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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 TRANSACTION AND MAJOR TRANSACTION IN RELATION TO THE 2023 CROSS-GUARANTEE AGREEMENT 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 7 to 22 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 23 to 24 of this circular. A letter from Jun Hui International Finance Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 25 to 41 of this circular.

A notice convening the EGM to be held at Conference Room, 21st Floor, Caihejiaye Building, No. 19 Xintang Road, Shangcheng District, Hangzhou City, Zhejiang Province, PRC on Thursday, 30 March 2023 at 10:00 a.m. is set out on pages EGM-1 to EGM-3 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 adjourned 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 February 2023

TABLE OF CONTENTS

	<i>Page</i>
DEFINITIONS	1
 LETTER FROM THE BOARD	
Introduction	7
The 2023 Cross-guarantee Agreement	8
The 2023 Counter-guarantee Agreement	12
Internal Control	13
Effect of the 2023 Sundry Property Guarantee on the Financial Position of the Group	15
Reasons for and Benefits of the Transactions	16
Board’s Approval	19
General Information	19
Listing Rules Implications	19
EGM and Proxy Arrangement	20
Recommendations	22
Miscellaneous	22
 LETTER FROM THE INDEPENDENT BOARD COMMITTEE	 23
 LETTER FROM JUN HUI INTERNATIONAL	 25
 APPENDIX I – FINANCIAL INFORMATION OF THE GROUP	 I-1
 APPENDIX II – GENERAL INFORMATION	 II-1
 NOTICE OF EXTRAORDINARY GENERAL MEETING	 EGM-1

DEFINITIONS

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

“2022 Announcement”	announcement of the Company in respect of the 2022 Cross-Guarantee Agreement dated 31 January 2022
“2022 Circular”	circular of the Company in respect of the 2022 Cross-Guarantee Agreement dated 28 February 2022
“2022 Cross-guarantee Agreement”	the cross-guarantee agreement dated 31 January 2022 entered into between Sundry Property and Sundry Holdings (for itself and as trustee for the benefit of other members of Sundry Holdings Group) pursuant to which the parties thereto have agreed to provide certain guarantee to each other
“2022 Sundry Holdings Group Guarantee”	the guarantee provided by Sundry Holdings Group for borrowings or financing for Sundry Property from banks or financial institutions pursuant to the 2022 Cross-guarantee Agreement
“2022 Sundry Property Guarantee”	the guarantee provided by Sundry Property for borrowings or financing for Sundry Holdings from banks or financial institutions pursuant to the 2022 Cross-guarantee Agreement
“2023 Counter-guarantee”	the counter-guarantee provided by Mr. Yu in favour of Sundry Property pursuant to the 2023 Counter-guarantee Agreement
“2023 Counter-guarantee Agreement”	the counter-guarantee agreement dated 18 January 2023 entered into by Mr. Yu in favour of Sundry Property, pursuant to which Mr. Yu has agreed to indemnify Sundry Property for any amount that becomes payable by Sundry Property in relation to the 2023 Cross-guarantee Agreement
“2023 Cross-guarantee”	the cross-guarantee between Sundry Property and Sundry Holdings Group pursuant to the 2023 Cross-guarantee Agreement, namely 2023 Sundry Property Guarantee (as defined below) and 2023 Sundry Holdings Group Guarantee (as defined below)

DEFINITIONS

“2023 Cross-guarantee Agreement”	the cross-guarantee agreement dated 18 January 2023 entered into between Sundy Property and Sundy Holdings (for itself and as trustee for the benefit of other members of Sundy Holdings Group) pursuant to which the parties thereto have agreed to provide certain guarantee to each other
“6M2022”	the six months ended 30 June 2022
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Audit Committee”	the audit committee of the Company
“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 2023 Cross-guarantee Agreement and the annual cap in relation thereto and the continuing connected transactions and major transactions contemplated thereunder
“Group”	the Company and its subsidiaries from time to time

DEFINITIONS

“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 2023 Cross-guarantee Agreement and the transactions contemplated thereunder (including the annual cap in relation thereto)
“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 2023 Cross-guarantee Agreement and the transactions contemplated thereunder (including the annual cap in relation thereto)
“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 2023 Cross-guarantee Agreement and the transactions contemplated thereunder (including the annual cap in relation thereto)
“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
“Latest Practicable Date”	20 February 2023, 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

DEFINITIONS

“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
“Lock-up Period”	the period from the date of execution of the Undertakings to the date of extinguishment of Sundry Property’s guarantee obligation as a guarantor under the 2023 Cross-guarantee or the full repayment of all Outstanding Sum by Sundry Holdings and Mr. Yu (whichever is later)
“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
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers
“Mr. Yu”	Mr. Yu Jianwu (俞建午), one of the Controlling Shareholders of the Company
“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
“Prospectus”	prospectus of the Company dated 31 December 2020
“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

DEFINITIONS

“Sundy Heye”	SUNDY HEYE LIMITED (宋都和业有限公司), a company incorporated in the British Virgin Islands with limited liability on 21 March 2017, one of the Controlling Shareholders of the Company
“Sundy Holdings”	Zhejiang Sundy Holdings Co., Ltd.* (浙江宋都控股有限公司), a company established in the PRC with limited liability on 29 December 2006, which is wholly owned by Mr. Yu and is therefore a connected person of the Company
“Sundy Holdings Group”	Sundy Holdings and its subsidiaries, including but not limited to Sundy Land and its subsidiaries
“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 Property”	Hangzhou Sundy Property Management Co., Ltd.* (杭州宋都物業經營管理有限公司) (formerly known as Hangzhou Shenye Sundy Property Management Co., Ltd.* (杭州深業宋都物業經營管理有限公司)), a company established in the PRC with limited liability on 8 January 1995, which is an indirect wholly-owned subsidiary of the Company
“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
“Underlying Shares”	13,144,518 shares and 34,550,000 shares of Sundy Land (collectively, 47,694,518 shares of Sundy Land), held by Sundy Holdings and Mr. Yu, respectively, representing approximately 0.98% and 2.58% (collectively, 3.56%) of the entire equity interests in Sundy Land
“Undertakings”	the undertaking dated 18 January 2023 executed by Sundy Holdings and Mr. Yu in favour of Sundy Property regarding the Underlying Shares during the Lock-up Period

DEFINITIONS

“US\$” United States dollars, the lawful currency of United States of America

“%” 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 February 2023

To the Shareholders,

Dear Sir or Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTION
AND MAJOR TRANSACTION IN RELATION TO
THE 2023 CROSS-GUARANTEED AGREEMENT
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

References are made to:-

- (1) the 2022 Announcement in respect of the continuing connected transaction and major transaction in relation to the 2022 Cross-guarantee Agreement and the transactions contemplated thereunder;

LETTER FROM THE BOARD

- (2) the 2022 Circular in respect of the continuing connected transaction and major transaction in relation to the 2022 Cross-guarantee Agreement and the transactions contemplated thereunder; and
- (3) the announcement of the Company dated 18 January 2023 in respect of the continuing connected transaction and major transaction in relation to the 2023 Cross-guarantee Agreement and the transactions contemplated thereunder.

The purpose of this circular is to provide you with, among other things, (i) details of the 2023 Cross-guarantee Agreement and the continuing connected transactions (including the annual cap in relation thereto) and major transactions contemplated thereunder; (ii) a letter from the Independent Board Committee; (iii) a letter from Jun Hui International to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the EGM.

THE 2023 CROSS-GUARANTEE AGREEMENT

As the 2022 Cross-guarantee Agreement will expire on 31 March 2023, on 18 January 2023 (after trading hours), in order to meet the financing needs of Sundy Property and Sundy Holdings Group and requirements of some financial institutions on third-party guarantees when financing, Sundy Property (an indirect wholly-owned subsidiary of the Company) entered into the 2023 Cross-guarantee Agreement with Sundy Holdings (for itself and as trustee for the benefit of other members of Sundy Holdings Group) to renew the terms of such continuing connected transaction for a term commencing on 1 April 2023 and expiring on 31 March 2024. Pursuant to the 2023 Cross-guarantee Agreement, Sundy Property and Sundy Holdings Group agreed to provide guarantee in respect of their borrowings or financing from banks or financial institutions for each other.

Date

18 January 2023 (after trading hours)

Parties

- (i) Sundy Property (an indirect wholly-owned subsidiary of the Company)
- (ii) Sundy Holdings (for itself and as trustee for the benefit of other members of Sundy Holdings Group)

LETTER FROM THE BOARD

Nature of the transaction

Each of Sundy Property and Sundy Holdings Group has agreed that, during the Effective Period (as defined below):

- (i) Sundy Property to provide guarantee for borrowings or financing from banks or financial institutions for Sundy Holdings Group (“**2023 Sundy Property Guarantee**”); and
- (ii) Sundy Holdings Group to provide guarantee for borrowings or financing from banks or financial institutions for Sundy Property (“**2023 Sundy Holdings Group Guarantee**”).

With respect to the 2023 Sundy Property Guarantee, each member of Sundy Holdings Group shall indemnify Sundy Property for any amount payable by Sundy Property in connection with the 2023 Cross-guarantee Agreement, including but not limited to the principal amount of the relevant loan, any interest, fees, damages and enforcement expenses for breach of the relevant loan.

Effective Period

Subject to the fulfillment of the Conditions Precedent (as defined below), the effective period of the 2023 Cross-guarantee Agreement (the “**Effective Period**”) will commence on 1 April 2023 and expire on 31 March 2024.

Conditions Precedent

The 2023 Cross-guarantee will be subject to the conditions precedent (the “**Conditions Precedent**”) set out as follows:

- (i) the Company has complied with the requirements provided under the applicable Listing Rules in respect of the transactions contemplated under the 2023 Cross-guarantee Agreement; and
- (ii) the 2023 Cross-guarantee Agreement and the transactions contemplated thereunder have been approved by the Independent Shareholders at the EGM in compliance with the Listing Rules.

LETTER FROM THE BOARD

Historical transaction amounts under the 2022 Cross-guarantee Agreement

The respective historical transaction amounts of each of the 2022 Sundry Property Guarantee and the 2022 Sundry Holdings Group Guarantee and the commission fee payable by Sundry Holdings Group under the 2022 Sundry Property Guarantee for the period from 1 April 2022 to 31 December 2022 (the “**Relevant Period**”) are set out as follows:

Historical amount of the 2022 Sundry Property Guarantee	The commission fee payable by Sundry Holdings Group under the 2022 Sundry Property Guarantee during the Relevant Period^(Note)	Historical amount of the 2022 Sundry Holdings Group Guarantee
<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
128.0 million	3.5 million	Nil

Note:

The commission fee payable by Sundry Holdings Group is calculated based on the number of calendar days elapsed from the signing of the relevant guarantee under the 2022 Sundry Property Guarantee. The relevant guarantee was signed on 26 April 2022, therefore the number of calendar days elapsed was 250 as at 31 December 2022.

As at the Latest Practicable Date, none of the annual cap for 2022 Sundry Property Guarantee and the 2022 Sundry Holdings Group Guarantee under the 2022 Cross-guarantee Agreement has been exceeded.

Due to the decrease in number of potential customers of long-term rental apartments, as well as the delay of the furnishing and decoration process of properties and delivery of properties by the property developer regarding certain existing long-term rental apartment projects as a result of the COVID-19 pandemic and the respective control measures implemented by the PRC local government in 2022, the Group’s expansion and development of the long-term rental apartment business have been fallen behind schedule, therefore Sundry Property did not obtain any borrowings or financing from banks or financial institutions during the Relevant Period.

Proposed annual cap

The respective accumulated amount under the 2023 Sundry Property Guarantee and the 2023 Sundry Holdings Group Guarantee shall not exceed RMB150 million for the 12-month Effective Period. Such annual cap was determined taking into consideration the following factors:

- (i) historical transaction amounts for the transactions contemplated under the 2022 Cross-guarantee Agreement;

LETTER FROM THE BOARD

- (ii) with the loosening of the national restrictions of COVID-19 pandemic in the PRC, the Board expects that the development and expansion of its business, including long-term rental apartment business, will get back on track in 2023 and Sundry Property will require not more than RMB150 million borrowings or financing to be guaranteed by Sundry Holdings Group during the Effective Period, which such borrowings or financing will be used for the possible funding needs of Sundry Property on (a) its investment in, expansion and development of the long-term rental apartment business taken into account the current status and the expected timeline in 2023 of the furnishing and decoration process of the existing projects and the expected funding required for the initial investment of a few pipeline projects; (b) acquisitions, investment in or formation of strategic alliance with its suppliers and subcontractors; and (c) its working capital and other general corporate purposes (if necessary). Regarding long-term rental apartment business, as at the Latest Practicable Date, properties of two existing projects were undergoing furnishment and decoration with completion progress of approximately 80% and 20%, respectively and it is expected that they will be completed in December 2023 and June 2024, respectively. Delivery of properties of two other projects were delayed in 2022. According to the latest schedule provided by the corresponding property developer, such properties are expected to be delivered later in 2023 and there will be a few pipeline projects, all of which expected to commence furnishment and decoration in 2023; and
- (iii) the management of Sundry Holdings estimates Sundry Holdings Group will not require more than RMB150 million borrowings or financing to be guaranteed by Sundry Property during the Effective Period based on the current level of business activities and funding needs of Sundry Holdings Group.

Commission fees to be charged by Sundry Property

With respect to the 2023 Sundry Property Guarantee, a commission fee of 4% will be payable by Sundry Holdings Group for any amount of guarantee provided to Sundry Holdings Group, as well as any interest, fees, damages and enforcement expenses for breach of the relevant loan. The commission fee is determined on arm's length negotiation with reference to (i) historical amount of commission fee charged by Sundry Property pursuant to the 2022 Cross-guarantee Agreement; and (ii) the prevailing market rates of comparable transactions of similar types involving mutual/cross-guarantee arrangement of other listed companies on the Stock Exchange, which are in the range of nil to 0.5%, in the past 12 months immediately preceding the date of the 2023 Cross-guarantee Agreement. The commission fee of 4% is above the range of prevailing market rates and the Directors are of the view that the higher rate represents the more favourable terms to the Group.

For avoidance of doubt, no commission fee is payable by Sundry Property under the 2023 Sundry Holdings Group Guarantee.

LETTER FROM THE BOARD

Undertakings provided by Sundry Holdings Group and Mr. Yu

With respect to the 2023 Sundry Property Guarantee, Sundry Holdings Group and Mr. Yu executed the Undertakings, pursuant to which, during the Lock-up Period:

- (i) without the prior written consent of Sundry Property, Sundry Holdings Group and Mr. Yu shall not deal with the Underlying Shares (including but not limited to any rights, money or property otherwise accrued or conferred as a result therefrom) in any manner, including but not limited to by way of pledge, sale, swap or gift before the full payment of any amount payable by Sundry Property in connection with the 2023 Cross-guarantee;
- (ii) Sundry Holdings Group and Mr. Yu shall use the Underlying Shares as one of the sources of funds for the repayment of any amount payable by Sundry Property in connection with the 2023 Cross-guarantee, including but not limited to the principal amount of the relevant loan, any interest, fees, damages and enforcement expenses for breach of the relevant loan (the “**Outstanding Sum**”) in favour of Sundry Property;
- (iii) during the Lock-up Period, if (i) Sundry Land issues bonus shares, converts capital reserve to share capital or does any act resulting in its capital increase, the new shares of Sundry Land to be held by Sundry Holdings and Mr. Yu generated therefrom will constitute part of the Underlying Shares and be subject to the lock-up restrictions under the Undertakings; or (ii) there is any matter causing the Underlying Shares to be less than 3.56% of the entire equity interest of Sundry Land, Sundry Holdings and Mr. Yu shall provide additional guarantee or undertakings according to the reasonable request of Sundry Property; and
- (iv) notwithstanding any other clauses of the Undertakings, Sundry Property shall have the absolute right to request Sundry Holdings Group and Mr. Yu to provide a share pledge over the Underlying Shares and register such share pledge at the relevant registration authority at any time before the full repayment of the Outstanding Sum by Sundry Holdings and/or Mr. Yu to Sundry Property.

For avoidance of doubt, the 2023 Sundry Holdings Group Guarantee is not secured by any assets of Sundry Property and/or any members of the Group.

THE 2023 COUNTER-GUARANTEE AGREEMENT

On 18 January 2023 (after trading hours), Mr. Yu entered into the 2023 Counter-guarantee Agreement in favour of Sundry Property, pursuant to which Mr. Yu agreed to indemnify Sundry Property by way of counter-guarantee for any amount payable by Sundry Property in connection with the 2023 Cross-guarantee, including but not limited to the principal amount of the relevant loan, any interest, fees, damages and enforcement expenses for breach of the relevant loan.

LETTER FROM THE BOARD

In addition to the Underlying Shares with a market value of approximately RMB129.7 million as at the Latest Practicable Date, the Board considers the 2023 Counter-guarantee provided by Mr. Yu can effectively provide further additional security to the Company based on the following consideration:

1. The 2023 Counter-guarantee represents a direct claim on Mr. Yu. It is unconditional and irrevocable and remains continuously effective until the outstanding amount under the 2023 Cross-guarantee is fully repaid or settled.
2. The Board has assessed the sufficiency of Mr. Yu's personal financial resources to fulfil his obligations in connection with the 2023 Counter-guarantee Agreement with details below:
 - (a) Mr. Yu is an experienced businessman with various businesses in the PRC, including but not limited to his interest in Sundy Land. Sundy Land is a company established in the PRC and listed on the Shanghai Stock Exchange (stock code: 600077) with market capitalisation of approximately RMB3.6 billion as at the Latest Practicable Date. Sundy Land and its subsidiaries are principally engaged in property development and sales of properties in the PRC.
 - (b) Mr. Yu's equity interest in Sundy Land and other private companies and other assets in his personal capacity well exceed RMB150 million, which is the maximum accumulated amount of Sundy Property's liabilities under the 2023 Cross-guarantee Agreement. Also, the Company was confirmed by Mr. Yu with supporting documents that he has liquid assets of more than RMB150 million. Accordingly, the Company considers that Mr. Yu will have sufficient and adequate financial resources to discharge his liabilities in full under the 2023 Counter-guarantee Agreement in the event of any default by Sundy Property of its payment obligations under 2023 Cross-guarantee Agreement.

For avoidance of doubt, the obligation of counter-guarantee is unilateral; and no member of the Group is obliged to provide any counter-guarantee for the 2023 Sundy Holdings Group Guarantee and/or the 2023 Cross-guarantee.

INTERNAL CONTROL

The Company has adopted the following internal control measures to ensure that continuing connected transactions entered into by the Group (the "**Subject Transactions**") are fair and reasonable and entered into on normal commercial terms:

- (i) The Company has adopted and implemented a management system on the Subject Transactions. Under this system, the general management and administration department of the Company (the "**Administration Department**") is responsible for collecting information, monitoring the status of the Subject Transactions and

LETTER FROM THE BOARD

conducting reviews on compliance with relevant laws, regulations, company policies and the Listing Rules in respect of the underlying agreements of the Subject Transactions (the “**Subject Agreements**”). It is also responsible for evaluating the terms and conditions of the Subject Agreements, in particular, the fairness of the pricing terms as stated therein;

- (ii) 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;
- (iii) The auditor of the Company will also conduct annual review on the pricing and annual caps of the Subject Agreements; and
- (iv) The Administration Department will assess the fairness of the terms and conditions of the Subject Agreements and ensure that the actual transaction amount of the Subject Transactions shall be not more than the relevant annual caps. If the actual amount reaches 90% of the relevant annual cap, the finance department of the Company will notify the Administration Department in time, and the Administration Department shall perform the corresponding review and disclosure procedures according to the Listing Rules.

In order to minimise the risk in relation to the 2023 Cross-guarantee, the Audit Committee (all members being independent non-executive Directors) shall, during the Effective Period:

- (i) review each guarantee under the 2023 Cross-guarantee Agreement. The Audit Committee has the right to fully understand the business operations and financial position of the relevant member of Sundry Holdings Group to be guaranteed (the “**Borrower**”) before approving each individual guarantee under the 2023 Cross-guarantee Agreement. It would not constitute a breach of the 2023 Cross-guarantee Agreement in the event that the Audit Committee considers it is inappropriate to approve such guarantee after reviewing the financial position of the Borrower. To facilitate such review process, the Borrower has to provide its financial statements and other relevant information as requested by the Audit Committee as soon as possible. The Audit Committee will take into account the following factors for approving such guarantee:
 - (a) no guarantee shall be granted to the Borrower if it is with negative consolidated equity attributable to owners; and
 - (b) no guarantee shall be granted to the Borrower where an event occurs that may constitute an event of default under any of its existing loan agreements;

LETTER FROM THE BOARD

- (ii) monitor the implementation of each individual guarantee provided by the Company under the 2023 Cross-guarantee Agreement;
- (iii) consider the suitability of each member of the Sundy Holdings Group. In determining the suitability of each member of the Sundy Holdings Group, the Audit Committee would primarily consider its creditability, credit history, financial position, such as its profit, current assets and cashflow, based on its latest available audited accounts and management accounts, purpose of the corresponding loan, capacity and source of funds for payment or repayment of the corresponding loan, as well as its business nature and business potential;
- (iv) periodically review (at least on a quarterly basis or when the situation may require) and make sure no material adverse event or litigation issues will substantially affect the financial status and operations of Sundy Holdings Group and to determine the effect to the guarantee, including if they will constitute breach;
- (v) periodically review (at least on a quarterly basis or when the situation may require) the management accounts, relevant financial information and books and records of Sundy Holdings Group;
- (vi) periodically review (at least on a quarterly basis or when the situation may require) and examine any material adverse changes on the business, properties, assets or operations of Sundy Holdings Group, or its ability to perform any of its obligations under the 2023 Cross-guarantee Agreement; and
- (vii) periodically review (at least on a quarterly basis or when the situation may require) and examine any material adverse change in foreign exchange risk and policy risk under the 2023 Cross-guarantee Agreement.

EFFECT OF THE 2023 SUNDY PROPERTY GUARANTEE ON THE FINANCIAL POSITION OF THE GROUP

In the event the 2023 Sundy Property Guarantee becomes enforceable, the Board is of the view that the Company will have sufficient internal and/or external resources to settle the liabilities based on its cash and financial position as at the Latest Practicable Date. Meanwhile, Sundy Property is entitled to enforce the Undertakings provided by Mr. Yu and Sundy Holdings and/or the 2023 Counter-guarantee provided by Mr. Yu for any amount payable by Sundy Property in connection with the 2023 Cross-guarantee, including but not limited to the principal amount of the relevant loan, any interest, fees, damages and enforcement expenses for breach of the relevant loan. Considering that the Underlying Shares have a market value of approximately RMB129.7 million as at the Latest Practicable Date and Mr. Yu's strong financial resources position, the Board is of the view that even in the event the 2023 Sundy Property Guarantee becomes enforceable, Sundy Property's liabilities under the 2023 Cross-guarantee Agreement are likely to be covered and hence it is not expected that the enforcement of the 2023 Sundy Property Guarantee will have a material adverse impact on the Company's

LETTER FROM THE BOARD

financial position. Therefore, the Company does not expect any material adverse impact on the financial position of the Group as a result of the enforcement of the 2023 Sundry Property Guarantee under the 2023 Cross-guarantee Agreement.

Each individual guarantee provided under the 2023 Sundry Property Guarantee will initially be recognised as a liability in the consolidated financial statements of the Company, the specific value of which will be determined based on the evaluation. The above liability will be amortized in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, the financial status of Sundry Holdings Group will be regularly reviewed; and the risk shall be assessed and reserves be withheld in the event of a possible default.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

Bank facilities and bank loans are one of the financial resources of Sundry Property. With the gradual increase in capital demand of Sundry Property with details as set out below, it is beneficial for Sundry Property to obtain credit from banks or financial institutions so that it can have the flexibility to obtain fundings in a timely manner, which is important to its implementation of its business expansion and performance improvement. With the tightening of the lending policies and regulations of banks in the PRC, it is a common practice for banks in the PRC to request for either guarantees or pledge of assets. To the best of the Directors' knowledge, banks in the PRC would only accept guarantees provided by creditworthy enterprises, so as to reduce the risk of non-recovery.

As corporate guarantee from PRC corporations continues to be commonly required by banks as a security or additional security for financial transactions in the PRC to secure the obligations of the borrower, the execution of the 2023 Cross-guarantee Agreement would (i) enable the parties to continue to obtain loans from banks in the PRC in order to support its ordinary and usual course of business; and (ii) allow the parties to continue to respond promptly to any request of provision of a corporate guarantee by the banks.

According to the Prospectus, the proceeds from the global offering would be used (i) to acquire, invest in, or form strategic alliance with one or more than one financially sound property management company with business focus on provision of property management services to residential and/or non-residential properties within the Yangtze River Delta region; (ii) to invest in and expand the services related to the Future Community Pilot Plan; (iii) to create a smart community through utilisation of advanced technology and develop a mobile application for property owners and residents; (iv) to explore, diversify and expand its community value-added services and expand other businesses, in particular long-term rental apartment business; and (v) to provide funding for its working capital and other general corporate purposes. Among the above, the proceeds of (v) was fully utilised by 31 December 2022, while as at 31 January 2023, the unutilised proceeds of (iv) was approximately RMB8.9 million and will be fully utilised by 31 December 2023. In addition, in 2023, the Group intends to expand its business by acquiring its suppliers and/or subcontractors and continues expanding its long-term rental apartment business. Accordingly, after deducting the said relevant proceeds from the global offering of the Company which are expected to be fully utilised by 31

LETTER FROM THE BOARD

December 2023, the Board expects the Group will require bank facilities of an aggregated sum of approximately RMB150 million for (a) its investment in, expansion and development of the long-term rental apartment business; (b) acquisitions, investment in or formation of strategic alliance with its suppliers and subcontractors; and (c) its working capital and other general corporate purposes (if necessary) during the Effective Period.

Sundy Holdings is a holding company of various subsidiaries, including but not limited to Sundy Land, which is a property developer in PRC and listed on Shanghai Stock Exchange with market capitalisation of approximately RMB3.6 billion as at the Latest Practicable Date. The following table sets out certain consolidated financial information of Sundy Holdings Group prepared in accordance with the PRC generally accepted accounting principles for the year ended 31 December 2021 and the six months ended 30 June 2022:

	For the year ended 31 December 2021	For the six months ended 30 June 2022
	<i>RMB'000</i> (audited)	<i>RMB'000</i> (unaudited)
Revenue	9,531,378	6,057,376
Profit/(loss) for the year/period	(654,468)	117,750
	As at 31 December 2021	As at 30 June 2022
	<i>RMB'000</i> (audited)	<i>RMB'000</i> (unaudited)
Net assets	3,987,626	4,200,222
Net current assets	6,907,004	6,444,267
Cash and bank balances	7,825,017	6,182,431

As at 30 June 2022, Sundy Holdings Group had substantial net assets with value of approximately RMB4,200.2 million and cash and bank balances of approximately RMB6,182.4 million. Notwithstanding Sundy Holdings Group suffered loss for the year ended 31 December 2021, it recorded a net profit of approximately RMB117.8 million for the six months ended 30 June 2022.

After assessing the creditability of Sundy Holdings based on, including but not limited to (i) the credit reports of Sundy Holdings dated 9 November 2022 and 6 February 2023, respectively, issued by Credit Reference Centre of People's Bank of China, the directly administered credit information agency of the People's Bank of China, showing, among others, details of its credit history and unsettled loans and their status and (ii) background and desktop searches, it is noted that Sundy Holdings has timely repaid all of its loans and repayments of the existing outstanding loans have been normal, accordingly the Board considers that the likelihood of Sundy Holdings defaulting will be low.

LETTER FROM THE BOARD

On the one hand, to compensate for the risk exposure of an independent third-party guarantor, the Company would need to pay a commission calculated based on the annual amount of the guarantee. Since the guaranteed amount will be up to RMB150 million, it is expected that the commission chargeable by such guarantor would be relatively costly for the Group. On the other hand, (i) based on the financial information provided by Sundy Holdings, including but not limited to consolidated financial accounts of Sundy Holdings Group for the year ended 31 December 2021 and six months ended 30 June 2022, the unconsolidated management accounts of Sundy Holdings for the year ended 31 December 2022, with certain key information as set out above, Sundy Holdings, as an investment holding company with interests in various companies, including Sundy Land, is relatively financially sound; (ii) according to the 2023 Cross-guarantee Agreement, Sundy Property will charge a commission fee of 4% against Sundy Holdings Group whereas Sundy Holdings Group will not charge any commission fee against Sundy Property; (iii) Mr. Yu agreed to indemnify Sundy Property for any amount payable by Sundy Property to the lenders of Sundy Holdings in accordance with the terms and conditions of each individual guarantee provided by Sundy Property under the 2023 Cross-guarantee Agreement. Such obligation of cross-guarantee is unilateral and not applicable against any member of the Group; and (iv) Sundy Holdings Group and Mr. Yu executed the Undertakings of the Underlying Shares with a market value of approximately RMB129.7 million as at the Latest Practicable Date with respect to 2023 Sundy Property Guarantee.

Referring to the 2022 Announcement, the 2022 Sundy Property Guarantee was secured by a total of 29 units of residential properties in Shangcheng district in Hangzhou owned by Sundy Holdings (the “**Security Properties**”). The security of the 2023 Sundy Property Guarantee has been changed to the Underlying Shares, as Sundy Property was informed by Sundy Holdings that it intends to use the Security Properties for other purposes and will be no longer available for collateral during the Effective Period. Furthermore, compared to the Security Properties being fixed assets, the Underlying Shares which are listed on the Shanghai Stock Exchange, can be converted to liquid cash quickly and used for immediate needs. The Underlying Shares also have a market value of approximately RMB129.7 million as at the Latest Practicable Date, whereas the Security Properties had an appraised value of approximately RMB98.2 million as at 31 December 2021. In the circumstances, the Directors are of the view that change of security is in the interest of the Company and its shareholders as a whole and on normal commercial term.

Taking into consideration, among others, the above reasons, the Directors (excluding the independent non-executive Directors whose views will be contained in the circular after considering the advice from the Independent Financial Adviser) are of the view that the terms of the 2023 Cross-guarantee Agreement are fair and reasonable, have been entered into after arm’s length negotiation between all parties thereto and determined on normal commercial terms or better in the ordinary and usual course of business and are in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

BOARD'S APPROVAL

Save as Ms. Yu Yun, the executive Director and chairman of the Board, being the daughter, therefore an associate of Mr. Yu, all of the Directors have confirmed that none of them has any material interest in the 2023 Cross-guarantee Agreement; and therefore no Director (except Ms. Yu Yun) is required to abstain from voting at the meeting of the Board to approve the 2023 Cross-guarantee Agreement.

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, including long-term rental apartment business.

Information on Sundry Property

Sundry Property is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is the main operating subsidiary of the Group, and together with its subsidiaries, principally engaged in (i) property management; (ii) value-added services to non-property owners; (iii) community value-added services; and (iv) other businesses, including long-term rental apartment business.

Information on Sundry Holdings Group

Sundry Holdings is a company established in the PRC with limited liability and wholly owned by Mr. Yu. It is an investment holding company with interests in various businesses, such as Sundry Land, which is engaged in property development and sales of properties.

LISTING RULES IMPLICATIONS

The 2023 Cross-guarantee Agreement

As at the Latest Practicable Date, Sundry Holdings is wholly owned by Mr. Yu, a Controlling Shareholder of the Company, thus constitutes a connected person of the Company under the Listing Rules. Therefore, the transactions contemplated under the 2023 Cross-guarantee Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

The 2023 Sundry Property Guarantee

As one or more of the applicable percentage ratios exceed 25% but all applicable percentage ratios are less than 75%, the 2023 Sundry Property Guarantee constitutes a major transaction of the Company under the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

As the proposed annual cap of the 2023 Sundry Property Guarantee exceeds 8% under the assets ratio as defined under Rule 14.07(1) of the Listing Rules, the provision of the 2023 Sundry Property Guarantee is also subject to the general disclosure obligations under Rules 13.13 and 13.15 of the Listing Rules.

The 2023 Sundry Holdings Group Guarantee

Given that the Board considers the relevant terms of the 2023 Sundry Holdings Group Guarantee are on normal commercial terms or better, and that the provision of such guarantee is not secured by any assets of Sundry Property and/or any members of the Group, the provision of the 2023 Sundry Holdings Group Guarantee is fully exempted from reporting, announcement and Independent Shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

The 2023 Counter-guarantee Agreement

Given that the Board considers the relevant terms of the 2023 Counter-guarantee are on normal commercial terms or better and the provision of such guarantee is not secured by any assets of Sundry Property and/or any members of the Group, the provision of the 2023 Counter-guarantee is fully exempted from reporting, announcement and Independent Shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

EGM AND PROXY ARRANGEMENT

The notice of EGM is set out in pages EGM-1 to EGM-3 of this circular. At the EGM, ordinary resolutions in respect of, among other things, the entering into of the 2023 Cross-guarantee Agreement and the continuing connected transactions (including the annual cap in relation thereto) and major transactions contemplated thereunder 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 Holdings is wholly owned by Mr. Yu.

LETTER FROM THE BOARD

As at the Latest Practicable Date, Sundy Heye was interested in 2,280,000,000 Shares, constituting approximately 71.25% of the issued share capital of the Company. Sundy 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, Sundy Heye is required to be abstained from voting on the resolutions to be proposed at the EGM approving the entering into of the 2023 Cross-guarantee Agreement and the continuing connected transactions (including the annual cap in relation thereto) and major transactions contemplated thereunder. Save for the aforesaid and to the best of the Company's knowledge, information and belief, no other Shareholder was required under the Listing Rules to abstain from voting on the resolutions. Therefore, a total of 2,280,000,000 Shares (representing approximately 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 of the 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.

LETTER FROM THE BOARD

RECOMMENDATIONS

Your attention is drawn to:

- (a) the letter from the Independent Board Committee set out on pages 23 and 24 in this circular which contains its recommendation to the Independent Shareholders in relation to the 2023 Cross-guarantee Agreement and the transactions contemplated thereunder (including the annual cap in relation thereto); and
- (b) the letter from Jun Hui International set out on pages 25 to 41 in this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the 2023 Cross-guarantee Agreement and the transactions contemplated thereunder (including the annual cap in relation thereto).

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 terms of the 2023 Cross-guarantee Agreement are fair and reasonable, have been entered into after arm's length negotiation between all parties thereto and determined on normal commercial terms or better in the ordinary and usual course of business and are in the interests of the Company and its Shareholders as a whole.

The Directors recommend the 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 of
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 February 2023

**RENEWAL OF CONTINUING CONNECTED TRANSACTION
AND MAJOR TRANSACTION IN RELATION TO
THE 2023 CROSS-GUARANTEED AGREEMENT
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

To the Independent Shareholders

Dear Sir/Madam,

We refer to the circular dated 24 February 2023 (the “**Circular**”) issued by the 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 2023 Cross-guarantee Agreement and the annual cap in relation thereto and the continuing connected transactions and major transactions contemplated thereunder 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 7 to 22 of the Circular and the text of a letter of advice from the Independent Financial Adviser, as set out on pages 25 to 41 of the Circular, both of which provide details of the 2023 Cross-guarantee Agreement and the transactions contemplated thereunder (including the annual cap in relation thereto).

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

As members of the Independent Board Committee, we have discussed with the management of the Company in relation to the 2023 Cross-guarantee Agreement, and the basis upon which the terms of the 2023 Cross-guarantee Agreement have been determined and the annual caps 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 2023 Cross-guarantee Agreement and the annual cap in relation thereto, and have discussed with the Independent Financial Adviser its letter of advice.

On the basis of the above, we consider, and agree with the view of the Independent Financial Adviser, that the terms of the 2023 Cross-guarantee Agreement 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 interest 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 2023 Cross-guarantee 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 February 2023

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

Dear Sir or Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTION
AND MAJOR TRANSACTION
IN RELATION TO THE 2023 CROSS-GUARANTEE AGREEMENT**

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 2023 Cross-guarantee 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 February 2023 (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 with respect to the renewal of continuing connected transaction and major transaction in relation to the 2023 Cross-guarantee Agreement. As the 2022 Cross-guarantee Agreement will expire on 31 March 2023, on 18 January 2023 (after trading hours), in order to meet the financing needs of Sundry Property and Sundry Holdings Group and requirements of some financial institutions on third-party guarantees when financing, Sundry Property (an indirect wholly-owned subsidiary of the Company) entered into the 2023 Cross-guarantee Agreement with Sundry Holdings (for itself and as trustee for the benefit of other members of Sundry Holdings Group) to renew the terms of such continuing connected transaction for a term commencing on 1 April 2023 and expiring on 31 March 2024.

LETTER FROM JUN HUI INTERNATIONAL

As at the Latest Practicable Date, Sundy Holdings is wholly owned by Mr. Yu, a Controlling Shareholder of the Company, and thus constitutes a connected person of the Company under the Listing Rules. Therefore, the transactions contemplated under the 2023 Cross-guarantee Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios exceed 25% but all applicable percentage ratios are less than 75%, the 2023 Sundy Property Guarantee (as defined below) constitutes a major transaction under the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules. As the proposed annual cap of the 2023 Sundy Property Guarantee exceeds 8% under the assets ratio defined under Rule 14.07(1) of the Listing Rules, the provision of the 2023 Sundy Property Guarantee is also subject to the general disclosure obligations under Rules 13.13 and 13.15 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) the fairness and reasonableness of the entering into of the 2023 Cross-guarantee Agreement and the transactions contemplated thereunder; and (ii) how to vote at the EGM, after taking into account the factors and reasons considered by the Independent Financial Adviser and its conclusion and advice.

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 2023 Cross-guarantee Agreement. We do not, by this letter, warrant the merits of the 2023 Cross-guarantee Agreement and the 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 Sundy Land Group (as defined below), details of which are set out in the circular of the Company dated 13 December 2021; (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; and (iii) renewal of continuing connected transactions for 2023 to 2025, details of which are set out in the circular of the Company dated 24 November 2022. Other than that, we did not have any relationships with, or have any interests in the Group, Sundy Holdings Group 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 2023 Cross-guarantee Agreement.

LETTER FROM JUN HUI INTERNATIONAL

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 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 announcement of the Company in relation to the 2023 Cross-guarantee Agreement, 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) reviewed the information and documents in relation to the 2023 Cross-guarantee Agreement;
- (c) conducted comparable research to analyse the major terms of the 2023 Cross-guarantee Agreement; and
- (d) discussed with the Directors and the Management regarding, among other things, the background, reasons for and benefits of the entering into of the 2023 Cross-guarantee Agreement, the basis of the major terms of the 2023 Cross-guarantee Agreement and the proposed annual cap, assessment/due diligence on the financial and credibility status of Sundry Holdings Group, and the Company’s internal control measures in relation to the 2023 Cross-guarantee.

LETTER FROM JUN HUI INTERNATIONAL

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 or Sundry Holdings Group, nor have we investigated the actual default risk and future financial position of Sundry Holdings Group and Mr. Yu, or any liabilities against Sundry Holdings Group and/or the Group. 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.

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 2023 Cross-guarantee Agreement, we have considered the following principal factors and reasons:

I. Background and financial information of the Group and Sundry Property

The Group is principally engaged in provision of property management services, value-added services to non-property owners, community value-added services and other businesses, namely hotel business and long-term rental apartment business in the PRC. Sundry Property is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is the main operating subsidiary of the Group.

The following table summarises the results of operation and financial positions of the Group for the three years ended 31 December 2021 and the six months ended 30 June 2022 (“FY2019”, “FY2020”, “FY2021” and “6M2022” respectively):

	For the year ended 31 December			For the six months	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	222,474	256,703	316,237	139,370	130,760
Other income –					
Commission					
income on financial					
guarantee	–	–	–	–	912
Finance costs	(2,766)	(521)	(58)	(210)	(75)
Profit for the					
year/period	35,236	32,852	54,908	23,463	19,451

LETTER FROM JUN HUI INTERNATIONAL

	As at 31 December			As at
	2019	2020	2021	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(audited)	(unaudited)
Total assets	215,658	281,161	488,065	526,412
Total liabilities	131,719	163,888	178,062	192,785
Net assets	83,939	117,273	310,003	333,627
Restricted bank balances	5,778	8,501	11,906	144,830
Cash and cash equivalents	137,559	192,195	318,169	148,000

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

For FY2020, the Group's revenue increased by approximately RMB34.2 million from FY2019 to approximately RMB256.7 million, among which, revenue generated from (i) property management services was approximately RMB128.2 million, (ii) value-added services to non-property owners was approximately RMB69.1 million, (iii) community value-added services was approximately RMB42.5 million and (iv) other businesses, which include hotel business and long-term rental apartment business, was approximately RMB16.9 million in total. Finance costs incurred by the Group reduced by approximately RMB2.3 million from FY2019 to approximately RMB0.5 million for FY2020. During the same year, the Group recorded net profit of approximately RMB32.9 million.

As at 31 December 2020, the Group's net assets were approximately RMB117.3 million. As at the same date, the Group had cash and cash equivalents of approximately RMB192.2 million and restricted bank balances of approximately RMB8.5 million. The Group did not have any borrowings as at 31 December 2020.

For FY2021, the Group's revenue increased by approximately RMB59.5 million from FY2020 to approximately RMB316.2 million, among which, revenue generated from (i) property management services was approximately RMB172.4 million, (ii) value-added services to non-property owners was approximately RMB90.4 million, (iii) community value-added services was approximately RMB35.7 million and (iv) other businesses, which include hotel business and long-term rental apartment business, was approximately RMB17.7 million in total. Finance costs incurred by the Group reduced by approximately RMB463,000 from FY2020 to approximately RMB58,000 for FY2021. During the same year, the Group recorded net profit of approximately RMB54.9 million.

As at 31 December 2021, the Group's net assets were approximately RMB310.0 million. As at the same date, the Group had cash and cash equivalents of approximately RMB318.2 million and restricted bank balances of approximately RMB11.9 million. The Group did not have any borrowings as at 31 December 2021.

LETTER FROM JUN HUI INTERNATIONAL

For 6M2022, the Group's revenue decreased by approximately RMB8.6 million from the six months ended 30 June 2021 to approximately RMB130.8 million, among which, revenue generated from (i) property management services was approximately RMB92.3 million, (ii) value-added services to non-property owners was approximately RMB22.4 million, (iii) community value-added services was approximately RMB11.1 million and (iv) other businesses, which include hotel business and long-term rental apartment business, was approximately RMB4.9 million in total. For 6M2022, the Group recorded commission income on financial guarantee of approximately RMB0.9 million from Sundry Holdings Group under the 2022 Cross-guarantee Agreement. Finance costs incurred by the Group were approximately RMB75,000 for 6M2022. During the same period, the Group recorded net profit of approximately RMB19.5 million.

As at 30 June 2022, the Group's net assets were approximately RMB333.6 million. As at the same date, the Group had cash and cash equivalents of approximately RMB148.0 million, and restricted bank balances of approximately RMB144.8 million. Out of the restricted bank balances, RMB135.0 million was the pledge of bank deposit provided by the Group in relation to the 2022 Sundry Property Guarantee under the 2022 Cross-guarantee Agreement (the "**Pledge**"), which is expected to be released no later than end of the effective period (i.e. 31 March 2023) of the 2022 Cross-guarantee Agreement as advised by the Directors. The Group did not have any borrowings as at 30 June 2022. Referring to Interim Report 2022 and as advised by the Company, among the net proceeds raised from the Company's listing on the Stock Exchange (after deducting the listing expenses) of approximately HK\$133.2 million, approximately HK\$112.3 million of the net proceeds had not been utilised by the Group as at 30 June 2022 (the "**Unutilised Proceeds**") and set assigned for intended uses. For illustration purpose, without taking into account the Unutilised Proceeds and having considered the release of the Pledge, the Group's cash and cash equivalents would be approximately RMB170.7 million as at 30 June 2022.

II. Background and financial information of Sundry Holdings Group

As stated in the Letter from the Board, Sundry Holdings is a company established in the PRC with limited liability and wholly-owned by Mr. Yu. It is an investment holding company with interests in various businesses, such as Sundry Land, which is engaged in property development and sales of properties in the PRC. As at the Latest Practicable Date, Sundry Holdings owned approximately 29.04% of the issued share capital of Sundry Land, which is a company listed on the Shanghai Stock Exchange (Stock Code: 600077). Sundry Land and its subsidiaries (collectively as "**Sundry Land Group**") are the major operating group of Sundry Holdings Group.

LETTER FROM JUN HUI INTERNATIONAL

The following table sets out certain consolidated financial information of Sundy Holdings Group prepared in accordance with the PRC generally accepted accounting principles for the two years ended 31 December 2021 and the six months ended 30 June 2022:

	For the year ended 31 December		For the six months ended 30 June	
	2020	2021	2021	2022
	<i>RMB'000</i> (audited)	<i>RMB'000</i> (audited)	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (unaudited)
Revenue	8,725,722	9,531,378	4,236,264	6,057,376
Earnings before interest & tax	655,671	232,093	350,071	425,918
Finance costs, net	465,773	621,363	249,693	203,165
Profit/(loss) for the year/period	25,485	(654,468)	13,563	117,750
Net increase in cash and cash equivalents	1,577,957	733,407	N/A ^(Note 1)	N/A ^(Note 1)
				As at
				30 June
				2022
				<i>RMB'000</i> (unaudited)
Total assets	45,846,002	50,080,472	43,680,155	
Total liabilities	41,338,583	46,092,845	39,479,933	
Net assets	4,507,419	3,987,626	4,200,222	
Net current assets	8,492,989	6,907,004	6,444,267	
Total borrowings	8,473,053	7,947,067	6,534,159	
Cash and bank balances	7,542,311	7,825,017	6,182,431	
Financial ratio:				
Current ratio (times) ^(Note 2)		1.3	1.2	1.2

Notes:

- Such figures are not available in the unaudited consolidated management accounts of Sundy Holdings Group for the six months ended 30 June 2021 and 2022.
- Calculated by dividing current assets by current liabilities as at the same financial year/period end date.

As shown in the table above and as advised by the Company, Sundy Holdings Group recorded a year-on-year increase in revenue by approximately 9.2% to approximately RMB9,531.4 million during the year ended 31 December 2021, which was mainly due to increase in revenue derived by a subsidiary principally engaging in trading of supply-chain related commodities in the PRC and Sundy Land Group whose principal business activities are property development and sales of properties in the PRC during the year. For the six months ended 30 June 2022, Sundy Holdings Group recorded a period-to-period increase in revenue by approximately 43.0% to approximately RMB6,057.4 million, which was mainly due to increase in revenue derived by Sundy Land Group. During the same period, Sundy Holdings Group had net profit of approximately RMB117.8 million.

LETTER FROM JUN HUI INTERNATIONAL

As at 30 June 2022, total assets of Sundry Holdings Group were approximately RMB43,680.2 million comprising mainly inventories, cash and bank balances, other receivables and long-term equity investment, and its total liabilities were approximately RMB39,479.9 million comprising mainly contract liabilities, other payables and bank borrowings by its group companies for business operations. Its total borrowings (which comprised short-term and long-term bank borrowings) as at 30 June 2022 were approximately RMB6,534.2 million. Net assets of Sundry Holdings Group remained generally stable, which were approximately RMB4,507.4 million, RMB3,987.6 million and RMB4,200.2 million as at 31 December 2020 and 2021 and 30 June 2022, respectively. Its current ratio also remained stable as at the same dates, which were approximately 1.3, 1.2 and 1.2 times respectively. As at 30 June 2022, Sundry Holdings Group had cash and bank balances of approximately RMB6,182.4 million.

With respect to the credibility of Sundry Holdings Group, it is indicated in (i) a corporate credit report (企業信用報告) of Sundry Holdings dated 9 November 2022 and (ii) corporate credit reports (企業信用報告) of Sundry Land and its certain subsidiaries (i.e. those had borrowings as at 30 June 2022) dated in around December 2022 or January 2023 issued by Credit Reference Center, People's Bank of China in relation to loan transactions that there was no repayment default by such companies in respect of their respective loan arrangements with banks. We also note from desktop search on the website of Credit China (信用中國) (www.creditchina.gov.cn), a credit inquiry website managed by the National Center for Public Credit Information (國家公共信用資訊中心) that none of such companies was on the list of dishonest judgement debtors (失信被執行人名單) or the list of dishonest enterprises (嚴重失信主體名單) as at the date of the 2023 Cross-guarantee Agreement.

III. Principal terms of the 2023 Cross-guarantee Agreement

Referring to the Letter from the Board, as the 2022 Cross-guarantee Agreement will expire on 31 March 2023, on 18 January 2023 (after trading hours), Sundry Property (an indirect wholly-owned subsidiary of the Company) entered into the 2023 Cross-guarantee Agreement with Sundry Holdings (for itself and as trustee for the benefit of other members of Sundry Holdings Group) to renew the terms of such continuing connected transaction for a term commencing on 1 April 2023 and expiring on 31 March 2024. Pursuant to the 2023 Cross-guarantee Agreement, Sundry Property and Sundry Holdings Group agreed to provide guarantee in respect of their borrowings or financing from banks or financial institutions for each other. The principal terms of the 2023 Cross-guarantee Agreement have been set out in the Letter from the Board. Certain terms of the agreement are extracted as below:

- Sundry Property and Sundry Holdings Group agreed to provide guarantee in respect of their borrowings or financing from banks or financial institutions for each other during the Effective Period, which will commence on 1 April 2023 and expire on 31 March 2024 (subject to the fulfillment of the conditions precedent under the 2023 Cross-guarantee Agreement);
- the respective accumulated amount under the 2023 Sundry Property Guarantee and the 2023 Sundry Holdings Group Guarantee shall not exceed RMB150 million for the 12-month Effective Period;

LETTER FROM JUN HUI INTERNATIONAL

- with respect to the 2023 Sundry Property Guarantee, a commission fee of 4% will be payable by Sundry Holdings Group for any amount of guarantee provided to Sundry Holdings Group (the “**Commission Fee**”), as well as any interest, fees, damages and enforcement expenses for breach of the relevant loan. On the other hand, no commission fee is payable by Sundry Property under the 2023 Sundry Holdings Group Guarantee;
- Sundry Holdings Group and Mr. Yu provided the Undertakings with respect to the 2023 Sundry Property Guarantee. Referring to the Letter from the Board, pursuant to the Undertakings, during the Lock-up Period: (i) without the prior written consent of Sundry Property, Sundry Holdings Group and Mr. Yu shall not deal with the Underlying Shares (including but not limited to any rights, money or property otherwise accrued or conferred as a result therefrom) in any manner, including but not limited to by way of pledge, sale, swap or gift before the full payment of any amount payable by Sundry Property in connection with the 2023 Cross-guarantee; (ii) Sundry Holdings Group and Mr. Yu shall use the Underlying Shares as one of the sources of funds for the repayment of any amount payable by Sundry Property in connection with the 2023 Cross-guarantee, including but not limited to the principal amount of the relevant loan, any interest, fees, damages and enforcement expenses for breach of the relevant loan (the “**Outstanding Sum**”) in favour of Sundry Property; (iii) during the Lock-up Period, if (a) Sundry Land issues bonus shares, converts capital reserve to share capital or does any act resulting in its capital increase, the new shares of Sundry Land to be held by Sundry Holdings and Mr. Yu generated therefrom will constitute part of the Underlying Shares and be subject to the lock-up restrictions under the Undertakings; or (b) there is any matter causing the Underlying Shares to be less than 3.56% of the entire equity interest of Sundry Land, Sundry Holdings and Mr. Yu shall provide additional guarantee or undertakings according to the reasonable request of Sundry Property; and (iv) notwithstanding any other clauses of the Undertakings, Sundry Property shall have the absolute right to request Sundry Holdings Group and Mr. Yu to provide a share pledge over the Underlying Shares and register such share pledge at the relevant registration authority at any time before the full repayment of the Outstanding Sum by Sundry Holdings and/or Mr. Yu to Sundry Property;
- Mr. Yu agreed to indemnify Sundry Property by way of counter-guarantee for any amount payable by Sundry Property in connection with the 2023 Cross-guarantee, including but not limited to the principal amount of the relevant loan, any interest, fees, damages and enforcement expenses for breach of the relevant loan, by entering into the 2023 counter-guarantee agreement (the “**2023 Counter-guarantee**”). Referring to the Letter from the Board, the 2023 Counter-guarantee represents a direct claim on Mr. Yu, and it is unconditional and irrevocable and remains continuously effective until the outstanding amount under the 2023 Cross-guarantee is fully repaid or settled. The obligation of the 2023 Counter-guarantee is unilateral, and no member of the Group is obliged to provide any counter-guarantee for the 2023 Sundry Holdings Group Guarantee and/or the 2023 Cross-guarantee; and
- the 2023 Sundry Holdings Group Guarantee is not secured by any assets of Sundry Property and/or any members of the Group.

LETTER FROM JUN HUI INTERNATIONAL

As confirmed by the Company, the terms of the 2023 Cross-guarantee Agreement are determined after arm's length negotiation between both parties having made due and careful consideration on, among others, the business status and financing needs of Sundy Property and Sundy Holdings Group, and requirements of some banks or financial institutions on third party guarantees when financing.

We note that, under the 2023 Cross-guarantee Agreement, the accumulated amount under the 2023 Sundy Property Guarantee will be of the same amount as that under the 2023 Sundy Holdings Group Guarantee, which is considered to be fair to each party. Additionally, several arrangements are provided unilaterally to Sundy Property including (i) the Undertakings as a form of legally binding protection to the guarantees provided by Sundy Property, pursuant to which, the Underlying Shares collectively held by Sundy Holdings Group and Mr. Yu had a market capitalisation of approximately RMB134.5 million as at 18 January 2023 (being the date of the 2023 Cross-guarantee Agreement) which covers over 85% of the maximum amount of the 2023 Sundy Property Guarantee; and (ii) the 2023 Counter-guarantee by Mr. Yu indemnifying any amount payable by Sundy Property in connection with the 2023 Cross-guarantee, and neither Sundy Property nor the Group is obligated to provide any additional security/assets or counter-guarantee to Sundy Holdings Group. We consider that such arrangements could provide certain protections to the Group in respect of the 2023 Sundy Property Guarantee. Furthermore, Sundy Property will be entitled to the Commission Fee for the 2023 Sundy Property Guarantee and could obtain the 2023 Sundy Holdings Group Guarantee without paying any commission fee, we therefore consider that the fee arrangement is beneficial to the Group.

It is noted that the security of the 2023 Sundy Property Guarantee (being the Underlying Shares) and that of the 2022 Sundy Property Guarantee (being 29 units of residential properties in Shangcheng district in Hangzhou owned by Sundy Holdings) are different. By making reference to the one-year and two-year average closing prices of the Underlying Shares up to and including the date of the 2023 Cross-guarantee Agreement, we note that such shares had market capitalisation of approximately RMB167.9 million and RMB145.4 million respectively. Taking into account that (i) the Undertakings provided by Sundy Holdings Group and Mr. Yu in relation to the Underlying Shares are legally binding; and (ii) the Underlying Shares are listed securities of which their value could cover or almost cover the maximum amount of the 2023 Sundy Property Guarantee based on the one-year and two-year average closing prices as aforementioned, we consider that the change of security under the 2023 Cross-guarantee Agreement is still in the interests of the Company and the Shareholders as a whole and on normal commercial term.

With respect to the 2023 Counter-guarantee, we note that (i) as indicated in a statement of bank account maintained by Mr. Yu, he had a portfolio which comprised savings and bonds/notes/certificate of deposit of approximately HK\$95.3 million as at 31 December 2022; (ii) Mr. Yu remained as the controlling shareholder of Sundy Land Group holding 519,694,518 shares of Sundy Land (including the Underlying Shares), either directly or indirectly, with a market capitalisation of approximately RMB1.5 billion as at 18 January 2023 (being the date of the 2023 Cross-guarantee Agreement); (iii) Mr. Yu held 2,280,000,000 Shares, either

LETTER FROM JUN HUI INTERNATIONAL

directly or indirectly, with a market capitalisation of approximately HK\$177.8 million as at 18 January 2023 (being the date of the 2023 Cross-guarantee Agreement); and (iv) as confirmed by Mr. Yu, he has no significant liability and his personal financial resources, in net amount, outweigh RMB150 million. Based on the above, we agree with the Directors that Mr. Yu shall have the financial ability to fulfill the 2023 Counter-guarantee Agreement in the event of default by Sundry Holdings.

(a) The proposed annual cap

The proposed annual cap of the 2023 Sundry Property Guarantee shall not exceed RMB150 million for the 12-month Effective Period. As stated in the Letter from the Board, such annual cap was determined taking into consideration that (i) historical transaction amounts for the transactions contemplated under the 2022 Cross-guarantee Agreement; (ii) with the loosening of the national restrictions of COVID-19 pandemic in the PRC, the Board expects that the development and expansion of its business, including long-term rental apartment business, will get back on track in 2023 and Sundry Property will require not more than RMB150 million borrowings or financing to be guaranteed by Sundry Holdings Group during the Effective Period, which such borrowings or financing will be used for the possible funding needs of Sundry Property on (a) its investment in, expansion and development of the long-term rental apartment business; (b) acquisitions, investment in or formation of strategic alliance with its suppliers and subcontractors; and (c) its working capital and other general corporate purposes (if necessary); and (iii) the management of Sundry Holdings estimates Sundry Holdings Group will not require more than RMB150 million borrowings or financing to be guaranteed by Sundry Property during the Effective Period based on the current level of business activities and funding needs of Sundry Holdings Group.

The Directors advised that, save for the 2022 Cross-guarantee Agreement which will be ended on 31 March 2023, the Group had not entered into other cross-guarantee agreement with Sundry Holdings Group nor provided other corporate guarantee in respect of loans obtained by Sundry Holdings Group as at the Latest Practicable Date. The utilised annual cap of the 2022 Sundry Property Guarantee and the 2022 Sundry Holdings Group Guarantee under the 2022 Cross-guarantee Agreement was RMB128 million and nil respectively as at 31 December 2022. As explained by the Directors, the implementation of stringent controlling and preserving measures in tackling with the COVID-19 pandemic in the PRC during the majority period of the term of the 2022 Cross-guarantee Agreement had delayed the Group's original plan of the long-term rental apartment business and therefore the annual cap of the 2022 Sundry Holdings Group Guarantee has not been utilised.

We note that the Directors mainly took into account the following when determining the proposed annual cap of the 2023 Sundry Property Guarantee:

- (i) the Group could obtain the 2023 Sundry Holdings Group Guarantee of RMB150 million without paying any commission fee for the guarantee to support its business plan in a timely manner whenever it requires to secure loans from banks or financial institutions as funding source during the Effective Period, especially following the

LETTER FROM JUN HUI INTERNATIONAL

loosening of the national restrictions of COVID-19 pandemic in the PRC where the Board expects the Group's business development and expansion plan will get back on track in 2023. We agree with the Directors that the financing flexibility provided under the 2023 Sundry Holdings Group Guarantee is favourable to the Group;

- (ii) the level of the estimated maximum fundings needs, i.e. RMB150 million, by the management of Sundry Holdings in view of its business activities and funding needs as well as the historical amount of the 2022 Sundry Property Guarantee. As mentioned under the section headed "Background and financial information of Sundry Holdings Group" above, Sundry Holdings Group is principally engaged in property development and sales of properties in the PRC, and recorded revenue of approximately RMB9.5 billion and RMB6.1 billion for the year ended 31 December 2021 and the six months ended 30 June 2022 respectively. The Directors considered, and we agree with their view that, the business nature of Sundry Holdings Group has the need of securing bank borrowings for business activities;
- (iii) the business scale of Sundry Holdings Group. As at 18 January 2023 (being the date of the 2023 Cross-guarantee Agreement), the market capitalisation of Sundry Land Group as the major operating group of Sundry Holdings Group was approximately RMB3.8 billion. Comparatively, the proposed annual cap of the 2023 Sundry Property Guarantee of not exceeding RMB150 million is relatively insignificant in terms of size. We agree with the Directors that such amount of proposed annual cap of the 2023 Sundry Property Guarantee is considered to be acceptable; and
- (iv) as previously mentioned, the accumulated amount under the 2023 Sundry Property Guarantee of the same amount as that under the 2023 Sundry Holdings Group Guarantee is considered to be fair to each party.

In light of the above, we are of the view that the proposed annual cap of the 2023 Sundry Property Guarantee is determined based on reasonable grounds and after due and careful consideration and they are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Shareholders should note that as the 2023 Cross-guarantee including the 2023 Sundry Property Guarantee relates to future events and was estimated based on assumptions which may or may not remain valid for the entire period up to the end of the Effective Period, and they do not represent forecasts of loans to be drawn by any party to the 2023 Cross-guarantee Agreement nor their businesses. Consequently, we express no opinion as to how closely the actual loans to be drawn by any party to the 2023 Cross-guarantee Agreement, or the actual use of such loans to the future business of any party to the 2023 Cross-guarantee Agreement, will correspond with the 2023 Cross-guarantee and the annual cap.

LETTER FROM JUN HUI INTERNATIONAL

(b) The Commission Fee

Under the 2023 Cross-guarantee Agreement, Sundy Property will charge the Commission Fee of 4% for the 2023 Sundy Property Guarantee. In order to assess the fairness and reasonableness of the Commission Fee, we have reviewed comparable transactions involving mutual/cross-guarantee arrangement announced by companies listed on the Stock Exchange, under which the listed companies agreed to provide guarantee to the counter-parties, in the past 12 months immediately preceding the date of the 2023 Cross-guarantee Agreement (the “**Comparable Transaction(s)**”). We have, to our best effort and so far as we are aware, identified three Comparable Transactions which we consider to be exhaustive. We also consider the following list of the Comparable Transactions is fair, representative and comparable to the 2023 Cross-guarantee Agreement, taking into account that (i) they involve the same transaction type, i.e. the provision of guarantee by listed companies on the Stock Exchange under mutual/cross-guarantee arrangement; (ii) the 12-month period immediately prior to the date of the 2023 Cross-guarantee Agreement represents a reasonable and meaningful time period to capture the recent market practice for the said transaction; and (iii) a list of three Comparable Transactions identified in accordance with the aforesaid selection criteria shall be adequate to provide a general reference for comparison purpose. Independent Shareholders should note that the businesses, operations and prospects of the Group may not be the same as, or vary from, those of the listed companies conducting the Comparable Transactions, and the Comparable Transactions set out below are for the purpose of providing a general insight on the terms in respect of the provision of guarantee during the said 12 months’ period. Details of the Comparable Transactions are set out below:

Date of announcement	Company name	Stock code	Guarantee/ commission fee rate (% per annum)
30 December 2022	Jiangxi Copper Company Limited	358.HK	Nil ^(Note)
4 November 2022	China Tianrui Group Cement Company Limited	1252.HK	Nil
26 May 2022	Lansen Pharmaceutical Holdings Limited	503.HK	0.5%
		Maximum	0.5%
		Minimum	Nil
		Average	0.2%
18 January 2023	The Company	9608.HK	4.0%

Source: the website of the Stock Exchange

Note: Announcement of the Comparable Transaction does not explicitly disclose such information. However, given the guarantee/commission fee is considered as one of the material terms under mutual/cross-guarantee arrangement (i.e. the existence of which shall be disclosed), it is reasonable to illustrate that the relevant guarantee/commission fee involved shall be nil.

LETTER FROM JUN HUI INTERNATIONAL

As illustrated in the table above, the guarantee/commission fees charged on the amount guaranteed by the listed companies under the Comparable Transactions ranged from nil to 0.5% per annum, with an average guarantee/commission fee rate of approximately 0.2% per annum. We note that the Commission Fee rate of 4% per annum entitled by Sundry Property is above the range of the guarantee/commission fee rates of the Comparable Transactions, where the higher fee rate represents the more favourable terms to the Group. We therefore consider that the Commission Fee for the provision of the 2023 Sundry Property Guarantee by Sundry Property is fair and reasonable.

We are also furnished by the Company with two quotations on guarantee/commission fee rate charged by guarantee companies in the PRC with respect to provision of guarantee to Sundry Holdings, and note that they would normally charge a rate ranging from 3% to 4% per annum on the guaranteed amount, which is comparable to the rate of the Commission Fee. In addition, it is fair that the Commission Fee of 4% under the 2023 Cross-guarantee Agreement is at the same rate as that entitled by the Group under the 2022 Cross-guarantee Agreement given the nature of the two agreements remained the same.

Having considered the above including (i) the unilateral protections to the Group by way of the Undertakings from Sundry Holdings Group and Mr. Yu and the 2023 Counter-guarantee by Mr. Yu with respect to the 2023 Sundry Property Guarantee; (ii) the Commission Fee arrangement is beneficial to the Group in the way that it could receive the Commission Fee for the 2023 Sundry Property Guarantee and obtain the 2023 Sundry Holdings Group Guarantee without fee; (iii) it is fair to both parties that the respective accumulated amount under the 2023 Cross-guarantee is set to be at the same amount, and the proposed annual cap of the 2023 Sundry Property Guarantee is determined based on reasonable estimation and after due and careful consideration by the Directors; (iv) the Commission Fee is considered fair and reasonable; and (v) the above terms are arrived after arm's length negotiation having made due and careful consideration by both parties as confirmed by the Company, we are of the view that the terms of the 2023 Cross-guarantee Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IV. Reasons for and benefits of the 2023 Cross-guarantee agreement

As stated in the Letter from the Board, bank facilities and bank loans are one of the financial resources of Sundry Property and it is therefore beneficial for Sundry Property to obtain credit from banks or financial institutions so that it can have flexibility to obtain fundings in a timely manner. It is a common practice for banks in the PRC to request either guarantees or pledge of assets for borrowings. We are given to understand from the Company that it has conducted enquires with banks in the PRC regarding the approval factors in considering the grant of bank loans to the Group based on its existing financial/operational scale and the proposed loan size of RMB150 million and the Company was advised that the provision of guarantee as collateral shall be a pre-requisite. Sundry Holdings Group is considered by the Directors as the only available guarantor not requiring any commission for provision of guarantee to the Group and a trustworthy party in view of its financial background. We agree with the Directors' view that it is beneficial to the Group that the 2023 Sundry Holdings Group Guarantee could be obtained without paying commission fee for the guarantee.

LETTER FROM JUN HUI INTERNATIONAL

On the other hand, when considering the 2023 Sundry Property Guarantee, the Company considered it is beneficial to the Group that it will be entitled to the Commission Fee for the 2023 Sundry Property Guarantee. For the period from 1 April 2022 to 31 December 2022, the Group is entitled to receive commission fee of approximately RMB3.5 million under the 2022 Cross-guarantee Agreement. Moreover, upon provision of the 2023 Sundry Property Guarantee, the 2023 Counter-guarantee will be provided by Mr. Yu indemnifying for any amount payable by Sundry Property in connection with the 2023 Cross-guarantee, including but not limited to the principal amount of the relevant loan, any interest, fees, damages and enforcement expenses for breach of the relevant loan, as well as the Undertakings as a form of legally binding protection will be provided by Sundry Holdings Group and Mr. Yu for the guarantees given by Sundry Property. Whereas, the Group has no obligation to provide any additional security/assets or counter-guarantee to Sundry Holdings Group for the 2023 Sundry Holdings Group Guarantee. We agree with the Directors that such arrangements under the 2023 Cross-guarantee Agreement are beneficial to the Group after taking into consideration the unilateral protections to the Group in respect of the 2023 Sundry Property Guarantee by way of the Undertakings from Sundry Holdings Group and Mr. Yu and the 2023 Counter-guarantee by Mr. Yu, the Commission Fee arrangement and the fee rate, the equivalent accumulated amount under the 2023 Cross-guarantee and that the terms are determined after due and careful consideration by both parties, as illustrated under the section headed “Principal terms of the 2023 Cross-guarantee Agreement” above in this letter.

We are given to understand that the Directors have performed due and careful enquiries on the credibility of Sundry Holdings Group before entering into the 2023 Cross-guarantee Agreement and carried out measures to minimise risk associated with the 2023 Sundry Property Guarantee, including without limitation, (i) obtained and reviewed the financial statements of Sundry Holdings Group, and assessed its financial position; (ii) assessed the loan repayment ability of Sundry Holdings Group and considered that the maximum amount of the 2023 Sundry Property Guarantee (i.e. RMB150 million) is relatively insignificant to the scale of Sundry Holdings Group (whose major operating group, namely Sundry Land Group, had a market capitalisation of approximately RMB3.8 billion as at the date of the 2023 Cross-guarantee Agreement). As previously mentioned under the section headed “Background and financial information of Sundry Holdings Group” in this letter, we note that neither Sundry Holdings nor Sundry Land and its subsidiaries which had borrowings as at 30 June 2022 had repayment default in respect of their loan arrangements with banks as indicated in their respective corporate credit reports, and neither of them is on the list of dishonest judgement debtors (失信被執行人名單) or the list of dishonest enterprises (嚴重失信主體名單); (iii) requested the Undertakings from Sundry Holdings Group and Mr. Yu and the 2023 Counter-guarantee by Mr. Yu with respect to the 2023 Sundry Property Guarantee as protections to the Group under the 2023 Cross-guarantee Agreement; (iv) has closely monitored status of Sundry Holdings’ borrowing under the 2022 Cross-guarantee Agreement; and (v) adopted various internal control measures (as further discussed below) to govern the implementation of the 2023 Cross-guarantee Agreement. We consider the Company has examined with due and careful consideration regarding the credibility of Sundry Holdings Group where the corporate credit reports and desktop search previously mentioned also indicated positive results in respect of the loan repayment records and the credibility of the relevant companies, and the unilateral

LETTER FROM JUN HUI INTERNATIONAL

arrangements including the Undertakings and the 2023 Counter-guarantee could serve as certain protections to the Group in respect of the 2023 Sundry Property Guarantee. The internal control measures adopted by the Group are also sufficient in place to ensure the transactions contemplated under the 2023 Cross-guarantee Agreement will be conducted on normal commercial terms (as further illustrated below).

As discussed above, we take into account that (i) it is a common practice for banks in the PRC to request for guarantees, and the Company also received preliminary responses from banks requiring the said for granting loans to the Group. The 2023 Sundry Holdings Group Guarantee under the 2023 Cross-guarantee Agreement could provide Sundry Property with the flexibility to obtain fundings in a timely manner; (ii) it is beneficial to the Group that the 2023 Sundry Holdings Group Guarantee could be obtained without paying commission fee; (iii) the terms of the 2023 Cross-guarantee Agreement are beneficial to the Group; and (iv) the due and careful consideration made by the Directors in examining the credibility of Sundry Holdings Group, and unilateral arrangements requested by the Group in minimising the risk and internal control measures taken by the Group in governing the implementation of the 2023 Cross-guarantee Agreement. After considering the benefits and measures in minimising the risk as discussed above, we agree with the Directors' view that the terms of the 2023 Cross-guarantee Agreement are fair and reasonable and the entering into of the 2023 Cross-guarantee Agreement is in the interests of the Company and the Shareholders as a whole.

V. Internal control measures

We have discussed with the Company regarding its internal control measures for the purpose of the 2023 Cross-guarantee Agreement. Other than the normal internal control measures for continuing connected transactions of the Group, we note that, in order to minimise the risk as aforementioned in relation to the 2023 Cross-guarantee, the Company has adopted additional internal control measures to strengthen the monitoring and govern the 2023 Cross-guarantee and will continue to adopt the same for the implementation of the 2023 Cross-guarantee Agreement, of which the details are set out in the Letter from the Board.

We have obtained and reviewed the Group's written policy setting out the normal and additional internal control measures and sample records (relating to, among others, approval of guarantee and the Audit Committee's review of documents) showing the implementation of the said measures under the 2022 Cross-guarantee Agreement. The Directors also confirmed to us that the transactions contemplated under the 2022 Cross-guarantee Agreement have been in compliance with the relevant internal control measures as at the Latest Practicable Date, and the Group will continue to comply with the relevant measures and govern the transactions contemplated thereunder during the term of the 2023 Cross-guarantee Agreement. Having considered particularly the additional internal control measures adopted and executed by the Audit Committee with all members being the independent non-executive Directors in minimising the risk under the 2023 Cross-guarantee Agreement and the implementation of the said measures as at the Latest Practicable Date, we agree with the Directors' view that the internal control measures are sufficient in place to ensure that the transactions contemplated under the 2023 Cross-guarantee Agreement will be conducted on normal commercial terms.

LETTER FROM JUN HUI INTERNATIONAL

OPINION AND RECOMMENDATION

Having considered the abovementioned principal factors and reasons, we are of the view that, although the entering into of the 2023 Cross-guarantee Agreement is not in the ordinary and usual course of business of the Group, we consider that the terms of the 2023 Cross-guarantee Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and the entering into of the 2023 Cross-guarantee Agreement 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 entering into of the 2023 Cross-guarantee Agreement and the transactions contemplated thereunder.

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. FINANCIAL INFORMATION OF THE GROUP FOR THE THREE FINANCIAL YEARS ENDED 31 DECEMBER 2021 AND 6M2022

Financial information of the Group (a) for the year ended 31 December 2019 is disclosed in Appendix I – Accountants’ Report to the Prospectus; (b) for the year ended 31 December 2020 is disclosed in the annual report of the Company for the year ended 31 December 2020; (c) for the year ended 31 December 2021 is disclosed in the annual report of the Company for the year ended 31 December 2021; and (d) for 6M2022 is disclosed in the interim report of the Company for 6M2022, all of which are published on the website of the Stock Exchange at <http://www.hkexnews.hk>, and the website of the Company at <http://songduwuye.com/>. Quick links to the relevant annual reports and interim report of the Company are set out below:

- (a) the Prospectus:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/1231/2020123100097.pdf>

- (b) annual report of the Company for the year ended 31 December 2020:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0429/2021042902171.pdf>

- (c) annual report of the Company for the year ended 31 December 2021:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0407/2022040700492.pdf>

- (d) interim report of the Company for 6M2022:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0930/2022093000609.pdf>

2. INDEBTEDNESS

As at the close of business on 31 December 2022, being the most recent practicable date for the purpose of this indebtedness statement prior to the Latest Practicable Date, the Group had the following liabilities:

- (a) Lease liabilities

As at 31 December 2022, the Group had outstanding lease liabilities of approximately RMB418,000.

- (b) Pledge of assets

As at 31 December 2022, the Group had the following pledge of assets:

Bank deposits pledged for banking facilities of Sundry Holdings Group	RMB135,000,000
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(c) Financial guarantee contracts

As at 31 December 2022, the guarantees given by the Group to banks pursuant to the 2022 Sundry Property Guarantee, in respect of banking facilities granted to Sundry Holdings Group are as follows:

– amounts guaranteed	RMB150,000,000
– amounts utilised	RMB128,000,000

(d) Contingent liabilities

Other than the financial guarantee contracts disclosed above, as at 31 December 2022, the Group did not have any contingent liabilities.

Disclaimer

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business, the Group did not have any other loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, and authorised or otherwise created but unissued and term loans or other borrowings, indebtedness in the nature of borrowings, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities outstanding on 31 December 2022, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular.

3. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As an important service industry related to people's livelihood, the property management industry is supported by various government policies. With the recovery of sales by real estate developers, the increasingly diversified needs of property owners for the property management industry, the accelerated urbanization process and the upgrading of consumption and services, a series of market demands and industry development opportunities will drive the property management industry to move forward steadily amidst fluctuations. The Group remains positive and optimistic about the future development of the industry. The Group believes that with the effective guidance of national policies and healthy competition in the industry, it is capable of finding great room for development under various circumstances. Under this circumstance, in the first half of 2022, the Group adhered to the goal of steady development. Instead of blindly following the trend nor restraining itself from making progress, the Group has been actively seeking development opportunities in the market and striving to develop into a diversified life service platform.

In 2019, the Group established a wholly-owned subsidiary, Hangzhou Herui Living Service Co., Ltd.* (杭州和瑞生活服務有限公司) (“**Hangzhou Herui**”), to expand urban services in old communities and actively explore the service models and implementation measures. Hangzhou Herui cooperated with Caihe Street, Shangcheng District, Hangzhou to implement the “Gold Butler (金牌管家)” of big property service and with linkage between property management companies and neighborhood committees, which realizes “low fees, high standards and large-scale governance in small communities”, thereby creating a unique “Caihe Model” when providing urban services. In the future, the Group will continue to actively participate in urban operations, realize the three-in one implementation of city, space and user operations, and become a benchmark of urban service operations.

The Group closely followed the trend of national policies and social development, relied on new technologies such as mobile Internet, artificial intelligence and 5G, and collaborated with communities and property owners to explore the “1+1+N” smart community service model. By linking the residents, vehicles and various devices in the community on a smart IoT platform, it can realize community-wide management through real-time monitoring, analysis and early warning. Based on the intelligent underlying technology and ecology of the IoT, it integrated a comprehensive platform for community space intelligence and life services by combining the actual needs of property owners, and at the same time, it implemented service scenarios such as intelligent elevator control, intelligent lighting, emergency call and garbage classification.

In the future, with the service concept of “creating accessible livable living for property owners and their families” and customers as the core and quality as the cornerstone, the Group consistently improves services and is devoted to offering a safe, tidy, beautiful and comfortable working and living environment for property owners. Meanwhile, the Group closely follows the pace of the times of “smart interconnection of all things” and actively innovates and empowers life services via Artificial Intelligence of Things (AIoT). Externally, it expands various service scenarios with the demands of property owners as the centre; internally, it reduces labour costs and energy consumption and improves efficiency through intelligent scenarios to effectively save costs. While actively looking for expansion opportunities, the Group puts forward the concept of “extending the boundary of services to cities”, redefines the property management model of old communities, and provides new governance methods for urban property services.

4. SUFFICIENCY OF WORKING CAPITAL

After taking into account the Group’s internal resources and the bank loans which may be obtained after entering into the 2023 Cross-guarantee Agreement, the Directors are of the opinion that the Group will have sufficient working capital to meet its present requirements for the next twelve (12) months from the date of this circular.

The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

5. LIQUIDITY, FINANCIAL RESOURCES AND FINANCING ACTIVITIES

In the first half of 2022, the financial position of the Group remained stable. As at 30 June 2022, the current assets were RMB488.1 million, representing an increase of 5.9% as compared with RMB461.0 million as at 31 December 2021.

As at 30 June 2022, the Group's cash and cash equivalents were RMB148.0 million, representing a decrease of 53.5% as compared with RMB318.2 million as at 31 December 2021, mainly due to the net cash used in operating activities and investing activities and a pledge of bank deposit of RMB135.0 million recognised as restricted bank balances. The current ratio (calculated by dividing current assets by current liabilities) of the Group increased from 2.59 times as at 31 December 2021 to 2.54 times as at 30 June 2022.

As at the Latest Practicable Date, the Company has no financial instruments for hedging purposes, and has no foreign currency net investments that are hedged by currency borrowings and other hedging instruments.

6. CAPITAL STRUCTURE

The equity attributable to owners of the Company amounted to approximately RMB328.6 million as at 30 June 2022 (31 December 2021: approximately RMB308.4 million). The increase was mainly due to the improvement in the profit during 6M2022. The Company did not issue any new Shares during the year. The issued share capital of the Company was approximately RMB208,000 (represented by 3,200,000,000 ordinary shares).

7. SEGMENT INFORMATION

The principal activities of the Group are the provision of property management services, value-added services to non-property owners and community value-added services, hotel business and long-term rental apartment business. Revenue represents income from property management services, value-added services to non-property owners and community value-added services, income from hotel business and rental income from long-term rental apartment business.

Property management services

During 6M2022, the Group's revenue from properties management services was RMB92.3 million, accounting for 70.6% of the total revenue for 6M2022, representing an increase of 16.1% as compared with RMB79.5 million in the corresponding period in 2021.

Value-added services to non-property owners

During 6M2022, the Group's revenue from value-added services to non-property owners was RMB22.4 million, accounting for 17.1% of the total revenue for the 6M2022, representing a decrease of 44.1% as compared with RMB40.1 million in the corresponding period in 2021.

Community value-added services

During 6M2022, the Group's revenue from community value-added services reached RMB11.1 million, accounting for 8.5% of the total revenue for 6M2022, representing an increase of 12.1% as compared with RMB9.9 million in the corresponding period on 2021.

8. EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2022, the Group employed a total of 689 employees (30 June 2021: 740 employees). The staff costs of the Group for 6M2022 were RMB37.6 million (for the six months ended 30 June 2021: RMB33.1 million). In determining remuneration of Directors and senior management of the Company, the Board will consider the remuneration level based on skill, knowledge, involvement in the Group's affairs and performance of each Director, together with reference to the profitability of the Company, remuneration benchmarks in the industry, and prevailing market conditions.

The Group ensures that their employees are offered competitive remuneration packages. The Group had also adopted a share option scheme, details of which are disclosed in the paragraph headed "Share Option Scheme" in the interim report of the Company for 6M2022.

9. MATERIAL CONTRACTS

Save as the 2023 Cross-guarantee Agreement, the 2022 Cross-guarantee Agreement and the contracts disclosed hereinbelow, the Group has not entered into any contracts (not being contracts in the ordinary course of business) within the two years preceding the date of this circular which are or may be material:

- (a) a change of name and capital increase agreement dated 14 April 2021 entered into between Rong Du Group Co. Limited* (榮都集團有限公司) ("**Rong Du**") and Taizhou Road and Bridge Lvjang Tongxiang Real Estate Co., Ltd* (台州市路橋旅港同鄉置業有限公司) ("**Lvjang Real Estate**"), pursuant to which (i) Rong Du and Lvjang Real Estate agreed to change the name of Taizhou Road and Bridge Lvjang Tongxiang Property Co., Ltd* (台州市路橋旅港同鄉物業有限公司) into Sundy Lvjang (Taizhou) Service Co., Ltd.* (宋都旅港(台州)物業服務有限公司) ("**Sundy Lvjang**") and (ii) Rong Du and Lvjang Real Estate agreed to invest capital of US\$255,000 and US\$245,000, respectively, into Sundy Lvjang; and
- (b) an investment cooperation agreement dated 15 March 2022 entered into between the Company, Ningbo Fenghua District Urban Investment Development Group Co., Ltd.* (寧波市奉化區城市投資發展集團有限公司), Zhejiang Jetta Property Service Co., Ltd.* (浙江捷達物業服務有限公司), and Ningbo Songjie Enterprise Management Partnership (Limited Partnership)* (寧波宋捷企業管理合夥企業(有限合夥)), in relation to establishing an associate company known as Ningbo Hesheng City Service Development Co., Ltd.* (寧波和晟城市服務發展有限公司). The Company agreed to invest in the amount of RMB6,000,000 and is entitled to 33% of its voting right.

10. FOREIGN EXCHANGE RISK

The Group mainly operates its business in the PRC, and most of its business are conducted in RMB, and its exposure to foreign exchange risks is limited. However, as the proceeds from the Listing are dominated in Hong Kong dollar, the depreciation or appreciation of the Hong Kong dollar and interest rate adjustments will affect the performance of the Group. Therefore, the Group will closely monitor the exchange rate risks and interest rate risks involved, actively discuss foreign exchange hedging solutions with major banks, and use financial instruments to counter the risks involved when necessary.

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	Approximate 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 WingLung”)	(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, no Director or supervisor 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 member 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 is 127, Hanghai Road, Jianggan District, Hangzhou, Zhejiang province, PRC.
- c. The principal place of business in Hong Kong 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 17M 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 2023 Cross-guarantee Agreement;
- (ii) the 2023 Counter-guarantee Agreement;
- (iii) the Undertakings;
- (iv) the 2022 Cross-guarantee Agreement;
- (v) the 2022 Announcement;
- (vi) the 2022 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 Conference Room, 21st Floor, Caihejiaye Building, No. 19 Xintang Road, Shangcheng District, Hangzhou City, Zhejiang Province, PRC on Thursday, 30 March 2023 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 of the Company:

“THAT:

- (A) the 2023 Cross-guarantee Agreement (as defined in the circular of the Company of even date) and the continuing connected transactions (including the annual cap in relation thereto) and major transactions contemplated thereunder be and is hereby approved and confirmed and any one director of the Company (the “**Director**”) (other than Ms. Yu Yun) be and are 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 2023 Cross-guarantee Agreement and the transactions contemplated thereunder; and
- (B) any one Director 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 2023 Cross-guarantee Agreement and the transactions contemplated thereunder and the implementation thereof including the affixing of seal thereon.”

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

Hong Kong, 24 February 2023

NOTICE OF EXTRAORDINARY GENERAL MEETING

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

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, 27 March 2023 to Thursday, 30 March 2023, 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, 24 March 2023.
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.

NOTICE OF EXTRAORDINARY GENERAL MEETING

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.