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SUN **OSY** 宋服務

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Sundy Service Group Co. Ltd

宋都服务集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 9608)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS FOR 2023 TO 2025

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



雋匯國際金融有限公司
Jun Hui International Finance Limited

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS FOR 2023 TO 2025

1. Renewal of the New Master Lease Agreement

Reference is made to the section headed “Connected Transactions” in the Prospectus, containing among other things, the continuing connected transactions exempt from Independent Shareholders’ approval in relation to the Master Lease Agreement with a term from the Listing Date until 31 December 2022.

As the Master Lease Agreement will expire on 31 December 2022, on 31 October 2022, the Company has entered into the New Master Lease Agreement with Sundy Land (for itself and as trustee for other members of the Sundy Land Group), and proposed the annual caps for 2023, 2024 and 2025 thereunder to renew such continuing connected transactions.

2. Renewal of the New Property Management Agreements

References are made to (i) the section headed “Connected Transactions” in the Prospectus, containing among other things, the non-exempt continuing connected transactions in relation to the Property Management Agreements with a term from the Listing Date until 31 December 2022; and (ii) the 2021 Announcement and the 2021 Circular in relation to, among others, the Supplemental Property Management Agreement and the Revised Property Management Annual Caps.

As the Property Management Agreements (including the Master Property Management Agreement as amended by the Supplemental Property Management Agreement) will expire on 31 December 2022, on 31 October 2022, the Company has entered into: (i) the New Master Property Management Agreement with Sundy Land (for itself and as trustee for other members of the Sundy Land Group); (ii) the New Zhizhonghe Master Agreement with Zhizhonghe Industry (for itself and as trustee for other members of Zhizhonghe Group); and (iii) the New Yangguang Master Agreement with Sundy Yangguang Kindergarten, respectively, and proposed the annual caps for 2023, 2024 and 2025 thereunder to renew such continuing connected transactions.

3. Renewal of the New Master Service Agreement

References are made to (i) the section headed “Connected Transactions” in the Prospectus, containing among other things, the non-exempt continuing connected transactions in relation to the Master Service Agreement with a term from the Listing Date until 31 December 2022; and (ii) the 2021 Announcement and the 2021 Circular in relation to, among others, the Supplemental Service Agreement and the Revised Service Annual Caps.

As the Master Service Agreement (as amended by the Supplemental Service Agreement) will expire on 31 December 2022, on 31 October 2022, the Company has entered into the New Master Service Agreement with Sundy Land (for itself and as trustee for other members of the Sundy Land Group), and proposed the annual caps for 2023, 2024 and 2025 thereunder to renew such continuing connected transactions.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Sundy Land is owned as to as to approximately 29.04% by Sundy Holdings (which was wholly owned by Mr. Yu), approximately 9.74% by Mr. Yu and approximately 4.51% by Ms. Guo, spouse of Mr. Yu. Mr. Yu is a Controlling Shareholder of the Company. Therefore, Sundy Land, as an associate of Mr. Yu, is a connected person of the Company. As such, the transactions contemplated under the New Master Lease Agreement, the New Master Property Management Agreement and the New Master Service Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As at the date of this announcement, Zhizhonghe Industry is wholly owned by Heye Investment, a company owned as to 90% by Sundy Holdings, which was wholly owned by Mr. Yu. Therefore, Zhizhonghe Industry, as an associate of Mr. Yu, is a connected person of the Company. As such, the transactions contemplated under the New Zhizhonghe Master Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As at the date of this announcement, Sundy Yangguang Kindergarten is indirectly owned as to 40% by Heye Investment, a company owned as to 90% by Sundy Holdings. Therefore, Sundy Yangguang Kindergarten, as an associate of Mr. Yu, is a connected person of the Company. As such, the transactions contemplated under the New Yangguang Master Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

1. Renewal of the New Master Lease Agreement

For the purpose of the New Master Lease Agreement, as the highest applicable percentage ratio (other than the profits ratio) as defined under the Listing Rules in respect of the largest annual cap exceeds 0.1% but is less than 5%, the transactions contemplated under the New Master Lease Agreement are subject to the reporting, annual review and announcement requirements but exempt from the Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

2. Renewal of the New Property Management Agreements

For the purpose of the New Property Management Agreements, namely (i) the New Master Property Management Agreement; (ii) the New Zhizhonghe Master Agreement; and (iii) the New Yangguang Master Agreement, they are all related to the property management services provided by the Group to associates of Mr. Yu, namely Sundy Land Group, Zhizhonghe Group and Sundy Yangguang Kindergarten, respectively, and the New Property Management Agreements are aggregated for the Listing Rules purposes.

After aggregation, as one or more of the applicable percentage ratios (other than the profits ratio) as defined under the Listing Rules in respect of the largest aggregate annual caps under the New Property Management Agreements is more than 5% and the aggregate amount exceeds HK\$10,000,000, the transactions contemplated under the New Property Management Agreements are subject to the requirements of annual review, reporting, announcement, circular (including independent financial advice) and approval by the Independent Shareholders under Chapter 14A of the Listing Rules.

3. Renewal of the New Master Service Agreement

As one or more of the applicable percentage ratios (other than the profits ratio) as defined under the Listing Rules in respect of the maximum service fee payable by Sundy Land Group to the Group under the New Master Service Agreement is more than 5% and the aggregate amount exceeds HK\$10,000,000, the transactions contemplated under the New Master Service Agreement are subject to the requirements of annual review, reporting, announcement, circular (including independent financial advice) and approval by the Independent Shareholders under Chapter 14A of the Listing Rules.

EGM

The EGM will be convened to consider and, if thought fit, to approve, among other things, the New Property Management Agreements and the New Master Service Agreement, the continuing connected transactions contemplated thereunder, as well as the proposed annual caps for 2023, 2024 and 2025.

A circular containing, among other things, (i) a letter from the Board containing further details and information of the New Property Management Agreements and the New Master Service Agreement and their respective proposed annual caps; (ii) a letter from the Independent Board Committee to the Independent Shareholders in connection with the aforesaid; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its advice in connection with the aforesaid; and (iv) a notice convening the EGM together with the proxy form, is expected to be despatched to the Shareholders on or before 21 November 2022 in accordance with the Listing Rules.

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS FOR 2023 TO 2025

1. Renewal of the New Master Lease Agreement

Background

Reference is made to the section headed “Connected Transactions” in the Prospectus, containing among other things, the continuing connected transactions exempt from Independent Shareholders’ approval in relation to the Master Lease Agreement with a term from the Listing Date until 31 December 2022.

The transactions contemplated under the New Master Lease Agreement constitute continuing connected transactions of the Company under the Listing Rules and are exempt from the Independent Shareholders’ approval requirements, but subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules as the highest applicable percentage ratio (other than the profits ratio) as defined under the Listing Rules in respect of the largest annual cap exceeds 0.1% but is less than 5%.

As the Master Lease Agreement will expire on 31 December 2022, on 31 October 2022, the Company has entered into the New Master Lease Agreement with Sundry Land (for itself and as trustee for other members of the Sundry Land Group), and proposed the annual caps for 2023, 2024 and 2025 thereunder to renew such continuing connected transactions.

Principal terms

On 31 October 2022, the Company (for itself and as trustee for the benefit of other members of the Group) entered into the New Master Lease Agreement with Sundry Land (for itself and as trustee for other members of the Sundry Land Group), pursuant to which the Group shall lease from Sundry Land Group certain premises for hotel use for a term commencing on 1 January 2023 and expiring on 31 December 2025 (both days inclusive), and at any time either party thereto may give not less than three months’ prior written notice to terminate the New Master Lease Agreement.

Historical amount

The annual caps under the Master Lease Agreement for each of the years ended/ending 31 December 2020, 2021 and 2022 are RMB4.45 million, RMB4.70 million and RMB4.90 million, respectively.

The actual aggregate rental fee incurred by the Group to Sundry Land Group in relation to the leased hotel premises for the years ended 31 December 2020 and 2021 and the nine months ended 30 September 2022 amounted to approximately RMB2.89 million, RMB3.70 million and RMB2.63 million, respectively.

Pricing policy

The specific rental fee concerned and other relevant matters will be negotiated by the relevant subsidiaries for both parties with reference to the prevailing market rates and in good faith which will be set out in separate lease agreements in accordance with the terms set out in the New Master Lease Agreement.

Proposed annual caps

The proposed annual caps under the Master Lease Agreement for the three years ending 31 December 2023, 2024 and 2025 are RMB4.70 million, RMB4.90 million and RMB5.10 million, respectively.

Basis of determination of the proposed annual caps

The proposed annual caps under the New Master Lease Agreement for the three years ending 31 December 2023, 2024 and 2025 were determined mainly with reference to: (i) the historical transaction amounts under the Master Lease Agreement; (ii) the prevailing market rate of the comparable premises in the local community; and (iii) the revenue forecast of the hotel business for each of the years ending 31 December 2023, 2024 and 2025, taking into account of, among others, its occupancy rate and hotel room charge.

Reasons for and benefits of entering into the New Master Lease Agreement

The Group has been leasing from Sundry Land Group certain premises for hotel use for its business operation since 2017. The premises held by Sundry Land Group are all located in the prosperous areas of cities, which meet the business needs of the Group. At the same time, Sundry Land Group can also guarantee a long-term and stable supply of the premises leased by the Group for hotel use. As the Group is expected to continue to lease the premises from Sundry Land Group for the next three (3) years (2023 to 2025), the Directors consider it beneficial to renew the Master Lease Agreement, which would enable the Group to secure locations for its hotel use at fair market price and to prevent unnecessary cost, time and interruption of business.

Having considered the above pricing policy, basis of determination and reasons for and benefits of entering into the New Master Lease Agreement, all of the Directors are of the view that the New Master Lease Agreement and its proposed annual caps are entered into on normal commercial terms in the ordinary and usual course of business of the Company, are fair and reasonable, and in the interests of the Group and its Shareholders as a whole.

2. Renewal of the New Property Management Agreements

Background

References are made to (i) the section headed “Connected Transactions” in the Prospectus, containing among other things, the non-exempt continuing connected transactions in relation to the Property Management Agreements with a term from the Listing Date until 31 December 2022; and (ii) the 2021 Announcement and the 2021 Circular in relation to, among others, the Supplemental Property Management Agreement and the Revised Property Management Annual Caps.

As the Property Management Agreements (including the Master Property Management Agreement as amended by the Supplemental Property Management Agreement) will expire on 31 December 2022, on 31 October 2022, the Company has entered into: (i) the New Master Property Management Agreement with Sundy Land (for itself and as trustee for other members of the Sundy Land Group); (ii) the New Zhizhonghe Master Agreement with Zhizhonghe Industry (for itself and as trustee for other members of Zhizhonghe Group); and (iii) the New Yangguang Master Agreement with Sundy Yangguang Kindergarten, respectively, and proposed the annual caps for 2023, 2024 and 2025 thereunder to renew such continuing connected transactions.

A. New Master Property Management Agreement

Principal terms

On 31 October 2022, the Company (for itself and as trustee for the benefit of other members of the Group) entered into the New Master Property Management Agreement with Sundy Land (for itself and as trustee for other members of the Sundy Land Group), pursuant to which the Group agreed to provide property management services, including but not limited to security, cleaning, gardening, repair and maintenance of common areas and common facilities and ancillary services, to the properties developed or owned by Sundy Land Group. Subject to the necessary consent, approval or waiver (if necessary), approval of the Independent Shareholders at the EGM and other requirements related to continuing connected transactions under the Listing Rules, the term of the New Master Property Management Agreement will commence on 1 January 2023 and expire on 31 December 2025 (both days inclusive), and at any time either party thereto may give the other party not less than three months' prior written notice to terminate the New Master Property Management Agreement.

Historical amount

The annual caps under the Master Property Management Agreement as amended by the Supplemental Property Management Agreement for each of the years ended/ending 31 December 2020, 2021 and 2022 are RMB22.00 million, RMB32.80 million and RMB34.80 million, respectively.

The actual aggregate property management service fees paid to the Group by Sundy Land Group for the years ended 31 December 2020 and 2021 and the nine months ended 30 September 2022 amounted to approximately RMB21.91 million, RMB24.96 million and RMB21.14 million, respectively.

B. New Zhizhonghe Master Agreement

Principal terms

On 31 October 2022, the Company (for itself and as trustee for the benefit of other members of the Group) entered into the New Zhizhonghe Master Agreement with Zhizhonghe Industry (for itself and as trustee for other members of Zhizhonghe Group), pursuant to which the Group agreed to provide property management services, including but not limited to security, cleaning, gardening, repair and maintenance of common areas and common facilities and ancillary services, to the properties owned or operated by Zhizhonghe Group. Subject to the necessary consent, approval or waiver (if necessary), approval of the Independent Shareholders at the EGM and other requirements related to continuing connected transactions under the Listing Rules, the term of the New Zhizhonghe Master Agreement will commence from 1 January 2023 and expire on 31 December 2025 (both days inclusive), and at any time either party thereto may give the other party not less than three months' prior written notice to terminate the New Zhizhonghe Master Agreement.

Historical amount

The annual caps under the Zhizhonghe Master Agreement for each of the years ended/ending 31 December 2020, 2021 and 2022 are RMB1.67 million, RMB1.80 million and RMB2.00 million, respectively.

The actual aggregate service fees paid to the Group by Zhizhonghe Group for the years ended 31 December 2020 and 2021 and the nine months ended 30 September 2022 amounted to approximately RMB1.60 million, RMB1.59 million and RMB1.24 million, respectively.

C. New Yangguang Master Agreement

Principal terms

On 31 October 2022, the Company (for itself and as trustee for the benefit of other members of the Group) entered into the New Yangguang Master Agreement with Sundy Yangguang Kindergarten, pursuant to which the Group agreed to provide property management services, including but not limited to security, cleaning, gardening, repair and maintenance of common areas and common facilities and ancillary services, to the properties operated by Sundy Yangguang Kindergarten. Subject to the necessary consent, approval or waiver (if necessary), approval of the Independent Shareholders at the EGM and other requirements related to continuing connected transactions under the Listing Rules, the term of the New Yangguang Master Agreement will commence on 1 January 2023 and expire on 31 December 2025 (both days inclusive), and at any time either party may give the other party not less than three months' prior written notice to terminate the New Yangguang Master Agreement.

Historical amount

The annual caps on the maximum aggregated service fee payable under the Yangguang Master Agreement for each of the years ended/ending 31 December 2020, 2021 and 2022 are RMB70,000, RMB70,000 and RMB70,000, respectively.

The actual aggregate service fee paid to the Group by Sundy Yangguang Kindergarten for the years ended 31 December 2020 and 2021 and the nine months ended 30 September 2022 amounted to approximately RMB36,000, RMB70,000 and RMB52,500, respectively

Pricing policy

The service fees concerned in the New Property Management Agreements will be negotiated by the relevant members of both parties with reference to (i) the size and location of the properties; (ii) budgeted operational expenses including but not limited to the historical labour, administrative, subcontracting and other expenses, for projects with similar size, location and scope of services; (iii) scope and quality of the services proposed; (iv) revenue generating model and targeted profit margins; (v) local government's pricing guidance or regulations on property management fees (the "**Guided Price**") (if applicable); and (vi) the prevailing market price for similar services in the market, and in good faith which will be set out in separate property management agreements in accordance with the terms set out in the New Property Management Agreements. In particular, the

said separate property management agreements usually set out the property management fees to be charged per sq.m. per month (the “unit price”), pursuant to which, the unit price of the residential properties in certain cities shall not be higher than the relevant service price as set by the Guided Price, if applicable. If the Group considers that Guided Price standards are not aligned with the market prices, the unit price shall be approved by the relevant local government authorities and determined with reference to the aforesaid items (i) to (iv) and (vi), taking into account (a) the service fees charged by the Group in providing similar property management services to independent third parties; and (b) the service fees charged by other property management companies for providing similar services based on the Company’s market research.

Proposed annual caps

The proposed annual caps under the New Property Management Agreements for the three years ending 31 December 2023, 2024 and 2025 are set out below:

	Proposed annual caps for the year ending 31 December		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
New Master Property Management Agreement	30,000	32,000	34,000
New Zhizhonghe Master Agreement	2,000	2,000	2,000
New Yangguang Master Agreement	90	90	90
	<hr/>	<hr/>	<hr/>
Aggregated annual cap	<u>32,090</u>	<u>34,090</u>	<u>36,090</u>

Basis of determination of the proposed annual caps

The proposed annual caps under the New Property Management Agreements for the three years ending 31 December 2023, 2024 and 2025 were determined mainly with reference to:

- (i) the historical transaction amounts under the Property Management Agreements;
- (ii) the number of unsold property units and corresponding GFA that the Group has been currently engaged by Sundry Land Group, Zhizhonghe Group or Sundry Yangguang Kindergarten (as the case maybe) as a property management service provider;
- (iii) the number of new projects and corresponding GFA that the Group expects to be engaged by Sundry Land Group, Zhizhonghe Group or Sundry Yangguang Kindergarten (as the case maybe) as a property management service provider for each of the years ending 31 December 2023, 2024 and 2025, respectively, taking into account of, among others, the number of pipeline properties and their expected delivery date and the expected sales of such pipeline properties (if applicable);
- (iv) in respect of the New Master Property Management Agreement, the demand for property management services based on the estimated pre-sale performance of Sundry Land Group and the development plans of Sundry Land Group for each of years ending 31 December 2023, 2024 and 2025; and
- (v) the annual increment in the service fees to be charged by the Group taking into account of, among others, the expected inflation in the PRC and the expected increase in labour costs.

Reasons for and benefits of entering into the New Property Management Agreements

The Group has long-standing business relationship with Sundry Land Group, Zhizhonghe Group and Sundry Yangguang Kindergarten and has been providing, among others, property management services to properties developed or owned by the Sundry Land Group, properties owned or operated by Zhizhonghe Group and properties operated by Sundry Yangguang Kindergarten, respectively. As the Group is expected to carry on the transactions contemplated under the Property Management Agreements upon their respective expiry, the Directors consider it beneficial to renew the Property Management Agreements to facilitate the continuous provision of such property management services to Sundry Land Group, Zhizhonghe Group and Sundry Yangguang Kindergarten, which could result in stable income stream, satisfactory synergy effect and further promote the business growth of the Group. The Directors consider that through providing quality services to Sundry Land Group, Zhizhonghe Group and Sundry Yangguang Kindergarten, the Group aims to promote its property management service business by raising the brand image and the awareness of the services on offer to properties developed or owned by the Sundry Land Group, properties owned or operated by Zhizhonghe Group and properties operated by Sundry Yangguang Kindergarten as well as other property developers and enterprises in the PRC.

Having considered the above pricing policy, basis of determination and reasons for and benefits of entering into the New Property Management Agreements, the Directors (excluding the independent non-executive Directors whose views will be contained in the circular after considering the advice from the Independent Financial Adviser) are of the view that the New Property Management Agreements, the transactions contemplated and their proposed annual caps are entered into on normal commercial terms in the ordinary and usual course of business of the Group, are fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

3. Renewal of the New Master Service Agreement

Background

References are made to (i) the section headed “Connected Transactions” in the Prospectus, containing among other things, the non-exempt continuing connected transactions in relation to the Master Service Agreement with a term from the Listing Date until 31 December 2022; and (ii) the 2021 Announcement and the 2021 Circular in relation to, among others, the Supplemental Service Agreement and the Revised Service Annual Caps.

As the Master Service Agreement (as amended by the Supplemental Service Agreement) will expire on 31 December 2022, on 31 October 2022, the Company has entered into the New Master Service Agreement with Sundry Land (for itself and as trustee for other members of the Sundry Land Group), and proposed the annual caps for 2023, 2024 and 2025 thereunder to renew such continuing connected transactions.

Principal terms

On 31 October 2022, the Company (for itself and as trustee for the benefit of other members of the Group) entered into the New Master Service Agreement with Sundy Land (for itself and as trustee for other members of the Sundy Land Group), pursuant to which the Group agreed to provide (i) value-added services to non-property owners, including but not limited to consulting services, sale assistance services and pre-delivery services; (ii) community value-added services, including but not limited to property repair and maintenance, waste cleaning, utility fee collection, remodelling and decoration and community space services; and (iii) other services, including but not limited to provision of conferencing and meeting spaces for rental by corporate clients at properties developed or owned by Sundy Land Group or provision of accommodation to the employees of members of Sundy Land Group (where applicable). Subject to the necessary consent, approval or waiver (if necessary), approval of the Independent Shareholders at the EGM and other requirements related to continuing connected transactions under the Listing Rules, the term of the New Master Service Agreement will commence on 1 January 2023 and expire on 31 December 2025 (both days inclusive), and at any time either party may give the other party not less than three months' prior written notice to terminate the New Master Service Agreement.

Historical amount

For the three years ended/ending 31 December 2020, 2021 and 2022, the annual caps of value-added services to non-property owners, community value-added services and other services under the Master Service Agreement are set forth below:

	Annual caps for the year ended/ending 31 December		
	2020 RMB'000	2021 RMB'000	2022 RMB'000
Value-added services to non-property owners	49,036	82,386	89,722
Community value-added services	21,084	13,404	14,549
Other services	180	210	229
Total	70,300	96,000	104,500

The following table sets forth the breakdown of the historical transaction amounts of the Group's value-added services to non-property owners, community value-added services and other services for the years ended 31 December 2020 and 2021 and the nine months ended 30 September 2022:

	For the year ended 31 December		For the nine months ended 30 September
	2020 RMB'000	2021 RMB'000	2022 RMB'000
Value-added services to non-property owners	49,024	68,933	22,141
Community value-added services	20,176	10,328	813
Other services	113	72	158
Total	69,313	79,333	23,112

Pricing policy

The service fees concerned in the New Master Service Agreement will be negotiated by the relevant members of both parties with reference to:

- (a) in respect of value-added services to non-property owners, (i) the service scope of separate service agreements and the needs of its customers; (ii) the estimated demand for such services based on the sale performance, area and number of properties owners; (iii) the Group's budgeted expenses, such as the headcount and positions of the personnel it deploys; (iv) the types and locations of properties; and (v) the prevailing market price for similar services in the market;
- (b) in respect of community value-added services, (i) the size and locations of the properties; (ii) budgeted expenses including but not limited to labour, administrative, subcontracting and other expenses; (iii) scope and quality of the services proposed; and (iv) the prevailing market price for similar services in the market; and
- (c) in respect of other services, (i) budgeted expenses including but not limited to labour and administrative expenses; (ii) nature, scope and quality of services proposed; and (iii) the prevailing market price for similar services in the market,

and in good faith which will be set out in separate service agreements in accordance with the principles as set out in the New Master Service Agreement. In particular, the Company adopts the principle of cost plus a targeted profit margin. The expected costs are determined based on, among others, the historical labour, administrative, subcontracting and other expenses, for projects with similar size, location and scope of services. The target gross profit margin is determined with reference to, among others, (i) the gross profit margin achieved by the Group in providing similar value-added services to independent third parties; and (ii) the estimated gross profit margin charged by other companies for providing similar value-added services based on the Company's market research.

Proposed annual caps

The proposed annual caps of value-added services to non-property owners, community value-added services and other services under the New Master Service Agreement for the three years ending 31 December 2023, 2024 and 2025 are set out below:

	Proposed annual caps for the year ending 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Value-added services to non-property owners	30,000	35,000	35,000
Community value-added services	4,000	5,000	6,000
Other services	200	200	200
Total	34,200	40,200	41,200

Basis of determination of the proposed annual caps

The proposed annual caps under the New Master Service Agreement for the three years ending 31 December 2023, 2024 and 2025 were determined mainly with reference to:

- (i) the historical transaction amounts under the Master Service Agreement;
- (ii) the number of property units and corresponding GFA that the Group has been currently engaged by Sundry Land Group as a value-added service provider;
- (iii) the number of projects and corresponding GFA that the Group expects to be engaged by Sundry Land Group as a value-added service provider for each of the years ending 31 December 2023, 2024 and 2025, taking into account of, among others, the number of development projects under construction and pipeline development projects of Sundry Land Group based on the third quarterly report for the nine months ended 30 September 2022 of Sundry Land dated 29 October 2022, the number of pipeline properties of property management services and their expected delivery date and the expected sales of such pipeline properties, which substantially overlaps with the ones of value-added services;
- (iv) the types of other services the Group has been currently engaged by Sundry Land Group; and
- (v) the number of projects that the Group expects to be engaged by Sundry Land Group as a service provider for other services.

Reasons for and benefits of entering into the New Master Service Agreement

The Group has long-standing business relationship with Sundry Land Group, and its associated companies and has been providing, among others, value-added services to non-property owners, community value-added services and other services to Sundry Land Group for many years and the provision of which is in the ordinary course of business of the Group. As the Group is expected to carry on the transactions contemplated under the Master Service Agreement upon its expiry, the Directors consider it beneficial to renew the Master Service Agreement to facilitate the continuous provision of such services to Sundry Land Group, which could result in stable income stream, satisfactory synergy effect and further promote the business growth of the Group.

Having considered the above pricing policy, basis of determination and reasons for and benefits of entering into the New Master Service Agreement, the Directors (excluding the independent non-executive Directors whose views will be contained in the circular after considering the advice from the Independent Financial Adviser) are of the view that the New Master Service Agreement and its proposed annual caps are entered into on normal commercial terms in the ordinary and usual course of business of the Group, are fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

BOARD'S APPROVAL

Save as Ms. Yu Yun, an executive Director and chairman of the Board, being the daughter, and therefore an associate of Mr. Yu, all of the Directors have confirmed that none of them has any material interest in the New Property Management Agreements and the New Master Service Agreement. Hence, no Director (except Ms. Yu Yun) is required to abstain from voting at the meeting of the Board to approve the New Property Management Agreements and the New Master Service Agreement.

INTERNAL CONTROL

The Company has adopted various internal control measures to monitor the transactions contemplated under the New Master Lease Agreement, the New Property Management Agreements and the New Master Service Agreement (collectively the “**Subject Agreements**”), including:

- (i) the general management and administration department of the Company (the “**Administrative Department**”) will continuously inspect and regularly collect and evaluate the pricing principles, transaction terms and actual transaction amounts of the Subject Agreements to ensure that the transactions thereunder are conducted on normal commercial terms or on terms no less favorable than those available from independent third parties and that the total transaction amount will not exceed the proposed annual caps;
- (ii) the Company's financial department (the “**Financial Department**”) closely monitors the actual transaction amounts under the Subject Agreements. If there is a likelihood that any of the proposed annual caps may be exceeded at any time during the year, the Financial Department will inform the Administrative Department, which will then report to the Board, and the Board (after seeking advice from the audit committee of the Company) will take measures to revise the annual cap amounts (if appropriate) and comply with the relevant announcement and shareholders' approval requirements in accordance with the Listing Rules;
- (iii) the Financial Department will review the transactions entered into under the Subject Agreements on a quarterly basis and report to the Administrative Department to ensure that the annual caps under the Subject Agreements will not be exceeded;
- (iv) the Company will conduct internal control review and financial audit on an annual basis, and conduct financial monitoring and decision-making analysis on a half-year basis so as to ensure compliance with the terms of the Subject Agreements and pricing policies;
- (v) the independent non-executive Directors have also reviewed and will continue to review the Subject Agreements and ensure that the Subject Agreements, if applicable, are entered on normal commercial terms, fair and reasonable, and carried out pursuant to the terms thereof; and
- (vi) the auditor of the Company will also conduct annual review on the pricing and annual caps of the Subject Agreements.

GENERAL INFORMATION

Information of the Group

The Company is an investment holding company. The Group is an integrated property management service provider in Zhejiang province, principally engaged in the (i) provision of a range of property management services to a variety of properties in the PRC, the majority of which are located in Zhejiang province; (ii) provision of a range of value-added services to non-property owners; (iii) provision of a spectrum of community value-added services; and (iv) other businesses.

Information of Sundry Land Group

Sundry Land was a company established in the PRC with limited liability on 22 March 1999 and was listed on the Shanghai Stock Exchange (stock code: 600077) on 20 May 1997. Sundry Land and its subsidiaries are principally engaged in property development and sales of properties.

Information of Zhizhonghe Group

Zhizhonghe Industry was a company established in the PRC with limited liability on 15 December 2010. Zhizhonghe Industry and its subsidiaries are principally engaged in manufacturing and sales of food and beverage, in particular, alcohol, Chinese herbal jelly (龜苓膏) and Chinese herbal tea (涼茶).

Information of Sundry Yangguang Kindergarten

Sundry Yangguang Kindergarten was a company established in the PRC with limited liability on 16 August 2018. Sundry Yangguang Kindergarten is principally engaged in the provision of preschool education service.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Sundry Land is owned as to as to approximately 29.04% by Sundry Holdings (which was wholly owned by Mr. Yu), approximately 9.74% by Mr. Yu and approximately 4.51% by Ms. Guo, spouse of Mr. Yu. Mr. Yu is a Controlling Shareholder of the Company. Therefore, Sundry Land, as an associate of Mr. Yu, is a connected person of the Company. As such, the transactions contemplated under the New Master Lease Agreement, the New Master Property Management Agreement and the New Master Service Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As at the date of this announcement, Zhizhonghe Industry is wholly owned by Heye Investment, a company owned as to 90% by Sundry Holdings, which was wholly owned by Mr. Yu. Therefore, Zhizhonghe Industry, as an associate of Mr. Yu, is a connected person of the Company. As such, the transactions contemplated under the New Zhizhonghe Master Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As at the date of this announcement, Sundy Yangguang Kindergarten is indirectly owned as to 40% by Heye Investment, a company owned as to 90% by Sundy Holdings. Therefore, Sundy Yangguang Kindergarten, as an associate of Mr. Yu, is a connected person of the Company. As such, the transactions contemplated under the New Yangguang Master Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Renewal of the New Master Lease Agreement

For the purpose of the New Master Lease Agreement, as the highest applicable percentage ratio (other than the profits ratio) as defined under the Listing Rules in respect of the largest annual cap exceeds 0.1% but is less than 5%, the transactions contemplated under the New Master Lease Agreement are subject to the reporting, annual review and announcement requirements but exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Renewal of the New Property Management Agreements

For the purpose of the New Property Management Agreements, namely (i) the New Master Property Management Agreement; (ii) the New Zhizhonghe Master Agreement; and (iii) the New Yangguang Master Agreement, they are all related to the property management services provided by the Group to associates of Mr. Yu, namely Sundy Land Group, Zhizhonghe Group and Sundy Yangguang Kindergarten, respectively, and the New Property Management Agreements are aggregated for the Listing Rules purposes.

After aggregation, as one or more of the applicable percentage ratios (other than the profits ratio) as defined under the Listing Rules in respect of the largest aggregate annual caps under the New Property Management Agreements is more than 5% and the aggregate amount exceeds HK\$10,000,000, the transactions contemplated under the New Property Management Agreements are subject to the requirements of annual review, reporting, announcement, circular (including independent financial advice) and approval by the Independent Shareholders under Chapter 14A of the Listing Rules.

Renewal of the New Master Service Agreement

As one or more of the applicable percentage ratios (other than the profits ratio) as defined under the Listing Rules in respect of the maximum service fee payable by Sundy Land Group to the Group under the New Master Service Agreement is more than 5% and the aggregate amount exceeds HK\$10,000,000, the transactions contemplated under the New Master Service Agreement are subject to the requirements of annual review, reporting, announcement, circular (including independent financial advice) and approval by the Independent Shareholders under Chapter 14A of the Listing Rules.

Having considered the pricing policies, basis of determination for the proposed annual caps, reasons for and benefits of the continuing connected transactions, and internal control measures of the Company, the Directors (including the independent non-executive Directors) are of the view that the New Master Lease Agreement, the New Property Management Agreements and the New Master Service Agreement are entered into on normal commercial terms in the ordinary and usual course of business of the Company, the terms and the proposed annual caps of the continuing connected transactions contemplated thereunder are fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

EGM

The EGM will be convened to consider and, if thought fit, to approve, among other things, the New Property Management Agreements and the New Master Service Agreement, the continuing connected transactions contemplated thereunder, as well as the proposed annual caps for 2023, 2024 and 2025.

The Independent Board Committee comprising all the independent non-executive Directors have been established to advise the Independent Shareholders as to whether the terms of the New Property Management Agreements and the New Master Service Agreement are fair and reasonable, and such continuing connected transactions (including the annual caps in relation thereto) contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM after taking into account the recommendations of the Independent Financial Adviser. Jun Hui International Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this connection.

A circular containing, among other things, (i) a letter from the Board containing further details and information of the New Property Management Agreements and the New Master Service Agreement and their respective proposed annual caps; (ii) a letter from the Independent Board Committee to the Independent Shareholders in connection with the aforesaid; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its advice in connection with the aforesaid; and (iv) a notice convening the EGM together with the proxy form, is expected to be despatched to the Shareholders on or before 21 November 2022 in accordance with the Listing Rules.

DEFINITIONS

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

“2021 Announcement”	announcement of the Company dated 16 November 2021
“2021 Circular”	circular of the Company dated 13 December 2021
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Company”	Sundy Service Group Co. Ltd (宋都服务集团有限公司) (formerly known as SUNDY HUIDU LIMITED (宋都汇都有限公司)), incorporated in the Cayman Islands on 5 May 2017 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto under the Listing Rules

“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules, including any person or group of persons who are entitled to exercise 30% or more of the voting power at the general meeting or are in a position to control the composition of a majority of the Board, which as at the date of this announcement, refer to Mr. Yu and Sundy Heye
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the New Property Management Agreements and the New Master Service Agreement, the continuing connected transactions contemplated thereunder, as well as the proposed annual caps for 2023, 2024 and 2025
“GFA”	gross floor area
“Group”	the Company and its subsidiaries from time to time
“Heye Investment”	Hangzhou Heye Investment Management Co., Ltd.* (杭州和業投資管理有限公司), a company established in the PRC with limited liability
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board (which comprises Mr. Zhang Jingzhong, Mr. Xu Rongnian and Mr. Lau Kwok Fai Patrick, all being independent non-executive Directors) established to advise the Independent Shareholders with regard to the terms of the New Property Management Agreements and the New Master Service Agreement, the continuing connected transactions contemplated thereunder, as well as the proposed annual caps for 2023, 2024 and 2025
“Independent Financial Adviser”	Jun Hui International Finance Limited, a licensed corporation permitted to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders with regard to the terms of the New Property Management Agreements and the New Master Service Agreement, the continuing connected transactions contemplated thereunder, as well as the proposed annual caps for 2023, 2024 and 2025
“Independent Shareholders”	Shareholders who are not required to abstain from voting on the relevant resolutions at the EGM due to their material interests in the transactions contemplated under the New Property Management Agreements and the New Master Service Agreement, the continuing connected transactions contemplated thereunder, as well as the proposed annual caps for 2023, 2024 and 2025

“independent third parties”	individuals or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any Directors, chief executive or substantial shareholders of the Company, its subsidiaries or their respective associates
“Listing”	the listing of the Shares on the Main Board
“Listing Date”	18 January 2021, the date on which the Shares are listed and from which dealings therein are permitted to take place on the Main Board
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
“Master Property Management Agreement”	the master property management agreement dated 21 December 2020 entered into between the Company (for itself and as trustee for the benefit of other members of the Group) and Sundry Land (for itself and as trustee for other members of the Sundry Land Group) for provision of property management services
“Master Lease Agreement”	the master property lease agreement entered into between the Company (for itself and as trustee for the benefit of other members of the Group) and Sundry Land (for itself and as trustee for other members of the Sundry Land Group) on 21 December 2020, pursuant to which the Group shall lease from Sundry Land Group certain premises for hotel use
“Master Service Agreement”	the master service agreement dated 21 December 2020 entered into between the Company (for itself and as trustee for the benefit of other members of the Group) and Sundry Land (for itself and as trustee for other members of the Sundry Land Group) for provision of value-added services to non-property owners, community value-added services and other services
“Ms. Guo”	Ms. Guo Yijuan (郭軼娟), spouse of Mr. Yu
“Mr. Yu”	Mr. Yu Jianwu (俞建午), one of the Controlling Shareholders of the Company
“New Master Lease Agreement”	the master property lease agreement dated 31 October 2022 entered into between the Company (for itself and as trustee for the benefit of other members of the Group) and Sundry Land (for itself and as trustee for other members of the Sundry Land Group), pursuant to which the Group shall lease from Sundry Land Group certain premises for hotel use

“New Master Property Management Agreement”	the master property management agreement dated 31 October 2022 entered into between the Company (for itself and as trustee for the benefit of other members of the Group) and Sundy Land (for itself and as trustee for other members of the Sundy Land Group) for provision of property management services
“New Master Service Agreement”	the master service agreement dated 31 October 2022 entered into between the Company (for itself and as trustee for the benefit of other members of the Group) and Sundy Land (for itself and as trustee for other members of the Sundy Land Group) for provision of value-added services to non-property owners, community value-added services and other services
“New Property Management Agreements”	New Yangguang Master Agreement, New Zhizhonghe Master Agreement and New Master Property Management Agreement
“New Yangguang Master Agreement”	the master property management agreement dated 31 October 2022 entered into between the Company (for itself and as trustee for the benefit of other members of the Group) and Sundy Yangguang Kindergarten in relation to provision of property management services
“New Zhizhonghe Master Agreement”	the master property management agreement dated 31 October 2022 entered into between the Company (for itself and as trustee for the benefit of other members of the Group) and Zhizhonghe Industry (for itself and as trustee for the benefit of other members of Zhizhonghe Group) in relation to provision of property management services
“PRC”	the People’s Republic of China and, except where the context otherwise requires and only for the purpose of this announcement, and for geographical reference only, references in this announcement to China or the People’s Republic of China exclude Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan region
“Property Management Agreements”	collectively, the Master Property Management Agreement, the Zhizhonghe Master Agreement and the Yangguang Master Agreement
“Prospectus”	prospectus of the Company dated 31 December 2020
“Revised Property Management Annual Caps”	the revised annual caps for the property management services for the years ended/ending 31 December 2021 and 2022 under the Supplemental Property Management Agreement and the revised aggregated annual caps for the property management services for the years ended/ending 31 December 2021 and 2022 under the Property Management Agreements

“Revised Service Annual Caps”	the revised annual caps for the value-added services to non-property owners for the years ended/ending 31 December 2021 and 2022 under the Supplemental Service Agreement and the revised aggregated annual caps for the value-added services to non-property owners, the community value-added services and other services for the years ended/ending 31 December 2021 and 2022 under the Master Service Agreement
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) with a nominal value or par value of US\$0.00001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Sundy Heye”	SUNDY HEYE LIMITED (宋都和业有限公司), a company incorporated in the BVI with limited liability on 21 March 2017, one of the Controlling Shareholders of the Company
“Sundy Holdings”	Zhejiang Sundy Holdings Co., Ltd.* (浙江宋都控股有限公司), a company established in the PRC with limited liability on 29 December 2006, which is wholly owned by Mr. Yu and is therefore a connected person of the Company
“Sundy Land”	Sundy Land Investment Co., Ltd.* (宋都基業投資股份有限公司), a company established in the PRC with limited liability on 22 March 1999 and the shares of which are listed on the Shanghai Stock Exchange (stock code: 600077), an associate of Mr. Yu, and is therefore a connected person of the Company
“Sundy Land Group”	Sundy Land and its subsidiaries
“Sundy Yangguang Kindergarten”	Hangzhou Sundy Yangguang Kindergarten Co., Ltd.* (杭州宋都陽光幼兒園有限公司), a company established in the PRC with limited liability on 16 August 2018 and an associate of Mr. Yu, which is indirectly owned as to 40% by Heye Investment, a non-wholly owned subsidiary of Sundy Holdings, and the remaining 60% by independent third parties
“Supplemental Property Management Agreement”	the supplemental agreement dated 16 November 2021 entered into between the Company (for itself and as trustee for the benefit of other members of the Group) and Sundy Land (for itself and as trustee for other members of the Sundy Land Group) supplemental to the Master Property Management Agreement in relation to the revision of annual caps for the years ended/ending 31 December 2021 and 2022

“Supplemental Service Agreement”	the supplemental agreement dated 16 November 2021 entered into between the Company (for itself and as trustee for the benefit of other members of the Group) and Sundy Land (for itself and as trustee for other members of the Sundy Land Group) supplemental to the Master Service Agreement in relation to the revision of annual caps for the years ended/ending 31 December 2021 and 2022
“US\$”	United States dollars, the lawful currency of United States of America
“Yangguang Master Agreement”	the master property management agreement dated 21 December 2020 entered into between the Company (for itself and as trustee for the benefit of other members of the Group) and Sundy Yangguang Kindergarten in relation to provision of property management services
“Zhizhonghe Group”	Zhizhonghe Industry and its subsidiaries
“Zhizhonghe Industry”	Zhejiang Zhizhonghe Industry Co., Ltd.* (浙江致中和實業有限公司), a company established in the PRC with limited liability on 15 December 2010, an associate of Mr. Yu, and is therefore a connected person of the Company
“Zhizhonghe Master Agreement”	the master property management agreement dated 21 December 2020 entered into between the Company (for itself and as trustee for the benefit of other members of the Group) and Zhizhonghe Industry (for itself and as trustee for the benefit of other members of Zhizhonghe Group) in relation to provision of property management services
“%”	per cent.

By order of the Board
Sundy Service Group Co. Ltd
Yu Yun
Chairman

Hong Kong, 31 October 2022

As at the date of this announcement, the Board comprises four executive Directors, Ms. Yu Yun (Chairman), Ms. Zhu Jin (Chief Executive Officer), Mr. Cheng Huayong and Mr. Zhu Yihua; and three independent non-executive Directors, Mr. Zhang Jingzhong, Mr. Xu Rongnian and Mr. Lau Kwok Fai Patrick.

* *For identification purpose only*