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

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

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POLY PROPERTY SERVICES CO., LTD.

保利物業服務股份有限公司

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

(Stock Code: 06049)

**DISCLOSEABLE AND CONNECTED TRANSACTION
AND
NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING OF 2024**

**Independent Financial Adviser of
Independent Board Committee and Independent Shareholders**



红日资本有限公司
RED SUN CAPITAL LIMITED

A notice convening the EGM of Poly Property Services Co., Ltd. to be held at the Conference Room, 2nd Floor, East Tower, Poly Plaza, No. 832 Yue Jiang Zhong Road, Hai Zhu District, Guangzhou, Guangdong Province, the PRC at 4:00 p.m. (or immediately after the conclusion of the First H Shares Class Meeting of 2024 to be convened on the same date) on Monday, 27 May 2024 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.

10 May 2024

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DEFINITIONS

In this circular, 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
“Articles of Association”	the articles of association of the Company currently in force
“Board”	the board of directors 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
“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
“Domestic Shareholder(s)”	the holder(s) of Domestic Share(s)
“EGM”	the extraordinary general meeting of the Company to be convened on Monday, 27 May 2024
“First H Shares Class Meeting of 2024”	the first Class Meeting of H Shares of 2024 of the Company or any adjournment thereof to be convened and held at 3:45 p.m. on Monday, 27 May 2024 or immediately after the conclusion of the Domestic Shares Class Meeting or any adjournment thereof, please refer to the Company’s circular dated 6 May 2024 for details
“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

DEFINITIONS

“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 Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors
“Independent Financial Adviser” or “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 2024 Property Leasing Agreements and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders who do not have a material interest in the 2024 Property Leasing Agreements
“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

DEFINITIONS

“Latest Practicable Date”	7 May 2024, 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
“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 circular and for geographical reference only and except where the context requires, references in this circular 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
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended from time to time
“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
“Supervisor(s)”	supervisor(s) of the Company

DEFINITIONS

“Subject Properties”	the properties as set out in “Subject properties” in the section headed “2.1(B) THE 2024 PROPERTY LEASING AGREEMENTS” of “Letter from the Board” of this circular
“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 circular, the terms “associate”, “connected person”, “connected transaction”, “continuing connected transaction”, “controlling shareholder” and “subsidiary” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

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

LETTER FROM THE BOARD



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)

Executive Director:

Ms. Wu Lanyu (*Chairman*)

Non-executive Directors:

Mr. Liu Ping

Mr. Huang Hai

Independent Non-executive Directors:

Mr. Wang Xiaojun

Ms. Tan Yan

Mr. Zhang Liqing

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

48-49/F, Poly Plaza

No. 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

10 May 2024

To the Shareholders

Dear Sir/Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
AND**

NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING OF 2024

1. INTRODUCTION

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

An ordinary resolution will be proposed at the EGM to consider and approve the 2024 Property Leasing Agreements and the transactions contemplated thereunder (including the annual caps).

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

LETTER FROM THE BOARD

2. BUSINESSES TO BE CONSIDERED AT THE EGM

2.1 TO CONSIDER AND APPROVE THE 2024 PROPERTY LEASING AGREEMENTS

(A) *BACKGROUND*

Reference is made to the announcement of the Company dated 22 April 2024 in which the Company announced that as the 2021 Property Leasing Agreements entered into by the Company with Poly Developments and Holdings and Guangzhou Ruchi 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..

(B) *THE 2024 PROPERTY LEASING AGREEMENTS*

(a) *Principal terms*

The principal terms of the 2024 Property Leasing Agreements are as follows:

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)

LETTER FROM THE BOARD

(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 Poly Business Commercial Property shall exercise the operation and management right of the Subject Properties on an as-is basis in the capacity as a lessee.

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. In order to equally distribute the risk of any fluctuations in the total amount of rent actually received by the relevant Subject Properties, 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 Properties for the current period and the base rent according to the agreed formula. 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.

LETTER FROM THE BOARD

Basis for determining the rental:

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, inter alia, (i) the valuation report prepared by an independent valuer; (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 adoption of the "lump-sum rent (fixed value) + remaining rent (variable value)" settlement method would enable Poly Business Commercial Property to negotiate a discount on the overall rent of the Subject Properties and to balance operational risk and enjoy excess gain, while benefitting the stable commencement of the business.

The estimated value of the remaining rent was arrived at after considering factors such as the total estimated value of the rental from subleasing of the Subject Properties in future, the amount of lump-sum rent and the historical transaction amounts of remaining rent, and will adjust and settle with reference to the total rental of the relevant Subject Properties actually received in the relevant period. The remaining rent adjustment mechanism is designed to reduce the risk to all parties arising from any fluctuation in the total amount of rent actually received from the Subject Properties.

The rents under the 2024 Property Leasing Agreements are expected to be financed 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 certain offices within the respective Subject Properties from Poly Business Commercial Property for its own use under the existing arrangements, 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.

LETTER FROM THE BOARD

Pursuant to the existing arrangements, for the year ended 31 December 2023, the gross annual rental of certain offices leased back to Poly Developments and Holdings Group from Poly Business Commercial Property was approximately RMB68.6 million.

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, 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 amounts

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.

LETTER FROM THE BOARD

(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 amounts 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).

LETTER FROM THE BOARD

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 2027
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 amounts 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).

(C) 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.

(D) 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.

LETTER FROM THE BOARD

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.

(E) 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

LETTER FROM THE BOARD

- (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.

The Board is of the view that the above methods and procedures can ensure that the pricing and other contractual terms of the continuing connected transactions of the Group are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders, and that the continuing connected transactions are conducted as agreed in the relevant framework agreements and in compliance with the requirements under Chapter 14A of the Listing Rules.

(F) 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.

LETTER FROM THE BOARD

(G) PROPERTY VALUATION REPORT

According to the property valuation report prepared by the independent property valuer, the appraised value of the three-year lease of the Subject Properties as at 29 February 2024 was approximately RMB1,126 million. The independent property valuer has valued the Subject Properties on the basis of income capitalisation. The independent property valuer has made reference to the comparable rental evidences as available on the relevant market and valued the Properties on the basis of capitalization of the market rental incomes of the Properties during the tenancy periods to be acquired by Poly Business Commercial Property by the market capitalisation rate. The market rent and market capitalisation rate were arrived by the market approach.

The Board has considered the valuation assumptions set out in the property valuation report, including but not limited to the following:

- (i) it is assumed that the Landlords sell the Subject Properties on the market without the benefit or burden of atypical financing, a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to affect the value of the Subject Properties;
- (ii) no allowance has been made for any charge, mortgage or amount owing on the Subject Properties nor for any expense or taxation which may be incurred in effecting a sale; and
- (iii) unless otherwise specified, the Subject Properties are free from encumbrances, restrictions or outgoings of an onerous nature which could affect their value.

Given that the valuation methodology and valuation assumptions adopted by the independent property valuer are general assumptions commonly adopted in the valuation of similar assets, the Board is of the view that the appraised value of the Subject Properties is fair and reasonable.

2.2 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.

LETTER FROM THE BOARD

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, proprietary trading and property management, etc.

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, etc.

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, etc.

LETTER FROM THE BOARD

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, No. 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 Wednesday, 22 May 2024 to Monday, 27 May 2024, both days inclusive, during which no transfer of shares will be effected. In order for the H Shareholders to qualify for attending and voting at the EGM, all properly completed share transfer forms together with the relevant H share certificates shall be lodged with the Company's H Share Registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 21 May 2024. Shareholders whose names are recorded in the register of members of the Company on Monday, 27 May 2024 are entitled to attend and vote at the EGM.

4. VOTING BY POLL

According to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a shareholders' general meeting must be taken by poll. Accordingly, the chairman of the EGM will exercise his power under the Articles of Association to demand a poll in relation to the proposed resolution at the EGM. The Company shall announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules. In respect of the resolution in relation to 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 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 in accordance with the requirements under the Listing Rules.

5. RECOMMENDATION

The Board (including independent non-executive Directors) considers the resolution proposed at the EGM 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 resolution at the EGM.

LETTER FROM THE BOARD

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.

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

10 May 2024

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

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

We have been appointed to form the Independent Board Committee to advise the Independent Shareholders on whether the 2024 Property Leasing Agreements and the transactions contemplated thereunder are on normal commercial terms or better, in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of Company and the Shareholders as a whole.

We wish to draw your attention to the letter of advice from Red Sun Capital, the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the 2024 Property Leasing Agreements and the transactions contemplated thereunder, as set out on pages 19 to 40 of the Circular, and the Letter from the Board as set out on pages 5 to 17 of the Circular.

Having considered the information contained in the letter from the Board, and the factors and reasons considered by, and the opinion of the Independent Financial Adviser as stated in their letter of advice, we consider that the 2024 Property Leasing Agreements and the transactions contemplated thereunder are on normal commercial terms or better, in the ordinary and usual course of business of the Group, fair and reasonable, and in the interests of the Company and the Shareholders as a whole. We recommend the Independent Shareholders to vote in favour of the ordinary resolution in respect of the 2024 Property Leasing Agreements and the transactions contemplated (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 THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from Red Sun Capital to the Independent Board Committee and the Independent Shareholders in relation to the 2024 Property Leasing Agreements and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.



紅日資本有限公司
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

10 May 2024

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

Dear Sir/Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

I. 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 2024 Property Leasing Agreements and the transactions contemplated thereunder in connection with the leasing of commercial properties from Poly Developments and Holdings, Guangzhou Ruichi, Guangzhou Ruifu and Guangzhou Ruizi, all being connected persons of the Company, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular issued by the Company to the Shareholders dated 10 May 2024 (the “**Circular**”), of which this letter forms part. Unless otherwise specified, terms defined in the Circular have the same meanings in this letter.

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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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, 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.

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 as to whether the 2024 Property Leasing Agreements and the transactions contemplated thereunder are entered into in the usual and ordinary course of business, on normal commercial terms, fair and reasonable and in the interests of the Company and Shareholders as a whole and to advise the Independent Shareholders on how to vote at the EGM.

We have been appointed as the Independent Financial Adviser with the approval by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in this regard.

III. OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from and not connected with the Company, Poly Business Commercial Property, Poly Developments and Holdings, Guangzhou Ruichi, Guangzhou Ruifu and Guangzhou Ruizi, or any relevant parties in connection with the 2024 Property Leasing Agreements and accordingly, are qualified to

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

give independent advice to the Independent Board Committee and the Shareholders regarding the 2024 Property Leasing Agreements and the transactions contemplated thereunder.

In the last two years, save for our appointment as the independent financial adviser for the discloseable and continuing connected transactions in respect of the parking space agency framework agreement (phase II), details of which are set out in the circular of the Company dated 14 December 2022, 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 this appointment as the independent financial adviser in relation to the 2024 Property Leasing Agreements and the transactions contemplated thereunder, 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 order to formulate our advice, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Group, the Directors and/or senior management of the Company (the “**Management**”). We have assumed that all information, representations and opinions contained or referred to in the Circular or made, given or provided to us by the Company, the Directors and the Management, for which they are solely and wholly responsible, were true and accurate and complete in all material respects at the time when they were made and continue to be so as at the Latest Practicable Date. We have assumed that all the opinions and representations made by the Directors in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Directors and/or the Management 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, Guangzhou Ruichi, Guangzhou Ruifu and Guangzhou Ruizi or their respective future prospects. We have relied on the valuation report as set out in the Appendix I to the Circular prepared by the independent valuer (the “**Valuer**”) commissioned by the Company.

We consider that we have been provided with sufficient information to enable us to reach an informed view and to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Group, the Directors and/or the Management and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. Shareholders should also note the valuation involves various basis and assumptions and the appraised value may change if those basis and assumptions are modified.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

This letter is issued to the Independent Board Committee and the Independent Shareholders solely for their consideration of the 2024 Property Leasing Agreements and the transactions contemplated thereunder, 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.

V. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation on the 2024 Property Leasing Agreements, we have taken the following principal factors and reasons into consideration:

1. Information of the Group

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

Set out below is the summary of the Group's audited consolidated statement of profit or loss for the years ended 31 December 2021, 2022 and 2023 and the audited consolidated statement of financial position as at 31 December 2021, 2022 and 2023, as extracted from the annual reports of the Group for the year ended 31 December 2022 (the "2022 Annual Report") and 31 December 2023 (the "2023 Annual Report"):

Extracts of the Group's consolidated statements of profit or loss

	For the year ended 31 December		
	2023	2022	2021
	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)
Revenue			
Property management services	10,152,181	8,428,388	6,670,397
Value-added services to non-property owners	2,093,316	2,194,641	1,811,231
Community value-added services	2,816,361	3,063,633	2,300,921
Total Revenue	15,061,858	13,686,662	10,782,549
Profit for the year attributable to owners of the Company	1,380,140	1,112,933	845,693

Financial performance for the years ended 31 December 2023 and 2022

For the year ended 31 December 2023, total revenue of the Group amounted to approximately RMB15,061.9 million, representing an increase of approximately 10.0% as compared to the corresponding period of 2022. As disclosed in the 2023

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Annual Report, it was mainly attributable to the increase in revenue driven by the continuous increase in the management scale of the Group.

For the year ended 31 December 2023, profit attributable to owners of the Company amounted to approximately RMB1,380.1 million, representing an increase of approximately 24.0% as compared to approximately RMB1,112.9 million of the corresponding period of 2022.

Financial performance for the years ended 31 December 2022 and 2021

For the year ended 31 December 2022, total revenue of the Group amounted to approximately RMB13,686.7 million, representing an increase of approximately 26.9% as compared to the corresponding period of 2021. It was mainly attributable to (i) an increase in revenue driven by the continuous increase in the management scale of the Group; and (ii) continuous steady development of value-added services of the Group during the year.

For the year ended 31 December 2022, profit attributable to owners of the Company amounted to approximately RMB1,112.9 million, representing an increase of approximately 31.6% as compared to approximately RMB845.7 million of the corresponding period of 2021.

Extracts of the Group's consolidated statements of financial position

	For the year ended 31 December		
	2023	2022	2021
	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)
Total assets	14,877,257	13,109,537	11,137,923
Total liabilities	6,000,723	5,264,708	4,249,161
Equity attributable to owners of the Company	<u>8,719,905</u>	<u>7,690,624</u>	<u>6,785,666</u>

Financial position as at 31 December 2023 and 2022

Total assets of the Group as at 31 December 2023 amounted to approximately RMB14,877.3 million, representing an increase of approximately 13.5% as compared to approximately RMB13,109.5 million as at 31 December 2022.

As at 31 December 2023, total liabilities of the Group amounted to approximately RMB6,000.7 million, representing an increase of approximately 14.0% as compared to approximately RMB5,264.7 million as at 31 December 2022.

As at 31 December 2023, the Group's total equity attributable to owners of the Company amounted to approximately RMB8,719.9 million, representing an

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

increase of approximately 13.4% as compared to approximately RMB7,690.6 million as at 31 December 2022.

Financial position as at 31 December 2022 and 2021

Total assets of the Group as at 31 December 2022 amounted to approximately RMB13,109.5 million, representing an increase of approximately 17.7% as compared to approximately RMB11,137.9 million as at 31 December 2021.

As at 31 December 2022, total liabilities of the Group amounted to approximately RMB5,264.7 million, representing an increase of approximately 23.9% as compared to approximately RMB4,249.2 million as at 31 December 2021.

As at 31 December 2022, the Group's total equity attributable to owners of the Company amounted to approximately RMB7,690.6 million, representing an increase of approximately 13.3% as compared to approximately RMB6,785.7 million as at 31 December 2021.

2. Information of Poly Business Commercial Property, Poly Developments and Holdings, Guangzhou Ruichi, Guangzhou Ruifu and Guangzhou Ruizi

(i) 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.

(ii) 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.

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(iii) 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, proprietary trading and property management, etc.

(iv) 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, etc.

(v) 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, etc.

3. Information on the Subject Properties under the 2024 Property Leasing Agreements

The Subject Properties under the 2024 Property Leasing Agreements comprised (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); and (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).

The Subject Properties are situated in the central area of Guangzhou with good accessibility, namely in the business districts of Tianhe District (天河區) and Haizhu District (海珠區). The Management is of the view that the development of Guangzhou and the Greater Bay Area in recent years will continue to drive the property leasing demand for the Subject Properties.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. Overview of the PRC industry landscape

Based on the data published by the National Bureau of Statistics of China in February 2024¹, for the year ended 31 December 2023, the gross domestic product of the PRC recorded a growth of approximately 5.2% compared to the corresponding prior year.

We also noted the strict implementation of the three red lines* (三條紅線) from around the second half of 2020 by the PRC government on the PRC real estate development industry², which was one of the core policy directives for the property development industry issued by the PRC government at the relevant time. Subsequently in November 2022, The People's Bank of China* (中國人民銀行) and China Banking and Insurance Regulatory Commission* (中國銀行保險監督管理委員會) jointly issued the announcement titled "Provision of Financial Support for the Stability and Healthy Development of the Real Estate Market" * (關於做好當前金融支持房地產市場平穩健康發展工作的通知)³ in relation to (i) ensure stable and orderly real estate financing* (保持房地產融資平穩有序); (ii) proactively carry out "guarantee delivery of vacant possession" related financial services* (積極做好“保交樓”金融服務); (iii) proactively cooperate on risk management of real estate development enterprises in difficulties* (積極配合做好受困房地產企業風險處置); (iv) protect the legal rights and interests of residential property financial consumers* (依法保障住房金融消費者合法權益); (v) adjust part of the financial management policies in stages* (階段性調整部分金融管理政策); and (vi) provide greater financial support on leasing of residential properties* (加大住房租賃金融支持力度).

Accordingly, the development of the PRC property market continues to be influenced by the PRC government policies at a national and regional level, which is intended to promote sustainable and healthy long-term development of the property development industry, the then prevailing market environment as well as the overall economic conditions of the PRC.

5. Reasons for and benefits of the 2024 Property Leasing Agreements

As set out in the Letter from the Board, 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,

¹ Data published by National Bureau of Statistics, the PRC (source: https://www.stats.gov.cn/sj/zxfb/202402/t20240228_1947915.html)

² The PRC government published article in relation to finance and land related policies dated 1 March 2021 (source: www.gov.cn/xinwen/2021-03/01/content_5589400.htm)

³ Announcement of Provision of Financial Support for the Stability and Healthy Development of the Real Estate Market* 《關於做好當前金融支持房地產市場平穩健康發展工作的通知》 jointly published by The People's Bank of China* (中國人民銀行) and China Banking and Insurance Regulatory Commission* (中國銀行保險監督管理委員會) dated 23 November 2022 (source: www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=1082913&generalType=0)

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which will have long-term strategic significance in levelling up and promoting the Group's brand in asset management.

In summary, (i) the Group has an established business relationship with Poly Developments and Holdings; (ii) 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 and the transactions contemplated under the 2024 Property Leasing Agreements and together with the Subleasing Transactions are a furtherance of the Group's businesses; and (iii) the transactions contemplated under the 2024 Property Leasing Agreements and together with the Subleasing Transactions shall broaden the revenue base of the Group and that, if approved, the relevant transactions can be conducted in an effective and efficient manner without the need for the Company to seek Shareholders' approval on a transaction-by-transaction basis, we concur with the Directors' view that the 2024 Property Leasing Agreements are in the interests of the Company as a whole.

6. Principal terms of the 2024 Property Leasing Agreements

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)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(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 Poly Business Commercial Property shall exercise the operation and management right of the Subject Properties on an as-is basis in the capacity as a lessee.

Rental expenses and payment arrangement: 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. In order to equally distribute the risk of any fluctuations in the total amount of rent actually received by the relevant Subject Properties, 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 Properties for the current period and the base rent according to the agreed formula. 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.

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Basis for determining the rental:

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, inter alia, (i) the valuation report prepared by an independent valuer; (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 adoption of the "lump-sum rent (fixed value) + remaining rent (variable value)" settlement method would enable Poly Business Commercial Property to negotiate a discount on the overall rent of the Subject Properties and to balance operational risk and enjoy excess gain, while benefitting the stable commencement of the business.

The estimated value of the remaining rent was arrived at after considering factors such as the total estimated value of the rental from sub-leasing of the Subject Properties in future, the amount of lump-sum rent and the historical transaction amounts of remaining rent, and will adjust and settle with reference to the total rental of the relevant Subject Properties actually received in the relevant period. The remaining rent adjustment mechanism is designed to reduce the risk to all parties arising from any fluctuation in the total amount of rent actually received from 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 certain offices within the respective Subject Properties from Poly Business Commercial Property for its own use under the existing arrangements, 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.

Pursuant to the existing arrangements, for the year ended 31 December 2023, the gross annual rental of certain offices leased back to Poly Developments and Holdings Group from Poly Business Commercial Property was approximately RMB68.6 million.

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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.

7. Our analysis on the principal terms of the 2024 Property Leasing Agreements

As set out in the Letter from the Board, the lease term of the 2024 Property Leasing Agreements shall commence from 28 May 2024 and end on 27 May 2027, subject to the approval of Independent Shareholders at the EGM. We noted that the Group, through Poly Business Commercial Property (as the lessee) shall pay Poly Developments and Holdings, Guangzhou Ruichi, Guangzhou Ruifu and Guangzhou Ruizi (each as a landlord) an aggregate lease amount of approximately RMB943 million (being the lump-sum payment of approximately RMB840 million and the estimated value of the remaining total rent before adjustment of approximately RMB103 million) for the lease term of three years of the Subject Properties before adjustments (the “**Aggregated Lease Amount**”).

To assess the fair and reasonableness of the 2024 Property Leasing Agreements, we have conducted the following work and analysis:

(i) *Continuous development under the Group’s business model*

We noted from the Circular that Poly Business Commercial Property is a subsidiary of the Group engaging in the provision of professional services and focusing on realising its professional management model of “property

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management” + “asset operation” + “corporate services” for commercial properties. After accumulating years of operational experience in the entrusted office operation business of Poly Skyline Plaza (Poly Plaza) (保利天幕廣場) (保利發展廣場), Poly International Plaza (保利國際廣場) and Guangzhou Poly Center (廣州保利中心), all of which are situated in Guangzhou, the operation of the properties management teams have become mature, and the asset operation team of the Group has accumulated considerable experience and working knowledge in relation to asset operations. The 2024 Property Leasing Agreements and transactions contemplated thereunder shall solidify the Group’s “asset operation” part of its business as the Group further stabilizes its property portfolio through leasing the Subject Properties, while continuing to provide property management services to the relevant Subject Properties.

In this connection, the settlement method pursuant to the 2024 Property Leasing Agreements facilitate the Group to negotiate a discount for the subject leases, which in turn allow to the Group to generate greater upside potentials from leasing the respective properties to the end users. The Management considered such to be in line with the aforesaid asset operation business model of the Group.

(ii) Selection criteria for the Subject Properties

As advised by the Management, we noted that the Company has considered the following selection criteria for the Subject Properties, including (a) properties located in first tier cities or provinces with preference towards local landmark properties and properties located in central business districts; (b) properties with unambiguous ownership rights without the relevant risks in this aspects; (c) the property(ies) should have a good local reputation and the relevant property owner should be in stable financial conditions for the past three years without major legal disputes; and (d) the existing tenants should have good and stable historical payment record (together the “**Selection Criteria**”).

Having considered that the Selection Criteria are relatively prudent as the selected properties shall be located in first tier cities or provinces with preference towards prime locations and good local reputation without ownership right defects and that the Group has accumulated operating experience under the 2021 Property Leasing Agreements as well as its operational team established to manage the transactions related to the 2021 Property Leasing Agreements, we are of the view that the strict implementation of the Selection Criteria is in the interests of the Company and the Shareholders as a whole.

The Subject Properties are situated in the business districts of Tianhe District (天河區) and Haizhu District (海珠區), in Guangzhou with easy accessibility, respectively. Guangzhou is at the heart of one of the developed metropolitan areas in the PRC as well as the Pearl River Delta Economic Zone. Based on the publications by Guangzhou Statistics Bureau* (廣州市統計局)⁴, Guangzhou has

⁴ Publication by Guangzhou Statistics Bureau* (廣州市統計局): http://tjj.gz.gov.cn/stats_newtjyw/sjjd/content/post_9571142.html

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over 18 million permanent residents* (常住人口) with an urbanisation rate* (城镇化率) of over 85% at the end of 2023 and recorded positive growth in its gross domestic products in 2023. Given the continuous development of the Pearl River Delta Economic Zone and Guangzhou in recent years, the Management is optimistic about the prospects of the property leasing market and property management services market in Guangzhou.

(iii) Optimised utilisation of financial resources

As set out in the 2023 Annual Report, the Group has cash and cash equivalents of approximately RMB8,956.3 million and approximately RMB11,011.5 million as at 31 December 2022 and 2023, respectively, representing approximately 68.3% and 74.0% of the total assets of the Group as at 31 December 2022 and 2023, respectively. It is also noted that save for lease liabilities, the Group has no borrowings or bank loans as at 31 December 2023.

The bank interest income of the Group amounted to approximately RMB66.7 million and RMB61.5 million for the years ended 31 December 2022 and 2023, respectively. Other interest income of the Group (mainly arose from the deposits maintained with a fellow subsidiary of the Company) amounted to approximately RMB13.2 million and RMB4.5 million for the years ended 31 December 2022 and 2023, respectively. The aggregated income from the bank interest income and other interest income amounted to RMB79.9 million and RMB66.0 million for the years ended 31 December 2022 and 2023, respectively, representing approximately 0.9% and 0.6% of the cash and cash equivalents of the Group as at 31 December 2022 and 2023, respectively.

We have conducted research on the deposit rate as at the Latest Practicable Date and noted that the prevailing three-year deposit rate published by the People's Bank of China is 2.75% per annum as extracted from its official website (www.pbc.gov.cn).

Having considering the prevailing financial market in the PRC with a relatively moderate interest rate on bank deposit, the Management has continued to explore ways to increase its returns with manageable risks through optimised utilisation of its existing financial resources, in particular, the cash and cash equivalents.

Based on information provided by the Management, including that the Aggregated Lease Amount represented a discount of approximately 16.3% to the Appraised Value (defined hereafter) as further analysed below, the Company expects to derive a higher annual rate of return from the leases under the 2024 Property Leasing Agreements compared to the deposit rate published by the People's Bank of China.

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(iv) Payment terms of the 2024 Property Leasing Agreements

The Aggregated Lease Amount shall be payable as to (a) approximately RMB840 million, being approximately 89.1% of the Aggregated Lease Amount, within 15 days after the effective date of the 2024 Property Leasing Agreements (the “**Lump Sum Payment**”); and (b) the remaining approximately RMB103 million, being approximately 10.9% of the Aggregated Lease Amount before adjustments (the “**Remaining Rents Portion**”), shall be payable in instalments over three years and to be settled every 12 months.

Although the Remaining Rents Portion amounted to approximately RMB103 million before adjustments, the aggregated annual caps on expenses for remaining rent of RMB144.2 million was determined after taking into account the following factors and calculated with reference to the remaining rent adjustment formula:

- (a) the historical amounts and the historical occupancy rates under the property leasing agreements entered into between the Group and Poly Developments and Holdings Group; and
- (b) 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).

In this connection, (a) approximately one-third of the Lump Sum Payment is paid between one month to 12 months in advance; (b) approximately one-third of the Lump Sum Payment is paid between 13 months to 24 months in advance; and (c) approximately one-third of the Lump Sum Payment is paid between 25 months to 36 months in advance. On this basis, the Lump Sum Payment, being approximately 89.1% of the Aggregated Lease Amount, shall be settled in advance by approximately 18 months on average.

We understand from the Management that such payment arrangement was to facilitate the negotiation for the Valuation Discount (defined hereafter) of approximately 16.3%, which is considered to be reasonable and in the interests to the Company and its Shareholders as a whole given the prevailing three-year deposit rate of 2.75% per annum set by the People’s Bank of China.

(v) Appraised value of the lease of the Subject Properties

Based on the valuation report on the lease of the Subject Properties prepared by the Valuer as set out in Appendix I to the Circular (the “**Valuation Report**”), the appraised value of a three-year lease of the Subject Properties amounted to approximately RMB1,126 million as at 29 February 2024 (the “**Appraised Value**”). The Aggregated Lease Amount represented a discount of approximately 16.3% to the Appraised Value (the “**Valuation Discount**”). Details of our work performed on the Valuation Report are set out under the section headed “8. Our analysis on the Valuation Report and the Aggregated Lease Amount” in this letter below.

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(vi) Expected financial impacts of the 2024 Property Leasing Agreements

As disclosed in the Letter from the Board, according to HKFRS16, 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 approximately 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 of the Subject Properties 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.

(vii) Summary of our analysis

Having considered the above, in particular, (a) the transactions contemplated under the 2024 Property Leasing Agreements are in line with the Group's principal businesses; (b) the Subject Properties are situated at locations of the Guangzhou city with good accessibility; (c) through the 2024 Property Leasing Agreements, the Management expects to enable the Group to effectively utilise its deposits and bank balances to further enhance its return in this connection; (d) our analysis on the payment terms of the 2024 Property Leasing Agreements, which is considered to be justifiable and in the interests of the Company and the Shareholders as a whole; (e) the Aggregated Lease Amount represented a discount of approximately 16.3% to the Appraised Value; and (f) the expected financial impact of the 2024 Property Leasing Agreements, we concur with the Management that the terms of the 2024 Property Leasing Agreements are fair and reasonable to the Company.

8. Our analysis on the Valuation Report and the Aggregated Lease Amount

As set out in the Letter from the Board, the Aggregated Lease Amount for the Subject Properties pursuant to the 2024 Property Leasing Agreements is approximately RMB943 million.

We understand from the Management that the lease of the Subject Properties has been appraised by the Valuer, an independent property valuer. According to the Valuation Report prepared by the Valuer as set out in Appendix I to the Circular, the lease value of the Subject Properties during the lease term under the 2024 Property Leasing Agreements was approximately RMB1,126 million as at 29 February 2024 (the "**Valuation Date**").

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(i) Our assessment of the Valuer and its valuation methodology

We have obtained and reviewed the following documents or information as part of our work: (a) the terms of engagement of the Valuer with the Company; (b) the Valuer's qualification in relation to the preparation of the Valuation Report; and (c) the work scope of the Valuer for preparing the Valuation Report. We are satisfied with their qualification for the preparation of the Valuation Report. We also noted that the personnel in charge and signing the Valuation Report is a Member of Hong Kong Institute of Surveyors, Member of Royal Institution of Chartered Surveyors and Registered Professional Surveyor in General Practice Division of Surveyors Registration Board with over 26 years of property valuation experience on properties in Hong Kong and the PRC. The Valuer also confirmed that they are independent to the Group and the Landlords.

We further reviewed and enquired into the valuation methodology adopted and the basis and assumptions adopted in the Valuation Report with a view to further analyse the appraised value, details of which are set out in Appendix I of the Circular.

(ii) Our detailed analysis and work performed in connection with the Valuation Report and the Aggregated Lease Amount

Based on our discussion with the Valuer, we understand that in determining the appraised lease value of the Subject Properties, the Valuer has adopted the income capitalisation method, which provides an indication of value by converting future rental income to a current value of a property by capitalising the rental incomes derived from the property at a capitalisation rate. Under the income capitalisation method, the major assumptions made by the Valuer included (a) the achievable market rental based on comparable properties that share similarities with the Subject Properties as at the valuation date; and (b) the market capitalisation rate of 4.64% for office portion and 4.73% for retail portion of the Subject Properties based on the analysis of capitalisation rate of properties of the same types of Properties. The appraised value of the Subject Properties under this valuation approach were derived by capitalising the market rental of each property using the capitalisation rate.

The Valuer first determined the rental level by making reference to similar rental comparables available in the relevant market based on the following criteria (i) comparable properties that have been listed within 3 months from the Valuation Date; (ii) comparable properties are located in the similar location as the Subject Properties; and (iii) the nature of the comparable properties is similar to the Subject Properties, in terms of use, grading and size, for the calculation of the market rental levels and it is noted that the market monthly rent of those comparables ranged from approximately RMB120 to RMB209 per square metre for office portion and from approximately RMB167 to RMB388 per square metre for retail portion.

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We have also conducted our analysis and market research which comprised of (a) 50 property lettings/listings for both retail and business portion for the Subject Properties; and (b) the information of a sample of leases entered into by the existing tenants in the subject properties, in particular, the monthly rent per square metre. The selection criteria for the property lettings/listings were the market lettings/listings of the respective Subject Properties, or if such lettings/listings of the Subject Properties were not available, the lettings/listings of adjacent properties of a comparable nature.

Based on our market research, we noted that the lettings/listings of office portions of (a) Poly Skyline Plaza (Poly Plaza) (保利天幕廣場)(保利發展廣場) (including both the east tower and the west tower) ranged from RMB130 to RMB200 per square metre based on 20 property lettings/listings; (b) Poly International Plaza (保利國際廣場) ranged from RMB120 to RMB160 per square metre based on 10 property lettings/listings; and (c) Guangzhou Poly Center (廣州保利中心) ranged from RMB130 to RMB225 per square metre based on 10 property lettings/listings. For retail portion of Poly International Plaza (保利國際廣場), we noted that the lettings/listings of retail portion of the Subject Property and/or adjacent properties of a comparable nature ranged from RMB160 to RMB380 per square metre based on 10 property lettings/listings.

Having considered that our market research comprised of listings of units at various floors, sizes and renovations at the Subject Properties and/or adjacent properties of a comparable nature, we are of the view that the aforesaid listings are fair and representative samples for the purpose of assessing the fairness of the lease value of the respective Subject Properties.

Based on the above, we noted that the aforesaid range of the property lettings/listings for the respective Subject Properties are broadly in line with the subject rental comparables adopted by the Valuer for its lease value appraisal set out in the Valuation Report, therefore we considered that the rental comparables as referenced by the Valuer for market monthly range of rent in its Valuation Report to be reasonable.

We have also reviewed the aforesaid market comparables selected by the Valuer based on the following selection criteria, namely (a) the property type and use that are similar to the Subject Properties under valuation; (b) lettings and listings within the past three months from the valuation date; (c) the subject unit of which are situated in the respective adjacent area and/or district of the Subject Properties; (d) the use and grading of comparables that are similar to the Subject Properties under valuation; and (e) the size of comparables that are similar to the Subject Properties under valuation (together, the “**Valuation Selection Criteria**”), of which the Valuer identified not less than 15 lettings and listings, in aggregate. The Valuer also advised that key assumptions adopted by them in the Valuation Report included (a) the transferrable land use rights of the comparable properties for a specific land use term at nominal land use fee have been granted to the owner and any land premium payable has already been fully settled; (b) each of the comparable properties has a proper legal title; and (c) the design and

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construction of the comparable properties are in compliance with the local planning regulations and have been approved by the relevant authorities and the comparable properties can be freely lease to the market, which the Valuer confirmed the above assumptions to be in line with market practice and the Directors, after considering information reviewed including the PRC legal opinion, considered the above assumptions to be reasonable.

Based on our discussion with the Valuer and the Management, having considered that the aforesaid market comparables are recent lettings and listings located nearby and/or similar to the Subject Properties selected based on the Valuation Selection Criteria and the stated assumptions, we are of the view that the market comparables selected by the Valuer are reasonable.

As for the capitalisation rate, the Valuer made reference to various quotations of similar premises from the market where we noted that the implied yields under those quotations are in the range of approximately 4.36% to 5.07% for office portion and 4.64% to 4.80% of for retail portion. Based on the above, the Valuer applied a market capitalisation rate of 4.64% for office portion and 4.73% for retail portion of the Subject Properties. The Valuer also took into account of factors such as location and quality of the similar premises when determining the capitalisation rate. We have obtained and reviewed the supporting documents and information provided by the Valuer in this connection. Taken into the factors discussed above, we are of the view that the major assumptions adopted by the Valuer are reasonable.

We are also advised by the Valuer that, apart from the income capitalisation method, direct comparison approach is also another commonly adopted valuation approach used for the valuation of properties by referring to comparable market transactions of similar properties in close proximity and nature. However, as advised by the Valuer, no recent direct market comparables of leasing en bloc properties with terms of three years in proximity to the Subject Properties were identified by the Valuer, and thus direct comparison approach is considered to be less appropriate for the valuation of the Subject Properties.

(iii) Summary

Having considered (a) the valuation methodology adopted by the Valuer for determining the fair value of the lease of the Subject Properties during the Lease Term is in line with market practice and the underlying basis and assumptions are reasonable; (b) the Appraised Value as set out in the Valuation Report is an appropriate benchmark to assess the market value of the leases under the 2024 Property Leasing Agreements during the Lease Term; (c) the Aggregated Lease Amount of the Subject Properties is lower than the market value as appraised by the Valuer; (d) our work performed on the Valuation Report; and (e) our analysis and market research conducted as detailed under this section above, we are of the view that the Aggregated Lease Amount of the Subject Properties is fair and reasonable to the Company.

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9. Internal control measures

As set out in the Letter from the Board, 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:

- (i) the management and the finance department of the Company will closely monitor through continuous and timely inquiries (a) the remaining rents portion; and (b) 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;
- (ii) the independent non-executive Directors and the auditor of the Company will also conduct an annual review on (a) the remaining rents portion; and (b) 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;
- (iii) 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;
- (iv) 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
- (v) 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.

Based on the internal control policies provided by the Group, we obtained and reviewed relevant internal documents from the Management, including:

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- (i) the internal control procedures manual adopted by the Company for the governing of connected transactions;
- (ii) the extracts of the records of the management and the finance department of the Company monitoring the transactions contemplated under the 2021 Property Leasing Agreements to ensure that it complied with the respective applicable annual caps;
- (iii) the records of the annual review by the independent non-executive Directors and the auditor of the Company on the remaining rents portion and the entering into of subleasing contracts under the 2021 Property Leasing Agreements;
- (iv) the relevant review and approval documents by appropriate authorised personnel for the 2021 Property Leasing Agreements;
- (v) the relevant review and approval documents by appropriate authorised personnel for the 2024 Property Leasing Agreements; and
- (vi) the market research conducted by the Company showing a comparison of market rent of similar properties against the rent payable for the Subject Properties under the 2024 Property Leasing Agreements to ensure that the rent payable is in line with prevailing market rate and not less favourable than terms available from the open market.

Based on the documents reviewed and as confirmed by the Management, we are of the view that the abovementioned relevant internal control procedures are in place with effective implementation and have been carried out by the Company with a view to ensure the reasonableness of the relevant transactions.

VI. RECOMMENDATION

Having considered, among others,

- (i) the 2024 Property Leasing Agreements shall facilitate the Group to further develop its business segments under its existing business model;
- (ii) the reasons and the benefits of the 2024 Property Leasing Agreements as set out in “5. Reasons for and benefits of the 2024 Property Leasing Agreements” above;
- (iii) our analysis as set out under the sections headed “7. Our analysis on the principal terms of the 2024 Property Leasing Agreements” and “8. Our analysis on the Valuation Report and the Aggregated Lease Amount” above; and
- (iv) the Aggregated Lease Amount represents a discount of approximately 16.3% to the appraised value of the leases of the Subject Properties during the Lease Term based on the Valuation Report,

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we consider that the 2024 Property Leasing Agreements and transactions contemplated thereunder are conducted on normal commercial terms and in the ordinary and usual course of business of the Group, the terms of the 2024 Property Leasing Agreements 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 2024 Property Leasing Agreements.

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 17 years of experience in the corporate finance industry.

* *For identification purposes only*

The following is the text of a property valuation report prepared for inclusion in this document, received from APAC Asset Valuation and Consulting Limited, an independent property valuer, in connection with their valuation as at 29 February 2024 of the Properties to be acquired by the Group.

**APAC Asset Valuation and Consulting Limited**

5/F., Blissful Building, 243 – 247 Des Voeux Road Central, Hong Kong

Tel: (852) 2357 0059

Fax: (852) 2951 0799

The Directors
Poly Property Services Co., Ltd.
40/F, Dah Sing Financial Centre,
248 Queen's Road East, Wanchai
Hong Kong

10 May 2024

Dear Sirs/ Madams,

**RE: VARIOUS PROPERTIES LOCATED IN GUANGZHOU, GUANGDONG PROVINCE,
THE PEOPLE'S REPUBLIC OF CHINA (THE "PROPERTIES" OR THE
"PROPERTY" FOR RESPECTIVE SUBJECT PROPERTIES)**

In accordance with the instructions from Poly Property Services Co., Ltd. (the "Company") for us to value the Properties situated in the People's Republic of China (the "PRC"), we confirm that we have carried out an inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the Properties in their existing state as at 29 February 2024 (the "Valuation date") for your internal reference purpose.

BASIS OF VALUATION

Our valuation of each of the Properties is our opinion of its market value which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

We are independent of the Company and our valuation is prepared in accordance with the “HKIS Valuation Standards 2020” published by the Hong Kong Institute of Surveyors and the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the respective owner sells their Properties on the market without the benefit or burden of atypical financing, a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to affect the values of the Properties.

No allowance has been made in our valuation report for any charge, mortgage or amount owing on the Properties nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

VALUATION METHODOLOGY

We have adopted Income Capitalisation Method in the valuation. Income Capitalisation Method is the appropriate and widely accepted valuation method for a rental generating assets like the Properties in this valuation. This method provides an indication of value by converting future rental income to a current value of a property by capitalising the rental incomes derived from the property at a capitalization rate. In the valuation of the Properties, we have capitalised the market rental income of the Properties under the tenancy periods to be acquired by the Company. The market rental is calculated based on comparable properties that share similarities with the Properties. Each comparable property is analysed based on its unit rent, and then compared to the Property. In cases where variations exist, adjustments are made to the unit rent in order to determine the market rental for the Properties. The capitalization rates as adopted in the valuation are estimated by reference to the analysis of capitalization rate of properties of the same types of Properties.

TITLE AND ASSUMPTIONS

We have been provided with copies or extracts of title documents relating to the Properties. However, we have not searched the original documents to verify ownership or to ascertain the existence of any amendment which does not appear on the copies handed to us. We do not accept a liability for any interpretation which we have placed on such information which is more properly the sphere of your legal advisers. In the course of our valuation, we have made reference to the PRC legal opinion prepared by the Company’s PRC legal adviser, Beijing Zhong Lun (Guangzhou) Law Firm, on the title to the Properties.

SOURCES OF INFORMATION

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of the Properties, tenancy agreements, floor areas and all other relevant matters. No on-site measurement has been taken. Dimensions, measurements and areas included in the valuation report are only approximations. We have

taken every reasonable care both during inspecting the information provided to us and in making relevant enquiries. We have no reason to doubt the truth and accuracy of the information provided to us by the Company, which is material to our valuation. We were also advised by the Company that no material facts have been omitted from the information provided to us.

SITE INSPECTIONS

Site inspection of the Properties was carried out by Ms. Kathy Lau (BBA (Hons)) in April 2024. We have inspected the exterior and, where possible, the interior of the Properties. We have not inspected those parts of the Properties which were covered, unexposed or inaccessible and such parts have been assumed to be in reasonable condition. We have not carried out detailed measurements to verify the correctness of the areas in respect of the Properties but have assumed that the areas shown on the title documents or information handed to us are correct. All documents, information and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

In the course of our inspections, we did not notice any serious defects. However, no structural survey has been made and we are therefore unable to report whether the Properties are free of rot, infestation or any other structural defects. No tests have been carried out on any of the services.

CURRENCY

Unless otherwise stated, all monetary amounts in our valuation are in Renminbi (RMB).

Our valuation report is attached.

Yours faithfully,

For and on behalf of
APAC Asset Valuation and Consulting Limited
Vincent K F Pang *MHKIS, MRICS, RPS (GP)*
Director

Note: Mr. Vincent K F Pang is a Registered Professional Surveyor in General Practice Division with over 25 years valuation experience on properties in Hong Kong and the PRC.

SUMMARY OF VALUES

Group – Properties to be acquired for investment by the Company

No. Property	Market value in existing state as at 29 February 2024
1. Various office and retail units of Poly International Plaza (保利國際廣場), No. 688 Yuejiang Zhong Road, Haizhu District, Guangzhou, Guangdong Province, the PRC	RMB187,000,000
2. Various office and retail units of Guangzhou Poly Center (廣州保利中心), No. 5 Linjiang Avenue, Tianhe District, Guangzhou, Guangdong Province, the PRC	RMB338,000,000
3. Various office and retail units of East Tower of Poly Skyline Plaza (Poly Plaza) (保利發展廣場), No. 832 Yuejiang Zhong Road and B1 of No. 33 Cheyue Road Haizhu District, Guangzhou, Guangdong Province, the PRC	RMB503,000,000
4. Various office units of West Tower of Poly Skyline Plaza (Poly Plaza) (保利發展廣場), No. 826 Yuejiang Zhong Road Haizhu District, Guangzhou, Guangdong Province, the PRC	RMB98,000,000
Total:	<u>RMB1,126,000,000</u>

VALUATION REPORT

Property to be acquired by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 29 February 2024
1	Various office and retail units of Poly International Plaza (保利國際廣場), No. 688 Yuejiang Zhong Road, Haizhu District, Guangzhou, Guangdong Province, the PRC	Guangzhou Poly International Plaza (保利國際廣場) (the “ Development ”) is a high-rise commercial development situated at the junction of Yuejiang Zhong Road and Keyun Road and was completed in about 2006.	As at the Valuation date, the Property was subject to various tenancy agreements and occupied for office and retail uses.	RMB187,000,000 (Please refer to note (1))
		<p>The Development comprises 4 Towers named North Tower, South Tower, East Tower and West Tower respectively and a two-story underground car parking space. The North and South Towers are for office use whilst the East and West Towers are for office/commercial uses.</p>		
		<p>The Property comprises various office units of the North Tower and South Tower and retail units of the East Tower and West Tower of the Development. According to the information provided, the Property has a total gross floor area of approximately 57,061.26 sq. m., in which 45,420.35 sq. m. is for office use and 11,640.91 sq. m. is for retail use.</p>		
		<p>The land use rights of the Property were granted for a land use term of 50 years commencing from 2 June 2004 for office uses.</p>		

Note:

1. According to the tenancy agreement (“**2024 Property Leasing Agreement**”) entered into between 廣州市瑞富企業管理有限公司 (the “**Guangzhou Ruifu**”) and 廣州保利商業物業發展有限公司 (the “**Poly Business Commercial Property**”) on 22 April 2024, Guangzhou Ruifu is agreed to lease the Property to Poly Business Commercial Property for a term commencing from 28 May 2024 and expiring on 27 May 2027. The 2024 Property Leasing Agreement will be effective on 28 May 2024, subject to the Company obtaining the approval of Independent Shareholder at the extraordinary general meeting (the “EGM”). The salient terms are summarized as below.

Poly Business Commercial Property will make a lump sum payment of approximately RMB150.37 million within 15 days after the effective date of the 2024 Property Leasing Agreement, or at the date of the EGM of 2024 of the Company on which this tenancy agreement is approved by the independent shareholders of the Company, whichever is the latter.

The estimated value of the remaining total rent is approximately RMB19.93 million, and the total rent actually received by the Property 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 by the Property 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 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 market value of the Property is based on the tenancy period of the aforesaid tenancy agreement.

2. Comparable properties are selected based on the following criteria: (i) comparable properties that have been listed within 3 months from the valuation date; (ii) comparable properties are located in the similar location as the Property; (iii) the nature of the comparable properties is similar to the Property, in terms of use, grading and size. The rental comparables identified by us are exhaustive in terms of the above criteria.
3. We have identified three relevant rental comparables for the office portion; the unit rents of these comparable properties range from about RMB120 per sq.m. per month to RMB125 per sq.m. per month.

The selected rental comparables details are listed below:

Rental Comparable	Floor Area (sq.m.)	Unit Rent (RMB/sq.m./month)
1. An office unit located on Xingang East Road, Haizhu District	330	121
2. An office unit located on Dingxin Road, Haizhu District	500	120
3. An office unit located on Pazhou Avenue, Haizhu District	305	125

In arriving at the adopted market unit rent, we take into account the variations in several aspects, such as asking, location, size and other physical characteristics between the Property and the comparable properties, and make appropriate adjustments and analyses accordingly. The fundamental principle underlying these adjustments is that if the Property is better matching with the comparable properties, an upward adjustment is implemented. Conversely, if the Property is deemed inferior or less desirable compared to the comparable properties, a downward adjustment is applied.

We have made appropriate adjustments after considering the differences between the comparable and the Property to arrive at the market rent adopted in our valuation. An downward adjustment for asking factor is applied to reflect all the comparables are asking comparable. Comparables 2 and 3 are located in similar location to the Property whilst upward adjustment applied to Comparable 1 as it is inferior to the Property in terms of location. All comparables are similar to the Property in terms of transportation and number of storey. All comparables have relatively larger unit size and upward adjustments applied. All comparable have a better grade than the Property and downward adjustments applied.

Based on the adjustment of the rental comparables as mentioned above, we are of the view that our opinion of the market rent of the Property to be fair and reasonable.

4. We have identified three relevant rental comparables for the retail portion; the unit rents of these comparable properties range from about RMB189 per sq.m. per month to RMB214 per sq.m. per month.

The selected rental comparables details are listed below:

Rental Comparable	Floor Area <i>(sq.m.)</i>	Unit Rent <i>(RMB/sq.m./month)</i>
1. A shop located on the basement floor of an office building on Pazhou Avenue, Haizhu District	250	200
2. A shop located on the first floor of a residential development on Chenyue Road, Haizhu District	140	214
3. A shop located on the first floor of an office building on Xingang East Road, Haizhu District	30	189

In arriving at the adopted market unit rent, we take into account the variations in several aspects, such as asking, location, size and other physical characteristics between the Property and the comparable properties, and make appropriate adjustments and analyses accordingly. The fundamental principle underlying these adjustments is that if the Property is better matching with the comparable properties, an upward adjustment is implemented. Conversely, if the Property is deemed inferior or less desirable compared to the comparable properties, a downward adjustment is applied.

We have made appropriate adjustments after considering the differences between the comparable and the Property to arrive at the market rent adopted in our valuation. An downward adjustment for asking factor is applied to reflect all the comparables are asking comparable. Comparables 1 and 3 are located in similar location to the Property whilst downward adjustment applied to Comparable 2 as it is better than the Property in terms of location. For the factor of transportation, downward adjustment applied to Comparable 1 as it is superior to the Property whilst that of Comparables 2 and 3 are similar to the Property. Comparables 2 and 3 are located on the same level as the Property whilst upward adjustment is applied to Comparable 1 as it is located on Basement which is inferior than the Property. Comparable 3 has a relatively smaller unit size and downward adjustment has been applied whilst Comparable 1 has a relatively larger unit size and upward adjustment has been applied. All comparables are superior than the Property in terms of grade and customer base and customer flow and downward adjustments applied.

Based on the adjustment of the rental comparables as mentioned above, we are of the view that our opinion of the market rent of the Property to be fair and reasonable.

5. For the office portion, a capitalization rate of 4.64% has been adopted, while a rate of 4.73% has been applied for the retail portion. These rates are determined by referencing the expected market yields for comparable properties with similar usage types. The adopted capitalization rates are considered reasonable and are in line with the prevailing market norms having regard to the analysed yields of property of the relevant use type.

6. According to the PRC legal opinion on the title to the Property as provided by the Company:
- (i) Guangzhou Ruifu has obtained the relevant title documents and legal ownership of the Property and is entitled to lease the Property to the Company;
 - (ii) the office portion of the Property with a total gross floor area of approximately 42,946.87 sq. m. is subject to a mortgage in favour of China Merchants Bank Co., Ltd.; and
 - (iii) except the mortgage stated above, the Property is free from other encumbrances.

VALUATION REPORT

Property to be acquired by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 29 February 2024
2	Various office and retail units of Guangzhou Poly Center (廣州保利中心), No. 5 Linjiang Avenue, Tianhe District, Guangzhou, Guangdong Province, the PRC	<p>Guangzhou Poly Center (the “Development”) is a high-rise commercial development situated at the junction of Linjiang Avenue and Huasui Road and was completed in about 2010.</p> <p>The Property comprises various office and retail units of the Development. According to the information provided, the Property has a total gross floor area of approximately 63,730.88 sq. m., in which 58,864.71 sq. m. is for office use and 4,866.17 sq. m. is for retail use.</p> <p>The land use rights of the Property were granted for a land use term of 50 years commencing from 27 April 2007 for office uses.</p>	As at the Valuation date, the Property was subject to various tenancy agreements and occupied for office and retail uses.	RMB338,000,000 (Please refer to note (1))

Note:

- According the tenancy agreement (“**2024 Property Leasing Agreement**”) entered into between 廣州市瑞諧企業管理有限公司 (the “**Guangzhou Ruizi**”) and 廣州保利商業物業發展有限公司 (the “**Poly Business Commercial Property**”) on 22 April 2024, Guangzhou Ruizi is agreed to lease the Property to Poly Business Commercial Property for a term commencing from 28 May 2024 and expiring on 27 May 2027. The 2024 Property Leasing Agreement will be effective on 28 May 2024, subject to the Company obtaining the approval of Independent Shareholder at the extraordinary general meeting (the “EGM”). The salient terms are summarized as below.

Poly Business Commercial Property will make a lump sum payment of approximately RMB269.60 million within 15 days after the effective date of the 2024 Property Leasing Agreement, or at the date of the EGM of 2024 of the Company on which this tenancy agreement is approved by the independent shareholders of the Company, whichever is the latter.

The estimated value of the remaining total rent is approximately RMB35.76 million, and the total rent actually received by the Property 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 by the Property 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 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 market value of the Property is based on the tenancy period of the aforesaid tenancy agreement.

2. Comparable properties are selected based on the following criteria: (i) comparable properties that have been listed within 3 months from the valuation date; (ii) comparable properties are located in the same or adjacent district as the Property; (iii) the nature of the comparable properties is similar to the Property, in terms of grading and size. The rental comparables identified by us are exhaustive in terms of the above criteria.
3. We have identified three relevant rental comparables for the office portion; the unit rents of these comparable properties range from about RMB183 per sq.m. per month to RMB209 per sq.m. per month.

The selected rental comparables details are listed below:

Rental Comparable	Floor Area <i>(sq.m.)</i>	Unit Rent <i>(RMB/sq.m./month)</i>
1. An office unit located on Huaxia Road, Tianhe District	356	183
2. An office unit located on Zhujiang West Road, Tianhe District	368	209
3. An office unit located on Linjiang Avenue, Tianhe District	489	184

In arriving at the adopted market unit rent, we take into account the variations in several aspects, such as asking, location, size and other physical characteristics between the Property and the comparable properties, and make appropriate adjustments and analyses accordingly. The fundamental principle underlying these adjustments is that if the Property is better matching with the comparable properties, an upward adjustment is implemented. Conversely, if the Property is deemed inferior or less desirable compared to the comparable properties, a downward adjustment is applied.

We have made appropriate adjustments after considering the differences between the comparable and the Property to arrive at the market rent adopted in our valuation. A downward adjustment for asking factor is applied to reflect all the comparables are asking comparable. All comparables are in a similar location as the Property. Downward adjustment on transportation factor applied to Comparables 1 and 2 as they are superior than the Property whilst Comparable 3 is similar to the Property. Downward adjustment on the factor of number of storeys is applied to Comparable 2 as it has more number of floors than the Property whilst the number of floors of Comparables 1 and 3 are similar to the Property. All comparables have a relatively larger unit size and upward adjustments have been applied. Downward adjustment on the grade factor applied to Comparables 2 and 3 as they have a higher grade than the Property whilst the grade of Comparable 1 is similar to the Property.

Based on the adjustment of the rental comparables as mentioned above, we are of the view that our opinion of the market rent of the Property to be fair and reasonable.

4. We have identified three relevant rental comparables for the retail portion; the unit rents of these comparable properties range from about RMB167 per sq.m. per month to RMB388 per sq.m. per month.

The selected rental comparables details are listed below:

Rental Comparable	Floor Area <i>(sq.m.)</i>	Unit Rent <i>(RMB/sq.m./month)</i>
1. A shop located on the first floor of a commercial development on the West of Huangpu Avenue, Tianhe District	188	388
2. A shop located on the first floor of a residential development on Huacheng Avenue, Tianhe District	102	200
3. A shop located on the first floor of an office building on Huaxia Road, Tianhe District	60	167

In arriving at the adopted market unit rent, we take into account the variations in several aspects, such as asking, location, size and other physical characteristics between the Property and the comparable properties, and make appropriate adjustments and analyses accordingly. The fundamental principle underlying these adjustments is that if the Property is better matching with the comparable properties, an upward adjustment is implemented. Conversely, if the Property is deemed inferior or less desirable compared to the comparable properties, a downward adjustment is applied.

We have made appropriate adjustments after considering the differences between the comparable and the Property to arrive at the market rent adopted in our valuation. An downward adjustment for asking factor is applied to reflect all the comparables are asking comparable. All comparables are in a similar location as the Property. Downward adjustment on transportation factor applied to all comparables as they are superior than the Property. All comparables are located on the same level as the Property. Comparables 2 and 3 have a relatively smaller unit size and downward adjustments have been applied. Downward adjustments on the factor of customer base and footfall applied to Comparables 1 and 2 as they are superior than the Property whilst that of Comparable 3 is similar to the Property.

Based on the adjustment of the rental comparables as mentioned above, we are of the view that our opinion of the market rent of the Property to be fair and reasonable.

5. For the office portion, a capitalization rate of 4.64% has been adopted, while a rate of 4.73% has been applied for the retail portion. These rates are determined by referencing the expected market yields for comparable properties with similar usage types. The adopted capitalization rates are considered reasonable and are in line with the prevailing market norms having regard to the analysed yields of property of the relevant use type.
6. According to the PRC legal opinion on the title to the Property as provided by the Company:
 - (i) Guangzhou Ruizi has obtained the relevant title documents and legal ownership of the Property and is entitled to lease the Property to the Company;
 - (ii) the whole Property with a total gross floor area of approximately 63,730.88 sq. m. is subject to a mortgage in favour of China Merchants Bank Co., Ltd.; and
 - (iii) except the mortgage stated above, the Property is free from other encumbrances.

VALUATION REPORT

Property to be acquired by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 29 February 2024
3	Various office and retail units of East Tower of Poly Skyline Plaza (Poly Plaza) (保利發展廣場), No. 832 Yuejiang Zhong Road and B1 of No. 33 Cheyue Road Haizhu District, Guangzhou, Guangdong Province, the PRC	<p>Poly Plaza (the “Development”) is a high-rise commercial development situated at the southern side of Yuejiang Zhong Road and the northern side of Chenyue Road and was completed in about 2018.</p> <p>The Development comprises 2 Towers named East Tower and West Tower respectively and a four-story underground car parking space.</p>	As at the Valuation date, the Property was subject to various tenancy agreements and occupied for office and retail uses.	RMB503,000,000 (Please refer to note (1))
		<p>The Property comprises various office and retail units of East Tower of the Development. According to the information provided, the Property has a total gross floor area of approximately 111,396.34 sq. m., in which 104,543.25 sq. m. is for office use and 6,853.09 sq. m. is for retail use.</p>		
		<p>The land use rights of the Property were granted for land use terms expiring on 19 October 2049 for wholesale and retail uses and on 19 October 2059 for commercial and finance uses.</p>		

Note:

1. According the tenancy agreement (“**2024 Property Leasing Agreement**”) entered into between 保利發展控股集團股份有限公司 (the “**Poly Developments and Holdings**”) and 廣州保利商業物業發展有限公司 (the “**Poly Business Commercial Property**”) on 22 April 2024, Poly Developments and Holdings is agreed to lease the Property to Poly Business Commercial Property for a term commencing from 28 May 2024 and expiring on 27 May 2027. The 2024 Property Leasing Agreement will be effective on 28 May 2024, subject to the Company obtaining the approval of Independent Shareholder at the extraordinary general meeting (the “EGM”). The salient terms are summarized as below.

Poly Business Commercial Property will make a lump sum payment of approximately RMB363.32 million within 15 days after the effective date of the 2024 Property Leasing Agreement, or at the date of the EGM of 2024 of the Company on which this tenancy agreement is approved by the independent shareholders of the Company, whichever is the latter.

The estimated value of the remaining total rent is approximately RMB39.70 million, and the total rent actually received by the Property 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 by the Property 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 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 market value of the Property is based on the tenancy period of the aforesaid tenancy agreement.

2. Comparable properties are selected based on the following criteria: (i) comparable properties that have been listed within 3 months from the valuation date; (ii) comparable properties are located in the same or adjacent district as the Property; (iii) the nature of the comparable properties is similar to the Property, in terms of grading and size. The rental comparables identified by us are exhaustive in terms of the above criteria.
3. We have identified three relevant rental comparables for the office portion; the unit rents of these comparable properties range from about RMB154 per sq.m. per month to RMB161 per sq.m. per month.

The selected rental comparables details are listed below:

Rental Comparable	Unit Rent <i>(sq.m.)</i>	Floor Area <i>(RMB/sq.m./month)</i>
1. An office unit located on Xuanyue East Street, Haizhu District	186	161
2. An office unit located on Pazhou Avenue, Haizhu District	403	154
3. An office unit located on Xingang East Road, Haizhu District	336	161

In arriving at the adopted market unit rent, we take into account the variations in several aspects, such as asking, location, size and other physical characteristics between the Property and the comparable properties, and make appropriate adjustments and analyses accordingly. The fundamental principle underlying these adjustments is that if the Property is better matching with the comparable properties, an upward adjustment is implemented. Conversely, if the Property is deemed inferior or less desirable compared to the comparable properties, a downward adjustment is applied.

We have made appropriate adjustments after considering the differences between the comparable and the Property to arrive at the market rent adopted in our valuation. An downward adjustment for asking factor is applied to reflect all the comparables are asking comparable. All comparables are in a similar as the Property in terms of location and transportation. Upward adjustment on the factor of number of storey applied to all comparables as they have less number of floors than the Property. Comparables 2 and 3 have a relatively larger unit size and upward adjustments have been applied. Downward adjustments on the grade factor applied to Comparables 2 and 3 as they are superior than the Property whilst that of Comparable 1 is similar to the Property.

Based on the adjustment of the rental comparables as mentioned above, we are of the view that our opinion of the market rent of the Property to be fair and reasonable.

4. We have identified three relevant rental comparables for the retail portion; the unit rents of these comparable properties range from about RMB189 per sq.m. per month to RMB214 per sq.m. per month.

The selected rental comparables details are listed below:

Rental Comparable	Floor Area <i>(sq.m.)</i>	Unit Rent <i>(RMB/sq.m./month)</i>
1. A shop located on the basement floor of an office building on Pazhou Avenue, Haizhu District	250	200
2. A shop located on the first floor of a residential development on Chenyue Road, Haizhu District	140	214
3. A shop located on the first floor of an office building on Xingang East Road, Haizhu District	30	189

In arriving at the adopted market unit rent, we take into account the variations in several aspects, such as asking, location, size and other physical characteristics between the Property and the comparable properties, and make appropriate adjustments and analyses accordingly. The fundamental principle underlying these adjustments is that if the Property is better matching with the comparable properties, an upward adjustment is implemented. Conversely, if the Property is deemed inferior or less desirable compared to the comparable properties, a downward adjustment is applied.

We have made appropriate adjustments after considering the differences between the comparable and the Property to arrive at the market rent adopted in our valuation. An downward adjustment for asking factor is applied to reflect all the comparables are asking comparable. Downward adjustment on the factor of location applied to Comparable 2 as it is superior than the Property whilst that of Comparables 1 and 3 are similar to the Property. All Comparables are superior in terms of transportation and downward adjustments applied. Comparables 2 and 3 are located on the same level as the Property whilst upward adjustment is applied to Comparable 1 as it is located on Basement which is inferior than the Property. Comparable 3 has a relatively smaller unit size and downward adjustment has been applied whilst Comparable 1 has a relatively larger unit size and upward adjustment has been applied. Downward adjustments on the factor of customer base and customer flow are applied to all comparables as they are superior than the Property.

Based on the adjustment of the rental comparables as mentioned above, we are of the view that our opinion of the market rent of the Property to be fair and reasonable.

5. For the office portion, a capitalization rate of 4.64% has been adopted, while a rate of 4.73% has been applied for the retail portion. These rates are determined by referencing the expected market yields for comparable properties with similar usage types. The adopted capitalization rates are considered reasonable and are in line with the prevailing market norms having regard to the analysed yields of property of the relevant use type.

6. According to the PRC legal opinion on the title to the Property as provided by the Company:
- (i) Poly Developments and Holdings has obtained the relevant title documents and the legal ownership of the Property and is entitled to lease the Property to the Company;
 - (ii) The office and retail portion of the Property with a total gross floor area of approximately 106,603.54 sq. m. is subject to a mortgage in favour of Industrial Bank Co., Ltd.; and
 - (iii) except the mortgage stated above, the Property is free from other encumbrances.

VALUATION REPORT

Property to be acquired by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 29 February 2024
4	Various office units of West Tower of Poly Skyline Plaza (Poly Plaza) (保利發展廣場), No. 826 Yuejiang Zhong Road, Haizhu District, Guangzhou, Guangdong Province, the PRC	<p>Guangzhou Development Square (the “Development”) is a high-rise commercial development situated at the southern side of Yuejiang Zhong Road and the northern side of Chenyue Road and was completed in about 2018.</p> <p>The Development comprises 2 Towers named East Tower and West Tower respectively and a four-story underground car parking space. Levels 1 to 6 and levels 18 to 37 of the West Tower of the Development are currently occupied for hotel use and the remaining portion of the Development is for office and commercial use.</p> <p>The Property comprises various office units of the West Tower of the Development. According to the information provided, the Property has a total gross floor area of approximately 19,752.14 sq. m.</p> <p>The land use rights of the Property were granted for land use terms expiring on 19 October 2049 for wholesale and retail uses and on 19 October 2059 for commercial and finance uses.</p>	As at the Valuation date, the Property was subject to various tenancy agreements and occupied for office use.	RMB98,000,000 (Please refer to note (1))

Note:

1. According the tenancy agreement (“**2024 Property Leasing Agreement**”) entered into between 廣州市睿馳企業管理有限公司 (the “**Guangzhou Ruichi**”) and 廣州保利商業物業發展有限公司 (the “**Poly Business Commercial Property**”) on 22 April 2024, Guangzhou Ruichi is agreed to lease the Property to Poly Business Commercial Property for a term commencing from 28 May 2024 and expiring on 27 May 2027. The 2024 Property Leasing Agreement will be effective on 28 May 2024, subject to the Company obtaining the approval of Independent Shareholder at the extraordinary general meeting (the “**EGM**”). The salient terms are summarized as below.

Poly Business Commercial Property will make a lump sum payment of approximately RMB56.70 million within 15 days after the effective date of the 2024 Property Leasing Agreement, or at the date of the EGM of 2024 of the Company on which this tenancy agreement is approved by the independent shareholders of the Company, whichever is the latter.

The estimated value of the remaining total rent is approximately RMB7.55 million, and the total rent actually received by the Property 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 by the Property 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 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 market value of the Property is based on the tenancy period of the aforesaid tenancy agreement.

2. Comparable properties are selected based on the following criteria: (i) comparable properties that have been listed within 3 months from the valuation date; (ii) comparable properties are located in the same or adjacent district as the Property; (iii) the nature of the comparable properties is similar to the Property, in terms of grading and size. The rental comparables identified by us are exhaustive in terms of the above criteria.
3. We have identified three relevant rental comparables for the office portion; the unit rents of these comparable properties range from about RMB154 per sq.m. per month to RMB161 per sq.m. per month.

The selected rental comparables details are listed below:

Rental Comparable	Floor Area <i>(sq.m.)</i>	Unit Rent <i>(RMB/sq.m./month)</i>
1. An office unit located on Xuanyue East Street, Haizhu District	186	161
2. An office unit located on Pazhou Avenue, Haizhu District	403	154
3. An office unit located on Xingang East Road, Haizhu District	336	161

In arriving at the adopted market unit rent, we take into account the variations in several aspects, such as asking, location, size and other physical characteristics between the Property and the comparable properties, and make appropriate adjustments and analyses accordingly. The fundamental principle underlying these adjustments is that if the Property is better matching with the comparable properties, an upward adjustment is implemented. Conversely, if the Property is deemed inferior or less desirable compared to the comparable properties, a downward adjustment is applied.

We have made appropriate adjustments after considering the differences between the comparable and the Property to arrive at the market rent adopted in our valuation. An downward adjustment for asking factor is applied to reflect all the comparables are asking comparable. All comparables are in a similar as the Property in terms of location and transportation. Upward adjustment on the factor of number of storey applied to all comparables as they have less number of floors than the Property. Comparables 2 and 3 have a relatively larger unit size and upward adjustments have been applied. Downward adjustments on the grade factor applied to Comparables 2 and 3 as they are superior than the Property whilst that of Comparable 1 is similar to the Property.

Based on the adjustment of the rental comparables as mentioned above, we are of the view that our opinion of the market rent of the Property to be fair and reasonable.

4. For the office portion, a capitalization rate of 4.64% has been adopted. This rate is determined by referencing the expected market yields for comparable properties with similar usage type. The adopted capitalization rate is considered reasonable and is in line with the prevailing market norms having regard to the analysed yield of property of the relevant use type.
5. According to the PRC legal opinion on the title to the Property as provided by the Company:
 - (i) Guangzhou Ruichi has obtained the relevant title documents and the legal ownership of the Property and is entitled to lease the Property to the Company;
 - (ii) The whole Property with a total gross floor area of approximately 19,752.14 sq. m is subject to a mortgage in favour of Industrial Bank Co., Ltd.; and
 - (iii) except the mortgage stated above, the Property is free from other encumbrances.

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/chief executive	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 (%)
Wu Lanyu	Poly Property ⁽¹⁾	Other ⁽²⁾	116,800 (L) ⁽²⁾	0.02
Liu Ping	Poly Developments and Holdings	Beneficial owner	7,723,184 (L)	0.06
Huang Hai	Poly Developments and Holdings	Beneficial owner	1,115,697 (L)	0.009
Yao Yucheng	Poly Property ⁽¹⁾	Other ⁽²⁾	81,400 (L) ⁽²⁾	0.01

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 and Mr. Yao Yucheng have accepted 116,800 and 81,400 restricted shares respectively, 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 executive 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 Stock Exchange pursuant to the Model Code; and
- (b) Mr. Liu Ping is the chairman and a director of Poly Developments and Holdings. Mr. Huang Hai is the secretary of the board of Poly Developments and Holdings. Mr. Yang Haibo is the general counsel of Poly Developments and Holdings. Saved as disclosed herein, none of the Directors, Supervisors or chief executive of the Company was a director or employee of a company which had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS/ARRANGEMENTS

As at the Latest Practicable Date, none of the Directors or Supervisors of the Company had any direct or indirect interest in any assets which have since 31 December 2023 (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 2023, being the date to which the latest published audited 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
Red Sun Capital Limited	a licensed corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the 2024 Property Leasing Agreements and the transactions contemplated thereunder
APAC Asset Valuation and Consulting Limited	an independent property valuer

Each of the experts 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 of the experts 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 2023, 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.

DOCUMENTS ON DISPLAY

The 2024 Property Leasing Agreements will be published on the designated website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.polywuye.com) from the date of this circular to (and including) 14 days after the date 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)

NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING OF 2024

NOTICE IS HEREBY GIVEN THAT the first extraordinary general meeting of 2024 (the “**EGM**”) of Poly Property Services Co., Ltd. (the “**Company**”) will be held at 4:00 p.m. (or immediately after the conclusion of the First H Shares Class Meeting of 2024 to be convened on the same date) 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 Monday, 27 May 2024 for the purposes of considering and, if thought fit, approving the following resolution. In this notice, unless the context otherwise requires, terms used herein shall have the same meanings as defined in the Company’s circular dated 10 May 2024 (the “**Circular**”).

ORDINARY RESOLUTION

To consider and approve the 2024 Property Leasing Agreements and the transactions contemplated thereunder (including the annual caps).

By Order of the Board

POLY PROPERTY SERVICES CO., LTD.

Wu Lanyu

Chairman of the Board and Executive Director

Guangzhou, the PRC, 10 May 2024

As at the date of this notice, 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.

NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING OF 2024

Notes:

1. All 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, No. 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 Wednesday, 22 May 2024 to Monday, 27 May 2024, both days inclusive, during which period no transfer of the shares will be registered. In order for the H shareholders to qualify for attending and voting at the EGM, all properly completed share transfer forms together with the relevant H share certificates shall be lodged with the Company’s H Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 21 May 2024. Shareholders whose names appear on the register of members of the Company on Monday, 27 May 2024 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.