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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or other registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Sundy Service Group Co. Ltd**, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).



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 AND NOTICE OF EXTRAORDINARY GENERAL MEETING

**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

Capitalised terms used in this cover page shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 8 to 24 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 25 to 26 of this circular. A letter from Jun Hui International containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 27 to 54 of this circular.

A notice convening the EGM to be held at 21st Floor, Caihejiaye Building, No. 19 Xintang Road, Shangcheng District, Hangzhou City, Zhejiang Province, the PRC on Thursday, 15 December 2022 at 10:00 a.m. is set out on pages 59 to 61 of this circular.

Whether or not you are able or intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

Precautionary measures and special arrangements for the EGM

Considering the outbreak of the coronavirus (COVID-19), certain measures will be implemented at the EGM with a view to addressing the risk to attendees of infection, including, without limitation, (i) all attendees being required to (a) undergo compulsory body temperature check; and (b) wear surgical masks prior to admission to the EGM venue; (ii) attendees who are subject to health quarantine prescribed by the HKSAR Government or the Hangzhou Government not being admitted to the EGM venue; (iii) all attendees being required to wear surgical masks throughout the EGM; (iv) each attendee being assigned a designated seat at the time of registration to ensure social distancing; and (v) no refreshment packs or coffee/tea being provided.

The Company reminds attendees that they should carefully consider the risks of attending the EGM, taking into account their own personal circumstances. Furthermore, the Company would like to remind Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising their voting rights and strongly recommends that Shareholders appoint the Chairman of the EGM as their proxy and submit their form of proxy as early as possible. The form of proxy can be downloaded from the Company's website (<http://songduwuye.com>) or the Stock Exchange's website (www.hkexnews.hk).

The Company will keep the evolving COVID-19 situation under review and may implement additional measures which it will announce closer to the date of the EGM.

24 November 2022

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DEFINITIONS

In this circular, 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 Latest Practicable Date, 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

DEFINITIONS

“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” or “Jun Hui International”	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 companies who or which 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

DEFINITIONS

“Latest Practicable Date”	18 November 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“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 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
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
“Mr. Yu”	Mr. Yu Jianwu (俞建午), one of the Controlling Shareholders of the Company
“Ms. Guo”	Ms. Guo Yijuan (郭軼娟), spouse of Mr. Yu

DEFINITIONS

“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 Sundry Land (for itself and as trustee for other members of the Sundry 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 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
“New Property Management Agreements”	collectively, 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 Sundry 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 circular, and for geographical reference only, references in this circular 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

DEFINITIONS

“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 (including the Master Property Management Agreement as amended by the Supplemental Property Management Agreement)
“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 (as amended by the Supplemental Service Agreement)
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended from time to time
“Share(s)”	ordinary share(s) 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

DEFINITIONS

“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 Agreements”	collectively, the Supplemental Property Management Agreement and the Supplemental Service Agreement
“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

DEFINITIONS

“The Jianwu Yu’s Trust”	a discretionary trust established by Mr. Yu with CMB Wing Lung (Trustee) Limited acting as trustee, the beneficiaries of which are Mr. Yu and his family members
“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 Sundry Yangguang Kindergarten in relation to provision of property management services
“Zhejiang Yingtong”	Zhejiang Yingtong Technology Development Co., Ltd.* (浙江盈通科技發展有限公司), a company established in the PRC with limited liability on 12 April 2011, which is owned as to 90% by Sundry Holdings and 10% by Ms. Guo
“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.

* For identification purpose only

LETTER FROM THE BOARD



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)

Executive Directors:

Ms. Yu Yun (*Chairman of the Board*)
Ms. Zhu Jin (*Chief Executive Officer*)
Mr. Zhu Yihua
Mr. Cheng Huayong

Independent non-executive Directors:

Mr. Zhang Jingzhong
Mr. Xu Rongnian
Mr. Lau Kwok Fai Patrick

Registered office in the Cayman Islands:

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Island

*Headquarters and principal place of
business in the People's Republic of China:*

127, Hanghai Road
Jiangan District
Hangzhou
Zhejiang province
People's Republic of China

Principal place of business in Hong Kong:

39/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

24 November 2022

To the Shareholders,

Dear Sir or Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
FOR 2023 TO 2025
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

References are made to:–

- (1) the Prospectus, containing among other things, the non-exempt continuing connected transactions in relation to the Property Management Agreements and the Master Service Agreement, all of which have a term from the Listing Date until 31 December 2022; and

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- (2) the 2021 Announcement in respect of the continuing connected transactions in relation to, among other things, the Supplemental Agreements and the revision of annual caps in relation thereto;
- (3) the 2021 Circular in respect of the continuing connected transactions in relation to, among other things, the Supplemental Agreements and the revision of annual caps in relation thereto; and
- (4) the announcements of the Company dated 31 October 2022 and 4 November 2022 in respect of, among other things, the New Property Management Agreements and the New Master Service Agreement and the continuing connected transactions contemplated thereunder, as well as the respective proposed annual caps for 2023, 2024 and 2025.

The purpose of this circular is to provide you with, among other things, (i) further details of the New Property Management Agreements and the New Master Service Agreement and the continuing connected transactions contemplated thereunder, as well as the respective proposed annual caps for 2023, 2024 and 2025; (ii) a letter from the Independent Board Committee to the Independent Shareholders; (iii) a letter from Jun Hui International to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the EGM.

1. 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 Sundry Land (for itself and as trustee for other members of the Sundry 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 Sundry Yangguang Kindergarten, respectively, and proposed the annual caps for 2023, 2024 and 2025 thereunder to renew such continuing connected transactions.

LETTER FROM THE BOARD

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 Sundry Land (for itself and as trustee for other members of the Sundry 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 Sundry 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 Sundry 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. As such, the utilisation rates of the annual caps were approximately 99.6% and 76.1% for each of the years ended 31 December 2020 and 2021, respectively. As at 30 September 2022, the utilisation rate for the year ending 31 December 2022 was approximately 60.8%.

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.

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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. As such, the utilisation rates of the annual caps were approximately 95.7% and 88.4% for each of the years ended 31 December 2020 and 2021, respectively. As at 30 September 2022, the utilisation rate for the year ending 31 December 2022 was approximately 61.9%.

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. As such, the utilisation rates of the annual caps were approximately 51.4% and 100.0% for each of the years ended 31 December 2020 and 2021, respectively. As at 30 September 2022, the utilisation rate for the year ending 31 December 2022 was approximately 75.0%.

LETTER FROM THE BOARD

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 (at least two); and (b) the service fees charged by other property management companies (at least two) for providing similar services based on the Company's market research. The Company would ensure that the pricing and services fees under the New Property Management Agreements shall not be more favourable than the terms for similar transactions between the Group and the independent third parties.

In particular, with regard to the local government's pricing guidance or regulations on property management fees, the National Development and Reform Commission (the "**NDRC**") is responsible for setting out the general guidance on how the price of various services and products should be formulated. Provincial or city level of NDRC and/or Commodity Price Bureau* (物價局) (the "**provincial or city level government authorities**") publish the Guided Price of the relevant provinces and cities on their respective websites. The Guided Price is determined according to (i) the Price Law of the PRC (《中華人民共和國價格法》), which sets out the principles and procedures for the provincial or city level government authorities to follow when formulating the Guided Price; (ii) the Property Management Regulations of the PRC* (《中華人民共和國物業管理條例》) (the "**Regulations**"); and (iii) the Administrative Measures for Property Service Charges (《物業服務收費管理辦法》) (the "**Measures**"). The Regulations and Measures set out the principal scopes and benchmark ranges of the Guided Price. Respective provincial or city level government authorities then assess the economic conditions and real estate industry conditions of their own provinces and cities and formulate the applicable range of the Guided Price according to the assessment and update the Guided Prices from time to time based on the actual situation of their own provinces and cities. The specific property management fee is agreed between the contractual parties within the applicable range of the Guided Price.

LETTER FROM THE BOARD

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
Aggregated annual cap	32,090	34,090	36,090

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 (including the Master Property Management Agreement as amended by the Supplemental Property Management Agreement);
- (ii) the number of unsold property units and corresponding GFA that the Group has been currently engaged by Sundy Land Group, Zhizhonghe Group or Sundy 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 Sundy Land Group, Zhizhonghe Group or Sundy 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, 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 Sundy Land Group and the development plans of Sundy Land Group for each of years ending 31 December 2023, 2024 and 2025; and

LETTER FROM THE BOARD

- (v) the annual increment in the service fees to be charged by the Group taking into account, 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 Sundy Land Group, Zhizhonghe Group and Sundy Yangguang Kindergarten and has been providing, among others, property management services to properties developed or owned by the Sundy Land Group, properties owned or operated by Zhizhonghe Group and properties operated by Sundy 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 Sundy Land Group, Zhizhonghe Group and Sundy 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 Sundy Land Group, Zhizhonghe Group and Sundy 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 Sundy Land Group, properties owned or operated by Zhizhonghe Group and properties operated by Sundy 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 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.

2. 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 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.

LETTER FROM THE BOARD

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 Sundry Land (for itself and as trustee for other members of the Sundry 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 or the provision of accommodation to the employees of members of Sundry Land Group (where applicable) under the Group's hotel business. 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 (as amended by the Supplemental Service Agreement) are set forth below:

	Annual caps for the year ended/ending 31 December		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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

LETTER FROM THE BOARD

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		For the nine
	31 December		months ended
	2020	2021	30 September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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	<u>69,313</u>	<u>79,333</u>	<u>23,112</u>

As such, the utilisation rates of the annual caps for value-added services to non-property owners were approximately 100.0% and 83.7% for each of the years ended 31 December 2020 and 2021, respectively. As at 30 September 2022, the utilisation rate for the year ending 31 December 2022 was approximately 24.7%. The utilisation rates of the annual caps for community value-added services were approximately 95.7% and 77.1% for each of the years ended 31 December 2020 and 2021, respectively. As at 30 September 2022, the utilisation rate for the year ending 31 December 2022 was approximately 5.6%. The utilisation rates of the annual caps for other services were approximately 62.8% and 34.3% for each of the years ended 31 December 2020 and 2021, respectively. As at 30 September 2022, the utilisation rate for the year ending 31 December 2022 was approximately 68.9%.

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,

LETTER FROM THE BOARD

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.

For the value-added services to non-property owners and community value-added services, when determining the service fees, the Group takes into account factors such as labour allocation and estimated total expenses, as well as the target gross profit margin which can be represented by the formula: $\text{cost} \times (1 + \text{target gross profit margin})$. The gross profit margin is targeted to range from 25% to 35% (subject to adjustment depending on market conditions).

For other services (which primarily represent the provision of conferencing and meeting spaces for rental by corporate clients or the provision of accommodation to the employees of members of Sundry Land Group (where applicable) under the Group's hotel business), the fee offered to Sundry Land Group will not be less than the prevailing market price of comparable hotels in the vicinity. In determining the prevailing market prices, the specific fee concerned shall be negotiated on an arm's length basis, based on normal commercial terms, fair and reasonable, and determined by a pricing mechanism with reference to the prevailing market prices of comparable hotels of similar specifications, size and nature in the vicinity. The Group will conduct desktop searches on the market prices of comparable hotels or obtain two or more quotations of comparable hotels from independent agents or vendors (if available) for reference. The fees payable to the Group shall be consistent with the prevailing market prices with reference to the information gathered by the Group of comparable hotels in the vicinity and are monitored regularly under the Group's internal control procedures, such as inspection and regular collection and evaluation of, among others, pricing principles of the New Master Service Agreement.

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
	<hr/>	<hr/>	<hr/>
Total	34,200	40,200	41,200
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

LETTER FROM THE BOARD

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 Sundy Land Group as a value-added service provider;
- (iii) the number of projects and corresponding GFA that the Group expects to be engaged by Sundy Land Group as a value-added service provider for each of the years ending 31 December 2023, 2024 and 2025, taking into account, among others, the number of development projects under construction and pipeline development projects of Sundy Land Group based on the third quarterly report for the nine months ended 30 September 2022 of Sundy 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 Sundy Land Group; and
- (v) the number of projects that the Group expects to be engaged by Sundy Land Group as a service provider for other services.

The proposed annual caps for the years ending 31 December 2023, 2024 and 2025 for the community value-added services under the New Master Service Agreement of RMB4.00 million, RMB5.00 million and RMB6.00 million are substantially smaller than the historical annual caps for the years ended/ending 31 December 2020, 2021 and 2022 of RMB21.08 million, RMB13.40 million and RMB14.55 million. The differences are primarily as a result of the decrease in revenue due to the notice from the Ministry of Housing and Urban-Rural Development of Zhejiang Province (浙江省住房和城乡建设部) in the recent years on Zhejiang housing sales contract, stating, among others, the requirements of “full decoration” of residential properties should be comprehensively implemented, thereby encouraging property developers to sell fully decorated property units. As a result, the demand for remodelling and decoration services of bare shell property units is expected to be slowed down comparatively in the years ending 31 December 2023, 2024 and 2025.

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

The Group has long-standing business relationship with Sundy 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 Sundy 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

LETTER FROM THE BOARD

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 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 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;

LETTER FROM THE BOARD

- (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.

By implementing the above pricing policies and internal control procedures, the Directors (including the independent non-executive Directors) consider that the Group has sufficient internal control procedures to ensure that the Subject Agreements will be on normal commercial terms and the terms are fair and reasonable and no less favourable to the Group than those available to independent third parties or no less favourable from independent third parties.

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.

LETTER FROM THE BOARD

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 Sundy Yangguang Kindergarten

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

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Sundy Land is owned 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 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 Latest Practicable Date, Zhizhonghe Industry is wholly owned by Heye Investment, a company owned as to approximately 99.9% 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 Latest Practicable Date, Sundy Yangguang Kindergarten is indirectly owned as to 40% by Zhejiang Yingtong, a company owned as to 90% by Sundy Holdings and 10% by Ms. Guo. 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 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.

LETTER FROM THE BOARD

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 Sundry 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 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 AND PROXY ARRANGEMENT

The notice of EGM is set out in pages 59 to 61 of this circular. At the EGM, ordinary resolutions in respect of, among other things, the New Property Management Agreements and the New Master Service Agreement and the continuing connected transactions contemplated thereunder, as well as the respective proposed annual caps for 2023, 2024 and 2025 will be proposed.

Pursuant to the Listing Rules, any vote of the Shareholders at a general meeting must be taken by poll. An announcement on the poll vote results will be published by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

As at the Latest Practicable Date, Sundry Heye was interested in 2,280,000,000 Shares, constituting 71.25% of the issued share capital of the Company. Sundry Heye is owned as to 100% by CMB Wing Lung (Trustee) Limited (through its nominee companies) as trustee of The Jianwu Yu's Trust and Mr. Yu as settlor. Mr. Yu and his family members are the discretionary beneficiaries of The Jianwu Yu's Trust. Accordingly, Sundry Heye is required to be abstained from voting on the resolutions to be proposed at the EGM approving the entering into of the

LETTER FROM THE BOARD

New Property Management Agreements, the New Master Service Agreement, the proposed annual caps for 2023, 2024, and 2025 in relation thereto and the continuing connected transactions contemplated thereunder. Therefore, a total of 2,280,000,000 Shares (representing 71.25% of the issued share capital of the Company) shall abstain from voting at the EGM. There is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon Sundy Heye; and (ii) no obligation or entitlement of Sundy Heye as at the Latest Practicable Date, whereby it has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case-by-case basis. Save for the aforesaid and to the best knowledge, information and belief of the Company having made all reasonable enquiries, no other Shareholder was required under the Listing Rules to abstain from voting on the resolutions.

A form of proxy for use in connection with the EGM is enclosed with this circular. In order to be valid, the form of proxy must be completed and signed in accordance with the instructions printed thereon and deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 48 hours before the time appointed for holding the EGM or at any adjournment thereof. Completion and return of the form of proxy will not preclude any Shareholder from attending and voting in person at the EGM or at any adjournment should he/she/it so wish.

RECOMMENDATIONS

Your attention is drawn to:

- (a) the letter from the Independent Board Committee set out on pages 25 to 26 in this circular which contains its recommendation to the Independent Shareholders in relation to the New Property Management Agreements and the New Master Service Agreement, the continuing connected transactions contemplated thereunder, as well as the respective proposed annual caps for 2023, 2024 and 2025; and
- (b) the letter from Jun Hui International set out on pages 27 to 54 in this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the New Property Management Agreements and the New Master Service Agreement, the continuing connected transactions contemplated thereunder, as well as the respective proposed annual caps for 2023, 2024 and 2025.

The Directors (excluding Ms. Yu Yun and including the independent non-executive Directors whose views have been set out in this circular together with the advice of the Independent Financial Adviser) consider that the New Property Management Agreements and the New Master Service Agreement have been entered into on normal commercial terms and in ordinary and usual course of business of the Group, and the terms and conditions thereunder (together with the proposed annual caps for the year 2023, 2024 and 2025 in relation thereto) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

The Directors recommend the Independent Shareholders to vote in favour of all the ordinary resolutions to be proposed at the EGM.

MISCELLANEOUS

The translation into Chinese language of this circular is for reference only. In case of any inconsistency, the English version shall prevail.

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



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)

24 November 2022

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
FOR 2023 TO 2025
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

To the Independent Shareholders,

Dear Sir or Madam,

We refer to the circular dated 24 November 2022 (the “**Circular**”) issued by Sundy Service Group Co. Ltd (the “**Company**”) to its Shareholders to which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter will have the same meanings as defined in the Circular.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders on whether the New Property Management Agreements and the New Master Service Agreement, the continuing connected transactions contemplated thereunder, as well as the respective proposed annual caps for 2023, 2024 and 2025 (collectively named as the “**Proposed Transactions**”) are on normal commercial terms and in the ordinary and usual course of business of the Group and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Jun Hui International has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board, as set out on pages 8 to 24 of the Circular and the text of a letter of advice from Jun Hui International, as set out on pages 27 to 54 of the Circular, both of which provide details of the New Property Management Agreements and the New Master Service Agreement, the continuing connected transactions contemplated thereunder, as well as the respective proposed annual caps for 2023, 2024 and 2025.

As members of the Independent Board Committee, we have discussed with the management of the Company in relation to the Proposed Transactions, and the basis upon which the terms of such Proposed Transactions have been determined and the respective proposed annual caps for 2023, 2024 and 2025 in relation thereto have been calculated. We have also taken into account the principal factors and reasons considered by the Independent Financial Adviser in forming its opinion in relation to the Proposed Transactions, and have discussed with the Independent Financial Adviser its letter of advice.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

On the basis of the above, we consider, and agree with the view of the Independent Financial Adviser, that the terms of the Proposed Transactions are fair and reasonable, on normal commercial terms or on terms no less favourable than those available to or from independent third parties, and shall be entered into on a continuing and regular basis in the ordinary and usual course of business of the Company, and that they are in the interests of the Company and its Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM.

Yours faithfully,

Independent Board Committee

Mr. Zhang Jingzhong
Independent non-executive
Director

Mr. Xu Rongnian
Independent non-executive
Director

Mr. Lau Kwok Fai Patrick
Independent non-executive
Director

LETTER FROM JUN HUI INTERNATIONAL

The following is the text of the letter of advice from Jun Hui International Finance Limited, the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders in respect of the New Property Management Agreements and the New Master Service Agreement, which has been prepared for the purpose of inclusion in this circular.



Jun Hui International Finance Limited

Unit 1406, Office Plus
93 – 103 Wing Lok Street
Sheung Wan, Hong Kong

24 November 2022

*To: the Independent Board Committee and the Independent Shareholders of
Sundy Service Group Co. Ltd*

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS FOR 2023 TO 2025

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the New Property Management Agreements and the New Master Service Agreement, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 24 November 2022 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

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

LETTER FROM JUN HUI INTERNATIONAL

As at the Latest Practicable Date, (i) Sundry Land is owned 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; (ii) Zhizhonghe Industry is wholly owned by Heye Investment, a company owned as to approximately 99.9% by Sundry Holdings, which was wholly owned by Mr. Yu; and (iii) Sundry Yangguang Kindergarten is indirectly owned as to 40% by Zhejiang Yingtong, a company owned as to 90% by Sundry Holdings and 10% by Ms. Guo. Therefore, each of Sundry Land, Zhizhonghe Industry and Sundry Yangguang Kindergarten, as an associate of Mr. Yu, is a connected person of the Company. As such, the transactions contemplated under the New Master Property Management Agreement, the New Zhizhonghe Master Agreement, the New Yangguang Master Agreement and the New Master Service Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

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 Sundry Land Group, Zhizhonghe Group and Sundry 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.

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 Sundry 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.

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. Zhang Jingzhong, Mr. Xu Rongnian and Mr. Lau Kwok Fai Patrick, has been formed to advise the Independent Shareholders as to (i) whether the terms of the New Property Management Agreements and the New Master Service Agreement are fair and reasonable, and the 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 (ii) how to vote at the EGM, after taking into account the recommendations of the Independent Financial Adviser.

LETTER FROM JUN HUI INTERNATIONAL

In this connection, we, Jun Hui International, have been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the New Property Management Agreements and the New Master Service Agreement. We do not, by this letter, warrant the merits of the New Property Management Agreements, the New Master Service Agreement and the continuing connected transactions contemplated thereunder, other than to form an opinion, for the purpose of the Listing Rules. Within the two years prior to the Latest Practicable Date, we were engaged as an independent financial adviser to the then independent board committee and independent shareholders of the Company in relation to (i) revision of the annual caps for the continuing connected transactions with Sundry Land Group, details of which are set out in the circular of the Company dated 13 December 2021; and (ii) continuing connected transaction and major transaction in relation to the cross-guarantee agreement, details of which are set out in the circular of the Company dated 28 February 2022. Other than that, we did not have any relationships with, or have any interests in the Group, Sundry Land Group, Zhizhonghe Group, Sundry Yangguang Kindergarten or any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fees payable to us for the aforesaid appointments and this appointment, no arrangement exists whereby we will receive any fees or benefits from any party abovementioned. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules and are eligible to give independent advice in respect of the New Property Management Agreements and the New Master Service Agreement.

BASIS OF OUR OPINION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the information, opinions and representations contained or referred to in the Circular (or otherwise provided to us by the Directors and the management of the Group (the “**Management**”)), and have assumed that all information, opinions and representations contained or referred to in the Circular (or otherwise provided to us by the Directors and the Management) were true, accurate and complete in all respects at the time when they were made and up to the date of this letter. We have also assumed that all statements of belief, opinions and intention made by the Directors in the Circular (or otherwise provided to us by the Directors and the Management) are reasonably made after due and careful enquiry. We have no reason to doubt that any relevant information has been withheld or omitted, nor are we aware of any fact or circumstance which would render the information, opinions and representations provided or made to us untrue, inaccurate or misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained or referred to in the Circular (or otherwise provided to us by the Directors and the Management) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions and representations expressed in the Circular (or otherwise provided to us by the Directors and the Management) have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We consider that we have received sufficient information to enable us to reach an informed view, and have performed all the

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necessary steps as required under Rule 13.80 of the Listing Rules to justify our reliance on the information, opinions and representations provided or made to us so as to form a reasonable basis for our opinion and recommendation, which include, among other things:

- (a) reviewed the announcements of the Company in relation to the renewal of continuing connected transactions for 2023 to 2025, the Letter from the Board, the annual reports of the Company for the years ended 31 December 2020 and 2021 (“**Annual Report 2020**” and “**Annual Report 2021**” respectively) and its interim report for the six months ended 30 June 2022 (“**Interim Report 2022**”);
- (b) obtained and reviewed the information and documents in relation to the New Property Management Agreements and the New Master Service Agreement; and
- (c) discussed with the Directors and the Management regarding, among other things, the background, reasons for and benefits of entering into of the New Property Management Agreements and the New Master Service Agreement, the business information of the Group, its business relationship and historical transactions with Sundry Land Group, Zhizhonghe Group and Sundry Yangguang Kindergarten, the basis of the principal terms of the New Property Management Agreements and the New Master Service Agreement and the respective annual caps.

We have not, however, for the purpose of this exercise, conducted any independent detailed verification or audit into the businesses or future prospects of the Group, Sundry Land Group, Zhizhonghe Group and Sundry Yangguang Kindergarten, or their respective subsidiaries or associates, nor have we investigated the legal title or any liabilities against the subject matters relating to the New Property Management Agreements, the New Master Service Agreement or the transactions contemplated thereunder. Our opinion was necessarily based on the legal, financial, economic, market and other conditions in effect, and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

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PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the New Property Management Agreements and the New Master Service Agreement, we have considered the following principal factors and reasons:

I. Financial information of the Group

The following table summarises the results of operation of the Group for the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022:

	For the year ended 31 December			For the six months ended 30 June	
	2019	2020	2021	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue:					
– property management services	95,659	128,183	172,415	79,491	92,308
– value-added services to non-property owners	51,548	69,129	90,437	40,069	22,377
– community value-added services	54,587	42,462	35,698	9,859	11,134
– other businesses	20,680	16,929	17,687	9,951	4,941
Total	222,474	256,703	316,237	139,370	130,760
<i>Revenue derived from Sundry Land Group:</i>					
– <i>property management services</i>	23,178	21,906	24,958	13,364	10,193
– <i>value-added services to non-property owners</i>	40,171	49,024	68,933	29,329	16,129
– <i>community value-added services</i>	14,134	20,176	10,328	783	563
– <i>other businesses</i>	270	113	72	73	78
Total	77,753	91,219	104,291	43,549	26,963

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	For the year ended 31 December			For the six months ended 30 June	
	2019	2020	2021	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	<i>(unaudited)</i>
<i>Revenue derived from Zhizhonghe Group:</i>					
<i>– property management services</i>	1,632	1,598	1,591	775	990
<i>Revenue derived from Sundy Yangguang Kindergarten:</i>					
<i>– property management services</i>	72	36	70	36	36
Profit for the year/period	35,236	32,852	54,908	23,463	19,451

Source: Annual Report 2020, Annual Report 2021 and Interim Report 2022 published by the Company on the website of the Stock Exchange

(a) Financial results for the year ended 31 December 2019 compared with the year ended 31 December 2020

The Group's revenue increased by approximately 15.4% from approximately RMB222.5 million for the year ended 31 December 2019 to approximately RMB256.7 million for the year ended 31 December 2020. During the years ended 31 December 2019 and 2020, the Group's net profit was approximately RMB35.2 million and RMB32.9 million, respectively.

The Group's revenue generated from property management services increased by approximately 34.0% from approximately RMB95.7 million for the year ended 31 December 2019 to approximately RMB128.2 million for the year ended 31 December 2020, which was primarily due to the increase in the GFA under management and number of projects under management of the Group.

The Group's revenue generated from value-added services to non-property owners increased by approximately 34.2% from approximately RMB51.5 million for the year ended 31 December 2019 to approximately RMB69.1 million for the year ended 31 December 2020, which was primarily due to the increase in new projects for consulting services, sale assistance services and pre-delivery services.

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The Group's revenue generated from community value-added services decreased by approximately 22.2% from approximately RMB54.6 million for the year ended 31 December 2019 to approximately RMB42.5 million for the year ended 31 December 2020, which was primarily due to the decrease in demand for remodelling and decoration services from property owners.

The Group's revenue generated from other businesses was approximately RMB20.7 million and RMB16.9 million for the years ended 31 December 2019 and 2020, respectively.

(b) Financial results for the year ended 31 December 2020 compared with the year ended 31 December 2021

The Group's revenue increased by approximately 23.2% from approximately RMB256.7 million for the year ended 31 December 2020 to approximately RMB316.2 million for the year ended 31 December 2021. During the years ended 31 December 2020 and 2021, the Group's net profit was approximately RMB32.9 million and RMB54.9 million, respectively.

The Group's revenue generated from property management services increased by approximately 34.5% from approximately RMB128.2 million for the year ended 31 December 2020 to approximately RMB172.4 million for the year ended 31 December 2021, which was primarily due to the increase in the GFA under management and number of projects under management of the Group.

The Group's revenue generated from value-added services to non-property owners increased by approximately 30.8% from approximately RMB69.1 million for the year ended 31 December 2020 to approximately RMB90.4 million for the year ended 31 December 2021, which was primarily due to the increase in new projects for consulting services, sale assistance services and pre-delivery services.

The Group's revenue generated from community value-added services decreased by approximately 16.0% from approximately RMB42.5 million for the year ended 31 December 2020 to approximately RMB35.7 million for the year ended 31 December 2021, which was primarily due to the decrease in demand for remodelling and decoration services from property owners.

The Group's revenue generated from other businesses was approximately RMB16.9 million and RMB17.7 million for the years ended 31 December 2020 and 2021, respectively.

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(c) Financial results for the six months ended 30 June 2021 compared with the six months ended 30 June 2022

The Group's revenue decreased by approximately 6.2% from approximately RMB139.4 million for the six months ended 30 June 2021 to approximately RMB130.8 million for the six months ended 30 June 2022. During the six months ended 30 June 2021 and 2022, the Group's net profit was approximately RMB23.5 million and RMB19.5 million, respectively.

The Group's revenue generated from property management services increased by approximately 16.1% from approximately RMB79.5 million for the six months ended 30 June 2021 to approximately RMB92.3 million for the six months ended 30 June 2022, which was primarily due to the increase in the GFA under management and number of projects under management. As at 30 June 2022, the GFA under management by the Group was approximately 9.3 million sq.m., representing an increase of approximately 20.5% as compared with that as at 30 June 2021, while the number of its managed projects reached 56 properties as at 30 June 2022, with additional 13 properties newly entered into as compared with that as at the corresponding date in 2021.

The Group's revenue generated from value-added services to non-property owners decreased by approximately 44.1% from approximately RMB40.1 million for the six months ended 30 June 2021 to approximately RMB22.4 million for the six months ended 30 June 2022, which was primarily due to the delay of pipeline projects during the period and the decrease in the number of pipeline projects as a result of the cyclical impact of real estate market in the PRC. As at 30 June 2022, the number of pipeline projects of the Group was 15 properties, comparing with that of 20 properties as at 30 June 2021.

The Group's revenue generated from community value-added services increased by approximately 12.1% from approximately RMB9.9 million for the six months ended 30 June 2021 to approximately RMB11.1 million for the six months ended 30 June 2022, which was primarily due to the promotion of community retail service to property owners, which diversified the revenue base of the Group as referred to the Interim Report 2022.

The Group's revenue generated from other businesses was approximately RMB10.0 million and RMB4.9 million for the six months ended 30 June 2021 and 2022, respectively.

II. Business information of the Group, Sundy Land Group, Zhizhonghe Group and Sundy Yangguang Kindergarten

The Group is an integrated property management service provider in Zhejiang Province, the PRC. Referring to the Interim Report 2022, it has over two decades of experience in the property management service industry and possesses National Level One Property Management Qualification. The Group has four business lines, namely (i) property management services, including security, cleaning, gardening, repair and maintenance of

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common areas and common facilities and ancillary services; (ii) value-added services to non-property owners, including consulting services, sales assistance services and pre-delivery services; (iii) community value-added services, including property repair and maintenance, waste cleaning, utility fee collection, remodelling and decoration and community space services; and (iv) other businesses, including hotel business and long-term rental apartment business.

Sundy 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. Its group is principally engaged in property development and sales of properties in the PRC. As at the Latest Practicable Date, market capitalisation of Sundy Land was approximately RMB4.0 billion. Referring to the annual reports for the years ended 31 December 2019, 2020 and 2021 and the third quarterly report for the nine months ended 30 September 2022 published by Sundy Land, revenue of Sundy Land Group amounted to approximately RMB4,167.0 million, RMB7,161.4 million, RMB7,498.2 million and RMB6,813.4 million for the aforesaid periods, respectively. It is noted that, as at 30 September 2022, Sundy Land Group had a land bank with a total GFA of approximately 3.8 million sq.m. for properties under construction. We are given to understand from the Directors that the Group has maintained stable and long-term business relationship with Sundy Land Group since 1998, which is a leading property developer in the PRC.

Zhizhonghe Industry was a company established in the PRC with limited liability on 15 December 2010. Zhizhonghe Group is 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) in the PRC. As advised by the Directors, Zhizhonghe Group has two factories located in Zhejiang Province, the PRC for its business operations which requires property management services, and the Group has maintained stable business relationship with and provided the said services to Zhizhonghe Group since 2018.

Sundy Yangguang Kindergarten was a company established in the PRC with limited liability on 16 August 2018. It is principally engaged in the provision of preschool education service in the PRC. As advised by the Directors, Sundy Yangguang Kindergarten has a kindergarten located in Zhejiang Province, the PRC for its business operations which requires property management services, and the Group has maintained stable business relationship with and provided the said services to Sundy Yangguang Kindergarten since 2018.

III. Reasons for and benefits of entering into of the New Property Management Agreements and the New Master Service Agreement

As stated in the Letter from the Board, the Group has long-standing business relationship with Sundy Land Group, Zhizhonghe Group and Sundy Yangguang Kindergarten, and has been providing, among others, property management services to properties developed/owned/operated by each of them, and value-added services to non-property owners, community

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value-added services and other services to Sundry Land Group for years in its ordinary and usual course of business. The Group is expected to carry on transactions contemplated under the Property Management Agreements and the Master Service Agreement upon their respective expiry.

The Directors advised us that the renewal of the Property Management Agreements and the Master Service Agreement could benefit the Group by providing a stable income stream to it. As referred to the section headed “Financial information of the Group” above, we note that revenue derived from provision of property management services under the Property Management Agreements contributed approximately RMB23.5 million, RMB26.6 million and RMB11.2 million, representing approximately 9.2%, 8.4% and 8.6% of the Group’s revenue, for the years ended 31 December 2020 and 2021 and the six months ended 30 June 2022 respectively, while revenue derived from provision of value-added and other services under the Master Service Agreement contributed approximately RMB69.3 million, RMB79.3 million and RMB16.8 million, representing approximately 27.0%, 25.1% and 12.8% of the Group’s revenue, for the same periods respectively. As advised by the Directors, the Group has been in the property management services industry for over two decades and the aforementioned services will continue to be the Group’s business focuses. We note that the service scope under the New Property Management Agreements and the New Master Service Agreement is line with the Group’s existing business.

From the cost perspective, the Directors considered the established communication channels as a matter of the Group’s years of business cooperation with each Sundry Land Group, Zhizhonghe Group and Sundry Yangguang Kindergarten, through which the Group is familiar with the service requirements and standards of such parties, could enable the Group to respond to various service requests from such parties more efficiently than new customers and thereby reducing time and administrative costs of the Group. As mentioned in the previous section of this letter about the business information of the parties, we note that the Group has maintained stable business relationship with each of them and provided services to properties for their business purposes for years.

Having considered that (i) the Group’s existing business activities and its intention to continue the same business; (ii) the historical revenue contribution from carrying on the said business which could provide the Group with an income stream; (iii) the service scope under the New Property Management Agreements and the New Master Service Agreement is line with the Group’s existing business; and (iv) the cost benefits from the established communication channels as a matter of such parties’ years of business relationship with the Group, we agree with the Directors that the entering into of the New Property Management Agreements and the New Master Service Agreement is in the interests of the Company and the Shareholders as a whole, which is also in the ordinary and usual course of business of the Group.

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IV. Principal terms of the New Property Management Agreements

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, the New Zhizhonghe Master Agreement and the New Yangguang Master Agreement with Sundry Land (for itself and as trustee for other members of Sundry Land Group), Zhizhonghe Industry (for itself and as trustee for other members of Zhizhonghe Group) and Sundry Yangguang Kindergarten, respectively. The table below summarises the existing annual caps, actual transaction amount and utilisation rate under the Property Management Agreements (including the Master Property Management Agreement as amended by the Supplemental Property Management Agreement):

	Existing annual caps			Actual transaction amount			Utilisation rate		
	For the year ended/ending			For the year ended			For the		For the
	31 December			31 December			nine months		year ended
	2020	2021	2022	2020	2021	ended	31 December	31 December	year ending
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	30 September	2020	2021	2022	
			(audited)	(audited)	(unaudited)	%	%	%	
• Master Property Management Agreement (as amended by the Supplemental Property Management Agreement)	22,000	32,800	34,800	21,906	24,958	21,141	99.6%	76.1%	60.8% as at 30 September 2022 (or annualised: 81.0% ^(Note))
• Zhizhonghe Master Agreement	1,670	1,800	2,000	1,598	1,591	1,238	95.7%	88.4%	61.9% as at 30 September 2022 (or annualised: 82.5% ^(Note))
• Yangguang Master Agreement	70	70	70	36	70	53	51.4%	100.0%	75.0% as at 30 September 2022 (or annualised: 100.0% ^(Note))
Aggregate amount	23,740	34,670	36,870	23,540	26,619	22,432	-	-	-

Note: The utilisation rate of the existing annual cap is annualised based on actual transaction amount for the nine months ended 30 September 2022 for illustrative purpose only.

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The table below sets out the proposed annual caps under the New Property Management Agreements:

	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 (the “ MPM Annual Caps ”)	30,000	32,000	34,000
• New Zhizhonghe Master Agreement (the “ Zhizhonghe Annual Caps ”)	2,000	2,000	2,000
• New Yangguang Master Agreement (the “ Yangguang Annual Caps ”)	90	90	90
Aggregate amount	32,090	34,090	36,090

The principal terms and factors considered in our analysis for each of the New Property Management Agreements are set out below:

(a) The New Master Property Management Agreement

Under the New Master Property Management Agreement, 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 Sundry Land Group for a term commencing on 1 January 2023 and expiring on 31 December 2025 (both days inclusive). We have reviewed the service scope under the New Master Property Management Agreement and note that such scope falls within the Group’s ordinary and usual course of business.

Referring to the Letter from the Board, the service fees under the New Master Property Management Agreement will be determined by 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 published by the relevant provincial or city level of the National Development and Reform Commission and/or Commodity Price Bureau (if applicable); and (vi) the prevailing market price for similar services in the market. We are given to understand from the Company that the same determination basis has been applied in the Master Property Management Agreement. We therefore obtained 25 and 25 sample contracts of property

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management services entered by the Group with Sundry Land Group and independent third parties (the “**I3P PM Contracts**”) respectively during the years ended 31 December 2020 and 2021 and the nine months ended 30 September 2022 (which are randomly selected from each property management project of the Group with such parties during the aforesaid period as indicated in the Group’s project list), and compared the pricing and calculation basis of service fees of the contracts. From our review, we note that the terms for transactions contemplated under the New Master Property Management Agreement are not more favourable than the terms for similar transactions between the Group and the independent third parties. We are also advised by the Company that the same pricing policies will be implemented by the Group during the term of the New Master Property Management Agreement with corresponding internal control mechanism in place and they would ensure the pricing and service fees under the New Master Property Management Agreement shall not be more favourable than the terms for similar transactions between the Group and the independent third parties.

The MPM Annual Caps are set at RMB30 million, RMB32 million and RMB34 million for the years ending 31 December 2023, 2024 and 2025, respectively. Referring to the Letter from the Board, we note that such annual caps were determined by the Directors with reference to (i) the historical transaction amounts under the Master Property Management Agreement; (ii) the number of unsold property units and corresponding GFA that the Group has been currently engaged by Sundry Land Group 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 as a property management service provider for each of the years ending 31 December 2023, 2024 and 2025, taking into account, among others, the number of pipeline properties and their expected delivery dates and the expected sales of such pipeline properties (if applicable); (iv) 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 the 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, among others, the expected inflation in the PRC and the expected increase in labour costs. To further assess the reasonableness of the MPM Annual Caps, we have performed the following analysis, among others:

- (i) we reviewed the historical transaction amount under the Master Property Management Agreement, from which the Group’s revenue derived from the provision of property management services to Sundry Land Group, was approximately RMB21.9 million, RMB25.0 million and RMB21.1 million for the years ended 31 December 2020 and 2021 and the nine months ended 30 September 2022, respectively. We note that the utilisation rate of the existing annual caps under the Master Property Management Agreement maintained generally high at approximately 99.6% and 76.1% for the years ended 31 December 2020 and 2021 and would be approximately 81.0% (if annualised) for the year ending 31 December 2022;

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- (ii) we examined the Company's basis underlying the projections for the MPM Annual Caps. We note that the Directors expected similar scope of property management services to Sundry Land Group to be carried on under the New Master Property Management Agreement and they were also advised by Sundry Land Group that the scale of sale, area and number of properties to be developed by Sundry Land Group, which compile its demand for property management services, are expected to remain relatively stable during the three years ending 31 December 2025. From our review, we note that the Company adopted a prudent approach by expecting the anticipated contracted GFA from Sundry Land Group in respect of property management services to be generally steady for the three years ending 31 December 2025 and at a level comparable to the actual contracted GFA from Sundry Land Group in recent period. Accordingly, based on the latest figure from the Company, the contracted GFA from Sundry Land Group was approximately 3.7 million sq.m. for the nine months ended 30 September 2022, which is comparable to the anticipated level of GFA of approximately 3.8 million sq.m., 3.9 million sq.m. and 4.4 million sq.m., respectively for the three years ending 31 December 2025 under the projection of the MPM Annual Caps. We note that the Group also maintained high bidding success rate of 100% for properties solely developed by Sundry Land Group during the nine months ended 30 September 2022. We consider that the above provides grounds to the projection of the MPM Annual Caps made by the Directors; and
- (iii) we obtained and reviewed a list of property management projects that the Group expects to be engaged by Sundry Land Group for the years ending 31 December 2023, 2024 and 2025 (the "**MPM Project List**"), which has been confirmed and agreed by Sundry Land Group as advised by the Directors. The MPM Project List includes information about the number, expected sales and delivery dates of pipeline properties, the methodology in arriving at the anticipated GFA to be awarded to the Group, and the calculation of estimated project fee sum. Accordingly, we note that the total fee anticipated to be received by the Group under these projects is estimated to be approximately RMB28.4 million, RMB29.0 million and RMB30.3 million, which shall account for more than 85% of the MPM Annual Caps, respectively for each of the three years ending 31 December 2025. Having also taken into account the anticipated continuous demand for the property management services from Sundry Land Group as mentioned above, we consider that the amount of the MPM Annual Caps is justifiable.

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Having considered that (i) the service scope under the New Master Property Management Agreement falls within the Group's ordinary and usual course of business; (ii) the pricing and service fees for transactions contemplated under the New Master Property Management Agreement shall not be more favourable than those to be entered with independent third parties; (iii) such pricing policies will be implemented and governed by corresponding internal control mechanism during the term of the New Master Property Management Agreement; (iv) the utilisation rate of the existing annual caps under the Master Property Management Agreement are generally high; (v) the amount of the MPM Annual Caps is considered to be reasonable taking into account, among others, the projection of which is made with grounds and could be supported by projects indicated in the MPM Project List to a large extent; and (vi) the reasons for and benefits of entering into of the New Property Management Agreements as discussed earlier in this letter, we are of the view that the terms of the New Master Property Management Agreement are on normal commercial terms and are fair and reasonable.

(b) The New Zhizhonghe Master Agreement

Under the New Zhizhonghe Master Agreement, 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 for a term commencing on 1 January 2023 and expiring on 31 December 2025 (both days inclusive). We have reviewed the service scope under the New Zhizhonghe Master Agreement and note that such scope falls within the Group's ordinary and usual course of business.

Referring to the Letter from the Board, the service fees under the New Zhizhonghe Master Agreement will be determined by 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 published by the relevant provincial or city level of the National Development and Reform Commission and/or Commodity Price Bureau (if applicable); and (vi) the prevailing market price for similar services in the market. We are given to understand from the Company that the same determination basis has been applied in the Zhizhonghe Master Agreement. We therefore obtained three sample contracts of property management services entered by the Group with Zhizhonghe Group and 25 I3P PM Contracts for the years ended 31 December 2020 and 2021 and the nine months ended 30 September 2022 (which are randomly selected from each property management project of the Group with such parties during the aforesaid period as indicated in the Group's project list), and compared the pricing and calculation basis of service fees of the contracts. From our review, we note that the terms for transactions contemplated under the New Zhizhonghe Master Agreement are not more favourable than the terms for similar transactions between the Group and the independent third parties. We are also advised by the Company

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that the same pricing policies will be implemented by the Group with corresponding internal control mechanism in place and they would ensure the pricing and service fees under the New Zhizhonghe Master Agreement shall not be more favourable than the terms for similar transactions between the Group and the independent third parties.

The Zhizhonghe Annual Caps are set at RMB2 million for each of the three years ending 31 December 2025. Referring to the Letter from the Board, we note that such annual caps were determined by the Directors with reference to (i) the historical transaction amounts under the Zhizhonghe Master Agreement; (ii) the number of unsold property units and corresponding GFA that the Group has been currently engaged by Zhizhonghe Group as a property management service provider; (iii) the number of new projects and corresponding GFA that the Group expects to be engaged by Zhizhonghe Group as a property management service provider for each of the years ending 31 December 2023, 2024 and 2025; and (iv) the annual increment in the service fees to be charged by the Group taking into account, among others, the expected inflation in the PRC and the expected increase in labour costs. To further assess the reasonableness of the Zhizhonghe Annual Caps, we have performed the following analysis, among others:

- (i) we reviewed the historical transaction amount under the Zhizhonghe Master Agreement, from which the Group's revenue derived from the provision of property management services to Zhizhonghe Group was approximately RMB1.6 million, RMB1.6 million and RMB1.2 million for the years ended 31 December 2020 and 2021 and the nine months ended 30 September 2022, respectively. We note that the utilisation rate of the existing annual caps under the Zhizhonghe Master Agreement maintained generally high at approximately 95.7% and 88.4% for the years ended 31 December 2020 and 2021 and would be approximately 82.5% (if annualised) for the year ending 31 December 2022; and
- (ii) we examined the Company's basis underlying the projections for the Zhizhonghe Annual Caps. The Directors advised us that they expected similar scope of property management services to Zhizhonghe Group to be carried on under the New Zhizhonghe Master Agreement. We are furnished by the Company with details and calculation of estimated project fee sum of property management projects that the Group expects to be engaged by Zhizhonghe Group for the years ending 31 December 2023, 2024 and 2025. From our review, we note that the Group is currently engaged by Zhizhonghe Group in two property management projects relating to two factories operated by it, and the Directors expected such engagements to be continued at the same level of GFA during the three years ending 31 December 2025 after their discussion with and confirmation from Zhizhonghe Group. It is also noted that the total fee anticipated to be received by the Group under these projects is estimated to be approximately RMB1.9 million for each of the three years ending 31 December 2025, which shall account for more than 90% of the Zhizhonghe Annual Caps correspondingly. We consider that the above provides grounds to

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the projection of the Zhizhonghe Annual Caps and the amount of such annual caps determined based on the currently engaged projects is justifiable having also taken into account their stable business relationship which can be traced back to 2018 and the anticipated continuous demand for property management services from Zhizhonghe Group in the said projects.

Having considered that (i) the service scope under the New Zhizhonghe Master Agreement falls within the Group's ordinary and usual course of business; (ii) the pricing and service fees for transactions contemplated under the New Zhizhonghe Master Agreement shall not be more favourable than those to be entered with the independent third parties; (iii) such pricing policies will be implemented and governed by corresponding internal control mechanism during the term of the New Zhizhonghe Master Agreement; (iv) the utilisation rate of the existing annual caps under the Zhizhonghe Master Agreement are generally high; (v) the amount of the Zhizhonghe Annual Caps is considered to be reasonable taking into account, among others, the projection of which is made with grounds and could be supported by projects expected to be engaged by Zhizhonghe Group to a large extent; and (vi) the reasons for and benefits of entering into of the New Property Management Agreements as discussed earlier in this letter, we are of the view that the terms of the New Zhizhonghe Master Agreement are on normal commercial terms and are fair and reasonable.

(c) The New Yangguang Master Agreement

Under the New Yangguang Master Agreement, 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 for a term commencing on 1 January 2023 and expiring on 31 December 2025 (both days inclusive). We have reviewed the service scope under the New Yangguang Master Agreement and note that such scope falls within the Group's ordinary and usual course of business.

Referring to the Letter from the Board, the service fees under the New Yangguang Master Agreement will be determined by 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 published by the relevant provincial or city level of the National Development and Reform Commission and/or Commodity Price Bureau (if applicable); and (vi) the prevailing market price for similar services in the market. We are given to understand from the Company that the same determination basis has been applied in the Yangguang Master Agreement. We therefore obtained two sample contracts of property management services entered by the Group with Sundy Yangguang Kindergarten and 25 I3P PM Contracts for the years ended 31 December 2020 and 2021 and the nine months ended 30 September

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2022 (which are randomly selected from each property management project of the Group with such parties during the aforesaid period as indicated in the Group's project list), and compared the pricing and calculation basis of service fees of the contracts. From our review, we note that the terms for transactions contemplated under the New Yangguang Master Agreement are not more favourable than the terms for similar transactions between the independent third parties. We are also advised by the Company that the same pricing policies will be implemented by the Group with corresponding internal control mechanism in place and they would ensure the pricing and service fees under the New Yangguang Master Agreement shall not be more favourable than the terms for similar transactions between the Group and the independent third parties.

The Yangguang Annual Caps are set at RMB90,000 for each of the three years ending 31 December 2025. Referring to the Letter from the Board, we note that such annual caps were determined by the Directors with reference to (i) the historical transaction amounts under the Yangguang Master Agreement; (ii) the number of unsold property units and corresponding GFA that the Group has been currently engaged by Sundy Yangguang Kindergarten as a property management service provider; (iii) the number of new projects and corresponding GFA that the Group expects to be engaged by Sundy Yangguang Kindergarten as a property management service provider for each of the years ending 31 December 2023, 2024 and 2025; and (iv) the annual increment in the service fees to be charged by the Group taking into account, among others, the expected inflation in the PRC and the expected increase in labour costs. To further assess the reasonableness of the Yangguang Annual Caps, we have performed the following analysis, among others:

- (i) we reviewed the historical transaction amount under the Yangguang Master Agreement, from which the Group's revenue derived from the provision of property management services to Sundy Yangguang Kindergarten was approximately RMB36,000, RMB70,000 and RMB53,000 for the years ended 31 December 2020 and 2021 and the nine months ended 30 September 2022, respectively. We note that the utilisation rate of the existing annual caps under the Yangguang Master Agreement was approximately 51.4% and 100.0% for the years ended 31 December 2020 and 2021 and would maintain high at 100.0% (if annualised) for the year ending 31 December 2022; and
- (ii) we examined the Company's basis underlying the projections for the Yangguang Annual Caps. The Directors advised us that they expected similar scope of property management services to Sundy Yangguang Kindergarten to be carried on under the New Yangguang Master Agreement. We are furnished by the Company with details and calculation of estimated project fee sum of property management project that the Group expects to be engaged by Sundy Yangguang Kindergarten for the years ending 31 December 2023, 2024 and 2025. From our review, we note that the Group is currently engaged by Sundy Yangguang Kindergarten in one property management project relating to a kindergarten operated by it, and the Directors expected such engagement to be

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continued at the same level of GFA during the three years ending 31 December 2025 after their discussion with and confirmation from Sundy Yangguang Kindergarten. It is also noted that the fee anticipated to be received by the Group under this project is estimated to be approximately RMB86,000 for each of the three years ending 31 December 2025, which shall account for more than 95% of the Yangguang Annual Caps correspondingly. We consider that the above provides grounds to the projection of the Yangguang Annual Caps and the amount of such annual caps determined based on the currently engaged project is justifiable having also taken into account their stable business relationship which can be traced back to 2018 and the anticipated continuous demand for property management services from Sundy Yangguang Kindergarten in the said project.

Having considered that (i) the service scope under the New Yangguang Master Agreement falls within the Group's ordinary and usual course of business; (ii) the pricing policies and service fees for transactions contemplated under the New Yangguang Master Agreement shall not be more favourable than those to be entered with the independent third parties; (iii) such pricing policies will be implemented and governed by corresponding internal control mechanism during the term of the New Yangguang Master Agreement; (iv) the utilisation rate of the existing annual caps for the recent periods are generally high; (v) the amount of the Yangguang Annual Caps is considered to be reasonable taking into account, among others, the projection of which is made with grounds and could be supported by the project expected to be engaged by Sundy Yangguang Kindergarten to a large extent; and (vi) the reasons for and benefits of entering into of the New Property Management Agreements as discussed earlier in this letter, we are of the view that the terms of the New Yangguang Master Agreement are on normal commercial terms and are fair and reasonable.

Shareholders should note that the proposed annual caps under the New Property Management Agreements shall not be regarded as any indication directly or indirectly as to the respective revenue, profitability or trading prospects of the Group, Sundy Land Group, Zhizhonghe Group or Sundy Yangguang Kindergarten.

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V. Principal terms of the New Master Service Agreement

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 Sundry Land (for itself and as trustee for other members of Sundry Land Group). The table below summarises the existing annual caps, actual transaction amount and utilisation rate under the Master Service Agreement (as amended by the Supplemental Service Agreement):

	Existing annual caps			Actual transaction amount			Utilisation rate		
	For the year ended/ending			For the year ended			For the		
	31 December			31 December			nine months		
	2020	2021	2022	2020	2021	2022	For the		For the
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	31 December	31 December	31 December	
			(audited)	(audited)	(unaudited)	2020	2021	2022	
						%	%	%	
• Value-added services to non-property owners	49,036	82,386	89,722	49,024	68,933	22,141	100.0%	83.7%	24.7% as at 30 September 2022 (or annualised: 32.9% ^(Note))
• Community value-added services	21,084	13,404	14,549	20,176	10,328	813	95.7%	77.1%	5.6% as at 30 September 2022 (or annualised: 7.5% ^(Note))
• Other services	180	210	229	113	72	158	62.8%	34.3%	68.9% as at 30 September 2022 (or annualised: 91.9% ^(Note))
Aggregate amount	70,300	96,000	104,500	69,313	79,333	23,112	-	-	-

Note: The utilisation rate of the existing annual cap is annualised based on actual transaction amount for the nine months ended 30 September 2022 for illustrative purpose only.

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The table below sets out the proposed annual caps under the New Master Service Agreement:

	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 (the “ VA Services Annual Caps ”)	30,000	35,000	35,000
• Community value-added services (the “ Community VA Services Annual Caps ”)	4,000	5,000	6,000
• Other services (the “ Other Services Annual Caps ”)	200	200	200
	34,200	40,200	41,200
Aggregate amount	34,200	40,200	41,200

The principal terms and factors considered in our analysis for the New Master Service Agreement are set out below:

Under the New Master Service Agreement, 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 or the provision of accommodation to the employees of members of Sundry Land Group (where applicable) under the Group’s hotel business, for a term commencing on 1 January 2023 and expiring on 31 December 2025 (both days inclusive). We have reviewed the scope of the abovementioned services under the New Master Service Agreement and note that such scope falls within the Group’s ordinary and usual course of business.

Referring to the Letter from the Board, the service fees under the New Master Service Agreement will be determined by both parties with reference to (a) for 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) for 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) for other services, (i) budgeted expenses including but not limited to labour and

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administrative expenses; (ii) nature, scope and quality of services proposed; and (iii) the prevailing market price for similar services in the market. As stated in the Letter from the Board, the Group takes into account factors such as labour allocation and estimated total expenses with a targeted profit margin when determining the service fees of value-added services to non-property owners and community value-added services, while it considers the prevailing market prices of comparable hotels in the vicinity when determining the service fees of other services. We are given to understand from the Company that similar determination basis has been applied in the Master Service Agreement. We therefore obtained an aggregate of 113 and 13 sample contracts or relevant documents in relation to the aforementioned services provided by the Group to Sundry Land Group and independent third parties respectively during the years ended 31 December 2020 and 2021 and the nine months ended 30 September 2022 (which are randomly selected from each project of value-added services to non-property owners and each type of community value-added services and other services of the Group as indicated in its project lists), and compared the pricing and calculation basis of service fees of the contracts/documents. From our review, we note that the terms for the transactions contemplated under the New Master Service Agreement are not more favourable than the terms for similar transactions between the Group and the independent third parties. We are also advised by the Company that similar pricing policies will be implemented by the Group during the term of the New Master Service Agreement with corresponding internal control mechanism in place.

The VA Services Annual Caps are set at RMB30 million, RMB35 million and RMB35 million, the Community VA Services Annual Caps are set at RMB4 million, RMB5 million and RMB6 million, and the Other Services Annual Caps are set at RMB200,000, RMB200,000 and RMB200,000 for the years ending 31 December 2023, 2024 and 2025, respectively. Referring to the Letter from the Board, we note that such annual caps were determined by the Directors 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, among others, the number of development projects under construction and pipeline development projects of Sundry Land Group, 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. To further assess the reasonableness of the proposed annual caps under the New Master Service Agreement, we have performed the following analysis, among others:

- With respect to the VA Services Annual Caps:
 - (i) we reviewed the historical transaction amount of value-added services to non-property owners under the Master Service Agreement, which was approximately RMB49.0 million, RMB68.9 million and RMB22.1 million for

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the years ended 31 December 2020 and 2021 and the nine months ended 30 September 2022, respectively. We note that the utilisation rate of the existing annual caps for such services under the Master Service Agreement maintained generally high at approximately 100.0% and 83.7% for the years ended 31 December 2020 and 2021 respectively. Whereas, a relatively low utilisation rate would be recorded for the current year principally due to the temporary decrease in demand for the relevant value-added services from Sundry Land Group who slowed down its corresponding project plan as a result of the cyclical impact of the real estate market in the PRC, as explained by the Directors;

- (ii) we examined the Company's basis underlying the projections for the VA Services Annual Caps. We note that the Directors expected similar service scope to be carried on under the New Master Service Agreement. The Directors, particularly in view of the lower utilisation rate of the existing annual cap in the current year, had discussed with Sundry Land Group about its future project plan requiring the Group's value-added services to non-property owners and were advised that the current transaction volume reflected its latest need and such need is expected to remain relatively stable during the three years ending 31 December 2025. From our review, we note that the Company adopted a prudent approach by expecting the anticipated contracted GFA from Sundry Land Group in respect of value-added services to non-property owners to be generally steady for the three years ending 31 December 2025 and at a level comparable to the actual contracted GFA from Sundry Land Group for the nine months ended 30 September 2022. Accordingly, based on the latest figure from the Company, the contracted GFA from Sundry Land Group was approximately 2.2 million sq.m. for the said period, which is comparable to the anticipated level of GFA of approximately 2.0 million sq.m., 2.0 million sq.m. and 2.2 million sq.m., respectively for the three years ending 31 December 2025 under the projection of the VA Services Annual Caps. We are also advised by the Directors that it is an industry norm that property developers usually prefer their affiliated property management companies to provide value-added services to non-property owners having considered their business relationship. We consider that the above provides grounds to the projection of the VA Services Annual Caps made by the Directors; and

- (iii) we obtained and reviewed a project list of value-added services to non-property owners that the Group expects to be engaged by Sundry Land Group for the years ending 31 December 2023, 2024 and 2025 (the "**VA Services Project List**"), which has been confirmed and agreed by Sundry Land Group as advised by the Directors. The VA Services Project List includes information about the number, corresponding GFA and expected delivery dates of pipeline projects, and the calculation of project fee sum. Accordingly, we note that the total fee for value-added services to non-property owners anticipated to be received by the Group under these projects is estimated to be approximately

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RMB27.5 million, RMB31.3 million and RMB34.9 million, which shall account for more than 85% of the VA Services Annual Caps, respectively for each of the three years ending 31 December 2025. Having also taken into account the projection of which reflected the latest service need and the anticipated continuous demand for relevant services from Sundy Land Group as mentioned above, we consider that the amount of the VA Services Annual Caps is justifiable.

- With respect to the Community VA Services Annual Caps:
 - (i) we reviewed the historical transaction amount of community value-added services under the Master Service Agreement, which was approximately RMB20.2 million, RMB10.3 million and RMB0.8 million for the years ended 31 December 2020 and 2021 and the nine months ended 30 September 2022, respectively. We note that the utilisation rate of the existing annual caps for such services under the Master Service Agreement maintained generally high at approximately 95.7% and 77.1% for the years ended 31 December 2020 and 2021 respectively. Whereas, a relatively low utilisation rate would be recorded for the current year principally due to fewer projects relating to standardised remodelling of bare shell property units from Sundy Land Group as property developers are encouraged to develop and sell fully decorated property units according to the notice from the Ministry of Housing and Urban-Rural Development of Zhejiang Province (浙江省住房和城鄉建設部) on Zhejiang housing sales contracts, as explained by the Directors; and
 - (ii) we examined the Company's basis underlying the projections for the Community VA Services Annual Caps. We note that the Directors expected similar service scope to be carried on under the New Master Service Agreement. The Directors, particularly in view of the lower utilisation rate of the existing annual cap in the current year, had discussed with Sundy Land Group about its future project plan requiring the Group's community value-added services and were advised that the need for property repair and maintenance services are still in demand and be generally stable during the three years ending 31 December 2025. We are furnished by the Company a project list with details and calculation of estimated project fee sum relating to community value-added services that the Group expects to be engaged by Sundy Land Group for the years ending 31 December 2023, 2024 and 2025. From our review, we note that the level of GFA from Sundy Land Group in respect of the community value-added services for the three years ending 31 December 2025 is expected to be approximately 2.4 million sq.m., 2.5 million sq.m. and 2.6 million sq.m., respectively under the projection of the Community VA Services Annual Caps. Certain projects of property repair and maintenance services involve larger scope and/or higher quality requirements on services, from which the project fees were determined primarily with reference to budgeted labour costs and required repair and maintenance costs to be deployed with the major cost items supported by market quotations. Overall, it is noted that the total fee anticipated to be received by the Group is estimated to be approximately RMB3.7 million, RMB3.9 million and RMB4.9 million, which shall account for more than 78% of the Community VA Services

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Annual Caps, respectively for each of the three years ending 31 December 2025. As advised by the Directors, the project list has been confirmed and agreed by Sundry Land Group. And similarly, we note that property developers usually prefer their affiliated property management companies to provide community value-added services having considered their business relationship. We consider that the above provides grounds to the projection of the Community VA Services Annual Caps and the amount of such annual caps reflected the latest service need from Sundry Land Group as mentioned above is justifiable.

- With respect to the Other Services Annual Caps:
 - (i) we reviewed the historical transaction amount of other services under the Master Service Agreement, which was approximately RMB113,000, RMB72,000 and RMB158,000 for the years ended 31 December 2020 and 2021 and the nine months ended 30 September 2022, respectively. We note that the utilisation rate of the existing annual caps for such services under the Master Service Agreement generally fluctuated, which were approximately 62.8% and 34.3% for the years ended 31 December 2020 and 2021 respectively and would be approximately 91.9% (if annualised) for the year ending 31 December 2022. As explained by the Directors, this was principally due to the PRC local government's controlling and preserving measures relating to the COVID-19 pandemic which impacted relevant demand for the Group's hotel business during such periods; and
 - (ii) we examined the Company's basis underlying the projections for the Other Services Annual Caps. We note that the Directors expected similar service scope to be carried on under the New Master Service Agreement. We are furnished by the Company with details and calculation of estimated project fee sum relating to other services that the Group expects to be engaged by Sundry Land Group for the years ending 31 December 2023, 2024 and 2025. From our review, we note that the Directors had considered the reason underlying the utilisation rate of the existing annual caps as aforementioned, and after their discussion with and confirmation from Sundry Land Group, expected the need for the Group's other services for the three years ending 31 December 2025 to maintain at a level generally comparable to that in the current year. It is also noted that the fee anticipated to be received by the Group from the other services to Sundry Land Group is estimated to be approximately RMB180,000 for each of the three years ending 31 December 2025, which shall account for more than 85% of the Other Services Annual Caps correspondingly. We consider that the above provides grounds to the projection of the Other Services Annual Caps and the amount of such annual caps reflected the latest service need and the anticipated continuous demand for relevant services from Sundry Land Group as mentioned above is justifiable.

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Having considered that (i) the service scope under the New Master Service Agreement falls within the Group's ordinary and usual course of business; (ii) the pricing policies and service fees for transactions contemplated under the New Master Service Agreement shall not be more favourable than those to be entered with the independent third parties; (iii) such pricing policies will be implemented and governed by corresponding internal control mechanism during the term of the New Master Service Agreement; (iv) the amount of the proposed annual caps under the New Master Service Agreement is considered to be reasonable taking into account, among others, the projection of which is made with grounds, reflected the latest service needs and anticipated demand from Sundry Land Group and could be supported by projects expected to be engaged by Sundry Land Group to a large extent; and (v) the reasons for and benefits of entering into of the New Master Service Agreement as discussed earlier in this letter, we are of the view that the terms of the New Master Service Agreement are on normal commercial terms and are fair and reasonable.

Shareholders should note that the proposed annual caps under the New Master Service Agreement shall not be regarded as any indication directly or indirectly as to the respective revenue, profitability or trading prospects of the Group or Sundry Land Group.

VI. Internal control policies of the Group

Referring to the Letter from the Board, the Company has adopted various internal control measures to monitor the transactions contemplated under 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 favourable 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 proposed annual cap amounts (if appropriate) and comply with the relevant announcement and shareholders' approval requirements in accordance with the Listing Rules;

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- (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 Supplemental 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.

We have reviewed the Group's internal control policy setting out the above details and the minutes of the Board's meeting approving the above measures. We note that the conduct of the transactions contemplated under the Subject Agreements will be monitored by different departments of the Group with segregation of duties and reporting mechanism to ensure the compliance of the transactions with the terms and conditions of the Subject Agreements, the Group's pricing policy and relevant requirements under the Listing Rules. Referring to the Annual Report 2020 and the Annual Report 2021, we note that the independent non-executive Directors and the auditors of the Company have conducted review of the continuing connected transactions under the Property Management Agreements and the Master Service Agreement and provided confirmations required under Rules 14A.55 and 14A.56 of the Listing Rules. The Company also confirmed to us that the transactions contemplated under the Property Management Agreements and the Master Service Agreement have been in compliance with the relevant internal control measures and annual review requirements under the Listing Rules, and the Group will continue to comply with the relevant measures and requirements during the term of the Subject Agreements. We therefore consider that the internal control measures could ensure the transactions contemplated under the Subject Agreements to be conducted on normal commercial terms and in compliance with the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

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OPINION AND RECOMMENDATION

Having considered the abovementioned principal factors and reasons, we are of the view that (i) the terms of the New Property Management Agreements and the New Master Service Agreement are fair and reasonable and on normal commercial terms; and (ii) the entering into of the New Property Management Agreements and the New Master Service Agreement is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the New Property Management Agreements and the New Master Service Agreement and the continuing connected transactions contemplated thereunder, as well as the proposed annual caps for 2023, 2024 and 2025.

Yours faithfully,

For and on behalf of

JUN HUI INTERNATIONAL FINANCE LIMITED

Tina Tian

Managing Director

Karol Hui

Executive Director

Note: Ms. Tina Tian and Ms. Karol Hui are licensed persons registered with the SFC to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and have over 14 years and 11 years of experience in corporate finance industry respectively.

1. 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.

2. DISCLOSURE OF INTERESTS

2.1 Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

None of the Directors or chief executives of the Company had interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be maintained pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

2.2 Substantial Shareholders' and Other Persons' Interests and Short Positions in the Shares and Underlying Shares

So far as the Directors and the chief executives of the Company are aware, as at the Latest Practicable Date, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and recorded in the register of the Company required to be maintained pursuant to section 336 of the SFO:

Names	Note	Capacity/ Nature of interest	Number of shares	Long/short position	Percentage of shareholding in the Company
Mr. Yu		Settlor of a trust	2,280,000,000	Long position	71.25%
CMB Wing Lung (Trustee) Limited ("CMB Wing Lung")	(1)	Trustee	2,280,000,000	Long position	71.25%
Success Base Group Limited ("Success Base")	(1)	Interest of a controlled corporation	2,280,000,000	Long position	71.25%
Sundy Heye	(1)	Beneficial owner	2,280,000,000	Long position	71.25%

Note:

1. Sundy Heye is wholly owned by Success Base, which is indirectly wholly owned by CMB Wing Lung. CMB Wing Lung is the trustee of a discretionary trust established by Mr. Yu with CMB Wing Lung (i.e. The Yu Jianwu Trust), which holds the entire issued share capital in Sundy Heye through its nominee companies on trust for the benefit of Mr. Yu and his family members.

Save as disclosed above, as at the Latest Practicable Date, to the best knowledge of the Directors, none of any other person (other than the Directors and chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO or to be recorded in the register referred to in section 336 of the SFO.

As at the Latest Practicable Date, to the best knowledge of the Directors, none of the Directors or proposed Directors is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which would not expire or was not determinable by the Group within one year without payment of compensation (other than statutory compensation).

4. INTEREST IN ASSETS AND/OR CONTRACTS AND OTHER INTERESTS

As of the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2021, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to, the Group.

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

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or any of his/her respective close associates was considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited accounts of the Group were made up.

7. LITIGATION AND CLAIMS

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

8. QUALIFICATION AND CONSENT OF EXPERT

Name	Qualification
Jun Hui International Finance Limited	a licensed corporation permitted to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, Jun Hui International has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its statements, letter, report and opinion (as the case may be) as set out in this circular and references to its name in the form and context in which they are included.

As at the Latest Practicable Date, Jun Hui International (i) 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 securities in any member of the Group; and (ii) did not have any direct or indirect interest in any assets which have been, since 31 December 2021, the date of the latest published audited accounts of the Group, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

9. GENERAL

- a. The registered office of the Company is situated at Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Island.
- b. The headquarters and principal place of business in the PRC of the Company is 127, Hanghai Road, Jiangan District, Hangzhou, Zhejiang province, the PRC.
- c. The principal place of business in Hong Kong of the Company is 39/F, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong.
- d. The branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- e. The joint company secretaries of the Company are Ms. Zhang Qisi and Mr. Tsang Ho Yin. Mr. Tsang Ho Yin is a solicitor admitted to practice in Hong Kong.

- f. The English text of this circular shall prevail over the Chinese text for the purpose of interpretation, except that if there is any inconsistency between the Chinese names of PRC entities, departments, facilities or titles mentioned in this circular and their English translation, the Chinese version shall prevail.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the Stock Exchange's website (www.hkexnews.com.hk) and the Company's website (<http://songduwuye.com>), from the date of this circular up to and including the date of the EGM:

- (i) the New Master Property Management Agreement;
- (ii) the New Zhizhonghe Master Agreement;
- (iii) the New Yangguang Master Agreement;
- (iv) the New Master Service Agreement;
- (v) the 2021 Announcement;
- (vi) the 2021 Circular;
- (vii) the letter from the Independent Board Committee, the text of which is set out in the section headed "Letter from the Independent Board Committee" of this circular;
- (viii) the letter of advice from Jun Hui International to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed "Letter from Jun Hui International" of this circular;
- (ix) the letter of consent from the expert referred to under the section headed "Qualification and Consent of Expert" in this appendix;
- (x) this circular; and
- (xi) the Prospectus.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of Sundy Service Group Co. Ltd (the “**Company**”) will be held at 21st Floor, Caihejiaye Building, No. 19 Xintang Road, Shangcheng District, Hangzhou City, Zhejiang Province, the PRC on Thursday, 15 December 2022 at 10:00 a.m. for the following purposes:-

ORDINARY RESOLUTIONS

To consider and, if thought fit, pass (with or without modification) the following resolutions as ordinary resolutions:

“THAT:

- (A) 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 (all of which as defined in the circular of the Company of even date (the “**Circular**”)) and the transactions contemplated thereby be and are hereby approved and confirmed and any one director of the Company (the “**Director**”) (other than Ms. Yu Yun) be and is hereby authorised to do all such acts or things and sign all documents deemed necessary by him/her for the purpose of giving effect to the New Property Management Agreements and the transactions contemplated thereunder;
- (B) the proposed annual caps for the continuing connected transactions contemplated under 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 (as defined in the Circular) for the three years ending 31 December 2025 (collectively, the “**Proposed New Property Management Annual Caps**”) be and are hereby approved and confirmed;
- (C) any one Director (or any two Directors or one Director and the secretary of the Company, in the case of execution of documents under seal, but other than Ms. Yu Yun) be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, necessary to, ancillary to or in connection

NOTICE OF EXTRAORDINARY GENERAL MEETING

with the matters contemplated under the New Property Management Agreements, the Proposed New Property Management Annual Caps, and the transactions contemplated thereunder and the implementation thereof including the affixing of seal thereon;

- (D) the New Master Service Agreement (as defined in the Circular) and the transactions contemplated thereby be and are hereby approved and confirmed and any one Director (other than Ms. Yu Yun) be and is hereby authorised to do all such acts or things and sign all documents deemed necessary by him/her for the purpose of giving effect to the New Master Service Agreement and the transactions contemplated thereunder;
- (E) the proposed annual caps for the continuing connected transactions contemplated under the New Master Service Agreement for the three years ending 31 December 2025 (collectively, the “**Proposed New Service Annual Caps**”) be and are hereby approved and confirmed; and
- (F) any one Director (or any two Directors or one Director and the secretary of the Company, in the case of execution of documents under seal, but other than Ms. Yu Yun) be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, necessary to, ancillary to or in connection with the matters contemplated under the New Master Service Agreement, the Proposed New Service Annual Caps and the transactions contemplated thereunder and the implementation thereof including the affixing of seal thereon.”

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

Hong Kong, 24 November 2022

Registered office in the Cayman Islands:
Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Island

*Headquarters and principal place of business
in the People’s Republic of China:*
127, Hanghai Road
Jiangan District
Hangzhou
Zhejiang province
People’s Republic of China

Principal place of business in Hong Kong:
39/F, Gloucester Tower
The Landmark
15 Queen’s Road Central
Hong Kong

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. A member of the Company entitled to attend and vote at the extraordinary general meeting (the “EGM”) to appoint another person as his/her/its proxy to attend and vote instead of him/her/it. A member of the Company who is the holder of two or more shares of the Company may appoint more than one proxy to represent him/her/it and vote on his/her/its behalf. A proxy need not be a member of the Company. If more than one proxy is appointed, the appointment shall specify the number of shares in respect of which each such proxy is so appointed.
2. To be valid, the form of proxy and the power of attorney or other authority, if any, under which it is signed, or a certified copy thereof must be lodged with the Company’s share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or at any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Meeting or at any adjournment thereof if you so wish. In such event, the form of proxy shall be deemed to be revoked.
3. For determining the qualification as members of the Company to attend and vote at the EGM, the register of members of the Company will be closed from Monday, 12 December 2022 to Thursday, 15 December 2022, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company’s share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 9 December 2022.
4. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.
5. If typhoon signal no. 8 or above, or a “black” rainstorm warning is hoisted on the date of the EGM, the meeting will be postponed. The Company will post an announcement on the website of the Company at <http://songduwuye.com> and on the HKExnews website of the Stock Exchange at www.hkexnews.hk to notify members of the Company of the date, time and place of the re-scheduled EGM.

Precautionary measures and special arrangements for the EGM

Considering the outbreak of the coronavirus (COVID-19), certain measures will be implemented at the EGM with a view to addressing the risk to attendees of infection, including, without limitation, (i) all attendees being required to (a) undergo compulsory body temperature check; and (b) wear surgical masks prior to admission to the EGM venue; (ii) attendees who are subject to health quarantine prescribed by the HKSAR Government or the Hangzhou Government not being admitted to the EGM venue; (iii) all attendees being required to wear surgical masks throughout the EGM; (iv) each attendee being assigned a designated seat at the time of registration to ensure social distancing; and (v) no refreshment packs or coffee/tea being provided.

The Company reminds attendees that they should carefully consider the risks of attending the EGM, taking into account their own personal circumstances. Furthermore, the Company would like to remind Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising their voting rights and strongly recommends that Shareholders appoint the Chairman of the EGM as their proxy and submit their form of proxy as early as possible. The form of proxy can be downloaded from the Company’s website (<http://songduwuye.com>) or the Stock Exchange’s website (www.hkexnews.hk).

The Company will keep the evolving COVID-19 situation under review and may implement additional measures which it will announce closer to the date of the EGM.

As at the date of this notice, 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.