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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)

(1) CONNECTED TRANSACTION; AND (2) CONTINUING CONNECTED TRANSACTIONS

BACKGROUND

The Board wishes to announce that during 2021 and 2022, the Group entered into certain connected transaction and continuing connected transactions with GZ Qinle , a company that is solely owned by a sister of an executive Director.

CONNECTED TRANSACTION

Canteen Rental Agreement

On 31 August 2021, Clifford Catering Management (a wholly-owned subsidiary of the Company, as tenant) and GZ Qinle (as landlord) entered into the Canteen Rental Agreement in relation to the leasing of Leased Canteens for a term of 16 years that commenced on 1 September 2021 and would expire on 31 August 2037.

CONTINUING CONNECTED TRANSACTIONS

(A) Laundry Service Agreement

On 1 September 2021, GZ Goodwash (a wholly-owned subsidiary of the Company, as service provider) and GZ Qinle (as receiving party) entered into the Laundry Service Agreement in relation to the provision of laundry services for a term of two years and four months commencing on 1 September 2021 and ending on 31 December 2023.

(B) Catering Service Agreement

On 1 January 2022, Clifford Catering Management (a wholly-owned subsidiary of the Company, as service provider) and GZ Qinle (as receiving party) entered into the Catering Service Agreement in relation to the provision of catering services for a term of six years commencing on 1 January 2022 and ending on 31 December 2027.

(C) Cleaning and Gardening Service Agreement

On 5 September 2023, GZ Property Management (a wholly-owned subsidiary of the Company, as service provider) and GZ Qinle (as receiving party) entered into the Cleaning and Gardening Service Agreement in relation to the provision of cleaning, gardening and ancillary services for a term of two years commencing on 1 January 2022 and ending on 31 December 2023.

LISTING RULES IMPLICATIONS

As at the respective dates of the Canteen Rental Agreement and the Three CCT Agreements and up to the date of this announcement, (i) Ms. Ho is an executive Director and (ii) GZ Qinle is a direct wholly-owned company of a sister of Ms. Ho. Pursuant to Rule 14A.07(4) of the Listing Rules, GZ Qinle has been and is a connected person of the Company. Accordingly, the Canteen Rental Transaction constituted a connected transaction; and the transactions contemplated under the Three CCT Agreements constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Listing Rules implications regarding the Canteen Rental Agreement

In accordance with HKFRS 16 “Leases”, the Group is required to recognise a right-of-use asset and a lease liability in connection with the Canteen Rental Agreement. Accordingly, the entering into of the Canteen Rental Agreement is regarded as an acquisition of assets by the Group, which constituted one-off connected transaction for the Company under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios (other than the profits ratio) in respect of the value of the right-of-use assets (i.e. approximately RMB11.5 million) recognised by the Group in connection with the Canteen Rental Agreement exceeds 0.1% but are less than 5%, and the value of the right-of-use assets is more than HK\$3,000,000, the Canteen Rental Transaction is subject to the reporting and announcement requirements, but exempt from the independent Shareholders’ approval requirement under Chapter 14A of the Listing Rules.

Listing Rules implications regarding the Three CCT Agreements

Pursuant to Rule 14A.81 of the Listing Rules, the Three CCT Agreements shall be aggregated as if they were one transaction, on the basis that (i) such agreements were all entered into or became effective within a 12-month period by the Group with the same party (i.e. GZ Qinle); and (ii) such transactions involve the provision of laundry, catering and cleaning and gardening services (i.e. being part of the ancillary living services) by the Group, which are of similar nature.

As all the applicable percentage ratios (other than the profits ratio) in respect of the aggregate amount of the highest of the yearly historical transaction amounts and annual caps under the Three CCT Agreements exceeds 0.1% but are less than 5%, and such highest aggregate amount is more than HK\$3,000,000, the transactions under the Three CCT Agreements are subject to the reporting and announcement requirements, but exempt from the independent Shareholders’ approval requirement under Chapter 14A of the Listing Rules.

Opinion from the IFA regarding the Catering Service Agreement

Pursuant to Rule 14A.52 of the Listing Rules, since the term of the Catering Service Agreement exceeds three years, the Company has appointed the IFA to explain why a period exceeding three years is required and to confirm that it is normal business practice for agreement of this type to be of such duration. The IFA is of the view that the term of the Catering Service Agreement exceeding three years is a normal business practice.

BACKGROUND

The Board wishes to announce that during 2021 and 2022, the Group entered into certain connected transaction and continuing connected transactions with GZ Qinle, a company that is solely owned by a sister of an executive Director, the brief details and principal terms of which are summarised below:

CONNECTED TRANSACTION

Canteen Rental Agreement

On 31 August 2021, Clifford Catering Management (a wholly-owned subsidiary of the Company, as tenant) and GZ Qinle (as landlord) entered into the Canteen Rental Agreement.

The principal terms of the Canteen Rental Agreement are summarised below:

Date of the Canteen Rental Agreement	: 31 August 2021
Parties	: (i) Clifford Catering Management (as tenant) (ii) GZ Qinle (as landlord)
Premises to be leased under the Canteen Rental Agreement	: A total of three canteen areas situated at three primary schools (the “ Relevant Schools ”) located in Panyu District of Guangzhou, Guangdong Province, the PRC, with a total gross floor area of 8,540 sq.m. (the “ Leased Canteens ”)
Term	: 16 years that commenced on 1 September 2021 and would expire on 31 August 2037
Usage	: For the operation of canteens and ancillary purposes
Rent	: A monthly rent of approximately RMB93,000 (inclusive of value-added tax), payable before the eighth day of each month
Deposit	: A rental deposit of approximately RMB186,000, payable within seven days of the signing of the Canteen Rental Agreement and refundable upon termination of the same without interest

- Sub-letting : Sub-letting by the tenant is allowed without notice to the landlord
- Termination : The Canteen Rental Agreement may be terminated by the other party, among other things, (i) if the tenant fails to pay monthly rents for two months on cumulative basis; (ii) if the landlord fails to deliver qualified leased premises for a period of 30 days; or (iii) if the landlord fails to enable the legal and normal use of the leased premises

Right-of-use assets

In accordance with HKFRS 16 “Leases”, the Group is required to recognise a right-of-use asset and a lease liability in connection with the Canteen Rental Agreement, 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 Canteen Rental Agreement where the Group acts as a lessee. A discount rate of 4.75% per annum is adopted in calculating the present value of the lease payments. As the Canteen Rental Agreement only involves the leasing of the Leased Canteens, the entering into of the Canteen Rental Agreement is regarded as an acquisition of assets by the Group for the purpose of the Listing Rules. The value of the right-of-use assets (for the Leased Canteens) recognised by the Group under the Canteen Rental Agreement for FY2021 was approximately RMB11.5 million.

Pricing policy

The monthly rent under the Canteen Rental Agreement was determined after arm’s length negotiation between the parties, with reference to the then prevailing market rent for the Leased Canteens as of 31 August 2021 based on the valuation results of the Valuer contained in a fair rent letter.

CONTINUING CONNECTED TRANSACTIONS

(A) Laundry Service Agreement

On 1 September 2021, GZ Goodwash (a wholly-owned subsidiary of the Company, as service provider) and GZ Qinle (as receiving party) entered into the Laundry Service Agreement.

The principal terms of the Laundry Service Agreement are summarised below:

Date	:	1 September 2021
Parties	:	(i) GZ Goodwash (as service provider) (ii) GZ Qinle (as receiving party)
Term	:	two years and four months commencing on 1 September 2021 and ending on 31 December 2023
Scope of services	:	GZ Goodwash shall provide to GZ Qinle laundry services including washing, disinfection and ironing of garments, which shall be delivered up to the cleaning standards as specified in the Laundry Service Agreement GZ Goodwash shall arrange daily pickup and delivery services for garments under the scope of the Laundry Service Agreement
Unit price	:	Unit prices are fixed according to the type of laundry item (such as school uniforms, towels and curtains) as specified in the Laundry Service Agreement, ranging from RMB0.7 to RMB17.4 per item (inclusive of value-added tax)
Payment terms	:	The parties shall confirm the total laundry service fees for the previous month by the tenth day of each month, and such fees for the previous month shall be payable by the end of the current month

Termination : The Laundry Service Agreement may be terminated (i) by GZ Qinle if there are service quality or quantity issues persisting in one month and multiple rectification requests by GZ Qinle are not fulfilled; or (ii) by GZ Goodwash by one-month written notice, if there is any change in circumstances which renders termination of the agreement necessary

Pricing policy

The unit price of each type of laundry item was determined after arm's length negotiation between the parties, with reference to the unit price charged by our Group (as service provider) to three Independent Third Parties (each as a receiving party) for the provision of laundry services of similar scope in the neighbourhood, to ensure that the terms (including the unit price) offered by the Group to GZ Qinle under the Laundry Service Agreement were no more favourable than those offered by Group to Independent Third Parties.

(B) Catering Service Agreement

On 1 January 2022, Clifford Catering Management (a wholly-owned subsidiary of the Company, as service provider) and GZ Qinle (as receiving party) entered into the Catering Service Agreement.

The principal terms of the Catering Service Agreement are summarised below:

Date : 1 January 2022

Parties : (i) Clifford Catering Management (as service provider)
(ii) GZ Qinle (as receiving party)

Term : Six years commencing on 1 January 2022 and ending on 31 December 2027

Scope of services : Clifford Catering Management shall provide catering services to the employees of GZ Qinle at the Leased Canteens operated by the Group

The number of employees of GZ Qinle receiving catering service each month is fixed under the Catering Service Agreement (if such number of employees exceeds the agreed range, catering service fees will be further agreed upon)

Fees : A monthly catering service fee of approximately RMB78,000 (exclusive of value-added tax), payable on a monthly basis

Pricing policy

The monthly catering service fee under the Catering Service Agreement was determined after arm's length negotiation between the parties, with reference to the catering service fees charged by our Group (as service provider) to one Independent Third Party (as a receiving party) for the provision of catering services of similar type and quality of food in the neighbourhood, to ensure that terms (including the monthly catering service fee) offered by the Group to GZ Qinle under the Catering Service Agreement were no more favourable than those offered by Group to Independent Third Party.

Opinion from the IFA

Pursuant to Rule 14A.52 of the Listing Rules, the term of an agreement constituting a continuing connected transaction of an issuer must not exceed three years except in special circumstances. Since the term of the Catering Service Agreement exceeds three years, the Company has appointed the IFA to explain why a period exceeding three years is required and to confirm that it is a normal business practice for agreement of this type to be of such duration.

Reasons for extending the term of the Catering Service Agreement exceeding three years

In assessing the reasons for the term of the Catering Service Agreement to be exceeding three years, the IFA has considered the following factors when formulating its opinion:

- (i) **Alignment with long-term strategy:** extending the term of the Catering Service Agreement beyond three years reinforces the Group's long-term development and business cooperation strategy. It provides the Group with a long-term and stable business relationship with the customer and a steady revenue stream, which allows the Group to formulate and execute a long-term strategy for its catering services business;

- (ii) **Meeting business needs:** the extended term of the Catering Service Agreement beyond three years accommodates the business needs for provision of catering services at the Leased Canteens operated by the Group. Pursuant to the Canteen Rental Agreement, Clifford Catering Management, as tenant, shall lease the Leased Canteens from GZ Qinle, as landlord and the receiving party under the Catering Service Agreement, for a period of 16 years commencing on 1 September 2021 and expiring on 31 August 2037. Having considered that the term of the Canteen Rental Agreement spans 16 years and that the landlord of the Leased Canteens is the same entity as the receiving party under the Catering Service Agreement, it is logical and reasonable for the Group to establish a long term Catering Service Agreement to align with the extended business needs arising from GZ Qinle and to ensure the uninterrupted availability of the catering services to the employees of GZ Qinle at the Leased Canteens throughout the duration of the Canteen Rental Agreement;
- (iii) **Economical and strategic savings:** it is reasonable and commercially justifiable for the Group to enter into the Catering Service Agreement with a term exceeding three years, as it would incur substantial initial set-up costs for the Group to commence its catering services, which encompass expenses relating to kitchen equipment installation, staff training, obtaining necessary licenses and certificates and software systems development for operation purpose. The extended term of the Catering Service Agreement beyond three years may allow the Group an opportunity to recoup its initial set-up costs over time, which would otherwise need to be incurred again if the Catering Service Agreement were to expire shortly, necessitating the commencement of the catering services at different locations; and
- (iv) **Mitigating administrative complexity:** having an extended term beyond three years helps to mitigate unnecessary administrative burdens for the Group. It minimises the needs for frequent renewals of the Catering Service Agreement (if its term is fixed at three years or less) or potential delays associated with renewal negotiations between the parties during the agreement renewal process. By opting for a longer-term Catering Service Agreement (in this case six years), the Group safeguards its interests by reducing the risk of disruption to catering services and loss of income during the negotiation process.

In view of the above, the IFA is of the view that a term of longer than three years is justifiable and essential for the Catering Service Agreement.

Whether a term exceeding three years is a normal business practice

In considering whether it is a normal business practice for agreements of a similar nature to the Catering Service Agreement to have a term longer than three years, the IFA has obtained from the Company and reviewed a sample contract with respect to the provision of the catering services entered into by Clifford Catering Management with an Independent Third Party, it is noted that the term of such contract is six years, which is equal to the term of the Catering Service Agreement.

In addition, the IFA has conducted research on transactions involving lease or rental agreements with a term exceeding three years entered into by companies listed on the Stock Exchange for the purpose of operation of restaurant(s) or provision of catering services within three years from the date of the Catering Service Agreement. The IFA has, to their best effort and so far as they are aware, identified 16 transactions (the “**Reviewed Transactions**”) and considered the Reviewed Transactions to be meaningful reference to the term of the catering services, as the entering into of such long-term lease or rental agreements for the purpose of operation of restaurant(s) or provision of catering services indicates the needs for entering into the long-term catering service agreements by such companies. The Reviewed Transactions demonstrated that it is not uncommon for the companies to enter into long-term leases for the purpose of operation of restaurant(s) or provision of catering services.

Based on the above, the IFA is of the view that the term of the Catering Service Agreement exceeding three years is a normal business practice.

(C) **Cleaning and Gardening Service Agreement**

On 5 September 2023, GZ Property Management (a wholly-owned subsidiary of the Company, as service provider) and GZ Qinle (as receiving party) entered into the Cleaning and Gardening Service Agreement.

The principal terms of the Cleaning and Gardening Service Agreement are summarised below:

Date	:	5 September 2023
Parties	:	(i) GZ Property Management (as service provider) (ii) GZ Qinle (as receiving party)
Term	:	Two years commencing on 1 January 2022 and ending on 31 December 2023
Scope of services	:	GZ Property Management shall provide cleaning, gardening and ancillary services (including pest control and greening services) to GZ Qinle
Fees	:	Service fee quotations shall be provided by GZ Property Management to GZ Qinle for each service order, based on (i) the gross floor area of the property or properties under the scope of service; and (ii) the type of the service(s) to be provided

Service fees are payable on a monthly basis

Pricing policy

The service fee under the Cleaning and Gardening Service Agreement was determined after arm's length negotiation between the parties, with reference to the cleaning and gardening service fees charged by our Group (as service provider) to three Independent Third Parties (each as a receiving party) for the provision of cleaning and gardening services of similar nature and scope or scale in the neighbourhood, to ensure that terms (including the service fee) offered by the Group to GZ Qinle under the Cleaning and Gardening Service Agreement were no more favourable than those offered by Group to Independent Third Parties.

Historical Transaction Amounts

The table below sets out the historical transaction amounts of service fees receivable by the Group from GZ Qinle under the Three CCT Agreements:

	FY2021	FY2022	For the period from 1 January 2023 and up to 31 August 2023
	<i>(approximate RMB million)</i>	<i>(approximate RMB million)</i>	<i>(approximate RMB million)</i>
Service fees received or receivable by the Group under the Laundry Service Agreement	0.8	1.5	1.1
Catering service fees received or receivable by the Group under the Catering Service Agreement	–	1.1	0.6
Service fees received or receivable by the Group under the Cleaning and Gardening Service Agreement	–	0.2	0.3
Total	0.8	2.8	2.0

Annual Caps

The table below sets out the annual caps for the transaction amount of service fees receivable by the Group from GZ Qinle under the Three CCT Agreements:

	FY2023 <i>(RMB million)</i>	FY2024 <i>(RMB million)</i>	FY2025 <i>(RMB million)</i>	FY2026 <i>(RMB million)</i>	FY2027 <i>(RMB million)</i>
Annual cap for the service fees receivable by the Group under the Laundry Service Agreement	1.8	–	–	–	–
Annual cap for the catering service fees receivable by the Group under the Catering Service Agreement	1.0	1.0	1.0	1.0	1.0
Annual cap for the service fees receivable by the Group under the Cleaning and Gardening Service Agreement	<u>0.4</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total	<u><u>3.2</u></u>	<u><u>1.0</u></u>	<u><u>1.0</u></u>	<u><u>1.0</u></u>	<u><u>1.0</u></u>

Basis of Determination of the Annual Caps

The annual caps in respect of the transactions under the Three CCT Agreements have been determined with reference to the following factors and assumptions:

- (i) the historical transaction amounts of the respective service fees incurred under the Three CCT Agreements;
- (ii) the fixed unit price for each type of laundry item as specified in the Laundry Service Agreement;
- (iii) the fixed monthly service fees charged under the Catering Service Agreement;

- (iv) the expected annual increments of the service demands of GZ Qinle for laundry services and cleaning and gardening services for FY2023, and that of catering services during the period from FY2023 to FY2027, respectively, with reference to the historical service demands of GZ Qinle during FY2021 and FY2022;
- (v) the assumption that the number of employees of GZ Qinle receiving catering services under the Catering Service Agreement shall not exceed the fixed number as stated thereunder;
- (vi) the assumption that there is no material change in the estimated service demand of GZ Qinle for laundry services and cleaning and gardening services during the respective terms of the Laundry Service Agreement and the Cleaning and Gardening Service Agreement;
- (vii) the assumption that there is no material change in the prevailing market conditions in the PRC; and
- (viii) an additional buffer of around 10% is provided on top to allow for operational flexibility and potential increment in the transaction volume.

IMPLICATIONS OF THE LISTING RULES

As at the respective dates of the Canteen Rental Agreement and the Three CCT Agreements and up to the date of this announcement, (i) Ms. Ho is an executive Director and (ii) GZ Qinle is a direct wholly-owned company of a sister of Ms. Ho. Pursuant to Rule 14A.07(4) of the Listing Rules, GZ Qinle has been and is a connected person of the Company. Accordingly, the Canteen Rental Transaction constituted a connected transaction; and the transactions contemplated under the Three CCT Agreements constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Canteen Rental Agreement

In accordance with HKFRS 16 “Leases”, the Group is required to recognise a right-of-use asset and a lease liability in connection with the Canteen Rental Agreement. Accordingly, the entering into of the Canteen Rental Agreement is regarded as an acquisition of assets by the Group, which constituted one-off connected transaction for the Company under Chapter 14A of the Listing Rules. Please refer to the paragraph headed “CONNECTED TRANSACTION – Canteen Rental Agreement – Right-of-use assets” above for the details of the calculation of the value of right-of-use assets under the Canteen Rental Agreement.

As all the applicable percentage ratios (other than the profits ratio) in respect of the value of the right-of-use assets (i.e. approximately RMB11.5 million) recognised by the Group in connection with the Canteen Rental Agreement exceeds 0.1% but are less than 5%, and the value of the right-of-use assets is more than HK\$3,000,000, the Canteen Rental Transaction is subject to the reporting and announcement requirements, but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Three CCT Agreements

Pursuant to Rule 14A.81 of the Listing Rules, the Three CCT Agreements shall be aggregated as if they were one transaction, on the basis that (i) such agreements were all entered into or became effective within a 12-month period by the Group with the same party (i.e. GZ Qinle); and (ii) such transactions involve the provision of laundry, catering and cleaning and gardening services (i.e. being part of the ancillary living services) by the Group, which are of similar nature.

As all the applicable percentage ratios (other than the profits ratio) in respect of the aggregate amount of the highest of the yearly historical transaction amounts and annual caps under the Three CCT Agreements exceeds 0.1% but are less than 5%, and such highest aggregate amount is more than HK\$3,000,000, the transactions under the Three CCT Agreements are subject to the reporting and announcement requirements, but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

INFORMATION ABOUT THE PARTIES

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 catering services, property agency services, employment placement services and laundry services). As at the date of this announcement, Ms. Man Lai Hung (an executive Director and chairman of the Board), as a beneficial owner and through her solely-owned company (namely Elland Holdings Limited), held a total of 740,840,000 Shares, representing approximately 72.94% of the entire issued share capital of the Company.

GZ Qinle is a company established in the PRC with limited liability which is principally engaged in the business of, among others, the general management of education institutions. As at the date of this announcement, GZ Qinle is directly wholly-owned by Ms. Ho Suk Han, a sister of an executive Director (i.e. Ms. Ho).

REASONS FOR AND BENEFITS OF ENTERING INTO THE CANTEEN RENTAL AGREEMENT AND THE THREE CCT AGREEMENTS

As regards the Canteen Rental Agreement and the Catering Service Agreement, the Group has been principally engaged in (among other services), as part of its ancillary living services segment, the provision of catering services to schools since the fourth quarter of 2020 through Clifford Catering Management. As part of the Group's school catering businesses has been carried out or situated at the Leased Canteens, the entering into the Canteen Rental Agreement was in the ordinary and usual course of business of the Group, and the Group would be able to receive income from the operation of school canteens at the Leased Canteens in its ordinary course of business. As for the Catering Service Agreement, the Group in its ordinary course of business would be able to receive additional income by providing meal services to the employees of GZ Qinle working at the Relevant Schools, on top of providing meal services to students at such schools.

As regards the Laundry Service Agreement, the Group has been principally engaged in (among other services), as part of its ancillary living services segment, the provision of laundry services to its customers through GZ Goodwash. The entering into of the Laundry Service Agreement is in the ordinary and usual course of business of the Group, and the Group would be able to receive income from its provision of laundry services to GZ Qinle in its ordinary course of business.

As regards the Cleaning and Gardening Service Agreement, the Group has been principally engaged in (among other services) the provision of cleaning and gardening services as part of its property management service segment, which had been provided by the Group to its customers partly through GZ Property Management. The entering into of the Cleaning and Gardening Service Agreement is in the ordinary and usual course of business of the Group, and the Group would be able to receive income from its provision of cleaning and gardening services to GZ Qinle in its ordinary course of business.

GENERAL

As GZ Qinle is directly wholly-owned by a sister of Ms. Ho, Ms. Ho abstained from voting on the Board resolutions approving and rectifying the Canteen Rental Agreement and the Three CCT Agreements.

The Directors (including the independent non-executive Directors, but excluding Ms. Ho who has abstained from voting) consider that the connected transaction under the Canteen Rental Agreement and continuing connected transactions under the Three CCT Agreements have been conducted on normal commercial terms in the ordinary and usual course of business of the Group, the terms of which are fair and reasonable and in the interests of the Company and its Shareholders as a whole, and that the annual caps for the continuing connected transactions under the Three CCT Agreements are fair and reasonable.

REMEDIAL ACTIONS

At the respective dates of the Canteen Rental Agreement and the Three CCT Agreements, neither Ms. Ho nor the management of the Company was aware that GZ Qinle, being the counterparty to the aforesaid agreements, was a connected person of the Company. It was only until the recent inspection and review of the Group's record and documents that it has come to the attention of Ms. Ho and the management of the Company that GZ Qinle was directly wholly owned by a sister of Ms. Ho, hence Ms. Ho's associate as defined under the Listing Rules. Upon enquiries with Ms. Ho, it was noted that GZ Qinle was established in July 2021 by her sister (who was not acquainted with the Listing Rules), without informing (nor having the idea to inform) Ms. Ho.

The transactions conducted under the Canteen Rental Agreement and the Three CCT Agreements were in the ordinary course of business of the Group, and the management of the Company was not aware of GZ Qinle being an associate of the Company (for the purpose of the Listing Rules) at the respective dates of the agreements, and as a result, such requirements under Chapter 14A were not complied with in a timely manner.

When it has come to the attention of the Group's management that GZ Qinle is an associate of the Company, this announcement is made to disclose details of the Canteen Rental Transaction and the continuing connected transactions contemplated under the Three CCT Agreements in accordance with relevant requirements under Chapter 14A of the Listing Rules in order to keep the Shareholders informed. Relevant disclosure will also be made in the annual report for the year ended 31 December 2023 of the Company.

To prevent the occurrence of similar incidents in the future, the Board has adopted the following measures to strengthen the internal control regarding connected transactions:

- (a) training sessions will be arranged for the Directors and senior management of the Group with a focus to remind them of the definitions of connected persons and rules in relation to connected transactions under Chapter 14A of the Listing Rules, and the obligation to report any transaction which may constitute connected transaction under the Listing Rules to the Group's compliance personnel and to seek professional advice (if necessary) and also to ensure that they understand the requirements under the Listing Rules and the relevant rules and regulations; and
- (b) the Company has been continuously reviewing, strengthening and monitoring the relevant internal control measures of the Group. As at the date of this announcement, the Company has adopted the following reporting policy in order to ensure that current and future transactions will be conducted in compliance with the applicable requirements under Chapter 14A of the Listing Rules and other relevant rules and regulations:
 - (i) before entering into any contract(s) (the "**Relevant Contract(s)**") with the amount payable/receivable (individually or (if contracts are entered into with the same counterparty) in aggregate) thereunder exceeds RMB2.2 million, a report must be made to the finance manager of the Company with the prescribed form;
 - (ii) the reporting form requires the counterparty of the Relevant Contract(s) (1) to declare whether the counterparty's senior management (including board of directors) and/or controlling shareholders have any family relationship with the senior management (including board of directors) of the Company and its subsidiaries; and (2) undertake to notify the finance manager in the event of any change of circumstances affecting the declaration; and
 - (iii) the Company and/or its subsidiaries should only enter into any Relevant Contracts, after the reporting form is duly signed and collected by the finance manager of the Company.

DEFINITIONS

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

“Board”	the board of Directors of the Company
“Canteen Rental Agreement”	the rental agreement (租賃合同) entered into between Clifford Catering Management (as tenant) and GZ Qinle (as landlord) on 31 August 2021 in relation to the leasing of the Leased Canteens
“Canteen Rental Transaction”	the transaction as contemplated under the Canteen Rental Agreement
“Catering Service Agreement”	the service agreement (服務協議) entered into between Clifford Catering Management (as service provider) and GZ Qinle (as receiving party) on 1 January 2022 in relation to the provision of catering services
“Cleaning and Gardening Service Agreement”	the service agreement (服務合同) entered into between GZ Property Management (as service provider) and GZ Qinle (as receiving party) on 5 September 2023 in relation to the provision of cleaning, gardening and ancillary services
“Clifford Catering Management”	Guangzhou Clifford Catering Management Limited* (廣州市膳康餐飲管理有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“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 Main Board of the Stock Exchange (stock code: 3686)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“FY2021” and “FY2022”	each financial year ended 31 December 2021 and 31 December 2022 respectively

“FY2023”, “FY2024”, “FY2025”, “FY2026”, and “FY2027”	each financial year ending 31 December 2023, 31 December 2024, 31 December 2025, 31 December 2026, and 31 December 2027, respectively
“Group”	the Company and its subsidiaries
“GZ Goodwash”	Guangzhou Goodwash Laundry Limited* (廣州市雪白洗衣有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“GZ Property Management”	Guangzhou Panyu Clifford Property Management Limited* (廣州市番禺祈福物業管理有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“GZ Qinle”	Guangzhou Qinle Property Management Co., Ltd.* (廣州市勤樂物業管理有限公司), a company established in the PRC with limited liability and a connected person of the Company as at the date of this announcement
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants from time to time
“IFA”	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 by the Company for the purpose of Rule 14A.52 of the Listing Rules in relation to the Canteen Rental Agreement
“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
“Laundry Service Agreement”	the laundry service agreement (洗滌服務合同) entered into between GZ Goodwash (as service provider) and GZ Qinle (as receiving party) on 1 September 2021 in relation to the provision of laundry services

“Leased Canteens”	has the meaning ascribed to it in the section headed “CONNECTED TRANSACTION – Canteen Rental Agreement”
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Ms. Ho”	Ms. Ho Suk Mee, an executive Director
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholders”	holders of the Shares
“sq.m.”	square metre(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Three CCT Agreements”	the Laundry Service Agreement, the Catering Service Agreement and the Cleaning and Gardening Service Agreement
“Valuer”	AVISTA Valuation Advisory Limited, an independent valuer
“%”	per cent.

* For identification purpose only

By Order of the Board
Clifford Modern Living Holdings Limited
MAN Lai Hung
*Chairman, Chief Executive Officer
and Executive Director*

Hong Kong, 15 September 2023

As at the date of this announcement, the Board 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.