
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Clifford Modern Living Holdings Limited 祈福生活服務控股有限公司, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, stockbroker or 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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祈福生活服務
CLIFFORD MODERN LIVING

CLIFFORD MODERN LIVING HOLDINGS LIMITED

祈福生活服務控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 3686)

CONTINUING CONNECTED TRANSACTIONS: (1) 2021 MASTER TENANCY AGREEMENTS; AND (2) 2021 MASTER COMPOSITE SERVICES AGREEMENTS

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

ALTUS CAPITAL LIMITED

A letter from the Board is set out on pages 8 to 34 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 35 to 36 of this circular. A letter from Altus Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 37 to 60 of this circular.

A notice convening the EGM of Clifford Modern Living Holdings Limited to be held at Room 225, 2/F Mega Cube, 8 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong on Thursday, 30 December 2021 at 10:00 a.m. is set out on pages 65 to 68 of this circular. Whether or not you are able to attend and vote at the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the meeting (i.e. no later than 10:00 a.m. (Hong Kong time) on Tuesday, 28 December 2021) or any adjournment thereof. Completion and return of the form of proxy as instructed will not preclude you from subsequently attending and voting at the meeting or any adjourned meeting if you so wish.

This circular together with the form of proxy are also published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (www.cliffordmodernliving.com).

PRECAUTIONARY MEASURES FOR THE EGM

Please see page 1 of this circular for measures being taken to try to prevent and control the spread of the Novel Coronavirus (COVID-19) at the EGM, including:

- compulsory body temperature checks and health declarations
- wearing of a surgical face mask for each attendee is a must
- no distribution of corporate gift or refreshment
- maintenance of appropriate distancing and spacing

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the meeting venue. The Company reminds Shareholders that they may appoint the chairman of the meeting as their proxy to vote on the relevant resolution(s) at the meeting as an alternative to attending the meeting in person.

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This circular is prepared in both English and Chinese.

In the event of inconsistency, the English text of this circular will prevail.

PRECAUTIONARY MEASURES FOR THE EGM

The health of our Shareholders, staff and stakeholders is of paramount importance to us. In view of the ongoing Novel Coronavirus (COVID-19) pandemic, the Company will implement the following precautionary measures at the EGM to protect attending Shareholders, proxies, staff and stakeholders from the risk of infection:

- (i) Compulsory body temperature checks will be conducted for every Shareholder, proxy or other attendee at each entrance of the meeting venue. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry into the meeting venue or be required to leave the meeting venue.
- (ii) Each attendee must wear a surgical face mask throughout the meeting and inside the meeting venue, and to maintain a safe distance between seats.
- (iii) The seating distance inside the meeting venue will be widened so as to reduce interaction among attendees. As a result, only a limited number of seats will be provided.
- (iv) No refreshment will be served, and there will be no corporate gift.
- (v) Each attendee may be asked whether (a) he/she has travelled outside of Hong Kong within the 14-day period immediately before the EGM; and (b) he/she is subject to any Hong Kong Government prescribed quarantine. Anyone who responds affirmatively to any of these questions may be denied entry into the meeting venue or be required to leave the meeting venue.

To the extent permitted under law, the Company reserves the right to deny entry into the meeting venue or require any person to leave the meeting venue in order to ensure the safety of the attendees at the meeting.

In addition, the Company reminds all Shareholders that physical attendance in person at the meeting is not necessary for the purpose of exercising voting rights. Shareholders may appoint the Chairman of the meeting as their proxy to vote on the relevant resolution(s) at the meeting, as an alternative to attending the meeting in person, by completing and return the proxy form attached to this circular.

If any Shareholder chooses not to attend the meeting in person and has any question about any proposed resolutions or about the Company, or any matters for communication with the Board, he/she is welcome to send such questions in writing to the Company's registered office or email at pr@cliffordmodernliving.com.hk.

If any Shareholder has any questions relating to the meeting, please contact Tricor Investor Services Limited, the Company's share registrar at the details as follows:

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong
Email: is-enquiries@hk.tricorglobal.com
Tel: (852) 2980 1333
Fax: (852) 2810 8185

DEFINITIONS

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

“2016 Master Tenancy Agreement” or “2016 MTA”	the master tenancy agreement dated 21 October 2016 and entered into between Clifford Estates Panyu (for itself and on behalf of the other property owners which are members of the then Private Group) and the Company (for itself and on behalf of its subsidiaries), pursuant to which Clifford Estates Panyu agreed to lease certain properties to the Company
“2017 Supplemental MTA”	the supplemental master tenancy agreement dated 28 April 2017 and entered into between Clifford Estates Panyu (for itself and on behalf of the other property owners which are members of the then Private Group) and the Company (for itself and on behalf of its subsidiaries), pursuant to which the parties thereto agreed to revise certain terms of the 2016 MTA
“2017 & 2018 Supplemental MTAs”	collectively, the 2017 Supplemental MTA and the 2018 Supplemental MTA
“2018 Master Composite Services Agreement” or “2018 MCSA”	the master composite services agreement dated 18 October 2018 and entered into between the Company (on behalf of its subsidiaries) on the one part, and Clifford Estates Panyu (for itself and on behalf of other members of the then Private Group) and Clifford Elderly Home (for itself and on behalf of other members of the then WM Group) on the other part, pursuant to which the Company agreed to provide services stated therein to Clifford Estates Panyu and Clifford Elderly Home
“2018 Supplemental MTA”	the supplemental master tenancy agreement dated 18 October 2018 and entered into between Clifford Estates Panyu (for itself and on behalf of the other property owners which are members of the then Private Group) and the Company (for itself and on behalf of its subsidiaries), pursuant to which the parties thereto agreed to revise certain terms of the 2016 MTA (as supplemented by the 2017 Supplemental MTA)
“2019 Circular”	the Company’s circular dated 11 January 2019 in relation to, among other things, the 2018 Supplemental MTA and the 2018 MCSA
“2021 Announcement”	the Company’s announcement dated 29 October 2021 in relation to, among other things, the 2021 MTA No.1 and the 2021 MCSAs and the transactions contemplated thereunder (including the respective proposed annual caps thereof)

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“2021 Master Composite Services Agreements” or “2021 MCSAs”	collectively, 2021 MCSA No.1 and 2021 MCSA No.2, which shall renew the transactions as provided under the 2018 MCSA
“2021 Master Tenancy Agreements” or “2021 MTAs”	collectively, 2021 MTA No.1 and 2021 MTA No.2, which shall replace the Existing Consolidated MTA
“2021 MCSA No.1”	the master composite services agreement dated 29 October 2021 and entered into between the Company (for itself and on behalf of its subsidiaries) on the one part, and Clifford Estates Panyu (for itself and on behalf of other members of the Private Group) and Clifford Xianhu Hotel (for itself and on behalf of other members of the WM Non-HC Group) on the other part, pursuant to which the Company agreed to provide services stated therein to Clifford Estates Panyu and Clifford Xianhu Hotel
“2021 MCSA No.2”	the master composite services agreement dated 29 October 2021 and entered into between the Company (for itself and on behalf of its subsidiaries) and Clifford Medical (for itself and on behalf of the other members of the WM Healthcare Group), pursuant to which the Company agreed to provide services stated therein to Clifford Medical
“2021 MTA No.1”	the master tenancy agreement dated 29 October 2021 and entered into between Clifford Estates Panyu (for itself and on behalf of the other property owners which are members of the Private Group) and the Company (for itself and on behalf of its subsidiaries), pursuant to which Clifford Estates Panyu agreed to lease certain properties to the Company
“2021 MTA No.2”	the master tenancy agreement dated 29 October 2021 and entered into between Clifford Medical (for itself and on behalf of certain members of the WM Healthcare Group) and the Company (for itself and on behalf of its subsidiaries), pursuant to which Clifford Medical agreed to lease certain properties to the Company
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Clifford Elderly Home”	Guangzhou City Clifford Elderly Home Company Limited* (廣州市祈福護老公寓有限公司), a company established in the PRC, which (as part of the WM Healthcare Group Reorganisation being implemented during 2020 and 2021) has become a wholly-owned subsidiary of Clifford Medical, hence a member of the WM Healthcare Group

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“Clifford Estates Panyu”	Clifford Estates (Panyu) Limited* (廣州市番禺祈福新邨房地產有限公司), a company established in the PRC with limited liability and a member of the Private Group
“Clifford Medical”	Clifford Medical Group Limited (祈福醫療集團有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability and the holding company of the WM Healthcare Group, which (as at the Latest Practicable Date) is indirectly and wholly owned by Ms. Wendy Man
“Clifford Xianhu Hotel”	Foshan City Nanhai Clifford Xianhu Hotel Company Limited* (佛山市南海祈福仙湖酒店有限公司), a company established in the PRC with limited liability and a member of the WM Non-HC Group
“Company”	Clifford Modern Living Holdings Limited (祈福生活服務控股有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability and the issued Shares of which are listed on the Stock Exchange (stock code: 3686)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Independent Shareholders to consider, and if thought fit, to approve the ordinary resolution(s) in respect of (i) the 2021 MTA No.1 and (ii) the 2021 MCSAs and the transactions contemplated thereunder (including the respective annual caps thereof)
“Existing Consolidated MTA”	the 2016 MTA, as supplemented by the 2017 & 2018 Supplemental MTAs
“FY2016”, “FY2017”, “FY2018”, “FY2019” and “FY2020”	each financial year ended 31 December 2016, 31 December 2017, 31 December 2018, 31 December 2019 and 31 December 2020, respectively
“FY2021”, “FY2022”, “FY2023” and “FY2024”	each financial year ending 31 December 2021, 31 December 2022, 31 December 2023, and 31 December 2024, respectively
“GDP”	gross domestic product (and all references to GDP growth rates are real as opposed to nominal rates of GDP growth)

DEFINITIONS

“Group”	the Company and its subsidiaries
“Guangzhou Kejian”	Guangzhou Kejian Computer Technology Co., Limited* (廣州市科健計算機技術有限公司), a company established in the PRC on 24 August 2007 and an indirect wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee, comprising all the independent non-executive Directors (namely Ms. LAW Elizabeth, Mr. HO Cham and Mr. MAK Ping Leung) established to make recommendations to the Independent Shareholders with regard to the 2021 MTA No.1, the 2021 Master Composite Services Agreements and the transactions contemplated thereunder (including the respective proposed annual caps thereof)
“Independent Financial Adviser”	Altus Capital Limited, a corporation licensed to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders
“Independent Shareholder(s)”	Shareholder(s) who are not required to abstain from voting at the EGM to approve (among other matters) the 2021 MTA No.1, the 2021 Master Composite Services Agreements and the transactions contemplated thereunder (including the respective proposed annual caps thereof)
“Independent Third Party(ies)”	individual(s) or company(ies) who is not (or are not) a connected person(s) (as defined under the Listing Rules) of the Company
“INED(s)”	independent non-executive Director(s)
“Latest Practicable Date”	6 December 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Date”	8 November 2016, being the date where dealings in the Shares first commence on the Main Board of the Stock Exchange

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Ms. Wendy Man”	Ms. Man Lai Hung (孟麗紅女士), an executive Director, chairman of the Board and one of the controlling shareholders
“Ms. Wendy Man’s Spouse”	Mr. PANG Lun Kee Clifford (彭磷基先生), the spouse of Ms. Wendy Man
“PRC”	The People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, Taiwan and the Macau Special Administrative Region
“Previously Published Documents”	the following documents published by the Company: (i) the prospectus dated 27 October 2016, (ii) the Company’s announcement dated 28 April 2017 (in relation to, among other things, the 2017 Supplemental MTA), (iii) the circular dated 7 June 2017 (in relation to, among other things, the 2017 Supplemental MTA), (iv) the announcement dated 18 October 2018 (in relation to, among other things, the 2018 Supplemental MTA and the 2018 MCSA) and (v) the 2019 Circular
“Private Group”	such companies which were or are under the control of (or 30% or more of the issued share capital of which are owned by) Ms. Wendy Man’s Spouse
“Prospectus”	the Company’s prospectus dated 27 October 2016
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and modified from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“sq. m.”	square metre(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to such term under the Listing Rules
“WM Group”	collectively, the WM Healthcare Group and the WM Non-HC Group

DEFINITIONS

“WM Healthcare Group”	such companies which were/are under the control of (or 30% or more of the issued share capital of which are owned by) Ms. Wendy Man, which are principally engaging in the provision hospital/clinical, elderly and postpartum care services, healthcare and related services in the PRC (some of which are former members of the Private Group and will become members of the WM Healthcare Group upon the completion of the WM Healthcare Group Reorganisation being implemented during 2020 and 2021)
“WM Healthcare Group Reorganisation”	has the meaning ascribed to it in the section headed “(1) Continuing Connected Transactions under the 2021 MTA No.1 – Introduction” in the “Letter from the Board” of this circular
“WM Non-HC Group”	such companies which were or are under the control of (or 30% or more of the issued share capital of which are owned by) Ms. Wendy Man, other than the Group and the WM Healthcare Group
“%”	per cent.

* *For identification purposes only*

LETTER FROM THE BOARD



祈福生活服務
CLIFFORD MODERN LIVING

CLIFFORD MODERN LIVING HOLDINGS LIMITED 祈福生活服務控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 3686)

Executive Directors:

Ms. MAN Lai Hung (*Chairman and Chief Executive Officer*)

Ms. HO Suk Mee

Mr. LIU Xing

Non-executive Director:

Ms. LIANG Yuhua

Independent non-executive Directors:

Ms. LAW Elizabeth

Mr. HO Cham

Mr. MAK Ping Leung

(alias Mr. MAK Wah Cheung)

Registered office:

Cricket Square

Hutchins Drive, P. O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Head office and Principal Place
of Business in the PRC:*

8 Shiguang Road

Panyu, Guangzhou

Guangdong, PRC

*Principal place of business
in Hong Kong:*

7th Floor

Chai Wan Industrial City, Phase II

70 Wing Tai Road, Chai Wan

Hong Kong

9 December 2021

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS: (1) 2021 MASTER TENANCY AGREEMENTS; AND (2) 2021 MASTER COMPOSITE SERVICES AGREEMENTS

INTRODUCTION

Reference is made to the Previously Published Documents in relation to, among other matters, the continuing connected transactions as provided under the Existing Consolidated MTA (i.e. the 2016 Master Tenancy Agreement, as supplemented by the 2017 & 2018 Supplemental MTAs) and the 2021 Announcement.

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The purpose of this circular is to provide you with (i) further details of the 2021 MTA No.1 and the 2021 MCSAs and the transactions contemplated thereunder (including the respective proposed annual caps thereof); (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the 2021 MTA No.1 and the 2021 MCSAs and the transactions contemplated thereunder (including the respective proposed annual caps thereof); (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the same matters; (iv) a notice of the EGM; and (v) other information as required under the Listing Rules.

(1) CONTINUING CONNECTED TRANSACTIONS UNDER THE 2021 MTA NO. 1

Introduction

Pursuant to the Existing Consolidated MTA entered into between Clifford Estates Panyu (for itself and on behalf of the other property owners which are members of the then Private Group) (as landlord) and the Company (for itself and on behalf of its subsidiaries) (as tenant), Clifford Estates Panyu agreed to lease certain properties to the Company, on and subject to the respective terms and conditions contained therein.

The original term under the Existing Consolidated MTA commenced with effect from 1 January 2016 until the tenth anniversary of such commencement date, and may be renewed for a successive period of ten years by mutual consent upon the initial expiry, subject to compliance with the then applicable requirements of the Listing Rules. At the Company's extraordinary general meeting held on 28 January 2019, the then Independent shareholders approved the annual caps in respect of the transactions contemplated under the 2016 MTA (as supplemented by the 2017 & 2018 Supplemental MTAs) for each of FY2019, FY2020 and FY2021. It is expected that the Company will continue to lease such properties under the Existing Consolidated MTA after 31 December 2021.

During 2020 and 2021, corporate reorganisation is being implemented in respect of certain companies which are members of the then WM Group and members of the then Private Group, and which principally engage in the provision hospital/clinical, elderly and postpartum care services, healthcare and related services in the PRC. Upon the completion of such reorganisation ("**WM Healthcare Group Reorganisation**"), these companies will become the subsidiaries of Clifford Medical, and hence members of the WM Healthcare Group.

On 29 October 2021, for the purpose of replacing the Existing Consolidated MTA in order to streamline the management of the lease arrangements in the future, the Company (for itself and on behalf of its subsidiaries) (as tenant) entered into the 2021 Master Tenancy Agreements, comprising:

- (i) 2021 MTA No.1 made with Clifford Estates Panyu (for itself and on behalf of the other property owners which are members of the Private Group) (as landlord); and

LETTER FROM THE BOARD

- (ii) 2021 MTA No.2 made with Clifford Medical (for itself and on behalf of certain members of the WM Healthcare Group) (as landlord),

pursuant to which the respective landlords agreed to lease certain properties to the Company, on and subject to the respective terms and conditions contained therein. Each of 2021 MTA No.1 and 2021 MTA No.2 has a term of three years commencing from 1 January 2022 to 31 December 2024.

Principal terms of the 2021 MTA No.1

2021 MTA No.1

The principal terms of 2021 MTA No.1 are summarised below:

Date of 2021 MTA No.1:	29 October 2021 (after trading hours)
Parties:	(i) the Company (for itself and on behalf of its subsidiaries) (as tenant)
	(ii) Clifford Estates Panyu (for itself and on behalf of the other property owners which are members of the Private Group) (as landlord)
Premises to be leased under the 2021 MTA No.1:	Under 2021 MTA No.1, the Group will lease from the Private Group premises with a total gross floor area of 23,880 sq. m. in Panyu district, Foshan district, Huadu district of Guangdong Province, the PRC and in Hong Kong. Brief details of the premises are set out below:

	Number of leases	Total gross floor area (sq. m.)	Range of monthly rental (RMB per sq. m.)
Panyu district	30	21,787	8–290 ^(Note)
Foshan district	1	20	20
Huadu district	1	40	41
Hong Kong	2	2,033	105
Total	<u>34</u>	<u>23,880</u>	

Note: Among these 30 leases for premises in Panyu district, the monthly rental of two of them fall within the range of RMB210 to 290 per sq. m. due to the usage and location of these premises while the range of monthly rental of the remaining premises ranges from RMB8 to 94 per sq. m.

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The construction of certain residential properties developed by the Private Group are expected to be completed and will be allowed to be occupied during FY2022, FY2023 and FY2024, respectively. Accordingly, 2021 MTA No.1 also contains a term that upon the completion of construction and commencement of occupation of such properties, the Group will lease from the Private Group some of these newly developed premises with a total gross floor area of 2,900 sq. m. and an additional floor of 1,400 sq. m., being part of an existing warehouse (*Note 1*) in Panyu district of Guangdong Province, the PRC. Brief details of the newly developed premises to be leased by the Group are set out below:

	Number of new leases	Total gross floor area <i>(sq. m.)</i>	Expected range of monthly rental <i>(Note 2)</i> <i>(RMB per sq. m.)</i>
FY2022	1	2,000	170
FY2023	3	700	200–290
FY2024	2	1,600	5–235
Total	6	4,300^(Note 1)	

Note 1: These figures are presented on accumulated basis and are inclusive of the total gross floor area of premises leased in previous financial year and are subsisting during the relevant financial year.

Note 2: These expected monthly rentals are estimated based on the rentals of similar premises in Panyu district taking into account the usage and location of the relevant premises. The Group will engage an independent valuer to issue fair rent letter as reference for determining the relevant annual rentals payable. For FY2024, as one of the premise to be leased is part of an existing warehouse, its rental is expected to be approximately RMB5 per sq. m.

With respect to the properties leased under 2021 MTA No.1, individual members of the Group (as tenants) and individual members of the Private Group (as landlords) entered or will enter into individual tenancy agreements which prescribe specific lease terms and conditions (including rental, payment method and other terms). The terms of such individual tenancy agreements shall be consistent with those of the 2021 MTA No.1.

LETTER FROM THE BOARD

If any of the individual tenancy agreements expires before 31 December 2024 (being the expiry date of 2021 MTA No.1), the Company is entitled to renew such individual tenancy agreement with the relevant landlord (being a member of the Private Group) by giving three months' written notice, subject to the compliance with the then applicable provisions of the Listing Rules.

Use: Mainly as operating or business outlets, offices, warehouses

Term: Three years commencing from 1 January 2022 to 31 December 2024

Rent: The annual rentals payable by the Group under the existing individual tenancy agreements have been determined by the Group with reference to the range of prevailing market rates for each of the premises under the exiting individual tenancy agreements as at 31 December 2020 based on the valuation results of an independent property valuer contained in a fair rent letter (the "**Fair Rent Letter**") and the management's assessment of the prevailing market rates for FY2021. The Fair Rent Letter provided an independent analysis on the rental levels of the properties (including those leased under the 34 existing individual tenancy agreements covered by the 2021 MTA No.1) as of 31 December 2020, showing that the monthly rental payable by the Group under such existing tenancy agreements are within the range of the prevailing market rates. The date of the Fair Rent Letter is in line with the description set out in the prospectus of the Company dated 27 October 2016, which stated that the first fair rent letter issued in 2016 shall be used to determine the rental payable for five years up to 2020, and the second fair rent letter (i.e. the Fair Rent Letter) shall be used to determine the rental payable for the sixth year (i.e. FY2021).

As for new individual leases to be entered into regarding the newly developed premises, the Group agreed to engage an independent valuer to issue fair rent letter (before the commencement of the term of the relevant lease) as reference for determining the relevant annual rentals payable.

The annual rental payable by the Group shall be increased by an amount not exceeding the lower of (i) 7% (which is determined with reference to the GDP growth rate of the PRC during 2010 to 2020); and (ii) the prevailing GDP growth rate of the PRC in the immediately preceding year.

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The annual rentals in respect of the premises to be leased by the Group under 2021 MTA No.1 were determined after arm's length negotiations between the relevant parties with reference to the prevailing market rates of local properties in the neighbourhood with a similar scale and quality and subject to the internal control measures of the Group and of the Private Group. The prevailing market rates of local properties are determined with reference to:

- (i) quotations of one or more similar comparable properties owned by Independent Third Parties in the neighbouring area provided by independent estate agency;
- (ii) the terms of at least one existing tenancy agreement entered into between the Private Group (as landlord) and Independent Third Party(ies) (as tenant) in relation to premises located near or next to the subject premises; and
- (iii) (where items (i) and (ii) are not available or applicable) at least two quotations provided by the Private Group to Independent Third Party(ies).

After the general manager of administration department has collected available data and market information (including quotations from Independent Third Parties), such information will first be passed to an executive Director (excluding Ms. Wendy Man) for checking the compliance with the pricing policy, and subsequently to the finance department for verification and review, the finance department will also decide whether the quotation offered by the Private Group is no less favourable than those given by the Independent Third Party estate agency and whether the lease terms are fair and reasonable. Future increments will be determined based on the GDP growth rates of the PRC (subject to a cap of 7% per annum). The executive Directors will closely monitor the rentals payable to the Private Group and new individual leases to be entered into pursuant to 2021 MTA No.1 on a monthly basis to ensure that the annual caps are not exceeded and to ensure the implementation of the relevant internal control measures on pricing policy (which is also applicable to 2021 MTA No.2).

LETTER FROM THE BOARD

Changes in leased premises: where there are any changes in leased premises arising from or in connection with the business development of the Group, the parties may revise the list of premises to be leased by the Group by way of entering into supplemental agreements or memoranda to record such changes. To the extent that (i) the relevant changes (or cumulative changes) do not result in the annual cap for the relevant year (as approved by the then Independent Shareholders) being exceeded, and (ii) the manner of determining the rentals of such premises being made in compliance with the terms of 2021 MTA No.1, such changes will be considered as immaterial (unless the Stock Exchange or the majority of the INEDs consider otherwise). If any of the changes are considered to be material, these changes will take effect conditional upon the applicable requirements under the Listing Rules being complied with.

First right of refusal: Pursuant to 2021 MTA No.1, Clifford Estates Panyu (for itself and on behalf of the other property owners which are members of the Private Group) has granted first right of refusal to the Company (for itself and on behalf of its subsidiaries), such that at any time during the term of 2021 MTA No.1, if any relevant landlord(s) intends to sell, assign or transfer any premises leased by the Group (as tenants) under 2021 MTA No.1, such premises shall be first offered to the Group for purchase at a fair and reasonable price to be determined based on the valuation of an independent valuer.

The first right of refusal shall be exercisable at the sole discretion of the Group. If the Group chooses to exercise the first right of refusal, completion of the relevant sale and purchase of the premises concerned shall be made conditional upon the Group having complied with the then applicable requirements of the Listing Rules.

LETTER FROM THE BOARD

Conditions precedent to 2021 MTA No.1 becoming effective: The transactions contemplated under 2021 MTA No.1 are conditional upon (i) the Company having complied with its obligations regarding the disclosure and approval of 2021 MTA No.1 and the transactions contemplated thereunder, including (if so required) the approval from the Independent Shareholders being obtained, in accordance with the provisions of its articles of association and the Listing Rules; and (ii) all other requirements under the Listing Rules being complied with (including obtaining the advice of the Independent Financial Adviser).

Each of the conditions set out above is not waivable under any circumstances. As at the date of this circular, save for the publication of the 2021 Announcement and this circular (including the obtaining of the advice of the Independent Financial Adviser), none of the conditions as set out above have been fulfilled.

Each of the 2020 MTA No. 1, 2021 MTA No. 2, 2021 MCSA No.1 and 2021 MCSA No. 2 are not inter-conditional to each other.

2021 MTA No.2

The principal terms of 2021 MTA No.2 (including the term, rent, first right of refusal and conditions precedent) are essentially similar to those of 2021 MTA No.1, save and except that, under 2021 MTA No.2, the Group will only lease one premise from the WM Healthcare Group premises with a total gross floor area of 91 sq. m. in Panyu district of Guangdong Province, the PRC for its operation as a convenience store.

Historical transaction amounts

The initial annual caps in respect of the transactions contemplated under the 2016 Master Tenancy Agreement for each of FY2016, FY2017 and FY2018 were, as disclosed in the Prospectus, RMB11.5 million, RMB12.0 million and RMB12.5 million, respectively. On 23 June 2017, the annual caps in respect of the transactions contemplated under the 2016 MTA (as supplemented by the 2017 Supplemental MTA) for each of FY2017 and FY2018 was approved by the then Independent Shareholders at the Company's extraordinary general meeting to be revised to RMB16.0 million and RMB20.0 million, respectively. On 28 January 2019, the annual caps in respect of the transactions contemplated under the 2016 MTA (as supplemented by the 2017 & 2018 Supplemental MTAs) for each of FY2019, FY2020 and FY2021 was approved by the then Independent Shareholders at the Company's extraordinary general meeting to RMB19.0 million, RMB20.0 million and RMB21.0 million, respectively.

LETTER FROM THE BOARD

The historical transaction amount in respect of the transactions contemplated under the Existing Consolidated MTA for each of FY2019, FY2020 and FY2021 (up to 31 October 2021) are set out below:

	FY2019	FY2020	FY2021 (up to 31 October 2021)
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
	(Audited)	(Audited)	(Unaudited)
Rental paid or payable to landlords which are members of the Private Group	12.6	10.6	11.1
Rental paid or payable to landlords which are members of the WM Healthcare Group (which are members of the then WM Group or members of the then Private Group)	0.1	0.1	0.1
Total	12.7	10.7	11.2

So far as the Directors are aware, the annual caps in respect of the transactions contemplated under the Existing Consolidated MTA for FY2021 has not been exceeded as at the Latest Practicable Date.

Proposed annual caps

According to Hong Kong Financial Reporting Standard (HKFRS) 16 “Leases”, the Group is required to recognise a right-of-use asset and a lease liability, which are measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate in the year of entering into the leases where the Group acts as a lessee. Pursuant to the requirements of the Listing Rules, as the transactions contemplated under the 2021 MTA No.1 will be recognised as the acquisitions of right-of-use assets, the Group is required to set annual caps on the total value of right-of-use assets relating to the leases to be entered into by the Group as a lessee for each of FY2022, FY2023 and FY2024 under the 2021 MTA No.1. As the 2021 MTA No. 2 only involves the leasing of one premise (the balance of the right-of-use assets representing such premise to be recognised by the Group in FY2022 amounted to approximately RMB0.4 million), such transaction will be regarded as an acquisition of capital asset for the purpose of the Listing Rules.

LETTER FROM THE BOARD

The following table sets out the proposed annual caps, which represent the total value of right-of-use assets relating to the leases to be entered into by the Group under the 2021 MTA No.1 and 2021 MTA No.2, for FY2022, FY2023, and FY2024:

	FY2022 <i>(RMB million)</i>	FY2023 <i>(RMB million)</i>	FY2024 <i>(RMB million)</i>
Proposed annual caps for 2021			
MTA No.1	57.1 ^(Note)	13.6	19.7

Note: Since the 2021 MTA No.1 entered into by the Group is in the form of a framework agreement and the term of the aforementioned 34 lease agreements under this framework agreement range from two to ten years, the proposed annual cap for the total value of the right-of-use assets for FY2022 is larger when compared to the historical transaction amount (which represents the rental paid or payable to landlords which are members of the Private Group, instead of the right-of-use assets of the leased premises recognized by the Group) in respect of the transactions contemplated under the Existing Consolidated MTA for each of FY2019, FY2020 and FY 2021 (up to 31 October 2021) as it includes (i) the total value of right-of-use assets representing the premises under all these 34 leases as at 31 December 2021 and (ii) the addition of the right-of-use assets in relation to new leases to be entered into the Group under 2021 MTA No.1 during FY2022.

Basis of determination of the proposed annual caps

The proposed annual caps in respect of the transactions contemplated under the 2021 MTA No. 1 have been determined with reference to:

- (i) the rentals payable by the Group;
- (ii) the gross floor area of premises (including the existing premises and the newly developed premises, which were set out in the paragraph headed “Principal terms of the 2021 MTA No.1 – 2021 MTA No.1” in this section) to be leased from the Private Group under the 2021 MTA No. 1;
- (iii) the market rent and the range of monthly rental (which were set out in the paragraph headed “Principal terms of the 2021 MTA No.1 – 2021 MTA No.1” in this section) of the premises (including the existing premises and the newly developed premises) to be leased under the 2021 MTA No. 1 based on the prevailing market conditions and the rental level of similar properties in the vicinity;
- (iv) the value of the Group’s rights to use the underlying leased asset for the lease term which is initially measured on present value basis and calculated by discounting the non-cancellable lease payments for each lease to be entered into under the 2021 MTA No. 1, using the incremental borrowing rate as the discount rate; and
- (v) the expected growth of the unit rental or the prevailing GDP growth rate of the PRC, whichever is lower.

LETTER FROM THE BOARD

Implications of the Listing Rules

Ms. Wendy Man is an executive Director, the chairman of the Board and one of the controlling shareholders of the Company, and hence Ms. Wendy Man's associates are connected persons of the Company under Rule 14A.07 of the Listing Rules. As at the Latest Practicable Date, the ultimate controlling shareholder of the Private Group (including Clifford Estates Panyu) is Ms. Wendy Man's Spouse, while that of the WM Healthcare Group (including Clifford Medical) is Ms. Wendy Man. As such, both the Private Group (including Clifford Estates Panyu) and the WM Healthcare Group (including Clifford Medical) are associates of Ms. Wendy Man, and hence connected persons of the Company under the Listing Rules.

The transactions contemplated under 2021 MTA No.1 and 2021 MTA No.2 are not aggregated under Rule 14A.81 of the Listing Rules, for the reasons that (i) the locations of the properties leased under 2021 MTA No.1 and 2021 MTA No.2 respectively are different; (ii) the nature and uses of the properties leased under the 2021 MTAs are different; and (iii) the properties leased under the 2021 MTAs are used as the Group's operating or business outlets, offices or warehouses, which are in the ordinary and usual course of its existing business, and hence will not lead to any involvement by the Group in a new business activity.

For 2021 MTA No.1, as all of the applicable percentage ratios (other than the profits ratio) in respect of the largest annual cap thereunder is more than 5% (but less than 25%) and such largest annual cap is more than HK\$10 million, the 2021 MTA No.1 and the transactions contemplated thereunder are subject to the reporting, announcement, annual review and Independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

For 2021 MTA No.2, as all of the applicable percentage ratios (other than the profits ratio) in respect of the only lease thereunder based on the value of the right-of-use asset recognised by the Group is less than 5% and is less than HK\$3 million, 2021 MTA No.2 and the transactions contemplated thereunder are therefore fully exempt from the reporting, announcement, annual review and Independent shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules. Considering the relevance of 2021 MTA No.1 and 2021 MTA No.2, brief details of 2021 MTA No.2 and the transactions contemplated thereunder are also included in this circular for the Shareholder's information.

(2) CONTINUING CONNECTED TRANSACTIONS UNDER THE 2021 MASTER COMPOSITE SERVICES AGREEMENTS

Introduction

Reference is made to the Previously Published Documents in relation to, among other matters, the continuing connected transactions as provided under the existing 2018 MCSA.

LETTER FROM THE BOARD

On 18 October 2018, the 2018 MCSA was entered into between the Company (on behalf of its subsidiaries) (as service providers) on the one part, and Clifford Estates Panyu (for itself and on behalf of the other members of the then Private Group) and Clifford Elderly Home (for itself and on behalf of other members of the then WM Group) (as receiving parties) on the other part. Pursuant to the 2018 MCSA, the Company agreed to provide the following services to the respective receiving parties for a term of three years from 1 January 2019 to 31 December 2021:

- (a) procurement, property management, laundry, resident support and maintenance, employment placement agency service and property agency services (collectively, “**living services**”);
- (b) engineering and maintenance services (relating to information technology, security systems and hardware and software integration); and
- (c) telecommunication services.

It is expected that the continuing connected transactions under the 2018 MCSA will continue beyond their expiry on 31 December 2021. Further, during 2020 and 2021, the WM Healthcare Group Reorganisation is being implemented in respect of certain companies which (prior to the WM Healthcare Group Reorganisation being implemented) were members of the then WM Group or members of the then Private Group, upon the completion of which these companies will become members of the WM Healthcare Group.

On 29 October 2021, for the purpose of renewing the transactions as provided under the existing 2018 MCSA, the Company (for itself and on behalf of its subsidiaries) (as service providers) entered into the 2021 MCSAs, comprising:

- (i) 2021 MCSA No.1 made with Clifford Estates Panyu (for itself and on behalf of the other members of the Private Group) and Clifford Xianhu Hotel (for itself and on behalf of the other members of the WM Non-HC Group) (as receiving parties); and
- (ii) 2021 MCSA No.2 made with Clifford Medical (for itself and on behalf of the other members of the WM Healthcare Group) (as receiving parties),

pursuant to which the Group agreed to provide the following services to the respective receiving parties for a term of three years ending 31 December 2024: (a) living services; (b) engineering and maintenance services; and (c) telecommunication services, on and subject to the respective terms and conditions contained therein.

LETTER FROM THE BOARD

Principal terms of the 2021 Master Composite Services Agreements

2021 MCSA No.1

The principal terms of 2021 MCSA No.1 are summarised below:

Date of 2021 MCSA No.1: 29 October 2021 (after trading hours)

Parties:

- (i) the Company (for itself and on behalf of its subsidiaries) (as service providers)
- (ii) Clifford Estates Panyu (for itself and on behalf of the other members of the Private Group) and Clifford Xianhu Hotel (for itself and on behalf of the other members of the WM Non-HC Group) (both as receiving parties)

Term: Three years commencing 1 January 2022 and ending 31 December 2024

Both parties are entitled, by giving three months' written notice, to extend the term of 2021 MCSA No.1 for a period of three years after the expiry of the initial term on 31 December 2024, subject to compliance with the then applicable provisions of the Listing Rules.

Services to be provided by the Group:

- (a) living services, i.e. procurement, property management, laundry, resident support and maintenance, employment placement agency services and property agency services;
- (b) engineering and maintenance services (mainly relating to information technology, security systems and hardware and software integration); and
- (c) telecommunication services.

Conditions precedent to 2021 MCSA No.1 becoming effective: The transactions contemplated under 2021 MCSA No.1 (including the proposed annual caps thereof) are conditional upon (i) the Company having complied with its obligations regarding the disclosure and approval of 2021 MCSA No.1 and the transactions contemplated thereunder, including (if required) the approval from the Independent Shareholders being obtained in accordance with the provisions of its articles of association and the Listing Rules; and (ii) all other requirements under the Listing Rules being complied with (including obtaining the advice of the Independent Financial Adviser).

LETTER FROM THE BOARD

Each of the conditions set out above is not waivable under any circumstances. As at the date of this circular, save for the publication of the 2021 Announcement and this circular (including the obtaining of the advice of the Independent Financial Adviser), none of the conditions as set out above have been fulfilled.

Each of the 2020 MTA No. 1, 2021 MTA No. 2, 2021 MCSA No.1 and 2021 MCSA No. 2 are not inter-conditional to each other.

2021 MCSA No.2

The principal terms of 2021 MCSA No.2 are summarized as below:

Date of 2021 MCSA No.2: 29 October 2021 (after trading hours)

Parties: (i) the Company (for itself and on behalf of its subsidiaries) (as service providers)

(ii) Clifford Medical (for itself and on behalf of the other members of the WM Healthcare Group) (as receiving parties)

Term: Three years commencing 1 January 2022 and ending 31 December 2024

Both parties are entitled, by giving three months' written notice, to extend the term of 2021 MCSA No.2 for a period of three years after the expiry of the initial term on 31 December 2024, subject to compliance with the then applicable provisions of the Listing Rules.

Services to be provided by the Group: living services; engineering and maintenance services; and telecommunication services.

Conditions precedent to 2021 MCSA No.2 becoming effective: The transactions contemplated under 2021 MCSA No.2 (including the proposed annual caps thereof) are conditional upon (i) the Company having complied with its obligations regarding the disclosure and approval of 2021 MCSA No.2 and the transactions contemplated thereunder, including (if required) the approval from the Independent Shareholders being obtained in accordance with the provisions of the Listing Rules; and (ii) all other requirements under the Listing Rules being complied with (including obtaining the advice of the Independent Financial Adviser).

LETTER FROM THE BOARD

Each of the conditions set out above is not waivable under any circumstances. As at the date of this circular, save for the publication of the 2021 Announcement and this circular (including the obtaining of the advice of the Independent Financial Adviser), none of the conditions as set out above have been fulfilled.

Each of the 2020 MTA No. 1, 2021 MTA No. 2, 2021 MCSA No.1 and 2021 MCSA No. 2 are not inter-conditional to each other.

Pricing policy

The pricing policy applicable to services provided under each of 2021 MCSA No.1 and 2021 MCSA No.2 follows that applicable to transactions of similar nature or types which are applicable to services rendered by the Group. Such pricing policy is summarized below:

- (i) Procurement Purchase prices of relevant products provided by the Group are determined (a) through arm's length negotiation and having regard to the comparable market prices (including the terms of procurement service agreement entered into between the Group (as service provider) and at least one Independent Third Party (as receiving parties) with similar purchase volume); or (b) if item (a) is not available, based on the trading cost (including purchase price and other costs) of the relevant products plus a premium of approximately 5% to 10% (the administrative and miscellaneous expenses incurred in the process is generally around 1–2% of the trading cost), to ensure that the terms offered by the Group to the connected persons shall be no more favourable than those available to Independent Third Parties (subject to, in respect of the Group's provision of such services to the WM Healthcare Group under 2021 MCSA No.2, the terms offered by the Group being no less favourable than those available to the WM Healthcare Group from Independent Third Parties ("**Mutually Fair Arrangement**"), but in any event at terms no less favourable than those offered to the Group by Independent Third Party).

LETTER FROM THE BOARD

- (ii) Property management services
- The Group determines the property management fee based on the regulations promulgated by the PRC government (including the Measures on the Charges of Property Service (《物業服務收費管理辦法》), the Property Management Interim Measures of Guangzhou City (《廣州市物業管理暫行辦法》) and the notices issued by the Price Bureau of Guangzhou City (廣州市物價局) and the Land and Resources and Housing Administrative Bureau of Guangzhou City (廣州市國土資源和房屋管理局) from time to time in relation to, among other things, the applicability and range of government-guided pricing for property management fee) with reference to the prices charged by our Group (as service provider) to at least two Independent Third Parties (as receiving parties) in the neighbourhood to ensure that the prices offered by the Group to the connected persons shall be no more favourable than those available to Independent Third Parties (subject to, in respect of the Group's provision of services to the WM Healthcare Group under 2021 MCSA No.2, the Mutually Fair Arrangement, but in any event at terms no less favourable than those offered to the Group by Independent Third Party).
- (iii) Laundry
- Laundry service fee is determined by the relevant parties through arm's length negotiation, with reference to the laundry service fees charged by our Group (as service provider) to at least one Independent Third Party (as receiving party) for services of a similar nature in the neighbourhood to ensure that the terms offered by the Group to the connected persons shall be no more favourable than those available to Independent Third Parties (subject to, in respect of the Group's provision of such services to the WM Healthcare Group under 2021 MCSA No.2, the Mutually Fair Arrangement, but in any event at terms no less favourable than those offered to the Group by Independent Third Party).

LETTER FROM THE BOARD

(iv) Resident support

In respect of renovation and property fitting services, the prices are determined by relevant parties on arm's length basis, having regard to (i) the nature and value of the relevant services rendered by the Group; (ii) the actual costs and expenses incurred plus a mark-up ranging from approximately 30% to 45% which is determined with reference to the service fees that the Group (as service provider) charges Independent Third Parties (most of whom are local residents), to ensure that the terms offered by the Group to the connected persons shall be no more favourable than those available to Independent Third Parties; (iii) (in respect of the Group's provision of such services to the WM Healthcare Group under 2021 MCSA No.2) the renovation and property fitting service fees charged by at least one Independent Third Party services provider for services of a similar nature in the neighbourhood to ensure that the terms offered by the Group are in compliance with the Mutually Fair Arrangement, but in any event at terms no less favourable than those offered to the Group by Independent Third Party.

In respect of the home cleaning services, the prices are determined by relevant parties on arm's length basis with reference to:

- (a) the prices offered by the Group (as service provider) to at least one Independent Third Party (most of whom are local residents) (The prices offered by the Group are readily available market information made known to (among others) unrelated third party users and potential users. The prices offered by the Group to the connected persons shall be no more favourable than prices of similar services offered by the Group to Independent Third Parties); and
- (b) (in respect of the Group's provision of such services to the WM Healthcare Group under 2021 MCSA No.2) the home cleaning service fees charged by at least one Independent Third Party services provider for services of a similar nature in the neighbourhood to ensure that the terms offered by the Group are in compliance with the Mutually Fair Arrangement, but in any event at terms no less favourable than those offered to the Group by Independent Third Party.

LETTER FROM THE BOARD

- (v) Employment placement agency services The prices are determined by relevant parties on arm's length basis having regard to the type of care helper which is fixed with reference to the prices charged by our Group (as service provider) to at least one Independent Third Party (as receiving party) for providing services of a similar nature in the neighbourhood to ensure that the prices offered by the Group to the connected persons are no more favourable than those available to Independent Third Parties (subject to, in respect of the Group's provision of such services to the WM Healthcare Group under 2021 MCSA No.2, the Mutually Fair Arrangement, but in any event at terms no less favourable than those offered to the Group by Independent Third Party).
- (vi) Property agency services The property agency fees are determined by relevant parties on arm's length basis with reference to the historical fees charged by the Group (as service provider) to at least one Independent Third Party (as receiving party) in the neighbourhood with a similar scale and quality to ensure that the fees offered by the Group to the connected persons are no more favourable than those available to Independent Third Parties (subject to, in respect of the Group's provision of such services to the WM Healthcare Group under 2021 MCSA No.2, the Mutually Fair Arrangement, but in any event at terms no less favourable than those offered to the Group by Independent Third Party).

LETTER FROM THE BOARD

(vii) Engineering and
maintenance

The prices are generally determined by relevant parties on a project-by-project basis through tendering process, having regard to the nature and complexity of the projects and the actual costs and expenses incurred for procurement of materials, staff remuneration and other service fees payable to third parties, plus a mark-up ranging from approximately 10% to 45%, which is determined with reference to tendering specifications of each project and service fees that the Group (as service provider) charges against Independent Third Parties (as receiving parties).

After receiving the tendering specifications of the engineering projects, members of the tendering team would analyse and calculate the costs involved (including estimated manpower, qualified persons (e.g. engineers or other experts) and materials to be used), complexity of the engineering services involved and estimated project duration. The general manager of Guangzhou Kejian will then compare the profitability of the projects with (a) the engineering works of similar size and complexity provided to other Independent Third Parties and (b) (in respect of the provision of such services by the Group to the WM Healthcare Group under 2021 MCSA No.2) the engineering works of similar size and complexity provided by other Independent Third Parties, and the compliance officer of the Company will review such profit estimate to ensure that the terms to be charged to the connected persons are no more favourable than those charged to Independent Third Parties (subject to, in respect of the Group's provision of engineering services to the WM Healthcare Group under 2021 MCSA No.2, the Mutually Fair Arrangement, but in any event at terms no less favourable than those offered to the Group by Independent Third Party). The mark-up range for the Group's engineering service fees charged against Independent Third Parties is approximately 10% to 45%; and the mark-up range for engineering service fees charged by Independent Third Party services providers is approximately 10% to 45%.

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In respect of maintenance services, the prices are determined by relevant parties on arm's length basis with reference to (i) the prices offered by the Group (as service provider) to the Independent Third Parties (as receiving parties), which has taken into account the nature and complexity of the maintenance services to be provided, costs and expenses of the equipment and spare parts required for the maintenance services, staff remuneration and estimated duration and frequency of maintenance services required and (ii) (in respect of the Group's provision of such services to the WM Healthcare Group under 2021 MCSA No.2) the prices offered by Independent Third Party services providers. The prices to be charged to the connected persons shall be no more favourable than prices of similar services charged by the Group to Independent Third Parties (subject to, in respect of the Group's provision of maintenance services to the WM Healthcare Group under 2021 MCSA No.2, the Mutually Fair Arrangement, but in any event at terms no less favourable than those offered to the Group by Independent Third Party). The percentage range of maintenance service fees charged for relevant engineering service contract sum provided to Independent Third Parties is approximately 3% to 15%; for the provision of similar maintenance services by Independent Third Party services providers, the percentage range of maintenance service fees charged for relevant engineering service contract sum is approximately 3% to 15%.

(viii) Telecommunication

The prices, which the Group charges receiving parties on a monthly basis, are determined by relevant parties on arm's length basis having regard to the actual costs and expenses incurred, plus a mark-up ranging from approximately 10% to 40%, which is determined with reference to (i) the Group's policy on the service fees that the Group charges or will charge the Independent Third Parties and (ii) (in respect of the Group's provision of telecommunication services to the WM Healthcare Group under 2021 MCSA No.2) the service fees charged by Independent Third Party services providers, but in any event at terms no less favourable than those offered to the Group by Independent Third Party.

LETTER FROM THE BOARD

Pricing methods and procedures

In respect of (i) living services (procurement, property management, laundry, resident support, employment placement agency services and property agency services) and (ii) telecommunication services, the general manager of the respective operations will provide a quotation in accordance with the pricing policy which will then be reviewed by the Executive Director (excluding Ms. Wendy Man). The general manager will also enquire the receiving party(ies) the expected amount of services required, and obtain their preliminary view on the quotation. The quotation and the relevant comparable information will then be passed to the finance department for verification and second review. The prices (to be received by the Group) shall be no less favourable than prices of similar services rendered by the Group to Independent Third Parties and (in respect of the Group's provision of such services to the WM Healthcare Group under 2021 MCSA No.2) the prices (to be charged and received by the Group) shall also be no less favourable than prices of similar services rendered by Independent Third Party services providers to the WM Healthcare Group.

In respect of engineering services, the tendering team (which will comprise senior management of the Group) will determine the prices by conducting preliminary costing and pricing analysis when the Group is invited to participate in the tendering process to ensure that terms in the tender are normal commercial terms in the ordinary course of business, and for services to be rendered to the Private Group, the WM Non-HC Group and the WM Healthcare Group, such price and other terms are no less favourable than those of similar services rendered to Independent Third Parties; and (in respect of the Group's provision of engineering services to the WM Healthcare Group under 2021 MCSA No.2) such prices and other terms shall also be no less favourable than those of similar services rendered by Independent Third Party services providers to the WM Healthcare Group.

In respect of maintenance services, the prices are determined by:

- (i) approximately 3% to 15% of the relevant engineering services contract sum; and
- (ii) relevant parties on arm's length basis with reference to the prices offered to the Independent Third Parties. The prices (to be received by the Group) shall be no less favourable than prices of similar services rendered by the Group to Independent Third Parties; and (in respect of the Group's provision of services to the WM Healthcare Group under 2021 MCSA No.2) the prices (to be charged and received by the Group) shall also be no less favourable than prices of similar services rendered by Independent Third Party services providers to the WM Healthcare Group.

Under the 2021 MCSAs, the finance manager will assess whether the annual caps will be exceeded on a monthly basis, and whether the terms of services are within the scope of and in compliance with the 2021 MCSAs. The executive Directors will then review and approve the service fees in respect of the services to be charged to the Private Group, the WM Non-HC Group and the WM Healthcare Group. The executive Directors will closely monitor the service fees charged to the Private Group, the WM Non-HC Group and the WM Healthcare Group pursuant to the 2021 MCSAs on a monthly basis to ensure that the annual caps are not exceeded and to ensure the implementation of the relevant internal control measures on pricing policy.

LETTER FROM THE BOARD

Historical transaction amounts and proposed annual caps

The annual caps in respect of the transactions contemplated under the 2018 MCSA for each of FY2019, FY2020 and FY2021 are RMB126.0 million, RMB129.0 million and RMB138.0 million, respectively.

The historical transaction amount in respect of the transactions contemplated under the 2018 MCSA for each of FY2019, FY2020 and FY2021 (up to 31 October 2021) are set out below:

	FY2019 <i>(RMB million)</i> (Audited)	FY2020 <i>(RMB million)</i> (Audited)	FY2021 (up to 31 October 2021) <i>(RMB million)</i> (Unaudited)
Aggregate service fees paid or payable by members of the Private Group and the WM Non-HC Group	58.8	80.6	56.6
Service fees paid or payable by members of the WM Healthcare Group (which are members of the then WM Group or members of the then Private Group)	11.5	7.7	9.4
Total	70.3	88.3	66.0

So far as the Directors are aware, the annual cap in respect of the transactions contemplated under the 2018 MCSA for FY2021 has not been exceeded as at the Latest Practicable Date.

The following table sets out the proposed annual caps in respect of the transactions contemplated under each of 2021 MCSA No.1 and 2021 MCSA No.2 for each of FY2022, FY2023 and FY2024:

	FY2022 <i>(RMB million)</i>	FY2023 <i>(RMB million)</i>	FY2024 <i>(RMB million)</i>
Proposed annual caps for 2021 MCSA No.1	132	129	139
Proposed annual caps for 2021 MCSA No.2	34	41	44
Total	166	170	183

LETTER FROM THE BOARD

Basis of determination of the proposed annual caps

The proposed annual caps in respect of the transactions contemplated under each of 2021 MCSA No. 1 and 2021 MCSA No. 2 have been determined based on the historical transaction amounts for the relevant services, the additional volume of services to be provided in the next three years, together with the factors which are specific to the particular types of services as set out below:

- (i) For living services (except for property management services):
 - (a) the historical transaction amounts for living services (excluding property management) amounted to approximately RMB14.9 million for the ten months ended 31 October 2021 and the expected transaction amounts of approximately RMB3.0 million for the two months ending 31 December 2021;
 - (b) the expected annual growth rate of 7%, which is estimated with reference to the GDP growth rate of the PRC during 2010 to 2020;
- (ii) For property management services:
 - (a) the historical property management fees paid under the 2018 MCSA;
 - (b) the ongoing property management engagements (covering the total floor area of approximately 2,700,000 sq. m.) and their respective managements fees;
 - (c) the expected completion of new property projects in the next three years (including new property projects with the expected total floor area of approximately 645,000 sq. m. will be completed in FY2022 and approximately 330,000 sq. m. will be completed in FY2023 and FY2024) and the expected management fees for such newly completed properties;
- (iii) For engineering and maintenance work and telecommunication services:
 - (a) the historical contractual amount of approximately RMB73.2 million, RMB88.3 million and RMB43.3 million for FY2019, FY2020 and for the six months ended 30 June 2021 in respect of the tenders awarded to the Group through tender process of the Private Group, the WM Non-HC Group and the WM Healthcare Group, and the outstanding services which are expected to be performed in FY2022, FY2023 and FY2024;
 - (b) the estimated success rate of the Group tendering for the engineering works, based upon the historical tendering success rate and participation rate of the Group over the past three years, which for FY2019, FY2020 and the ten months ended 31 October 2021 reached 100%;

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- (c) the total contract sum for the ongoing engineering and maintenance work and telecommunication services and the relevant tenders submitted by the Group to the Private Group, the WM Non-HC Group or the WM Healthcare Group, which, for FY2022, amounted to approximately RMB114.1 million;
- (d) the estimated transaction amount as a result of any variation orders made by the Private Group, the WM Non-HC Group and the WM Healthcare Group in the course of project implementation; and
- (e) the maintenance service required for the projects implemented and completed in the past three years; an estimate for possible projects indicated to be subject to tender, but not yet invited and/or awarded.

Implications of the Listing Rules

For the reasons stated in the section headed “(1) Continuing Connected Transactions under the 2021 MTA No.1 – Implications of the Listing Rules” above, both the Private Group (including Clifford Estates Panyu) and the WM Healthcare Group (including Clifford Medical) are connected persons of the Company under the Listing Rules.

As for Clifford Xianhu Hotel and the WM Non-HC Group, the ultimate controlling shareholder of the WM Non-HC Group (including Clifford Xianhu Hotel) is Ms. Wendy Man. As such, the WM Non-HC Group (including Clifford Xianhu Hotel) are also associates of Ms. Wendy Man, and hence connected persons of the Company under the Listing Rules.

Accordingly, the entering into of the 2021 MCSAs constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, the transactions contemplated under 2021 MCSA No.1 and 2021 MCSA No.2 are aggregated as if they were one transaction, on the basis that (i) both of them involve the provision of living services, engineering and maintenance services by the Group which are of similar nature and (ii) the respective receiving parties, namely, the Private Group, the WM Non-HC Group and the WM Healthcare Group, are all connected persons (as defined under the Listing Rules). As more than one of the applicable percentage ratios (other than the profits ratio) in respect of the aggregate amount of the proposed annual caps under the two 2021 MCSAs is more than 25% (but less than 75%) and the annual consideration is more than HK\$10 million, the 2021 MCSAs and the transactions contemplated thereunder (including the proposed annual caps thereof) are subject to the reporting, announcement, annual review and Independent Shareholders’ approval requirements under the Listing Rules.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE 2021 MTA NO. 1 AND THE 2021 MCSAs

As regards the 2021 Master Tenancy Agreements, the Group has been leasing certain properties from the Private Group (some members of which will become members of the WM Healthcare Group as part of the WM Healthcare Reorganisation in 2020 and 2021), and these properties have been used as the Group's operating or business outlets, offices warehouses, etc. As the Group's businesses have been carried out or situated at the relevant leased properties, it is considered appropriate (in terms of cost, time and operational stability) to continue leasing such properties from the Private Group or the WM Healthcare Group (as the case may be). In addition, relocating any of such leased properties will also incur unnecessary expenses. Accordingly, the Board considered that the renewal of their tenancy is fair and reasonable in order to avoid any material disruptions in the Group's operations.

As regards the 2021 Master Composite Services Agreements, since the Group generally understands the business needs of the Private Group, the WM Non-HC Group and the WM Healthcare Group, it is expected that the Group will, in its ordinary course of business continue to supply such services to the Private Group, the WM Non-HC Group and the WM Healthcare Group.

The Directors (excluding the INEDs whose views will be given after taking into account the advice from the Independent Financial Adviser) consider that the continuing connected transactions contemplated under the 2021 MTA No.1 and the 2021 MCSAs have been conducted on normal commercial terms, are fair and reasonable and in the interests of the Company and its shareholders as a whole, and that the proposed annual caps for the continuing connected transactions contemplated under the 2021 MTA No.1 and the 2021 MCSAs are fair and reasonable.

In view of her (and/or her associate's) interests in the 2021 MTAs and the 2021 MCSAs, Ms. Wendy Man has abstained from voting in respect of the relevant resolutions at the Board meeting held on 29 October 2021 for considering the 2021 MTAs and the 2021 MCSAs.

GENERAL INFORMATION

The Group is principally engaged in the provision of six main service segments: property management services, renovation and fitting-out services, retail services, off-campus training services, information technology services and ancillary living services (which consists of property agency services, employment placement agency services and laundry services).

The Private Group is principally engaged in the businesses of (among others) property development, property investment, hotel investment and management and education in the PRC. Its ultimate controlling shareholder is Ms. Wendy Man's Spouse.

The WM Non-HC Group is principally engaged in the businesses of (among others) hotel operation and information technology in the PRC. Its ultimate controlling shareholder is Ms. Wendy Man.

The WM Healthcare Group is principally engaged in the businesses of (among others) the provision hospital/clinical, elderly and postpartum care services, healthcare and related services in the PRC. Its ultimate controlling shareholder is Ms. Wendy Man.

LETTER FROM THE BOARD

EGM

A resolution for approving each of the 2021 MTA No.1 and the 2021 MCSAs, and the transactions contemplated thereunder (including the respective proposed annual caps thereof) will be proposed at the EGM.

A notice convening the EGM to be held at Room 225, 2/F Mega Cube, 8 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong on Thursday, 30 December 2021 at 10:00 a.m. is set out on pages 65 to 68 of this circular.

In accordance with the Listing Rules, any connected person or Shareholder and its associates with a material interest in the 2021 MTA No.1 and the 2021 MCSAs and the transactions contemplated thereunder must abstain from voting on the resolutions to approve these agreements and the transactions contemplated thereunder (including the respective proposed annual caps thereof) at the EGM.

By virtue of Ms. Wendy Man's (or, as the case may be, her associates') interests in the 2021 MTA No.1 and the 2021 MCSAs, Ms. Wendy Man's and her associates are required to abstain from voting on the relevant resolutions to be proposed at the EGM. As at the Latest Practicable Date, Ms. Wendy Man, through her solely-owned company (namely Elland Holdings Limited), held 740,840,000 Shares, representing approximately 72.94% of the entire issued share capital of the Company.

To the best of the Directors' knowledge and information, no Shareholders (other than Ms. Wendy Man and her associates) have a material interest in the 2021 MTA No.1 and the 2021 MCSAs and the transactions contemplated thereunder, and no other Shareholders are required to abstain from voting on the ordinary resolutions in relation to the respective 2021 MTA No.1 and the 2021 MCSAs and the transactions contemplated thereunder (including the respective proposed annual caps) to be proposed at the EGM.

A form of proxy for the EGM is enclosed herewith. Whether or not Shareholders are able to attend and vote at the EGM, they are requested to complete the enclosed form of proxy and return the same to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM (i.e. no later than 10:00 a.m. (Hong Kong time) on Tuesday, 28 December 2021) or any adjournment thereof. Completion and return of the form of proxy as instructed will not prevent Shareholders from subsequently attending and voting at the EGM or any adjourned meeting if they so wish, and in such event, the instrument appointing a proxy shall be deemed to be revoked.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. The chairman of the meeting will therefore demand a poll for every resolution put to the vote of the EGM in accordance with the articles of association of the Company. The results of the poll shall be deemed to be the resolutions of the general meeting in which the poll was demanded or required and the poll results will be published on the websites of Stock Exchange (www.hkexnews.hk) and the Company (www.cliffordmodernliving.com) after the EGM.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors (including all the INEDs after having regard to the advice of the IFA) consider that the 2021 MTA No.1 and the 2021 MCSAs and the transactions contemplated thereunder have been conducted by the Company in its ordinary and usual course of business, on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and that the respective proposed annual caps for the transactions contemplated under the 2021 MTA No.1 and the 2021 MCSAs are fair and reasonable. The Directors therefore recommend the Independent Shareholders to vote in favour of the relevant resolution set out in the notice of the EGM.

FURTHER INFORMATION

The Independent Board Committee comprising all three INEDs, namely, Ms. LAW Elizabeth, Mr. HO Cham and Mr. MAK Ping Leung, has been appointed to recommend the Independent Shareholders in respect of the 2021 MTA No.1 and the 2021 MCSAs and the transactions contemplated thereunder (including the respective proposed annual caps). Altus Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in such regard.

Accordingly, your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 35 to 36 of this circular, which contains its recommendation to the Independent Shareholders; (ii) the letter from the Independent Financial Adviser set out on pages 37 to 60 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders; and (iii) the general information set out in the Appendix to this circular.

Yours faithfully

For and on behalf of the Board of

Clifford Modern Living Holdings Limited

MAN Lai Hung

Chairman, Chief Executive Officer and Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



祈福生活服務
CLIFFORD MODERN LIVING

CLIFFORD MODERN LIVING HOLDINGS LIMITED 祈福生活服務控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 3686)

9 December 2021

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS: (1) 2021 MASTER TENANCY AGREEMENTS; AND (2) 2021 MASTER COMPOSITE SERVICES AGREEMENTS

We refer to the circular of the Company dated 9 December 2021 (the “**Circular**”) to the Shareholders, of which this letter forms a part. Terms defined in the Circular have the same meanings in this letter unless the context otherwise requires.

In compliance with the Listing Rules, we have been appointed by the Board to form the Independent Board Committee to advise the Independent Shareholders as to whether, in our opinion, the 2021 MTA No.1 and the 2021 MCSAs and the transactions contemplated thereunder (including the respective proposed annual caps thereof) are conducted by the Company in its ordinary and usual course of business, are in the interests of the Company and the Shareholders as a whole and on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. In this connection, Altus Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the 2021 MTA No.1 and the 2021 MCSAs, and the transactions contemplated thereunder (including the respective proposed annual caps thereof).

We wish to draw your attention to the letter from the Board set out on pages 8 to 34 of the Circular, and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 37 to 60 of the Circular which contains its opinion in respect of the 2021 MTA No.1 and the 2021 MCSAs, and the transactions contemplated thereunder (including the respective proposed annual caps thereof).

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the advice of the Independent Financial Adviser and its recommendation in relation thereto, we consider that the 2021 MTA No.1 and the 2021 MCSAs and the transactions contemplated thereunder (including the respective proposed annual caps thereof) are conducted by the Company in its ordinary and usual course of business, are in the interests of the Company and the Shareholders as a whole and on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend that you vote in favour of the relevant resolutions set out in the notice of the EGM.

Yours faithfully,
Independent Board Committee of
Clifford Modern Living Holdings Limited
LAW Elizabeth HO Cham MAK Ping Leung

LETTER FROM ALTUS CAPITAL LIMITED

The following is the text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2021 MTA No.1, the 2021 MCSAs and the transactions contemplated thereunder (including the respective annual caps thereof), which has been prepared for the purposes of incorporation in this circular.

ALTUS.

Altus Capital Limited

21 Wing Wo Street
Central
Hong Kong

9 December 2021

To the Independent Board Committee and the Independent Shareholders

Clifford Modern Living Holdings Limited

7th Floor
Chai Wan Industrial City, Phase II
70 Wing Tai Road
Chai Wan
Hong Kong

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS: (1) 2021 MASTER TENANCY AGREEMENTS; AND (2) 2021 MASTER COMPOSITE SERVICES AGREEMENTS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the 2021 MTA No.1, the 2021 MCSAs and the transactions contemplated thereunder (including the respective annual caps thereof). Details of which are set out in the “Letter from the Board” contained in the circular of the Company dated 9 December 2021 (the “**Circular**”). Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

LETTER FROM ALTUS CAPITAL LIMITED

The 2021 MTA No.1

On 29 October 2021, for the purpose of replacing the Existing Consolidated MTA in order to streamline the management of the lease arrangements in the future, the Company (for itself and on behalf of its subsidiaries) (as tenant) entered into the 2021 Master Tenancy Agreements, comprising:

- (i) 2021 MTA No.1 made with Clifford Estates Panyu (for itself and on behalf of the other property owners which are members of the Private Group) (as landlord); and
- (ii) 2021 MTA No.2 made with Clifford Medical (for itself and on behalf of certain members of the WM Healthcare Group) (as landlord),

pursuant to which the respective landlords agreed to lease certain properties to the Company, on and subject to the respective terms and conditions contained therein. Each of 2021 MTA No.1 and 2021 MTA No.2 has a term of three years commencing from 1 January 2022 to 31 December 2024.

The 2021 MCSAs

On 29 October 2021, for the purpose of renewing the transactions as provided under the existing 2018 MCSA, the Company (for itself and on behalf of its subsidiaries) (as service providers) entered into the 2021 MCSAs, comprising:

- (i) 2021 MCSA No.1 made with Clifford Estates Panyu (for itself and on behalf of the other members of the Private Group) and Clifford Xianhu Hotel (for itself and on behalf of the other members of the WM Non-HC Group) (as receiving parties); and
- (ii) 2021 MCSA No.2 made with Clifford Medical (for itself and on behalf of the other members of the WM Healthcare Group) (as receiving parties),

pursuant to which the Group agreed to provide to the respective receiving parties for a term of three years ending 31 December 2024: (a) living services; (b) engineering and maintenance services; and (c) telecommunication services, on and subject to the respective terms and conditions contained therein.

LISTING RULES IMPLICATIONS

The 2021 MTA No.1

Ms. Wendy Man is an executive Director, the chairman of the Board and one of the controlling shareholders of the Company, and hence Ms. Wendy Man's associates are connected persons of the Company under Rule 14A.07 of the Listing Rules. As at the Latest Practicable Date, the ultimate controlling shareholder of the Private Group (including Clifford Estates Panyu) is Ms. Wendy Man's Spouse, while that of the WM Healthcare Group (including Clifford Medical) is Ms. Wendy Man. As such, both the Private Group (including Clifford Estates Panyu) and the WM Healthcare Group (including Clifford Medical) are associates of Ms. Wendy Man, and hence connected persons of the Company under the Listing Rules.

LETTER FROM ALTUS CAPITAL LIMITED

The transactions contemplated under 2021 MTA No.1 and 2021 MTA No.2 are not aggregated under Rule 14A.81 of the Listing Rules, for the reasons that (i) the locations of the properties leased under 2021 MTA No.1 and 2021 MTA No.2 respectively are different; (ii) the nature and uses of the properties leased under the two 2021 MTAs are different; and (iii) the properties leased under the 2021 MTAs are used as the Group's operating or business outlets, offices or warehouses, which are in the ordinary and usual course of its existing business, and hence will not lead to any involvement by the Group in a new business activity.

For 2021 MTA No.1, as all of the applicable percentage ratios (other than the profits ratio) in respect of the largest annual cap thereunder is more than 5% (but less than 25%) and such largest annual cap is more than HK\$10 million, the 2021 MTA No.1 and the transactions contemplated thereunder are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

For 2021 MTA No.2, as all of the applicable percentage ratios (other than the profits ratio) in respect of the only lease thereunder based on the value of the right-of-use asset recognised by the Group is less than 5% and is less than HK\$3 million, the 2021 MTA No.2 and the transactions contemplated thereunder are therefore fully exempt from the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules. Considering the relevance of 2021 MTA No.1 and 2021 MTA No.2, brief details of 2021 MTA No.2 and the transactions contemplated thereunder are also included in the Circular for the Shareholder's information.

The 2021 MCSAs

As described above, both the Private Group (including Clifford Estates Panyu) and the WM Healthcare Group (including Clifford Medical) are connected persons of the Company under the Listing Rules. As for Clifford Xianhu Hotel and the WM Non-HC Group, the ultimate controlling shareholder of the WM Non-HC Group (including Clifford Xianhu Hotel) is Ms. Wendy Man. As such, the WM Non-HC Group (including Clifford Xianhu Hotel) are also associates of Ms. Wendy Man, and hence connected persons of the Company under the Listing Rules.

Accordingly, the entering into of the 2021 MCSAs constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, the transactions contemplated under 2021 MCSA No.1 and 2021 MCSA No.2 are aggregated as if they were one transaction, on the basis that (i) both of them involve the provision of living services, engineering and maintenance services by the Group, and (ii) the respective receiving parties, namely, the Private Group, the WM Non-HC Group and the WM Healthcare Group, are all connected persons (as defined under the Listing Rules). As more than one of the applicable percentage ratios (other than the profits ratio) in respect of the aggregate amount of the proposed annual caps under the two 2021 MCSAs is more than 25% (but less than 75%) and the annual consideration is more than HK\$10 million, the 2021 MCSAs and the transactions contemplated thereunder (including the proposed annual caps thereof) are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under the Listing Rules.

LETTER FROM ALTUS CAPITAL LIMITED

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all of the INEDs, namely Ms. LAW Elizabeth, Mr. HO Cham and Mr. MAK Ping Leung, has been established to consider the 2021 MTA No.1, the 2021 MCSAs and the transactions contemplated thereunder (including the respective proposed annual caps) and to give advice and recommendation to the Independent Shareholders as to (i) whether the continuing connected transactions contemplated under the 2021 MTA No.1 and the 2021 MCSAs have been conducted on normal commercial terms and are fair and reasonable, and the entering of the 2021 MTA No.1 and the 2021 MCSAs is in the ordinary and usual course of business of the Company and in the interests of the Company and its shareholders as a whole; (ii) whether the proposed annual caps for the continuing connected transactions contemplated under the 2021 MTA No.1 and the 2021 MCSAs are fair and reasonable; and (iii) how the Independent Shareholders should vote in respect of the resolutions relating to the 2021 MTA No.1, the 2021 MCSAs and the transactions contemplated thereunder (including the respective proposed annual caps) to be proposed at the EGM, taking into account the recommendation of the Independent Financial Adviser.

THE INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders on (i) whether the continuing connected transactions contemplated under the 2021 MTA No.1 and the 2021 MCSAs have been conducted on normal commercial terms and are fair and reasonable, and the entering of each of the 2021 MTA No.1 and the 2021 MCSAs is in the ordinary and usual course of business of the Company and in the interests of the Company and its shareholders as a whole; (ii) whether the proposed annual caps for the continuing connected transactions contemplated under the 2021 MTA No.1 and the 2021 MCSAs are fair and reasonable; and (iii) how the Independent Shareholders should vote in respect of the resolutions relating to the 2021 MTA No.1, the 2021 MCSAs and the transactions contemplated thereunder (including the respective proposed annual caps) to be proposed at the EGM.

We have not acted as financial adviser in relation to any transactions of the Company in the last two years prior to the date of the Circular. Pursuant to Rule 13.84 of the Listing Rules, and given that remuneration for our engagement to opine on the 2021 MTA No.1, the 2021 MCSAs and the transactions contemplated thereunder (including the respective proposed annual caps) is at market level and not conditional upon successful passing of the resolution(s) to be proposed at the EGM, and that our engagement is on normal commercial terms, we are independent of and not associated with the Company, its controlling shareholder(s) or connected person(s).

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others, (i) the interim report of the Company for the six months ended 30 June 2021 (the “**Interim Report**”); (ii) the annual report of the Company for the year ended 31 December 2020 (the “**Annual Report**”); (iii) the 2021 MTAs; (iv) the 2021 MCSAs; and (v) other information as set out in the Circular.

LETTER FROM ALTUS CAPITAL LIMITED

We have also relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Group (the “**Management**”). We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular and/or provided to us by the Company, the Directors and the Management were reasonably made after due and careful enquiry and were true, accurate and complete at the time they were made and continued to be so as at the date of the Circular. The Directors collectively and individually accept full responsibility for such statements, information, opinions and representations, including particulars given in compliance with the Listing Rules for the purpose of giving information with regards to the Group. 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 material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in the Circular misleading.

We have no reason to believe that any of such statements, information, opinions or representations are untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render them untrue, inaccurate or misleading. We consider that we have been provided with, and have reviewed, sufficient information to reach an informed view and provide a reasonable basis for our opinion. We have not, however, conducted an independent investigation into the business, financial conditions and affairs or future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background information

1.1 Principal business of the Group

The Group is principally engaged in the provision of six main service segments: property management services, renovation and fitting-out services, retail services, off-campus training services, information technology services and ancillary living services (which consists of property agency services, employment placement agency services and laundry services).

1.2 WM Healthcare Group Reorganisation

It is expected that the continuing connected transactions contemplated under the Existing Consolidated MTA and the 2018 MCSA will continue beyond 31 December 2021. For further details on the previous continuing connected transactions with the Private Group and the then WM Group, please refer to the Previously Published Documents.

During 2020 and 2021, corporate reorganisation took place in respect of certain companies which are members of the then WM Group and members of the then Private Group, and which principally engage in the provision hospital/clinical, elderly and postpartum care services, healthcare and related services in the PRC. Upon completion of such reorganisation (“**WM Healthcare Group Reorganisation**”), these companies will become the subsidiaries of Clifford Medical, and hence members of the WM Healthcare Group.

LETTER FROM ALTUS CAPITAL LIMITED

As a result of the WM Healthcare Group Reorganisation, the Company shall enter into the 2021 MTA No.1, the 2021 MTA No.2, the 2021 MCSA No.1 and the 2021 MCSA No.2 separately with the Private Group, the WM Non-HC Group, and the WM Healthcare Group (together, the “**Connected Parties**”).

1.3 Principal businesses of the Connected Parties

The Private Group is principally engaged in the businesses of (among others) property development, property investment, hotel investment and management and education in the PRC. Its ultimate controlling shareholder is Ms. Wendy Man’s Spouse.

The WM Non-HC Group is principally engaged in the businesses of (among others) hotel operation and information technology in the PRC. Its ultimate controlling shareholder is Ms. Wendy Man.

The WM Healthcare Group is principally engaged in the businesses of (among others) the provision hospital/clinical, elderly and postpartum care services, healthcare and related services in the PRC. Its ultimate controlling shareholder is Ms. Wendy Man.

2. Reasons for and benefits of the 2021 MTA No.1 and the 2021 MCSAs

2.1 2021 MTA No.1

The Group has been leasing certain properties from the Private Group (some members of which will become members of the WM Healthcare Group as part of the WM Healthcare Reorganisation in 2020 and 2021), and these properties have been used as the Group’s operating or business outlets, offices warehouses, etc. As advised by the Management, as at 30 September 2021, being the latest practicable date for the purpose of this letter, the Group leased 34 premises from the Private Group and the WM Non-HC Group with an aggregate gross floor area of approximately 23,880 square meters under the 2016 MTA (as supplemented by the 2017 & 2018 Supplemental MTAs).

As the Group’s businesses have been carried out or situated at the relevant leased properties for at least over 4 years, the Board considered appropriate (in terms of cost, time and operational stability) to continue leasing such properties from the Private Group or the WM Healthcare Group (as the case may be). In addition, relocating any of such leased properties will also incur unnecessary expenses. Accordingly, the Board considered that the renewal of their tenancy is fair and reasonable in order to avoid any material disruptions in the Group’s operations.

We have reviewed the full list of 34 leased properties as at 30 September 2021, including information such as the locations and purposes of such properties. We noted that most of such properties are located within the premises of Clifford Estates (祈福新邨) and serve the purpose of providing various services to the estate. After considering the above, as well as the additional time and costs to relocate other offices of the Group to alternative locations, we concur with the Board that the renewal of their tenancy is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM ALTUS CAPITAL LIMITED

Having considered (i) the Group has been, from time to time, leasing certain premises from various landlords (including but not limited to the Private Group and the WM Healthcare Group) in its usual and ordinary course of business; (ii) the term of the 2021 MTA No.1 being three years commencing from 1 January 2022 and up to 31 December 2024; (iii) the locations and primary purpose of these leased properties; and (iv) the time and cost of relocation as well as the impact to the Group's operational stability, we are of the view that the entering into of the 2021 MTA No.1 is in the Group's usual and ordinary course of business, and is in the interests of the Company and the Shareholders as a whole.

2.2 2021 MCSAs

We understand from the Management that the Group has been, from time to time, providing various types of services, including (a) procurement, property management, laundry, resident support and maintenance, employment placement and property agency services (collectively, "**living services**"); (b) engineering and maintenance services (relating to information technology, security systems and hardware and software integration); and (c) telecommunication services (together, "**Composite Services**") to different customers (including but not limited to the Connected Parties).

Revenue of the Group amounted to approximately RMB396.6 million, RMB420.1 million and RMB212.0 million for the two years ended 31 December 2019 and 2020, and the six months ended 30 June 2021 respectively, of which approximately RMB70.3 million, RMB88.3 million and RMB43.3 million were derived from transactions with the Connected Parties. Such revenue derived from transactions with the Private Group constitute approximately 17.7%, 21.0% and 20.4% of the Group's total revenue for the two years ended 31 December 2019 and 2020, and the six months ended 30 June 2021 respectively.

Having considered (i) the Group has been, from time to time, providing Composite Services to various customers (including but not limited to the Connected Parties) in its usual and ordinary course of business; (ii) the Connected Parties are one of the Group's major customers; (iii) the term of the 2021 MCSAs being three years commencing from 1 January 2022 and up to 31 December 2024, we are of the view that the entering into of the 2021 MCSAs is in the Group's usual and ordinary course of business, and is in the interests of the Company and the Shareholders as a whole.

3. Analysis on the terms of the 2021 MTA No.1

3.1 Background and principal terms of the 2021 MTA No.1

Pursuant to the Existing Consolidated MTA entered into between Clifford Estates Panyu (for itself and on behalf of the other property owners which are members of the then Private Group) (as landlord) and the Company (for itself and on behalf of its subsidiaries) (as tenant), Clifford Estates Panyu agreed to lease certain properties to the Company, on and subject to the respective terms and conditions contained therein.

LETTER FROM ALTUS CAPITAL LIMITED

At the Company's extraordinary general meeting held on 28 January 2019, the then Independent Shareholders approved the annual caps in respect of the transactions contemplated under the 2016 MTA (as supplemented by the 2017 & 2018 Supplemental MTAs) for each of FY2019, FY2020 and FY2021. It is expected that the Company will continue to lease such properties under the Existing Consolidated MTA after 31 December 2021.

On 29 October 2021, for the purpose of replacing the Existing Consolidated MTA in order to streamline the management of the lease arrangements in the future, the Company (for itself and on behalf of its subsidiaries) (as tenant) entered into the 2021 Master Tenancy Agreements, comprising:

- (i) 2021 MTA No.1 made with Clifford Estates Panyu (for itself and on behalf of the other property owners which are members of the Private Group) (as landlord); and
- (ii) 2021 MTA No.2 made with Clifford Medical (for itself and on behalf of certain members of the WM Healthcare Group) (as landlord),

pursuant to which the respective landlords agreed to lease certain properties to the Company, on and subject to the respective terms and conditions contained therein. Each of 2021 MTA No.1 and 2021 MTA No.2 has a term of three years commencing from 1 January 2022 to 31 December 2024.

Principal terms of the 2021 MTA No.1 and the 2021 MTA No.2 are set out in the paragraph headed "Principal terms of the 2021 MTA No.1" in the "Letter from the Board" of the Circular.

3.2 Rental of the 2021 MTA No.1

In assessing the fairness and reasonableness of the rental of the 2021 MTA No.1, we noted that the annual rentals payable by the Group under the existing individual tenancy agreements have been determined by the Group with reference to the range of prevailing market rates for each of the premises under the existing individual tenancy agreements as at 31 December 2020 based on the valuation results of an independent property valuer (the "**Independent Valuer**") and the management's assessment of the prevailing market rates for FY2021. Valuation results containing the range of prevailing market rent for the properties are contained in the fair rent letter (the "**Fair Rent Letter**"), which we had reviewed.

LETTER FROM ALTUS CAPITAL LIMITED

The Fair Rent Letter provided an independent analysis on the rental levels of the properties, including those leased under the 34 existing individual tenancy agreements covered by the 2021 MTA No.1 (the “**Properties**”) as of 31 December 2020 showing that the monthly rental payable by the Group under such existing tenancy agreements are within the range of the prevailing market rates. The date of the Fair Rent Letter is in line with the description set out in the prospectus of the Company dated 27 October 2016, which stated that the first fair rent letter issued in 2016 shall be used to determine the rental payable for five years up to 2020, and the second fair rent letter (i.e. the Fair Rent Letter) shall be used to determine the rental payable for the sixth year (i.e. FY2021). Pursuant to our interview with the Independent Valuer and our discussion with the Management, we understand that they were not aware of any material change in the property market in the PRC and Hong Kong from 31 December 2020, being the date of the Fair Rent Letter, up to the Latest Practicable Date. Based on our interview with the Independent Valuer, our review of the supporting documents on property market in 2021 provided by the Independent Valuer and the public market data on PRC property market for first half 2021 published by the National Development and Reform Commission of the PRC¹, we noted that the average property prices in the PRC remained relatively stable in 2021 and we were not aware of any material change in the property market in the Properties' locations from 31 December 2020. As such, we believe the Fair Rent Letter provides a fair and reasonable reference for the Company to determine the rental of the Properties.

Regarding the method of valuation, we noted that the Independent Valuer had adopted a direct comparison approach to determine the market rental of the Properties. Such method considered the rental of similar properties near the locations of each of the Properties, and adjusted with factors of the Properties such as rent period, area, exact location and floor, customer flow and rental enquiries. As this method makes reference to the market level rental of similar properties, we are of the view that it is a fair and reasonable approach to determine the rental of the Properties.

Regarding the increment of the annual rental of the Properties, the annual rental payable by the Group shall be increased by an amount not exceeding the lower of (i) 7% (which is determined with reference to the GDP growth rate of the PRC during 2010 to 2020); and (ii) the prevailing GDP growth rate of the PRC in the immediately preceding year. We had compared the proposed increment with the GDP growth of the PRC during 2010 to 2020, which ranged from approximately 2.3% to 10.6%², with an average of approximately 7.2% and a median of approximately 7.0% per year. As events such as the China U.S. trade war and COVID-19 pandemic may have an impact on the GDP in the short term, we believe a period of 10 years is sufficient to allow us to observe the long term trend of GDP growth. Therefore, we believe the proposed increment is in line with the historical GDP growth of the PRC, and therefore is fair and reasonable.

1. https://www.ndrc.gov.cn/xxgk/jd/wsdwhfz/202108/t20210830_1295304_ext.html

2. <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=CN>

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3.3 Internal controls in relation to the rentals of the 2021 MTA No.1

We noted that the annual rentals in respect of the premises to be leased by the Group under the 2021 MTA No.1 were determined after arm's length negotiations between the relevant parties with reference to the prevailing market rates of local properties in the neighbourhood with a similar scale and quality and subject to the internal control measures of the Group and of the Private Group. The prevailing market rates of local properties are determined with reference to:

- (i) quotations of one or more similar comparable properties owned by Independent Third Parties in the neighbouring area provided by independent estate agency;
- (ii) the terms of at least one existing tenancy agreement entered into between the Private Group (as landlord) and Independent Third Party(ies) (as tenant) in relation to premises located near or next to the subject premises; and
- (iii) (where items (i) and (ii) are not available or applicable) at least two quotations provided by the Private Group to Independent Third Party(ies).

After the general manager of the administration department has collected available data and market information (including quotations from Independent Third Parties), such information will first be passed to an executive Director (excluding Ms. Wendy Man) for checking the compliance with the pricing policy, and subsequently to the finance department for verification and review, the finance department will also decide whether the quotation offered by the Private Group is no less favourable than those given by the Independent Third Party estate agency and whether the lease terms are fair and reasonable. Future increments will be determined based on the GDP growth rates of the PRC (subject to a cap of 7% per annum).

We had reviewed the internal control procedures described above, had discussion with the Management and reviewed the Fair Rent Letter and noted the rental levels of the Properties are within the range of rental of similar properties as set out in the Fair Rent Letter. Based on our review of the Fair Rent Letter and the rent paid as set out in the full transaction list under the Existing Consolidated MTAs for the two years ended 31 December 2020 and the ten months ended 31 October 2021, we noted that the transactions under the Existing Consolidated MTAs were carried out in accordance with the Group's internal control procedures as described above. As such, we are of the view that there is an established pricing policy and mechanism under the 2021 MTA No.1 and the provisions therein are fair and reasonable.

3.4 Other terms of the 2021 MTA No.1

We had randomly selected and reviewed a set of rental agreement entered between the Private Group and an Independent Third Party in relation to a business premises in the Clifford Estates. Given the majority of the Properties are located in the Clifford Estates, we believe that one set of rental agreement from the same premises is representative and sufficient for this comparison purpose. We noted that the other terms of the 2021 MTA No.1 including termination clause, rental payment method, miscellaneous expenses and representations and warranties, are no less favourable than those in the rental agreement with the Independent Third Party. As such, we are of the view that the other terms of the 2021 MTA No.1 are normal commercial terms and are fair and reasonable.

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3.5 Conclusion

Having considered (i) rental under the 2021 MTA No.1 were determined with reference to the Fair Rent Letter issued by the Independent Valuer; (ii) the internal control procedures in relation to the transactions under the 2021 MTA No.1 will ensure that the Group would lease premises from the Connected Parties with favourable terms; and (iii) the other terms of the 2021 MTA No.1 were comparable to those in rental agreement with Independent Third Parties, we are of the view that the terms of the 2021 MTA No.1 are on normal commercial terms and are fair and reasonable.

4. Analysis on the terms of the 2021 MCSAs

4.1 Background and principal terms of the 2021 MCSAs

On 18 October 2018, the 2018 MCSA was entered into between the Company (on behalf of its subsidiaries) (as service providers) on the one part, and Clifford Estates Panyu (for itself and on behalf of the other members of the then Private Group) and Clifford Elderly Home (for itself and on behalf of other members of the then WM Group) (as receiving parties) on the other part. Pursuant to the 2018 MCSA, the Company agreed to provide the following services to the respective receiving parties for a term of three years from 1 January 2019 to 31 December 2021:

- (a) procurement, property management, laundry, resident support and maintenance, employment placement agency service and property agency services (collectively, “living services”);
- (b) engineering and maintenance services (relating to information technology, security systems and hardware and software integration); and
- (c) telecommunication services.

It is expected that the continuing connected transactions under the 2018 MCSA will continue beyond their expiry on 31 December 2021.

On 29 October 2021, for the purpose of renewing the transactions as provided under the existing 2018 MCSA, the Company (for itself and on behalf of its subsidiaries) (as service providers) entered into the 2021 MCSAs, comprising:

- (i) 2021 MCSA No.1 made with Clifford Estates Panyu (for itself and on behalf of the other members of the Private Group) and Clifford Xianhu Hotel (for itself and on behalf of the other members of the WM Non-HC Group) (as receiving parties); and
- (ii) 2021 MCSA No.2 made with Clifford Medical (for itself and on behalf of the other members of the WM Healthcare Group) (as receiving parties),

pursuant to which the Group agreed to provide the following services to the respective receiving parties for a term of three years ending 31 December 2024: (a) living services; (b) engineering and maintenance services; and (c) telecommunication services, on and subject to the respective terms and conditions contained therein.

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Principal terms of the 2021 MCSA No.1 and the 2021 MCSA No.2 are set out in the paragraph headed “Principal terms of the 2021 Master Composite Services Agreements” in the “Letter from the Board” of the Circular.

4.2 Pricing policies of the living services

For the summary of the pricing policies applicable to services provided under each of 2021 MCSA No.1 and 2021 MCSA No.2, please refer to the paragraph headed “Pricing policy” in the “Letter from the Board” of the Circular.

In assessing the fairness and reasonableness of the pricing policies of the living services, we noted that the general manager of the respective operations will provide a quotation of the related service in accordance with the pricing policy which will then be reviewed by the Executive Director (excluding Ms. Wendy Man). The general manager will also enquire the receiving party(ies) the expected amount of services required, and obtain their preliminary view on the quotation. The quotation and the relevant comparable information will then be passed to the finance department for verification and second review. The prices (to be received by the Group) shall be no less favourable than prices of similar services rendered by the Group to Independent Third Parties and (in respect of the Group’s provision of such services to the WM Healthcare Group under 2021 MCSA No.2) the prices (to be charged and received by the Group) shall also be no less favourable than prices of similar services rendered by Independent Third Party services providers to the WM Healthcare Group (“**Mutually Fair Arrangement**”).

We noted that while the Mutually Fair Arrangement ensures prices (to be received by the Group) are no less favourable than those available to the WM Healthcare Group from Independent Third Parties, it also ensures that the prices (to be received by the Group) shall be no less favourable than prices of similar services rendered by the Group to Independent Third Parties. As such, the Mutually Fair Arrangement protects the interests of the Company and the Shareholders, and is fair and reasonable.

We had reviewed the pricing policies described above, had discussion with the Management and obtained one set of sample walk-through documents for each of the living services (including, where applicable, the service agreements entered into between the Group (as service provider) and Independent Third Parties or quotations for services from Independent Third Parties, the service agreements entered into between the Group and the then Private Group or the then WM Group) for each of FY2019, FY2020 and the ten months ended 31 October 2021 (where available). We noted that the number of services provided and the volume of transactions are large, and the nature of the services and circumstances of which they were provided were unique as they are customised to be provided within the Clifford Estates. In light of the above, and given the sample was selected on a random basis, we believe the approach is practical and the selected walk-through documents are sufficient for this purpose. Based on our review, we noted that the transactions under the 2018 MCSA were carried out in accordance with the Group’s pricing policies as described above.

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Further, we noted that the procurement service has an alternative policy of the adding a premium of approximately 5 to 10% on the trading cost (including purchase price and other costs) in order to cover the estimated administrative and/or miscellaneous expenses incurred in processing the orders plus a mark-up. We had reviewed the historic transaction amount breakdown for the procurement service for the period covering the two years ended 31 December 2019 and 2020, and the six months ended 30 June 2021, being the latest available management date for procurement transactions under the 2018 MCSA, and noted that the administrative and miscellaneous expenses incurred in the process is generally around 1-2% of the trading cost. As such, we believe the proposed 5 to 10% is sufficient to cover the administrative and/or miscellaneous expense for this type of transaction.

Taking into account the above, we are of the view that the pricing policy and mechanism for the living services under the 2021 MCSAs are on normal commercial terms and are fair and reasonable.

4.3 Pricing policies of the engineering and maintenance services

Regarding the pricing policies of the engineering services, we noted that the tendering team (which will comprise senior management of the Group) will determine the prices by conducting preliminary costing and pricing analysis when the Group is invited to participate in the tendering process to ensure that terms in the tender are normal commercial terms in the ordinary course of business, and for services to be rendered to the Private Group, the WM Non-HC Group and the WM Healthcare Group, such price and other terms are no less favourable than those of similar services rendered to Independent Third Parties; and (in respect of the Group's provision of engineering services to the WM Healthcare Group under 2021 MCSA No.2) such prices and other terms shall also be no less favourable than those of similar services rendered by Independent Third Party services providers to the WM Healthcare Group ("**Mutually Fair Arrangement**").

We noted that while the Mutually Fair Arrangement ensures prices (to be received by the Group) are no less favourable than those available to the WM Healthcare Group from Independent Third Parties, it also ensures that the prices (to be received by the Group) shall be no less favourable than prices of similar services rendered by the Group to Independent Third Parties. As such, the Mutually Fair Arrangement protects the interests of the Company and the Shareholders, and is fair and reasonable.

We had reviewed the pricing policies described above, had discussion with the Management and obtained a set of sample walk-through documents for the engineering services (including, where applicable, the service agreements entered into between the Group (as service provider) and Independent Third Parties or quotations for services from Independent Third Parties, the service agreements entered into between the Group and the then Private Group or the then WM Group) for each of FY2019, FY2020 and the ten months ended 31 October 2021. We noted that the nature of the services and circumstances of which they were provided were unique as they are customised to be provided within the Clifford Estates. In light of the above, and given the sample was selected on a random basis, we believe the approach is practical and the selected walk-through documents are sufficient for this purpose. Based on our review, we noted that the transactions under the 2018 MCSA were carried out in accordance with the Group's pricing policies as described above.

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Further, we noted that a mark-up ranging from approximately 10% to 45% is added to the prices under the engineering services, which is determined with reference to tendering specifications of each project and service fees that the Group (as service provider) charges against Independent Third Parties (as receiving parties). We had obtained and reviewed four sets of engineering contracts entered into between the Group (as the service provider) and Independent Third Parties having the lowest and highest margins that the Group charged Independent Third Parties during the two years ended 31 December 2020 and the six months ended 30 June 2021, which had mark-up ranging from 10% to 45%, and supported the range of mark-up under the 2021 MCSAs described above. We noted that the nature of the services and circumstances of which they were provided were unique as they are customised to be provided within the Clifford Estates. In light of the above, we believe the selected walk-through documents are sufficient for this purpose.

Regarding the pricing policies of the maintenance services, we noted that the prices are determined by (i) approximately 3% to 15% of the relevant engineering services contract sum; and (ii) relevant parties on arm's length basis with reference to the prices offered by the Group (as service provider) to the Independent Third Parties (as receiving parties). The prices (to be charged to the connected persons) shall be no more favourable than prices of similar services charged by the Group to Independent Third Parties; and (in respect of the Group's provision of services to the WM Healthcare Group under 2021 MCSA No.2) the prices (to be charged and received by the Group) shall also be no less favourable than prices of similar services rendered by Independent Third Party services providers to the WM Healthcare Group.

We had reviewed the pricing policies described above, had discussion with the Management and obtained a set of sample walk-through documents for the maintenance services (including, where applicable, the service agreements entered into between the Group (as service provider) and Independent Third Parties or quotations for services from Independent Third Parties, the service agreements entered into between the Group and the then Private Group or the then WM Group) for each of FY2019, FY2020 and the ten months ended 31 October 2021. We noted that the nature of the services and circumstances of which they were provided were unique as they are customised to be provided within the Clifford Estates. In light of the above, and given the sample was selected on a random basis, we believe the approach is practical and the selected walk-through documents are sufficient for this purpose. Based on our review, we noted that the transactions under the 2018 MCSA were carried out in accordance with the Group's pricing policies as described above.

As such, we are of the view that the pricing policy and mechanism for the engineering and maintenance services under the 2021 MCSAs are on normal commercial terms and are fair and reasonable.

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4.4 Pricing policies of the telecommunication services

In assessing the fairness and reasonableness of the pricing policies of the telecommunication services, we noted that the general manager of the respective operations will provide a quotation of the related service in accordance with the pricing policy which will then be reviewed by the Executive Director (excluding Ms. Wendy Man). The general manager will also enquire the receiving party(ies) the expected amount of services required, and obtain their preliminary view on the quotation. The quotation and the relevant comparable information will then be passed to the finance department for verification and second review. The prices (to be received by the Group) shall be no less favourable than prices of similar services rendered by the Group to Independent Third Parties and (in respect of the Group's provision of such services to the WM Healthcare Group under 2021 MCSA No.2) the prices (to be charged and received by the Group) shall also be no less favourable than prices of similar services rendered by Independent Third Party services providers to the WM Healthcare Group ("**Mutually Fair Arrangement**").

We noted that while the Mutually Fair Arrangement ensures prices (to be received by the Group) are no less favourable than those available to the WM Healthcare Group from Independent Third Parties, it also ensures that the prices (to be received by the Group) shall be no less favourable than prices of similar services rendered by the Group to Independent Third Parties. As such, the Mutually Fair Arrangement protects the interests of the Company and the Shareholders, and is fair and reasonable.

We had reviewed the pricing policies described above, had discussion with the Management and obtained a set of sample walk-through documents for the telecommunication services (including, where applicable, the service agreements entered into between the Group (as service provider) and Independent Third Parties or quotations for services from Independent Third Parties, the service agreements entered into between the Group and the then Private Group or the then WM Group) for each of FY2019, FY2020 and the ten months ended 31 October 2021. We noted that the nature of the services and circumstances of which they were provided were unique as they are customised to be provided within the Clifford Estates. In light of the above, and given the sample was selected on a random basis, we believe the approach is practical and the selected walk-through documents are sufficient for this purpose. Based on our review, we noted that the transactions under the 2018 MCSA were carried out in accordance with the Group's pricing policies as described above.

Further, we noted that a mark-up ranging from approximately 10% to 40% is added to the prices under the telecommunication services, which is determined with reference to (i) the Group's policy on the service fees that the Group charges or will charge the Independent Third Parties; and (ii) (in respect of the Group's provision of telecommunication services to the WM Healthcare Group under 2021 MCSA No.2) the service fees charged by Independent Third Party services providers that the Group charges against Independent Third Parties. We had obtained and reviewed two sets of telecommunication contracts entered into between the Group (as the service provider) and Independent Third Parties having the lowest and highest margins that the Group charged Independent Third Parties during the two years ended 31 December 2020 and the six months ended 30 June 2021, with their mark-up range supporting the range of mark-up under the 2021 MCSAs described above. We noted that the nature of the services and circumstances of which they were provided were unique as they are customised to be provided within the Clifford Estates. In light of the above, we believe the sample size is sufficient for this purpose.

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As such, we are of the view that the pricing policy and mechanism for the telecommunication services under the 2021 MCSAs are on normal commercial terms and are fair and reasonable.

4.5 Conclusion

In view of the above, we are of the view that the terms of the 2021 MCSAs are on normal commercial terms, and are fair and reasonable.

5. Analysis on the proposed annual caps of the 2021 MTA No.1

5.1 Historical utilisation

The table below sets forth (i) the existing annual caps and the historical transaction amounts for the transactions contemplated under the Existing Consolidated MTA for each of FY2019, FY2020 and FY2021 (up to 31 October 2021).

	FY2019 <i>(RMB million)</i>	FY2020 <i>(RMB million)</i>	FY2021 <i>(RMB million)</i>
Existing annual caps	19.0	20.0	21.0
Total rental paid or payable by the Group	12.7	10.7	13.4 <i>(Note 1)</i>
Utilisation rate	66.9%	53.7%	63.8% <i>(Note 2)</i>

Notes:

1. Such amount represents the annualised amount of the total rental paid or payable under the Existing Consolidated MTA for the ten months ended 31 October 2021.
2. The utilisation rate was calculated by dividing the annualised amount of the total rental paid or payable under the Existing Consolidated MTA for the ten months ended 31 October 2021 against the total annual cap for the year ending 31 December 2021.

As advised by the Management, the existing annual caps for FY2019, FY2020 and FY2021 under the Existing Consolidated MTA were not fully utilised mainly due to delayed resumption of normal business operations and changes in actual demand in certain services caused by the COVID-19 pandemic and as a result, some additional premises expected to be leased was not leased, and hence the amount of rental paid under the Existing Consolidated MTA during FY2019, FY2020 and FY2021 was lower than expected; and (ii) the year-on-year increase in rental for some of the properties during FY2019, FY2020 and FY2021 did not reach the maximum 7% increment allowed under the Existing Consolidated MTA due to market conditions and prevailing rental rates, hence the total rental paid for FY2020 and FY2021 was lower than expected.

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5.2 Proposed annual caps

According to Hong Kong Financial Reporting Standard (HKFRS) 16 “Leases”, the Group is required to recognise a right-of-use asset and a lease liability, which are measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate in the year of entering into the leases where the Group acts as a lessee. Pursuant to the requirements of the Listing Rules, as the transactions contemplated under the 2021 MTA No.1 will be recognised as the acquisitions of right-of-use assets, the Group is required to set annual caps on the total value of right-of-use assets relating to the leases to be entered into by the Group as a lessee for each of FY2022, FY2023 and FY2024 under the 2021 MTA No.1. As the 2021 MTA No.2 only involves the leasing of the one premise (the balance of the right-of-use assets representing such premise to be recognised by the Group in FY2022 amounted to approximately RMB0.4 million), such transaction will be regarded as an acquisition of capital asset for the purpose of the Listing Rules.

The following table sets out the proposed annual caps, which represent the total value of right-of-use assets relating to the leases to be entered into by the Group under the 2021 MTA No.1, for FY2022, FY2023, and FY2024:

	FY2022	FY2023	FY2024
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Proposed annual caps for 2021 MTA No.1	57.1 <i>(Note)</i>	13.6	19.7

Note: Since the 2021 MTA No.1 entered into by the Group is in the form of a framework agreement and the term of the aforementioned 34 lease agreements under this framework agreement range from two to ten years, the proposed annual cap for the total value of the right-of use assets for FY2022 is larger when compared to the historical transaction amount (which represents the rental paid or payable to landlords which are members of the Private Group, instead of the right-of-use assets of the leased premises recognized by the Group) in respect of the transactions contemplated under the Existing Consolidated MTA for each of FY2019, FY2020 and FY2021 (up to 31 October 2021) as it includes (i) the total value of right-of-use assets representing the premises under all these 34 leases as at 31 December 2021 and (ii) the addition of the right-of use assets in relation to new leases to be entered into the Group under 2021 MTA No.1 during FY2022.

5.3 Basis of determination of the proposed annual caps

As advised by the Management, the proposed annual caps in respect of the transactions contemplated under the 2021 MTA No.1 for the three years ending 31 December 2024 (the “**MTA Annual Caps**”) were determined based on (i) the rentals payable by the Group; (ii) the gross floor area of premises (including the existing premises and the newly developed premises) to be leased from the Private Group under the 2021 MTA No.1; (iii) the market rent of the premises (including the existing premises and the newly developed premises) to be leased under the 2021 MTA No.1 based on the prevailing market conditions and the rental level of similar properties in the vicinity; (iv) the value of the Group’s rights to use the underlying leased asset for the lease term which is initially measured on present value basis and calculated by discounting the non-cancellable lease payments for each respective lease to be entered into under the 2021 MTA No.1, using the incremental borrowing rate as the discount rate; and (v) the expected growth of the unit rental or the prevailing GDP growth rate of the PRC, whichever is lower.

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We noted that the MTA Annual Caps consist of rentals payable by the Group for (i) 34 properties leased under the 2021 MTA No.1 that are currently occupied by the Group and are used for its operations (the “**Existing Premises**”); and (ii) six properties that the Group expects to lease for its operations during FY2022, FY2023 and FY2024 (the “**Additional Premises**”) in line with its business development plan.

For the rental payable of Existing Premises in FY2022, the calculation had taken into account the gross floor area of all the Existing Premises, as well as their respective expected rental level for FY2022. The expected rental level for the Existing Premises in FY2022 was calculated with reference to the current rental levels for the Existing Premises in FY2021 (which are within the range of rental levels for similar properties as set out in the Fair Rent Letter which we reviewed), plus an increment of 7% or less, in accordance with the 2021 MTA No.1. The rental payable for Existing Premises in FY2023 and FY2024 are calculated based on the rental level in FY2022 plus an increment of 7% or less.

For the rent payable of Additional Premises, the calculation had taken into account the rental payable for (i) five potential new premises in Clifford Prestige (祈福名望閣) to be leased by the Group and to be used as retail shops during FY2022 to FY2024; and (ii) the additional floor 祈福新邨倉儲樓 (Clifford Estate Storage Building*) to be leased by the Group in FY2024 as an expansion to its laundry factory in the same location. Rental levels of which are calculated with reference to their respective gross floor area and the rental levels of similar properties as set out in the Fair Rent Letter, with an increment of 7% or less per year adjusted depending on the expected starting date for each lease.

In assessing the fairness and reasonableness of the MTA Annual Caps, we had reviewed the full calculation breakdown of the MTA Annual Caps, the Company's internal business development schedule as well as the Fair Rent Letter. We noted from the Company's internal business development schedule that the Company is expected to lease a total floor area of 2,000 sq. m., 700 sq. m. and 200 sq. m. in Clifford Prestige in FY2022, FY2023 and FY2024, respectively, and to lease an additional floor at the Clifford Estate Storage Building with a total floor area of 1,400 sq.m. in FY2024. We had also compared the proposed increment with the GDP growth of the PRC during 2010 to 2020, which ranged from approximately 2.3% to 10.6%¹, with an average of approximately 7.2% and a median of approximately 7.0% per year. Therefore, we believe the proposed increment is in line with the historical GDP growth of the PRC, and therefore is fair and reasonable. As such, we are of the view that the MTA Annual Caps were determined by the Management under reasonable ground and due care, are consistent with its business development schedule, and the MTA Annual Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

1. <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=CN>

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6. Analysis on the proposed annual caps of the 2021 MCSAs

6.1 Historical utilisation

The table below sets forth (i) the existing annual caps and the historical transaction amounts for the transactions contemplated under the 2018 MCSA for each of FY2019, FY2020 and FY2021.

	FY2019 <i>(RMB million)</i>	FY2020 <i>(RMB million)</i>	FY2021 <i>(RMB million)</i>
Existing annual caps	126.0	129.0	138.0
Total service fees paid or payable by the Connected Parties	70.3	88.3	79.2 <i>(Note 1)</i>
Utilisation rate	58.1%	68.5%	57.4% <i>(Note 2)</i>

Notes:

1. Such amount represents the annualised amount of the total service fees paid or payable by the Connected Parties under the 2018 MCSA for the ten months ended 31 October 2021.
2. The utilisation rate was calculated by dividing the annualised amount of the total service fees paid or payable by the Connected Parties under the 2018 MCSA for the ten months ended 31 October 2021 against the total annual cap for the year ending 31 December 2021.

As advised by the Management, the existing annual caps for FY2019, FY2020 and FY2021 under the 2018 MCSA were not fully utilised mainly due to the delay in certain engineering contracts under the 2018 MCSA as a result of the COVID-19 pandemic, which in turn caused the service fees received by the Group to be lower than expected.

6.2 Proposed annual caps

The following table sets out the proposed annual caps in respect of the transactions contemplated under each of 2021 MCSA No.1 and 2021 MCSA No.2 for each of FY2022, FY2023 and FY2024:

	FY2022 <i>(RMB million)</i>	FY2023 <i>(RMB million)</i>	FY2024 <i>(RMB million)</i>
Proposed annual caps for 2021 MCSA No.1	132.0	129.0	139.0
Proposed annual caps for 2021 MCSA No.2	34.0	41.0	44.0

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6.3 Basis of determination of the proposed annual caps

As advised by the Management, the proposed annual caps in respect of the transactions contemplated under each of 2021 MCSA No.1 and 2021 MCSA No.2 (the “**MCSA Annual Caps**”) have been determined based on the historical transaction amounts for the relevant services, the additional volume of services to be provided in the next three years, together with the factors which are specific to the particular types of services as set out below:

- (i) For living services (except for property management services):
 - (a) the historical transaction amounts for living services (excluding property management) amounted to approximately RMB14.9 million for the ten months ended 31 October 2021 and the expected transaction amounts of approximately RMB3.0 million for the two months ending 31 December 2021;
 - (b) the expected annual growth rate of 7%, which is estimated with reference to the GDP growth rate of the PRC during 2010 to 2020;
- (ii) For property management services:
 - (a) the historical property management fees paid under the 2018 MCSA;
 - (b) the ongoing property management engagements (covering the total floor area of approximately 2,700,000 sq. m.) and their respective managements fees;
 - (c) the expected completion of new property projects in the next three years (including new property projects with the expected total floor area of approximately 645,000 sq. m. will be completed in FY2022 and approximately 330,000 sq.m. will be completed in FY2023 and FY2024) and the expected management fees for such newly completed properties;
- (iii) For engineering and maintenance work and telecommunication services:
 - (a) the historical contractual amount of approximately RMB73.2 million, RMB88.3 million and RMB43.3 million for FY2019, FY2020 and for the six months ended 30 June 2021 in respect of the tenders awarded to the Group through tender process of the Private Group, the WM Non-HC Group and the WM Healthcare Group, and the outstanding services which are expected to be performed in FY2022, FY2023 and FY2024;
 - (b) the estimated success rate of the Group tendering for the engineering works, based upon the historical tendering success rate and participation rate of the Group over the past three years, which for FY2019, FY2020 and the ten months ended 31 October 2021 reached 100%;

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- (c) the total contract sum for the ongoing engineering and maintenance work and telecommunication services and the relevant tenders submitted by the Group to the Private Group, the WM Non-HC Group or the WM Healthcare Group, which, for FY2022, amounted to approximately RMB114.1 million;
- (d) the estimated transaction amount as a result of any variation orders made by the Private Group, the WM Non-HC Group and the WM Healthcare Group in the course of project implementation; and
- (e) the maintenance service required for the projects implemented and completed in the past three years; an estimate for possible projects indicated to be subject to tender, but not yet invited and/or awarded.

6.4 The MCSA Annual Cap for FY2022

We had reviewed the breakdown of historical transaction amount under the 2018 MCSA for FY2019, FY2020 and the ten months ended 31 October 2021, and noted that the transaction amount for living services (except for property management) for FY2022 had predominantly been estimated based on the historical transaction amount for the ten months ended 31 October 2021, and multiplied by a growth rate of 7%. The total historical transaction amount for living services (excluding property management) amounted to approximately RMB14.9 million for the ten months ended 31 October 2021. Annualising the historical transaction amount for living services (excluding property management) for the ten months ended 31 October 2021, and multiplying a 7% increment in prices, the transaction amount for living services (excluding property management) for FY2022 was expected to amount to approximately RMB19.1 million (approximately RMB5.9 million under 2021 MCSA No.1 and RMB13.2 million under the 2021 MCSA No.2).

We believe the historical transaction amount is a fair and reasonable ground for the Management to rely on in calculating the MCSA Annual Cap for FY2022. We had compared the proposed year-on-year increment with the GDP growth of the PRC during 2010 to 2020, which ranged from approximately 2.3% to 10.6%, with an average of approximately 7.2% and a median of approximately 7.0% per year. Therefore, we believe the proposed increment in prices is in line with the historical GDP growth of the PRC, and therefore is fair and reasonable.

As for the transaction amount for property management for FY2022, we had reviewed the property development schedule of the Connected Parties for FY2022 to FY2024 provided by the Management. We noted that the property management fees for FY2022 were calculated according to (i) the prevailing property management fee offered by the Group; (ii) the floor area of existing properties continued to be managed; (iii) expected completion date of new properties; and (iv) the floor area of the new properties. Based on the total floor area of approximately 2,700,000 sq. m. for existing properties, and the total floor area of 645,000 sq. m. for new properties expected to complete in FY2022, the property management fees for FY2022 was expected to amount to approximately RMB32.6 million. In light of the above, and the historical property management fees paid under the 2018 MCSA, we believe the basis adopted was reliable and reasonable.

LETTER FROM ALTUS CAPITAL LIMITED

As for the transaction amount for engineering and maintenance work and telecommunication services for FY2022, we had reviewed the full list of ongoing engineering and maintenance work and telecommunication services and the relevant tenders submitted by the Group to the Connected Parties. The total contract sum of which amounted to approximately RMB114.1 million. Considering the historical tender success rate of the Group tendering for engineering works during FY2019 to FY2021 of 100%, we consider the transaction amount for engineering and maintenance work and telecommunication services for FY2022 was estimated based on reasonable ground and due care, and the MCSA Annual Cap for FY2022 is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

6.5 The MCSA Annual Caps for FY2023 and FY2024

We noted that the transaction amount for living services (except for property management) for FY2023 and FY2024 had been calculated based on the growth rate of 7% and the business development schedule of the WM Healthcare Group. The expected transaction amount for living services (except for property management) under the 2021 MCSA No.1 for FY2023 and FY2024 amount to approximately RMB6.3 million and RMB6.7 million, respectively, which represents a growth rate of approximately 7%. As elaborated above, we believe the 7% increment fair and reasonable. The expected transaction amounts for living services (except for property management) under the MCSA No.2 for FY2023 and FY2024 amount to approximately RMB17.5 million and RMB21.8 million, respectively. Such transaction amount was estimated with reference to the operation schedule forecast with an expected gradual increase in average number of beds in operation in the WM Healthcare Group from approximately 1,000 beds in FY2021 to approximately 2,500 beds in FY2024, which are agreeable to the Company and the WM Healthcare Group. We had reviewed the operation schedule forecast and noted the expected fee ranges are comparable to the historical fee charged by the Group. For the details of the pricing policy, please refer to the paragraph headed “(2) Continuing Connected Transactions under the 2021 Master Composite Services Agreements – Pricing Policy” in the “Letter from the Board” of this Circular. As such, we believe the transaction amount for living services (except for property management) under the 2021 MCSAs for FY2023 and FY2024 of approximately RMB23.8 million and RMB28.5 million had been arrived at on reasonable ground and after due care.

The transaction amounts for property management services for FY2023 and FY2024 were calculated based on the ongoing property management engagements, the number of properties to be completed by the Connected Parties in FY2023 and FY2024 and their respective expected management fees. Based on the total floor area of approximately 3,345,000 sq.m. for existing properties in FY2022, and the total floor area of approximately 330,000 sq.m. for new properties expected to complete in FY2023 and FY2024, the transaction amount for property management services in FY2023 and FY2024 amount to approximately RMB21.7 million and RMB24.4 million, respectively. We had reviewed (i) the full list of the ongoing property management engagements and their respective management fees; and (ii) the full property development schedule of the Connected Parties, which sets out all the properties to be completed in FY2023 and FY2024, and noted the expected management fees are comparable to the existing property management fees charged by the Group. As such, we consider the transaction amounts for property management services for FY2023 and FY2024 were estimated based on reasonable ground and due care.

LETTER FROM ALTUS CAPITAL LIMITED

The transaction amounts for engineering and maintenance work and telecommunication services for FY2023 and FY2024 were calculated based on the total contractual amount of the ongoing engineering and maintenance work and telecommunication services, and the relevant tenders submitted by the Group to the Connected Parties. The transaction amount for engineering and maintenance work and telecommunication services in FY2023 and FY2024 amount to approximately RMB124.3 million and RMB130.0 million, respectively. We had reviewed the full list of the ongoing engineering and maintenance work and telecommunication services, and noted the total contractual amount corresponds to the expected transaction amount in FY2023 and FY2024. We also considered the historical tender success rate of the Group tendering for engineering and maintenance work and telecommunication services during FY2019 and FY2021 of 100%. As such, we consider the transaction amounts for engineering and maintenance work and telecommunication services for FY2023 and FY2024 were estimated based on reasonable ground and due care.

In view of the above, we believe the MCSA Annual Caps for FY2023 and FY2024 are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

7. Internal controls regarding the proposed annual caps

We noted from the “Letter from the Board” in the Circular that the executive Directors will closely monitor the rentals payable to the Private Group and new individual leases to be entered into pursuant to the 2021 MTA No.1 on a monthly basis to ensure that the annual caps are not exceeded and to ensure the implementation of the relevant internal control measures on pricing policy (which is also applicable to the 2021 MTA No.2). Furthermore, under the 2021 MCSAs the finance manager will assess whether the annual caps will be exceeded on a monthly basis, and whether the terms of services are within the scope of and in compliance with the 2021 MCSAs. The executive Directors will then review and approve the service fees in respect of the services to be charged to the Private Group, the WM Non-HC Group and the WM Healthcare Group. The executive Directors will closely monitor the service fees charged to the Private Group, the WM Non-HC Group and the WM Healthcare Group pursuant to the 2021 MCSAs on a monthly basis to ensure that the annual caps are not exceeded and to ensure the implementation of the relevant internal control measures on pricing policy.

We have obtained and reviewed (i) sample monthly reports issued by the finance department regarding the actual transaction amounts between the Group and the Connected Parties including the remaining transaction amounts under the approved annual caps; (ii) the Group’s internal control policy in relation to the monitoring of the proposed annual caps; (iii) confirmation made by the independent non-executive Directors on the Group’s Annual Report; and (iv) independent auditors’ report on continuing connected transactions for the year ended 31 December 2020. Considering the above and the fact that the annual caps under Existing Consolidated MTA and the 2018 MCSA had not been exceeded, we concur with the Management that adequate procedures are in place to ensure the proposed annual caps under the 2021 MTA No.1 and the 2021 MCSAs will not be exceeded.

LETTER FROM ALTUS CAPITAL LIMITED

RECOMMENDATIONS

Having taken into account the above principal factors and reasons, we consider that the entering into of the 2021 MTA No.1 and the 2021 MCSAs are in the ordinary and usual course of business of the Group, and the terms of the 2021 MTA No.1 and the 2021 MCSAs are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Therefore, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution(s) at the EGM to approve the entering into of the 2021 MTA No.1, the 2021 MCSAs, and the transactions contemplated thereunder (including the respective proposed annual caps thereof).

Yours faithfully,
For and on behalf of
Altus Capital Limited
Jeanny Leung
Executive Director

Ms. Jeanny Leung (“Ms. Leung”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. She is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Ms. Leung has over 30 years of experience in corporate finance advisory and commercial field in Greater China, in particular, she has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions.

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 Company. 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. INTEREST IN SECURITIES

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and chief executives of the Company had any interest or short position in the Shares, underlying Shares and debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) nor had any interest in the right to subscribe for Shares in the Company which had 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 which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, Directors who had long position in the Shares are as follows:

Name of Director	Capacity	Number of Shares held (Note 1)	Percentage of the issued share capital of the Company
Ms. MAN Lai Hung ⁽¹⁾	Interest in a controlled corporation ⁽¹⁾	735,840,000 ⁽³⁾	72.44%
Ms. MAN Lai Hung	Beneficial owner	5,000,000 ⁽³⁾	0.49%
Ms. LIANG Yuhua	Beneficial owner	2,500,000 ⁽²⁾⁽³⁾	0.25%
Mr. LIU Xing	Beneficial owner	2,500,000 ⁽²⁾⁽³⁾	0.25%
Mr. HO Cham	Interest of spouse	300,000 ⁽³⁾	0.03%

Notes:

- (1) Elland Holdings Limited is solely owned by Ms. Wendy Man which in turn owns 735,840,000 Shares, Ms. Wendy Man is also the sole director of Elland Holdings Limited. By virtue of the SFO, Ms. Man Lai Hung is deemed or taken to be interested in all the shares which are beneficially owned by Elland Holdings Limited.

- (2) These represent the maximum number of Shares which may be allotted and issued to the respective Directors upon the exercise of the Pre-IPO Share Options (as defined in the Prospectus) granted to each of them. In respect of these Directors, the Pre-IPO Share Options may be exercised at any time during the period (i) commencing on the business day immediately after the expiry of the six-month period after the Listing Date and (ii) ending on the date falling five (5) years and six (6) months of the Listing Date. The exercise price for subscription of each Share upon the exercise of the Pre-IPO Share Options is equal to 90% of HK\$0.46.
- (3) All the shares are held in long position.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has or is proposed to have a service contract with the Company or any of our subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

4. COMPETING INTERESTS

As at the Latest Practicable Date,

- (a) the Private Group was the owner of 51% equity interest in a joint venture which operated certain catering outlets (namely, Manhattan Cafe (a western restaurant) and Clifford Palace (a Chinese restaurant)) which were located at Clifford Hotel and Clifford Resort Centre in Clifford Estates respectively. As the minority interests in such joint venture were owned by some PRC state-owned enterprises and because of objection of such minority equity-holders to the transfer of such catering outlets to the Group, these catering outlets remained to be operated by the Private Group. Having regard to factors such as target customers, average spending per customer per meal, sales and marketing, management and staffing, and sourcing of food and beverages, the Company considers that these catering outlets did not constitute direct competition with the Group's catering business. For further details of such catering outlets, please refer to page 250 to 253 of the Prospectus; and
- (b) the Private Group was engaged in the provision of education services in the PRC to children of different age groups from kindergarten to high school. The schools and kindergartens operated by the Private Group offered formal education with comprehensive educational programmes. In addition to the basic educational programme in which students obtain PRC middle school and high school diplomas, the schools also offer an international programme under which students are awarded dual high school diplomas (PRC and Canadian). Having regard to factors such as institution classification, establishment requirements, licences held, teaching materials, nature of curriculum or programme, age group and teaching staff, the Company considers that these schools and kindergartens did not constitute direct competition with the Group's training business. For further details of such schools and kindergartens, please refer to page 253 to 256 of the Prospectus.

Save as disclosed above, none of the Directors and their respective close associates were interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

5. OTHER ARRANGEMENTS INVOLVING DIRECTORS

As at the Latest Practicable Date, save as disclosed in this circular,

- (a) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group; and
- (b) none of the Directors had any direct or indirect interest in any assets which had been since 31 December 2020 (the date to which the latest published audited consolidated financial statements of the Company were made up), (i) acquired or disposed of by; (ii) leased to; or (iii) are proposed to be acquired or disposed of by; or (iv) are proposed to be leased to any member of the Group.

6. MATERIAL ADVERSE CHANGES

The Directors have confirmed that there has been no material change in the financial or trading position or outlook of the Group since 31 December 2020, the date to which the latest published audited financial statements of the Group were made up, and up to and including the Latest Practicable Date.

7. EXPERT

The following is the qualification of the expert who has given its opinions or advice, which are contained or referred to in this circular:

Name	Qualification
Altus Capital Limited	a corporation licensed to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO

As at the Latest Practicable Date, Altus Capital Limited:

- (a) 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;
- (b) did not have any interest, direct or indirect, in the promotion of, or in any assets which had been within the two years immediately preceding the issue of this circular acquired or disposed of by or leased to, any member of the Group; and
- (c) did not have any direct or indirect interest in any assets which had been acquired, or disposed of by, or leased to any member of the Group, or were proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2020, the date to which the latest published audited financial statements of the Group were made up.

Altus Capital Limited has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of the references to its name and/or its opinion or valuation result in the form and context in which they are included.

8. GENERAL

In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

9. DOCUMENTS ON DISPLAY

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

- (a) the letter from the Board, the text of which is set out on pages 8 to 34 of this circular;
- (b) the letter from the Independent Board Committee, the text of which is set out on pages 35 to 36 of this circular;
- (c) the letter from Altus Capital Limited, the text of which is set out on pages 37 to 60 of this circular;
- (d) the written consent referred to in the paragraph headed “Expert” in this appendix;
- (e) the 2021 MTAs;
- (f) the 2021 MCSAs; and
- (g) this circular.

10. MISCELLANEOUS

- (a) The secretary of the Company is Mr. Lau Chun Pong, who is a member of the Hong Kong Institute of Certified Public Accountants and the American Institute of Certified Public Accountants.
- (b) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (c) The branch share registrar of the Company in Hong Kong is Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong.
- (d) The principal place of business of the Company in Hong Kong is at 7th Floor, Chai Wan Industrial City, Phase II, 70 Wing Tai Road, Chai Wan, Hong Kong.

NOTICE OF EXTRAORDINARY GENERAL MEETING



祈福生活服務
CLIFFORD MODERN LIVING

CLIFFORD MODERN LIVING HOLDINGS LIMITED 祈福生活服務控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 3686)

PRECAUTIONARY MEASURES FOR THE EGM

To safeguard the health and safety of Shareholders and to prevent the spreading of the Novel Coronavirus (COVID-19) pandemic, the following precautionary measures will be implemented at the EGM, including:

- **compulsory body temperature checks and health declarations**
- **wearing of a surgical face mask for each attendee is a must**
- **no distribution of corporate gift or refreshment**
- **maintenance of appropriate distancing and spacing**

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the meeting venue. The Company reminds Shareholders that they may appoint the chairman of the meeting as their proxy to vote on the relevant resolution(s) at the meeting as an alternative to attending the meeting in person.

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of Clifford Modern Living Holdings Limited (“**Company**”) will be held at Room 225, 2/F Mega Cube, 8 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong on Thursday, 30 December 2021 at 10:00 a.m. to consider and, if thought fit, pass (with or without modifications) the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “THAT:
 - (a) the 2021 MTA No.1 and the transactions contemplated thereunder (as defined and described in the Company’s circular (the “**Circular**”) dated 9 December 2021 to its shareholders, a copy of which has been produced to the meeting marked “A” and signed by the Chairman of the meeting for the purpose of identification) and the proposed annual caps for each of the years ending 31 December 2022, 31 December 2023 and 31 December 2024 relating thereto be and are hereby approved, ratified and confirmed; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (b) the directors of the Company or any other person authorised by the directors of the Company be and are hereby authorised to sign, execute, perfect and deliver all such documents and do all such deeds, acts, matters and things as they may in their absolute discretion consider necessary or desirable for the purpose of or in connection with the implementation of the 2021 MTA No.1 and all transactions and other matters contemplated thereunder or ancillary thereto, to waive compliance from and/or agree to any amendment or supplement to any of the provisions of the 2021 MTA No.1 which in their opinion is not of a material nature and to effect or implement any other matters referred to in this resolution.”

2. “THAT:

- (a) the 2021 MCSA No.1 and the transactions contemplated thereunder (as defined and described in the Circular, a copy of which has been produced to the meeting marked “B” and signed by the Chairman of the meeting for the purpose of identification) and the proposed annual caps for each of the years ending 31 December 2022, 31 December 2023 and 31 December 2024 relating thereto be and are hereby approved, ratified and confirmed; and
- (b) the directors of the Company or any other person authorised by the directors of the Company be and are hereby authorised to sign, execute, perfect and deliver all such documents and do all such deeds, acts, matters and things as they may in their absolute discretion consider necessary or desirable for the purpose of or in connection with the implementation of the 2021 MCSA No.1 and all transactions and other matters contemplated thereunder or ancillary thereto, to waive compliance from and/or agree to any amendment or supplement to any of the provisions of the 2021 MCSA No.1 which in their opinion is not of a material nature and to effect or implement any other matters referred to in this resolution.”

3. “THAT:

- (a) the 2021 MCSA No.2 and the transactions contemplated thereunder (as defined and described in the Circular, a copy of which has been produced to the meeting marked “C” and signed by the Chairman of the meeting for the purpose of identification) and the proposed annual caps for each of the years ending 31 December 2022, 31 December 2023 and 31 December 2024 relating thereto be and are hereby approved, ratified and confirmed; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (b) the directors of the Company or any other person authorised by the directors of the Company be and are hereby authorised to sign, execute, perfect and deliver all such documents and do all such deeds, acts, matters and things as they may in their absolute discretion consider necessary or desirable for the purpose of or in connection with the implementation of the 2021 MCSA No.2 and all transactions and other matters contemplated thereunder or ancillary thereto, to waive compliance from and/or agree to any amendment or supplement to any of the provisions of the 2021 MCSA No.2 which in their opinion is not of a material nature and to effect or implement any other matters referred to in this resolution.”

For and on behalf of the Board of
Clifford Modern Living Holdings Limited
MAN Lai Hung
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 9 December 2021

Notes:

1. The register of members of the Company will be closed from Friday, 24 December 2021 to Thursday, 30 December 2021, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for voting at the extraordinary general meeting of the Company (“EGM”), all transfers of shares of the Company accompanied by the relevant share certificates must be lodged for registration with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, by not later than 4:30 p.m. on Thursday, 23 December 2021.
2. Any shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint another person as his proxy to attend and vote instead of him. A shareholder who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the above meeting. A proxy need not be a shareholder of the Company. If more than one proxy is appointed, the number of shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy.
3. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the offices of the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time for holding the EGM (i.e. no later than 10:00 a.m. (Hong Kong time) on Tuesday, 28 December 2021) or adjourned meeting. Delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. Where there are joint holders of any ordinary share of the Company, any one of such holders may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such holders be present at the meeting personally or by proxy, that one of such holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
5. Voting of the ordinary resolutions set out in this notice will be by way of poll.

NOTICE OF EXTRAORDINARY GENERAL MEETING

6. **Bad Weather Arrangements**

If a tropical cyclone warning signal number 8 or above is hoisted, or “extreme conditions” caused by super typhoons or a black rainstorm warning is/are in force in Hong Kong at any time between 7:00 a.m. to 10:00 a.m. on the date of the EGM, the meeting will be automatically postponed to a later date. The Company will post an announcement on the websites of Hong Kong Exchanges and Clearing Limited and the Company to notify shareholders of the date, time and location of the rescheduled meeting.

The EGM will be held as scheduled when an amber or a red rainstorm warning signal is in force in Hong Kong. Shareholders should in any event exercise due care and caution when deciding to attend the meeting in adverse weather conditions.

7. References to time and dates in this notice are to Hong Kong time and dates.

As at the date of this notice, the board of directors of the Company comprises Ms. MAN Lai Hung, Ms. HO Suk Mee and Mr. LIU Xing as executive Directors; Ms. LIANG Yuhua as non-executive Director; and Ms. LAW Elizabeth, Mr. HO Cham and Mr. MAK Ping Leung (alias Mr. MAK Wah Cheung) as independent non-executive Directors.