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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 on securities, bank manager, solicitor, professional accountant or other professional advisor.

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 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).

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DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF PROPERTIES AND DEBT SETTLEMENT FRAMEWORK AGREEMENT AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Advisor to the Company



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



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 19 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 20 to 21 of this circular. A letter from Grande Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 22 to 46 of this circular.

A notice convening the EGM to be held at Conference Room, 21st Floor, Caihejiaye Building, No. 19 Xintang Road, Shangcheng District, Hangzhou City, Zhejiang Province, PRC on Friday, 14 June 2024 at 2:00 p.m. is set out on pages EGM-1 to EGM-2 of this circular.

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

24 May 2024

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DEFINITIONS

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

“2021 Announcement”	announcement of the Company dated 16 November 2021
“2021 Circular”	circular of the Company dated 13 December 2021
“2022 Announcements”	announcement of the Company dated 31 October 2022, together with the announcement of the Company dated 4 November 2022
“2023 Circular”	circular of the Company dated 23 February 2023
“Acquisition of Properties and Debts Settlement Framework Agreement”	the acquisition of Settlement Properties and debts settlement framework agreement dated 26 March 2024 entered into between the Company and Sundry Land
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Company”	Sundy Service Group Co. Ltd (宋都服务集团有限公司) (formerly known as SUNDY HUIDU LIMITED (宋都匯都有限公司)), incorporated in the Cayman Islands on 5 May 2017 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules, including any person or group of persons who are entitled to exercise 30% or more of the voting power at the general meeting or are in a position to control the composition of a majority of the Board, which as at the date of this circular, refer to Mr. Yu and Sundry Heye
“Director(s)”	the director(s) of the Company

DEFINITIONS

“EGM”	an extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the Acquisition of Properties and Debts Settlement Framework Agreement, the connected transactions contemplated thereunder
“GFA”	gross floor area
“Group”	the Company and its subsidiaries from time to time
“Heye Investment”	Hangzhou Heye Investment Management Co., Ltd.* (杭州和業投資管理有限公司), a company established in the PRC with limited liability
“Hangzhou Xingfu Jian”	Hangzhou Xingfu Jian Holdings Co., Ltd.* (杭州幸福健控股有限公司) (formerly known as Zhejiang Songdu Holdings Co., Ltd.* (浙江宋都控股有限公司)), a company incorporated in the PRC with limited liability and is a company wholly-owned by Mr. Yu
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors, namely Mr. Zhu Haoxian, Ms. Ye Qian and Mr. Huang Enze, established to advise the Independent Shareholders in respect of the Acquisition of Properties and Debt Settlement Framework Agreement and the transactions contemplated thereunder
“Independent Financial Adviser”	Grande Capital Limited, a licensed corporation to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition of Properties and Debt Settlement Framework Agreement and the transactions contemplated thereunder

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“Independent Shareholders”	the Shareholders who are not required to abstain from voting at the EGM to approve the Acquisition of Properties and Debt Settlement Framework Agreement
“Latest Practicable Date”	20 May 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Property Management Agreement”	the master property management agreement dated 21 December 2020 entered into between the Company (for itself and as trustee for the benefit of other members of the Group) and Sundy Land (for itself and as trustee for other members of the Sundy Land Group) for provision of property management services
“Master Service Agreement”	the master service agreement dated 21 December 2020 entered into between the Company (for itself and as trustee for the benefit of other members of the Group) and Sundy Land (for itself and as trustee for other members of the Sundy Land Group) for provision of value-added services to non-property owners, community value-added services and other services
“Ms. Guo”	Ms. Guo Yijuan (郭軼娟), spouse of Mr. Yu
“Mr. Yu”	Mr. Yu Jianwu (俞建午), one of the Controlling Shareholders of the Company
“New Master Property Management Agreement”	the master property management agreement dated 31 October 2022 entered into between the Company (for itself and as trustee for the benefit of other members of the Group) and Sundy Land (for itself and as trustee for other members of the Sundy Land Group) for provision of property management services

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“New Master Service Agreement”	the master service agreement dated 31 October 2022 entered into between the Company (for itself and as trustee for the benefit of other members of the Group) and Sundry Land (for itself and as trustee for other members of the Sundry Land Group) for provision of value-added services to non-property owners, community value-added services and other services
“PRC”	the People’s Republic of China and, except where the context otherwise requires and only for the purpose of this announcement, and for geographical reference only, references in this announcement to China or the People’s Republic of China exclude Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan region
“Property Management Agreements”	collectively, the Master Property Management Agreement, the Supplemental Property Management Agreement and the New Master Property Management Agreement
“Prospectus”	prospectus of the Company dated 31 December 2020
“Receivables”	the total amount of the trade receivables under the Property Managements and the Service Agreements for the year ended 31 December 2023 which were due and remained outstanding as at the date of this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Service Agreements”	collectively, the Master Service Agreement, the Supplemental Service Agreement and the New Master Service Agreement
“Settlement Properties”	the 96 parking spots, storage rooms and 12 commercial stores to be acquired by the Group under the Acquisition of Properties and Debts Settlement Framework Agreement
“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

DEFINITIONS

“sq.m.”	square metres
“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 (宋都和業有限公司), a company incorporated in the BVI with limited liability on 21 March 2017, one of the Controlling Shareholders of the Company
“Sundy 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, an associate of Mr. Yu, and is therefore a connected person of the Company
“Sundy Land Group”	Sundy Land and its subsidiaries
“Supplemental Property Management Agreement”	the supplemental agreement dated 16 November 2021 entered into between the Company (for itself and as trustee for the benefit of other members of the Group) and Sundy Land (for itself and as trustee for other members of the Sundy Land Group) supplemental to the Master Property Management Agreement in relation to the revision of annual caps for the years ended/ending 31 December 2021 and 2022
“Supplemental Service Agreement”	the supplemental agreement dated 16 November 2021 entered into between the Company (for itself and as trustee for the benefit of other members of the Group) and Sundy Land (for itself and as trustee for other members of the Sundy Land Group) supplemental to the Master Service Agreement in relation to the revision of annual caps for the years ended/ending 31 December 2021 and 2022
“US\$”	United States dollars, the lawful currency of United States of America
“The Jianwu Yu’s Trust”	A discretionary trust established by Mr. Yu with CMB Wing Lung (Trustee) Limited
“%”	Per cent

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*)
Mr. Zhu Yihua (*Chief Executive Officer*)
Mr. Zhu Congyue
Mr. Zhang Zhenjiang

Independent non-executive Directors:

Mr. Zhu Haoxian
Ms. Ye Qian
Mr. Huang Enze

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 PRC:*

127, Hanghai Road
Jiangan district
Hangzhou
Zhejiang Province
People's Republic of China

Principal place of business in Hong Kong:

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

24 May 2024

To the Shareholders,

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF PROPERTIES AND DEBT SETTLEMENT FRAMEWORK AGREEMENT AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated 26 March 2024 and 9 April 2024 in relation to, among other things, the Acquisition of Properties and Debts Settlement Framework Agreement with Sundy Land Group and the transactions contemplated thereunder.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among others, (i) details of the Acquisition of Properties and Debts Settlement Framework Agreement; (ii) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders on the Acquisition of Properties and Debts Settlement Framework Agreement and the transactions contemplated thereunder; (iii) the recommendation of the Independent Board Committee regarding the Acquisition of Properties and Debts Settlement Framework Agreement and the transactions contemplated thereunder; (iv) property valuation report of the Property prepared by Canwin Appraisal Co., Ltd; (v) general information of the Company; and (vi) a notice for convening the EGM.

ACQUISITION OF PROPERTIES AND DEBTS SETTLEMENT FRAMEWORK AGREEMENT

The principal terms of the Acquisition of Properties and Debts Settlement Framework Agreement are set out below:

- Date:** 26 March 2024 (after trading hours)
- Parties:** (a) The Company (on behalf of members of the Group); and
(b) Sundy Land Group
- Location of the Settlement Properties:** (i) a total of 96 parking spots with a GFA of approximately 5,232.13 sq.m. located in Kaiyuan Street, Tonglu County, Hangzhou City, Zhejiang Province, PRC (the “**Target Parking Spots**”);
(ii) storage rooms with a GFA of approximately 1,849.00 sq.m. located in Kaiyuan Street, Tonglu County, Hangzhou City, Zhejiang Province, PRC (the “**Target Storage Rooms**”);
(iii) a total of 12 commercial stores with a GFA of approximately 5,631.17 sq.m. located in Kaiyuan Street, Tonglu County, Hangzhou City, Zhejiang Province, PRC (the “**Target Commercial Stores**”)
- Site area:** The Settlement Properties have a GFA of 12,712.3 sq.m.

LETTER FROM THE BOARD

Term of use of the Settlement Properties: For the Target Commercial Stores, the term of use was from 11 March 2013, and will end on 10 March 2050.

In the PRC, trading in parking spots and storage rooms can be carried out by the assignment of right of use where the direct transfer of property ownership right is not available under the PRC laws and regulations. Therefore, the term of use of the Target Parking Spots and the Target Storage Rooms is not available.

If the direct transfer of the property ownership right in the Target Parking Spots and the Target Storage Rooms is allowed under the PRC laws and regulations in the future, Sundry Land Group shall actively cooperate with the Group to carry out the transfer of the said property ownership right.

Subject Matter: The Acquisition of Properties and Debts Settlement Framework Agreement is a framework agreement which contains the principles, mechanisms and terms and conditions upon which the parties thereto are to carry out the transactions respectively. Following the signing:

(i) the respective vendors (being a relevant member of Sundry Land Group) and the respective purchasers (being a member of the Group) shall separately enter into an asset transfer agreement or a right of use transfer agreement (as the case may be) and relevant ancillary documents (collectively, the “**Underlying Agreement(s)**”) for the purpose of (a) registration of transfer of property ownership right; or (b) effecting the assignment of the right of use, in the Settlement Properties; and (ii) the Company and Sundry Land Group shall procure its relevant subsidiary or associate with the property owner of the Settlement Properties to enter into a settlement agreement (the “**Settlement Agreement(s)**”) in the form satisfactory to the Group, pursuant to which the consideration for the relevant acquisition payable by members of the Group shall be offset against the Receivables on a dollar-for-dollar basis.

LETTER FROM THE BOARD

Consideration:

The aggregate consideration for the acquisition of Settlement Properties is RMB100,050,000. It was agreed by the Company and Sundry Land under the Acquisition of Properties and Debts Settlement Framework Agreement that the consideration for the acquisition of Settlement Properties payable by the Group shall be offset against the Receivables on a dollar-for-dollar basis, and thus no separate cash payment will be made by the Group to Sundry Land Group.

Basis of determination of the consideration

The consideration for the acquisition of Settlement Properties was determined after arm's length negotiations between the Company and Sundry Land with reference to the property valuation report of the Settlement Properties prepared by Canwin Appraisal Co., Ltd, an independent valuer, among others, (i) the valuation of the Settlement Properties as at 29 February 2024 in the aggregate amount of RMB100,050,000; (ii) the prevailing market prices for the property projects of which the Settlement Properties form part; (iii) the prevailing market prices for the comparable assets in the proximity; and (iv) the prevailing property market condition.

Conditions precedent

Completion of the Acquisition of Properties and the Debts Settlement Framework Agreement is subject to the fulfilment or waiver (as the case may be) of the following conditions:

- (i) completion of legal and financial due diligence on the Settlement Properties by the Group with the results thereof being satisfactory to the Group;
- (ii) all representations, warranties and undertakings made by Sundry Land Group to the Group under the Acquisition of Properties and the Debts Settlement Framework Agreement, the Underlying Agreements and the Settlement Agreements being true, accurate and complete;
- (iii) the Underlying Agreements and the Settlement Agreements having been signed by the relevant parties and taken effect and remaining in full force;
- (iv) all necessary internal authorisations and approvals in relation to the Acquisition of Properties and the Debts Settlement Framework Agreement having been obtained by the Group, including the approval by the Independent Shareholders as required under the Listing Rules;

LETTER FROM THE BOARD

- (v) all necessary internal authorisations and approvals in relation to the Acquisition of Properties and the Debts Settlement Framework Agreement having been obtained by Sundy Land Group, including the approval by the shareholders as required under the listing rules of Beijing Stock Exchange;
- (vi) Sundy Land Group and the Settlement Properties not being involved in any litigation disputes, court enforcement actions and other issues which may suspend the transfer of the ownership or the use of rights of the Settlement Properties;
- (vii) the Settlement Properties not having any transfer barriers in respect to legislation and regulations in the PRC; and
- (viii) if applicable, all necessary governmental and regulatory approvals in relation to the Acquisition of Properties and the Debts Settlement Framework Agreement having been obtained.

Except for the conditions precedent as set out in sub-paragraphs (iii) to (viii) above which are not waivable, other conditions precedent as set out above are waivable by the Group.

As at the Latest Practicable Date, the conditions precedent (i) to (iii) has been fulfilled by the Group and Sundy Land. For the conditions precedent (iv) and (v), the Company and Sundy Land are still in the process of obtaining the independent shareholders' approvals. The parties shall use all reasonable endeavours to procure the above Conditions Precedent be fulfilled on or before 31 December 2024 (or such later date to be agreed between the parties in writing).

As at the Latest Practicable Date, the Company has no intentions to waive any of the conditions precedent.

Delivery and completion

The relevant vendors shall cooperate with the relevant purchasers to apply for the change of registration to the land administrative department or assignment of the right of use, where applicable for the Settlement Properties within 30 business days upon the fulfilment of above conditions precedent (or waived, if applicable).

Pursuant to the Acquisition of Properties and Debts Settlement Framework Agreement, the Group shall have inspected the Settlement Properties and the standard of delivery is based on the Settlement Properties on an "as-is" basis. After the inspection, both parties shall sign a property delivery form for purpose of delivery of the Settlement Properties.

Should there be adverse change to any of the Settlement Properties before offsetting the Receivables, the Company will have the discretion to require an alternative property (the "**Alternative Property**") owned by Sundy Land Group with equivalent value or refuse to offset the equivalent debts. The Alternative Property will be selected based on the criteria below: (i)

LETTER FROM THE BOARD

value of the Alternative Property as valued by the independent qualified valuer is equivalent or higher as compared with value of the Settlement Properties; (ii) the Alternative Property is located at the same project or in proximity to the Settlement Properties; and (iii) there is no encumbrances on the ownership or right of use of the Alternative Property. The Company will comply with the relevant requirements under Chapter 14 and 14A of the Listing Rules as appropriate when it decides to accept the Alternative Property.

INFORMATION ON THE SETTLEMENT PROPERTIES

Nine out of twelve the Target Commercial Stores and approximately half of the Target Storage Rooms, were leased out to independent third parties with formal tenancy agreement over long-term periods. As confirmed by Sundry Land and the Company, Sundry Land Group shall cooperate with the Group about the renewal of the existing rental agreements.

The principal terms of the Existing Tenancy Agreements set out below:

Tenancy Agreement I

Lessee:	The Lessee A
Lessor:	Tonglu Tongjun Real Estate Co., Ltd (the “ Tonglu Tongjun ”), a wholly-owned subsidiary of Sundry Land
Premises:	No. 7 and 9 Kaiyuan Street, Tonglu County, Hangzhou City
Term of lease:	From 1 January 2021 to 31 December 2028
Rent (Before tax):	(i) The total quarterly rent from 1 January 2021 to 31 December 2021 is approximately RMB36,912; (ii) The total quarterly rent from 1 January 2022 to 31 December 2022 is approximately RMB110,736; (iii) The total quarterly rent from 1 January 2023 to 31 December 2023 is approximately RMB147,648; (iv) The total quarterly rent from 1 January 2024 to 31 December 2026 is approximately RMB155,030; and

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- (v) The total quarterly rent from 1 January 2027 to 31 December 2028 is approximately RMB162,782;

The total rent payable under Tenancy Agreement I is exclusive of property management fees, public fees, water and electricity fees, air conditioning and other chargers generated from the use of the premises.

Security Deposit: RMB90,496

Payment Term: The rent is payable on a quarterly basis in advance on the 10th day of the previous calendar month.

- Other Terms:
- (i) The premises are under the management of Hangzhou Songdu Property Management Co., Ltd (a wholly subsidiary of the Company), Tonglu Branch; and
 - (ii) Tonglu Tongjun waived for the property management fee for the first year (i.e. from 1 January 2021 to 31 December 2021).

Tenancy Agreement II

Lessee: The Lessee B

Lessor: Tonglu Tongjun

Premises: No. 5 Kaiyuan Street, Tonglu County, Hangzhou City

Term of lease: From 1 December 2020 to 30 November 2028

- Rent (Before tax):
- (i) The total semi-annual rent from 1 December 2020 to 30 November 2023 is approximately RMB163,232;
 - (ii) The total semi-annual rent from 1 December 2023 to 30 November 2026 is approximately RMB171,394; and
 - (iii) The total semi-annual rent from 1 December 2026 to 30 November 2028 is approximately RMB179,964;

The total rent payable under Tenancy Agreement II is exclusive of property management fees, public fees, water and electricity fees, air conditioning and other chargers generated from the use of the premises.

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Security Deposit:	RMB108,822
Payment Term:	The rent is payable on a half-year basis in advance on the 20th day of the previous calendar month.
Other Terms:	(i) The premises are under the management of Hangzhou Songdu Property Management Co., Ltd (a wholly subsidiary of the Company), Tonglu Branch; and (ii) Tonglu Tongjun waived for the property management fee for the first year (i.e. from 1 December 2020 to 30 November 2021).

Tenancy Agreement III

Lessee:	The Lessee C
Lessor:	Tonglu Tongjun
Premises:	No. 11 Kaiyuan Street, Tonglu County, Hangzhou City
Term of lease:	From 1 June 2023 to 31 May 2026
Rent (Before tax):	(i) The total annual rent from 1 June 2023 to 31 May 2024 is approximately RMB279,598; and (ii) The total annual rent from 1 June 2024 to 31 May 2026 is approximately RMB359,483.

The total rent payable under Tenancy Agreement III is exclusive of property management fees, public fees, water and electricity fees, air conditioning and other chargers generated from the use of the premises.

Security Deposit:	RMB79,000
Payment Term:	The rent is payable on a quarterly basis in advance on the 1st day of the previous calendar month.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, Lessee A, Lessee B and Lessee C are independent from the Company and its connected persons.

LETTER FROM THE BOARD

As confirmed by Sundy Land Group, the table below set out the net profit (before tax and after tax) under the Existing Tenancy Agreements for the year ended 31 December 2023 and 2022:

	For the year ended 31 December	
	2023	2022
	RMB	RMB
	(Unaudited)	(Unaudited)
Net profit (Before tax)	946,929	602,258
Net profit (After tax)	901,837	573,579

As at the Latest Practicable Date, the receivables due from the lessees under the Existing Tenancy Agreement recorded RMB119,828.

As at 29 February 2024, as confirmed by Sundy Land Group, the carrying value of the Settlement Properties was approximately RMB98,263,309.14, which was the total development cost paid by Sundy Land Group.

The Settlement Properties were selected by the Company after considering that (i) the Settlement Properties are currently under the management of the Group thus the Group has a better understanding of the Settlement Properties and has a confidence in the growth of the value; (ii) the existing long-term tenancy agreements, which would generate a steady cash inflow to the Group; and (iii) the Settlement Properties were located near the Fuchun River, which faces natural sceneries and possesses large flow of travelers.

FINANCIAL EFFECT OF THE ACQUISITION OF THE SETTLEMENT PROPERTIES

Upon the completion of the acquisition of the Settlement Properties, it is expected that the Settlement Properties will be classified as (i) inventories of the Group, so that the inventories of the Group will be increased by approximately RMB36.2 million and (ii) investment properties of the Group, so that the investment properties of the Group will be increased by approximately RMB63.8 million. Such amount of inventories and investment properties are recognised based on the acquisition cost for the Settlement Properties, being approximately RMB100.05 million. Meanwhile, as the consideration payable by the Group for the acquisition of the Settlement Properties will be offset against the Receivables on a dollar-for-dollar basis, the Group's accounts receivables will then be reduced by approximately RMB100.05 million. It is expected that the subsequent resale and the rental income of the Settlement Properties will lead to an increase in the Group's revenue and cash inflow.

The Settlement Properties are classified on the basis of the existing usage of the assets. Upon the completion of the Acquisition of Properties and Debts Settlement Framework Agreement, the relevant portion of the Settlement Properties under the Existing Tenancy Agreement are classified as investment properties and the remaining are classified as inventories of the Group.

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The Company will comply with the relevant requirements under Chapter 14 and 14A of the Listing Rules as appropriate when it decides to resale the Settlement Properties.

REASONS FOR AND BENEFITS OF THE ACQUISITION OF PROPERTIES AND DEBTS SETTLEMENT FRAMEWORK AGREEMENT

The Group possesses the experience in managing the long-term rental business and is engaged in the field of the real estate agency. As the Settlement Properties were currently under the management of the Group and the existence of the long-term tenancy agreements of the Settlement Properties, the management believed the Settlement Properties would create good synergy effect with the existing business of the Group and allow the Group to leverage on its expertise and experience in the Settlement Properties, as well as generate potential rental income. As the Group has an experienced sales team, the management is confident that the Group will accelerate sales and enhance the overall value proposition for the Group.

Considering the conditions of the Settlement Properties, the Group has established a commercial asset management department which includes 17 employees for the sales and leasing activities. As the Settlement Properties have been under the management of the Group since 2019, the Group has better knowledge of the neighbouring environment which will accelerate the proceeds of the sale and leasing. In light of the location of the Settlement Properties (i.e. the Settlement Properties are in proximity to the beauty parkland), the Settlement Properties are suitable for several commercial activities varying from retailing stores and local restaurants which are both sharing the high visitors flow. Thus, the Company is of the view that the Settlement Properties shall be utilised fully and expected to be the extra liquidity of the Group.

The Settlement Properties are located in the major economic zones in the PRC – Yangtze River Delta, which offer better prospects for property appreciation and high occupancy rates. Yangtze River Delta situated along the east coast of China, where the intercity and suburban railways will be incorporated according to the “Fourteenth Five-Year” plan. This infrastructure development is set to boost construction and urbanisation of the region, thereby potentially drawing more commercial opportunities to the region. As the release of the controlling measures during the COVID-19, the tourism industry is facing a boosting rebound. As the proximity to the beauty parkland, despite the recent downturn in the real estate market, the Settlement Properties owned potential appreciations which will benefit in value from the tourism industrial synergy.

Due to the unforeseen property market downturn and credit and liquidity crunch of the real estate industry, the Group was unable to recover the historical receivables existed from the related parties. The Group has been taking active measures to collect the outstanding receivables after the relevant amount fell due, including but not limited to repeatedly sending demand letters requesting the repayment and arranging on-site collection staff attending offices. Despite the above measures were taken, the Group was still unable to recover all outstanding receivables from Sundry Land Group. Therefore, the Acquisition of Properties and Debts Settlement Framework Agreement will allow the Group to immediately recover part of the Receivables. Upon completion of the Acquisition of Properties and Debts Settlement Framework Agreement, the Group will gradually sell the Settlement Properties to third-party purchasers in the market for cash. The Group intends to dispose of the Settlement Properties either to the owners or tenants of the Group’s properties under management or by identifying suitable third parties in the open market.

LETTER FROM THE BOARD

Having considered the Acquisition of Properties and Debts Settlement Framework Agreement, the remaining outstanding receivables due from Sundry Land Group amount to approximately RMB44.8 million (the “**Remaining Outstanding Receivables**”). The Company will closely monitor the status of repayment of the Remaining Outstanding Receivables and negotiate with Sundry Land Group for a repayment plan (the “**Repayment Plan**”). The Company will monitor the progress of repayment. The Company will also consider further negotiation for, including but not limited to, other payables covering the trade receivables and taking fixed or financial assets to cover the unpaid balances. If the Remaining Outstanding Receivables are not settled in accordance with the Repayment Plan and other practicable measures, the Company will consider legal proceedings against the relevant parties to protect the Company’s and Shareholders’ interests.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Board is aware that the PRC government has continued to signal support for property developers and to implement relaxed policies in general and carried out city-specific policies to support the rigid housing demand and demand for upgraded homes. With the gradual implementation of various measures for “stabilizing the pillar”, “promoting demand” and “risk prevention”, it is expected the real estate market in the PRC will be gradually stabilized and Sundry Land Group will gradually restore the liquidity and will be able to repay the Remaining Outstanding Receivables in batches.

The terms of the Acquisition of Properties and Debts Settlement Framework Agreement have been arrived at after arm’s length negotiations between the parties. The Directors have confirmed that the transactions contemplated under the Acquisition of Properties and Debts Settlement Framework Agreement are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Company, and are in the interests of the Company and the Shareholders as a whole.

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 Acquisition of Properties and Debts Settlement Framework Agreement; and therefore, no Director (except Ms. Yu Yun) is required to abstain from voting at the meeting of the Board to approve the Acquisition of Properties and Debts Settlement Framework Agreement.

INFORMATION ON THE GROUP AND SUNDY LAND GROUP

The Group

The Company is an investment holding company. The Group is an integrated property management service provider in Zhejiang province, PRC 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.

LETTER FROM THE BOARD

Sundy Land Group

Sundy Land is a stock company with limited liability established in the PRC on 22 March 1999, an associate of the Controlling Shareholder, Mr. Yu, and is therefore a connected person. Sundy Land and its subsidiaries are principally engaged in real estate development.

LISTING RULES IMPLICATIONS

As the highest of all applicable percentage ratios in respect of the transactions contemplated under the Acquisition of Properties and Debts Settlement Framework Agreement is higher than 5% but below 25%, the entering into of the Acquisition of Properties and Debts Settlement Framework Agreement and the transactions contemplated thereunder also constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules and are subject to notification and announcement requirements.

As at the Latest Practicable Date, Sundy Land is owned as to approximately 29.04% by Hangzhou Xingfu Jian (which was wholly owned by Mr. Yu), approximately 9.74% by Mr. Yu and approximately 4.51% by Ms. Guo, spouse of Mr. Yu, which Mr. Yu is a Controlling Shareholder of the Company. As such, the transactions contemplated under the Acquisition of Properties and Debts Settlement Framework Agreement constitute connected transactions for the Company under Chapter 14A of the Listing Rules which is subject to reporting, announcement, circular and Independent Shareholders' approval requirements.

Sundy Land is a public company on the National Equities Exchange and Quotations (Stock Code: 400192), which based on the public information available as of 30 April 2024, top 10 shareholders of Sundy Land are as follow:

Name	Number of shares (million)	Proportion
Hangzhou Xingfu Jian ^{Note 1}	389.1	29.04%
Mr. Yu ^{Note 1}	130.6	9.74%
Hangzhou Xiao Lift Co., Ltd	80.0	5.97%
Ms. Guo ^{Note 1}	60.4	4.51%
Mr. Jiang Guoxiang	42.5	3.17%
Yunnan International Trust Co., Ltd – Cangqiong No. 1 Single Asset Trust ("Yunnan Cangqiong Trust") ^{Note 1}	12.0	0.89%
Mr. Bi Shaobo	10.7	0.80%
Mr. Yu Derong	6.2	0.46%
Mr. Tao Weidong	3.8	0.28%
Mr. Wang Siyan	3.3	0.25%

Note 1: Based on the 2023 Annual Report of Sundy Land, Hangzhou Xingfu Jian, Mr. Yu, Ms. Guo and Yunnan Cangqiong Trust are persons acting in concern.

LETTER FROM THE BOARD

Mr. Yu, through himself and Hangzhou Xingfu Jian, holds approximately 38.78% of Sundry Land and is the ultimate beneficial owner of Sundry Land.

Save as disclosed above, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the remaining shareholders of Sundry Land are independent of and not connected persons of the Company.

EGM AND PROXY ARRANGEMENT

The notice of EGM is set out in pages EGM-1 to EGM-2 of this circular. At the EGM, ordinary resolutions in respect of, among other things, the entering into of the Acquisition of Properties and Debts Settlement Framework Agreement and the transactions contemplated thereunder will be proposed.

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

As at the Latest Practicable Date, Sundry Heye was interested in 2,280,000,000 Shares, constituting approximately 59.38% 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 and will be abstained from voting on the resolutions to be proposed at the EGM approving the entering into of the Acquisition of Properties and Debts Settlement Framework Agreement and the connected 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 59.38% 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.

LETTER FROM THE BOARD

RECOMMENDATIONS

Your attention is drawn to:

- (a) the letter from the Independent Board Committee set out on pages 20 and 21 in this circular which contains its recommendation to the Independent Shareholders in relation to the Acquisition of Properties and Debts Settlement Framework Agreement and the transactions contemplated thereunder; and
- (b) the letter from the Independent Financial Adviser set out on pages 22 to 46 in this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition of Properties and Debts Settlement Framework Agreement and the transactions contemplated thereunder.

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 Acquisition of Properties and Debts Settlement Framework 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)

24 May 2024

**DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO
ACQUISITION OF PROPERTIES AND DEBT SETTLEMENT FRAMEWORK
AGREEMENT AND NOTICE OF EXTRAORDINARY GENERAL MEETING**

To the Independent Shareholders

Dear Sir/Madam,

We refer to the circular dated 24 May 2024 (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 Acquisition of Properties and Debts Settlement Framework Agreement and the 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. Grande Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

As members of the Independent Board Committee, we have discussed with the management of the Company in relation to the Acquisition of Properties and Debts Settlement Framework Agreement, and the basis upon which the terms of the Acquisition of Properties and Debts Settlement Framework Agreement have been determined. 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 the Acquisition of Properties and Debts Settlement Framework Agreement, and have discussed with the Independent Financial Adviser its letter of advice.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

On the basis of the above, we consider, and agree with the view of the Independent Financial Adviser, that the terms of the Acquisition of Properties and Debts Settlement Framework Agreement and the transactions contemplated thereunder are fair and reasonable, and that the Acquisition, although is not in the ordinary and usual course of business of the Group, is on normal commercial terms, fair and reasonable and in the interests of the Company and the 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. Zhu Haoxian
Independent
Non-executive Director

Ms. Ye Qian
Independent
Non-executive Director

Mr. Huang Enze
Independent
Non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter from the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



Room 2701, 27/F., Tower 1, Admiralty Centre,
18 Harcourt Road, Admiralty
Hong Kong

24 May 2024

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF PROPERTIES AND DEBTS SETTLEMENT FRAMEWORK AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect to the terms of the Acquisition of Properties and Debts Settlement Framework Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 24 May 2024 (the “**Circular**”) 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 26 March 2024 (after trading hours), the Company entered into the Acquisition of Properties and Debts Settlement Framework Agreement with Sundry Land Group. Pursuant to the Acquisition of Properties and Debts Settlement Framework Agreement, the Company has conditionally agreed to acquire and the Sundry Land Group has conditionally agreed to dispose of the Settlement Properties in an aggregate consideration of RMB100,050,000 which shall be offset against the Receivables on a dollar-for-dollar basis.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Sundry Land is owned as to approximately 29.04% by Hangzhou Xingfu Jian (which is a company wholly-owned by Mr. Yu), approximately 9.74% by Mr. Yu and approximately 4.51% by Ms. Guo, spouse of Mr. Yu. As Mr. Yu, one of the Controlling Shareholders, is the ultimate controlling shareholder of Sundry Land, Sundry Land

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

is an associate of Mr. Yu and therefore, is an associate of the connected person of the Company under Chapter 14A of the Listing Rules. As such, as one or more of the applicable percentage ratios in respect of the Acquisition of Properties and Debts Settlement Framework Agreement exceed 5% and the total consideration is more than HK\$10,000,000, the entering into the Acquisition of Properties and Debts Settlement Framework Agreement and the transactions contemplated thereunder constitute connected transactions for the Company under Chapter 14A of the Listing Rules which is subject to reporting, announcement, circular and Independent Shareholders' approval requirements.

As the highest of all applicable percentage ratios in respect of the transactions contemplated under the Acquisition of Properties and Debts Settlement Framework Agreement is higher than 5% but below 25%, the entering into of the Acquisition of Properties and Debts Settlement Framework Agreement and the transactions contemplated thereunder also constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules and are subject to notification and announcement requirements.

As at the Latest Practicable Date, Sundy Heye was interested in 2,280,000,000 Shares, constituting approximately 59.38% of the issued share capital of the Company. Sundy Heye is owned as to 100% by CMB Wing Lung (Trustee) Limited (through its nominee companies) as trustee of The Jianwu Yu's Trust and Mr. Yu as settlor. Mr. Yu and his family members are the discretionary beneficiaries of The Jianwu Yu's Trust. Accordingly, Sundy Heye is required to be abstained from voting on the resolutions to be proposed at the EGM approving the entering into of the Acquisition of Properties and Debts Settlement Framework Agreement and the connected transactions contemplated thereunder.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, Mr. Zhu Haoxian, Ms. Ye Qian and Mr. Huang Enze, has been established to advise the Independent Shareholders as to whether the terms of Acquisition of Properties and Debts Settlement Framework Agreement and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and its Shareholders as a whole, and to advise the Independent Shareholders as to how to vote at the EGM. We, Grande Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Our appointment as the Independent Financial Adviser in relation to the entering into of the Acquisition of Properties and Debts Settlement Framework Agreement and the connected transactions contemplated thereunder has been approved by the Independent Board Committee.

OUR INDEPENDENCE

Save for this appointment as the Independent Financial Adviser in respect of the Acquisition of Properties and Debts Settlement Framework Agreement and the transactions contemplated thereunder, there was no other engagement between the Company and us in the past two years.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, we were not aware of any relationships or interest between Grande Capital Limited and the Company, its subsidiaries and any other parties that could reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition of Properties and Debts Settlement Framework Agreement and the transactions contemplated thereunder. We are not associated or connected with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates, and accordingly, are eligible to give independent advice and recommendations. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates. We are not aware of the existence of or change in any circumstances that would affect our independence. Grande Capital Limited has not acted as a financial adviser to the Company in the last two years. Accordingly, we consider that we are eligible to give independent advice on the terms of the Acquisition of Properties and Debts Settlement Framework Agreement and the transactions contemplated thereunder.

BASIS OF OUR OPINION

In formulating our opinion, we have reviewed, among other things: (i) the Acquisition of Properties and Debts Settlement Framework Agreement; (ii) the annual report of the Company for the year ended 31 December 2022 (the “**2022 AR**”); (iii) the interim report of the Company for the six months ended 30 June 2023 (the “**2023 IR**”); and (iv) the valuation report of the Properties conducted by Canwin Appraisal Co., Ltd (the “**Valuation Report**”). We consider that we have reviewed sufficient and relevant information and documents and have taken reasonable steps as required under Rule 13.80 of the Listing Rules to reach an informed view and to provide a reasonable basis for our recommendation. We have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and the management of the Group (the “**Management**”). We have reviewed, inter alia, the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and the Management. We have assumed that (i) all statements, information and representations provided by the Directors and the Management; and (ii) the information referred to in the Circular, for which they are solely responsible, were true and accurate at the time when they were provided and continued to be so as at the Latest Practicable Date and the Shareholders will be notified of any material changes to such information and representations before the EGM. We have also assumed that all statements of belief, opinion, intention and expectation made by the Directors in the Circular were reasonably made after due enquiry and careful consideration.

We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors. We believe that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

out any independent verification of the information provided by the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group.

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

This letter is issued for provision of the information to the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the terms of the Acquisition of Properties and Debts Settlement Framework Agreement and the transactions contemplated thereunder, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating and giving our independent advice to the Independent Board Committee and Independent Shareholders, we have taken into consideration the following principal factors and reasons:

1. Background information

(i) Information of the Group

The Group is a reputable integrated property management service provider in Zhejiang province. Established in Hangzhou in 1995, the Group has nearly three decades of experience in the property management service industry in the PRC. The Company was successfully listed on the Main Board of the Stock Exchange on 18 January 2021. The Group is principally engaged in provision of (i) property management services; (ii) value-added services to non-property owners; (iii) community value-added services; and (iv) other businesses, including long-term rental business. The Group's business covers a wide range of properties, including residential properties and non-residential properties, such as commercial office buildings, city complexes and industrial parks.

As at 30 June 2023, the Group had 21 subsidiaries and 26 branches covering 20 cities in the PRC, the majority of which are located in Zhejiang province, providing property management services to 58 properties, including 39 residential properties and 19 non-residential properties, with a total gross floor area ("GFA") under management of approximately 9.0 million sq.m. and a total contracted GFA of approximately 11.1 million sq.m.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is a summary of the consolidated financial information of the Group for the years ended 31 December 2021 (“**FY2021**”) and 31 December 2022 (“**FY2022**”), and for the six months ended 30 June 2022 (“**1H2022**”) and 30 June 2023 (“**1H2023**”) as extracted from the 2022AR and 2023IR:

	For the year ended		For the six months ended	
	31 December		30 June	
	2021	2022	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue	316,237	268,581	130,760	136,180
– Property management services	172,415	188,216	92,308	96,776
– Value-added services to non-property owners	90,437	39,491	22,377	19,250
– Community value-added services	35,698	26,544	11,134	10,485
– Other businesses	17,687	14,330	4,941	9,669
Gross profit	114,541	58,059	39,626	27,333
Profit for the year/period	54,908	33,800	19,451	5,781

The Group’s property management services primarily consist of security, cleaning, gardening, repair and maintenance of common areas and common facilities and ancillary services. The Group’s value-added services to non-property owners, primarily property developers. These services mainly include (i) consulting services, including advising property developers and property owners at the early and construction stages on project planning, design management and construction management; (ii) sales assistance services, which assist property developers in showcasing and marketing their properties, including display unit management and visitor reception for property development projects; and (iii) pre-delivery services, including unit cleaning before delivery, inspection services and security services for completed properties. The Group’s community value-added services are a spectrum of community value-added services the Group provides to customers, primarily property owners and residents, including property repair and maintenance, wastes cleaning, utility fee collection, retail business and community space services. The Group’s other businesses include hotel business and long-term rental apartment business.

FY2022 vs FY2021

As illustrated in the table above, the Group’s revenue amounted to approximately RMB268.6 million for FY2022, representing a decrease of approximately 15.1% as compared to approximately RMB316.2 million for FY2021. The decrease in the Group’s revenue was mainly attributable to (i) decrease in revenue derived from value-added services to non-property owners by approximately RMB50.9 million, or approximately 56.3%, to approximately RMB39.5 million for FY2022 as compared to FY2021 mainly due to the decrease in revenue generated from consulting services and pre-delivery

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

services during FY2022 as a result of the impact of macro policies in the real estate market and the COVID-19 pandemic in the PRC; and was partially offset by (ii) increase in revenue derived from the property management services by approximately RMB15.8 million, or approximately 9.2%, to approximately RMB188.2 million for FY2022 as compared to FY2021, which was mainly attributable to increase in the GFA under management. As at 31 December 2022, the GFA under management of the Group was 9.6 million sq.m., representing an increase of 4.6% as compared to 9.2 million sq.m. as at 31 December 2021.

The Group recorded net profit of approximately RMB33.8 million for FY2022, representing a decrease of approximately RMB21.1 million, or approximately 38.4%, as compared to the net profit of approximately RMB54.9 million for FY2021. The decrease in the Group's net profit for FY2022 was mainly due to the combined effects of (i) decrease in the Group's gross profit by approximately RMB56.5 million for FY2022 due to the decrease in the Group's total revenue for reasons mentioned above; (ii) decrease in administrative expenses by approximately RMB8.7 million mainly because there was no listing expense recognised in FY2022 compared to FY2021; (iii) decrease in the Group's impairment loss on trade receivables by approximately RMB8.4 million primarily due to lower expected credit loss rates applied; and (iv) decrease in income tax by approximately RMB15.0 million for FY2022 as a result of the decrease in the Group's profit before tax for FY2022.

1H2023 vs 1H2022

The total revenue of the Group was approximately RMB136.2 million for 1H2023, representing an increase of approximately RMB5.4 million, or approximately 4.1%, as compared to approximately RMB130.8 million for 1H2022. Such increase in the revenue was primarily attributable to (i) increase in revenue derived from property management services by approximately RMB4.5 million to approximately RMB96.8 million for 1H2023 as compared to 1H2022, which was mainly attributable to the increase in the number of projects under management from 56 as at 30 June 2022 to 58 as at 30 June 2023; (ii) increase in revenue derived from other businesses, by approximately RMB4.7 million, or approximately 95.7%, to approximately RMB9.7 million for 1H2023 as compared to 1H2022 mainly due to the recovery of travelling business from the COVID-19 pandemic, which benefits the hotel business; and was partially offset by (iii) decrease in revenue derived from value-added services to non-property owners by approximately RMB3.1 million, or approximately 14.0%, to approximately RMB19.3 million for 1H2023 as compared to 1H2022 mainly attributable to the decrease in the number of pipeline projects and the decline in the revenue of consulting and pre-delivery services.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group recorded net profit of approximately RMB5.8 million for 1H2023, representing a decrease of approximately RMB13.7 million, or approximately 70.3%, as compared to 1H2022. The decrease in the Group's profit for the period was mainly due to the combined effects of (i) decrease in the Group's gross profit by approximately RMB12.3 million for 1H2023 due to the decrease in the Group's total revenue for reasons mentioned above; (ii) increase in impairment loss on trade and other receivables by approximately RMB15.5 million; (iii) decrease in other expenses by approximately RMB8.0 million mainly due to financial guarantee provision of approximately RMB7.9 million recognised in 1H2022 and no such expense was recorded for 1H2023; and (iv) decrease in income tax by approximately RMB5.3 million for 1H2023 as a result of the decrease in the Group's profit before tax for the period.

	As at 31 December		As at
	2021	2022	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Non-current assets	27,031	67,624	61,274
Current assets	461,034	462,352	467,747
Total assets	488,065	529,976	529,021
Non-current liabilities	167	1,307	1,148
Current liabilities	177,895	180,670	172,929
Total liabilities	178,062	181,977	174,077
Net current assets	283,139	281,682	294,818
Net assets	310,003	347,999	354,944

Total assets

The Group had total assets of approximately RMB530.0 million as at 31 December 2022, which mainly comprised of (i) cash and cash equivalents and restricted bank balances in aggregate of approximately RMB244.7 million; (ii) trade and other receivables of approximately RMB207.3 million; and (iii) property, plant and equipment of approximately RMB33.5 million. The increase in the total assets by approximately RMB42.9 million to approximately RMB530.0 million as at 31 December 2022 as compared to that as at 31 December 2021 was mainly attributable to (i) increase in trade and other receivables by approximately RMB80.2 million, mainly due to business expansion, leading to increase in corresponding trade receivables; (ii) increase in property, plant and equipment by approximately RMB15.4 million, mainly due to the development of online-offline mobile application; (iii) increase in prepayments by approximately RMB14.1 million; and was partially offset by the (iv) decrease in cash and cash equivalents and restricted bank balances in aggregate by approximately RMB85.4 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group had total assets of approximately RMB529.0 million as at 30 June 2023, which mainly comprised of (i) cash and cash equivalents and restricted bank balances in aggregate of approximately RMB179.5 million; (ii) trade and other receivables of approximately RMB278.5 million; and (iii) property, plant and equipment of approximately RMB29.5 million. The decrease in the total assets by approximately RMB1.0 million to approximately RMB529.0 million as at 30 June 2023 as compared to that as at 31 December 2022 was mainly attributable to the (i) decrease in cash and cash equivalents and restricted bank balances in aggregate by approximately RMB65.1 million; (ii) decrease in prepayments by approximately RMB4.7 million; (iii) decrease in property, plant and equipment by approximately RMB4.1 million; and was partially offset by (iv) increase in trade and other receivables by approximately RMB71.3 million as a result of the increase in other receivables from third parties, which mainly related to the bidding deposits and short-term liquidity loans to third parties.

Total liabilities

The Group had total liabilities of approximately RMB182.0 million as at 31 December 2022, which mainly comprised of (i) trade and other payables of approximately RMB142.7 million; and (ii) contract liabilities of approximately RMB28.3 million. The increase in the total liabilities by approximately RMB3.9 million to approximately RMB182.0 million as at 31 December 2022 as compared to that as at 31 December 2021 was mainly due to the combined effects of (i) increase in trade and other payables by approximately RMB14.0 million mainly due to the increase in third-party outsourcing fees; and (ii) decrease in current taxation by approximately RMB12.0 million.

The Group had total liabilities of approximately RMB174.1 million as at 30 June 2023, which mainly comprised of (i) trade and other payables of approximately RMB130.5 million; and (ii) contract liabilities of approximately RMB40.5 million. The decrease in the total liabilities by approximately RMB7.9 million to approximately RMB174.1 million as at 30 June 2023 as compared to that as at 31 December 2022 was mainly due to (i) decrease in trade and other payables by approximately RMB12.2 million; (ii) decrease in financial guarantee contract by approximately RMB5.9 million as a result of the release of RMB128.0 million financial guarantee contract (secured by a pledge of certain bank deposit of Sundry Property) upon the repayment of the loan by the connected person of the Group in April 2023; and was partially offset by (iii) increase in contract liabilities by approximately RMB12.1 million.

Liquidity Position

The Group's current ratios, calculated by dividing current assets by current liabilities, remained fairly stable at approximately 2.6 times, 2.6 times and 2.7 times as at each of 31 December 2021 and 2022 and 30 June 2023, respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) Background information of Sundry Land Group

Sundry Land is a stock company with limited liability established in the PRC on 22 March 1999, an associate of the Controlling Shareholder, Mr. Yu, and is therefore a connected person. Sundry Land and its subsidiaries are principally engaged in real estate development.

(iii) Information of the Settlement Properties

As set out in the Letter from the Board, the Settlement Properties were selected by the Company after considering that (i) the Settlement Properties are currently under the management of the Group thus the Group has a better understanding of the Settlement Properties and has a confidence in the growth of the value; (ii) the existing long-term tenancy agreements, which would generate a steady cash inflow to the Group; and (iii) the Settlement Properties were located near the Fuchun River, which faces natural sceneries and possesses large flow of travelers. As the Settlement Properties were currently under the management of the Group and the existence of the long-term tenancy agreements of the Settlement Properties, the management believes that the Settlement Properties would create good synergy effect with the existing business of the Group and allow the Group to leverage on its expertise and experience in the Settlement Properties, as well as generate potential rental income. We are of the view that the selection criteria of the Settlement Properties are fair and reasonable.

The Settlement Properties comprise (i) a total of 12 commercial stores with a GFA of approximately 5,631.17 sq.m located in Kaiyuan Street, Tonglu County, Hangzhou City, Zhejiang Province, PRC (the “**Target Commercial Stores**”); (ii) a total of 96 parking spots with a GFA of approximately 5,232.13 sq.m. located in Kaiyuan Street, Tonglu County, Hangzhou City, Zhejiang Province, PRC (the “**Target Parking Spots**”); and (iii) storage rooms with a GFA of approximately 1,849.00 sq.m. located in Kaiyuan Street, Tonglu County, Hangzhou City, Zhejiang Province, PRC (the “**Target Storage Rooms**”). For the Target Commercial Stores, the term of use is from 11 March 2013, and will end on 10 March 2050. In the PRC, trading in parking spots and storage rooms can be carried out by the assignment of right of use where the direct transfer of property ownership right is not available under the PRC laws and regulations. Therefore, the term of use of the Target Parking Spots and the Target Storage Rooms is not available. If the direct transfer of the property ownership right in the Target Parking Spots and the Target Storage Rooms is allowed under the PRC laws and regulations in the future, Sundry Land Group shall actively cooperate with the Group to carry out the transfer of the said property ownership right. Further details of our assessment on the right of use of the Settlement Properties are set out in the section headed “(vii) Assessment of the consideration for the acquisition of Settlement Properties – Valuation bases and assumptions” below.

Nine out of twelve Target Commercial Stores and approximately half of the Target Storage Rooms, were leased out to independent third parties with formal tenancy agreement over long-term periods (the “**Existing Tenancy Agreements**”). For the two years ended 31 December 2023, the unaudited net profits after tax generated under the Existing Rental Agreements taking into account all related disbursements was approximately RMB573,579 and

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approximately RMB901,837, respectively. Going forward and as confirmed by Sundy Land and the Company, Sundy Land Group shall cooperate with the Group about the renewal of the Existing Rental Agreements. As confirmed by Sundy Land Group and we have obtained and reviewed the management account of the Settlement Properties, the carrying value of the Settlement Properties as at 29 February 2024 was approximately RMB98,263,309.14, which was the total development cost paid by Sundy Land Group.

(iv) Overview of the property and parking spaces market in the PRC

Property Market

The economic growth, urbanisation and rising standards of living in the PRC have been the main driving forces behind the increasing market demand for properties. The real estate industry in the PRC is dependent on the PRC's overall economic growth, including the increase in the purchasing power of residents in the PRC and the resulting demand for residential properties. Since 2023, the global economy endured a weak recovery, while the inflation level remained relatively high. The ripple effects of tightening monetary policy in major economies have been prominent. Against this backdrop, the recovery of the PRC's economy continues to face pressure. The real estate industry, being a pillar industry of the economy in the PRC, cooled down significantly throughout 2023 and the pressure of market adjustment continued to increase, which became an important factor dragging down the economic growth. The PRC government has maintained the principle of "risk prevention and city specific policies" and the policies which have been issued are mostly related to the optimisation and adjustment of the existing systems. The strength of the policies is limited to "support but not to inflate" the market. Following an initial uptick in housing sales, the overall performance of the property market receded due to the persistently weak housing loan demand and the decline in housing prices.

However, on 24 July 2023, a pivotal shift was signaled during a meeting held by the Political Bureau of the Communist Party of China Central Committee. Recognising the changes in the supply-demand dynamics of property market in the PRC, it was emphasised that urgent adjustment and refinement of real estate policies is necessary. The proposed approach would entail adopting city-specific strategies and fully utilising a comprehensive set of policy measures to meet the fundamental housing needs of residents while also accommodating their desires for improved living condition, thereby fostering a stable and healthy growth in the property market. Subsequently, a set of policy measures were deployed, focusing on areas such as enhancing demand-side housing purchase policies, aiding financing for property developers, increasing the construction of affordable housing, and promoting urban village transformations. This includes: (i) the implementation of the "recognise housing but not loans" policy for first-time homebuyers; (ii) the reduction of the down payment ratio for first and second homes to a lower limit of 20% and 30% respectively; and (iii) the decrease in the interest rate for existing first-time home loans. These policy measures, coupled with the anticipated acceleration in urban village transformations, are expected to foster a gradual stabilisation and recovery of the property market.

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We have discussed with the Management and understood that, with these stimulating government policy measures, there will likely have a broad positive impact on the entire industry and reinforcing market confidence and hence a potential upside in the resale value of the Settlement Properties. Upon completion of the Settlement Agreements, the Group will gradually sell the Settlement Properties to third-party purchasers in the market for cash, with the intention of capitalising on the right opportunity to sell the Settlement Properties and maximize returns. The Company will identify the optimal timing to sell the Settlement Properties by assessing the financial position of the Company and the prevailing market conditions.

Further according to an article headlined “China says it will step up policy adjustments to spur recovery in 2024” published on 12 December 2023 by Reuters, China will focus on boosting effective demand next year, and make concerted efforts to spur domestic demand, citing the annual Central Economic Work Conference (中央經濟工作會議) held from 11 to 12 December 2023, during which top leaders set economic targets for 2024. China will speed up, among others, the establishment of a new model of property development, quickening construction of affordable housing, and coordinate the resolution of local debt risks and stable development.

In consideration of the support from the PRC government in the revival of the property market and the signs of gradual recovery in the investment in real estate development in the PRC in January and February 2024, we concur with the Management that the stimulating government policies would strengthen market demand and contribute to the recovery of the PRC property market, and thereby lead to potential upside in the resale value of the Settlement Properties.

Parking Spaces Market

	2021	2022	2023
Number of vehicles (million units)	302	319	336
Number of newly licensed drivers nationwide (million people)	27.5	29.2	24.3

Source: National Bureau of Statistics and Traffic Administration Bureau of the Ministry of Public Security of the People's Republic of China

In respect of the historical trends for car parking spaces, as stated in the above table, we observed that the number of vehicles has shown a steady growing trend between 2021 and 2023, with a CAGR of approximately 3.6%. Also, the number of newly licensed drivers in the PRC maintained a large number of population at an average of 27.0 million people per year.

In light of the anticipated economic recovery and continuing urbanization, it is expected that the number of private vehicles and newly licensed drivers will continue to growth. Consequently, the demand for parking spaces is likely to increase accordingly.

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(v) *Reasons for and benefits of the Acquisition of Properties and Debts Settlement Framework Agreement*

As disclosed in the Letter from the Board, the Group possesses the experience in managing the long-term rental business and is engaged in the field of the real estate agency. As the Settlement Properties were currently under the management of the Group and the existence of the long-term tenancy agreements of the Settlement Properties, the management believed the Settlement Properties would create good synergy effect with the existing business of the Group and allow the Group to leverage on its expertise and experience in the Settlement Properties, as well as generate potential rental income.

Considering the conditions of the Settlement Properties, the Group has established the commercial asset management department which includes 17 employees for the sales and leasing activities. As the Settlement Properties have been under the management of the Group since 2019, the Group has better knowledge of the neighbouring environment which will accelerate the proceeds of the sale and leasing. In light of the location of the Settlement Properties (i.e. the Settlement Properties are in proximity to the beauty parkland), the Settlement Properties are suitable for several commercial activities varying from retailing stores and local restaurants which are both sharing the high visitors flow. Thus, the Company is of the view that the Settlement Properties shall be utilised fully and expected to be the extra liquidity of the Group.

The Settlement Properties are located in the major economic zones in the PRC – Yangtze River Delta, which offer better prospects for property appreciation and high occupancy rates. Yangtze River Delta situated along the east coast of China, where the intercity and suburban railways will be incorporated according to the “Fourteenth Five-Year” plan. This infrastructure development is set to boost construction and urbanisation of the region, thereby potentially drawing more commercial opportunities to the region. As the release of the controlling measures during the COVID-19, the tourism industry is facing a boosting rebound. As the proximity to the beauty parkland, despite the recent downturn in the real estate market, the Settlement Properties owned potential appreciations which will benefit in value from the tourism industrial synergy.

Due to the unforeseen property market downturn and credit and liquidity crunch of the real estate industry, the Group was unable to recover the historical receivables due from the related parties. The Group has been taking active measures to collect the outstanding receivables after the relevant amount fell due, including but not limited to repeatedly sending demand letters requesting the repayment and arranging on-site collection staff attending offices. Despite the above measures were taken, the Group was still unable to recover all outstanding receivables from Sundy Land Group. With continuous efforts, the Group finally reach an agreement with Sundy Land to enter into the Acquisition of Properties and Debts Settlement Framework Agreement for the relevant debt offset and settlement arrangement.

Having considered the Acquisition of Properties and Debts Settlement Framework Agreement, the remaining outstanding receivables due from Sundy Land Group amount to approximately RMB44.8 million (the “**Remaining Outstanding Receivables**”). The Company will closely monitor the status of repayment of the Remaining Outstanding Receivables and negotiate with Sundy Land Group for a repayment plan (the “**Repayment Plan**”). The

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Company will monitor the progress of repayment. The Company will also consider further negotiation for, including but not limited to, other payables covering the trade receivables and taking fixed or financial assets to cover the unpaid balances. If the Remaining Outstanding Receivables are not settled in accordance with the Repayment Plan and other practicable measures, the Company will consider legal proceedings against the relevant parties to protect the Company's and Shareholders' interests.

Based on the stimulating government policies as discussed above, we concur with the Board that the PRC government has continued to signal support for property developers and to implement relaxed policies in general and carried out city-specific policies to support the rigid housing demand and demand for upgraded homes. With the gradual implementation of various measures for "stabilizing the pillar", "promoting demand" and "risk prevention", it is expected the real estate market in the PRC will be gradually stabilized and Sundy Land Group will gradually restore the liquidity and it is probable that Sundy Land Group will be able to repay the Remaining Outstanding Receivables in batches.

We understand that the Settlement Properties transfer under the Acquisition of Properties and Debts Settlement Framework Agreement will allow the Group to immediately recover part of the outstanding receivables, which might not be able to settle within a foreseeable period due to the cash flow issue of Sundy Land Group, which was affected by the property market downturn and credit crunch. According to the latest interim report of Sundy Land Group for the six months ended 30 June 2023, Sundy Land Group showed financial deteriorates with a substantial drop by approximately 87.4% in the net operating cash flow from RMB1.7 billion for the same period in 2022 to RMB0.2 billion, which has directly impacted Sundy Land Group's ability to repay the debt in cash. For the six months ended 30 June 2023, Sundy Land Group recorded net loss of approximately RMB88.3 million, which represented a sharp decrease of approximately RMB242.3 million comparing to the same period in 2022. As such, the transfer of Settlement Properties to the Group has emerged as one of the best practicable solution under current circumstances.

Upon completion of the Acquisition of Properties and Debts Settlement Framework Agreement, the Group will gradually sell the Settlement Properties to third-party purchasers in the market for cash. The Group intends to dispose of the Settlement Properties either to the owners or tenants of the Group's properties under management or by identifying suitable third parties in the open market. For third parties purchasers in the open market, the Group intends to sell the parking spaces and residential, office and retail units through the Group's experienced sales team to continuously expand its clientele and promote the sales of the Settlement Properties. As the Group has an experienced and strong sales team of 17 personnels, the management is confident that the Group will accelerate sales and enhance the overall value proposition for the Group. In addition, the Settlement Properties will still be generating immediate rental income to the Group in case the Settlement Properties could not be sold in a short period of time. It would be a better solution than awaiting Sundy Land Group to settle the outstanding receivables, which might not be able to settle within a foreseeable period.

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Based on the Letter from the Board and our discussion with the Company, we understand that the Group anticipates favorable conditions for selling the Settlement Properties due to various factors, including (i) the gradual relaxation of property market restrictions by various local governments in the PRC on sales and loans in the property market; (ii) the existing long-term tenancy agreements, which would generate a steady cash inflow to the Group; and (iii) the Settlement Properties were located near the Fuchun River, which faces natural sceneries and possesses large flow of travelers that the Settlement Properties are expected to bring capital appreciation in the future. Based on our previous discussion on the property and parking spaces market overview, we concur with the Directors' view that the prospect of property and parking spaces market is generally positive.

As such, we concur with the Management that the transfer of the Settlement Properties under the Acquisition of Properties and Debts Settlement Framework Agreement as settlement of the outstanding receivables will reduce the Group's exposure to credit risk associated with the outstanding receivables and improve the overall financial position of the Group.

Taking into account that entering into of the Acquisition of Properties and Debts Settlement Framework Agreement with Sundry Land Group would (i) be one of the best practicable solution under current circumstances which enable the Group to recover part of the outstanding receivables from Sundry Land Group, immediately improve the financial position of the Group instead of waiting for Sundry Land Group to execute assets sales, settle other expenses, and then make repayments; (ii) allow the Group to acquire the Settlement Properties at a present market price which providing an opportunity to benefit from potential appreciation when the economy and the property market recover; (iii) create good synergy effect with the existing business of the Group and allow the Group to leverage on its expertise and experience in the management of the Settlement Properties, and given that (a) the Settlement Properties located near the Fuchun River, which faces natural sceneries and possesses large flow of travelers; (b) the Existing Tenancy Agreements, which would generate a steady cash inflow to the Group; and (c) the generally positive outlook for the property and parking spaces market in the PRC, supported by favourable government policies as discussed above, we are of the view that while the transfer of the Settlement Properties under the Acquisition of Properties and Debts Settlement Framework Agreement is not in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole.

(vi) Principal Terms of the Acquisition of Properties and Debts Settlement Framework Agreement

Details of the principal terms of the Acquisition of Properties and Debts Settlement Framework Agreement are set out as follows:

- Date:** 26 March 2024 (after trading hours)
- Parties:** (a) The Company (on behalf of members of the Group); and
- (b) Sundry Land Group

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Location of the Settlement Properties:	(i) Target Parking Spots; (ii) Target Storage Rooms; (iii) Target Commercial Stores
Site area:	The Settlement Properties have a GFA of 12,712.3 sq.m.
Term of use of the Settlement Properties:	<p>For the Target Commercial Stores, the term of use is from 11 March 2013, and will end on 10 March 2050.</p> <p>In the PRC, trading in parking spots and storage rooms can be carried out by the assignment of right of use where the direct transfer of property ownership right is not available under the PRC laws and regulations. Therefore, the term of use of the Target Parking Spots and the Target Storage Rooms is not available.</p> <p>If the direct transfer of the property ownership right in the Target Parking Spots and the Target Storage Rooms is allowed under the PRC laws and regulations in the future, Sundry Land Group shall actively cooperate with the Group to carry out the transfer of the said property ownership right.</p>
Subject Matter:	<p>The Acquisition of Properties and Debts Settlement Framework Agreement is a framework agreement which contains the principles, mechanisms and terms and conditions upon which the parties thereto are to carry out the transactions respectively. Following the signing: (i) the respective vendors (being a relevant member of Sundry Land Group) and the respective purchasers (being a member of the Group) shall separately enter into an asset transfer agreement or a right of use transfer agreement (as the case may be) and relevant ancillary documents (collectively, the “Underlying Agreement(s)”) for the purpose of (a) registration of transfer of property ownership right; or (b) effecting the assignment of the right of use, in the Settlement Properties; and (ii) the Company and Sundry Land Group shall procure its relevant subsidiary or associate with the property owner of the Settlement Properties to enter into a settlement agreement (the “Settlement Agreement(s)”) in the form satisfactory to the Group, pursuant to which the consideration for the relevant acquisition payable by members of the Group shall be offset against the Receivables on a dollar-for-dollar basis.</p>

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Consideration:

The aggregate consideration for the acquisition of Settlement Properties is RMB100,050,000. It was agreed by the Company and Sundry Land under the Acquisition of Properties and Debts Settlement Framework Agreement that the consideration for the acquisition of Settlement Properties payable by the Group shall be offset against the Receivables on a dollar-for-dollar basis, and thus no separate cash payment will be made by the Group to Sundry Land Group.

Basis of determination of the consideration

The consideration for the acquisition of Settlement Properties was determined after arm's length negotiations between the Company and Sundry Land with reference to the property valuation report of the Settlement Properties prepared by Canwin Appraisal Co., Ltd, an independent valuer, among others, (i) the valuation of the Settlement Properties as at 29 February 2024 in the aggregate amount of RMB100,050,000 (the “**Valuation**”); (ii) the prevailing market prices for the property projects of which the Settlement Properties form part; (iii) the prevailing market prices for the comparable assets in the proximity; and (iv) the prevailing property market condition.

We have reviewed the Valuation Report and we concur with the view of the Management that the Valuation Report is an appropriate reference in determining the consideration for the acquisition of Settlement Properties. Further details of our assessment on the Valuation are set out in the section headed “(vii) Assessment of the consideration for the acquisition of Settlement Properties” below.

It is noted that consideration for the acquisition of Settlement Properties of approximately RMB100,050,000 represents the appraisal value of the Settlement Properties. As such, we are of the view that the determination of the consideration for the acquisition of Settlement Properties is on normal commercial terms and is fair and reasonable so far as the Independent Shareholders are concerned.

Conditions precedent

Completion of the Acquisition of Properties and the Debts Settlement Framework Agreement is subject to the fulfilment or waiver (as the case may be) of the following conditions:

- (i) completion of legal and financial due diligence on the Settlement Properties by the Group with the results thereof being satisfactory to the Group;

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- (ii) all representations, warranties and undertakings made by Sundy Land Group to the Group under the Acquisition of Properties and the Debts Settlement Framework Agreement, the Underlying Agreements and the Settlement Agreements being true, accurate and complete;
- (iii) the Underlying Agreements and the Settlement Agreements having been signed by the relevant parties and taken effect and remaining in full force;
- (iv) all necessary internal authorisations and approvals in relation to the Acquisition of Properties and the Debts Settlement Framework Agreement having been obtained by the Group, including the approval by the Independent Shareholders as required under the Listing Rules;
- (v) all necessary internal authorisations and approvals in relation to the Acquisition of Properties and the Debts Settlement Framework Agreement having been obtained by Sundy Land Group, including the approval by the shareholders as required under the listing rules of Beijing Stock Exchange;
- (vi) Sundy Land Group and the Settlement Properties not being involved in any litigation disputes, court enforcement actions and other issues which may suspend the transfer of the ownership or the use of rights of the Settlement Properties;
- (vii) the Settlement Properties not having any transfer barriers in respective to legislation and regulations in the PRC; and
- (viii) if applicable, all necessary governmental and regulatory approvals in relation to the Acquisition of Properties and the Debts Settlement Framework Agreement having been obtained.

Except for the conditions precedent as set out in sub-paragraphs (iii) to (viii) above which are not waivable, other conditions precedent as set out above are waivable by the Group.

As at the Latest Practicable Date, the conditions precedent (i) to (iii) has been fulfilled by the Group and Sundy Land. For the conditions precedent (iv) and (v), the Company and Sundy Land are still in the process of obtaining the independent shareholders' approvals. The parties shall use all reasonable endeavours to procure the above Conditions Precedent be fulfilled on or before 31 December 2024 (or such later date to be agreed between the parties in writing).

As at the Latest Practicable Date, the Company has no intentions to waive any of the conditions precedent.

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Delivery and completion

The relevant vendors shall cooperate with the relevant purchasers to apply for the change of registration to the land administrative department or assignment of the right of use, where applicable for the Settlement Properties within 30 business days upon the fulfilment of above conditions precedent (or waived, if applicable).

Pursuant to the Acquisition of Properties and Debts Settlement Framework Agreement, the Group shall have inspected the Settlement Properties and the standard of delivery is based on the Settlement Properties on an “as-is” basis. After the inspection, both parties shall sign a property delivery form for purpose of delivery of the Settlement Properties.

Should there be adverse change to any of the Settlement Properties before offsetting the Receivables, the Company will have the discretion to require an alternative property (the “**Alternative Property**”) owned by Sundy Land Group with equivalent value or refuse to offset the equivalent debts. The Alternative Property will be selected based on the criteria below: (i) value of the Alternative Property as valued by the independent qualified valuer is equivalent or higher as compared with value of the Settlement Properties; (ii) the Alternative Property is located at the same project or in proximity to the Settlement Properties; and (iii) there is no encumbrances on the ownership or right of use of the Alternative Property.

Considering the substantial number of Settlement Properties involved, we reckoned that it is reasonable to allow Sundy Land Group a 30 business days timeframe to apply for changes of registration. In addition, we noted the Acquisition of Properties and Debts Settlement Framework Agreement allows the Company the discretion to require Alternative Property, owned by Sundy Land Group with equivalent value, or to decline to offset the equivalent debts, if there is any adverse change to any of the Settlement Properties. This provision offers a safety net against potential adverse changes in the Settlement Properties, which protects the Group from potential financial losses and ensures overall financial health and stability of the Group. Hence, this procedure should safeguard the interests of the Company and its Shareholders as a whole.

Our view

Based on the above and having considered that the Acquisition of Properties and the Debts Settlement Framework Agreement will only take place after fulfilling all the Conditions Precedent, including, among others, (i) the Settlement Properties not having any transfer barriers in respective to legislation and regulations in the PRC and/or its subsidiaries to freely sell or lease each of the Settlement Properties; (ii) the safety net provided in respect of there be adverse change to any of the Settlement Properties before offsetting the Receivables, the Company will have the discretion to require an Alternative Property owned by Sundy Land Group with equivalent value or refuse to offset the equivalent debts; and (iii) the aggregate consideration for the acquisition of Settlement

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Properties was determined with reference to the Valuation, we are of the view that the terms of the Acquisition of Properties and the Debts Settlement Framework Agreement safeguard the interests of the Group, and are fair and reasonable and the transactions contemplated under the Acquisition of Properties and the Debts Settlement Framework Agreement are in the interests of the Company and the Shareholders as a whole.

(vii) Assessment of the consideration for the acquisition of Settlement Properties

As disclosed in the Letter from the Board and our discussion with the management of the Group, the consideration for the acquisition of Settlement Properties was determined after arm's length negotiations between the Company and Sundry Land with reference to, among others, (i) the Valuation conducted by an independent valuer in the PRC using market approach; (ii) the prevailing market prices for the property projects of which the Settlement Properties form part; (iii) the prevailing market prices for the comparable assets in the proximity; (iv) the prevailing property market condition; and (v) the reasons and benefits as more particularised in the paragraphs headed "Reasons for and benefits of the Acquisition of Properties and Debts Settlement Framework Agreement" in the Letter from the Board. Reference is made to the Valuation Report prepared by Canwin Appraisal Co., Ltd. (the "**Independent Valuer**"), as at 29 February 2024 (the "**Valuation Date**"), the total appraised market value of the Settlement Properties was RMB100,050,000, as set out in Appendix I to the Circular. We have reviewed the Valuation Report and discussed with the Valuer regarding the Valuation as further discussed below.

Qualifications of the Valuer

We have reviewed the terms of engagement of the Independent Valuer and consider that its scope of work is typical of valuation carried out by independent valuers. We are not aware of any limitation on the scope of work which might adversely affect the degree of assurance given by the Valuation Report. We have interviewed the Independent Valuer and enquired into the qualification, experience and independence of the Independent Valuer in relation to the preparation of the Valuation Report. We understand that (i) the Independent Valuer is certified with the relevant professional qualifications required to perform the valuations; and (ii) the valuation team is led by Mr. Ming Huang. Mr. Ming Huang is a member of China Institute of Real Estate Appraiser and a member of China Institute of Asset Appraiser, who has over 15 years of experience in the professional property valuation and asset valuation in Mainland China.

For due diligence purpose, we have conducted telephone discussion with the working team of the Independent Valuer to understand its previous experiences on valuation projects, the methodologies, basis and assumptions they have adopted in the Valuation Report as well as the steps and measures taken by the Independent Valuer in conducting the valuation. We also understand from the Independent Valuer that it has carried out on-site inspections and made relevant enquiries and researches for preparing the Valuation Report. The Independent Valuer has also confirmed that it is independent from the Company, Sundry Land Group and their respective connected persons or associates. Based on the above, we are satisfied with the expertise and independence of the Independent Valuer.

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Valuation bases and assumptions

As discussed and confirmed by the Independent Valuer, during the course of the valuation, it has complied with the reporting guidelines set by the International Valuation Standards published by the International Valuation Standards Council and Chapter 5 of the Listing Rules. During our review, we noted that the valuation of the Settlement Properties was conducted based on the major assumptions including that the Group sells the Settlement Properties on the market in their existing state without the benefit of special terms or circumstances, such as a typical financing, sale and leaseback arrangements, special consideration or concessions granted by the person involved in the sale or any value factors available to a particular owner or buyer, which would serve to increase or decrease the value of the Settlement Properties. We also noted that the Independent Valuer has relied on the Company's PRC legal adviser, Ying Ke Law Firm (Hangzhou) (the "**PRC Legal Adviser**"), regarding the information and advice in relation to the Settlement Properties. With reference to the legal opinion provided for the Settlement Properties in the PRC, and unless otherwise stated, the Independent Valuer has valued the Settlement Properties on the basis that the Group do not have any transfer barriers in respect to legislation and regulations in the PRC to each of the Settlement Properties, and has free and uninterrupted rights to use, occupy or transfer the Settlement Properties. Further, it is assumed that no allowance has been made for any charges, mortgages, seal up or arrears in respect of the property or any expenses or taxes that may be incurred upon completion of the sale. It is also assumed that the Settlement Properties are free from onerous encumbrances, restrictions, and charges that could affect their value. We have discussed with the Independent Valuer regarding the assumptions adopted in the Valuation Report and were given to understand that such assumptions are in line with the general market practice.

For our due diligence purpose, we have obtained and reviewed, among other things, (i) the legal opinion on the Settlement Properties; (ii) the engagement letter between the Company and the PRC Legal Adviser; and (iii) the PRC Legal Adviser's qualification and experience in relation to the preparation of the PRC legal opinion. From our review of the engagement letter between the Company and the PRC Legal Adviser, we are satisfied that the terms of engagement between the Company and the PRC Legal Adviser are appropriate to the opinion the PRC Legal Adviser is required to be given, with no limitations on the scope of work which might adversely impact on the degree of assurance given by the PRC Legal Adviser. Based on the engagement letter and our independent research, we noted that the PRC Legal Adviser is an established law firm which provides comprehensive legal services in the PRC. In addition, we have enquired with, and the PRC Legal Adviser has confirmed that it is independent from the Group, Sundry Land Group and their respective associates.

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As advised by the PRC Legal Adviser, (i) Sundy Land Group legally owns the Settlement Properties and has the rights to possess, use, benefit from, and otherwise dispose of the asset; (ii) unless otherwise stated, the Settlement Properties are free from any mortgages, charges and legal encumbrances which may cause adverse effect on the ownership of the Settlement Properties; (iii) while the Target Parking Spots and the Target Storage Rooms included in the Settlement Properties to be transferred do not meet the criteria for separate real estate title certification, they are located on the land over which Sundy Land Group has the usage rights; and (iv) trading in the Target Parking Spots and the Target Storage Rooms can be carried out by the assignment of right of use where the direct transfer of property ownership right is not available under the PRC laws and regulations. The exercise and transfer of the right to use the parking space and storage room by the property owner is not detrimental to the interests of third parties, and there is no substantial legal impediment to the transfer of the right to use the parking space and storage room by the property owner.

We have also reviewed the appraisal assumptions in the Valuation Report as set out in Appendix I to the Circular. As advised by the Independent Valuer, the abovementioned assumptions are in line with market practice. We have also performed independent research on property valuation reports published in the past twelve months, we have reviewed 45 property valuation reports published by listed issuers and noted that the abovementioned assumptions are common assumptions adopted in the majority of the property valuation reports, and we have not identified any major factors that cause us to doubt the reasonableness of the key assumptions adopted by the Independent Valuer. We are therefore of the view that the assumptions adopted in the valuation are reasonable. During the course of our discussion with the Independent Valuer, we have not identified any major factors which would lead us to cast doubt on the fairness and reasonableness of the valuation methodology and the principal basis and assumptions adopted in arriving at the appraised value of the Settlement Properties.

Valuation methodology

We noted that the Independent Valuer has adopted the market comparison method, by making reference to comparable sales transactions available in the relevant market, in arriving at the market value of the Settlement Properties. This approach rests on the wide acceptance of the market evidence as the best indicator that can be extrapolated to similar properties, subject to allowances for variable factors. Based on our discussion with the Independent Valuer, we understand that the market comparison method is a commonly adopted valuation method for property valuation and is in line with the market practice. We have also enquired the Independent Valuer whether other methods were considered in the preparation of the Valuation. As explained by the Independent Valuer, cost approach is usually adopted for property with specific nature and lack of sales transactions of properties of the same characteristics in the vicinity. In this case, cost approach was considered not suitable for the purpose of the Valuation as sale transactions of similar properties are available in the market. Besides, income approach is also considered to be not suitable for the purpose of the Valuation. The income approach provides an indication

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of value by converting future cash flow to a single current value. Under the income approach, the value of an asset is determined by reference to the value of income. However, as advised by the Company, only part of the Settlement Properties are generating income and there is no any accurate projection to do so. Most importantly, obtaining relevant rental comparables within the respective property markets proves to be a challenging endeavor. While according to the valuation standard, market approach should be applied the subject asset or substantially similar assets are actively publicly traded, and/or there are frequent and/or recent observable transactions in substantially similar assets. As such, market approach is adopted for the Valuation.

During the course of our discussion with the Independent Valuer, we have not identified any major factors which would lead us to cast doubt on the fairness and reasonableness of the valuation methodology adopted in arriving at the Valuation.

For our due diligence purpose, we have tried to cross-check the Valuation using other valuation methodologies. We have attempted to consider the income approach, and noted that the parameters required and assumptions under the income approach may not be easily verified or reasonably justified, while the cost approach required to analyse appropriate cost data on the current cost of replacing an asset with its modern equivalent asset, such as construction costs and other overheads including materials and labour costs, to estimate the cost of replacement. According to the International Valuation Standard, such method may be used as the primary approach when there is either no evidence of transaction prices for similar property or no identifiable actual or notional income stream. Having considered that (i) there are readily identifiable market comparables; (ii) based on the International Valuation Standard and our independent research on property valuation reports published in the past twelve months, we have reviewed 45 property valuation reports published by listed issuers and noted that the market approach is commonly applied for the valuation of real property interests in the majority of the property valuation reports; and (iii) fewer assumptions and uncertainties in arriving the valuation result, we are of the view that market approach is considered to be the most appropriate valuation methodology for the valuation of the Settlement Properties.

Comparable selections

We have reviewed the list of comparable properties identified by the Independent Valuer for the Settlement Properties. We understood from the Independent Valuer that the Settlement Properties have been categorised into three distinct groups based on their usages (i.e. Properties, car parks and storage rooms). For each group of Settlement Properties, the Independent Valuer has identified at least three comparable properties (the “**Comparable Properties**”), which form an exhaustive list of properties that closely resemble the respective group of the Settlement Properties in terms of location, physical characteristics, usage and other relevant factors. It is noted that the Comparable Properties (i) have the same usage as the respective group of the Settlement Properties; (ii) are all in the vicinity of the respective group of the Settlement Properties; (iii) the transactions/availability dates of the Comparable Properties are all no earlier than August

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2023, which is within the six months before the Valuation Date; and (iv) were sourced from property agents and the Independent Valuer's internal database. After considering the selection criteria adopted by the Independent Valuer to identify the Comparable Properties for the valuation of the Settlement Properties by the Independent Valuer, we are of the view that the valuation methodology and the selection of Comparable Properties are reasonable and acceptable. We have also gone through the comparable selection process together with the Independent Valuer by applying the same selection criteria and obtained the same results.

Calculation of the Valuation

According to our discussions with the Independent Valuer, we noted that relevant adjustments were made to the Comparable Properties in accordance to (i) location; (ii) surrounding facility; (iii) transaction nature; (iv) accessibility; (v) frontage; and (vi) floor, to account for differences between the Comparable Properties and the Settlement Properties. We understand that these adjustments are reasonable accounts for any differences between the Settlement Properties and the chosen comparables. We have also performed independent research on property valuation reports published in the past twelve months, we have reviewed 45 property valuation reports published by listed issuers and noted that these adjustments are commonly applied in the majority of the property valuation reports, and we have not identified any major factors that cause us to doubt the reasonableness of the application of adjustments by the Independent Valuer. We noted that upward adjustment in the unit rate has been made to inferior factors and downward adjustment in the unit rate has been made to superior factors of the Comparable Properties and we are of the view that such adjustments applied to the unit rates of the Comparable Properties are fair and reasonable and align with industry practices based on the results of our independent research as mentioned above. The Independent Valuer calculated the unit rate for each group of Settlement Properties by taking the average of the adjusted unit rates derived from the Comparable Properties. This unit rate was then used in the valuation calculation for each group of Settlement Properties. As for commercial properties among the Settlement Properties, each market value was determined by multiplying the gross floor area of each Settlement Property by the respective average adjusted unit rate for the corresponding group of Settlement Properties. As for parking spaces and storage rooms among the Settlement Properties respectively, each market value was determined as the average adjusted unit rate for the corresponding group of Settlement Properties.

Our view

Based on the above and having considered that (i) the Independent Valuer is independent, qualified and experienced with sufficient knowledge, skills and understanding necessary to prepare the Valuation Report competently; and (ii) the bases, assumptions and methodologies applied in the Valuation are fair and reasonable, we concur with the view of the Management that the Valuation Report is an appropriate reference in determining the consideration.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(viii) Financial effects of the Acquisition of the Settlement Properties on the Group

Upon the completion of the acquisition of the Settlement Properties, it is expected that the Settlement Properties will be classified as (i) inventories of the Group, so that the inventories of the Group will be increased by approximately RMB36.2 million and (ii) investment properties of the Group, so that the investment properties of the Group will be increased by approximately RMB63.8 million. Such amount of inventories and investment properties are recognised based on the acquisition cost for the Settlement Properties, being approximately RMB100.05 million. Meanwhile, as the consideration payable by the Group for the acquisition of the Settlement Properties will be offset against the Receivables on a dollar-for-dollar basis, the Group's accounts receivables will then be reduced by approximately RMB100.05 million. It is expected that the subsequent resale and the rental income of the Settlement Properties will lead to an increase in the Group's revenue and cash inflow.

The Settlement Properties are classified on the basis of the existing usage of the assets. Upon the completion of the Acquisition of Properties and Debts Settlement Framework Agreement, the relevant portion of the Settlement Properties under the Existing Tenancy Agreement are classified as investment properties and the remaining are classified as inventories of the Group.

The Company will comply with the relevant requirements under Chapter 14 and 14A of the Listing Rules as appropriate when it decides to resale the Settlement Properties.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the view that (i) although the entering into of the Acquisition of Properties and Debts Settlement Framework Agreement is not conducted in the ordinary and usual course of business of the Group, the terms of the Acquisition of Properties and Debts Settlement Framework Agreement and the transactions contemplated thereunder, are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Acquisition of Properties and Debts Settlement Framework Agreement is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM for approving the Acquisition of Properties and Debts Settlement Framework Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Grande Capital Limited
Sumwing Shum
Managing Director

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Mr. Sumwing Shum is licensed under the Securities and Futures Commission to carry out Type 6 (advising on corporate finance) regulated activity and is currently a responsible officer and sponsor principal of Grande Capital Limited. Mr. Shum has over 9 years of experience in the corporate finance industry.

The following is the text of a letter and valuation report prepared for the purpose of incorporation in this circular received from Canwin Appraisal Co., Ltd, in connection with their opinion of value of the Property as at 29 Feb 2024.

Sundy Service Group Co. Ltd
Cricket Square, Hutchins Drive,
P.O. Box 2681, Grand Cayman,
Cayman Islands



Dear Sirs,

In accordance with the instruction of Sundy Land Investment Co., Ltd. and Sundy Service Group Co. Ltd (the “**Companies**”) to provide our opinion of the market value of 5,631.17 square meters of commercial properties, as well as 96 basement parking spaces and 1,849.00 square meters of underground storage room usage rights located at No. 5, 7, 9, 11, 13, 15, and 17 Kaiyuan Street, Tonglu County, Hangzhou City (or hereafter referred as the “**Properties**” or the “**property interests**”), which are owned by Tonglu Tongjun Real Estate Co., Ltd. (the “**Property Owner**”). We confirm that we have carried out inspection of the Property, made relevant enquiries and obtained such further information as we consider necessary for providing the market value of such property interests as of 29 Feb 2024 (referred to as the “**valuation date**”).

This letter which forms part of our valuation report explains the basis and methodologies of valuation, and clarifies our assumptions made, title investigation of property interests and the limiting conditions.

No third party shall have the right of reliance on this valuation report and neither receipt nor possession of this valuation report by any third party shall create any express or implied third-party beneficiary rights.

I. BASIS OF VALUATION

Our valuation is our opinion of the **Market Value** which is defined in accordance with the valuation standards incorporated by of the China Appraisal Society to mean “the estimated amount for which an asset or liability should exchange on the Valuation Date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Market Value is understood as the value of an asset and liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

This estimate specifically excludes an estimated price inflated or deflated by special considerations or concessions granted by anyone associated with the sale, or any element of special value.

II. PROPERTY APPRAISED

The Properties include the commercial properties located at No. 5, 7, 9, 11, 13, 15, and 17 Kaiyuan Street, Tonglu County, Hangzhou City (with a total construction area of 5,631.17 square meters), usage rights of 96 basement parking spaces and 1,849.00 square meters of underground storage room. The details are as follows:

No.	Certificate number	Real estate name	Building No.	Structure Type	Date of completion	Construction area (m ²)	Land area (m ²)	Notes
1	Zhe (2017) Tonglu County Real Estate Ownership No. 0020488	No. 5 Kaiyuan Street, Tonglu County, Hangzhou City	2	Steel-concrete	2013	485.05	90.60	
2	Zhe (2017) Tonglu County Real Estate Ownership No. 0020495	Room 201, Building 2, Xintiandi, East Gate, No. 5 Kaiyuan Street, Tonglu County, Hangzhou	2	Steel-concrete	2013	474.17	88.50	
3	Zhe (2017) Tonglu County Real Estate Ownership No. 0020494	Room 301, Building 2, Xintiandi, East Gate, No. 5 Kaiyuan Street, Tonglu County, Hangzhou	2	Steel-concrete	2013	320.21	59.80	
4	Zhe (2017) Tonglu County Real Estate Ownership No. 0020492	Room 401, Building 2, Xintiandi, East Gate, No. 5 Kaiyuan Street, Tonglu County, Hangzhou	2	Steel-concrete	2013	320.21	59.80	
5	Zhe (2017) Tonglu County Real Estate Ownership No. 0020490	Room 501, Building 2, Xintiandi, East Gate, No. 5 Kaiyuan Street, Tonglu County, Hangzhou	2	Steel-concrete	2013	320.21	59.80	
6	Zhe (2017) Tonglu County Real Estate Ownership No. 0020496	Room 601, Building 2, Xintiandi, East Gate, No. 5 Kaiyuan Street, Tonglu County, Hangzhou	2	Steel-concrete	2013	154.96	28.90	
7	Zhe (2017) Tonglu County Real Estate Ownership No. 0020489	No. 7 Kaiyuan Street, Tonglu County, Hangzhou City	3	Steel-concrete	2013	656.48	358.35	
8	Zhe (2017) Tonglu County Real Estate Ownership No. 0020498	No. 9 Kaiyuan Street, Tonglu County, Hangzhou City	3	Steel-concrete	2013	613.09	334.66	
9	Zhe (2017) Tonglu County Real Estate Ownership No. 0020493	No. 11 Kaiyuan Street, Tonglu County, Hangzhou City	5	Steel-concrete	2013	656.59	361.69	
10	Zhe (2017) Tonglu County Real Estate Ownership No. 0020497	No. 13 Kaiyuan Street, Tonglu County, Hangzhou City	5	Steel-concrete	2013	625.52	344.58	

No.	Certificate number	Real estate name	Building No.	Structure Type	Date of completion	Construction area (m ²)	Land area (m ²)	Notes
11	Zhe (2017) Tonglu County Real Estate Ownership No. 0020491	No. 15 Kaiyuan Street, Tonglu County, Hangzhou City	6	Steel-concrete	2013	432.60	193.80	
12	Zhe (2017) Tonglu County Real Estate Ownership No. 0020499	No. 17 Kaiyuan Street, Tonglu County, Hangzhou City	6	Steel-concrete	2013	572.08	256.30	
13	N/A	Basement parking space usage rights		Steel-concrete	2013	5,232.13		96 parking spaces
14	N/A	Basement storage room usage rights		Steel-concrete	2013	1,849.00		
		Total				12,712.30	2,236.78	

III. VALUATION METHODOLOGY

3.1 The Choice of Appraisal Approaches

Based on the current Assets Appraisal Standards and related regulations, the appraisal approaches include cost approach, market approach and income approach.

Due to the fact that the Properties to be evaluated are commercial buildings, parking areas, and storage rooms, the cost method cannot reflect their reasonable value level, so it is not suitable to use the cost method for evaluation.

Due to the fact that the rental to sale ratio (the ratio of rental per square meter of building area to housing price per square meter of building area) of similar real estate in the area where the assets are to be appraised is much lower than a reasonable range, the income method cannot reflect its reasonable value level, and it is difficult to predict future rental cash flow growth and corresponding risks, therefore, it is not suitable to use the income method for appraisal.

Due to the ease of obtaining market transaction cases similar to real estate around the entrusted assets, and the fact that the market method evaluation results can directly reflect the price level of the Properties, therefore the market method evaluation is adopted.

Combined with the object, the purpose of appraisal and the data collected by the valuer, the value of the Properties is evaluated by the market approach.

3.2 Market Approach

Market approach is on the basis of mastering the market prices of real estate (reference objects) that are the same or similar to the Properties, then compares and analyzes the reference objects with the Properties as the benchmark, quantifies the differences between them, and then makes adjustments and corrections based on the market prices of the reference objects and finally determine the appraisal value of the Properties. The basic formula is as follow:

Estimated real estate benchmark price = reference transaction price * correction factor for transaction situation * correction factor for transaction date * correction factor for real estate condition

3.2.1 Selection of Reference Objects

Generally, more than three recently traded properties with similar structures, same type of locations, and same uses are selected as reference objects, and then the transaction prices of the above reference objects are uniformly adjusted to the CNY buying and selling prices per unit of building area for a one-time payment on the transaction date.

3.2.2 Factor Correction Adjustment Calculation

Based on the differences in transaction situation, transaction dates, and real estate conditions between the Properties and the reference objects, the price of the reference object is adjusted for transaction situation, transaction dates, and real estate conditions to obtain the benchmark price. Specifically, as follows:

1. Transaction situation correction: by analyzing the transaction situation of transaction cases, valuer excludes abnormal transaction cases, and measures the degree of influence of various special factors on normal building prices. This is to eliminate the price deviation caused by some special factors in transaction behavior.
2. Transaction date correction: by using the rate of change of the real estate price index to analyze the impact of the transaction date on the Properties price, the transaction price is then revised to the price on the evaluation benchmark date.
3. Real estate condition correction: the correction of the price under the reference object condition to the value under the evaluation object condition, which is specifically divided into regional condition correction, physical condition correction, and equity condition correction.

The factors considered for regional condition correction mainly include the level of commercial prosperity, convenience of public transportation, road conditions, regional cultural landscape environment, public supporting services, the level of infrastructure guarantee, and traffic, etc; The factors considered for physical condition correction mainly include the quality of the property, the year of completion, the floor located, housing area factors, decoration

conditions, internal layout, depth factors, roadside factors, property management conditions, parking convenience, and other factors. The factors considered for the correction of equity conditions mainly include the type of land use rights, planning restrictions, establishment of usufructuary rights, establishment of security rights, leasing or occupation, payment of taxes and fees, sealing up, clarity of ownership, and other special circumstances.

3.2.3 Determination of Evaluation Value

For the benchmark prices calculated for each comparable instance, based on analyzing their rationality, the evaluation unit price is determined by the average of the benchmark prices, and then multiplied by the building area of the evaluated property to determine its market value.

IV. TITLE INVESTIGATION

During the appraisal procedure, we have conducted necessary inspection on the legal ownership of the Properties provided by the Property owner. Except for the underground parking space and storage room usage rights do not have the “Real Estate Right Certificate”, no other defects were found in the ownership materials of other properties.

The CPV-Wanfei Chen has conducted site investigation on March 4th, 2024. She has over 8 years of experience in the professional property valuation and asset valuation in the Mainland China. She became a member of China Institute of Asset Appraiser in June, 2023. The site investigation including the following processes:

1. According to the needs of asset appraisal work, the appraiser has provided asset appraisal declaration form samples to the property rights holders and assisted them in asset inspection work;
2. The appraiser has collected the basic information of property rights holders, the status of the properties, and other relevant information;
3. The appraiser has reviewed and verified the asset evaluation declaration form provided by the property rights holder;
4. The appraiser has conducted on-site verification and investigation based on the content of the asset appraisal declaration form, reviewed relevant information on asset purchasing, construction, usage, maintenance, etc., and investigated and recorded the asset condition;
5. The appraiser has checked the property rights certificate and other property rights proof materials of the properties, and verified the ownership of the assets;
6. The appraiser has collected and verified other relevant information required for asset evaluation.

For the legal ownership of underground parking space and storage room usage rights, we first referred to the Company's PRC legal adviser, Yingke Law Firm (Hangzhou) (The "PRC Legal Adviser"). We also got the construction materials from the property right holder including the construction planning permits, the contractions and invoices, etc. Then, we got the statement from the property right holder, claiming the ownership of underground parking space and storage room usage rights.

It is the responsibility of Property owner to provide the true, legal and complete legal ownership certificate of the Properties. The valuer's responsibility is to make the necessary inspection of the materials provided by the Property owner. The appraisal report cannot be used as the confirmation and guarantee of the legal ownership of the Properties. If the Property owner does not have the ownership or other relevant rights of the aforementioned assets, or has partial restrictions on the ownership or other relevant rights of the aforementioned assets, then the appraisal conclusions of the aforementioned assets will be affected.

All legal documents disclosed in this letter and valuation particulars are for reference only and no responsibility is assumed for any legal matters concerning the legal title to the property interests set out in this letter and valuation particulars.

V. ASSUMPTIONS

- 5.1 The valuation of the Settlement Properties was conducted based on the major assumptions including that the Companies sell the Settlement Properties on the market in their existing state without the benefit of special terms or circumstances, such as a typical financing, sale and leaseback arrangements, special consideration or concessions granted by the person involved in the sale or any value factors available to a particular owner or buyer, which would serve to increase or decrease the value of the Settlement Properties.
- 5.2 We have also valued the Settlement Properties on the basis that the Companies do not have any transfer barriers in respective to legislation and regulations in the PRC to each of the Settlement Properties, and has free and uninterrupted rights to use, occupy or transfer the Settlement Properties. Further, it is assumed that no allowance has been made for any charges, mortgages, seal up or arrears in respect of the property or any expenses or taxes that may be incurred upon completion of the sale. It is also assumed that the Settlement Properties are free from onerous encumbrances, restrictions, and charges that could affect their value.
- 5.3 We have also relied on the PRC Legal Adviser, regarding the information and advice in relation to the Settlement Properties. With reference to the legal opinion provided for the Settlement Properties in the PRC, and unless otherwise stated, we have valued the Settlement Properties on the basis that the Group do not have any transfer barriers in respective to legislation and regulations in the PRC to each of the Settlement Properties, and has free and uninterrupted right to use, occupy or transfer the Settlement Properties.

- 5.4 This appraisal is based on the premise that the rights of the Properties are subject to change. The changes of the property rights subject include all changes and partial changes in the interests of the parties involved.
- 5.5 This appraisal is based on the open market transaction assumption.
- 5.6 This appraisal is on the condition that the Property owner take the responsibility for the accuracy, completeness, legality, and reliability of the information they have provided.
- 5.7 This appraisal is based on the premise that all assets included in the evaluation scope will still be used according to their current purposes and methods, without considering changes to their current uses or changes in their planning and usage methods without changing their intended use.
- 5.8 This appraisal assumes that the macro-economic environment is relatively stable, as the economy and monetary policy remains the same; the current interest rate, exchange rate, and the existing industrial evaluation policies without significant changes, or its changes can be clearly expected.

According to the requirements of asset evaluation, we determine that these evaluation assumptions are valid on the evaluation benchmark date. When the above evaluation assumptions change, the evaluation conclusion will become invalid.

VI. LIMITING CONDITIONS

- 6.1 This asset evaluation report can only be used for the evaluation purposes stated in the asset evaluation report.
- 6.2 If the Companies or other appraisal report users fails to use the asset assessment report in accordance with the scope of use set out in the laws, administrative regulations and the appraisal report, the appraisal agency and appraiser shall not be liable.
- 6.3 Except for the Companies, other users as stipulated in the asset appraisal commission contract, laws and administrative regulations, no other organization or individual may become users of asset appraisal reports.
- 6.4 The user of the appraisal report should correctly understand the appraisal conclusion. The appraisal conclusion is not the same as the achievable price of the Properties. The appraisal conclusion should not be considered as the guarantee for the price that the Properties can achieve.
- 6.5 The validity period of this appraisal conclusion is one year. When the purpose of the appraisal is achieved within one year after the appraisal date, the appraisal conclusion can be used as a reference for the transaction price. If the purpose of the appraisal is exceeded for more than one year, the appraisal conclusion must be re-determined.

- 6.6 If there are significant events within the period after the appraisal report and within the validity period, this appraisal conclusion cannot be used directly. If the amount of assets changes, the value of the assets should be adjusted according to the original appraisal method; if the asset price standards have undergone significant changes and have had a significant impact on the appraisal value, the client should promptly engage the appraisal agency to re-determine the appraisal results.
- 6.7 When the policy adjustment has a significant impact on the appraisal conclusions, the benchmark date should be reassessed for appraisal.
- 6.8 If all or part of the content of the evaluation report is excerpted, quoted, or disclosed to public media, the evaluation institution must review the relevant content, except as otherwise agreed by laws, regulations, and relevant parties.

VII. REMARKS

In valuing the property interests, we confirm that we are independent qualified valuers and we have complied with the laws and regulations including The Asset Appraisal Law, The Company Law, the Civil Code, the Securities Law and Other laws and regulations related to asset appraisal, and have complied with the asset appraisal standards including Standard for Assets Appraisal-General Principle, Ethic Standard for Assets Appraisal-General Principle, Standard for Assets Appraisal-Evaluation Procedure, Standard for Assets Appraisal-Evaluation Report, Standard for Assets Appraisal-Engagement Letter, Standard for Assets Appraisal-Asset Appraisal Archives, Standard for Assets Appraisal-Appraisal Approaches, Standard for Assets Appraisal-Real Estate, Guidelines for Assets Appraisal Value Type, The Guidelines for the Legal Ownership of the Asset Appraisal.

We hereby certify that we have neither present nor prospective interest in the Property or the value reported. This valuation report is issued subject to our Assumptions and Limiting Conditions.

Unless otherwise stated, all monetary amount stated in this report is in Chinese Yuan (CNY).

Yours faithfully,
For and on behalf of
Canwin Appraisal Co., Ltd
Ming Huang, Fei Wang, Wanfei Chen

Note: Mr. Ming Huang, the leading person of this report, has over 21 years of experience in the professional property valuation and asset valuation in the Mainland China. He became a member of the China Institute of Real Estate Appraiser and a member of China Appraisal Society in May, 2008.

SUMMARY OF VALUE

No.	Certificate number	Properties	Construction area (m ²)	Market Value in existing state as of 29 Feb 2024 (CNY)	Notes
1	Zhe (2017) Tonglu County Real Estate Ownership No. 0020488	No. 5 Kaiyuan Street, Tonglu County, Hangzhou City	485.05	10,090,000.00	
2	Zhe (2017) Tonglu County Real Estate Ownership No. 0020495	Room 201, Building 2, Xintiandi, East Gate, No. 5 Kaiyuan Street, Tonglu County, Hangzhou	474.17	6,920,000.00	
3	Zhe (2017) Tonglu County Real Estate Ownership No. 0020494	Room 301, Building 2, Xintiandi, East Gate, No. 5 Kaiyuan Street, Tonglu County, Hangzhou	320.21	3,330,000.00	
4	Zhe (2017) Tonglu County Real Estate Ownership No. 0020492	Room 401, Building 2, Xintiandi, East Gate, No. 5 Kaiyuan Street, Tonglu County, Hangzhou	320.21	2,660,000.00	
5	Zhe (2017) Tonglu County Real Estate Ownership No. 0020490	Room 501, Building 2, Xintiandi, East Gate, No. 5 Kaiyuan Street, Tonglu County, Hangzhou	320.21	2,660,000.00	
6	Zhe (2017) Tonglu County Real Estate Ownership No. 0020496	Room 601, Building 2, Xintiandi, East Gate, No. 5 Kaiyuan Street, Tonglu County, Hangzhou	154.96	1,330,000.00	
7	Zhe (2017) Tonglu County Real Estate Ownership No. 0020489	No. 7 Kaiyuan Street, Tonglu County, Hangzhou City	656.48	11,200,000.00	
8	Zhe (2017) Tonglu County Real Estate Ownership No. 0020498	No. 9 Kaiyuan Street, Tonglu County, Hangzhou City	613.09	10,250,000.00	
9	Zhe (2017) Tonglu County Real Estate Ownership No. 0020493	No. 11 Kaiyuan Street, Tonglu County, Hangzhou City	656.59	10,970,000.00	
10	Zhe (2017) Tonglu County Real Estate Ownership No. 0020497	No. 13 Kaiyuan Street, Tonglu County, Hangzhou City	625.52	10,270,000.00	

No. Certificate number	Properties	Construction area (m ²)	Market Value in existing state as of 29 Feb 2024 (CNY)	Notes
11 Zhe (2017) Tonglu County Real Estate Ownership No. 0020491	No. 15 Kaiyuan Street, Tonglu County, Hangzhou City	432.60	7,140,000.00	
12 Zhe (2017) Tonglu County Real Estate Ownership No. 0020499	No. 17 Kaiyuan Street, Tonglu County, Hangzhou City	572.08	8,440,000.00	
13 N/A	Basement parking space usage rights	5,232.13	6,050,000.00	96 parking spaces
14 N/A	Basement storage room usage rights	1,849.00	8,740,000.00	
	Total	12,712.30	100,050,000.00	

VALUATION PARTICULARS

The evaluated stock properties include 5,631.17 square meters of commercial properties, as well as 96 basement parking spaces and 1,849.00 square meters of underground storage room usage rights. The details are as follows:

No.	Certificate number	Real estate name	Building No.	Structure Type	Date of completion	Construction area (m ²)	Land area (m ²)	Notes
1	Zhe (2017) Tonglu County Real Estate Ownership No. 0020488	No. 5 Kaiyuan Street, Tonglu County, Hangzhou City	2	Steel-concrete	2013	485.05	90.60	
2	Zhe (2017) Tonglu County Real Estate Ownership No. 0020495	Room 201, Building 2, Xintiandi, East Gate, No. 5 Kaiyuan Street, Tonglu County, Hangzhou	2	Steel-concrete	2013	474.17	88.50	
3	Zhe (2017) Tonglu County Real Estate Ownership No. 0020494	Room 301, Building 2, Xintiandi, East Gate, No. 5 Kaiyuan Street, Tonglu County, Hangzhou	2	Steel-concrete	2013	320.21	59.80	
4	Zhe (2017) Tonglu County Real Estate Ownership No. 0020492	Room 401, Building 2, Xintiandi, East Gate, No. 5 Kaiyuan Street, Tonglu County, Hangzhou	2	Steel-concrete	2013	320.21	59.80	
5	Zhe (2017) Tonglu County Real Estate Ownership No. 0020490	Room 501, Building 2, Xintiandi, East Gate, No. 5 Kaiyuan Street, Tonglu County, Hangzhou	2	Steel-concrete	2013	320.21	59.80	
6	Zhe (2017) Tonglu County Real Estate Ownership No. 0020496	Room 601, Building 2, Xintiandi, East Gate, No. 5 Kaiyuan Street, Tonglu County, Hangzhou	2	Steel-concrete	2013	154.96	28.90	
7	Zhe (2017) Tonglu County Real Estate Ownership No. 0020489	No. 7 Kaiyuan Street, Tonglu County, Hangzhou City	3	Steel-concrete	2013	656.48	358.35	
8	Zhe (2017) Tonglu County Real Estate Ownership No. 0020498	No. 9 Kaiyuan Street, Tonglu County, Hangzhou City	3	Steel-concrete	2013	613.09	334.66	
9	Zhe (2017) Tonglu County Real Estate Ownership No. 0020493	No. 11 Kaiyuan Street, Tonglu County, Hangzhou City	5	Steel-concrete	2013	656.59	361.69	
10	Zhe (2017) Tonglu County Real Estate Ownership No. 0020497	No. 13 Kaiyuan Street, Tonglu County, Hangzhou City	5	Steel-concrete	2013	625.52	344.58	
11	Zhe (2017) Tonglu County Real Estate Ownership No. 0020491	No. 15 Kaiyuan Street, Tonglu County, Hangzhou City	6	Steel-concrete	2013	432.60	193.80	

No.	Certificate number	Real estate name	Building No.	Structure Type	Date of completion	Construction area (m ²)	Land area (m ²)	Notes
12	Zhe (2017) Tonglu County Real Estate Ownership No. 0020499	No. 17 Kaiyuan Street, Tonglu County, Hangzhou City	6	Steel-concrete	2013	572.08	256.30	
13	N/A	Basement parking space usage rights		Steel-concrete	2013	5,232.13		96 parking spaces
14	N/A	Basement storage room usage rights		Steel-concrete	2013	1,849.00		
Total						12,712.30	2,236.78	

As of the evaluation benchmark date, some real estate has been leased, and the leasing situation is as follows:

No.	Lessor	Lessee	Lease Location	Lease Area	Lease Duration	Rental
1	Tonglu Tongjun	Tonglu Wangchao Catering Co., Ltd	Building 2, Xintiandi, Dongmen (No. 5, Kaiyuan Street)	2,504.81 square meters (including 2,074.81 square meters above ground and 430.00 square meters underground storage room)	12/01/2020-11/30/2028	12/01/2020-11/30/2023: RMB163,232/half year; 12/01/2023-11/30/2026: RMB171,394/half year; 12/01/2026-11/30/2028: RMB179,964/half year;
2	Tonglu Tongjun	Hangzhou Huacheng Shiyong Cultural Media Co., Ltd	Building 3, Xintiandi, Dongmen (No. 7 and 9, Kaiyuan Street)	1,778.57 square meters (including 1,269.57 square meters above ground and 509.00 square meters underground storage room)	01/01/2021-12/31/2028	01/01/2021-12/31/2021: RMB36,911.95/quarter; 01/01/2022-12/31/2022: RMB110,735.84/quarter; 01/01/2023-12/31/2023: RMB147,647.79/quarter; 01/01/2024-12/31/2026: RMB155,030.18/quarter; 01/01/2027-12/31/2028: RMB162,781.69/quarter;
3	Tonglu Tongjun	Zhejiang Xinlei Engineering Construction Co., Ltd	Building 5A, Xintiandi, Dongmen (No. 11, Kaiyuan Street)	656.59 square meters (excluding underground storage rooms)	06/01/2023-05/31/2026	06/01/2023-08/31/2023: RMB39,942.50/quarter; 09/01/2023-11/30/2023: RMB79,885/quarter; 12/01/2023-02/29/2024: RMB119,827.50/quarter; 03/01/2024-05/31/2024: RMB39,942.50/quarter; 06/01/2024-08/31/2024: RMB119,827.50/quarter; 09/01/2024-05/31/2025: RMB79,885/quarter; 06/01/2025-08/31/2025: RMB119,827.50/quarter; 09/01/2025-05/31/2026: RMB79,885/quarter;

Notes:

1. In the course of our valuation using the market method, we have selected appropriate comparable sales data within having similar characteristics including situated within the same district, being commercial properties, having similar internal and external decorations, and being near geographic location.

Based on the above aforesaid criteria, it is expected that the adjustments to those comparable would not be overly significant and hence the valuation result would not be overly subjective.

Having considered the above, we have identified the following three comparable which are considered to be the most comparable to the evaluation objects in terms of those physical attributed (and hence with the lease adjustments required), and are the most representative based on the criteria as mentioned above.

The details of comparable are as follows:

Case No.	Name	Location	Construction area (m ²)	Floor	Transaction date or listing date	Developer's sales price (RMB/m ²)	Converting to 1st floor sales price (RMB/m ²)
1	Commercial shops along Chengnan Road	Lancheng, Chengnan Road, Tonglu County, Hangzhou City	210.53	Floor 1-2, with the same area as the 1st and 2nd floors	March, 2024	17,002	20,002
2	Commercial shops along Meilin Road	Guanlan Fu, Meilin Road, Tonglu County, Hangzhou City	1,004.40	Floor 1-2, with the same area as the 1st and 2nd floors	March, 2024	19,550	23,000
3	Commercial shops along East Binjiang Road	Jinmaojiang Shanyin, Binjiang East Road, Tonglu County, Hangzhou City	295.16	Floor 1	March, 2024	19,800	19,800

Note: The listing unit price includes value-added tax, but does not include relevant taxes and fees involved in asset trading processes.

In the course of our valuation, given the differences between the evaluated properties and the comparable we identified above, we have considered certain adjustment factors including nature of transaction, transaction date, level of commercial prosperity, convenience of public transportation, regional cultural landscape environment, human traffic factors, year of completion and size, etc. We believe that these criteria are comprehensive and has included factors from regional perspectives, physical perspectives, transaction conditions and equity conditions. These factors are the most influential to determine the transaction price.

The comparison of various factors corresponding to the commercial and comparative cases of the properties is listed below:

Factor Condition Explanation Table

Comparative factors	The Properties	Case 1	Case 2	Case 3
Name	No. 7 Kaiyuan Street, Tonglu County, Hangzhou City	Commercial shops along Chengnan Road	Commercial shops along Meilin Road	Commercial shops along East Binjiang Road
Location	No. 7 Kaiyuan Street, Tonglu County, Hangzhou City	Lancheng, Chengnan Road, Tonglu County, Hangzhou City	Guanlan Fu, Meilin Road, Tonglu County, Hangzhou City	Jinmaojiang Shanyin, Binjiang East Road, Tonglu County, Hangzhou City

Comparative factors	The Properties	Case 1	Case 2	Case 3
Transaction unit price	TBD	20,002	23,000	19,800
Transaction situation	Transaction price	Developer's sales price	Developer's sales price	Developer's sales price
Transaction date	February, 2024	March, 2024	March, 2024	March, 2024
Regional conditions:				
(1) the level of commercial prosperity	Relatively high level	Relatively high level	High level	Relatively high level
(2) convenience of public transportation	Relatively high level	Relatively high level	High level	Relatively high level
(3) road conditions	Relatively high level	Relatively high level	Relatively high level	Relatively high level
(4) regional cultural landscape environment	Relatively high level	Average level	Average level	Average level
(5) public supporting services	High level	High level	High level	High level
(6) the level of infrastructure guarantee	High level	High level	High level	High level
(7) human traffic	Relatively large flow level	Average flow level	Large flow level	Average flow level
Physical condition:				
(1) the quality of the property	Relatively high level	Relatively high level	Relatively high level	Relatively high level
(2) the year of completion	2013	2024	2022	2021
(3) the floor located	1	1	1	1
(4) area size factor	A little bit large	Suitable size	A little bit large	Suitable size
(5) decoration conditions	Assuming without decoration	without decoration	without decoration	without decoration
(6) internal layout	Reasonable layout	Reasonable layout	Reasonable layout	Reasonable layout
(7) storefront or not	storefront	storefront	storefront	storefront
(8) property management conditions	Relatively high level	Relatively high level	Relatively high level	Relatively high level

Comparative factors	The Properties	Case 1	Case 2	Case 3
(9) parking convenience	convenient	convenient	convenient	convenient
(10) other special factors	No special condition	No special condition	No special condition	No special condition
Equity conditions:				
(1) type of land use rights	Commercial service	Commercial service	Commercial service	Commercial service
(2) planning restrictions	No planning restrictions	No planning restrictions	No planning restrictions	No planning restrictions
(3) establishment of usufructuary rights	Not considered	Not considered	Not considered	Not considered
(4) establishment of security rights	Not considered	Not considered	Not considered	Not considered
(5) leasing or occupation	Not considered	Not considered	Not considered	Not considered
(6) payment of taxes and fees	Not considered	Not considered	Not considered	Not considered
(7) sealing up condition	N/A	N/A	N/A	N/A
(8) clarity of ownership	Clear	Clear	Clear	Clear
(9) other special circumstances	No special condition	No special condition	No special condition	No special condition

By adopting property located in No. 7 Kaiyuan Street as the reference unit, the main magnitudes of the adjustment applied by us in our valuation are tabulated below:

Comparables	Comparable 1	Comparable 2	Comparable 3
Nature of transaction	0%	0%	0%
Transaction date	0%	0%	0%
Level of commercial prosperity	0%	+5%	0%
Convenience of public transportation	0%	+5%	0%
Regional cultural landscape environment	-5%	-5%	-5%
Human traffic factors	-5%	+5%	-5%
Year of completion	+6%	+5%	+4%
Size	+8%	0%	+8%

Based on the above, the unit price applicable for property located in No. 7 Kaiyuan Street would be RMB196,000 per sqm (round) for Level 1.

For the remaining Level 1-6 properties, we considered floor level, size and position condition adjustments. The floor level correction is based on Floor Correction Coefficient for Commercial Properties in Hangzhou as follows:

Floor	Correction Factor
Level 1	1.000
Level 2	0.700
Level 3	0.500
Level 4	0.400
Level 5	0.400
Level 6	0.400

Details of the calculations are illustrated below:

Real estate name	Floor Level	Adopted unit price before any adjustment (RMB/sqm, on GFA basis)	Adjustments			Adjusted unit price (rounded)
			Position	Size	Floor Level (from L1)	
No. 5 Kaiyuan Street, Tonglu County, Hangzhou City	Level 1	19,600	+2%	+4%	1.000	20,800
Room 201, Building 2, Xintiandi, East Gate, No. 5, Kaiyuan Street, Tonglu County, Hangzhou	Level 2	19,600	+2%	+4%	0.700	14,600
Room 301, Building 2, Xintiandi, East Gate, No. 5, Kaiyuan Street, Tonglu County, Hangzhou	Level 3	19,600	+2%	+4%	0.500	10,400
Room 401, Building 2, Xintiandi, East Gate, No. 5, Kaiyuan Street, Tonglu County, Hangzhou	Level 4	19,600	+2%	+4%	0.400	8,300
Room 501, Building 2, Xintiandi, East Gate, No. 5, Kaiyuan Street, Tonglu County, Hangzhou	Level 5	19,600	+2%	+4%	0.400	8,300
Room 601, Building 2, Xintiandi, East Gate, No. 5, Kaiyuan Street, Tonglu County, Hangzhou	Level 6	19,600	+2%	+8%	0.400	8,600
No. 7 Kaiyuan Street, Tonglu County, Hangzhou City	Level 1	19,600	0%	0%	1.000	19,600
	Level 2	19,600	0%	0%	0.700	13,700

Real estate name	Floor Level	Adopted unit price before any adjustment (RMB/sqm, on GFA basis)	Adjustments			Adjusted unit price (rounded)
			Position	Size	Floor Level (from L1)	
No. 9 Kaiyuan Street, Tonglu County, Hangzhou City	Level 1	19,600	0%	0%	1.000	19,600
	Level 2	19,600	0%	0%	0.700	13,700
No. 11 Kaiyuan Street, Tonglu County, Hangzhou City	Level 1	19,600	-2%	0%	1.000	19,200
	Level 2	19,600	-2%	0%	0.700	13,400
No. 13 Kaiyuan Street, Tonglu County, Hangzhou City	Level 1	19,600	-2%	0%	1.000	19,200
	Level 2	19,600	-2%	0%	0.700	13,400
No. 15 Kaiyuan Street, Tonglu County, Hangzhou City	Level 1	19,600	-4%	+4%	1.000	19,600
	Level 2	19,600	-4%	+4%	0.700	13,700
No. 17 Kaiyuan Street, Tonglu County, Hangzhou City	Level 1	19,600	-4%	+4%	1.000	19,600
	Level 2	19,600	-4%	+4%	0.700	13,700
	Level 3	19,600	-4%	+4%	0.500	9,800

Based on the above analysis, the valuation results for the commercial properties are RMB85,260,000.00 in total. Detailed results for each unit are included in the report.

- The properties are the completed but unsold commercial properties of the Dongmen Xintiandi Project's, which are recorded as developed products on the book. The part of commercial properties have been leased out while others are vacant. The leasing condition has been disclosed in the main text. Sundy Land Investment Co., Ltd. intends to offset the debt of Sundy Service Group Co. Ltd with the properties. The following is the description of the Dongmen Xintiandi project:

The Dongmen Xintiandi project is located in Kaiyuan Street, Tonglu County, Hangzhou City. Based on the local cultural characteristics of Tonglu, and taking advantage of the hydrological conditions around the plot, it will create a historical and cultural street full of ancient style and charm. The main building of the project adopts a double eaved cross ridge antique style pavilion, aiming to create the most cultural leisure block in Tonglu. The land nature of this plot is for sale, and the planned use of the land is for commercial services and cultural facilities. The land use rights of the property were granted for a term expiring on March 10th, 2050. The project development was completed in 2013.

- The property right holder-Tonglu Tongjun Real Estate Co., Ltd. got the Real Estate Right Certificate, and has legal ownership of properties and the long-term land use right. The land use rights were granted for a term expiring on March 10th, 2050. The land's planning use is commercial services and cultural facilities. The total land area is 2,236.78 square meters. The details of each property please refer to the main text.
- Certain properties are excluded for the analysis as they are considered not comparative with the comparables selected, because of the difference in factors such as area size, the level of commercial prosperity and the location.

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	59.38%
CMB Wing Lung (Trustee) Limited ("CMB Wing Lung")	(1)	Trustee	2,280,000,000	Long position	59.38%
Success Base Group Limited ("Success Base")	(1)	Interest of a controlled corporation	2,280,000,000	Long position	59.38%
Sundy Heye	(1)	Beneficial owner	2,280,000,000	Long position	59.38%

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 Jianwu Yu's 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 were 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 2022, 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 were 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 were 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

In the first half of 2023, the financial position of the Group remained stable. As at 30 June 2023, the Group's current assets amounted to RMB467.7 million, representing an increase of 1.1% as compared with RMB462.4 million as at 31 December 2022. As at 30 June 2023, the

Group's cash and cash equivalents amounted to RMB179.1 million, representing an increase of 63.9% as compared with RMB109.3 million as at 31 December 2022. Details of the financial position of the Group are set out in the Company's interim report published on 28 September 2023.

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended since 9:00 a.m. on 28 March 2024 and will remain suspended until further notice. The Company will make further announcement(s) as and when appropriate.

Save as disclosed as above, 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 2022, being the date to which the latest published audited accounts of the Group were made up.

7. LITIGATION AND CLAIMS

As at the Latest Practicable Date, none of the members of the Group were engaged in any litigation or arbitration of material importance known to the Directors to be pending or threatened against any member of the Group.

8. QUALIFICATIONS AND CONSENTS OF EXPERTS

The following is the qualification of the experts who have been named in this circular or have given their opinion or advice which is contained in this circular:

Name	Qualification
Canwin Appraisal Co., Ltd	an independent valuer
Grande Capital Limited	a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, each of Canwin Appraisal Co., Ltd and Grande Capital 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, each of Canwin Appraisal Co., Ltd and Grande Capital 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 2022, 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 Conyers Trust Company (Cayman) Limited situated at 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.hk) and the Company's website (<http://songduwuye.com>) for a period of not less than 14 days from the date of this circular until the date of the EGM (both days inclusive):

- (i) the Acquisition of Properties and Debts Settlement Framework Agreement;
- (ii) 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;
- (iii) the letter of advice from Grande Capital Limited to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" of this circular;
- (iv) the valuation report of Canwin Appraisal Co., Ltd as set out in Appendix I of this circular;
- (v) the letters of consent from the expert referred to under the section headed "Qualifications and Consents of Experts" in this appendix; and
- (vi) this circular.

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 an extraordinary general meeting (“EGM”) of Sundy Service Group Co. Ltd (the “Company”) will be held at 2:00 p.m. on Friday, 14 June 2024 at Conference Room, 21st Floor, Caihejiaye Building, No. 19 Xintang Road, Shangcheng District, Hangzhou City, Zhejiang Province, PRC for the purpose of considering and, if thought fit, passing the following resolutions. Unless otherwise indicated, capitalized terms used herein shall have the same meaning as those defined in the circular of the Company dated 24 May 2024 in relation to the EGM:

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 Acquisition of Properties and Debts Settlement Framework Agreement (as defined in the circular of the Company of even date) and the transactions contemplated thereunder be and is hereby approved and confirmed and any one director of the Company (the “**Director**”) (other than Ms. Yu Yun) be and are hereby authorised to do all such acts or things and sign all documents deemed necessary by him/her for the purpose of giving effect to the Acquisition of Properties and Debts Settlement Framework 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 Acquisition of Properties and Debts Settlement Framework Agreement and the transactions contemplated thereunder and the implementation thereof including the affixing of seal thereon.”

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

Hong Kong, 24 May 2024

NOTICE OF EXTRAORDINARY GENERAL MEETING

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

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

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

Notes:

1. A member of the Company entitled to attend and vote at the extraordinary general meeting (the "EGM") is entitled 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, 11 June 2024 to Friday, 14 June 2024, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 7 June 2024.
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.

As at the date of this notice, the Board comprises four executive Directors, Ms. Yu Yun (Chairman), Mr. Zhu Yihua (Chief Executive Officer), Mr. Zhu Congyue and Mr. Zhang Zhenjiang; and three independent non-executive Directors, Mr. Zhu Haoxian, Ms. Ye Qian and Mr. Huang Enze.