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

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



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

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 9608)

CONTINUING CONNECTED TRANSACTION AND MAJOR TRANSACTION IN RELATION TO THE CROSS-GUARANTEE AGREEMENT AND NOTICE OF EXTRAORDINARY GENERAL MEETING

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



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

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

A letter from the Board is set out on pages 6 to 17 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 18 to 19 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 20 to 37 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, 25 March 2022 at 10:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular.

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

Precautionary measures and special arrangements for the EGM

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

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

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

28 February 2022

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DEFINITIONS

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

“6M2021”	the six months ended 30 June 2021
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Audit Committee”	the audit committee of the Company
“Board”	the board of Directors
“Company”	Sundy Service Group Co. Ltd (宋都服务集团有限公司) (formerly known as SUNDY HUIDU LIMITED (宋都汇都有限公司)), incorporated in the Cayman Islands on 5 May 2017 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“connected 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
“Counter-guarantee”	the counter-guarantee provided by Mr. Yu in favour of Sundy Property pursuant to the Counter-guarantee Agreement
“Counter-guarantee Agreement”	the counter-guarantee agreement dated 31 January 2022 entered into by Mr. Yu in favour of Sundy Property, pursuant to which Mr. Yu has agreed to indemnify Sundy Property for any amount that becomes payable by Sundy Property in relation to the Cross-guarantee Agreement
“Cross-guarantee”	the cross-guarantee between Sundy Property and Sundy Holdings Group pursuant to the Cross-guarantee Agreement, namely Sundy Property Guarantee and Sundy Holdings Group Guarantee

DEFINITIONS

“Cross-guarantee Agreement”	the cross-guarantee agreement dated 31 January 2022 entered into between Sundry Property and Sundry Holdings (for itself and as trustee for the benefit of other members of Sundry Holdings Group) pursuant to which the parties thereto have agreed to provide certain guarantee to each other
“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 Cross-guarantee Agreement and the annual cap in relation thereto and the continuing connected transactions and major transactions contemplated thereunder
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board (which comprises Mr. Zhang Jingzhong, Mr. Xu Rongnian and Mr. Lau Kwok Fai Patrick, all being independent non-executive Directors) established to advise the Independent Shareholders with regard to the terms of the Cross-guarantee Agreement and the transactions contemplated thereunder (including the annual cap in relation thereto)
“Independent Financial Adviser” or “Jun Hui International”	Jun Hui International Finance Limited, a 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 Cross-guarantee Agreement and the transactions contemplated thereunder (including the annual cap in relation thereto)
“Independent Shareholders”	Shareholders who are not required to abstain from voting on the relevant resolutions at the EGM due to their material interests in the Cross-guarantee Agreement and the transactions contemplated thereunder (including the annual cap in relation thereto)

DEFINITIONS

“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”	24 February 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing”	the listing of the Shares on the Main Board
“Listing Date”	18 January 2021, the date on which the Shares are listed and from which dealings therein are permitted to take place on the Main Board
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers
“Mr. Yu”	Mr. Yu Jianwu (俞建午), one of the Controlling Shareholders of the Company
“PRC”	the People’s Republic of China and, except where the context otherwise requires and only for the purpose of this circular, and for geographical reference only, references in this circular to China or the People’s Republic of China exclude Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan region
“Prospectus”	prospectus of the Company dated 31 December 2020
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC

DEFINITIONS

“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 Holdings Group”	Sundy Holdings and its subsidiaries, including but not limited to Sundy Land, Zhizhonghe Industry and their respective subsidiaries
“Sundy Land”	Sundy Land Investment Co., Ltd.* (宋都基業投資股份有限公司), a company established in the PRC with limited liability on 22 March 1999 and the shares of which are listed on the Shanghai Stock Exchange (stock code: 600077), an associate of Mr. Yu, and is therefore a connected person of the Company
“Sundy Property”	Hangzhou Sundy Property Management Co., Ltd.* (杭州宋都物業經營管理有限公司) (formerly known as Hangzhou Shenye Sundy Property Management Co., Ltd.* (杭州深業宋都物業經營管理有限公司)), a company established in the PRC with limited liability on 8 January 1995, which is an indirect wholly-owned subsidiary of the Company

DEFINITIONS

“The Jianwu Yu’s Trust”	a discretionary trust established by Mr. Yu with CMB Wing Lung (Trustee) Limited acting as trustee, the beneficiaries of which are Mr. Yu and his family members
“US\$”	United States dollars, the lawful currency of United States of America
“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
“%”	per cent.

* *for identification purpose only*

LETTER FROM THE BOARD



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

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 9608)

Executive Directors:

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

Independent non-executive Directors:

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

Registered office in the Cayman Islands:

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

*Headquarters and principal place of
business in the People's Republic of China:*
127, Hanghai Road Jiangnan 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

28 February 2022

To the Shareholders,

Dear Sir or Madam,

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

INTRODUCTION

Reference is made to the announcement of the Company dated 31 January 2022 in respect of the continuing connected transactions and major transactions in relation to the Cross-guarantee Agreement.

LETTER FROM THE BOARD

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

THE CROSS-GUARANTEE AGREEMENT

On 31 January 2022 (after trading hours), in order to meet the financing needs of Sundy Property and Sundy Holdings Group and requirements of some financial institutions on third-party guarantees when financing, Sundy Property (an indirect wholly-owned subsidiary of the Company) entered into the Cross-guarantee Agreement with Sundy Holdings (for itself and as trustee for the benefit of other members of Sundy Holdings Group), pursuant to which Sundy Property and Sundy Holdings Group agreed to provide guarantee in respect of their borrowings or financing from banks or financial institutions for each other.

Date

31 January 2022 (after trading hours)

Parties

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

Nature of the Transaction

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

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

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

LETTER FROM THE BOARD

Effective Period

Subject to the fulfillment of the Conditions Precedent (as defined below), the effective period of the Cross-guarantee Agreement (the “**Effective Period**”) will commence on 1 April 2022 and expire on 31 March 2023.

Conditions Precedent

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

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

Proposed Annual Cap

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

- (i) the Board expects that Sundry Property will require not more than RMB150 million borrowings or financing to be guaranteed by Sundry Holdings Group during the Effective Period, which such borrowings or financing will be used for the possible funding needs of Sundry Property on expansion and development of the long-term rental apartment business; and
- (ii) the management of Sundry Holdings estimates Sundry Holdings Group will not require more than RMB150 million borrowings or financing to be guaranteed by Sundry Property during the Effective Period based on the current level of business activities and funding needs of Sundry Holdings Group.

There has been no historical transaction amount as Sundry Holdings and Sundry Property have not entered into any guarantees previously.

Commission Fees to be charged by Sundry Property

With respect to the Sundry Property Guarantee, a commission fee of 4% will be payable by Sundry Holdings Group for any amount of guarantee provided to Sundry Holdings Group, as well as any interest, fees, damages and enforcement expenses for breach of the relevant loan. The commission fee is determined on arm’s length negotiation with reference to the prevailing market rates of transactions of similar types of other listed companies on the Stock Exchange in the past 12 months immediately preceding the date of the Cross-guarantee Agreement.

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

Additional Security to be provided by Sundry Holdings Group

With respect to the Sundry Property Guarantee, in addition to the Counter-guarantee Agreement (with details as set out in the paragraph “The Counter-guarantee Agreement” below), any amount payable by Sundry Property in connection with the Cross-guarantee, including but not limited to the principal amount of the relevant loan, any interest, fees, damages and enforcement expenses for breach of the relevant loan, is secured by a total of 29 units of residential properties in Shangcheng district in Hangzhou owned by Sundry Holdings (the “**Security Properties**”) with an appraised market value of approximately RMB98.2 million as at 31 December 2021. As advised by the independent valuer engaged by the Company and after conducting research on the available market price of residential properties of comparable size and nature in Shangcheng district for the period from 1 January 2022 to the Latest Practicable Date, the Directors consider that there has been no material change in the appraised market value of the Security Properties during the said period.

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

THE COUNTER-GUARANTEE AGREEMENT

On 31 January 2022 (after trading hours), Mr. Yu entered into the Counter-guarantee Agreement in favour of Sundry Property, pursuant to which Mr. Yu agreed to indemnify Sundry Property by way of counter-guarantee for any amount payable by Sundry Property in connection with the Cross-guarantee, including but not limited to the principal amount of the relevant loan, any interest, fees, damages and enforcement expenses for breach of the relevant loan.

In addition to the collateral in respect of the Security Properties with an appraised value of approximately RMB98.2 million as mentioned above, the Board considers Mr. Yu’s Counter-guarantee can effectively provide further additional security to the Company based on the following consideration:

1. The Counter-guarantee represents a direct claim on Mr. Yu. It is unconditional and irrevocable and remains continuously effective until the outstanding amount under the Cross-guarantee is fully repaid or settled.
2. The Board has assessed the sufficiency of Mr. Yu’s personal financial resources to fulfil his obligations in connection with the Counter-guarantee Agreement with details below:
 - (a) Mr. Yu is an experienced businessman with various businesses in the PRC, including but not limited to his interest in Sundry Land and Zhizhonghe Industry. Sundry Land is a company established in the PRC and listed on the Shanghai Stock Exchange (stock code: 600077) with market capitalisation of

LETTER FROM THE BOARD

approximately RMB3.7 billion as at the Latest Practicable Date. Sundry Land and its subsidiaries are principally engaged in property development and sales of properties in the PRC. Zhizhonghe Industry is a limited company established in the PRC with paid-up registered capital of RMB300 million. Zhizhonghe Industry and its subsidiaries are principally engaged in manufacturing and sales of food and beverage, in particular, alcohol, Chinese herbal jelly (龜苓膏) and Chinese herbal tea (涼茶).

- (b) Mr. Yu's equity interest in Sundry Land and other private companies and other assets in his personal capacity well exceed RMB150 million, which is the maximum accumulated amount of Sundry Property's liabilities under the Cross-guarantee Agreement. For instance, as at the Latest Practicable Date, Mr. Yu directly held 130,550,000 shares (approximately 9.74%) of Sundry Land, out of which 96,000,000 shares (approximately 7.16%) were pledged. The remaining 34,550,000 shares (approximately 2.58%) were worth approximately RMB96.0 million, based on the closing price of RMB2.78 per share as at the Latest Practicable Date. Also, the Company was confirmed by Mr. Yu with supporting documents that he has immediately available funds of more than RMB150 million. Accordingly, the Company considers that Mr. Yu will have sufficient and adequate financial resources to discharge his liabilities in full under the Counter-guarantee Agreement in the event of any default by Sundry Property of its payment obligations under Cross-guarantee Agreement.

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

LISTING RULES IMPLICATIONS

The Cross-guarantee Agreement

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

Sundry Property Guarantee

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

LETTER FROM THE BOARD

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

Sundry Holdings Group Guarantee

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

The Counter-guarantee Agreement

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

INTERNAL CONTROL

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

- (i) The Company has adopted and implemented a management system on the Subject Transactions. Under this system, the general management and administration department of the Company (the “**Administration Department**”) is responsible for collecting information, monitoring the status of the Subject Transactions and conducting reviews on compliance with relevant laws, regulations, company policies and the Listing Rules in respect of the underlying agreements of the Subject Transactions (the “**Subject Agreements**”). It is also responsible for evaluating the terms and conditions of the Subject Agreements, in particular, the fairness of the pricing terms as stated therein;
- (ii) The independent non-executive Directors have also reviewed and will continue to review the Subject Agreements and ensure that the Subject Agreements, if applicable, are entered on normal commercial terms, fair and reasonable, and carried out pursuant to the terms thereof;

LETTER FROM THE BOARD

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

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

- (i) review each guarantee under the Cross-guarantee Agreement. The Audit Committee has the right to fully understand the business operations and financial position of the relevant member of Sundry Holdings Group to be guaranteed (the “**Borrower**”) before approving each individual guarantee under the Cross-guarantee Agreement. It would not constitute a breach of the Cross-guarantee Agreement in the event that the Audit Committee considers it is inappropriate to approve such guarantee after reviewing the financial position of the Borrower. To facilitate such review process, the Borrower has to provide its financial statements and other relevant information as requested by the Audit Committee as soon as possible. The Audit Committee will take into account the following factors for approving such guarantee:
 - (a) no guarantee shall be granted to the Borrower if it is with negative consolidated equity attributable to owners; and
 - (b) no guarantee shall be granted to the Borrower where an event occurs that may constitute an event of default under any of its existing loan agreements;
- (ii) monitor the implementation of each individual guarantee provided by the Company under the Cross-guarantee Agreement;
- (iii) consider the suitability of each member of the Sundry Holdings Group;
- (iv) periodically review (at least on a quarterly basis or when the situation may require) and make sure no material adverse event or litigation issues will substantially affect the financial status and operations of Sundry Holdings Group and to determine the effect to the guarantee, including if they will constitute a breach;
- (v) periodically review (at least on a quarterly basis or when the situation may require) the management accounts, relevant financial information and books and records of Sundry Holdings Group;

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- (vi) periodically review (at least on a quarterly basis or when the situation may require) and examine any material adverse changes on the business, properties, assets or operations of Sundy Holdings Group, or its ability to perform any of its obligations under the Cross-guarantee Agreement; and
- (vii) periodically review (at least on a quarterly basis or when the situation may require) and examine any material adverse change in foreign exchange risk and policy risk under the Cross-guarantee Agreement.

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

In the event the Sundy Property Guarantee becomes enforceable, the Board is of the view that the Company will have sufficient internal and/or external resources to settle the liabilities based on its cash and financial position as at the Latest Practicable Date. Meanwhile, Sundy Property is entitled to enforce the Security Properties and/or the Counter-guarantee provided by Mr. Yu for any amount payable by Sundy Property in connection with the Cross-guarantee, including but not limited to the principal amount of the relevant loan, any interest, fees, damages and enforcement expenses for breach of the relevant loan. Considering that the Security Properties have an appraised market value of approximately RMB98.2 million as at 31 December 2021 and Mr. Yu's strong financial resources position, the Board is of the view that even in the event the Sundy Property Guarantee becomes enforceable, Sundy Property's liabilities under the Cross-guarantee Agreement are likely to be covered and hence it is not expected that the enforcement of the Sundy Property Guarantee will have a material adverse impact on the Company's financial position. Therefore, the Company does not expect any material adverse impact on the financial position of the Group as a result of the enforcement of the Sundy Property Guarantee under the Cross-guarantee Agreement.

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

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

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

LETTER FROM THE BOARD

According to the prospectus of the Company dated 31 December 2021, approximately 15% of the proceeds from the global offering (representing approximately RMB16.2 million) will be used to explore, diversify and expand the Group's community value-added services and other business, in particular long-term rental apartment business. With the expansion of the Group's long-term rental apartment business, it is estimated that the Group will require funding of approximately RMB207 million for the initial investment of a few new projects in respect of apartments in Yangtze River Delta. After deducting the said proceeds and the Group's working capital, the Board expects that the Group will require bank facilities of approximately RMB150 million and plans to utilise the entire sum during the Effective Period for the Group's long-term rental apartment business.

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

On the one hand, to compensate for the risk exposure of an independent third-party guarantor, the Company would need to pay a commission calculated based on the annual amount of the guarantee. Since the guaranteed amount will be up to RMB150 million, it is expected that the commission chargeable by such guarantor would be relatively costly for the Group. On the other hand, (i) based on the financial information provided by Sundy Holdings as at 30 September 2021, Sundy Holdings, as an investment holding company with interests in various companies, including Sundy Land and Zhizhonghe Industry, is relatively financially sound; (ii) according to the Cross-guarantee Agreement, Sundy Property will charge a commission fee of 4% against Sundy Holdings Group whereas Sundy Holdings Group will not charge any commission fee against Sundy Property; (iii) Mr. Yu agreed to indemnify Sundy Property for any amount payable by Sundy Property to the lenders of Sundy Holdings in accordance with the terms and conditions of each individual guarantee provided by Sundy Property under the Cross-guarantee Agreement. Such obligation of Cross-guarantee is unilateral and not applicable against any member of the Group; and (iv) Sundy Holdings Group shall provide an additional security of the Security Properties with an appraised market value of approximately RMB98.2 million with respect to Sundy Property Guarantee.

Taking into consideration, among others, the above reasons, the Directors (excluding the independent non-executive Directors whose views are contained in the letter from the Independent Board Committee set out on pages 18 and 19 in this circular) are of the view that the terms of the Cross-guarantee Agreement are fair and reasonable, have been entered into after arm's length negotiation between all parties thereto and determined on normal commercial terms or better in the ordinary and usual course of business and are in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

BOARD'S APPROVAL

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

GENERAL INFORMATION

Information of the Group

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

Information on Sundy Property

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

Information on Sundy Holdings Group

Sundy Holdings is a company established in the PRC with limited liability and wholly owned by Mr. Yu. It is an investment holding company with interests in various businesses, such as Sundy Land and Zhizhonghe Industry, which are engaged in property development and sales of properties, as well as manufacturing and sales of food and beverage in the PRC, respectively.

EGM AND PROXY ARRANGEMENT

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

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

LETTER FROM THE BOARD

As at the Latest Practicable Date, Sundry Holdings is wholly owned by Mr. Yu.

As at the Latest Practicable Date, Sundry Heye was interested in 2,280,000,000 Shares, constituting approximately 71.25% of the issued share capital of the Company. Sundry Heye is owned as to 100% by CMB Wing Lung (Trustee) Limited (through its nominee companies) as trustee of The Jianwu Yu's Trust and Mr. Yu as settlor. Mr. Yu and his family members are the discretionary beneficiaries of The Jianwu Yu's Trust. Accordingly, Sundry Heye is required to be abstained from voting on the resolutions to be proposed at the EGM approving the entering into of the Cross-guarantee Agreement and the continuing connected transactions (including the annual cap in relation thereto) and major transactions contemplated thereunder. Save for the aforesaid and to the best of the Company's knowledge, information and belief, no other Shareholder was required under the Listing Rules to abstain from voting on the resolutions. Therefore, a total of 2,280,000,000 Shares (representing approximately 71.25% of the issued share capital of the Company) shall abstain from voting at the EGM. There is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon Sundry Heye; and (ii) no obligation or entitlement of Sundry Heye as at the Latest Practicable Date, whereby it has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case-by-case basis. Save for the aforesaid and to the best of the knowledge, information and belief of the Company having made all reasonable enquiries, no other Shareholder was required under the Listing Rules to abstain from voting on the resolutions.

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

RECOMMENDATIONS

Your attention is drawn to:

- (a) the letter from the Independent Board Committee set out on pages 18 and 19 in this circular which contains its recommendation to the Independent Shareholders in relation to the Cross-guarantee Agreement and the transactions contemplated thereunder (including the annual cap in relation thereto); and
- (b) the letter from Jun Hui International set out on pages 20 to 37 in this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Cross-guarantee Agreement and the transactions contemplated thereunder (including the annual cap in relation thereto).

LETTER FROM THE BOARD

The Directors (excluding Ms. Yu Yun and including the independent non-executive Directors whose views have been set out in this circular together with the advice of the Independent Financial Adviser) consider that the terms of the Cross-guarantee Agreement are fair and reasonable, have been entered into after arm's length negotiation between all parties thereto and determined on normal commercial terms or better in the ordinary and usual course of business and are in the interests of the Company and its Shareholders as a whole.

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

MISCELLANEOUS

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

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

28 February 2022

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

To the Independent Shareholders

Dear Sir/Madam,

We refer to the circular dated 28 February 2022 (the “**Circular**”) issued by the Sundy Service Group Co. Ltd (the “**Company**”) to its Shareholders to which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter will have the same meanings as defined in the Circular.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders on whether the Cross-guarantee Agreement and the annual cap in relation thereto and the continuing connected transactions and major transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Group and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Jun Hui International Finance Limited 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 6 to 17 of the Circular and the text of a letter of advice from the Independent Financial Adviser, as set out on pages 20 to 37 of the Circular, both of which provide details of the Cross-guarantee Agreement and the transactions contemplated thereunder (including the annual cap in relation thereto).

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

As members of the Independent Board Committee, we have discussed with the management of the Company in relation to the Cross-guarantee Agreement, and the basis upon which the terms of the Cross-guarantee Agreement have been determined and the annual caps in relation thereto have been calculated. We have also taken into account the principal factors and reasons considered by the Independent Financial Adviser in forming its opinion in relation to the Cross-guarantee Agreement and the annual cap in relation thereto, and have discussed with the Independent Financial Adviser its letter of advice.

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

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

Yours faithfully,

Independent Board Committee

Mr. Zhang Jingzhong

*Independent
non-executive Director*

Mr. Xu Rongnian

*Independent
non-executive Director*

Mr. Lau Kwok Fai Patrick

*Independent
non-executive Director*

LETTER FROM JUN HUI INTERNATIONAL

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



Jun Hui International Finance Limited

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

28 February 2022

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

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTION AND MAJOR TRANSACTION IN RELATION TO THE CROSS-GUARANTEE AGREEMENT

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Cross-guarantee Agreement, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 28 February 2022 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 31 January 2022 (after trading hours), in order to meet the financing needs of Sundy Property and Sundy Holdings Group and requirements of some financial institutions on third-party guarantees when financing, Sundy Property (an indirect wholly-owned subsidiary of the Company) entered into the Cross-guarantee Agreement with Sundy Holdings (for itself and as trustee for the benefit of other members of Sundy Holdings Group), pursuant to which Sundy Property and Sundy Holdings Group agreed to provide guarantee in respect of their borrowings or financing from banks or financial institutions for each other.

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

LETTER FROM JUN HUI INTERNATIONAL

As one or more of the applicable percentage ratios exceed 25% but all applicable percentage ratios are less than 75%, the Sundry Property Guarantee constitutes a major transaction of the Company under the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules. As the proposed annual cap of the Sundry Property Guarantee exceeds 8% under the assets ratio as defined under Rule 14.07(1) of the Listing Rules, the provision of the Sundry Property Guarantee is also subject to the general disclosure obligations under Rules 13.13 and 13.15 of the Listing Rules.

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. Zhang Jingzhong, Mr. Xu Rongnian and Mr. Lau Kwok Fai Patrick, has been formed to advise the Independent Shareholders as to (i) the fairness and reasonableness of the entering into of the Cross-guarantee Agreement and the transactions contemplated thereunder; and (ii) how to vote at the EGM, after taking into account the factors and reasons considered by the Independent Financial Adviser and its conclusion and advice.

In this connection, we, Jun Hui International, have been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Cross-guarantee Agreement. We do not, by this letter, warrant the merits of the Cross-guarantee Agreement and the transactions contemplated thereunder, other than to form an opinion, for the purpose of the Listing Rules. Within the two years prior to the Latest Practicable Date, we have engaged as an independent financial adviser to the then independent board committee and independent shareholders of the Company in relation to revision of the annual caps for the continuing connected transactions with Sundry Land Group (as defined below), details of which are set out in the circular of the Company dated 13 December 2021. Other than that, we did not have any relationships with, or have any interests in the Group, Sundry Holdings Group or any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fees payable to us for the aforesaid appointment and 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 Cross-guarantee Agreement.

BASIS OF OUR OPINION

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

LETTER FROM JUN HUI INTERNATIONAL

The Directors jointly and severally accept full responsibility for the accuracy of the information contained or referred to in the Circular (or otherwise provided to us by the Directors and the Management) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions and representations expressed in the Circular (or otherwise provided to us by the Directors and the Management) have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We consider that we have received sufficient information to enable us to reach an informed view, and have performed all the necessary steps as required under Rule 13.80 of the Listing Rules to justify our reliance on the information, opinions and representations provided or made to us so as to form a reasonable basis for our opinion and recommendation, which include, among other things:

- (a) reviewed the announcement of the Company in relation to the Cross-guarantee Agreement, the Letter from the Board, the annual report of the Company for the year ended 31 December 2020 (“**Annual Report 2020**”), its interim report for the six months ended 30 June 2021 (“**Interim Report 2021**”) and the relevant financial information contained in the prospectus of the Company dated 31 December 2020 (the “**Prospectus**”);
- (b) reviewed the Cross-guarantee Agreement and relevant information/documents in relation to the Cross-guarantee;
- (c) conducted comparable research to analyse the major terms of the Cross-guarantee Agreement; and
- (d) discussed with the Directors and the Management regarding, among other things, the background, reasons for and benefits of the entering into of the Cross-guarantee Agreement, the basis of the major terms of the Cross-guarantee Agreement and the proposed annual cap, assessment/due diligence on the financial and credibility status of Sundry Holdings Group, and the Company’s internal control measures in relation to the Cross-guarantee.

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 and Sundry Holdings Group, nor have we investigated the actual default risk and future financial position of Sundry Holdings Group and Mr. Yu, or any liabilities against Sundry Holdings Group and/or the Group. Our opinion was necessarily based on the legal, financial, economic, market and other conditions in effect, and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

LETTER FROM JUN HUI INTERNATIONAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Cross-guarantee Agreement, we have considered the following principal factors and reasons:

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

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

The following table summarises the results of operation and financial positions of the Group for the three years ended 31 December 2020 and the six months ended 30 June 2021 (“FY2018”, “FY2019”, “FY2020” and “6M2021” respectively):

	For the year ended 31 December			For the six months ended 30 June	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	132,950	222,474	256,703	116,729	139,370
Profit from operations	28,568	45,066	42,407	21,936	31,624
Finance costs	(1,861)	(2,766)	(521)	(317)	(205)
Profit for the year/period	20,889	35,236	32,852	16,350	23,463

	As at 31 December			As at 30 June
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)	(unaudited)
Total assets	170,689	215,658	281,161	437,037
Total liabilities	162,798	131,719	163,888	155,980
Net assets	7,891	83,939	117,273	281,057
Restricted bank balances	3,591	5,778	8,501	13,225
Cash and cash equivalents	65,864	137,559	192,195	279,712

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

LETTER FROM JUN HUI INTERNATIONAL

For FY2019, the Group's revenue increased by approximately RMB89.5 million from FY2018 to approximately RMB222.5 million, among which, revenue generated from (i) property management services was approximately RMB95.7 million, (ii) value-added services to non-property owners was approximately RMB51.5 million, (iii) community value-added services was approximately RMB54.6 million and (iv) other businesses, which include hotel business and long-term rental apartment business, were approximately RMB20.7 million in total. Finance costs incurred by the Group were approximately RMB2.8 million for FY2019. During the same year, the Group recorded net profit of approximately RMB35.2 million.

As at 31 December 2019, the Group's net assets were approximately RMB83.9 million. As at the same date, the Group had cash and cash equivalents of approximately RMB137.6 million and restricted bank balances of approximately RMB5.8 million. The Group did not have any borrowings as at 31 December 2019.

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

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

For 6M2021, the Group's revenue increased by approximately RMB22.6 million from the six months ended 30 June 2020 to approximately RMB139.4 million, among which, revenue generated from (i) property management services was approximately RMB79.5 million, (ii) value-added services to non-property owners was approximately RMB40.1 million, (iii) community value-added services was approximately RMB9.9 million and (iv) other businesses, which include hotel business and long-term rental apartment business, were approximately RMB9.9 million in total. Finance costs incurred by the Group reduced by approximately RMB0.1 million from the six months ended 30 June 2020 to approximately RMB0.2 million for 6M2021. During the same period, the Group recorded net profit of approximately RMB23.5 million.

As at 30 June 2021, the Group's net assets were approximately RMB281.1 million. As at the same date, the Group had cash and cash equivalents of approximately RMB279.7 million and restricted bank balances of approximately RMB13.2 million. The Group did not have any borrowings as at 30 June 2021. Referring to Interim Report 2021 and as advised by the

LETTER FROM JUN HUI INTERNATIONAL

Company, among the net proceeds raised from the Company's listing on the Stock Exchange (after deducting the listing expenses) of approximately HK\$133.2 million, approximately HK\$126.1 million of the net proceeds had not been utilised by the Group as at 30 June 2021 (the "**Unutilised Proceeds**") and set assigned for intended uses. It is therefore, without taking into account the Unutilised Proceeds, the Group's cash and cash equivalents were approximately RMB153.6 million as at 30 June 2021.

II. Background and financial information of Sundy Holdings Group

As stated in the Letter from the Board, Sundy Holdings is a company established in the PRC with limited liability and wholly-owned by Mr. Yu. It is an investment holding company with interests in various businesses, such as Sundy Land and Zhizhonghe Industry, which are engaged in property development and sales of properties, as well as manufacturing and sales of food and beverage in the PRC, respectively. As at the Latest Practicable Date, Sundy Holdings owned approximately 35.01% of the issued share capital of Sundy Land, which is a company listed on the Shanghai Stock Exchange (Stock Code: 600077). Sundy Land and its subsidiaries (collectively as "**Sundy Land Group**") are the major operating group of Sundy Holdings Group.

The following table sets out certain consolidated financial information of Sundy Holdings Group prepared in accordance with the PRC generally accepted accounting principles for the two years ended 31 December 2020 and the six months ended 30 June 2021:

	For the year ended		For the six months	
	31 December		ended 30 June	
	2019	2020	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	4,335,191	8,725,722	2,487,788	4,236,264
Earnings before interest & tax	806,101	655,671	291,462	350,071
Finance costs, net	259,078	465,773	168,905	249,693
Profit for the year/period	290,434	25,485	18,669	13,563
Net increase in cash and cash equivalents	750,540	1,577,957	N/A ^(Note 1)	N/A ^(Note 1)

LETTER FROM JUN HUI INTERNATIONAL

	As at 31 December		As at
	2019	2020	30 June
	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(unaudited)
Total assets	40,749,115	45,846,002	51,475,701
Total liabilities	36,164,341	41,338,583	46,909,967
Net assets	4,584,774	4,507,419	4,565,734
Net current assets	6,907,149	8,492,989	10,215,677
Total borrowings	9,465,202	8,473,053	10,060,418
Cash and bank balances	6,841,512	7,542,311	8,846,492
Financial ratio:			
Current ratio (times) ^(Note 2)	1.2	1.3	1.3

Notes:

- Such figures are not available in the unaudited consolidated management accounts of Sundry Holdings Group for the six months ended 30 June 2020 and 2021.
- Calculated by dividing current assets by current liabilities as at the same financial year/period end date.

As shown in the table above and as advised by the Company, Sundry Holdings Group recorded a year-on-year increase in revenue by approximately 101.3% to approximately RMB8,725.7 million during the year ended 31 December 2020, which was mainly due to increase in revenue derived by Sundry Land Group whose principal business activities are property development and sales of properties in the PRC during the year. During the six months ended 30 June 2021, Sundry Holdings Group had revenue of approximately RMB4,236.3 million. Sundry Holdings Group was profitable in the recent financial years/periods, which recorded net profits of approximately RMB25.5 million during the year ended 31 December 2020 and approximately RMB13.6 million during the six months ended 30 June 2021. It had net increase in cash and cash equivalents of approximately RMB1,578.0 million during the year ended 31 December 2020.

As at 30 June 2021, total assets of Sundry Holdings Group were approximately RMB51,475.7 million comprising mainly inventories, cash and bank balances, other receivables and long-term equity investment, and its total liabilities were approximately RMB46,910.0 million comprising mainly prepayments, bank borrowings by its group companies for business operations and other payables. Its total borrowings (which were short-term and long-term bank borrowings) as at 30 June 2021 were approximately RMB10,060.4 million. Net assets of Sundry Holdings Group remained generally stable, which were approximately RMB4,584.8 million, RMB4,507.4 million and RMB4,565.7 million respectively as at 31 December 2019 and 2020 and 30 June 2021. Its current ratio also remained stable as at the same dates, which were approximately 1.2, 1.3 and 1.3 times respectively. As at 30 June 2021, Sundry Holdings Group had cash and bank balances of approximately RMB8,846.5 million.

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It is noted that there is the “Three red lines” loan limit policy, which restricts the amount of new borrowing property developers can raise each year by placing caps on their debt ratios, outlined by the PRC government since August 2020. Based on the preliminary enquiries with two banks in the PRC about the compliance of the policy by Sundy Holdings, both banks consider the policy does not apply to Sundy Holdings as its scope of business does not fall into real estate sector. Sundy Holdings Group also confirmed that, since the introduction of the said policy in August 2020 and up to the Latest Practicable Date, they did not encounter difficulties in obtaining borrowings from banks in the PRC.

With respect to the credibility of Sundy Holdings Group, we noted that (i) for Sundy Holdings, a corporate credit report (企業信用報告) dated 22 December 2021 issued by Credit Reference Center, People’s Bank of China in relation to loan transactions indicated no repayment default by Sundy Holdings in respect of loan arrangements with banks; and (ii) for Sundy Land Group (being the major operating group of Sundy Holdings Group), a long-term credit rating report (主體長期信用評級報告) dated 30 March 2020 (the “**Credit Rating Report**”) issued by China Lianhe Credit Rating Co., Ltd., assigned a rating of “AA” with a stable outlook to Sundy Land from 30 March 2020 to 29 March 2021. To further examine the Credit Rating Report, (a) we conducted desktop search on China Lianhe Credit Rating Co., Ltd. and noted that it is a credit rating agency recognised by People’s Bank of China and therefore considered as an appropriate source about Sundy Land’s credit rating; (b) for the effective period from 30 March 2020 to 29 March 2021 as indicated in the Credit Rating Report (the “**Period**”), we independently enquired with a representative of China Lianhe Credit Rating Co., Ltd and also cross-checked from the authority’s official website on any changes in corporate rating/outlook of Sundy Land during the Period, and were confirmed that Sundy Land maintained the rating of “AA” with stable outlook during the Period; and (c) regarding the creditability of Sundy Land after the Period, alternatively, we have obtained and reviewed a corporate credit report (企業信用報告) dated 13 January 2022 issued by Credit Reference Center, People’s Bank of China in relation to Sundy Land’s loan transactions. The report indicated no repayment default by Sundy Land in respect of loan arrangements with banks. The above are therefore considered as appropriate references for assessing the creditability of Sundy Holdings Group.

III. Principal terms of the Cross-guarantee Agreement

As stated in the Letter from the Board, on 31 January 2022 (after trading hours), Sundy Property (an indirect wholly-owned subsidiary of the Company) entered into the Cross-guarantee Agreement with Sundy Holdings (for itself and as trustee for the benefit of other members of Sundy Holdings Group), pursuant to which Sundy Property and Sundy Holdings Group agreed to provide guarantee in respect of their borrowings or financing from banks or financial institutions for each other. The principal terms of the Cross-guarantee Agreement have been set out in the Letter from the Board. Certain terms of the Cross-guarantee Agreement are extracted as below:

- Sundy Property and Sundy Holdings Group agreed to provide guarantee in respect of their borrowings or financing from banks or financial institutions for each other during the Effective Period, which will commence on 1 April 2022 and expire on 31 March 2023 (subject to the fulfillment of the conditions precedent under the Cross-guarantee Agreement);

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- the respective accumulated amount under the Sundry Property Guarantee and the Sundry Holdings Group Guarantee shall not exceed RMB150 million for the 12-month Effective Period;
- with respect to the Sundry Property Guarantee, a commission fee of 4% will be payable by Sundry Holdings Group for any amount of guarantee provided to Sundry Holdings Group (the “**Commission Fee**”), as well as any interest, fees, damages and enforcement expenses for breach of the relevant loan. On the other hand, no commission fee is payable by Sundry Property under the Sundry Holdings Group Guarantee;
- with respect to the Sundry Property Guarantee, any amount payable by Sundry Property in connection with the Cross-guarantee, including but not limited to the principal amount of the relevant loan, any interest, fees, damages and enforcement expenses for breach of the relevant loan, is secured by a total of 29 units of residential properties in Shangcheng district in Hangzhou owned by Sundry Holdings with an appraised market value of approximately RMB98.2 million as at 31 December 2021 (the “**Additional Security**”);
- Mr. Yu agreed to indemnify Sundry Property by way of counter-guarantee for any amount payable by Sundry Property in connection with the Cross-guarantee, including but not limited to the principal amount of the relevant loan, any interest, fees, damages and enforcement expenses for breach of the relevant loan, by entering into the Counter-guarantee Agreement (the “**Counter-guarantee**”). Referring to the Letter from the Board, the Counter-guarantee represents a direct claim on Mr. Yu, and it is unconditional and irrevocable and remains continuously effective until the outstanding amount under the Cross-guarantee is fully repaid or settled. The obligation of the Counter-guarantee is unilateral, and no member of the Group is obliged to provide any counter-guarantee for the Sundry Holdings Group Guarantee and/or the Cross-guarantee; and
- the Sundry Holdings Group Guarantee is not secured by any assets of Sundry Property and/or any members of the Group.

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

We note that, under the Cross-guarantee Agreement, the accumulated amount under the Sundry Property Guarantee will be of the same amount as that under the Sundry Holdings Group Guarantee, which is considered to be fair to each party. Additionally, several arrangements are provided unilaterally to Sundry Property including (i) the Additional Security from Sundry Holdings Group for the guarantees provided by Sundry Property of which the value of the assets covers around two-third of the maximum amount of the Sundry Property Guarantee, and (ii) the Counter-guarantee by Mr. Yu indemnifying any amount payable by Sundry Property in connection with the Cross-guarantee, and neither Sundry Property nor the Group is obligated to provide any additional security/assets or counter-guarantee to Sundry Holdings Group. We

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consider that such arrangements could provide certain protections to the Group in respect of the Sundry Property Guarantee. Furthermore, Sundry Property will be entitled to the Commission Fee for the Sundry Property Guarantee and could obtain the Sundry Holdings Group Guarantee without paying any commission fee, we therefore consider that the fee arrangement is beneficial to the Group.

With respect to the Counter-guarantee, we note that (i) as indicated in a statement of bank account maintained by Mr. Yu, he had a portfolio which comprises savings and bonds/notes/certificate of deposit of approximately HK\$170 million as at 31 January 2022; (ii) Mr. Yu directly held 130,550,000 shares of Sundry Land, out of which 34,550,000 shares were unpledged and had a market capitalisation of approximately RMB99.8 million, as at 31 January 2022 (being the date of the Cross-guarantee Agreement); and (iii) as confirmed by Mr. Yu, he has no significant liability and his personal financial resources, in net amount, outweighs RMB150 million. Based on the above, we agree with the Directors that Mr. Yu shall have the financial ability to fulfill the Counter-guarantee Agreement in the event of default by Sundry Holdings.

(a) The proposed annual cap

The proposed annual cap of the Sundry Property Guarantee shall not exceed RMB150 million for the 12-month Effective Period. As stated in the Letter from the Board, such annual cap was determined taking into consideration that (i) the Board expects that Sundry Property will require not more than RMB150 million borrowings or financing to be guaranteed by Sundry Holdings Group during the Effective Period, which such borrowings or financing will be used for the possible funding needs of Sundry Property on expansion and development of the long-term rental apartment business; and (ii) the management of Sundry Holdings estimates Sundry Holdings Group will not require more than RMB150 million borrowings or financing to be guaranteed by Sundry Property during the Effective Period based on the current level of business activities and funding needs of Sundry Holdings Group.

As advised by the Company, as at the Latest Practicable Date, the Group had not entered into any similar cross-guarantee arrangement with Sundry Holdings Group nor provided any corporate guarantee in respect of loans obtained by Sundry Holdings Group. In the absence of historical transaction as reference, the Directors, in determining the proposed annual cap of the Sundry Property Guarantee, mainly took into account:

- (i) the Group could obtain the Sundry Holding Guarantee of RMB150 million without paying any commission fee for the guarantee to support its expansion and development of the long-term rental apartment business in a timely manner whenever it requires to secure loans from banks or financial institutions as funding source during the Effective Period, which is favourable to the Group;
- (ii) the level of the estimated maximum funding needs, i.e. RMB150 million, by the management of Sundry Holdings in view of its business activities and funding needs. As mentioned under the section headed “Background and financial information of Sundry Holdings Group” above, Sundry Holdings Group is principally engaged in property development and sales of properties, as well as manufacturing and sales of food and beverage in the PRC, and was

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profit-generating and recorded revenue of approximately RMB8.7 billion and RMB4.2 billion for the year ended 31 December 2020 and the six months ended 30 June 2021 respectively. The Directors considered, and we agree with their view that, the business nature of Sundry Holdings Group has the need of securing bank borrowings for business activities;

- (iii) the business scale of Sundry Holdings Group. As at 31 January 2022 (being the date of the Cross-guarantee Agreement), the market capitalisation of Sundry Land Group as the major operating group of Sundry Holdings Group was approximately RMB3.9 billion. Comparatively, the proposed annual cap of the Sundry Property Guarantee of not exceeding RMB150 million is relatively insignificant in terms of size. We agree with the Directors that such amount of proposed annual cap of the Sundry Property Guarantee is considered to be acceptable; and
- (iv) as previously mentioned, the accumulated amount under the Sundry Property Guarantee of the same amount as that under the Sundry Holdings Group Guarantee is considered to be fair to each party.

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

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

(b) The Commission Fee

Under the Cross-guarantee Agreement, Sundry Property will charge the Commission Fee of 4% for the Sundry Property Guarantee. In order to assess the fairness and reasonableness of the Commission Fee, we have reviewed comparable transactions involving mutual/cross-guarantee arrangement announced by companies listed on the Stock Exchange, under which the listed companies agreed to provide guarantee to the counter-parties, in the past 12 months immediately preceding the date of the Cross-guarantee Agreement (the “**Comparable Transactions**”). We have, to our best effort and so far as we are aware, identified nine Comparable Transactions which we consider to be exhaustive. We also consider the following list of the Comparable Transactions is fair, representative and comparable to the Cross-guarantee Agreement, taking into account that (i) they involve the same transaction type, i.e. the provision of guarantee by listed companies on the Stock Exchange under mutual/cross-guarantee arrangement; (ii) the

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12-month period immediately prior to the date of the Cross-guarantee Agreement represents a reasonable and meaningful time period to capture the recent market practice for the said transaction; and (iii) a list of nine Comparable Transactions identified in accordance with the aforesaid selection criteria shall be adequate to provide a general reference for comparison purpose. Independent Shareholders should note that the businesses, operations and prospects of the Group may not be the same as, or vary from, those of the listed companies conducting the Comparable Transactions, and the Comparable Transactions set out below are for the purpose of providing a general insight on the terms in respect of the provision of guarantee during the said 12 months' period. Details of the Comparable Transactions are set out below:

Date of announcement	Company name	Stock code	Guarantee/ commission fee rate (% per annum)
28 December 2021	Jiangxi Copper Company Limited	358.HK	Nil ^(Note 1)
30 November 2021	China Molybdenum Co., Ltd.	3993.HK	Nil ^(Note 1)
29 October 2021	Guangdong Join-Share Financing Guarantee Investment Co., Ltd.	1543.HK	4.0% ^(Note 2)
25 October 2021 or 15 April 2021	Livzon Pharmaceutical Group Inc.	1513.HK	Nil
8 September 2021	Guangdong Join-Share Financing Guarantee Investment Co., Ltd.	1543.HK	4.0% ^(Note 2)
30 June 2021	First Service Holding Limited	2107.HK	Nil ^(Note 1)
18 June 2021	Ronshine China Holdings Limited	3301.HK	Nil ^(Notes 1 and 2)
30 March 2021	Inner Mongolia Yitai Coal Co., Ltd.	3948.HK	Nil
26 February 2021	Ronshine China Holdings Limited	3301.HK	Nil ^(Notes 1 and 2)
		Maximum	4.0%
		Minimum	Nil
		Average	0.9%
31 January 2022	The Company	9608.HK	4.0%

Source: the website of the Stock Exchange

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Notes:

1. Announcement of the Comparable Transaction does not explicitly disclose such information. However, given the guarantee/commission fee is considered as one of the material terms under mutual/cross-guarantee arrangement (i.e. the existence of which shall be disclosed), it is reasonable to illustrate that the relevant guarantee/commission fee involved shall be nil.
2. Although the Comparable Transactions involved the same listed company as guarantor, for illustration purpose, they are considered as separate transactions in view of, among others, the nature of the transactions, the warrantee(s) involved, etc.

As illustrated in the table above, the guarantee/commission fees charged on the amount guaranteed by the listed companies under the Comparable Transactions ranged from nil to 4.0% per annum, with an average guarantee/commission fee rate of approximately 0.9% per annum. We note that the Commission Fee rate of 4% per annum entitled by Sundry Property is within that of the range of the Comparable Transactions and is equivalent to the highest fee rate among the guarantee/commission fee rates of the Comparable Transactions, where the higher fee rate represents the more favourable terms to the Group. We therefore consider the Commission Fee for the provision of the Sundry Property Guarantee by Sundry Property is fair and reasonable.

We have also furnished by the Company with quotations on guarantee/commission fee rate charged by guarantee companies in the PRC with respect to provision of guarantee to Sundry Holdings, and note that they would normally charge a rate ranged from 3% to 4% per annum on the guaranteed amount, which is comparable to the rate of the Commission Fee.

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

IV. Reasons for and benefits of the Cross-guarantee Agreement

As stated in the Letter from the Board, bank facilities and bank loans are one of the financial resources of Sundy Property and it is beneficial for Sundy Property to obtain credit from banks or financial institutions so that it can have the flexibility to obtain fundings in a timely manner. With the tightening of the lending policies and regulations of banks in the PRC, it is a common practice for banks in the PRC to request either guarantees or pledge of assets. To the best of the Directors' knowledge, banks in the PRC would only accept guarantees provided by creditworthy enterprises, so as to reduce the risk of non-recovery. We are given to understand that the Company has conducted enquiries with banks in the PRC regarding the approval factors in considering the grant of bank loans to the Group based on its existing financial/operational scale and the proposed loan size of RMB150 million, and the Company was advised that the provision of guarantee as collateral shall be a pre-requisite.

To compensate for the risk exposure of an independent third-party guarantor, the Company would need to pay a commission calculated based on the annual amount of the guarantee. Since the guaranteed amount will be up to RMB150 million, it is expected that the commission chargeable by such guarantor would be relatively costly for the Group. As advised by the Directors, Sundy Holdings Group is considered as the only available guarantor and not requiring any commission for provision of guarantee to the Group and a trustworthy party in view of its financial background. We agree with the Directors' view that it is beneficial to the Group that the Sundy Holdings Group Guarantee could be obtained without paying commission fee for the guarantee.

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

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We are given to understand that the Directors have performed due and careful enquiries on the credibility of Sundry Holdings Group before entering into the Cross-guarantee Agreement and carried out measures to minimise default risk therefrom, including without limitation to, (i) obtained and reviewed the financial statements of Sundry Holdings Group, and assessed its financial position; (ii) assessed the loan repayment ability in relation to Sundry Holdings Group and considered that the maximum amount of the Sundry Property Guarantee (i.e. RMB150 million) is relatively insignificant to the scale of Sundry Holdings Group (whose major operating group, namely Sundry Land Group, had the market capitalisation of approximately RMB3.9 billion as at the date of the Cross-guarantee Agreement). As previously mentioned under the section headed “Background and financial information of Sundry Holdings Group” in this letter, we note from the corporate credit report (企業信用報告) in relation to Sundry Holdings that no repayment default by it in respect of loan arrangements with banks was indicated. The Credit Rating Report in relation to Sundry Land also assigned a rating of “AA” with a stable outlook to it from 30 March 2020 to 29 March 2021, and the corporate credit report (企業信用報告) in relation to Sundry Land also indicated no repayment default by Sundry Land in respect of loan arrangements with banks; (iii) requested the Additional Security from Sundry Holdings Group and the Counter-guarantee by Mr. Yu with respect to the Sundry Property Guarantee as protections to the Group under the Cross-guarantee Agreement; and (iv) adopted various internal control measures (as further discussed below) to govern the implementation of the Cross-guarantee Agreement. We consider the Company has examined with due and careful consideration regarding the credibility of Sundry Holdings Group where the credit reports mentioned above also indicated positive results in respect of the loan repayment record and the credibility of Sundry Holdings and its major operating group respectively, and the unilateral arrangements including the Additional Security and the Counter-guarantee could serve as certain protection to the Group in respect of the Sundry Property Guarantee. The internal control measures adopted by the Group are also sufficient in place to ensure the transactions contemplated under the Cross-guarantee Agreement will be conducted on normal commercial terms (as further illustrated below).

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

V. Internal control measures

We have discussed with the Company regarding its internal control measures for the purpose of the Cross-guarantee Agreement. Other than the normal internal control measures adopted for continuing connected transactions of the Group, we note that, in order to minimise the risk as aforementioned in relation to the Cross-guarantee, the Company will adopt additional internal control measures to strengthen the monitoring and govern the implementation of the Cross-guarantee Agreement.

The normal internal control measures adopted for continuing connected transactions of the Group include (i) adopting and implementing a management system to collect information, monitor the status of the transactions contemplated thereunder the Cross-guarantee Agreement, conduct reviews on compliance with relevant laws, regulations, company policies and the Listing Rules in respect of the relevant underlying agreements, and evaluate the terms and conditions of such agreements; (ii) review of such agreements by the independent non-executive Directors to ensure that such agreements are entered on normal commercial terms, fair and reasonable, and carried out pursuant to the terms thereof; (iii) annual review on the annual cap under the Cross-guarantee Agreement by the Company's auditor; and (iv) assessing the fairness of the terms and conditions of such agreements, ensuring the actual transaction amount shall be not more than the annual cap in relation to the Cross-guarantee Agreement, and timely notifying the Company's relevant department and performing the corresponding review and disclosure procedures according to the Listing Rules if the actual amount reaches 90% of the annual cap. Details of the above measures are set out in the Letter from the Board.

In addition, as advised by the Company, the Audit Committee with all members being independent non-executive Directors, will further adopt the following internal control measures to minimise the risk in relation to the Cross-guarantee:

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

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- (b) no guarantee shall be granted to the Borrower where an event occurs that may constitute an event of default under any of its existing loan agreements;
- (ii) monitor the implementation of each individual guarantee provided by the Company under the Cross-guarantee Agreement;
- (iii) consider the suitability of each member of Sundry Holdings Group;
- (iv) periodically review (at least on a quarterly basis or when the situation may require) and make sure no material adverse event or litigation issues will substantially affect the financial status and operations of Sundry Holdings Group and to determine the effect to the guarantee, including if they will constitute a breach;
- (v) periodically review (at least on a quarterly basis or when the situation may require) the management accounts, relevant financial information and books and records of Sundry Holdings Group;
- (vi) periodically review (at least on a quarterly basis or when the situation may require) and examine any material adverse changes on the business, properties, assets or operations of Sundry Holdings Group, or its ability to perform any of its obligations under the Cross-guarantee Agreement; and
- (vii) periodically review (at least on a quarterly basis or when the situation may require) and examine any material adverse change in foreign exchange risk and policy risk under the Cross-guarantee Agreement.

We have obtained and reviewed the Company's written policy setting out the above. Having considered particularly the additional internal control measures to be adopted and executed by the Audit Committee, with all members of which are independent non-executive Directors, in minimising the risk under the Cross-guarantee Agreement, we agree with the Directors' view that the internal control measures are sufficient in place to ensure the transactions contemplated under the Cross-guarantee Agreement will be conducted on normal commercial terms.

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OPINION AND RECOMMENDATION

Having considered the abovementioned principal factors and reasons, we are of the view that, although the entering into of the Cross-guarantee Agreement is not in the ordinary and usual course of business of the Group, we consider that the terms of the Cross-guarantee Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and the entering into of the Cross-guarantee Agreement is in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the entering into of the Cross-guarantee Agreement and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of

JUN HUI INTERNATIONAL FINANCE LIMITED

Tina Tian

Karol Hui

Managing Director

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. FINANCIAL INFORMATION OF THE GROUP FOR THE THREE FINANCIAL YEARS ENDED 31 DECEMBER 2020 AND THE SIX MONTHS ENDED 30 JUNE 2021

Financial information of the Group (a) for the two years ended 31 December 2018 and 2019 are disclosed in Appendix I – Accountants’ Report to the Prospectus; (b) for the year ended 31 December 2020 is disclosed in the annual report of the Company for the year ended 31 December 2020; and (c) for the six months ended 30 June 2021 is disclosed in the interim report of the Company for the six months ended 30 June 2021, all of which are published on the website of the Stock exchange at <http://www.hkexnews.hk>, and the website of the Company at <http://songduwuye.com/>. Quick links to the relevant annual reports and interim report of the Company are set out below:

- (a) the Prospectus:

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

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

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

- (c) interim report of the Company for the six months ended 30 June 2021:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0929/2021092901288.pdf>

2. INDEBTEDNESS**Bank loans and other borrowings**

As at 31 December 2021, save as the lease liabilities in the amount of approximately RMB208,000, the Group did not have any bank loans or other borrowings. As at 31 December 2021, the gearing ratio (calculated as net debt divided by total equity) is nil, as the Company recorded a net cash position.

Mortgages and charges

As at 31 December 2021, the Group did not have any mortgage or charges on its assets.

Contingent liabilities

As at 31 December 2021, the Group did not have any contingent liabilities.

Disclaimer

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business, the Group did not have any other loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, and authorised or otherwise created but unissued and term loans or other borrowings, indebtedness in the nature of borrowings, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities outstanding on 31 December 2021, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular.

3. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As the starting point of the “14th Five-Year Plan”, 2021 is also the starting point for the property management industry to enter a new era of development. Following the Notice on Strengthening and Improving the Residential Property Management* (《關於加強和改進住宅物業管理工作的通知》) issued by the ten national ministries and commissions, many national ministries and commissions have successively issued favorable policies. In March 2021, the National People’s Congress issued the 14th Five-Year Plan and the Long Range Objectives Through 2035* (《十四五規劃及2035年遠景目標綱要》), which emphasised the importance of promoting the upgrade of the life service industry to high quality and diversification, and further put forward the development needs of the times for accelerating the development of property management and other service industries. In May 2021, the Ministry of Commerce and 12 other departments jointly issued the Opinions on Promoting the Construction of a Quarter-hour Convenient Living Circle in Cities* (《關於推進城市一刻鐘便民生活圈建設的意見》), which also proposed to promote the improvement of the convenience, standardisation, intelligence and quality of community services, so that the convenient living circles would become an important platform and carrier to promote the formation of a strong domestic market, provide services to ensure people’s livelihood, promote convenient consumption and expand employment.

In the first half of 2021, the Group focused on the development model of “one basic and three futures”, namely the four scenarios of “basic property, future community, future market and future life”, combined with its own business segments, selected suitable projects for expansion and further consolidated the strengths of its principal business of property management. The Group further expanded its management profile and revenue base by combining the needs of modern urban management. During the Period, the future community pilot plan of Caihe Street of Jianggan District in Hangzhou City under the management of the Group achieved profitability and received favorable comments from the government streets and residents on a number of occasions. Taking the project as the starting point, the Group established the future community project brand of Sundry, focusing on promoting the expansion of projects in the urban old community properties.

From the upgrading of service to the formation of its own unique culture, the Group has been constantly polishing, upholding its core values, keeping the conscience, keeping the ingenuity, keeping steady and making progress, and continuing to cultivate. The Group will maintain its enthusiasm and persistence, while wholeheartedly providing high-quality life services to the property owners, as well as achieving self breakthrough and corporate growth and transformation. Looking forward, the Group has entered the fast lane of development. Driven by its clear values, vision and mission, the Group will embrace innovation, actively deploy, seek common development with its business partners, aim for improvement of the industry as a whole, and create better lives with the property owners.

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

4. SUFFICIENCY OF WORKING CAPITAL

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

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

5. LIQUIDITY, FINANCIAL RESOURCES AND FINANCING ACTIVITIES

In the first half of 2021, the financial position of the Group remained stable. As at 30 June 2021, the current assets were RMB408.8 million, representing an increase of 61.9% as compared with RMB252.5 million as at 31 December 2020.

As at 30 June 2021, the Group’s cash and cash equivalents were RMB279.7 million, representing an increase of 45.5% as compared with RMB192.2 million as at 31 December 2020, mainly due to the increase of net inflow from financing activities obtained from the Company’s Listing and issuance of shares. The current ratio (calculated by dividing current assets by current liabilities) of the Group increased from 1.54 times as at 31 December 2020 to 2.62 times.

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

6. CAPITAL STRUCTURE

The equity attributable to owners of the Company amounted to approximately RMB279.8 million as at 30 June 2021 (31 December 2020: approximately RMB116.0 million). The increase was mainly due to the increase in share premium arising from the issue of new Shares during the global offering of the Shares which took place on the Listing Date. The Company did not issue any new Shares during the year. The issued share capital of the Company was approximately RMB\$208,000 (represented by 3,200,000,000 ordinary shares).

7. SEGMENT INFORMATION

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

Property management services

During 6M2021, the Group's revenue of properties management services to residential properties was RMB59.8 million, representing an increase of 57.0% as compared with RMB38.1 million in the corresponding period in 2020.

Value-added services to non-property owners

During 6M2021, the revenue from value-added services to non-property owners of the Group was RMB40.1 million, accounting for 28.8% of the total revenue for the Period, representing an increase of 26.5% as compared with RMB31.7 million in the corresponding period in 2020.

Community value-added services

During 6M2021, the revenue from community value-added services of the Group reached RMB9.9 million, which was mainly from property repair and maintenance, remodelling and decoration, waste cleaning, utility fee collection and community space services.

8. EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2021, the Group employed a total of 740 employees (30 June 2020: 603 employees). The staff costs of the Group for the six months ended 30 June 2021 were RMB33.1 million (for the six months ended 30 June 2020: RMB24.5 million). In determining remuneration of Directors and senior management of the Company, the Board will consider the remuneration level based on skill, knowledge, involvement in the Group's affairs and performance of each Director, together with reference to the profitability of the Company, remuneration benchmarks in the industry, and prevailing market conditions.

The Group ensures that their employees are offered competitive remuneration packages. The Group had also adopted a share option scheme, details of which are disclosed in the paragraph headed "Share Option Scheme" in the interim report of the Company for the six months ended 30 June 2021.

9. MATERIAL CONTRACTS

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

- (a) a share equity cooperation agreement dated 29 June 2020 entered into between Sundy Property and Liaoyuan Modern Vocational Education Group Co., Ltd.* (遼源現代職業教育集團有限公司), a company established in the PRC with limited liability on 17 May 2019 in respect of the establishment of Jilin Sundy Property Management Service Co., Ltd.* (吉林宋都物業服務有限公司), a company established in the PRC with limited liability on 23 June 2020;
- (b) a cornerstone investment agreement dated 23 December 2020 entered into among our Company, Jiu Rong Holdings Limited and Cinda International, details of which are included in the section headed "Cornerstone Investor" in the Prospectus;
- (c) the deed of indemnity dated 21 December 2020 entered into by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for each of our subsidiaries), particulars of which are set out in the paragraph headed "Statutory and General Information – D. Other information – 2. Tax and other indemnities" in Appendix IV to the Prospectus;
- (d) the deed of non-competition dated 21 December 2020 executed by each of the Controlling Shareholders in favour of our Company (for ourselves and as trustee of our subsidiaries), particulars of which set out in the paragraph headed "Relationship with Controlling Shareholders – Non-competition undertakings" in the Prospectus;

- (e) the underwriting agreement dated 30 December 2020 relating to the offering by our Company of the Hong Kong Offer Shares for subscription by the public in Hong Kong and entered into by our executive Directors, our Controlling Shareholders, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Hong Kong Underwriters and our Company, as further described in the paragraph headed “Underwriting – Underwriting arrangements and expenses – Hong Kong Public Offering – Hong Kong Underwriting Agreement” in the Prospectus; and
- (f) a change of name and capital increase agreement dated 14 April 2021 entered into between Rong Du Group Co. Limited* (榮都集團有限公司) (“**Rong Du**”) and Taizhou Road and Bridge Lvgang Tongxiang Real Estate Co., Ltd* (台州市路橋旅港同鄉置業有限公司) (“**Lvgang Real Estate**”), pursuant to which (i) Rong Du and Lvgang Real Estate agreed to change the name of Taizhou Road and Bridge Lvgang Tongxiang Property Co., Ltd* (台州市路橋旅港同鄉物業有限公司) into Sundy Lvgang (Taizhou) Service Co., Ltd.* (宋都旅港(台州)物業服務有限公司) (“**Sundy Lvgang**”) and (ii) Rong Du and Lvgang Real Estate agreed to invest capital into Sundy Lvgang.

10. FOREIGN EXCHANGE RISK

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

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

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

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

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

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

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

Note:

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

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

As at the Latest Practicable Date, to the best knowledge of the Directors, no Director or supervisor is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. SERVICE CONTRACTS

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

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

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

Name	Qualification
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 is 127, Hanghai Road, Jiangnan District, Hangzhou, Zhejiang province, PRC.
- c. The principal place of business in Hong Kong is 39/F, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong.
- d. The branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- e. The joint company secretaries of the Company are Ms. Zhang Qisi and Mr. Tsang Ho Yin. Mr. Tsang Ho Yin is a solicitor admitted to practice in Hong Kong.
- f. The English text of this circular shall prevail over the Chinese text for the purpose of interpretation, except that if there is any inconsistency between the Chinese names of PRC entities, departments, facilities or titles mentioned in this circular and their English translation, the Chinese version shall prevail.

10. DOCUMENTS ON DISPLAY

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

- (i) the Cross-guarantee Agreement;
- (ii) the Counter-guarantee Agreement;
- (iii) the mortgage agreement in respect of the Security Properties dated 31 January 2022 executed by Sundry Holdings in favour of Sundry Property;
- (iv) 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;
- (v) 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;
- (vi) the letter of consent from the expert referred to under the section headed "Qualification and Consent of Expert" in this appendix;
- (vii) this circular; and
- (viii) the Prospectus.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 9608)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of Sundy Service Group Co. Ltd (the “**Company**”) will be held at Conference Room, 22nd Floor, Caihejiaye Building, No. 19 Xintang Road, Shangcheng District, Hangzhou City, Zhejiang Province, PRC on Friday, 25 March 2022 at 10:00 a.m. for the following purposes:-

ORDINARY RESOLUTIONS

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

“THAT:

- (A) the Cross-guarantee Agreement (as defined in the circular of the Company of even date) and the continuing connected transactions (including the annual cap in relation thereto) and major transactions contemplated thereunder be and is hereby approved and confirmed and any one Director (other than Ms. Yu Yun) be and are hereby authorised to do all such acts or things and sign all documents deemed necessary by him/her for the purpose of giving effect to the Cross-guarantee Agreement and the transactions contemplated thereunder; and
- (B) any one Director be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, necessary to, ancillary to or in connection with the matters contemplated under the Cross-guarantee Agreement and the transactions contemplated thereunder and the implementation thereof including the affixing of seal thereon.”

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

Hong Kong, 28 February 2022

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

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

Principal Place of Business in Hong Kong:
39/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the extraordinary general meeting (the “EGM”) to appoint another person as his/her/its proxy to attend and vote instead of him/her/it. A member of the Company who is the holder of two or more shares of the Company may appoint more than one proxy to represent him/her/it and vote on his/her/its behalf. A proxy need not be a member of the Company. If more than one proxy is appointed, the appointment shall specify the number of shares in respect of which each such proxy is so appointed.
2. To be valid, the form of proxy and the power of attorney or other authority, if any, under which it is signed, or a certified copy thereof must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or at any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Meeting or at any adjournment thereof if you so wish. In such event, the form of proxy shall be deemed to be revoked.
3. For determining the qualification as members of the Company to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 22 March 2022 to Friday, 25 March 2022, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 21 March 2022.
4. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.
5. If typhoon signal no. 8 or above, or a “black” rainstorm warning is hoisted on the date of the EGM, the meeting will be postponed. The Company will post an announcement on the website of the Company at <http://songduwuye.com> and on the HKExnews website of the Stock Exchange at www.hkexnews.hk to notify members of the Company of the date, time and place of the re-scheduled EGM.

NOTICE OF EXTRAORDINARY GENERAL MEETING

Precautionary measures and special arrangements for the EGM

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

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

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

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