024 to 31 December 2024	From 1 January 2025 to 31 December 2025	From 1 January 2026 to 31 December 2026	From 1 January 2027 to 27 May 2024
Annual cap	RMB52.8 million	RMB91.2 million	RMB91.4 million	RMB38.1 million

The above annual caps were determined after taking into account:

- (i) the historical amount of the Property Leasing Agreements entered into between the Group and Poly Developments and Holdings Group; and
- (ii) the specific existing leasing arrangements with Poly Developments and Holdings Group (including actual lease term, level of rent, etc. in the tenure of leasing contracts).

3. REASONS FOR AND BENEFITS OF THE TRANSACTIONS

Poly Business Commercial Property is a subsidiary of the Group engaging in the provision of professional services and focusing on realizing a professional management model of “property management” + “asset operation” + “corporate services” for commercial and office properties. Entering into the 2024 Property Leasing Agreements will further stabilize the Group’s asset operation business. Accordingly, its professional capability on asset operation will be solidified, which will have long-term strategic significance in leveling up and promoting the Group’s brand in asset management.

4. OPINIONS OF THE BOARD

In view of the above reasons and benefits, given that the transactions (including the leasing of Subject Properties and the Subleasing Transactions contemplated under the 2024 Property Leasing Agreements) are entered into on normal commercial terms or better in the ordinary and usual course of business of the Company, the Board is of the view that the 2024 Property Leasing Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Ms. Wu Lanyu, Mr. Liu Ping and Mr. Huang Hai, all being Directors, have abstained from voting on the Board resolution approving the 2024 Property Leasing Agreements. Save as disclosed above, none of the Directors has any material interest in the 2024 Property Leasing Agreements and the transactions contemplated thereunder.

5. INTERNAL CONTROL MEASURES

The Company will adopt the following internal policies and measures to ensure that the transactions contemplated under the 2024 Property Leasing Agreements are conducted in compliance with the terms of the 2024 Property Leasing Agreements, which, specifically, include but not limited to:

- (1) the management and the finance department of the Company will closely monitor through continuous and timely inquiries (i) the remaining rents portion; and (ii) the entering into of subleasing contracts under the 2024 Property Leasing Agreements, in order to, among other things, monitor and ensure that the above businesses are falling within the respective applicable annual caps;
- (2) the independent non-executive Directors and the auditor of the Company will also conduct an annual review on (i) the remaining rents portion; and (ii) the entering into of subleasing contracts under the 2024 Property Leasing Agreements and the relevant annual caps and provide confirmation in the Company's annual report;

- (3) in respect of the Subleasing Transactions, the existing leasing contracts to which Poly Developments and Holdings Group are parties will keep the existing standards for rent for the remaining lease term. Upon expiry of existing leasing contracts or upon addition of new leasing businesses, both parties will re-sign the leasing contracts for execution. Poly Business Commercial Property shall approve internally the procedures for entering into such contracts and sign the contracts, and shall have independent authority in decision-making and pricing to ensure that such rents are no less than the rent to be charged to Independent Third Parties; before entering into a new subleasing contract, approval would involve the operation, finance and legal departments as well as the management of Poly Business Commercial Property, so as to ensure that the terms (including the rent) are fair and reasonable as well as in line with the market pricing principle;
- (4) in respect of Subleasing Transactions, the independent non-executive Directors will also conduct an annual review on the implementation and enforcement of the specific subleasing contracts entered into under the 2024 Property Leasing Agreements to confirm that the specific subleasing contracts are carried out in accordance with the terms, including the pricing principles, as set out in the 2024 Property Leasing Agreements; and
- (5) 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 in strict compliance with relevant requirements under the Listing Rules.

6. IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, 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 of the Company whereas Guangzhou Ruichi, Guangzhou Ruifu and Guangzhou Ruizi are wholly-owned subsidiaries of Poly Developments and Holdings. Therefore, Poly Developments and Holdings, Guangzhou Ruichi, Guangzhou Ruifu and Guangzhou Ruizi are all connected persons of the Company under the Listing Rules. Accordingly, the 2024 Property Leasing Agreements and the transactions contemplated thereunder will constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the value of right-of-use assets for the lump sum rents portion under the 2024 Property Leasing Agreements calculated pursuant to the Listing Rules is more than 5% but less than 25%, the Company is subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The lump sum rents portion under the 2024 Property Leasing Agreements will also constitute a discloseable transaction of the Company, and the Company is also subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

As each of the highest applicable percentage ratio in respect of the relevant highest annual cap for each of the remaining rents portion and the subleasing income portion under the 2024 Property Leasing Agreements calculated pursuant to the Listing Rules is more than 0.1% but less than 5%, the remaining rents portion and the subleasing income portion under the 2024 Property Leasing Agreements are only subject to the reporting, announcement and annual review requirements, but are exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

7. EGM

The Company intends to submit the proposal to the EGM to seek the approval from independent Shareholders on the 2024 Property Leasing Agreements and the transactions contemplated thereunder (including the annual caps). Poly Developments and Holdings and its associates (including Xizang Hetai), which are interested in an aggregate of 72.289% of the total issued share capital of the Company as at the date of this announcement, will abstain from voting on the proposal at the EGM. The proposal will be passed by way of an ordinary resolution and voted on by way of poll in accordance with the requirements under the Listing Rules.

An independent board committee comprising all the independent non-executive Directors has been formed, and shall advise the independent Shareholders on the terms of the 2024 Property Leasing Agreements. An independent financial adviser will be appointed by the Company to advise the independent board committee and the independent Shareholders in this regard.

A circular containing, among other matters, (i) further details of the 2024 Property Leasing Agreements; (ii) a letter from the independent board committee; (iii) a letter from the independent financial adviser; (iv) a property valuation report prepared according to Chapter 5 of the Listing Rules; (v) notice of the EGM; and (vi) other information concerning the Company as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 31 May 2024 as additional time is needed for its preparation.

8. INFORMATION OF THE PARTIES

Information of the Group

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

Information of Poly Business Commercial Property

Poly Business Commercial Property is a company with limited liability established in the PRC on 30 March 2017, and is committed to developing into an expert in asset operation for property owners, users and managers for the benefit of their growth in value. Apart from providing property owners with a one-stop service business model with an organic integration of property management and asset management, Poly Business Commercial Property offers a wide range of management services projects, covering commercial offices, commercial complexes, government office buildings, tourism complexes, shopping centers, serviced apartments, convention and exhibition venues, as well as hospitals, schools, industrial parks and transportation hubs.

Information of 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 established in the PRC with limited liability on 14 September 1992. Based on the strategic vision of “building a real estate ecological platform with excellent competitiveness”, Poly Developments and Holdings insists on real estate investment and development as its core, providing services for quality living, industrial finance and other business as clusters, and advancing together to realize high-quality development.

Information of Guangzhou Ruichi

Guangzhou Ruichi is a company with limited liability established in the PRC on 20 April 2018. Its scope of business includes corporate management services, corporate management consulting services, housing rental, leasing business, project investment, and proprietary trading.

Information of Guangzhou Ruifu

Guangzhou Ruifu is a company with limited liability established in the PRC on 20 April 2018. Its scope of business includes corporate management services, corporate management consulting services, housing rental, leasing business, project investment, proprietary trading and property management.

Information of Guangzhou Ruizi

Guangzhou Ruizi is a company with limited liability established in the PRC on 20 April 2018. Its scope of business includes corporate management services, corporate management consulting services, housing rental, leasing business, project investment, proprietary trading and property management.

9. DEFINITIONS

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

“2021 Property Leasing Agreements”	certain office leasing contracts (《寫字樓租賃合同》) dated 1 April 2021 and supplemental agreements thereof entered into between Poly Business Commercial Property and Poly Developments and Holdings and Guangzhou Ruchi
“2024 Property Leasing Agreements”	certain office leasing contract (《寫字樓租賃合同》) dated 22 April 2024 entered into between Poly Business Commercial Property and the Landlords
“Board”	the board of directors of the Company
“Company”	Poly Property Services Co., Ltd., a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB

“EGM”	the extraordinary general meeting of the Company to be convened to consider and approve, among other things, the 2024 Property Leasing Agreements and the transactions contemplated thereunder (including the annual caps)
“Group”	the Company and its subsidiaries
“Guangzhou Ruichi”	Guangzhou Ruichi Corporate Management Co., Ltd. (廣州市睿馳企業管理有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of Poly Developments and Holdings
“Guangzhou Ruifu”	Guangzhou Ruifu Corporate Management Co., Ltd. (廣州市瑞富企業管理有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of Poly Developments and Holdings
“Guangzhou Ruizi”	Guangzhou Ruizi Corporate Management Co., Ltd. (廣州市瑞諮企業管理有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of Poly Developments and Holdings
“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
“HKFRS”	the Hong Kong Financial Reporting Standards published by The Hong Kong Institute of Certified Public Accountants from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party(ies)”	an individual or a company who, as far as the Directors are aware after making all reasonable enquiries, is not a connected person of the Company

“Landlords”	collectively referred to Poly Developments and Holdings, Guangzhou Ruichi, Guangzhou Ruifu and Guangzhou Ruizi
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Poly Business Commercial Property”	Guangzhou Poly Business Commercial Property Development Co., Ltd. (廣州保利商業物業發展有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
“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 Shanghai Stock Exchange (Stock Code: 600048). Poly Developments and Holdings is a controlling Shareholder of the Company
“Poly Developments and Holdings Group”	Poly Developments and Holdings and its associates (but excluding the Group)
“PRC”	the People’s Republic of China, but for the purpose of this announcement and for geographical reference only and except where the context requires, references in this announcement to the “PRC” do not include Hong Kong, the Macau Special Administrative Region and Taiwan of the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary shares 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 the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subject Properties”	the properties as set out in “Subject properties” in the section headed “2. THE 2024 PROPERTY LEASING AGREEMENTS” of this announcement
“Subleasing Transactions”	the subleasing transactions in respect of the Subject Properties between Poly Business Commercial Property and Poly Developments and Holdings Group as conducted under the 2024 Property Leasing Agreements
“Xizang Hetai”	Xizang Hetai Investment Management Co., Ltd. (西藏和泰投資管理有限公司) (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 announcement, the terms “associate”, “connected person”, “connected transaction”, “continuing connected transaction”, “controlling shareholder”, “subsidiary” and “applicable percentage ratio” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

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

By Order of the Board
POLY PROPERTY SERVICES CO., LTD.
Wu Lanyu
Chairman of the Board and Executive Director

Guangzhou, PRC, 22 April 2024

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