

## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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



### REVISION OF THE ANNUAL CAPS FOR THE CONTINUING CONNECTED TRANSACTIONS WITH SUNDY LAND GROUP AND NOTICE OF EXTRAORDINARY GENERAL MEETING

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



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

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

A letter from the Board is set out on pages 8 to 24 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 25 to 26 of this circular. A letter from Jun Hui International Finance Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 27 to 51 of this circular.

A notice convening the EGM to be held at Conference Room, 22nd Floor, Caihejiaye Building, No.19 Xintang Road, Shangcheng District, Hangzhou City, Zhejiang Province, the PRC on Friday, 31 December 2021 at 10:00 a.m. is set out on pages 56 to 58 of this circular.

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

#### **Precautionary measures and special arrangements for the EGM**

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

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

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## DEFINITIONS

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

“2021 Aggregated Service Annual Cap”	the aggregated annual cap for the value-added services to non-property owners, the community value-added services and other services that may be payable by Sundy Land Group to the Group pursuant to the Master Service Agreement for the year ending 31 December 2021
“2021 Property Management Annual Cap”	the annual cap for the property management services that may be payable by Sundy Land Group to the Group pursuant to the Master Property Management Agreement for the year ending 31 December 2021
“2021 Value-added Service Annual Cap”	the annual cap for the value-added services to non-property owners that may be payable by Sundy Land Group to the Group pursuant to the Master Service Agreement for the year ending 31 December 2021
“2022 Aggregated Service Annual Cap”	the aggregated annual cap for the value-added services to non-property owners, the community value-added services and other services that may be payable by Sundy Land Group to the Group pursuant to the Master Service Agreement for the year ending 31 December 2022
“2022 Property Management Annual Cap”	the annual cap for the property management services that may be payable by Sundy Land Group to the Group pursuant to the Master Property Management Agreement for the year ending 31 December 2022
“2022 Value-added Service Annual Cap”	the annual cap for the value-added services to non-property owners that may be payable by Sundy Land Group to the Group pursuant to the Master Service Agreement for the year ending 31 December 2022
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors

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## DEFINITIONS

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“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 transactions”	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 Supplemental Property Management Agreement, the Supplemental Service Agreement and the transactions contemplated thereunder (including the revised annual caps in relation thereto)
“Future Community Pilot Plan”	Pilot Plan for Development of Future Community in Zhejiang Province* (《浙江省未來社區建設試點工作方案》)
“GFA”	gross floor area
“Group”	the Company and its subsidiaries from time to time
“Heye Investment”	Hangzhou Heye Investment Management Co., Ltd.* (杭州和業投資管理有限公司), a company established in the PRC with limited liability
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

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## DEFINITIONS

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“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 Supplemental Property Management Agreement, the Supplemental Service Agreement and the transactions contemplated thereunder (including the revised annual caps in relation thereto)
“Independent Financial Adviser” or “Jun Hui International”	Jun Hui International Finance Limited, a corporation licensed to carry on 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 Supplemental Property Management Agreement, the Supplemental Service Agreement and the transactions contemplated thereunder (including the revised annual caps 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 transactions contemplated under the Supplemental Property Management Agreement and the Supplemental Service Agreement (including the revised annual caps 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”	3 December 2021, 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

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## DEFINITIONS

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“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
“Master Property Management Agreement”	the master property management agreement dated 21 December 2020 entered into between the Company (for itself and as trustee for the benefit of other members of the Group) and Sundry Land (for itself and as trustee for other members of the Sundry Land Group) for provision of property management services
“Master Service Agreement”	the master service agreement dated 21 December 2020 entered into between the Company (for itself and as trustee for the benefit of other members of the Group) and Sundry Land (for itself and as trustee for other members of the Sundry Land Group) for provision of value-added services to non-property owners, community value-added services and other services
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers
“Ms. Guo”	Ms. Guo Yijuan (郭軼娟), spouse of Mr. Yu
“Mr. Yu”	Mr. Yu Jianwu (俞建午), one of the Controlling Shareholders of the Company
“PRC”	the People’s Republic of China and, except where the context otherwise requires and only for the purpose of this circular, and for geographical reference only, references in this circular to China or the People’s Republic of China exclude Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan region
“Property Management Agreements”	collectively, the Master Property Management Agreement, the Zhizhonghe Master Agreement and the Yangguang Master Agreement
“Prospectus”	prospectus of the Company dated 31 December 2020

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## DEFINITIONS

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“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended from time to time
“Share(s)”	ordinary share(s) with a nominal value or par value of US\$0.00001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Sundy Heye”	SUNDY HEYE LIMITED (宋都和业有限公司), a company incorporated in the 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 Land”	Sundy Land Investment Co., Ltd.* (宋都基業投資股份有限公司), a company established in the PRC with limited liability on 22 March 1999 and the shares of which are listed on the Shanghai Stock Exchange (stock code: 600077), an associate of Mr. Yu, and is therefore a connected person of the Company
“Sundy Land Group”	Sundy Land and its subsidiaries
“Sundy Yangguang Kindergarten”	Hangzhou Sundy Yangguang Kindergarten Co., Ltd.* (杭州宋都陽光幼兒園有限公司), a company established in the PRC with limited liability on 16 August 2018 and an associate of Mr. Yu, which is indirectly owned as to 40% by Heye Investment, a non-wholly owned subsidiary of Sundy Holdings, and the remaining 60% by independent third parties
“Supplemental Agreements”	the Supplemental Property Management Agreement and the Supplemental Service Agreement

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## DEFINITIONS

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“Supplemental Property Management Agreement”	the supplemental agreement dated 16 November 2021 entered into between the Company (for itself and as trustee for the benefit of other members of the Group) and Sundy Land (for itself and as trustee for other members of the Sundy Land Group) supplemental to the Master Property Management Agreement in relation to the revision of 2021 Property Management Annual Cap and 2022 Property Management Annual Cap
“Supplemental Service Agreement”	the supplemental agreement dated 16 November 2021 entered into between the Company (for itself and as trustee for the benefit of other members of the Group) and Sundy Land (for itself and as trustee for other members of the Sundy Land Group) supplemental to the Master Service Agreement in relation to the revision of 2021 Value-added Service Annual Cap, 2022 Value-added Service Annual Cap, 2021 Aggregated Service Annual Cap and 2022 Aggregated Service Annual Cap
“The Jianwu Yu’s Trust”	a discretionary trust established by Mr. Yu with CMB Wing Lung (Trustee) Limited acting as trustee, the beneficiaries of which are Mr. Yu and his family members
“US\$”	United States dollars, the lawful currency of United States of America
“Yangguang Master Agreement”	the master property management agreement dated 21 December 2020 entered into between the Company (for itself and as trustee for the benefit of other members of the Group) and Sundy Yangguang Kindergarten in relation to provision of property management services
“Zhizhonghe Group”	Zhizhonghe Industry and its subsidiaries
“Zhizhonghe Industry”	Zhejiang Zhizhonghe Industry Co., Ltd.* (浙江致中和實業有限公司), a company established in the PRC with limited liability on 15 December 2010, an associate of Mr. Yu, and is therefore a connected person of the Company



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## DEFINITIONS

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“Zhizhonghe Master Agreement” the master property management agreement dated 21 December 2020 entered into between the Company (for itself and as trustee for the benefit of other members of the Group) and Zhizhonghe Industry (for itself and as trustee for the benefit of other members of Zhizhonghe Group) in relation to provision of property management services

“%” per cent.

*\* For identification purpose only*

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## LETTER FROM THE BOARD

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### Sundy Service Group Co. Ltd 宋都服务集团有限公司

(incorporated in the Cayman Islands with limited liability)  
(Stock Code: 9608)

*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

13 December 2021

*To the Shareholders,*

Dear Sir or Madam,

**REVISION OF THE ANNUAL CAPS FOR  
THE CONTINUING CONNECTED TRANSACTIONS WITH  
SUNDY LAND GROUP  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

#### INTRODUCTION

References are made to:–

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

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## LETTER FROM THE BOARD

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- (2) the announcement of the Company dated 16 November 2021 in respect of the continuing connected transactions in relation to, among other things, the Supplemental Agreements and the revision of annual caps in relation thereto.

The purpose of this circular is to provide you with, among other things, (i) further details of the Supplemental Property Management Agreement, the Supplemental Service Agreement and the continuing connected transactions (including the revised annual caps in relation thereto) contemplated thereunder; (ii) a letter from the Independent Board Committee to the Independent Shareholders; (iii) a letter from Jun Hui International to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the EGM.

### **BACKGROUND**

#### **Master Property Management Agreement**

On 21 December 2020, the Company (for itself and as trustee for the benefit of other members of the Group) entered into the Master Property Management Agreement with Sundry Land (for itself and as trustee for other members of Sundry Land Group), pursuant to which the Group agreed to provide property management services, including but not limited to security, cleaning, gardening, repair and maintenance of common areas and common facilities and ancillary services, to the properties developed or owned by Sundry Land Group for a term commencing from the Listing Date until 31 December 2022. For further details (including the key terms and conditions) of the Master Property Management Agreement, please refer to the paragraph headed “Connected Transactions – Non-exempt continuing connected transactions” in the Prospectus.

#### **Master Service Agreement**

On 21 December 2020, the Company (for itself and as trustee for the benefit of other members of the Group) entered into the Master Service Agreement with Sundry Land (for itself and as trustee for other members of Sundry Land Group), pursuant to which the Group agreed to provide (i) value-added services to non-property owners, including but not limited to consulting services, sale assistance services and pre-delivery services; (ii) community value-added services, including but not limited to property repair and maintenance, waste cleaning, utility fee collection, remodelling and decoration and community space services; and (iii) other services, including but not limited to provision of conferencing and meeting spaces for rental by corporate clients at properties developed or owned by Sundry Land Group or provision of accommodation to the employees of members of Sundry Land Group (where applicable), for a term commencing from the Listing Date until 31 December 2022. For further details (including the key terms and conditions), please refer to the paragraph headed “Connected Transactions – Non-exempt continuing connected transactions” in the Prospectus.

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## LETTER FROM THE BOARD

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### REVISION OF ANNUAL CAPS UNDER THE SUPPLEMENTAL AGREEMENTS

#### Revision of the 2021 Property Management Annual Cap and the 2022 Property Management Annual Cap under the Supplemental Property Management Agreement

The Company has been closely monitoring the progress of its continuing connected transactions with Sundry Land Group under the Master Property Management Agreement. In view that (i) the Group has been providing extra and wider scope of property management services, such as additional cleaning services to the properties developed or owned by Sundry Land Group; (ii) the increase in scale of sale, area and number of properties developed by the Sundry Land Group resulting in an increased demand for property management services; and (iii) the actual delivery time of four property projects developed by the Sundry Land Group was delayed from the expected delivery time leading to extra property management services required by Sundry Land Group, the transaction amount under the Master Property Management Agreement is approaching the 2021 Property Management Annual Cap.

The following table sets forth the historical transaction amounts of the Master Property Management Agreement for the year ended 31 December 2020 and for the nine months ended 30 September 2021, respectively:

	<b>For the year ended 31 December 2020</b> <i>(RMB'000)</i> <i>(audited)</i>	<b>For the nine months ended 30 September 2021</b> <i>(RMB'000)</i> <i>(unaudited)</i>
• Master Property Management Agreement	21,906	18,880

The total actual transaction amount under the Master Property Management Agreement for the nine months ended 30 September 2021 constituted approximately 82.8% of the original 2021 Property Management Annual Cap.

As it is expected that the actual amounts under the Master Property Management Agreement for the two years ending 31 December 2022 will exceed the original projection and the original annual caps will not be sufficient, on 16 November 2021 (after trading hours), the Company (for itself and as trustee for the benefit of other members of the Group) and Sundry Land (for itself and as trustee for other members of the Sundry Land Group) entered into the Supplemental Property Management Agreement to revise the 2021 Property Management Annual Cap and the 2022 Property Management Annual Cap with details as below:

	<b>For the year ending 31 December 2021</b> <i>(RMB'000)</i>	<b>For the year ending 31 December 2022</b> <i>(RMB'000)</i>
Original annual cap	22,800	24,800
Revised annual cap	32,800	34,800

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## LETTER FROM THE BOARD

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The Board further confirms that as at the Latest Practicable Date, the actual transaction amount under the Master Property Management Agreement has not exceeded the original 2021 Property Management Annual Cap (i.e. RMB22,800,000).

Save as disclosed above, all the existing principal terms of the Master Property Management Agreement remain unchanged.

The revised 2021 Property Management Annual Cap and the revised 2022 Property Management Annual Cap were determined with reference to:

- (i) the historical transaction amounts for the three years ended 31 December 2020 and the nine months ended 30 September 2021;
- (ii) the number of property units and corresponding GFA that the Group has been currently engaged by Sundry Land Group as a property management service provider;
- (iii) the increase in the number of projects and corresponding GFA that the Group expects to be engaged by Sundry Land Group as a property management service provider for each of the years ending 31 December 2021 and 2022, taking into account, among others, the number of pipeline properties and their expected delivery date and the expected sales of such pipeline properties; and
- (iv) the annual increment in the services fees to be charged by the Group taking into account the expected inflation in the PRC.

The service fees concerned in the Master Property Management Agreement (as amended by the Supplemental Property Management Agreement) will be negotiated by the relevant members of both parties with reference to (i) the size and location of the properties; (ii) budgeted operational expenses including but not limited to the historical labour, administrative, subcontracting and other expenses, for projects with similar size, location and scope of services and the anticipated increase in such costs due to inflation and other socio-economic factors; (iii) scope and quality of the services proposed; (iv) revenue generating model and targeted profit margins; (v) local government's pricing guidance or regulations on property management fees (the "**Guided Price**") (if applicable); and (vi) the prevailing market price for similar services in the market, and in good faith which will be set out in separate property management agreements in accordance with the terms set out in the Master Property Management Agreement. In particular, the said separate property management agreements usually set out the property management fees to be charged per sq.m. per month (the "**unit price**"), pursuant to which, the unit price shall not be higher than the relevant service price as set by the Guided Price, if applicable. In the absence of the Guided Price, the unit price shall be determined with reference to the aforesaid items (i) to (iv) and (vi), taking into account (a) the service fees charged by the Group in providing similar property management services to independent third parties; and (b) the service fees charged by other property management companies for providing similar services based on the Company's market research.

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## LETTER FROM THE BOARD

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### **Revision of 2021 Value-added Service Annual Cap, 2021 Aggregated Service Annual Cap, 2022 Value-added Service Annual Cap and 2022 Aggregated Service Annual Cap under the Supplemental Service Agreement**

The Company has also been closely monitoring the progress of its continuing connected transactions with Sundy Land Group under the Master Service Agreement. In view that (i) the Sundy Land Group requested to expand the scope of value-added services to non-property owners of certain properties due to the needs of the relevant projects; and (ii) the increase in scale of sale, area and number of properties developed by the Sundy Land Group resulting in an increased demand for value-added services, the actual transaction amount of value-added services to non-property owners paid by Sundy Land Group pursuant to the Master Service Agreement is approaching the 2021 Value-added Service Annual Cap.

The following table sets forth the historical transaction amounts of the fee for value-added services to non-property owners paid by the Sundy Land Group pursuant to the Master Service Agreement for the year ended 31 December 2020 and for the nine months ended 30 September 2021, respectively:

	<b>For the year ended 31 December 2020</b>	<b>For the nine months ended 30 September 2021</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	<i>(audited)</i>	<i>(unaudited)</i>
<ul style="list-style-type: none"><li>• value-added services to non-property owners</li></ul>	49,024	47,291

The total fee for value-added services to non-property owners paid by the Sundy Land Group pursuant to the Master Service Agreement for the nine months ended 30 September 2021 constituted approximately 82.4% of the original 2021 Value-added Service Annual Cap.

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## LETTER FROM THE BOARD

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As it is expected that the actual amounts under the Master Service Agreement for the two years ending 31 December 2022 will exceed the original projection and the original annual caps will not be sufficient, on 16 November 2021 (after trading hours), the Company (for itself and as trustee for the benefit of other members of the Group) and Sundy Land (for itself and as trustee for other members of the Sundy Land Group) entered into the Supplemental Service Agreement to revise (i) the 2021 Value-added Service Annual Cap and the 2022 Value-added Service Annual Cap; and (ii) the 2021 Aggregated Service Annual Cap and the 2022 Aggregated Service Annual Cap. Details of the corresponding revisions are set out as below:

	<b>For the year ending 31 December 2021</b>	<b>For the year ending 31 December 2022</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
<i>Original annual cap</i>		
• value-added services to non-property owners	57,386	64,722
• community value-added services	13,404	14,549
• other services	210	229
	<b>71,000</b>	<b>79,500</b>
<b>Aggregated annual cap</b>	<b>71,000</b>	<b>79,500</b>
 <i>Revised annual cap</i>		
• value-added services to non-property owners	82,386	89,722
• community value-added services	13,404 <sup>(Note)</sup>	14,549 <sup>(Note)</sup>
• other services	210 <sup>(Note)</sup>	229 <sup>(Note)</sup>
	<b>96,000</b>	<b>104,500</b>
<b>Aggregated annual cap</b>	<b>96,000</b>	<b>104,500</b>

*Note:* The corresponding individual annual cap remains unchanged.

The Board further confirms that as at the Latest Practicable Date, (i) the actual transaction amount in relation to value-added services to non-property owners under the Master Service Agreement has not exceeded the original 2021 Value-added Service Annual Cap (i.e. RMB57,386,000); and (ii) the actual aggregated transaction amount under the Master Service Agreement has not exceeded the original 2021 Aggregated Service Annual Cap (i.e. RMB71,000,000).

Save as disclosed above, all the existing principal terms of the Master Service Agreement remain unchanged.

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## LETTER FROM THE BOARD

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The revised 2021 Value-added Service Annual Cap and the revised 2022 Value-added Service Annual Cap were determined with reference to:

- (i) the historical transaction amounts for the three years ended 31 December 2020 and the nine months ended 30 September 2021;
- (ii) the number of property units and corresponding GFA that the Group has been currently engaged by Sundry Land Group as a value-added service provider;
- (iii) the increase in the number of projects and corresponding GFA that the Group expects to be engaged by Sundry Land Group as a value-added service provider for each of the years ending 31 December 2021 and 2022, taking into account, among others, the number of development projects under construction and pipeline development projects of Sundry Land Group, the number of pipeline properties of property management services, their expected delivery dates and the expected sales of such pipeline properties which substantially overlap with the ones of value-added services; and
- (iv) the annual increment in the services fees to be charged by the Group taking into account the expected inflation in the PRC.

The revised 2021 Aggregated Service Annual Cap and the revised 2022 Aggregated Service Annual Cap were determined based on the revision of the 2021 Value-added Service Annual Cap and the 2022 Value-added Service Annual Cap.

The service fees concerned in the Master Service Agreement (as amended by the Supplemental Service Agreement) will be negotiated by the relevant members of both parties with reference to:

- (a) in respect of value-added services to non-property owners, (i) the Group's budgeted expenses, such as the headcount and positions of the personnel it deploys; (ii) the types and locations of properties; (iii) GFA under management of properties; and (iv) the prevailing market price for similar services in the market;
- (b) in respect of community value-added services, (i) the size and locations of the properties; (ii) budgeted expenses including but not limited to labour, administrative, subcontracting and other expenses; (iii) scope and quality of the services proposed; and (iv) the prevailing market price for similar services in the market; and
- (c) in respect of other services, (i) budgeted expenses including but not limited to labour and administrative expenses; (ii) nature, scope and quality of services proposed; and (iii) the prevailing market price for similar services in the market,



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## LETTER FROM THE BOARD

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and in good faith which will be set out in separate service agreements in accordance with the principles as set out in the Master Service Agreement. In particular, the Company adopts the principle of cost plus a targeted profit margin. The expected costs are determined based on, among others, the historical labour, administrative, subcontracting and other expenses, for projects with similar size, location and scope of services and the anticipated increase in such costs due to inflation and other socio-economic factors. The target gross profit margin is expected to be not less than 30%, which is determined with reference to, among others, (i) the gross profit margin achieved by the Group in providing similar value-added services to independent third parties; and (ii) the estimated gross profit margin charged by other companies for providing similar value-added services based on the Company's market research.

### **REASONS FOR AND BENEFITS OF ENTERING INTO THE SUPPLEMENTAL AGREEMENTS**

As at the time of the Listing, the Company estimated the annual caps under the Master Property Management Agreement and the Master Service Agreement, with reference to the information available to the Company as at the material time, in particular, the relevant historical transactions for the three years ended 31 December 2019 and the six months ended 30 June 2020. With the background of entering into the Supplemental Property Management Agreement and the Supplemental Service Agreement as stated under the section headed "Revision of Annual Caps under the Supplemental Agreements" above, it is expected that the original 2021 Property Management Annual Cap and the original 2021 Value-added Service Annual Cap will not be sufficient. In addition, based on the development plans and pipeline projects of the Sundry Land Group provided to the Group for the two years ending 31 December 2022, the Board estimates that there will be more rapid growth in the demand for property management services and value-added services to non-property owners by the Sundry Land Group than the estimation as at the time of the Listing.

By entering into the Supplemental Agreements, the Group is able to secure more engagements of property management services and value-added services to non-property owners for properties developed by the Sundry Land Group when available, which could enhance the Group's income stream and further promote the business growth of the Group.

The Directors (excluding the independent non-executive Directors whose views are contained in the letter from the Independent Board Committee set out on pages 25 to 26 in this circular after considering the advice from the Independent Financial Adviser) are of the view that the terms of the Supplemental Agreements and the transactions contemplated thereunder (including the revised annual caps in relation thereto) are fair and reasonable, on normal commercial terms and will be conducted in the ordinary course of business of the Group and in the interests of the Company and its Shareholders as a whole.

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## LETTER FROM THE BOARD

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### BOARD'S APPROVAL

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

### INDEPENDENCE OF THE GROUP'S MANAGEMENT AND OPERATIONS WITHOUT UNDUE RELIANCE ON SUNDY LAND GROUP

Notwithstanding the revised annual caps under the Supplemental Agreements, the Board is of the view that the Subject Agreements would not give rise to any reliance issue of the Company with its connected persons because:

1. For the year ended 31 December 2020, the total revenue generated from Sundry Land Group amounted to approximately 42.0% of the Group's total revenue. Based on the information currently available (including but not limited to the factors the Directors consider to determine the revised annual caps under the Supplemental Agreements), the Directors expect the total revenue generated from Sundry Land Group for two years ending 31 December 2022 will be in the ranges of 37.0% to 40.0% and 33.0% to 36.0%, respectively, of the Group's total revenue for the same periods.
2. Taken into account the historical percentage of total revenue generated from Sundry Land Group for the year ended 31 December 2020 and the expected percentage range of revenue generated from Sundry Land Group for two years ending 31 December 2022, there is a general decreasing trend in the proportion of total revenues generated from Sundry Land Group. As such, despite the increase in the amount of annual caps under the Supplemental Agreements, it is expected that the percentage of its relevant revenue contribution of Sundry Land Group to the Group will decrease in the long run, thus the Group's reliance on Sundry Land Group will be gradually reduced.
3. For the nine months ended 30 September 2021, six new property management projects were entered into with five of them being properties developed by independent third-party property developers with the expected aggregated contract sum of approximately RMB3.5 million for the year ending 31 December 2021. Further, three out of the said five projects were successfully obtained as a result of the experience of property management in the Future Community Pilot Plan.
4. For the nine months ended 30 September 2021, the Group has entered into three new projects regarding properties developed by independent third parties for the provision of value-added services to non-property owners with the expected aggregated contract sum of approximately RMB1.0 million for the year ending 31 December 2021. In addition, as at 30 September 2021, the Group's total number of

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## LETTER FROM THE BOARD

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projects regarding properties developed by independent third parties for the provision of value-added services to non-property owners reached seven, with the expected aggregated contract sum of approximately RMB6.9 million for the year ending 31 December 2021.

5. As at the Latest Practicable Date, the Group has established a new joint venture with an independent third party with focus on the provision of property management services to non-residential properties within Taizhou with the GFA of 410,000 sq.m.. The expected aggregated contract sum for the provision of property management services are approximately RMB5.1 million for the year ending 31 December 2021. The Group is actively finding new potential acquisition targets, who are independent third parties, to expand its managed area and diversify the revenue base.
6. The Group has increased tendering for property management projects for the provision of property management services for properties developed by independent third-party developers. From 1 January 2021 and up to the Latest Practicable Date, six tenders in relation thereto were submitted and out of which the Group has won four tenders. The expected aggregated contract sum of the said tenders are approximately RMB7.3 million for the year ending 31 December 2021.
7. Other than Ms. Yu Yun being a director of Sundry Land Group and Ms. Zhu Jin being supervisors of some members of Sundry Land Group, the Group's other directors and senior management are independent from Sundry Land Group. In particular, Ms. Yu Yun was and will be abstained from voting of any transactions entered into between the Group and Sundry Land Group and that Ms. Zhu Jin is not involved in the daily management and operations of Sundry Land Group. Accordingly, the Directors are of the view that the Board and the senior management are independent from Sundry Land Group.

The above illustrates the Group's continuous effort and improving performance of development of business with independent third-party customers, as well as its independence in operations and management from Sundry Land Group. Furthermore, the Group has been actively searching for opportunities from independent third-party property developers and/or independent third parties by increasing the number of engagements therefrom, with an aim to gradually reduce its reliance on Sundry Land Group. For instance, in 2019, the Group set up a business development department, responsible for, among others, overseeing business expansion with third-party developers. For further details of its existing measures to reduce its reliance on Sundry Land Group, please refer to the paragraph headed "Relationship with Controlling Shareholders – Independence from our Controlling Shareholders" in the Prospectus.

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## LETTER FROM THE BOARD

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The following measures are to be taken by the Group to reduce further its reliance on Sundry Land Group and diversify its revenue source to independent third-party customers:

1. The Group intends to continue to further broaden the customer base of the independent third parties through establishing a good reputation of customised, diversified and quality services to customers.
2. The business development department of the Group shall continue to proactively explore market opportunities through market research to understand the preference of potential customers and to solicit independent third-party customers via industry referrals and introduction from residents, property owners or other customers. The Group will continue to encourage its staff to explore independent third-party customers and motivate them by distributing a bonus in accordance with the revenue brought about as a result of such new engagement. The Group will also consider adjusting the remuneration criteria based on market practice to increase its staff incentive to develop new business relationships.
3. The Group will continue to seek new tender opportunities through available information channels, communicating with industry organisations and participating in industry events to identify co-operation opportunities.
4. The Group will continue to increase tendering for property management projects and projects in relation to value-added services to non-property owners from independent third parties.
5. The Group will continue to search for suitable target property management companies with business focus on provision of property management services to residential and/or non-residential properties within the Yangtze River Delta region, particularly Hangzhou and other cities, to acquire, invest in, or form strategic alliance with. The Group plans to utilise approximately 48% of the net proceeds (i.e. approximately HK\$63.9 million) raised from the Listing in relation thereto and it is expected to be fully utilised by 31 December 2023. For further details, please refer to the section headed “Future Plans and Use of Proceeds” in the Prospectus and the paragraph headed “Use of proceeds from the Listing and future plans for material investments or capital assets” in the interim report of the Company for the six months ended 30 June 2021 published on 29 September 2021 (the “**2021 Interim Report**”).
6. The Group will continue to plan to participate in, invest in and expand the services related to the Future Community Pilot Plan, which primarily involves the provision of property management services and various types of community value-added services. The Group plans to utilise approximately 12% of the net proceeds (i.e. approximately HK\$16.0 million) raised from the Listing in relation thereto and it is expected to be fully utilised by 31 December 2023. The Board is of the view that the Group’s participation in the Future Community Pilot Plan can greatly increase and

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## LETTER FROM THE BOARD

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diversify the Group's revenue source on property management services to independent source. For further details, please refer to the section headed "Future Plans and Use of Proceeds" in the Prospectus and the paragraph headed "Use of proceeds from the Listing and future plans for material investments or capital assets" in the 2021 Interim Report.

### INTERNAL CONTROL

The Company has adopted various internal control measures to monitor the transactions contemplated under the Property Management Agreements (with the Master Property Management Agreement as amended by the Supplemental Property Management Agreement) and the Master Service Agreement (as amended by the Supplemental Service Agreement) (collectively the "**Subject Agreements**"), including:

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

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## LETTER FROM THE BOARD

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- (vi) the auditor of the Company will also conduct annual review on the pricing and annual caps of the Subject Agreements.

### GENERAL INFORMATION

#### Information of the Group

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

#### Information of the Sundry Land Group

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

### LISTING RULES IMPLICATIONS

#### General

According to Rule 14A.54 of the Listing Rules, if the Company proposes to revise the annual caps for its continuing connected transactions, the Company will be required to re-comply with the requirements of announcement and approval by the Independent Shareholders.

As at the Latest Practicable Date, Sundry Land is owned as to approximately 35.01% by Sundry Holdings (which was wholly owned by Mr. Yu), approximately 9.74% by Mr. Yu and approximately 4.51% by Ms. Guo, spouse of Mr. Yu. Mr. Yu is a Controlling Shareholder of the Company. Therefore, Sundry Land, an associate of Mr. Yu, is a connected person of the Company. As such, the transactions contemplated under the Supplemental Property Management Agreement and the Supplemental Service Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

#### **Supplemental Property Management Agreement and aggregation of annual caps contemplated under the Master Property Management Agreement, the Zhizhonghe Master Agreement and the Yangguang Master Agreement**

On 21 December 2020, in addition to the Master Property Management Agreement entered with the Sundry Land Group, the Company (for itself and as trustee for the benefit of other members of the Group) entered into the Zhizhonghe Master Agreement and the

## LETTER FROM THE BOARD

Yangguang Master Agreement regarding provision of property management services with Zhizhonghe Industry (for itself and as trustee for the benefit of other members of the Zhizhonghe Group) and Sundry Yangguang Kindergarten, respectively. The Master Property Management Agreement, Zhizhonghe Master Agreement and Yangguang Master Agreement have been aggregated for the purposes of the Listing Rules on the basis that they all relate to the property management services provided by the Group to associates of Mr. Yu, namely Sundry Land Group, Zhizhonghe Group and Sundry Yangguang Kindergarten, respectively. For further details, please refer to the paragraph headed “Connected Transactions – Non-exempt continuing connected transactions” in the Prospectus.

The details of the revision of the aggregated annual caps under the Property Management Agreements for the two years ending 31 December 2022 as set out below:

	<b>For the year ending 31 December 2021</b>	<b>For the year ending 31 December 2022</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
<i>Original annual cap</i>		
• Master Property Management Agreement	22,800	24,800
• Zhizhonghe Master Agreement	1,800	2,000
• Yangguang Master Agreement	70	70
	<b>24,670</b>	<b>26,870</b>
<b>Aggregated annual cap</b>	<b>24,670</b>	<b>26,870</b>
 <i>Revised annual cap</i>		
• Master Property Management Agreement	32,800	34,800
• Zhizhonghe Master Agreement	1,800 <sup>(Note)</sup>	2,000 <sup>(Note)</sup>
• Yangguang Master Agreement	70 <sup>(Note)</sup>	70 <sup>(Note)</sup>
	<b>34,670</b>	<b>36,870</b>
<b>Aggregated annual cap</b>	<b>34,670</b>	<b>36,870</b>

*Note:* The corresponding individual annual cap remains unchanged.

As one or more of the applicable percentage ratios (other than profits ratio) as defined under the Listing Rules in respect of the largest aggregated annual cap (taking into account the revised 2021 Property Management Annual Cap and the revised 2022 Property Management Annual Cap) under the Property Management Agreements is more than 5% and the aggregate amount exceeds HK\$10,000,000, the transactions contemplated under the Supplemental Property Management Agreement (including the revised 2021 Property Management Annual Cap and the revised 2022 Property Management Annual Cap) are subject to the requirements of annual review, reporting, announcement, circular (including independent financial advice) and approval by the Independent Shareholders under Chapter 14A of the Listing Rules.

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## LETTER FROM THE BOARD

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### Supplemental Service Agreement

As one or more of the applicable percentage ratios (other than profits ratio) as defined under the Listing Rules in respect of the maximum service fee payable by Sundy Land Group to the Group under the Master Service Agreement (taking into account the Supplemental Service Agreement, the revised 2021 Aggregated Service Annual Cap and the revised 2022 Aggregated Service Annual Cap) is more than 25%, the transactions contemplated under the Supplemental Service Agreement are subject to the requirements of annual review, reporting, announcement, circular (including independent financial advice) and approval by the Independent Shareholders under Chapter 14A of the Listing Rules.

### EGM AND PROXY ARRANGEMENT

The notice of EGM is set out in pages 56 to 58 of this circular. At the EGM, ordinary resolutions in respect of, among other things, the Supplemental Property Management Agreement, the Supplemental Service Agreement and the continuing connected transactions contemplated thereunder (including the revised annual caps in relation thereto) 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, Sundy Land was owned as to approximately 35.01% by Sundy Holdings (which was wholly owned by Mr. Yu), approximately 9.74% by Mr. Yu and approximately 4.51% by Ms. Guo, spouse of Mr. Yu.

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 Supplemental Property Management Agreement, the Supplemental Service Agreement, the proposed revised annual caps in relation thereto and the continuing connected transactions contemplated thereunder. 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 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.



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## LETTER FROM THE BOARD

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

### RECOMMENDATIONS

Your attention is drawn to:

- (a) the letter from the Independent Board Committee set out on pages 25 to 26 in this circular which contains its recommendation to the Independent Shareholders in relation to the Supplemental Property Management Agreement, the Supplemental Service Agreement and the continuing connected transactions contemplated thereunder (including the revised annual caps in relation thereto); and
- (b) the letter from Jun Hui International set on pages 27 to 51 in this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Supplemental Property Management Agreement, the Supplemental Service Agreement and the continuing connected transactions contemplated thereunder (including the revised annual caps 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 Supplemental Agreements have been entered into on normal commercial terms and in ordinary and usual course of business of the Group, and the terms and conditions thereunder (together with the revised annual caps in relation thereto) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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

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## LETTER FROM THE BOARD

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### 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 宋服務

臻 享 幸 福 +

**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)**

13 December 2021

**REVISION OF THE ANNUAL CAPS FOR  
THE CONTINUING CONNECTED TRANSACTIONS WITH  
SUNDY LAND GROUP  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

*To the Independent Shareholders,*

Dear Sir or Madam,

We refer to the circular dated 13 December 2021 (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 whether the Supplemental Property Management Agreement, the Supplemental Service Agreement and the continuing connected transactions contemplated thereunder (including the revised annual caps in relation thereto) (collectively named as the “**Proposed Transactions**”) are on normal commercial terms and in the ordinary and usual course of business of the Group and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Jun Hui International has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board, as set out on pages 8 to 24 of the Circular and the text of a letter of advice from Jun Hui International, as set out on pages 27 to 51 of the Circular, both of which provide details of the Supplemental Agreements and the transactions contemplated thereunder (including the revised annual caps in relation thereto).

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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As members of the Independent Board Committee, we have discussed with the management of the Company in relation to the Proposed Transactions, and the basis upon which the terms of such Proposed Transactions have been determined and the revised 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 Proposed Transactions, 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 Proposed Transactions are fair and reasonable, on normal commercial terms or on terms no less favourable than those available to or from independent third parties, and shall be entered into on a continuing and regular basis in the ordinary and usual course of business of the Company, and that they are in the interests of the Company and its Shareholders as a whole.

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

Yours faithfully,

**Independent Board Committee**

**Mr. Zhang Jingzhong**

*Independent  
non-executive Director*

**Mr. Xu Rongnian**

*Independent  
non-executive Director*

**Mr. Lau Kwok Fai Patrick**

*Independent  
non-executive Director*

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## LETTER FROM JUN HUI INTERNATIONAL

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*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 Supplemental Agreements and the continuing connected transactions (including the revised annual caps in relation thereto) contemplated thereunder, 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

13 December 2021

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

Dear Sir or Madam,

### **REVISION OF THE ANNUAL CAPS FOR THE CONTINUING CONNECTED TRANSACTIONS WITH SUNDY LAND GROUP**

#### **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 Supplemental Property Management Agreement, the Supplemental Service Agreement and the continuing connected transactions (including the revised annual caps in relation thereto) contemplated thereunder, 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 13 December 2021 (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.

- **Revision of annual caps under the Supplemental Agreements**

References are made to the Letter from the Board in relation to the revision of annual caps for continuing connected transactions with Sundy Land Group and the paragraph headed “Connected Transactions – Non-exempt continuing connected transactions” in the Prospectus.

On 21 December 2020, the Company (for itself and as trustee for the benefit of other members of the Group) entered into (i) the Property Management Agreements, including the Master Property Management Agreement; and (ii) the Master Service Agreement, with Sundy Land (for itself and as trustee for other members of Sundy Land Group), both with a term from the Listing Date until 31 December 2022, respectively.

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## LETTER FROM JUN HUI INTERNATIONAL

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As stated in the Letter from the Board, it is expected the actual transaction amounts under the Master Property Management Agreement and the Master Service Agreement for the two years ending 31 December 2022 will exceed the original projection and the original annual caps will not be sufficient, on 16 November 2021 (after trading hours), the Company (for itself and as trustee for the benefit of other members of the Group) and Sundy Land (for itself and as trustee for other members of Sundy Land Group) entered into the following agreements:

- (i) the Supplemental Property Management Agreement to revise the 2021 Property Management Annual Cap and the 2022 Property Management Annual Cap pursuant to the Master Property Management Agreement for the two years ending 31 December 2022; and
- (ii) the Supplemental Service Agreement to revise the 2021 Value-added Service Annual Cap, the 2021 Aggregated Service Annual Cap, the 2022 Value-added Service Annual Cap and the 2022 Aggregated Service Annual Cap pursuant to the Master Service Agreement for the two years ending 31 December 2022.

According to Rule 14A.54 of the Listing Rules, if the Company proposes to revise the annual caps for its continuing connected transactions, the Company will be required to re-comply with the requirements of announcement and approval by the Independent Shareholders.

As at the Latest Practicable Date, Sundy Land is owned as to approximately 35.01% by Sundy Holdings (which was wholly owned by Mr. Yu), approximately 9.74% by Mr. Yu and approximately 4.51% by Ms. Guo, spouse of Mr. Yu. Mr. Yu is a Controlling Shareholder of the Company. Therefore, Sundy Land, an associate of Mr. Yu, is a connected person of the Company.

The transactions contemplated under the Supplemental Property Management Agreement and the Supplemental Service Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

- **Aggregation of annual caps under the Property Management Agreements**

In addition to the Master Property Management Agreement entered with Sundy Land Group, on 21 December 2020, the Company (for itself and as trustee for the benefit of other members of the Group) entered into the Zhizhonghe Master Agreement and the Yangguang Master Agreement regarding provision of property management services with Zhizhonghe Industry (for itself and as trustee for the benefit of other members of the Zhizhonghe Group) and Sundy Yangguang Kindergarten, respectively. The Master Property Management Agreement, the Zhizhonghe Master Agreement and the Yangguang Master Agreement have been aggregated for the purposes of the Listing Rules on the basis that they all relate to the property management services provided by the Group to associates of Mr. Yu, namely Sundy Land Group, Zhizhonghe Group and Sundy Yangguang Kindergarten, respectively.

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## LETTER FROM JUN HUI INTERNATIONAL

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Details of the revision of the aggregated annual caps under the Property Management Agreements for the two years ending 31 December 2022 are set out below:

	<b>For the year ending 31 December 2021</b>	<b>For the year ending 31 December 2022</b>
	<i>RMB'000</i>	<i>RMB'000</i>
<i>Original annual cap</i>		
• Master Property Management Agreement	22,800	24,800
• Zhizhonghe Master Agreement	1,800	2,000
• Yangguang Master Agreement	70	70
	<b>24,670</b>	<b>26,870</b>
<b>Aggregated annual cap</b>	<b>24,670</b>	<b>26,870</b>
 <i>Revised annual cap</i>		
• Master Property Management Agreement	32,800	34,800
• Zhizhonghe Master Agreement	1,800 <sup>(Note)</sup>	2,000 <sup>(Note)</sup>
• Yangguang Master Agreement	70 <sup>(Note)</sup>	70 <sup>(Note)</sup>
	<b>34,670</b>	<b>36,870</b>
<b>Aggregated annual cap</b>	<b>34,670</b>	<b>36,870</b>

*Note:* The corresponding individual annual cap remains unchanged.

As one or more of the applicable percentage ratios (other than profits ratio) as defined under the Listing Rules in respect of the largest aggregated annual cap (taking into account the revised 2021 Property Management Annual Cap and the revised 2022 Property Management Annual Cap) under the Property Management Agreements is more than 5% and the aggregate amount exceeds HK\$10,000,000, the transactions contemplated under the Supplemental Property Management Agreement (including the revised 2021 Property Management Annual Cap and the revised 2022 Property Management Annual Cap) are subject to the requirements of annual review, reporting, announcement, circular (including independent financial advice) and approval by the Independent Shareholders under Chapter 14A of the Listing Rules.

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**LETTER FROM JUN HUI INTERNATIONAL**

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- **Aggregation of annual caps under the Master Service Agreement**

Details of the revision of the aggregated annual caps under the Master Service Agreement for the two years ending 31 December 2022 are set out below:

	<b>For the year ending 31 December 2021</b>	<b>For the year ending 31 December 2022</b>
	<i>RMB'000</i>	<i>RMB'000</i>
<i>Original annual cap</i>		
• value-added services to non-property owners	57,386	64,722
• community value-added services	13,404	14,549
• other services	210	229
	<hr/>	<hr/>
<b>Aggregated annual cap</b>	<b>71,000</b>	<b>79,500</b>
	<hr/> <hr/>	<hr/> <hr/>
<i>Revised annual cap</i>		
• value-added services to non-property owners	82,386	89,722
• community value-added services	13,404 <sup>(Note)</sup>	14,549 <sup>(Note)</sup>
• other services	210 <sup>(Note)</sup>	229 <sup>(Note)</sup>
	<hr/>	<hr/>
<b>Aggregated annual cap</b>	<b>96,000</b>	<b>104,500</b>
	<hr/> <hr/>	<hr/> <hr/>

*Note:* The corresponding individual annual cap remains unchanged.

As one or more of the applicable percentage ratios (other than profits ratio) as defined under the Listing Rules in respect of the maximum service fee payable by Sundry Land Group to the Group under the Master Service Agreement (taking into account the Supplemental Service Agreement, the revised 2021 Aggregated Service Annual Cap and the revised 2022 Aggregated Service Annual Cap) is more than 25%, the transactions contemplated under the Supplemental Service Agreement are subject to the requirements of annual review, reporting, announcement, circular (including independent financial advice) and approval by the Independent Shareholders under Chapter 14A of the Listing Rules.



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## LETTER FROM JUN HUI INTERNATIONAL

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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 Supplemental Property Management Agreement, the Supplemental Service Agreement and the continuing connected transactions (including the revised annual caps in relation thereto) contemplated thereunder. We do not, by this letter, warrant the merits of the Supplemental Property Management Agreement, the Supplemental Service Agreement and the continuing connected transactions (including the revised annual caps in relation thereto) contemplated thereunder, other than to form an opinion, for the purpose of the Listing Rules. We are not associated with the Group, Sundry Land Group and any of their respective associates or connected persons who are interested or involved in the Supplemental Property Management Agreement, the Supplemental Service Agreement and the transactions (including the revised annual caps in relation thereto) contemplated thereunder, and accordingly, are considered eligible to give independent advice in respect of the Supplemental Property Management Agreement, the Supplemental Service Agreement and the continuing connected transactions (including the revised annual caps in relation thereto) contemplated thereunder. Apart from normal professional fees payable to us for this appointment, no arrangement exists whereby we will receive any fees or benefits from any party abovementioned. Accordingly, we are considered eligible to give independent advice in respect of the Supplemental Agreements and the continuing connected transactions (including the revised annual caps in relation thereto) contemplated thereunder.

### **BASIS OF OUR OPINION**

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

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

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## LETTER FROM JUN HUI INTERNATIONAL

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

- (i) reviewed the announcement of the Company dated 16 November 2021, the Letter from the Board, and the financial reports published by the Company for the recent financial years/period (including the Company's annual report for the year ended 31 December 2020 ("**Annual Report 2020**") and its interim report for the six months ended 30 June 2021 ("**Interim Report 2021**")) and the Prospectus;
- (ii) obtained and reviewed information and documents in relation to the Supplemental Agreements and the continuing connected transactions (including the revised annual caps in relation thereto) contemplated thereunder;
- (iii) reviewed the financial reports published by Sundy Land for the recent financial years/period; and
- (iv) discussed with the Directors and the Management regarding, among other things, the background, reasons for and benefits of the entering into the Supplemental Agreements, the basis of determining such agreement terms and the respective revised annual caps, the business of the Group, its business relationship and historical transaction details with Sundy Land Group, and the anticipated growth of the transaction amounts with Sundy Land Group in the recent financial year.

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, Sundy Land Group, or their respective subsidiaries or associates, nor have we investigated the legal title or any liabilities against the subject matters relating to the Supplemental Agreements or the transactions contemplated thereunder. Our opinion was necessarily based on the legal, financial, economic, market and other conditions in effect, and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

## LETTER FROM JUN HUI INTERNATIONAL

### PRINCIPAL FACTORS AND REASONS CONSIDERED IN RELATION TO THE SUPPLEMENTAL AGREEMENTS AND REVISION OF ANNUAL CAPS

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Agreements and the continuing connected transactions (including the revised annual caps in relation thereto) contemplated thereunder, we have considered the following principal factors and reasons:

#### I. Financial information of the Group

The following table summarises the results of operations of the Group for the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021:

	For the year ended 31 December			For the six months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2020 RMB'000 <i>(unaudited)</i>	2021 RMB'000 <i>(unaudited)</i>
Revenue:					
– property management services	71,094	95,659	128,183	59,500	79,491
– value-added services to non-property owners	38,830	51,548	69,129	31,659	40,069
– community value-added services	17,283	54,587	42,462	19,656	9,859
– other businesses	5,743	20,680	16,929	5,914	9,951
<b>Total</b>	<b>132,950</b>	<b>222,474</b>	<b>256,703</b>	<b>116,729</b>	<b>139,370</b>
<i>Revenue derived from Sundry Land Group:</i>					
– <i>property management services</i>	10,480	23,178	21,906	9,872	13,364
– <i>value-added services to non-property owners</i>	30,201	40,171	49,024	26,748	29,329
– <i>community value-added services</i>	3,796	14,134	20,176	11,341	783
– <i>other businesses</i>	–	270	113	48	73
<b>Total</b>	<b>44,477</b>	<b>77,753</b>	<b>91,219</b>	<b>48,009</b>	<b>43,549</b>
<b>Profit for the year/period</b>	<b>20,889</b>	<b>35,236</b>	<b>32,852</b>	<b>16,350</b>	<b>23,463</b>

*Note:* The above figures are extracted from the latest disclosures in Interim Report 2021, Annual Report 2020 and the Prospectus published by the Company on the website of the Stock Exchange

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## LETTER FROM JUN HUI INTERNATIONAL

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**(a) *Financial results for the year ended 31 December 2018 compared with the year ended 31 December 2019***

The Group's revenue increased by approximately 67.3% from approximately RMB133.0 million for the year ended 31 December 2018 to approximately RMB222.5 million for the year ended 31 December 2019. During the years ended 31 December 2018 and 2019, the Group's net profit was approximately RMB20.9 million and RMB35.2 million, respectively.

The Group's revenue generated from property management services increased by approximately 34.6% from approximately RMB71.1 million for the year ended 31 December 2018 to approximately RMB95.7 million for the year ended 31 December 2019, which was primarily due to the increase in the GFA under management and number of projects under management of the Group.

The Group's revenue generated from value-added services to non-property owners increased by approximately 32.8% from approximately RMB38.8 million for the year ended 31 December 2018 to approximately RMB51.5 million for the year ended 31 December 2019, which was primarily due to the increase in revenue from pre-delivery services, sales assistance services and consulting services.

The Group's revenue generated from community value-added services was approximately RMB54.6 million for the year ended 31 December 2019. The Group's revenue generated from other businesses was approximately RMB20.7 million for the year ended 31 December 2019.

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

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

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

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

The Group's revenue generated from community value-added services was approximately RMB42.5 million for the year ended 31 December 2020. The Group's revenue generated from other businesses was approximately RMB16.9 million for the year ended 31 December 2020.

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## LETTER FROM JUN HUI INTERNATIONAL

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*(c) Financial results for the six months ended 30 June 2020 compared with the six months ended 30 June 2021*

The Group's revenue increased by approximately 19.5% from approximately RMB116.7 million for the six months ended 30 June 2020 to approximately RMB139.4 million for the six months ended 30 June 2021. During the six months ended 30 June 2020 and 2021, the Group's net profit was approximately RMB16.4 million and RMB23.5 million, respectively.

The Group's revenue generated from property management services increased by approximately 33.6% from approximately RMB59.5 million for the six months ended 30 June 2020 to approximately RMB79.5 million for the six months ended 30 June 2021, which was primarily due to increase in the GFA under management and number of projects under management of the Group. As at 30 June 2021, the GFA under management by the Group was approximately 7.7 million sq.m., representing an increase of approximately 20.3% as compared with that as at 30 June 2020, while the number of the management projects by the Group reached 49 properties with additional 16 properties newly entered into as compared with that in the corresponding period of 2020.

The Group's revenue generated from value-added services to non-property owners increased by approximately 26.5% from approximately RMB31.7 million for the six months ended 30 June 2020 to approximately RMB40.1 million for the six months ended 30 June 2021, which was primarily due to increase in new projects delivered and the area of pipeline projects.

The Group's revenue generated from community value-added services was approximately RMB19.7 million and RMB9.8 million for the six months ended 30 June 2020 and 2021, respectively. The Group's revenue generated from other businesses was approximately RMB5.9 million and RMB10.0 million for the six months ended 30 June 2020 and 2021, respectively.

## **II. Business information of the Group, Sundry Land Group and their relationship**

Referring to the Prospectus, the Group is a reputable integrated property management service provider in the property management industry in Zhejiang province. Its business lines include: (i) property management services, including security, cleaning, gardening, repair and maintenance of common areas and common facilities and ancillary services; (ii) value-added services to non-property owners, primarily property developers, including consulting services, sales assistance services and pre-delivery services; (iii) community value-added services provided to primarily property owners and residents, including property repair and maintenance, waste cleaning, utility fee collection, remodelling and decoration and community space services; and (iv) other businesses, including hotel business and long-term rental apartment business. The Company was listed on the Main Board of the Stock Exchange on 18 January 2021.

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## LETTER FROM JUN HUI INTERNATIONAL

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Sundy Land was a company established in the PRC with limited liability on 22 March 1999 and was listed on the Shanghai Stock Exchange (stock code: 600077) on 20 May 1997. Sundy Land and its subsidiaries are principally engaged in property development and sales of properties in the PRC. As at the Latest Practicable Date, Sundy Land's market capitalisation was approximately RMB3.1 billion. Referring to the annual reports of Sundy Land for the three years ended 31 December 2020 and its interim report for the six months ended 30 June 2021, the revenue of Sundy Land Group amounted to approximately RMB4,592.2 million, RMB4,167.0 million, RMB7,161.4 million and RMB2,988.2 million for the three years ended 31 December 2020 and the six months ended 30 June 2021, respectively. During the same periods, the net profit of Sundy Land Group amounted to approximately RMB399.8 million, RMB585.3 million, RMB320.6 million and RMB88.1 million, respectively. As at 30 June 2021, Sundy Land Group had a land bank with a total GFA of approximately 834,000 sq.m. as reserve available for future development and a total GFA of approximately 4.4 million sq.m. for properties under construction.

We noted from the Prospectus that the Group has been maintaining a stable and long-term business cooperation relationship with Sundy Land Group since 1998, which is a leading property developer in the PRC. The Directors considered that such long-standing relationship with Sundy Land Group will lead to visible growth opportunities for the Group from Sundy Land Group's project reserve, and the Group will continue to be a competitive candidate to Sundy Land Group for property management services and value-added services to non-property owners in the future. Other than capturing business opportunities from Sundy Land Group, the Directors considered that the Group is also capable of searching for market opportunities independently. It is noted that the total GFA under management for property management of properties developed by independent third-party property developers increased from approximately 172,000 sq.m. as at 31 December 2018 to approximately 2.8 million sq.m. as at 30 June 2021.

### **III. Reasons for entering into the Supplemental Agreements**

Referring to the Letter from the Board, as at the time of the Listing, the Company estimated the original annual caps under the Master Property Management Agreement and the Master Service Agreement, with reference to the information available to the Company as at the material time, in particular, the relevant historical transactions for the three years ended 31 December 2019 and the six months ended 30 June 2020. We noted from the Management that, due to the utilisation status where (i) the actual transaction amount under the Master Property Management Agreement for the nine months ended 30 September 2021 constituted approximately 82.8% of the original 2021 Property Management Annual Cap; and (ii) the actual transaction amount for value-added services to non-property owners paid by Sundy Land Group pursuant to the Master Service Agreement for the nine months ended 30 September 2021 constituted approximately 82.4% of the original 2021 Value-added Service Annual Cap, it is expected that the original 2021 Property Management Annual Cap and the original 2021 Value-added Service Annual Cap will not be sufficient.

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## LETTER FROM JUN HUI INTERNATIONAL

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In addition, based on the development plans and pipeline projects of Sundry Land Group provided to the Group for the two years ending 31 December 2022, the Board estimates that there will be more rapid growth in demand for property management services and value-added services to non-property owners by Sundry Land Group than the estimation as at the time of the Listing. Therefore, the Directors considered it is necessary to enter into the Supplemental Agreements and revise the respective annual caps, so that the Group can secure more engagements of property management services and value-added services to non-property owners for properties developed by Sundry Land Group when available and enhance the Group's income stream. The Directors are of the view that the terms of the Supplemental Agreements and the transactions contemplated thereunder (including the revised annual caps in relation thereto) are fair and reasonable, on normal commercial terms and will be conducted in the ordinary course of business of the Group and in the interests of the Company and the Shareholders as a whole.

Referring to the section headed "Financial information of the Group" above, the property management services revenue generated from Sundry Land Group amounted to approximately RMB10.5 million, RMB23.2 million, RMB21.9 million and RMB13.4 million for the three years ended 31 December 2020 and the six months ended 30 June 2021, accounting for approximately 7.9%, 10.4%, 8.5% and 9.6% of the Group's revenue for the aforementioned periods respectively. The Group's revenue under value-added services to non-property owners generated from Sundry Land Group amounted to approximately RMB30.2 million, RMB40.2 million, RMB49.0 million and RMB29.3 million for the three years ended 31 December 2020 and the six months ended 30 June 2021, accounting for approximately 22.7%, 18.1%, 19.1% and 21.0% of the Group's revenue for the aforementioned periods respectively. With stable and long-term relationship with Sundry Land Group as mentioned in the section headed "Business information of the Group, Sundry Land Group and their relationship" in this letter, we noted that the Group had been generating generally steady revenue from the provision of property management services and value-added services to non-property owners to Sundry Land Group during the recent financial years and period, which were in the ordinary and usual course of business of the Group.

We further referred to the section headed "Business information of the Group, Sundry Land Group and their relationship" above, Sundry Land Group has sufficient land bank (including land bank available for future development and properties under construction) to support its business development and a continuing growth in the coming years. This may imply a potential growing demand from Sundry Land Group for property management services and value-added services to non-property owners. The Company was furnished by Sundry Land Group with its latest development plans and pipeline projects for the two years ending 31 December 2022. After due and careful enquiries by the Directors, it is noted that the increase in the number of projects and corresponding GFA that the Group expects to be engaged by Sundry Land Group as a property management service provider and a value-added service provider for each of the years ending 31 December 2021 and 2022 is the main reason leading to the growth for the relevant services from the Group.

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## LETTER FROM JUN HUI INTERNATIONAL

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It is also noted from the Prospectus that throughout the three years ended 31 December 2019, the bidding success rate of the Group securing property management projects for properties solely developed and co-developed by Sundy Land Group was 100% and 100%, respectively. Given the Group's historical cooperation relationship with Sundy Land Group which started in 1998 and such high bidding success rate, it is reasonably expected that the Group will have high probability to successfully gain the pipeline projects in property management and value-added services from Sundy Land Group.

Having considered the foregoing including (i) the utilisation status of the original 2021 Property Management Annual Cap and the original 2021 Value-added Service Annual Cap; (ii) the more rapid growth in the demand for property management services and value-added services to non-property owners from Sundy Land Group for the two years ending 31 December 2022; and (iii) the benefits of the stable and long-term business relationship between the Group and Sundy Land Group to the future growth of the Group, we concur with the Directors that it is reasonable and in the interests of the Company and the Shareholders as a whole to enter into the Supplemental Agreements, which is also in the ordinary and usual course of business of the Group.

In view of the expected increase in income attributable to Sundy Land Group under the Supplemental Agreements, we have further taken into account the following and considered the Board's view that the Supplemental Agreements would not give rise to reliance issue of the Company on Sundy Land Group is reasonably stated, on the basis that:

- (1) As referred to the section headed "Financial information of the Group" in this letter, it is noted that during the six months ended 30 June 2021, the Group's revenue derived under the Master Property Management Agreement represented approximately 16.8% of its revenue of property management services (comparing to that of approximately 24.2% and 17.1% respectively during the years ended 31 December 2019 and 2020), while the Group's revenue derived from value-added services to non-property owners under the Master Service Agreement represented approximately 73.2% of its revenue of value-added services to non-property owners during the same period (comparing to that of approximately 77.9% and 70.9% respectively during the years ended 31 December 2019 and 2020). Overall, the said revenue derived from Sundy Land Group represented approximately 35.7% of the Group's revenue of property management services and value-added services to non-property owners in aggregate during the six months ended 30 June 2021 (comparing to that of approximately 43.0% and 35.9% respectively during the years ended 31 December 2019 and 2020). Despite of the increase in actual transaction amount, the above figures indicated a slight decrease in the revenue contribution under the Master Property Management Agreement and the Master Service Agreement in general. The Company advised that the above result in 2021 as the Group's effort in gaining relevant projects from independent third-party customers. Among which, as stated in the Letter from the Board, (i) five out of six new property management projects entered by the Group during the nine months ended 30 September 2021 are obtained from independent third-party property developers



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## LETTER FROM JUN HUI INTERNATIONAL

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partly leveraging to the Group's industry experience in the Future Community Pilot Plan; (ii) number of value-added services to non-property owners projects relating to independent customers reached seven as at 30 September 2021, including newly entered project during the nine months ended 30 September 2021; (iii) the Group has increased tendering for property management projects of independent third-party developers during 2021, and up to the Latest Practicable Date, the Group won four out of six tenders; and (iv) the Group has established a new joint venture with an independent third party for property management services aiming to diversify its revenue base.

- (2) As stated in the Letter from the Board, in terms of the total revenue generated from Sundry Land Group as a whole and having taken into account the Supplemental Agreements, the Directors expect that such total revenue contribution would not be more than 40% of the Group's total revenue for the year ending 31 December 2021, comparing to that of approximately 42.0% during the year ended 31 December 2020, and would not be more than 36% of the Group's total revenue for the year ending 31 December 2022. The Company confirmed to us that the aforementioned effort will continue to be placed by the Group during 2022 in order to gain more revenue and projects from independent third-party customers. We have enquired the Company about its above estimation and been furnished with related documents, and note that (i) the estimation (i.e. not more than 40%) for the year ending 31 December 2021 is based on the latest actual figures of 2021 and projects on hand; and (ii) that (i.e. not more than 36%) for the year ending 31 December 2022 is estimated after due and careful consideration of its financial performance in 2021 and the efforts in gaining new projects from independent third-party customers, projects on hand and the general stable outlook in 2022. We are of the view that factors are reasonably considered by the Company with respect to the estimation of the total revenue contribution from Sundry Land Group for the two years ending 31 December 2022.
- (3) As disclosed in the Prospectus, the Group has maintained its operational independence, including among others, having its own organisational structure with independent departments and not sharing its operation team, facilities and equipment with the Controlling Shareholders and their close associates. We are advised by the Company that such operational independence has been maintained as at the Latest Practicable Date. We also note that Ms. Yu Yun was and will be abstained from voting in respect of the transactions entered into between the Group and Sundry Land Group as shown in minutes of the Board/management meetings provided by the Company and as stated the Letter from the Board.
- (4) As further illustrated under the following two sections in this letter, it is noted that the fees of the Group's property management services and value-added services to non-property owners engaged by Sundry Land Group pursuant to the Supplemental Property Management Agreement and the Supplemental Service Agreement were not more favourable than the respective fees charged to the independent third parties for the similar contracts.

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**LETTER FROM JUN HUI INTERNATIONAL**

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**IV. Revision of the 2021 Property Management Annual Cap and the 2022 Property Management Annual Cap under the Supplemental Property Management Agreement**

*(a) The principal terms of the Supplemental Property Management Agreement*

According to the Letter from the Board, on 16 November 2021 (after trading hours), the Company (for itself and as trustee for the benefit of other members of the Group) and Sundry Land (for itself and as trustee for other members of Sundry Land Group) entered into the Supplemental Property Management Agreement to revise the 2021 Property Management Annual Cap and the 2022 Property Management Annual Cap with details as below:

	<b>For the year ending 31 December 2021</b>	<b>For the year ending 31 December 2022</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Original annual cap	22,800	24,800
Revised annual cap	32,800	34,800

The table below summarises the original and revised estimated pipeline property management projects that the Group expects to be engaged by Sundry Land Group for the two years ending 31 December 2022 under the Master Property Management Agreement and the Supplemental Property Management Agreement:

	<b>For the year ending 31 December 2021</b>	<b>For the year ending 31 December 2022</b>
<i>Under original annual cap:</i>		
Estimated pipeline property management projects with Sundry Land Group	29	34
Estimated contracted GFA ('000 sq.m.)	4,796	5,873
<i>Under revised annual cap:</i>		
Estimated pipeline property management projects with Sundry Land Group	30	36
Estimated contracted GFA ('000 sq.m.)	4,839	5,941

It is noted that the Company has been closely monitoring the progress of its continuing connected transactions with Sundry Land Group under the Master Property Management Agreement. Although as at the Latest Practicable Date, the actual transaction amount under the Master Property Management Agreement had not exceeded the original 2021 Property Management Annual Cap (i.e. RMB22,800,000) as confirmed by the Board, there is an urgent

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## LETTER FROM JUN HUI INTERNATIONAL

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need for the Group to revise the 2021 Property Management Annual Cap due to extra services fee expected to be received from Sundy Land Group in view of wider scope of property management services, the increase of sale of properties developed by Sundy Land Group and the delay of four property projects developed by Sundy Land Group.

The Directors also advised that the revised 2021 Property Management Annual Cap and the revised 2022 Property Management Annual Cap were determined with reference to: (i) the historical transaction amounts for the three years ended 31 December 2020 and the nine months ended 30 September 2021; (ii) the number of property units and corresponding GFA that the Group has been currently engaged by Sundy Land Group as a property management service provider; (iii) the increase in the number of projects and corresponding GFA that the Group expects to be engaged by Sundy Land Group as a property management service provider for each of the years ending 31 December 2021 and 2022, taking into account, among others, the number of pipeline properties and their expected delivery dates and the expected sales of such pipeline properties; and (iv) the annual increment in the services fees to be charged by the Group taking into account the expected inflation in the PRC.

Save as the revision of the 2021 Property Management Annual Cap and the 2022 Property Management Annual Cap, all the existing principal terms of the Master Property Management Agreement remain unchanged.

***(b) The principal factors considered in our analysis***

Summary of the original annual caps and the historical transaction amounts under the Master Property Management Agreement and related utilisation rate are set forth below:

	<b>For the year ended 31 December 2020</b>	<b>For the year ending 31 December 2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Original annual cap under the Master Property Management Agreement	22,000	22,800
	<b>For the year ended 31 December 2020</b>	<b>For the nine months ended 30 September 2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Historical transaction amounts under the Master Property Management Agreement	21,906	18,880
Utilisation rate	99.6%	82.8%

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## LETTER FROM JUN HUI INTERNATIONAL

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It is noted that the utilisation rate of the annual cap for the year ended 31 December 2020 under the Master Property Management Agreement had reached approximately 99.6%, which had been almost fully utilised. The actual transaction amount under the Master Property Management Agreement for the nine months ended 30 September 2021 already reached approximately 82.8% of the original 2021 Property Management Annual Cap.

To further assess the reasonableness of the revised 2021 Property Management Annual Cap and the revised 2022 Property Management Annual Cap, we have performed the following analysis, among others:

- (i) we reviewed historical transactions under the Master Property Management Agreement for three years ended 31 December 2020 and the nine months ended 30 September 2021. We were also furnished by the Company with a project list of existing property management services projects of the Group engaged by Sundy Land Group (including the number of projects and corresponding GFA) and samples of the Group's internal control reports. We agreed that the Company has been closely monitoring the progress of its continuing connected transactions with Sundy Land Group and the actual transaction amount under the Master Property Management Agreement is approaching the original 2021 Property Management Annual Cap;
- (ii) we obtained information of the four property projects developed by Sundy Land Group with delayed delivery schedule (the "**Delayed Projects**"), which are residential properties located in Zhejiang province and Anhui province, the PRC. Their respective delivery time were delayed from two months to 11 months, with total contracted GFA of approximately 720,000 sq.m.. We agreed with the Company that the Delayed Projects will lead to extra property management services required by Sundy Land Group and is one of the major factors to determine the revised 2021 Property Management Annual Cap;
- (iii) we examined supplemental agreement in relation to an existing property management project of the Group engaged by Sundy Land Group and enquired the Company on the services delivered. It is noted that extra and wider scope of property management services, such as additional manpower and resources for the cleaning services and enhanced maintenance services are required to be provided by the Group to Sundy Land Group for the years ending 31 December 2021 and 2022 under the project as service enhancement, while the extra fee is determined mainly with reference to such additional manpower and resources to be involved; and
- (iv) we further obtained and reviewed the list of property management projects that the Group expects to be engaged by Sundy Land Group as a property management service provider for the years ending 31 December 2021 and 2022, which includes information about the number of pipeline properties and their expected delivery dates, the expected sales of such pipeline properties, the methodology in arriving at the anticipated GFA to be awarded to the Group, together with sample contracts (the

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## LETTER FROM JUN HUI INTERNATIONAL

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“PM Pipeline”). Comparing to the original PM Pipeline used for determining the original 2021 Property Management Annual Cap and 2022 Property Management Annual Cap, we noted that, among others:

- a. the same methodology (including calculation of estimated contracted GFA, bidding success rate and the pricing policies) has been adopted in determining the original and revised 2021 Property Management Annual Cap and 2022 Property Management Annual Cap;
- b. the increase in scale of sale, area and number of properties developed by Sundy Land Group resulting in an increased demand for property management services, where there will be one more estimated pipeline property management project with Sundy Land Group with an increase of approximately 43,000 sq.m. estimated contracted GFA for the year ending 31 December 2021 and there will be two more estimated pipeline property management projects with Sundy Land Group with an increase of approximately 68,000 sq.m. estimated contracted GFA for the year ending 31 December 2022;
- c. the bidding success rate of 100% has been applied, which we were advised by the Directors that such bidding success rate for properties developed by Sundy Land Group was determined after taking into consideration of, among others, the Group’s historical satisfactory and quality property management services, the historical cooperation relationship and trust with Sundy Land Group, and the Group’s diverse and wide service offerings. Given the historical bidding success rate of 100% as set out in the section headed “Reasons for entering into the Supplemental Agreements”, it is reasonable to apply such ratio in estimating total GFA of property management engagements to be awarded to the Group through bidding; and
- d. we have further reviewed and compared the terms of similar contracts of property management services that the Group entered into with the independent third parties, which share similarities in (i) location of property projects; (ii) contract size; and/or (iii) type of services. We have obtained and reviewed 18 contracts, which as indicated in the Group’s project list and confirmed by the Company that they represent all projects of property management services on hand that the Group entered into with the independent third parties as at 30 September 2021. We have reviewed the services involved and mainly compared the pricing and calculation basis of services fee and credit term of such contracts, and enquired the Company the basis of determining the said. In view of the similarities and number of contracts reviewed as aforementioned, we consider that the comparable contracts are fair and representative. It is noted that the fees of the Group’s property management services engaged by Sundy Land Group pursuant to the Supplemental Property Management Agreement were not more favourable than the fees charged to the independent third parties for the similar contracts. As

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## LETTER FROM JUN HUI INTERNATIONAL

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advised by the Directors, the same pricing policies, where various factors shall be based on, including (i) the size and location of the properties; (ii) budgeted operational expenses including labour and administrative expenses; (iii) scope and quality of the services proposed; (iv) revenue generating model and targeted profit margins; (v) local government's pricing guidance/regulations on property management fees (if applicable); and (vi) prevailing market price for similar services in the market, will continue to be adopted in the transactions contemplated under the Supplemental Property Management Agreement with the corresponding internal control mechanism in place.

Having considered the foregoing that (i) the actual transaction amount under the Master Property Management Agreement for the nine months ended 30 September 2021 is approaching the original 2021 Property Management Annual Cap; (ii) the Delayed Projects will lead to extra property management services required by Sundry Land Group; (iii) the extra and wider scope of property management services required by Sundry Land Group for certain project will also lead to extra fee for the enhanced services; (iv) the anticipated estimated pipeline property management projects with Sundry Land Group with an increase of estimated contracted GFA under the PM Pipeline are justifiable; and (v) the same methodology (including calculation of estimated contracted GFA, bidding success rate and pricing policies) has been adopted in determining the revised 2021 Property Management Annual Cap and the revised 2022 Property Management Annual Cap and the property management service fees charged to Sundry Land Group were/will not be more favourable than the fees charged to the independent third parties, we are therefore of the view that the revised 2021 Property Management Annual Cap and the revised 2022 Property Management Annual Cap are justifiable, and that the basis of determining the principal terms under the Supplemental Property Management Agreement is fair and reasonable and on normal commercial terms.

Shareholders should note that the revised 2021 Property Management Annual Cap and the revised 2022 Property Management Annual Cap under the Supplemental Property Management Agreement (including the underlying basis and assumptions) shall not be regarded as any indication directly or indirectly as to the respective revenue, profitability or trading prospects of the Group or Sundry Land Group.

### **V. Revision of 2021 Value-added Service Annual Cap, 2021 Aggregated Service Annual Cap, 2022 Value-added Service Annual Cap and 2022 Aggregated Service Annual Cap under the Supplemental Service Agreement**

#### ***(a) The principal terms of the Supplemental Service Agreement***

According to the Letter from the Board, on 16 November 2021 (after trading hours), the Company (for itself and as trustee for the benefit of other members of the Group) and Sundry Land (for itself and as trustee for other members of Sundry Land Group) entered into the

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## LETTER FROM JUN HUI INTERNATIONAL

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Supplemental Service Agreement to revise (i) the 2021 Value-added Service Annual Cap and the 2022 Value-added Service Annual Cap; and (ii) the 2021 Aggregated Service Annual Cap and the 2022 Aggregated Service Annual Cap. Details of the corresponding revisions are set out as below:

	<b>For the year ending 31 December 2021</b>	<b>For the year ending 31 December 2022</b>
	<i>RMB'000</i>	<i>RMB'000</i>
<i>Original annual cap</i>		
• value-added services		
to non-property owners	57,386	64,722
• community value-added services	13,404	14,549
• other services	210	229
	<b>71,000</b>	<b>79,500</b>
<b>Aggregated annual cap</b>	<b>71,000</b>	<b>79,500</b>
 <i>Revised annual cap</i>		
• value-added services		
to non-property owners	82,386	89,722
• community value-added services	13,404 <sup>(Note)</sup>	14,549 <sup>(Note)</sup>
• other services	210 <sup>(Note)</sup>	229 <sup>(Note)</sup>
	<b>96,000</b>	<b>104,500</b>
<b>Aggregated annual cap</b>	<b>96,000</b>	<b>104,500</b>

*Note:* The corresponding individual annual cap remains unchanged.

The table below summarises the original and revised estimated pipeline value-added services to non-property owners that the Group expects to be engaged by Sundry Land Group for the two years ending 31 December 2022 under the Master Service Agreement and the Supplemental Service Agreement:

	<b>For the year ending 31 December 2021</b>	<b>For the year ending 31 December 2022</b>
<i>Under original annual cap:</i>		
Estimated pipeline value-added services to non-property owners with Sundry Land Group	19	13
Estimated contracted GFA ('000 sq.m.)	3,115	2,261

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## LETTER FROM JUN HUI INTERNATIONAL

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	<b>For the year ending 31 December 2021</b>	<b>For the year ending 31 December 2022</b>
<i>Under revised annual cap:</i>		
Estimated pipeline value-added services to non-property owners with Sundy Land Group	31	26
Estimated contracted GFA (’000 sq.m.)	4,430	4,049

It is noted that the Company has also been closely monitoring the progress of its continuing connected transactions with Sundy Land Group under the Master Service Agreement. Although as at the Latest Practicable Date, the actual transaction amount under the Master Service Agreement had not exceeded the original 2021 Value-added Service Annual Cap (i.e. RMB57,386,000) as confirmed by the Board, there is an urgent need for the Group to revise the 2021 Value-added Service Annual Cap and the 2021 Aggregated Service Annual Cap due to extra services fee expected to be received from Sundy Land Group in view of expanded scope of services to non-properties owners of certain properties and the increase in scale, area and number of properties developed by Sundy Land Group.

The Directors also advised that the revised 2021 Value-added Service Annual Cap and the revised 2022 Value-added Service Annual Cap were determined with reference to: (i) the historical transaction amounts for the three years ended 31 December 2020 and the nine months ended 30 September 2021; (ii) the number of property units and corresponding GFA that the Group has been currently engaged by Sundy Land Group as a value-added service provider; (iii) the increase in the number of projects and corresponding GFA that the Group expects to be engaged by Sundy Land Group as a value-added service provider for each of the years ending 31 December 2021 and 2022, taking into account, among others, the number of development projects under construction and pipeline development projects of Sundy Land Group, the number of pipeline properties of property management services, their expected delivery dates and the expected sales of such pipeline properties which substantially overlap with the ones of value-added services; and (iv) the annual increment in the services fees to be charged by the Group taking into account the expected inflation in the PRC.

The revised 2021 Aggregated Service Annual Cap and the revised 2022 Aggregated Service Annual Cap were determined based on the revision of the 2021 Value-added Service Annual Cap and the 2022 Value-added Service Annual Cap respectively. Save as disclosed above, all the existing principal terms of the Master Service Agreement remain unchanged.



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**LETTER FROM JUN HUI INTERNATIONAL**

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**(b) The principal factors considered in our analysis**

Summary of the original annual caps and the historical transaction amounts under the Master Service Agreement and related utilisation rate are set forth below:

	<b>For the year ended 31 December 2020</b>	<b>For the year ending 31 December 2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Original annual cap for value-added services to non-property owners	49,036	57,386
		<b>For the nine months ended</b>
	<b>For the year ended 31 December 2020</b>	<b>30 September 2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Historical transaction amounts under value-added services to non-property owners	49,024	47,291
Utilisation rate	99.98%	82.4%

It is noted that the utilisation rate of the annual cap for the year ended 31 December 2020 under the Master Service Agreement had been almost fully utilised. The total fee for value-added services to non-property owners paid by Sundry Land Group pursuant to the Master Service Agreement for the nine months ended 30 September 2021 already amounted to approximately 82.4% of the original 2021 Value-added Service Annual Cap.

To further assess the reasonableness of the revised 2021 Value-added Service Annual Cap and the revised 2022 Value-added Service Annual Cap, we have performed the following analysis, among others:

- (i) we reviewed historical transactions under the Master Service Agreement for three years ended 31 December 2020 and the nine months ended 30 September 2021. We were also furnished by the Company with a project list of existing value-added services projects of the Group engaged by Sundry Land Group (including the number of property unit and the corresponding GFA) and samples of the Group's internal control reports. We agreed that the Company has been closely monitoring the progress of its continuing connected transactions with Sundry Land Group and the actual connected transaction amount under the Master Service Agreement is approaching the original 2021 Value-added Service Annual Cap;
- (ii) we were advised by the Company that additional and longer period of value-added services to non-property owners have been provided to Sundry Land Group for the Delayed Projects, mainly due to the longer period of pre-delivery services needed. Referring to information of the four Delayed Projects as discussed in the previous

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## LETTER FROM JUN HUI INTERNATIONAL

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section of this letter, we further reviewed the service scope and pricing mechanism of the Delayed Projects, which were in line with other value-added service agreements of the Group in similar nature. We agreed with the Company that the Delayed Projects will also lead to extra value-added services required by Sundry Land Group and is one of the major factors to determine the revised 2021 Value-added Service Annual Cap;

- (iii) we also reviewed the relevant agreement in relation to the expanded scope of value-added services to non-property owners provided to Sundry Land Group. The additional scope involves longer period of cleaning services on specific areas designated by Sundry Land Group. The price of extra value-added services was mainly determined with reference to budgeted labour costs and cleaning expenses for the additional work and time involved; and
- (iv) we reviewed the pipeline list that the Group expects to be engaged by Sundry Land Group as value-added service provider for the years ending 31 December 2021 and 2022 (the “**VA Pipeline**”). The VA Pipeline indicated the number of projects of Sundry Land Group expected to be engaged by the Group, their expected delivery dates and corresponding GFA of such pipeline properties. Comparing to the original VA Pipeline used for determining the original 2021 Value-added Annual Cap and 2022 Value-added Annual Cap, we noted that, among others:
  - a. the same methodology (including calculation of estimated contracted GFA, the estimated contract period and the pricing policies) has been adopted in determining the original and revised 2021 Value-added Service Annual Cap and the revised 2022 Value-added Service Annual Cap;
  - b. the increase in scale of sale, area and number of properties developed by Sundry Land Group resulting in an increased demand for value-added services, where there will be 12 more estimated pipeline projects with Sundry Land Group with an increase of approximately 1,315,000 sq.m. estimated contracted GFA for the year ending 31 December 2021 and there will be 13 more estimated pipeline projects with Sundry Land Group with an increase of approximately 1,788,000 sq.m. estimated contracted GFA for the year ending 31 December 2022;
  - c. we were advised by the Directors that it is an industry norm that property developers usually prefer their affiliated property management companies to provide value-added services to non-property owners and the selection process does not necessarily involve a public tendering process, which have been proved by the track record of the Group for the recent three financial years; and
  - d. we have further reviewed and compared the terms of similar contracts of value-added services to non-property owners that the Group entered into with independent third parties, which share similarities in (i) location of property projects; (ii) contract size; and/or (iii) type of services. We have obtained and

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## LETTER FROM JUN HUI INTERNATIONAL

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reviewed seven contracts, which as indicated in the Group's project list and confirmed by the Company that they represent all projects of value-added services to non-property owners on hand that the Group entered into with the independent third parties as at 30 September 2021. We have reviewed the services involved and mainly compared the pricing and calculation basis of services fee and credit term of such contracts, and enquired the Company the basis of determining the said. In view of the similarities and number of contracts reviewed as aforementioned, we consider that the comparable contracts are fair and representative. It is noted that the fees of the Group's value-added services to non-property owners engaged by Sundry Land Group pursuant to the Supplemental Service Agreement were not more favourable than the fees charged to the independent third parties for the similar contracts. As advised by the Directors, the same pricing policies, where various factors shall be based on, (i) the budgeted expenses, such as the headcount and positions of the personnel deploy; (ii) the types and locations of properties; (iii) GFA under management of properties; and (iv) prevailing market price for similar services in the market, will continue to be adopted in the transactions contemplated under the Supplemental Service Agreement with the corresponding internal control mechanism in place.

Having considered the foregoing that (i) the total fee for value-added services to non-property owners paid by Sundry Land Group pursuant to the Master Service Agreement for the nine months ended 30 September 2021 is approaching the original 2021 Value-added Service Annual Cap; (ii) the Delayed Projects will lead to extra value-added services required by Sundry Land Group; (iii) the extra and wider scope of value-added services required by Sundry Land Group for specific project results in additional fees to the Group; (iv) the anticipated estimated pipeline value-added projects with Sundry Land Group with an increase of estimated contracted GFA under the VA Pipeline are justifiable; and (v) the same methodology (including calculation of estimated contracted GFA, estimated contract period and pricing policies) has been adopted in determining the revised 2021 Value-added Annual Cap and the revised 2022 Value-added Annual Cap and the valued-added service fees charged to Sundry Land Group were/will not be more favourable than the fees charged to the independent third parties, we are therefore of the view that the revised 2021 Value-added Service Annual Cap and the revised 2022 Value-added Service Annual Cap are justifiable, and that the basis of determining the principal terms under the Supplemental Service Agreement is fair and reasonable and on normal commercial terms.

Shareholders should note that the revised 2021 Value-added Service Annual Cap and the revised 2022 Value-added Service Annual Cap under the Supplemental Service Agreement (including the underlying basis and assumptions) shall not be regarded as any indication directly or indirectly as to the respective revenue, profitability or trading prospects of the Group or Sundry Land Group.

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## LETTER FROM JUN HUI INTERNATIONAL

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### VI. Internal control

Referring to the Letter from the Board, the Company has adopted various internal control measures to monitor the transactions contemplated under the Property Management Agreements (with the Master Property Management Agreement as amended by the Supplemental Property Management Agreement) and the Master Service Agreement (as amended by the Supplemental Service Agreement) (collectively the “**Subject Agreements**”), including:

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

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## LETTER FROM JUN HUI INTERNATIONAL

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To assess the above internal control mechanism, we have performed following review, including but not limited to, (i) we obtained sample reports from the Group in relation to price and transaction terms evaluation; (ii) we obtained sample reports from the Financial Department for assessing the utilisation rate of the proposed annual caps during relevant period; (iii) we reviewed the reporting mechanism from different departments to the Board in relation to continuing connected transactions contemplated under the Subject Agreements; and (iv) we reviewed the section related to continuing connected transactions in Annual Report 2020. We consider that the internal control mechanism is well in place to ensure the transactions contemplated under the Supplemental Agreements to be conducted on normal commercial terms and in compliance with the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

### OPINION AND RECOMMENDATION

Having considered that (i) the original 2021 Property Management Annual Cap and the 2022 Property Management Annual Cap, and the original 2021 Value-added Service Annual Cap, the 2021 Aggregated Service Annual Cap, the 2022 Value-added Service Annual Cap and the 2022 Aggregated Service Annual Cap shall need to be revised as mentioned under the section headed “Reasons for entering into the Supplemental Agreements”; (ii) the terms of the Supplemental Property Management Agreement and the Supplemental Service Agreement are fair and reasonable and on normal commercial terms; and (iii) the existence of internal control mechanism in place which could ensure the transactions contemplated under the Supplemental Agreements to be conducted on normal commercial terms as mentioned under the section headed “Internal control” above in this letter, we are therefore of the view that: (i) the terms of the Supplemental Property Management Agreement, the Supplemental Service Agreement and the continuing connected transactions (including the revised annual caps in relation thereto) contemplated thereunder are fair and reasonable and on normal commercial terms; and (ii) the entering into of the Supplemental Agreements is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Supplemental Property Management Agreement, the Supplemental Service Agreement and the continuing connected transactions (including the revised annual caps in relation thereto) 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 has over 13 years and ten years of experience in corporate finance industry respectively.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

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

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

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

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

Names	<i>Note</i>	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 Wing Lung")	(1)	Trustee	2,280,000,000	Long position	71.25%

Names	Note	Capacity/Nature of interest	Number of Shares	Long/short position	Approximate percentage of shareholding in the Company
Success Base Group Limited (“ <b>Success Base</b> ”)	(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 acting as trustee (i.e. The Yu Jianwu Trust), which holds the entire issued share capital in Sundy Heye through its nominee companies on trust for the benefit of Mr. Yu and his family members.

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

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

### 3. SERVICE CONTRACTS

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

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

As of the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2020, 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 2020, 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

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

As at the Latest Practicable Date, Jun Hui International Finance Limited 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 Finance Limited (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 2020, the date of the latest published audited accounts of the Group, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

## 9. GENERAL

- a. The registered office of the Company is situated at Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Island.
- b. The headquarters and principal place of business in the PRC of the Company is 127, Hanghai Road, Jiangnan District, Hangzhou, Zhejiang province, the PRC.



- c. The principal place of business in Hong Kong of the Company is 39/F, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong.
- d. The branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- e. The joint company secretaries of the Company are Ms. Zhang Qisi and Mr. Tsang Ho Yin. Mr. Tsang Ho Yin is a solicitor admitted to practice in Hong Kong.
- f. The English text of this circular shall prevail over the Chinese text for the purpose of interpretation, except that if there is any inconsistency between the Chinese names of PRC entities, departments, facilities or titles mentioned in this circular and their English translation, the Chinese version shall prevail.

#### 10. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the Stock Exchange's website ([www.hkexnews.com.hk](http://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 Master Property Management Agreement;
- (ii) the Master Service Agreement;
- (iii) the Zhizhonghe Master Agreement;
- (iv) the Yangguang Master Agreement;
- (v) the Supplemental Property Management Agreement;
- (vi) the Supplemental Service Agreement;
- (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.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### Sundy Service Group Co. Ltd 宋都服务集团有限公司

*(incorporated in the Cayman Islands with limited liability)*  
(Stock Code: 9608)

#### 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, 22nd Floor, Caihejiaye Building, No.19 Xintang Road, Shangcheng District, Hangzhou City, Zhejiang Province, the PRC on Friday, 31 December 2021 at 10:00 a.m. for the following purposes:–

#### ORDINARY RESOLUTIONS

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

**“THAT:**

- (A) the Supplemental Property Management Agreement (as defined in the circular of the Company of even date (the “**Circular**”)) and the transactions contemplated thereby be and are hereby approved and confirmed and any one director of the Company (the “**Director**”) (other than Ms. Yu Yun) be and is hereby authorised to do all such acts or things and sign all documents deemed necessary by him/her for the purpose of giving effect to the Supplemental Property Management Agreement and the transactions contemplated thereunder;
- (B) the Supplemental Service Agreement (as defined in the Circular) and the transactions contemplated thereby be and are hereby approved and confirmed and any one Director (other than Ms. Yu Yun) be and is hereby authorised to do all such acts or things and sign all documents deemed necessary by him/her for the purpose of giving effect to the Supplemental Service Agreement and the transactions contemplated thereunder;
- (C) the revised 2021 Property Management Annual Cap (as defined in the Circular), the revised 2022 Property Management Annual Cap (as defined in the Circular) and the revised aggregated annual caps under the Property Management Agreements (as defined in the Circular) for the two years ending 31 December 2022 (collectively, the “**Revised Property Management Annual Caps**”) be and are hereby approved and confirmed;

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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- (D) the revised 2021 Value-added Service Annual Cap (as defined in the Circular), the revised 2022 Value-added Service Annual Cap (as defined in the Circular), the revised 2021 Aggregated Service Annual Cap (as defined in the Circular) and the revised 2022 Aggregated Service Annual Cap (as defined in the Circular) (collectively, the “**Revised Service Annual Caps**”) be and are hereby approved and confirmed; and
- (E) any one Director (or any two Directors or one Director and the secretary of the Company, in the case of execution of documents under seal, but other than Ms. Yu Yun) be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, necessary to, ancillary to or in connection with the matters contemplated under the Supplemental Agreements (as defined in the Circular), the Revised Property Management Annual Caps, the Revised Service Annual Caps 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, 13 December 2021

*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.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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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 Tuesday, 28 December 2021 to Friday, 31 December 2021, 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 December 2021.
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](http://www.hkexnews.hk) to notify members of the Company of the date, time and place of the re-scheduled EGM.

### **Precautionary measures and special arrangements for the EGM**

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

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