
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).

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



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)

- (A) CONTINUING CONNECTED TRANSACTIONS:**
(i) THE 2018 SUPPLEMENTAL MASTER TENANCY AGREEMENT;
AND
(ii) THE 2018 MASTER COMPOSITE SERVICES AGREEMENT;
AND
(B) PROPOSED RE-ELECTION OF RETIRING DIRECTOR

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



A letter from the Board is set out on pages 7 to 26 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 27 to 28 of this circular. A letter from Astrum Capital Management Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 29 to 64 of this circular.

A notice convening the EGM of Clifford Modern Living Holdings Limited to be held at Rooms 1501-02, 15/F Hong Kong Club Building, 3A Charter Road, Central, Hong Kong on Monday, 28 January 2019 at 9:30 a.m. is set out on pages 70 to 72 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 22, 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 9:30 a.m. (Hong Kong time) on Saturday, 26 January 2019) 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.

11 January 2019

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	
Introduction	8
(A) Continuing Connected Transactions	8
(i) Continuing Connected Transactions under the 2018 Supplemental Master Tenancy Agreement	10
(ii) Continuing Connected Transactions under the 2018 Master Composite Services Agreement	15
Reasons for and Benefits of the 2018 Supplemental Master Tenancy Agreement and the 2018 Master Composite Services Agreement	22
Implications of the Listing Rules	22
(B) Proposed Re-election of Retiring Director	23
General Information	24
EGM	24
Recommendation	25
Further Information	26
Letter from the Independent Board Committee	27
Letter from Astrum Capital Management Limited	29
Appendix I — General Information	65
Notice of the Extraordinary General Meeting	70

This circular is prepared in both English and Chinese.

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

DEFINITIONS

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

“2017 SP Agreement”	the sale and purchase agreement dated 16 October 2017 and entered into between Green Charm and Ms. Wendy Man in relation to the acquisition of the entire issued share capital in, and shareholder’s loans to, Easy South Limited
“2017 Supplemental Master Composite Services Agreement” or “2017 Supplemental MCSA”	the supplemental master composite services agreement dated 28 April 2017 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 Aged Home (for itself and on behalf of Ms. Wendy Man’s Group) on the other part, pursuant to which the Company agreed to revise certain terms of the Master Composite Services Agreement
“2017 Supplemental Master Tenancy Agreement” or “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 Private Group) and the Company (on behalf of its subsidiaries), pursuant to which Clifford Estates Panyu agreed to revise certain terms of the Master Tenancy Agreement
“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 Private Group) and Clifford Aged Home (for itself and on behalf of Ms. Wendy Man’s Group) on the other part, pursuant to which the Company agreed to provide services stated therein to Clifford Estates Panyu and Clifford Aged Home
“2018 Supplemental Master Tenancy Agreement” or “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 Private Group) and the Company (on behalf of its subsidiaries), pursuant to which the parties thereto agreed to revise certain terms of the MTA (as supplemented by the 2017 Supplemental MTA)

DEFINITIONS

“Ancillary Living Services”	off-campus training services, property agency services, employment placement services and laundry services
“April 2017 Announcement”	the Company’s announcement dated 28 April 2017
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Clifford Aged Home”	Clifford Aged Home Company Limited* (廣州市祈福護老公寓有限公司), a company established in the PRC and a member of Ms. Wendy Man’s Group
“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
“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 (the notice of which is set out on pages 70 to 72 of this circular) to be convened and held for the Shareholders (or Independent Shareholders, as the case may be) to consider, and if thought fit, to approve the ordinary resolution(s) in respect of (i) the 2018 Supplemental MTA, the 2018 MCSA and the transactions contemplated thereunder (including the respective proposed annual caps thereof); and (ii) the proposed re-election of Ms. HO Suk Mee as an executive Director, or any adjournment thereof
“Existing Master Agreements”	collectively, the MTA (as supplemented by the 2017 Supplemental MTA), the MCSA (as supplemented by the 2017 Supplemental MCSA) and the MES Agreement

DEFINITIONS

“FY2015”, “FY2016”, “FY2017” and “FY2018”	each of the financial years ended 31 December 2015, 31 December 2016, 31 December 2017 and 31 December 2018, respectively
“FY2019”, “FY2020” and “FY2021”	each of the financial years ending 31 December 2019, 31 December 2020 and 31 December 2021, respectively
“GDP”	gross domestic product (and all references to GDP growth rates are real as opposed to nominal rates of GDP growth)
“Green Charm”	Green Charm Enterprises Limited (青美企業有限公司), a company incorporated in Hong Kong on 13 November 2015 with limited liability and an indirect wholly-owned subsidiary of the Company
“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 INEDs (namely, Ms. LAW Elizabeth, Mr. HO Cham and Mr. MAK Ping Leung (alias Mr. Mak Wah Cheung)) established to make recommendations to the Independent Shareholders with regards to the 2018 Supplemental Master Tenancy Agreement, the 2018 Master Composite Services Agreement and the transactions contemplated thereunder (including the respective proposed annual caps thereof)
“Independent Financial Adviser” or “IFA”	Astrum Capital Management Limited, a corporation licensed by the SFC to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), 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

DEFINITIONS

“Independent Shareholder(s)”	Shareholder(s) who are not required to abstain from voting at the EGM to approve (among other matters) the 2018 Supplemental Master Tenancy Agreement, the 2018 Master Composite Services Agreement 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) (within the meaning ascribed to it under the Listing Rules) of the Company
“INED(s)”	independent non-executive Director(s)
“June 2017 Circular”	the Company’s circular dated 7 June 2017
“Latest Practicable Date”	6 January 2019, 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
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Master Composite Services Agreement” or “MCSA”	the master composite services agreement dated 21 October 2016 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 Aged Home (for itself and on behalf of Ms. Wendy Man’s Group) on the other part, pursuant to which the Company agreed to provide services stated therein to Clifford Estates Panyu and Clifford Aged Home

DEFINITIONS

“Master Engineering Service Agreement” or “MES Agreement”	the master engineering service agreement dated 16 October 2017 and entered into between Guangzhou Kejian on the one part, and Clifford Estates Panyu (for itself and on behalf of other members of the Private Group) and Clifford Aged Home (for itself and on behalf of other members of Ms. Wendy Man’s Group) on the other part, pursuant to which the terms of provision of certain engineering and maintenance services stated therein by the Group to the Private Group and Ms. Wendy Man’s Group are regulated
“Master Tenancy Agreement” or “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 Private Group) and the Company (on behalf of its subsidiaries), pursuant to which Clifford Estates Panyu agreed to lease certain properties to the Company
“Ms. Wendy Man”	Ms. MAN Lai Hung, an executive Director, the chairman of the Board and one of the controlling shareholders of the Company
“Ms. Wendy Man’s Group”	such companies which 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
“Ms. Wendy Man’s Spouse”	Mr. PANG Lun Kee Clifford (彭磷基先生), the spouse of Ms. Wendy Man
“November 2017 Circular”	the Company’s circular dated 29 November 2017
“November 2018 Announcement”	the Company’s announcement dated 30 November 2018
“October 2017 Announcement”	the Company’s announcement dated 16 October 2017
“October 2018 Announcement”	the Company’s announcement dated 18 October 2018
“PRC”	People’s Republic of China
“Private Group”	such companies which 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

DEFINITIONS

“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
“%”	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

Ms. LIANG Yuhua (*Chief Operating Officer*)

Non-executive Director:

Mr. LIU Xing

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

11 January 2019

To the Shareholders

Dear Sir or Madam

(A) CONTINUING CONNECTED TRANSACTIONS:

(i) THE 2018 SUPPLEMENTAL MASTER TENANCY AGREEMENT;

AND

(ii) THE 2018 MASTER COMPOSITE SERVICES AGREEMENT;

AND

(B) PROPOSED RE-ELECTION OF RETIRING DIRECTOR

LETTER FROM THE BOARD

INTRODUCTION

Reference is made to (i) the Prospectus, the April 2017 Announcement, the June 2017 Circular, the October 2017 Announcement, the November 2017 Circular and the October 2018 Announcement in relation to, among other matters, the continuing connected transactions under the Existing Master Agreements; and (ii) the November 2018 Announcement in relation to, among other things, the appointment of Ms. HO Suk Mee as an executive Director.

The purpose of this circular is to provide you with (i) further details of the 2018 Supplemental MTA, the 2018 MCSA 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 2018 Supplemental MTA, the 2018 MCSA 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 matter; (iv) information relating to the proposed re-election of the retiring Director; (v) a notice of the EGM; and (vi) other information as required under the Listing Rules.

(A) CONTINUING CONNECTED TRANSACTIONS

As mentioned in the “Continuing Connected Transactions” section of the Prospectus, the Group has been leasing certain properties from the Private Group, which are used (among other purposes) as the Group’s operating or business outlets, offices and warehouses. As the Group’s businesses have been carried out or situated at such leased properties in the past, it was considered appropriate for the Group to continue such leasing arrangement after the Listing Date. Accordingly, the Master Tenancy Agreement dated 21 October 2016 was entered into by the Company (for itself and on behalf of its subsidiaries) (as tenant) and Clifford Estates Panyu (for itself and on behalf of the other property owners which are members of the Private Group) (as landlord) to regulate the leasing arrangement of leased properties by the Group from the Private Group. On 28 April 2017, the 2017 Supplemental Master Tenancy Agreement was entered into between the same parties to revise certain terms of the Master Tenancy Agreement.

The Group has six main service segments: property management services, renovation and fitting-out services, retail services, catering services, information technology services and Ancillary Living Services. As mentioned in the same section of the Prospectus, the Group has (in its ordinary course of business) been providing various types of services (including mainly procurement, property management, laundry, resident support and maintenance, employment placement and property agency) to the Private Group and Ms. Wendy Man’s Group during the latter’s ordinary course of business. As the provision of such services would continue after the Listing Date, the Company (for itself and 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 Private Group) and Clifford Aged Home (for itself and on behalf of Ms. Wendy Man’s Group) (as receiving parties) on the other part, entered into the Master Composite Services Agreement dated 21 October 2016, to regulate the Group’s provision of the various types of living and other services to the Private Group and Ms. Wendy Man’s Group. On 28 April 2017, the 2017

LETTER FROM THE BOARD

Supplemental Master Composite Services Agreement was entered into between the same parties to revise certain terms of the Master Composite Services Agreement.

Before the completion of the 2017 SP Agreement, Ms. Wendy Man's Group has been engaged in providing engineering and maintenance services (relating to information technology, security systems and hardware and software integration) to (among other persons) the Private Group and Ms. Wendy Man's Group, during the latter's ordinary course of business. As the provision of such services would continue after the completion of the 2017 SP Agreement, on 16 October 2017, Guangzhou Kejian (as service provider) on the one part, and Clifford Estates Panyu (for itself and on behalf of the other members of the Private Group) and Clifford Aged Home (for itself and on behalf of the other members of Ms. Wendy Man's Group) (as receiving parties) on the other part entered into the MES Agreement.

As mentioned in the October 2018 Announcement, in order to accommodate (i) the expected increase in the lettable area to be leased by the Group from the Private Group for expansion of Ancillary Living Services (including off-campus training services and laundry services); (ii) future increments of annual rentals under the Master Tenancy Agreement (as supplemented by the 2017 Supplemental MTA and the 2018 Supplemental MTA) to be determined by the parties subject to a cap of 7% per annum; and (iii) changes in leased premises as to be governed under the Master Tenancy Agreement arising from or in connection with the business development of the Group (which changes will be recorded under supplemental agreements or memoranda), the Company (for itself and on behalf of its subsidiaries) (as tenant) entered into the 2018 Supplemental MTA with Clifford Estates Panyu (for itself and on behalf of the other property owners which are members of the Private Group) (as landlord) on 18 October 2018, to revise certain terms of the Master Tenancy Agreement (as supplemented by the 2017 Supplemental Master Tenancy Agreement).

Furthermore, as mentioned in the October 2018 Announcement, given that the Master Composite Services Agreement (as supplemented by the 2017 Supplemental MCSA) and the Master Engineering Service Agreement were expected to expire on 31 December 2018, the Company (for itself and on behalf of its subsidiaries) (as service providers) on the one part, entered into the 2018 Master Composite Services Agreement with Clifford Estates Panyu (for itself and on behalf of other members of the Private Group) and Clifford Aged Home (for itself and on behalf of Ms. Wendy Man's Group) (as receiving parties) on the other part, to continue the provision of procurement, property management, laundry, resident support and maintenance, employment placement, property agency services and expansion of engineering and maintenance services and telecommunication services to the receiving parties for the three years ending 31 December 2021 subject to the terms and conditions contained therein. Upon the expiry of the term of the Master Engineering Service Agreement, the engineering and maintenance services will be provided under the 2018 Master Composite Services Agreement with effect from 1 January 2019.

LETTER FROM THE BOARD

The transactions contemplated under the 2018 Supplemental MTA and the 2018 MCSA respectively (including the respective proposed annual caps thereof) constitute continuing connected transactions of the Company, and are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(i) Continuing connected transactions under the 2018 Supplemental Master Tenancy Agreement

On 18 October 2018, the Company (for itself and on behalf of its subsidiaries) (as tenant) entered into the 2018 Supplemental MTA with Clifford Estates Panyu (for itself and on behalf of the other property owners which are members of the Private Group) (as landlord), to revise certain terms of the Master Tenancy Agreement (as supplemented by the 2017 Supplemental MTA). The changes contemplated under the 2018 Supplemental MTA were mainly to accommodate the circumstances mentioned in the section headed "Introduction" in this circular.

The principal terms of the Master Tenancy Agreement (as supplemented by the 2017 Supplemental MTA and the 2018 Supplemental MTA) are summarized as below:

Date of the 2018 Supplemental Master Tenancy Agreement: 18 October 2018 (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)

LETTER FROM THE BOARD

Premises to be leased under the 2018 Supplemental Master Tenancy Agreement: in accordance with the 2018 Supplemental Master Tenancy Agreement, the Group will be leasing from the Private Group premises with a total accumulated gross floor area of approximately 38,300 sq. m. in Panyu district, Huadu district, Foshan City and Hong Kong. Details of the premises (i) leased before entering into the 2018 Supplemental Master Tenancy Agreement; (ii) to be leased under the 2018 Supplemental Master Tenancy Agreement; and (iii) to be leased under the Master Tenancy Agreement (as supplemented by the 2017 Supplemental Master Tenancy Agreement and the 2018 Supplemental Master Tenancy Agreement) are set out below:

	Premises leased from the Private Group immediately before entering into the 2018 Supplemental MTA		Additional premises to be leased under the 2018 Supplemental MTA		Total number of premises to be leased under the Master Tenancy Agreement (as supplemented by the 2017 Supplemental MTA and the 2018 Supplemental MTA)	
	Number of leases	Total gross floor area (in sq. m.)	Number of additional leases	Total additional gross floor area (in sq. m.)	Total number of leases	Total gross floor area (in sq. m.)
Panyu district	55	30,674	1	1,436	56	32,110
Huadu district	2	147	1	4,000	3	4,147
Foshan City	2	46	-	-	2	46
Hong Kong	2	2,034	-	-	2	2,034
	<u>61</u>	<u>32,901</u>	<u>2</u>	<u>5,436</u>	<u>63</u>	<u>38,337</u>

Use: mainly operating as business outlets or office

Term: the original term under the Master Tenancy Agreement (as supplemented by the 2017 Supplemental MTA and 2018 Supplemental MTA) commenced with effect from 1 January 2016 until the tenth anniversary of such commencement date (“**Initial Lease Period**”) 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 provisions of the Listing Rules. No change in such connection is made under the 2018 Supplemental MTA.

LETTER FROM THE BOARD

Rent: the annual rental payable by the Group shall be increased by an amount not exceeding the lower of (i) 7%; and (ii) the prevailing GDP growth rate of the PRC in the immediately preceding year.

for the sixth year of the Initial Lease Period, the annual rental payable shall be determined by an independent property valuer to be appointed by the Group and the Private Group based on the fair rental of the leased properties as at the expiry of the first five years of the Initial Lease Period.

the annual rentals in respect of the premises to be leased by the Group under the 2018 Supplemental Master Tenancy Agreement 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. 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 neighboring 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 collecting available data and market information (including quotations from Independent Third Party entities), the Group compares such information to 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 (subject to a cap of 7% per annum).

LETTER FROM THE BOARD

Changes in leased premises: where there are any changes in leased premises (as to be governed under the Master Tenancy Agreement (as supplemented by the 2017 Supplemental MTA and the 2018 Supplemental MTA)) 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 the Master Tenancy Agreement (as supplemented by the 2017 Supplemental MTA and the 2018 Supplemental MTA), 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.

Conditions: the transactions contemplated under the 2018 Supplemental Master Tenancy Agreement (including the proposed annual caps thereof) are conditional upon (i) 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 the obtaining of the advice of the Independent Financial Adviser).

as at the date of this circular, save for the publication of the October 2018 Announcement and this circular (including the obtaining of the advice of the Independent Financial Adviser), none of the above conditions have been fulfilled.

Proposed annual caps

The initial annual caps in respect of the transactions contemplated under the Master Tenancy Agreement for each of the three years ended 31 December 2018 were, as disclosed in the Prospectus, RMB11.5 million, RMB12.0 million and RMB12.5 million, respectively. On 23 June 2017, the revision of the annual caps for each of the two years ended 31 December 2018 was approved by the then Independent Shareholders at the Company's extraordinary general meeting to RMB16.0 million and RMB20.0 million, respectively.

LETTER FROM THE BOARD

The historical transaction amount in respect of the transactions contemplated under the Master Tenancy Agreement (as supplemented by the 2017 Supplemental MTA) for each of the two years ended 31 December 2017 were approximately RMB7.5 million and RMB14.3 million, respectively.

So far as the Directors are aware, the annual cap in respect of the transactions contemplated under the Master Tenancy Agreement (as supplemented by the 2017 Supplemental MTA) for the year ended 31 December 2018 has not been exceeded. The transaction amount in respect of the transactions contemplated under the Master Tenancy Agreement (as supplemented by the 2017 Supplemental MTA and the 2018 Supplemental MTA) for the period between 1 January 2019 and the Latest Practicable Date was approximately RMB0.2 million. The Company will closely monitor the aggregate transaction amount on an ongoing basis to ensure that the aggregate transaction amount in respect of the transactions under the Master Tenancy Agreement (as supplemented by the 2017 Supplemental MTA and the 2018 Supplemental MTA) since 1 January 2019 and up to the date of the EGM will not reach the thresholds for requiring shareholder's approval under Chapter 14A of the Listing Rules.

The following table sets out the proposed annual caps in respect of the transactions contemplated under the Master Tenancy Agreement (as supplemented by the 2017 Supplemental MTA and the 2018 Supplemental MTA) for each of the three years ending 31 December 2021:

(RMB million)	FY2019	FY2020	FY2021
Total rental	19.0	20.0	21.0

Basis of determination of the proposed annual caps

The proposed annual caps in respect of the transactions contemplated under the Master Tenancy Agreement (as supplemented by the 2017 Supplemental MTA and the 2018 Supplemental MTA) have been determined with reference to: (i) the historical amount of rentals paid or payable by the Group; (ii) the gross floor area of premises to be leased from the Private Group under the Master Tenancy Agreement (as supplemented by the 2017 Supplemental MTA and the 2018 Supplemental MTA); (iii) the prevailing property market conditions of Guangdong Province and Hong Kong; and (iv) the prevailing GDP growth rate of the PRC.

Save for the changes as contemplated by the 2018 Supplemental MTA, all other terms and conditions of the Master Tenancy Agreement (as supplemented by the 2017 Supplemental MTA) remain unchanged and effective. Please refer to the section headed "Continuing Connected Transactions" in the Prospectus, the April 2017 Announcement and the June 2017 Circular for further details of the Master Tenancy Agreement (as supplemented by the 2017 Supplemental MTA).

LETTER FROM THE BOARD

(ii) Continuing connected transactions under the 2018 Master Composite Services Agreement

The Master Composite Services Agreement (as supplemented by the 2017 Supplemental MCSA) and the Master Engineering Service Agreement expired on 31 December 2018. On 18 October 2018, the Company (for itself and on behalf of its subsidiaries) (as service providers) on the one part, entered into the 2018 Master Composite Services Agreement with Clifford Estates Panyu (for itself and on behalf of other members of the Private Group) and Clifford Aged Home (for itself and on behalf of Ms. Wendy Man's Group) (as receiving parties) on the other part, to continue the provision of procurement, property management, laundry, resident support and maintenance, employment placement, property agency services and expansion of engineering and maintenance services and telecommunication services to the receiving parties for the three years ending 31 December 2021 subject to the terms and conditions contained therein. Upon the expiry of the term of the Master Engineering Service Agreement, the engineering and maintenance services will be provided under the 2018 Master Composite Services Agreement with effect from 1 January 2019.

The principal terms of the 2018 Master Composite Services Agreement are summarized as follows:

Date of the 2018 Master Composite Services Agreement:	18 October 2018 (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 other members of the Private Group) and Clifford Aged Home (for itself and on behalf of other members of Ms. Wendy Man's Group) (both as receiving parties)
Term:	three years commencing from 1 January 2019 to 31 December 2021

the term of the 2018 Master Composite Services Agreement may be extended for a period of three years after the expiry of the initial term, subject to compliance with the then applicable provisions of the Listing Rules.

LETTER FROM THE BOARD

Services to be provided by the Group: provision of procurement, property management, laundry, resident support and maintenance, employment placement and property agency services, engineering and maintenance services (relating to information technology, security systems and hardware and software integration) and telecommunication services.

Conditions: the transactions contemplated under the 2018 Master Composite Services Agreement (including the proposed annual caps thereof) are conditional upon (i) 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.

as at the date of this circular, save for the publication of the October 2018 Announcement and this circular (including the obtaining of the advice of the Independent Financial Adviser), none of the above conditions have been fulfilled.

Pricing policy

The pricing policy applicable to services provided under the 2018 MCSA follows that applicable to transactions of similar nature or types which is applicable to services rendered by the Group. Such pricing policy is set out 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 at least one procurement service agreement entered into between the Group (as service providers) and Independent Third Party(ies) (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 4% (which is equivalent to the estimated administrative and/or miscellaneous expenses incurred in processing the orders plus a mark-up), to ensure that the terms offered by the Group shall be no more favourable than those available to Independent Third Parties.

LETTER FROM THE BOARD

- (ii) Property management services the Group determines the property management fee based on the regulations promulgated by the PRC government with reference to the prices charged by at least two property management companies (which are Independent Third Parties) in the neighbourhood to ensure that the prices offered by the Group shall be no more favourable than those available from such companies.
- (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 at least one Independent Third Party laundry service provider for services of a similar nature in the neighbourhood to ensure that the terms offered by the Group shall be no more favourable than those available from Independent Third Party laundry service providers.
- (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 the nature and value of the relevant services rendered by the Group and 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 charges Independent Third Parties (most of whom are local residents).
- in respect of the home cleaning services, the prices are determined by relevant parties on arm's length basis with reference to the prices offered to at least two Independent Third Parties (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. Such prices shall be no more favourable than prices of similar services rendered by the Group to Independent Third Parties.

LETTER FROM THE BOARD

- (v) Employment placement 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 at least one Independent Third Party employment placement agency providing services of a similar nature in the neighbourhood to ensure that the prices offered by the Group are no more favourable than those available from Independent Third Party employment placement agencies.
- (vi) Property agency the property agency fees are determined by relevant parties on arm's length basis with reference to the historical fees paid by the Group and the prevailing market rates of at least one local property agency (which are Independent Third Parties) in the neighbourhood with a similar scale and quality (which are determined with reference to publicly available information) to ensure that the fees offered by the Group are no more favourable than those available from Independent Third Party local property agencies.
- (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 30% to 45%, which is determined with reference to tendering specifications of each project and service fees that the Group charges against Independent Third Parties. After receiving the tendering specifications of the engineering projects, members of the tendering team would analyze 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 the engineering works of similar size and complexity provided to 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

LETTER FROM THE BOARD

the connected person are no less favourable than those charged to Independent Third Parties. The mark-up range for the Target Group's engineering service fees charged against Independent Third Parties is approximately 25% to 45%.

in respect of maintenance services, the prices are determined by relevant parties on arm's length basis with reference to the prices offered to the Independent Third Parties. The prices shall be no less favourable than prices of similar services rendered by the Group to Independent Third Parties. The percentage range of maintenance service fees charged for relevant engineering service contract sum provided to Independent Third Parties is approximately 8% 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 the Group's policy on the service fees that the Group charges or will charge the Independent Third Parties.

Pricing method and procedures

In respect of the procurement, property management, laundry, resident support, employment placement, property agency and 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 chief operating officer of the Company. 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.

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 and/or Ms. Wendy Man's Group, such price and other terms are no less favourable than those of similar services rendered to Independent Third Parties.

LETTER FROM THE BOARD

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

- (i) approximately 8% 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.

Under the 2018 MCSA, 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 2018 Master Composite Services Agreement. The executive Directors will then review and approve the service fees in respect of the services to be charged to the Private Group or Ms. Wendy Man's Group. The executive Directors will closely monitor the service fees charged to the Private Group and Ms. Wendy Man's Group pursuant to the 2018 Master Composite Services Agreement 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.

Proposed annual caps

The initial annual caps in respect of the transactions contemplated under the Master Composite Services Agreement for each of the three years ended 31 December 2018 were, as disclosed in the Prospectus, RMB23.0 million, RMB23.0 million and RMB23.0 million, respectively. On 23 June 2017, the revision of the annual caps for each of the two years ended 31 December 2018 was approved by the then Independent Shareholders at the Company's extraordinary general meeting to RMB37.0 million and RMB41.0 million, respectively.

The historical transaction amount in respect of the transactions contemplated under the Master Composite Services Agreement (as supplemented by the 2017 Supplemental MCSA) for each of the two years ended 31 December 2017 were approximately RMB22.6 million and RMB23.0 million, respectively.

The annual cap in respect of the transactions contemplated under the MES Agreement for the FY2018 was, as disclosed in the October 2017 Announcement, RMB75.0 million.

The MES Agreement was entered into on 16 October 2017. The historical transaction amount in respect of the provision of similar engineering and maintenance services by Guangzhou Kejian (to the Private Group and Ms. Wendy Man's Group for each of FY2015, FY2016 and FY2017 (up to 21 December 2017), the date when the acquisition of Guangzhou Kejian and its holding companies was completed were approximately RMB20.5 million, RMB31.9 million and RMB44.2 million,

LETTER FROM THE BOARD

respectively. The historical transaction amount in respect of the transactions contemplated under the MES Agreement for the FY2017 (after the entering into of the MES Agreement on 21 December 2017) was approximately RMB0.8 million.

So far as the Directors are aware, the annual caps in respect of the transactions contemplated under (i) the Master Composite Services Agreement (as supplemented by the 2017 Supplemental MCSA); and (ii) the Master Engineering Service Agreement for the year ended 31 December 2018 have not been exceeded. The transaction amount in respect of the transactions contemplated under the 2018 Master Composite Services Agreement for the period between 1 January 2019 and the Latest Practicable Date was approximately RMB0.4 million. The Company will closely monitor the aggregate transaction amount on an going basis to ensure that the aggregate transaction amount in respect of the transactions under the 2018 Master Composite Services Agreement since 1 January 2019 and up to the date of the EGM will not reach the thresholds for requiring shareholders' approval under Chapter 14A of the Listing Rules.

The following table sets out the proposed annual caps in respect of the transactions contemplated under the 2018 Master Composite Services Agreement for each of the three years ending 31 December 2021:

(RMB million)	FY2019	FY2020	FY2021
Total	126.0	129.0	138.0

Basis of determination of the proposed annual caps

The proposed annual caps in respect of the transactions contemplated under the 2018 Master Composite Services Agreement have been determined with reference to:

- (i) the historical amount of the service fees charged by the Group;
- (ii) the additional volume of the services to be provided by the Group in connection with the completion of development and sales of some property projects in the next three years;
- (iii) the maintenance service required for the projects implemented and completed in the past three years; and
- (iv) the prevailing GDP growth rate of the PRC.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE 2018 SUPPLEMENTAL MASTER TENANCY AGREEMENT AND THE 2018 MASTER COMPOSITE SERVICES AGREEMENT

As regards the 2018 Supplemental MTA, there is an expected increase in the gross floor area to be leased by the Group for expansion of the Ancillary Living Services (including off-campus training services and laundry services).

As regards the 2018 MCSA, as the Group generally understands the business needs of the Private Group and Ms. Wendy Man's Group, it is expected that the Group will, in its ordinary course of business continue to supply such services to the Private Group and Ms. Wendy Man's Group. The Group's provision of additional volume of services mainly arises as a result of more property projects to be completed and sold, which are located in Panyu district, Huadu district, Foshan city and Zhaoqing city. The basis of services fees to be charged by the Group for additional volume of services will be the same as that provided under the MCSA (as supplemented by the 2017 Supplemental MCSA).

In view of the above, the Directors (including all the INEDs after having regard to the advice of the IFA) are of the view that the terms of the 2018 Supplemental MTA and the 2018 MCSA and the transactions contemplated thereunder (including the respective proposed annual caps thereof) are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group, and are in the interests of the Company and the Shareholders as a whole.

In view of her and/or her associates' interests in the 2018 Supplemental MTA and the 2018 MCSA, Ms. Wendy Man was absent from the Board meeting held on 18 October 2018 and abstained from voting in respect of the relevant resolutions for considering these agreements.

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. Ms. Wendy Man's associates are connected persons of the Company under Rule 14A.07 of the Listing Rules. As at the date of this circular, the ultimate controlling shareholder of the Private Group (including Clifford Estates Panyu) and Ms. Wendy Man's Group (including Clifford Aged Home) is Ms. Wendy Man's Spouse and Ms. Wendy Man, respectively. As such, the Private Group (including Clifford Estates Panyu) and Ms. Wendy Man's Group (including Clifford Aged Home) are associates of Ms. Wendy Man. Accordingly, the entering into of the 2018 Supplemental MTA and the 2018 MCSA constitutes continuing connected transactions of the Company under Chapter 14A of 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 Master Tenancy Agreement (as supplemented by the 2017 Supplemental MTA and the 2018 Supplemental MTA) is more than 5% (but less than 25%) and the annual consideration is more than HK\$10 million, the 2018 Supplemental MTA and the transactions contemplated thereunder (including the proposed annual

LETTER FROM THE BOARD

caps thereof) are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under the Listing Rules.

As all of the applicable percentage ratios (other than the profits ratio) in respect of the aggregate amount of the proposed annual caps under the 2018 Master Composite Services Agreement is more than 25% (but less than 75%), the 2018 Master Composite Services Agreement 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.

(B) PROPOSED RE-ELECTION OF RETIRING DIRECTOR

Ms. HO Suk Mee has been appointed as an executive Director with effect from 1 December 2018.

Pursuant to Article 111 of the articles of association of the Company, any Director appointed to fill a causal vacancy or as an additional Director shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting.

Accordingly, Ms. HO Suk Mee is subject to retirement at the EGM and, being eligible, offers herself for re-election. The Board considers that the re-election of Ms. Ho as an executive Director is in the best interests of the Company and the Shareholders as a whole.

Ms. HO Suk Mee, aged 51, is a marketing director of the Private Group. Ms. Ho is primarily responsible for leading and managing marketing matters of the overall business segments of the Private Group. Ms. Ho joined the Private Group as assistant marketing officer in 1994 and she has since 2000 become a marketing manager managing the overall marketing matters. Ms. Ho was promoted to marketing director in 2006.

Ms. HO Suk Mee was awarded a Diploma in Design (Packaging & Advertising) by the Sha Tin Technical Institute in 1988 and a Higher Certificate in Marketing & Sales Management by the Hong Kong Polytechnic in 1993.

In light of the appointment, Ms. HO Suk Mee has entered into a service contract as an executive Director with the Company for a term of three years commencing on 1 December 2018, and is subject to retirement by rotation and re-election at least once every three years at the annual general meeting of the Company in accordance with the provisions of the articles of association of the Company. Pursuant to her service contract, Ms. Ho will be entitled to (a) a salary of HK\$480,240 on annual basis for rendering services as provided under the service contract; and (b) (in addition to the salary) a fee of HK\$216,000 on annual basis for assuming the office of a Director of the Company, which is determined by the remuneration committee of the Board with reference to her experience and qualification, her duties and responsibilities in the Group, the remuneration standard in the industry and the prevailing market conditions.

LETTER FROM THE BOARD

Save as disclosed above, as at the Latest Practicable Date, Ms. HO Suk Mee does not (i) hold any other position with the Company or its subsidiaries; (ii) hold any other directorships in any other public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years; and (iii) have any relationship with any other Directors of the Company, senior management or substantial or controlling shareholders of the Company (as defined in the Listing Rules).

There is no information relating to Ms. HO Suk Mee that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules. Save as disclosed above, there is no other matter in relation to the appointment of Ms. Ho that needs to be brought to the attention of the Shareholders.

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, catering services, information technology services and Ancillary Living Services.

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

Ms. Wendy Man's Group is principally engaged in the businesses of (among others) aged, maternal and infant care and information technology in the PRC. Its ultimate controlling shareholder is Ms. Wendy Man.

EGM

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, to approve each of the 2018 Supplemental Master Tenancy Agreement, the 2018 Master Composite Services Agreement, and the transactions contemplated thereunder (including the respective proposed annual caps thereof) by way of an ordinary resolution.

Besides, the EGM will be convened for all Shareholders to consider and, if thought fit, to approve the re-election of Ms. HO Suk Mee as an executive Director by way of an ordinary resolution.

A notice convening the EGM to be held at Rooms 1501-02, 15/F Hong Kong Club Building, 3A Charter Road, Central, Hong Kong on Monday, 28 January 2019 at 9:30 a.m. is set out on pages 70 to 72 of this circular.

In accordance with the Listing Rules, any connected person or Shareholder and its associates with a material interest in the 2018 Supplemental Master Tenancy Agreement, the 2018 Master Composite Services Agreement and the transactions contemplated thereunder must

LETTER FROM THE BOARD

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 2018 Supplemental Master Tenancy Agreement and the 2018 Master Composite Services Agreement, Ms. Wendy Man 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 wholly-owned company (namely, Elland Holdings Limited) held 735,840,000 Shares, representing approximately 72.48% of the entire issued share capital of the Company and was interested in 5,000,000 Shares, representing approximately 0.49% 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 2018 Supplemental Master Tenancy Agreement, the 2018 Master Composite Services Agreement and the transactions contemplated thereunder and no other Shareholders are required to abstain from voting on the ordinary resolutions in relation to the 2018 Supplemental Master Tenancy Agreement and the 2018 Master Composite Services Agreement and the transactions contemplated thereunder (including the respective proposed annual caps thereof) 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 of the Company in Hong Kong, Tricor Investor Services Limited, at Level 22, 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 9:30 a.m. (Hong Kong time) on Saturday, 26 January 2019) 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.

RECOMMENDATION

The Directors (including all the INEDs after having regard to the advice of the IFA) consider that the 2018 Supplemental Master Tenancy Agreement, the 2018 Master Composite Services Agreement 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

LETTER FROM THE BOARD

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 2018 Supplemental Master Tenancy Agreement and the 2018 Master Composite Services Agreement are fair and reasonable. The Directors therefore recommend the Independent Shareholders to vote in favour of the resolutions in respect of the 2018 Supplemental Master Tenancy Agreement, the 2018 Master Composite Services Agreement and the transactions contemplated thereunder (including the respective proposed annual caps thereof) as set out in the notice of the EGM.

The Directors also consider that the re-election of Ms. HO Suk Mee as an executive Director is in the interests of the Company and the Shareholders as a whole and recommend you to vote in favour of the resolution in respect of her re-election to be proposed at the EGM.

FURTHER INFORMATION

The Independent Board Committee comprising all three INEDs, namely, Ms. LAW Elizabeth, Mr. HO Cham and Mr. MAK Ping Leung (alias Mr. Mak Wah Cheung), has been appointed to recommend the Independent Shareholders in respect of the 2018 Supplemental Master Tenancy Agreement, the 2018 Master Composite Services Agreement and the transactions contemplated thereunder (including the respective proposed annual caps thereof). Astrum Capital Management 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 27 to 28 of this circular, which contains its recommendation to the Independent Shareholders; (ii) the letter from the Independent Financial Adviser set out on pages 29 to 64 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
LIANG Yuhua
Executive Director



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)

11 January 2019

To the Independent Shareholders

Dear Sir or Madam

**CONTINUING CONNECTED TRANSACTIONS:
(i) THE 2018 SUPPLEMENTAL MASTER TENANCY AGREEMENT;
AND
(ii) THE 2018 MASTER COMPOSITE SERVICES AGREEMENT**

We refer to the circular of the Company dated 11 January 2019 (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 2018 Supplemental Master Tenancy Agreement, the 2018 Master Composite Services Agreement 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 are fair and reasonable so far as the Independent Shareholders are concerned. In this connection, Astrum Capital Management 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 2018 Supplemental Master Tenancy Agreement and the 2018 Master Composite Services Agreement, 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 7 to 26 of the Circular, and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 29 to 64 of the Circular which contains its opinion in respect of the 2018 Supplemental Master Tenancy Agreement, the 2018

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Master Composite Services Agreement and the transactions contemplated thereunder (including the respective proposed annual caps thereof).

Having taken into account the advice of the Independent Financial Adviser and its recommendation in relation thereto, we consider that the 2018 Supplemental Master Tenancy Agreement, the 2018 Master Composite Services Agreement 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, on normal commercial terms, are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend that you vote in favour of the resolutions in respect of the 2018 Supplemental Master Tenancy Agreement, 2018 Master Composite Services Agreement and the transactions contemplated thereunder (including the respective proposed annual caps thereof) as 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

(alias MAK Wah Cheung)

LETTER FROM ASTRUM CAPITAL MANAGEMENT LIMITED

The following is the text of the letter of advice from Astrum Capital Management Limited to the Independent Board Committee and the Independent Shareholders in connection with the 2018 Supplemental MTA and the 2018 MCSA and the transactions contemplated thereunder (including the respective proposed annual caps), which has been prepared for the purpose of inclusion in this circular.



Room 2704, 27/F, Tower 1, Admiralty Centre,
18 Harcourt Road, Admiralty, Hong Kong

11 January 2019

*To the Independent Board Committee and
the Independent Shareholders of
Clifford Modern Living Holdings Limited*

Dear Sirs,

**CONTINUING CONNECTED TRANSACTIONS:
(i) THE 2018 SUPPLEMENTAL MASTER TENANCY AGREEMENT;
AND
(ii) THE 2018 MASTER COMPOSITE SERVICES AGREEMENT**

INTRODUCTION

We refer to our engagement as the independent financial adviser to make recommendations to the independent board committee (the “**Independent Board Committee**”) and the independent shareholders (the “**Independent Shareholders**”) of Clifford Modern Living Holdings Limited (the “**Company**”) in relation to the continuing connected transactions (the “**Continuing Connected Transactions**”) contemplated under the 2018 Supplemental MTA and the 2018 MCSA with the respective proposed annual caps. The details of the Continuing Connected Transactions are disclosed in the announcement of the Company dated 18 October 2018 (the “**Announcement**”) and in the letter from the board (the “**Letter from the Board**”) set out on pages 7 to 26 of the circular of the Company dated 11 January 2019 (the “**Circular**”) to its shareholders, of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 18 October 2018, the Company (for itself and on behalf of its subsidiaries) (as tenant) entered into the 2018 Supplemental MTA with Clifford Estates Panyu (for itself and on behalf of the other property owners which are members of the Private Group) (as landlord), to revise certain terms of the MTA (as supplemented by the 2017 Supplemental MTA).

LETTER FROM ASTRUM CAPITAL MANAGEMENT LIMITED

On 18 October 2018, the Company (for itself and on behalf of its subsidiaries) (as service providers) entered into the 2018 MCSA with Clifford Estates Panyu (for itself and on behalf of other members of the Private Group) and Clifford Aged Home (for itself and on behalf of Ms. Wendy Man's Group) (as receiving parties), to continue the provision of procurement, property management, laundry, resident support and maintenance, employment placement, property agency services and expansion of engineering and maintenance services and telecommunication services to the receiving parties for the three years ending 31 December 2021 subject to the terms and conditions contained therein. Upon the expiry of the term of the MES Agreement, the engineering and maintenance services will be provided under the 2018 MCSA with effect from 1 January 2019.

Ms. Wendy Man is an executive Director, the chairman of the Board and one of the controlling Shareholders. 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) and Ms. Wendy Man's Group (including Clifford Aged Home) is Ms. Wendy Man's Spouse and Ms. Wendy Man, respectively. As such, the Private Group (including Clifford Estates Panyu) and Ms. Wendy Man's Group (including Clifford Aged Home) are associates of Ms. Wendy Man. Accordingly, the entering into of the 2018 Supplemental MTA and the 2018 MCSA constitutes continuing connected transactions of the Company under Chapter 14A of 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 MTA (as supplemented by the 2017 Supplemental MTA and the 2018 Supplemental MTA) is more than 5% (but less than 25%) and the annual consideration is more than HK\$10 million, the 2018 Supplemental MTA 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.

As all of the applicable percentage ratios (other than the profits ratio) in respect of the aggregate amount of the proposed annual caps under the 2018 MCSA is more than 25% (but less than 75%), the 2018 MCSA 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.

By virtue of Ms. Wendy Man's (or, as the case may be, her associates') interests in the 2018 Supplemental MTA and the 2018 MCSA, Ms. Wendy Man 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 wholly-owned company (namely Elland Holdings Limited) held 735,840,000 Shares and was beneficially interested in 5,000,000 Shares, respectively, representing approximately 72.48% and 0.49% 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 2018 Supplemental MTA, the 2018

LETTER FROM ASTRUM CAPITAL MANAGEMENT LIMITED

MCSA and the transactions contemplated thereunder and no other Shareholders are required to abstain from voting on the ordinary resolutions in relation to the 2018 Supplemental MTA and the 2018 MCSA and the transactions contemplated thereunder (including the respective proposed annual caps thereof) to be proposed at the EGM.

An Independent Board Committee, comprising all the INEDs, namely Ms. Law Elizabeth, Mr. Ho Cham and Mr. Mak Ping Leung (*alias Mr. Mak Wah Cheung*), has been established to make recommendations to the Independent Shareholders in respect of the terms of the 2018 Supplemental MTA and the 2018 MCSA and the transactions contemplated thereunder (including the respective proposed annual caps thereof) and as to voting at the EGM. We, Astrum Capital Management Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

INDEPENDENCE DECLARATION

As at the Latest Practicable Date, we were not aware of any relationships or interests between Astrum Capital Management Limited, the Company, the Private Group, Ms. Wendy Man's Group and/or any of their respective substantial shareholders, directors or chief executive, or any of their respective associates. In the last two years, there was no other engagement between the Group and Astrum Capital Management Limited. Apart from the normal advisory fees payable to us for the relevant engagement in relation to the Continuing Connected Transactions, no other arrangement exists whereby we will receive any fees and/or benefits from the Group. Accordingly, Astrum Capital Management Limited is independent as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the Continuing Connected Transactions.

BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have reviewed, *inter alia*, the Announcement, the Circular, the 2018 Supplemental MTA, the 2018 MCSA, the Prospectus, the annual report of the Company for the financial year ended 31 December 2017 (the "**2017 Annual Report**") and the interim report of the Company for the six months ended 30 June 2018 (the "**2018 Interim Report**"). We have also reviewed certain information provided by the management of the Company (the "**Management**") relating to the operations, financial conditions and prospects of the Group. We have also (i) considered such other information, analyses and market data which we deemed relevant; and (ii) conducted discussions with the Management regarding the Continuing Connected Transactions, the businesses and future outlook of the Group. We have assumed that such information and statements, and any representation made to us, are true, accurate and complete in all material respects as of the date hereof and we have relied upon them in formulating our opinion.

All Directors collectively and individually accept full responsibility for the purpose of giving information with regard to the Company in the Announcement and the Circular and, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the

LETTER FROM ASTRUM CAPITAL MANAGEMENT LIMITED

information contained in the Announcement and the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters not contained in the Announcement and the Circular, the omission of which would make any statement herein or in the Announcement and the Circular misleading. We consider that we have performed all necessary steps to enable us to reach an informed view regarding the terms of, and the reasons for entering into, the 2018 Supplemental MTA and the 2018 MCSA and to justify our reliance on the information provided so as to provide a reasonable basis of opinion. We have no reasons to suspect that any material information has been withheld by the Directors or the Management, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Group. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us, as at the Latest Practicable Date. This letter is issued to provide the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Continuing Connected Transactions. Except for the inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall it be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether the terms of the 2018 Supplemental MTA and the 2018 MCSA (including the respective proposed annual caps thereof) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, we have taken into account the principal factors and reasons set out below:

1. Information on the Company

According to the 2018 Interim Report, the Group is a service provider with a diversified service portfolio comprising six main service segments, namely (i) property management services; (ii) renovation and fitting-out services; (iii) retail services; (iv) catering services; (v) information technology services; and (vi) ancillary living services (including off-campus training services, property agency services, employment placement services and laundry services).

LETTER FROM ASTRUM CAPITAL MANAGEMENT LIMITED

The following table sets out the audited financial information of the Group for the two financial years ended 31 December 2016 and 31 December 2017 (“**FY2016**” and “**FY2017**”, respectively) as extracted from the 2017 Annual Report, and the unaudited financial information of the Group for the six months ended 30 June 2017 and 30 June 2018 (“**1H2017**” and “**1H2018**”, respectively) as extracted from the 2018 Interim Report:

Table 1: Financial information of the Group

	FY2016	FY2017	1H2017	1H2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(unaudited)	(unaudited)
	(Restated)		(Restated)	
	<i>(Note)</i>		<i>(Note)</i>	
Revenue	327,196	365,387	172,918	186,138
– Property management services	41,907	55,738	22,778	26,325
– Renovation and fitting-out services	10,073	24,336	8,779	16,358
– Retail services	100,665	105,070	52,455	53,917
– Catering services	85,632	66,807	39,300	13,956
– Information technology services	37,515	48,059	20,034	46,968
– Ancillary living services	51,404	65,377	29,572	28,614
Gross profit	129,451	151,600	72,076	85,083
Profit before income tax	47,834	84,819	33,979	51,956
Profit for the year/period	27,831	57,388	22,991	38,052
Profit attributable to owners of the Company for the year/period	25,024	56,325	21,928	38,052

Source: the 2017 Annual Report and the 2018 Interim Report

Note: In 2017, the Group completed the acquisition of the entire issued share capital of Easy South Limited (“**Easy South**”), and the shareholder’s loan of approximately HK\$11,357,000 owed by Easy South and/or its subsidiaries (the “**Easy South Group**”) to Ms. Wendy Man, from Ms. Wendy Man at the total consideration of HK\$23,000,000 (the “**Acquisition**”). Since the Group and the Easy South Group are ultimately controlled by Ms. Wendy Man both before and after the Acquisition, the Acquisition is regarded as a business combination under common control. Accordingly, the Group has applied merger accounting to account for the Acquisition in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combination” issued by the HKICPA. Results of operations for FY2016 and the financial position as at 31 December 2016 of the Group were restated.

LETTER FROM ASTRUM CAPITAL MANAGEMENT LIMITED

In FY2017, the Group tapped into the information technology business in the PRC through acquiring the entire issued share capital of Easy South from Ms. Wendy Man. The Easy South Group is principally engaged in the provision of engineering and maintenance services (relating to information technology, security systems, and hardware and software integration) in the PRC. For further details of the Acquisition, please refer to the circular of the Company dated 29 November 2017.

During FY2017, the Group recorded total revenue of approximately RMB365.4 million, representing an annual growth of approximately 11.7% as compared to approximately RMB327.2 million in FY2016. Such increase was mainly attributable to the increase in revenue from the Group's property management services, renovation and fitting-out services, information technology services and ancillary living services, and was partially offset by the decrease in revenue from the Group's catering services. In line with the increase in revenue, gross profit increased from approximately RMB129.5 million in FY2016 to approximately RMB151.6 million in FY2017. Due to the increase in gross profit, coupled with the decrease in administrative expenses from approximately RMB61.3 million in FY2016 to approximately RMB44.9 million in FY2017 due to the non-incurrence of listing expenses in FY2017 (FY2016: approximately RMB22.9 million), the Group's profit increased significantly from approximately RMB27.8 million in FY2016 to approximately RMB57.4 million in FY2017. Without taking into account the listing expenses of approximately RMB22.9 million incurred in FY2016, the Group would have recognized profit of approximately RMB50.7 million in FY2016, which was slightly lower than that for FY2017.

Revenue of the Group increased by approximately 7.6% from approximately RMB172.9 million in 1H2017 to approximately RMB186.1 million in 1H2018. According to the 2018 Interim Report, such increase was mainly attributable to the increase in revenue from the Group's property management services, information technology services, renovation and fitting-out services, as well as retail services, and was partially offset by the drop in revenue from the Group's catering services. The Group's gross profit increased from approximately RMB72.1 million in 1H2017 to approximately RMB85.1 million in 1H2018, which was in line with the increase in the Group's revenue. Profit attributable to owners of the Company amounted to approximately RMB38.1 million in 1H2018, representing a period-on-period growth of approximately 73.5% as compared to approximately RMB21.9 million in 1H2017. Such improvement was mainly driven by (i) the increase in gross profit; (ii) the decrease in administrative expenses from approximately RMB23.6 million in 1H2017 to approximately RMB21.1 million in 1H2018; and (iii) the recognition of other gain of approximately RMB1.0 million in 1H2018 (1H2017: loss of approximately RMB1.8 million).

2. Information on the Private Group and Ms. Wendy Man's Group

The Private Group is principally engaged in the businesses of, among others, property development, property investment, hotel investment and management, education, hospital

LETTER FROM ASTRUM CAPITAL MANAGEMENT LIMITED

and medical services in the PRC. Its ultimate controlling shareholder is Mr. Pang Lun Kee Clifford, the spouse of Ms. Wendy Man.

Ms. Wendy Man's Group is principally engaged in the businesses of, among others, aged, maternal and infant care and information technology in the PRC. Its ultimate controlling shareholder is Ms. Wendy Man, an executive Director, the chairman of the Board and the controlling Shareholder.

3. Background of, reasons for, and benefits of the entering into of the 2018 Supplemental MTA and the 2018 MCSA

A. The 2018 Supplemental MTA

The Group has been from time to time leasing premises from various landlords (including but not limited to the Private Group) in its usual and ordinary course of business as it does not own any properties. Such premises are used as offices, retail outlets such as supermarket, wet market and convenience store, catering outlets, learning centres, property agency outlets, employment placement centres and laundry facilities and shops.

To facilitate the leasing arrangement between the Group and the Private Group, on 21 October 2016, the Company (on behalf of its subsidiaries) (as tenant) and Clifford Estates Panyu (for itself and on behalf of the other property owners which are members of the Private Group) (as landlord) entered into the MTA, pursuant to which the Group has agreed to lease certain properties (including other properties which the Group may lease from the Private Group in the future) from members of the Private Group for a term of ten years commencing from 1 January 2016 (with an option to renew for a successive period of ten years by mutual consent upon the initial expiry) with the proposed annual caps for the three years ended 31 December 2018. The Group has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules for the MTA. Please refer to the section headed "Continuing Connected Transactions" of the Prospectus for further details of the MTA.

On 28 April 2017, the Company (for itself and on behalf of its subsidiaries) (as tenant) and Clifford Estates Panyu (for itself and on behalf of the other property owners which are members of the Private Group) (as landlord) entered into the 2017 Supplemental MTA to revise certain terms of the MTA so as to accommodate the expected increase in the lettable area to be leased by the Group from the Private Group. The 2017 Supplemental MTA and the transactions contemplated thereunder were duly approved by the then Shareholders at the extraordinary general meeting of the Company held on 23 June 2017 (the "2017 CCT EGM"). Please refer to the June 2017 Circular for further details of the 2017 Supplemental MTA.

LETTER FROM ASTRUM CAPITAL MANAGEMENT LIMITED

As advised by the Management, as at 30 September 2018, the Group leased 61 premises from the Private Group with an aggregate gross floor area (“**GFA**”) of approximately 32,900 square meters under the MTA (as supplemented by the 2017 Supplemental MTA).

Pursuant to Rule 14A.53 of the Listing Rules, the listed issuer must set an annual cap for the continuing connected transaction. Accordingly, on 18 October 2018, the Company (for itself and on behalf of its subsidiaries) (as tenant) and Clifford Estates Panyu (for itself and on behalf of the other property owners which are members of the Private Group) (as landlord) entered into the 2018 Supplemental MTA to revise certain terms of the MTA (as supplemented by the 2017 Supplemental MTA) and set the annual caps for the next three years ending 31 December 2021.

Having considered the facts that (i) the Group has been from time to time leasing certain premises from various landlords (including but not limited to the Private Group) in its usual and ordinary course of business; (ii) the term of the MTA (as supplemented by the 2017 Supplemental MTA) is ten years commencing from 1 January 2016 and up to 31 December 2025, with an option to renew for a successive period of ten years by mutual consent upon the initial expiry; (iii) a listed issuer must set an annual cap for the continuing connected transaction pursuant to Rule 14A.53 of the Listing Rules, we consider it requisite for the Company to propose the annual caps for the next three years ending 31 December 2021 so as to fulfil the requirement of the Listing Rules, and that the entering into of the 2018 Supplemental MTA is in the interests of the Company and the Shareholders as a whole.

B. The 2018 MCSA

The Group has been from time to time providing various types of services (including but not limited to procurement services, property management services, laundry services, resident support services (comprising renovation and fitting of properties, property repairs and maintenance and home cleaning), employment placement service, property agency services, engineering and maintenance services (relating to information technology, security systems and hardware and software integration) and telecommunication services (altogether, the “**Composite Services**”)) to different customers (including but not limited to the Private Group and Ms. Wendy Man’s Group). Revenue derived from the provision of the Composite Services amounted to approximately RMB80.5 million, approximately RMB117.4 million and approximately RMB129.4 million for the two years ended 31 December 2016 and 2017 and for the eight months ended 31 August 2018, respectively.

Indeed, the Group has been carrying on transactions pursuant to the MCSA (as supplemented by the 2017 Supplemental MCSA) entered into between the Company (for itself and on behalf of its subsidiaries) (as service providers) and Clifford Estates Panyu (for itself and on behalf of other members of the Private Group) and Clifford Aged Home (for itself and on behalf of other members of Ms. Wendy Man’s Group)

LETTER FROM ASTRUM CAPITAL MANAGEMENT LIMITED

(as service receivers) on 21 October 2016 in relation to the provision of the Composite Services (excluding engineering and maintenance services (relating to information technology, security systems and hardware and software integration) and telecommunication services) from the Group to the Private Group and Ms. Wendy Man's Group, which constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules. The Group has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules for the MCSA, whereas the 2017 Supplemental MCSA and the transactions contemplated thereunder were duly approved by the then Shareholders at the 2017 CCT EGM. Please refer to the section headed "Continuing Connected Transactions" of the Prospectus and the June 2017 Circular for further details of the MCSA and the 2017 Supplemental MCSA, respectively.

On 16 October 2017, Green Charm, an indirect wholly-owned subsidiary of the Company, entered into the 2017 SP Agreement with Ms. Wendy Man pursuant to which Green Charm agreed to acquire, and Ms. Wendy Man agreed to disposed of, the entire equity interest in Easy South and the shareholder's loan of approximately HK\$11,357,000 owed by the Easy South Group to Ms. Wendy Man at the total consideration of HK\$23,000,000 (the "**Acquisition**"). The Easy South Group is principally engaged in the provision of engineering and maintenance services (relating to information technology, security systems and hardware and software integration) to, among other persons, the Private Group and Ms. Wendy Man's Group. Upon completion of the Acquisition, Easy South would become a wholly-owned subsidiary of the Company, and it was expected that the provision of services from the Easy South Group to the Private Group and Ms. Wendy Man's Group, which will constitute continuing connected transactions on the part of the Company under Chapter 14A of the Listing Rules, will continue. Accordingly, on the same date of the 2017 SP Agreement, Guangzhou Kejian, the operating company of the Easy South Group, entered into the MES Agreement with Clifford Estates Panyu (for itself and on behalf of other members of the Private Group) and Clifford Aged Home (for itself and on behalf of other members of Ms. Wendy Man's Group) in relation to the provision of engineering and maintenance services (relating to information technology, security systems, and hardware and software integration) from the Group to the Private Group and Ms. Wendy Man's Group for the period commencing from the completion date of the Acquisition and ended on 31 December 2018. The 2017 SP Agreement and the MES Agreement and the transactions contemplated thereunder were duly approved by the then Shareholders at the extraordinary general meeting of the Company held on 18 December 2017. Completion of the Acquisition subsequently took place on 21 December 2017. According to the Letter from the Board, the historical transaction amount in respect of the provision of similar engineering and maintenance services by Guangzhou Kejian (to the Private Group and Ms. Wendy Man's Group) for each of FY2015, FY2016 and FY2017 (up to 21 December 2017) were approximately RMB20.5 million, RMB31.9 million and RMB44.2 million, respectively. For further

LETTER FROM ASTRUM CAPITAL MANAGEMENT LIMITED

details of the Acquisition and the MES Agreement, please refer to the circular of the Company dated 29 November 2017.

As advised by the Management, the Private Group and Ms. Wendy Man's Group are one of the Group's major customers. The Group's revenue derived from the provision of the Composite Services to the Private Group and Ms. Wendy Man's Group under the MCSA (as supplemented by the 2017 Supplemental MCSA) and the MES Agreement amounted to approximately RMB22.6 million for FY2016, approximately RMB23.0 million for FY2017 and approximately RMB64.8 million for the eight months ended 31 August 2018, respectively, representing (i) approximately 28.1%, approximately 19.6% and approximately 50.1% of the Group's total revenue from the provision of the Composite Services for the respective years/period; and (ii) approximately 6.9%, approximately 6.3% and approximately 25.1% of the Group's total revenue for the respective years/period.

Given that (i) the MCSA (as supplemented by the 2017 Supplemental MCSA) and the MES Agreement were expected to expire on 31 December 2018; and (ii) it is expected that the Group will continue to enter into transactions of similar nature with the Private Group and Ms. Wendy Man's Group from time to time thereafter, the Company, Clifford Estates Panyu and Clifford Aged Home entered into the 2018 MCSA on 18 October 2018 as an extension of the MCSA (as supplemented by the 2017 Supplemental MCSA) and the MES Agreement.

Having considered the facts that (i) it is in the usual course of business of the Group to provide the Composite Services to customers; (ii) the Private Group and Ms. Wendy Man's Group are one of the Group's major customers; (iii) the Private Group and Ms. Wendy Man's Group contributed approximately 28.1%, approximately 19.6% and approximately 50.1% of the Group's total revenue from the provision of the Composite Services for the two years ended 31 December 2016 and 2017 and for the eight months ended 31 August 2018, respectively; (iv) the MCSA (as supplemented by the Supplemental MCSA) and the MES Agreement expired on 31 December 2018; (v) it is expected that the Group will continue to enter into transactions of similar nature with the Private Group and Ms. Wendy Man's Group from time to time thereafter; and (vi) the terms of the 2018 MCSA are fair and reasonable and on normal commercial terms (please refer to our analysis as set out in the paragraph headed "*4. Principal terms of the 2018 Supplemental MTA and the 2018 MCSA*" below), we concur with the Directors' view that the continuing connected transactions contemplated under the 2018 MCSA are in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM ASTRUM CAPITAL MANAGEMENT LIMITED

4. Principal terms of the 2018 Supplemental MTA and the 2018 MCSA

A. *The 2018 Supplemental MTA*

According to the Letter from the Board, the principal terms of the MTA (as supplemented by the 2017 Supplemental MTA and the 2018 Supplemental MTA) are as follows:

- Date : MTA: 21 October 2016
- 2017 Supplemental MTA: 28 April 2017
- 2018 Supplemental MTA: 18 October 2018
- Parties : (i) the Company (for itself and on behalf of its subsidiaries) (as tenant); and
- (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 2018 Supplemental MTA : in accordance with the 2018 Supplemental MTA, the Group will be leasing from the Private Group premises with a total accumulated gross floor area of 38,300 square meters in Panyu district and Huadu district, Foshan City and Hong Kong. Details of the premises (i) leased before entering into the 2018 Supplemental MTA; (ii) to be leased under the 2018 Supplemental MTA; and (iii) to be leased under the MTA (as supplemented by the 2017 Supplemental MTA and the 2018 Supplemental MTA) are set out below:

LETTER FROM ASTRUM CAPITAL MANAGEMENT LIMITED

	Premises leased from the Private Group immediately before entering into the 2018 Supplemental MTA	Additional premises to be leased under the 2018 Supplemental MTA	Total Number of leases <i>(in sq. m.)</i>	Total gross floor area <i>(in sq. m.)</i>	Total Number of additional leases <i>(in sq. m.)</i>	Total gross floor area <i>(in sq. m.)</i>	Total number of premises to be leased under the MTA (as supplemented by the 2017 Supplemental MTA and the 2018 Supplemental MTA)
Panyu district	55	1	56	30,674	1,436	32,110	
Huadu District	2	1	3	147	4,000	4,147	
Foshan City	2	-	2	46	-	46	
Hong Kong	2	-	2	2,034	-	2,034	
Total	<u>61</u>	<u>2</u>	<u>63</u>	<u>32,901</u>	<u>5,436</u>	<u>38,337</u>	

Use : mainly operating as business outlets or office

Changes in leased premises : where there are any changes in leased premises (as to be governed under the MTA (as supplemented by the 2017 Supplemental MTA)) 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 the MTA (as supplemented by the 2017 Supplemental MTA and the 2018 Supplemental MTA), 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.

LETTER FROM ASTRUM CAPITAL MANAGEMENT LIMITED

Term : the original term under the MTA (as supplemented by the 2017 Supplemental MTA and the 2018 Supplemental MTA) commenced with effect from 1 January 2016 until the tenth anniversary of such commencement date (“**Initial Lease Period**”) 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 provisions of the Listing Rules. No change in such connection is made under the 2018 Supplemental MTA.

In assessing the fairness and reasonableness of the terms of the MTA (as supplemented by the 2017 Supplemental MTA and the 2018 Supplemental MTA), we have discussed with the Management on the terms of the MTA (as supplemented by the 2017 Supplemental MTA and the 2018 Supplemental MTA) (in particular, the pricing policy), and were advised that the annual rentals of new premises to be leased from the Private Group to the Group will be determined after arm’s length negotiations between the relevant parties with reference to the prevailing market rates of local properties in the neighborhood with a similar scale and quality. The prevailing market rates of local properties are determined with reference to the comparable information (the “**Comparable Information**”) including: (1) quotations of one or more similar comparable properties owned by Independent Third Parties in the neighboring area provided by independent estate agency (the “**Independent Estate Agency Quotation**”); (2) the terms of at least one existing tenancy agreement (the “**Private Group Other 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 (3) where items (1) and (2) are not available or applicable, at least two quotations provided by the Private Group (as landlord) to Independent Third Party(ies) (as tenant) in relation to premises located near or next to the subject premises, which has not eventually led to the entering into of formal tenancy agreement. Future increments will be determined based on the growth rate of the GDP of the PRC in the immediately preceding year (subject to a cap of 7% per annum). We were further advised by the Management that the Group has designed and implemented a series of internal control procedures (the “**MTA Internal Control Procedures**”) in respect of the continuing connected transactions contemplated under the MTA (as supplemented by the 2017 Supplemental MTA and the 2018 Supplemental MTA). Details of which were summarized as below:

- (i) When a new lease is to be entered into between the members of the Group and the Private Group, the Private Group will provide the draft rental agreement and the rental price offered to the Group, and General Managers from the Group’s operations departments will be responsible for the collection of the Comparable Information (as detailed above) and the

LETTER FROM ASTRUM CAPITAL MANAGEMENT LIMITED

assessment of the reasonableness of the rental price offered by the Private Group, which will then be reviewed by the Chief Operating Officer of the Company.

- (ii) The assessment and the Comparable Information will then be passed to the finance department for verification and second review. The finance manager will also assess as to whether the annual caps of the MTA (as supplemented by the 2017 Supplemental MTA and the 2018 Supplemental MTA) would be exceeded if the Group enters into such new lease, and as to whether the terms offered by the Private Group in the respective draft tenancy agreement are in compliance with the MTA (as supplemented by the 2017 Supplemental MTA and the 2018 Supplemental MTA).
- (iii) The executive Directors (excluding Ms. Wendy Man) will then review and approve the rental price offered by the Private Group, the respective draft tenancy agreement, and the assessment performed by the Group's operations departments.
- (iv) The Chief Operating Officer of the Company will from time to time review the annual rentals agreed between the Group and the Private Group, and compare them with the prevailing market rate of local properties in the neighborhood with a similar scale and quality.
- (v) The executive Directors will closely monitor the rental paid or payable to the Private Group pursuant to the MTA (as supplemented by the 2017 Supplemental MTA and the 2018 Supplemental MTA) regularly on a monthly basis to ensure that the annual caps are not exceeded and to ensure the implementation of the relevant internal control measures as mentioned above.

Upon review of the MTA Internal Control Procedures and our discussion with the Management, we are of the view that the implementation of the MTA Internal Control Procedures can ensure that the Group would lease premises from the Private Group with favorable terms available to the Group under a systematic procedure, and thus safeguard the interests of the Company and the Shareholders as a whole.

As part of our due diligence, we have obtained and reviewed 10 sets of sample walk-through documents (including, where available and applicable, (i) draft rental agreements (including rental price offered by the Private Group to the Group); (ii) the relevant Comparable Information collected by the Group's operations departments for assessment on such new leases; (iii) the Group's internal assessment record; (iv) the tenancy agreements entered into between the Group and the Private Group; and (v) the relevant payment records) (the "**MTA Walk-through Documents**") provided by the Group in respect of the properties leased by the Group from the Private Group under the MTA (as supplemented by the 2017 Supplemental MTA). Based on our review on

LETTER FROM ASTRUM CAPITAL MANAGEMENT LIMITED

the MTA Walk-through Documents, we noted that the transactions under the MTA (as supplemented by the 2017 Supplemental MTA) were carried out in accordance with the MTA Internal Control Procedures. We are of the view that the pricing policy and mechanism in respect of the lease of properties has been well in place, and the interests of the Company and the Shareholders are properly safeguarded.

The term of the MTA (as supplemented by the 2017 Supplemental MTA and the 2018 Supplemental MTA) is 10 years commencing from 1 January 2016 and up to 31 December 2025, which is longer than 3 years. We have discussed with the Management in this regard and agree with the view of the Management that it is requisite for the Group to enter into long-term leases after taking into account the facts that:

- (i) the Group's operation of catering and retail outlets (such as restaurants, supermarkets and convenience stores) and the use of offices are expected to be longer than three years;
- (ii) the Group would have to make a substantial amount of capital investments on setting up the leased premises for its use as offices and operating outlets (such as restaurants, supermarkets and convenience stores);
- (iii) the long-term leases of premises would prevent unnecessary cost, effort, time and interruption of business caused by relocation, as well as the recurrence of initial investment costs (such as initial set-up cost and interior decoration) in the near future; and
- (iv) relocation of the Group's outlets may induce additional business risks (such as loss of customers) and therefore affect the business performance of the Group.

Having considered the above, in particular the facts that (i) the terms of the MTA (as supplemented by the 2017 Supplemental MTA and the 2018 Supplemental MTA) were determined after arm's length negotiation between the Group and the Private Group; (ii) the Group has designed and implemented the MTA Internal Control Procedures in respect of the continuing connected transactions contemplated under the MTA (as supplemented by the 2017 Supplemental MTA and the 2018 Supplemental MTA); (iii) the implementation of the MTA Internal Control Procedures can ensure that the Group would lease premises from the Private Group with favorable terms available to the Group under a systematic procedure, and thus safeguard the interests of the Company and the Shareholders as a whole; (iv) the Group's operation of catering and retail outlets (such as restaurants, supermarkets and convenience stores) and the use of offices are expected to be longer than three years; and (v) the long-term leases of premises would prevent unnecessary cost, effort, time and interruption of business caused by relocation, as well as the recurrence of initial investment costs (such as initial set-up cost and interior decoration) in the near future, we consider that

LETTER FROM ASTRUM CAPITAL MANAGEMENT LIMITED

the terms of the MTA (as supplemented by the 2017 Supplemental MTA and the 2018 Supplemental MTA) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

B. The 2018 MCSA

According to the Letter from the Board, the principal terms of the 2018 MCSA are as follows:

- Date : 18 October 2018
- Parties : (i) the Company (for itself and on behalf of its subsidiaries) (as service providers); and
- (ii) Clifford Estates Panyu (for itself and on behalf of other members of the Private Group) and Clifford Aged Home (for itself and on behalf of other members of Ms. Wendy Man's Group) (both as receiving parties)
- Term : three years commencing from 1 January 2019 to 31 December 2021
- the term of the 2018 MCSA may be extended for a period of three years after the expiry of the initial term, subject to compliance with the then applicable provisions of the Listing Rules
- Services to be provided by the Group : provision of procurement, property management, laundry, resident support and maintenance, employment placement and property agency services, engineering and maintenance services (relating to information technology, security systems and hardware and software integration) and telecommunication services

In assessing the fairness and reasonableness of the terms of the 2018 MCSA, we have reviewed and compared the terms of the MCSA (as supplemented by the 2017 Supplemental MCSA) and the 2018 MCSA, and noted that the difference between the agreements is the inclusion of provision of engineering and maintenance services (relating to information technology, security systems, and hardware and software integration) and telecommunication services from the Group to the Private Group and Ms. Wendy Man's Group, which are currently contemplated under the MES Agreement, to the scope of services of the 2018 MCSA. Apart from the aforesaid, all other major terms of the MCSA (as supplemented by the 2017 Supplemental MCSA) remain unchanged and in full force and effect.

LETTER FROM ASTRUM CAPITAL MANAGEMENT LIMITED

We have further discussed with the Management on the terms of the 2018 MCSA (in particular, the pricing terms), and were advised that save for the telecommunication services, the determination basis of the relevant service fees for the Composite Services to be provided by the Group to the Private Group and Ms. Wendy Man's Group under the 2018 MCSA will be substantially the same as that provided under the MCSA (as supplemented by the 2017 Supplemental MCSA) and the MES Agreement. The relevant pricing policies for the services provided under the 2018 MCSA are 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 at least one procurement service agreement entered into between the Group (as service provider) and Independent Third Party(ies) (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 4% (which is equivalent to the estimated administrative and/or miscellaneous expenses incurred in processing the orders plus a mark-up), to ensure that the terms offered by the Group shall be no more favorable than those available to Independent Third Parties.

We have enquired the Management in respect of the pricing policy for the provision of procurement services to the Independent Third Parties and were advised that it is the Group's pricing policy to charge the Independent Third Parties the service fee based on the trading cost (including purchase price and other costs) of the relevant products plus a premium of 3%, which is lower than those charged to the Private Group and Ms. Wendy Man's Group (i.e. 4%). However, as at the Latest Practicable Date, the Group had not provided any procurement services to the Independent Third Parties. Accordingly, the procurement services provided by the Group to the Private Group and Ms. Wendy Man's Group under the MCSA (as supplemented by the 2017 Supplemental MCSA) were charged based on the trading cost (including purchase price and other costs) of the relevant products plus a premium of approximately 4%.

LETTER FROM ASTRUM CAPITAL MANAGEMENT LIMITED

As advised by the Management, the Group's principal rationale of setting mark-up percentage as 4% is to ensure that the mark-up cost could fully cover the estimated administrative and/or miscellaneous expenses incurred in processing the orders. In this regard, we have obtained from the Management, and reviewed, (i) the trading cost; and (ii) the administrative and miscellaneous expenses in relation to the provision of the procurement services to the Private Group and Ms. Wendy Man's Group for the two years ended 31 December 2017 and for the eight months ended 31 August 2018, and noted therefrom that the administrative and miscellaneous expenses incurred in the provision of the procurement services represented approximately 1% of the trading cost for the respective periods. Accordingly, we are of the view that it is fair and reasonable to set the mark-up percentage as 4%.

In relation to the adoption of cost-plus pricing basis for the provision of procurement services, we have discussed with the Management, and were given to understand that unlike wholesalers, the Group would only procure products upon the receipt of orders from its customers after taking into account the facts that (i) the wide variety of products being procured by the Group for its customers (including food, beverages and sundry items); and (ii) the relatively small order size of each product. Accordingly, the Group's cost incurred for the provision of procurement services would be directly related to the purchase cost of the products. Based on our research, most, if not all, of the products under procurement are not subject to price control policies promulgated by the PRC government (e.g. the Price Law of the PRC (中華人民共和國價格法)) and therefore, we concur with the Management's view that it is difficult for the Group to locate the standard market price or price index of the products being procured through reliable sources of data. In view of the above, and in the absence of the comparable market prices (including the terms of at least one procurement service agreement entered into between the Group (as service provider) and Independent Third Party(ies) (as receiving parties) with similar purchase volume), we are of the view that the cost-plus pricing basis is the most suitable and commercially sensible pricing policy, so as to ensure that the Group could retain reasonable amount of margin after taking into account the purchase cost of products and the estimated administrative and/or miscellaneous expenses incurred in processing the orders.

LETTER FROM ASTRUM CAPITAL MANAGEMENT LIMITED

In view of the above, we consider that the service fees charged by the Group to the Private Group and Ms. Wendy Man's Group are on normal commercial terms and no more favorable than those available to Independent Third Parties.

(ii) Property
management

Property management fee is determined by the Group based on the regulations promulgated by the PRC government with reference to the prices charged by at least two property management companies (which are the Independent Third Parties) in the neighborhood to ensure that the prices offered by the Group shall be no more favorable than those available from such companies.

(iii) Laundry

Laundry service fee is determined by the relevant parties through arm's length negotiation, with reference to the laundry fees charged by at least one Independent Third Party laundry service provider for services of a similar nature in the neighborhood to ensure that the terms offered by the Group shall be no more favorable than those available from Independent Third Party laundry service providers.

(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 the nature and value of the relevant services rendered by the Group and 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 charges against the Independent Third Parties (most of whom are local residents).

We were given to understand from the Management that it is a normal practice for the renovation and property fitting service providers to charge their customers on a cost-plus pricing basis. To enhance its competitiveness, the Group will normally charge a smaller mark-up percentage for those projects with lower complexity and/or larger project size. As advised by the Management, the Group will charge the Private Group and/or Ms. Wendy Man's Group a mark-up percentage ranging from 30% to 40% for those projects with project size higher than RMB2.0 million, and a mark-up percentage ranging from 41% to 45% for those projects with project size lower than RMB2.0 million.

LETTER FROM ASTRUM CAPITAL MANAGEMENT LIMITED

We have further enquired the Management in respect of the pricing policy for the provision of renovation and property fitting services to the Independent Third Parties and were advised that the service fee charged by the Group to the Independent Third Parties would be the actual costs and expenses incurred plus a mark-up ranging from approximately 10% to 40%. The mark-up percentage charged over the actual costs and expenses incurred would be determined by the Group on a case-by-case basis with reference to, among others, the nature, complexity and value of the relevant services. Generally speaking, the Group will charge the Independent Third Parties a mark-up percentage ranging from 10% to 20% for those projects with project size higher than RMB2.0 million, and a mark-up percentage ranging from 10% to 40% for those projects with project size lower than RMB2.0 million. As part of our due diligence, we have obtained and reviewed 5 sets of sample walk-through documents in respect of the provision of renovation and property fitting services by the Group to the Independent Third Parties, and observed that fee charged by the Group to the Independent Third Parties is in line with the aforementioned pricing policy.

In view of the above, in particular the facts that (i) the service fee charged by the Group to the Private Group and Ms. Wendy Man's Group for the provision of renovation and property fitting services is determined by relevant parties on arm's length basis; (ii) it is a normal practice for the renovation and property fitting service providers to charge their customers on a cost-plus pricing basis; (iii) for those projects with project size higher than RMB2.0 million, the Group will charge the Private Group and Ms. Wendy Man's Group a mark-up percentage ranging from 30% to 40%, which is higher than those charged to the Independent Third Parties (i.e. 10% to 20%); and (iv) for those projects with project size lower than RMB2.0 million, the Group will charge the Private Group and Ms. Wendy Man's Group a mark-up percentage ranging from 41% to 45%, which is higher than those charged to the Independent Third Parties (i.e. 10% to 40%), we consider that the service fees charged by the Group to the Private Group and Ms. Wendy Man's Group are on normal commercial terms and no more favorable than those available to the Independent Third Parties.

LETTER FROM ASTRUM CAPITAL MANAGEMENT LIMITED

As advised by the Management, the Group had not provided any renovation and property fitting services to the Private Group and Ms. Wendy Man's Group as at the Latest Practicable Date.

In respect of home cleaning services

The prices are determined by relevant parties on arm's length basis with reference to the prices offered to at least two Independent Third Parties (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. As advised by the Management, such price information is publicly available in the Group's home cleaning service outlets. The prices charged by the Group to the Private Group and Ms. Wendy Man's Group shall be no more favorable than prices of similar services rendered by the Group to the Independent Third Parties.

(v) Employment placement

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 at least one Independent Third Party employment placement agency providing services of similar nature in the neighborhood to ensure that the prices offered by the Group are no more favorable than those available from the Independent Third Party employment placement agencies.

(vi) Property agency

The property agency fees are determined by relevant parties on arm's length basis with reference to the historical property agency fees paid by the Group and the prevailing market rates of at least one local property agency (which are the Independent Third Parties) in the neighborhood with similar scale and quality (which are determined with reference to publicly available information) to ensure that the fees offered by the Group are no more favorable than those available from the Independent Third Party local property agencies.

LETTER FROM ASTRUM CAPITAL MANAGEMENT LIMITED

(vii) Engineering and maintenance

In respect of engineering services, the prices are 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 30% to 45%, which is determined with reference to tendering specifications of each projects and service fees that the Group charges against the Independent Third 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 the engineering works of similar size and complexity provided to 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 Private Group and/or Ms. Wendy Man's Group are no more favourable than those charged to the Independent Third Parties. The mark-up range for the Group's engineering service charges against the Independent Third Parties is approximately 25% to 45%.

In respect of maintenance services, the prices are determined by (i) approximately 8% to 15% of the relevant engineering services contract sum and such percentage range is determined by analysing and calculating the costs involved (such as manpower, qualified persons (e.g. engineers or other experts) and estimated duration of the maintenance services required; and (ii) relevant parties on an arm's length basis with reference to the prices offered to the Independent Third Parties. The prices shall be no more favourable than prices of similar services rendered by the Group to the Independent Third Parties.

LETTER FROM ASTRUM CAPITAL MANAGEMENT LIMITED

(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 the Group's policy on the service fees that the Group charges or will charge the Independent Third Parties.

As advised by the Management, the Telecommunication Service Providers (as defined below) would engage agents (including the Group) to promote their products and services. Based on the understanding of the Management, the promotion agents (including the Group) would usually provide the Telecommunication Service Providers' products and services to their customers on a cost-plus pricing basis. However, due to commercial sensitivity, the Group could not locate the mark-up percentage charged by other promotion agents. Notwithstanding that, we concur with the Directors' view that the pricing policy for the provision of telecommunication services to the Private Group and Ms. Wendy Man's Group are still on normal commercial terms.

We have further enquired the Management in respect of the pricing policy for the provision of telecommunication services to the Independent Third Parties and were advised that the service fee charged by the Group to the Independent Third Parties would be the actual costs and expenses incurred, plus a mark-up ranging from approximately 10% to 35%, which is lower than those charged to the Private Group and Ms. Wendy Man's Group (i.e. 10% to 40%). As advised by the Management, the Group had not provided any telecommunication services to the Independent Third Parties as at the Latest Practicable Date. Notwithstanding that, the Group will strictly comply with the aforementioned pricing policy when providing telecommunication services to the Independent Third Parties in future. Accordingly, with reference to the pricing policy for the provision of telecommunication services to the Independent Third Parties as mentioned above, the Directors consider, and we concur with their view, that the service fees charged by the Group to the Private Group and Ms. Wendy Man's Group are no more favorable than those available to Independent Third Parties.

LETTER FROM ASTRUM CAPITAL MANAGEMENT LIMITED

We were further advised by the Management that the Group has designed and implemented a series of internal control procedures (the “**MCSA Internal Control Procedures**”) in respect of the continuing connected transactions contemplated under the 2018 MCSA. The details of which were summarized as below:

- (i) *In respect of provision of the Composite Services (excluding engineering and maintenance services):*
 - (a) When new services are requested by the Private Group and/or Ms. Wendy Man’s Group, the Group’s general manager of the respective operations departments will, in accordance with the pricing policy as mentioned above, suggest a quotation, which will then be reviewed by the Chief Operating Officer of the Company. The Group’s general manager will also enquire the Private Group and/or Ms. Wendy Man’s Group the expected amount of services required, and obtain their preliminary view on the quotation.
 - (b) The quotation and the relevant comparable information will then be passed to the finance department for verification and second review. The finance manager will also assess whether the proposed annual caps under the 2018 MCSA will be exceeded when the new services are to be provided, and whether the terms of new services are within the scope of and in compliance with the 2018 MCSA.
 - (c) The executive Directors (excluding Ms. Wendy Man) will then review and approve the service fee in respect of the new services to be charged to the Private Group and/or Ms. Wendy Man’s Group.
 - (d) The executive Directors will closely monitor the service fees charged to the Private Group and Ms. Wendy Man’s Group pursuant to the 2018 MCSA regularly on a monthly basis to ensure that the proposed annual caps are not exceeded and to ensure the implementation of the relevant internal control measures on pricing policy as mentioned above.
- (ii) *In respect of provision of engineering and maintenance services:*
 - (a) Prior to entering into the specific individual service agreements with the Private Group and/or Ms. Wendy Man’s Group, the general manager from the Group’s operations department will be responsible for (1) collection of information from the Group’s previous tenders and contracts with similar natures, if available; and (2) assessment of the reasonableness of the contract sum, by reference to, among others, project design and quality, construction technique, prevailing market conditions.

LETTER FROM ASTRUM CAPITAL MANAGEMENT LIMITED

- (b) The assessment and the tenders' information will then be passed to the finance department for verification and second review. The finance manager will also assess whether the proposed annual cap under the 2018 MCSA would be exceeded if the Group enters into the new construction project, and whether the terms offered to the Private Group and Ms. Wendy Man's Group in the specific individual service agreements are in compliance with the 2018 MCSA.
- (c) The executive Directors (excluding Ms. Wendy Man) will then review and approve the specific individual services agreements, and the assessment performed by the Group's operations department.
- (d) Upon execution of the specific individual services agreements, the Group's finance department will be responsible for continuously monitoring and checking on a monthly basis of the proposed annual cap to ensure that it is not exceeded and to ensure the implementation of the relevant internal control measures as mentioned above.
- (e) Throughout the term of the 2018 MCSA, the operations department and the financial department of the Group are responsible for monitoring the implementation of the specific individual services agreements under the 2018 MCSA to ensure that the terms, including the fees charged under the specific individual services agreements are strictly adhered to by the parties to the 2018 MCSA. Any deviation from the contract terms thereof should be reported to the management of the Company for further actions. In addition, the management of the Company will perform spot checks on the implementation of the 2018 MCSA to ensure compliance of the contract terms as and when necessary.

Upon review of the MCSA Internal Control Procedures and our discussion with the Management, we are of the view that the implementation of the MCSA Internal Control Procedures can ensure that the service fees charged by the Group to the Private Group and Ms. Wendy Man's Group shall be no less favorable to the Group than those charged to other customers of the Group who are Independent Third Parties, and are in accordance with the pricing policy of the Group from time to time.

Furthermore, we have obtained and reviewed at least one sample walk-through document of each of the services (including, where available and applicable, (i) the individual service agreements entered into between the Group and the Private Group (or as the case may be, Ms. Wendy Man's Group); (ii) the relevant comparable information collected by the Group's operations departments for assessment on new services to be provided to the Private Group and/or Ms. Wendy Man's Group; (iii) the Group's internal assessment record; and (iv) the relevant payment records) (the "MCSA Walk-through Documents") provided by the Group in respect of the services

LETTER FROM ASTRUM CAPITAL MANAGEMENT LIMITED

provided by the Group to the Private Group and Ms. Wendy Man’s Group. Based on our sample review on the MCSA Walk-through Documents, we noted that (i) the service fees charged by the Group to the Private Group and Ms. Wendy Man’s Group shall be no less favorable to the Group than those charged to other customers of the Group who are Independent Third Parties and/or those charged by other service providers which are Independent Third Parties; and (ii) the transactions under the MCSA (as supplemented by the 2017 Supplemental MCSA) were carried out in accordance with the MCSA Internal Control Procedures. We are of the view that the pricing policy and mechanism in respect of the Composite Services provided by the Group to the Private Group and/or Ms. Wendy Man’s Group has been well in place, and the interests of the Company and the Shareholders are properly safeguarded.

In view of the above, we consider that the terms of the 2018 MCSA are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

5. The proposed annual caps for the Continuing Connected Transactions

A. The 2018 Supplemental MTA

The table below sets forth (i) the existing annual caps and the actual transaction amounts for the continuing connected transactions contemplated under the MTA (as supplemented by the 2017 Supplemental MTA) for each of the three years ended 31 December 2016, 31 December 2017 and 31 December 2018 (“**FY2018**”), and the utilization rate of the existing annual caps; and (ii) the proposed annual caps for the continuing connected transactions under the 2018 Supplemental MTA (the “**Tenancy Annual Caps**”) for each of the three years ending 31 December 2019, 31 December 2020 and 31 December 2021 (“**FY2019**”, “**FY2020**” and “**FY2021**”, respectively):

	FY2016	FY2017	FY2018
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Existing annual caps	11.5	16.0	20.0
Historical transaction amounts	7.5	14.3	8.6
			(up to 31 August 2018)
Utilization rate	65.2%	89.4%	43.0%
	FY2019	FY2020	FY2021
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Tenancy Annual Caps	19.0	20.0	21.0
Annual growth rate	-5.0%	5.3%	5.0%

LETTER FROM ASTRUM CAPITAL MANAGEMENT LIMITED

As advised by the Management, the Tenancy Annual Caps for the three years ending 31 December 2021 were determined based on (i) the projected amount of rental paid or payable by the Group to the Private Group in FY2018 (the “**2018 Projected Rental**”); (ii) the 2018 Additional Premises (*as defined below*) to be leased from the Private Group; and (iii) the prevailing GDP growth rate of the PRC.

In order to assess the fairness and reasonableness of the Tenancy Annual Caps, we have discussed with the Management in relation to the estimation of the Tenancy Annual Cap for FY2019 (the “**2019 Tenancy Annual Cap**”) and were given to understand that in determining the 2019 Tenancy Annual Cap, the Management first annualized the rental amount for FY2018 based on the actual amount of rental paid or payable by the Group to the Private Group for the eight months ended 31 August 2018 of approximately RMB8.6 million to come up with the 2018 Projected Rental of approximately RMB12.9 million (i.e. RMB8,600,000/8×12). The Management then estimated the aggregate rental fee for the existing tenancy agreements entered into between the Group and the Private Group for FY2019 by applying an expected growth rate of 7% to the 2018 Projected Rental (i.e. RMB12,900,000×1.07). We have enquired with the Management the reasons for applying a growth rate of 7% and were given to understand that future increments of rental will be determined based on the GDP growth rate of the PRC (subject to a cap of 7% per annum) pursuant to the MTA (as supplemented by the 2017 Supplemental MTA and the 2018 Supplemental MTA). In this regard, we have studied the trend of the PRC’s GDP and noted that the growth rate of the PRC’s GDP remained pretty stable for the past five years ranging from approximately 6.7% to approximately 7.8%, with an average of approximately 7.1%. Accordingly, we consider it reasonable to take 7% as the expected growth rate of rental fee for FY2019.

In determining the 2019 Tenancy Annual Cap, in addition to the existing tenancy agreements, the Management has also taken into account the business development plan of the Group for the next few years. In August 2018, the Group (as tenant) entered into a tenancy agreement with the Private Group (as landlord) in respect of the lease of property in Panyu (番禺) with a gross floor area of approximately 4,700 square meters from November 2018 to October 2023 for the operation of an education city (the “**Panyu Education City**”). Furthermore, according to the Group’s business development plan provided by the Company, the Group is planning to (i) operate another education city in Huadu (花都) with an expected gross floor area of approximately 4,000 square meters (the “**Huadu Education City**”); and (ii) expand its laundry factory in 祈福新邨倉儲樓 (Clifford Estate Storage Building*), which is currently located on the first and second floors of the said building, to the third floor with an additional gross floor area of approximately 1,436 square meters in FY2019 (the “**Additional Laundry Factory Area**”, and together with the premises for the operation of the Panyu Education City and the Huadu Education City, the “**2018 Additional Premises**”). As advised by the Management, it is expected that the lease of relevant properties for the operation of the Huadu Education City and the Additional Laundry Factory Area will commence from the first quarter of 2019. The

LETTER FROM ASTRUM CAPITAL MANAGEMENT LIMITED

lease of the 2018 Additional Premises will incur an aggregated rental fee of approximately RMB4.4 million for FY2019. We have reviewed the calculation worksheet of the 2019 Tenancy Annual Cap and noted that the proposed lease of the 2018 Additional Premises has been properly taken into account in the determination of the 2019 Tenancy Annual Cap.

Upon our review on the calculation of the 2019 Tenancy Annual Cap, we are of the view that the 2019 Tenancy Annual Cap was determined by the Management under reasonable ground and due care, and that the 2019 Tenancy Annual Cap is justifiable, fair and reasonable so far as the Company and the Independent Shareholders are concerned.

In addition, we have discussed with the Management about the determination of the Tenancy Annual Caps for the two years ending 31 December 2020 and 31 December 2021 (the “**2020 Tenancy Annual Cap**” and the “**2021 Tenancy Annual Cap**”, respectively). We were given to understand that in determining the 2020 Tenancy Annual Cap and the 2021 Tenancy Annual Cap, the Management applied an estimated annual growth rate of 7% to the 2019 Tenancy Annual Cap to come up with the 2020 Tenancy Annual Cap and the 2021 Tenancy Annual Cap. Same as discussed above, the estimated annual growth rate of 7% was determined with reference to the maximum rental increment allowed under the MTA (as supplemented by the 2017 Supplemental MTA and the 2018 Supplemental MTA). Upon our review on the calculation of both the 2020 Tenancy Annual Cap and the 2021 Tenancy Annual Cap, we are of the view that the 2020 Tenancy Annual Cap and the 2021 Tenancy Annual Cap were determined by the Management under reasonable ground and due care, and that the 2020 Tenancy Annual Cap and the 2021 Tenancy Annual Cap are justifiable, fair and reasonable so far as the Company and the Independent Shareholders are concerned.

However, the Independent Shareholders should note that the Tenancy Annual Caps as contemplated under the MTA (as supplemented by the 2017 Supplemental MTA and the 2018 Supplemental MTA) are relating to future events and are estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2021. Consequently, we express no opinion as to how closely the actual rentals to be paid by the Group under such agreement will correspond with the Tenancy Annual Caps.

LETTER FROM ASTRUM CAPITAL MANAGEMENT LIMITED

B. The 2018 MCSA

The table below sets forth (i) the aggregate existing annual caps and the actual transaction amounts for the continuing connected transactions contemplated under the MCSA (as supplemented by the 2017 Supplemental MCSA) and the MES Agreement for FY2016, FY2017 and FY2018, and the utilization rate of the existing annual caps; and (ii) the proposed annual caps for the continuing connected transactions under the 2018 MCSA (the “**CS Annual Caps**”) for FY2019, FY2020 and FY2021 are set out as follows:

	FY2016 <i>RMB million</i>	FY2017 <i>RMB million</i>	FY2018 <i>RMB million</i>
Existing annual caps	23.0	37.0	116.0 <i>(Note)</i>
Historical transaction amounts	22.6	23.0	64.8 (up to 31 August 2018)
Utilization rate	98.3%	62.2%	55.9%
	FY2019 <i>RMB million</i>	FY2020 <i>RMB million</i>	FY2021 <i>RMB million</i>
CS Annual Caps	126.0	129.0	138.0
Annual growth rate	8.6%	2.4%	7.0%

Note: This figure is the sum of the annual caps for the continuing connected transactions contemplated under the MCSA (as supplemented by the 2017 Supplemental MCSA) and the MES Agreement for FY2018 (i.e. RMB41 million and RMB75 million, respectively).

As advised by the Management, the CS Annual Caps were determined based on (i) the projected amount of service fees received or receivable from the Private Group and Ms. Wendy Man’s Group by the Group in FY2018 (the “**2018 Projected Service Fees**”); (ii) the additional services to be provided by the Group for the next three years ending 31 December 2021; (iii) the prevailing service market conditions of Guangdong Province; and (iv) the prevailing GDP growth rate of the PRC.

LETTER FROM ASTRUM CAPITAL MANAGEMENT LIMITED

In order to assess the fairness and reasonableness of the CS Annual Caps, we have discussed with the Management in relation to the determination bases of the CS Annual Cap for each of the three years ending 31 December 2021:

(i) *the CS Annual Cap for FY2019 (the “2019 CS Annual Cap”)*

In relation to the 2019 CS Annual Cap, we were given to understand by the Management that in determining the 2019 CS Annual Cap, the Management first annualized the service fee for providing the Composite Services for FY2018 based on the actual amount of service fees received or receivable from the Private Group and Ms. Wendy Man’s Group for the eight months ended 31 August 2018 of approximately RMB64.8 million to come up with the 2018 Projected Service Fees of approximately RMB97.2 million (i.e. RMB64,800,000/8×12). The Management then applied a growth rate of 7% to the 2018 Projected Service Fees to accommodate the potential growth of service fee to be received in FY2019 (i.e. RMB97.2 million×1.07=RMB104.0 million). As advised by the Management, the growth rate was determined with reference to the growth rate of the PRC’s GDP of 6.9% in 2017. To assess the fairness and reasonableness of the determination of the growth rate, we have studied the GDP of the Tertiary Industry of Guangdong Province, the PRC as this is the place of business of the Group. We noted that the GDP of the Tertiary Industry of Guangdong Province increased from approximately RMB2,968.9 billion in 2013 to approximately RMB4,748.8 billion in 2017, representing a compound annual growth rate of approximately 12.5%, and the growth rate of the GDP of the Tertiary Industry of Guangdong Province for the first half of 2018 reached approximately 8.2%. In view of the growth of the GDP of the Tertiary Industry of Guangdong Province, we consider it reasonable to apply a growth rate of 7% to accommodate the potential growth of service fees to be received in FY2019.

We were further advised by the Management that completion of development of new properties and/or commencement of sale of properties of the Private Group and Ms. Wendy Man’s Group will also bring the additional demand for the Composite Services to be provided by the Group to the Private Group and Ms. Wendy Man’s Group. Accordingly, in determining the 2019 CS Annual Cap, the Management has also taken into account the development and sale schedule of properties developed by the Private Group and/or Ms. Wendy Man’s Group.

LETTER FROM ASTRUM CAPITAL MANAGEMENT LIMITED

Based on the discussion between the Group and the Private Group and/or Ms. Wendy Man's Group, the Group will provide additional Composite Services (including but not limited to, as the case may be, property management service and cleaning service) to certain properties of the Private Group and/or Ms. Wendy Man's Group, incurring an additional service fee of approximately RMB7.8 million. Details of such additional Composite Services are set forth below:

	Name of property	Location	Additional Composite Services to be provided by the Group
1.	祈福萬景峰II期 (Clifford Scenic Height II)	Huadu District, Guangzhou City	property management service and cleaning service
2.	祈福繽紛匯I期 (Clifford Wonderview I)	Panyu District, Guangzhou City	cleaning service
3.	祈福南灣半島 (Clifford Bayview)	Nanhai District, Foshan City	property management service and cleaning service
4.	祈福海灣 (Clifford Cove)	Zhaoqing City	property management service

In addition, the Private Group intends to commence the sales of Clifford Scenic Height II in the first quarter of 2019 and will engage the Group as one of the agents for the assistance of property sales. Based on (i) the expected number of properties to be sold by the Group; (ii) the average gross floor area per flat; (iii) the average selling price per square meter; and (iv) the commission rate to be charged by the Group for the provision of property agency service, it is expected that the service fee for such property agency service amounts to approximately RMB3.0 million.

The Management also anticipated that the Group will provide additional telecommunication services to the Private Group and Ms. Wendy Man's Group in FY2019. As advised by the Management, the Group entered into cooperation agreements (the "**Telecommunication Cooperation Agreements**") with China Telecom Corporation Limited ("**China Telecom**") in May 2017, China United Network Communications Group Co., Ltd. ("**China Unicom**") in July 2017 and China Mobile Communications Group Co., Ltd. (together with China Telecom and China Unicom, the "**Telecommunication Service Providers**") in April 2018,

LETTER FROM ASTRUM CAPITAL MANAGEMENT LIMITED

pursuant to which the Group would act as agent to promote the products and services of the Telecommunication Service Providers. According to the Group's business development plan provided by the Company, the Group will promote the products and services of the Telecommunication Service Providers to the existing properties of the Private Group and Ms. Wendy Man's Group (including but not limited to Clifford Wonderview I, Clifford Hospital, Clifford Group Centre and Clifford Hotel) under the Telecommunication Cooperation Agreements in FY2019, and expects to receive service fee of approximately RMB1.5 million from the Private Group and Ms. Wendy Man's Group. In addition, it is expected that the Group will provide certain telecommunication engineering services to the Private Group and Ms. Wendy Man's Group in FY2019, including (i) to upgrade the internet network systems of the existing properties of the Private Group and/or Ms. Wendy Man's Group (including but not limited to 倚湖灣 (Lakeside Tower*) and 祈福國際公寓 (Clifford Suites*)); and (ii) to install internet network system and telephone system in new properties of the Private Group and/or Ms. Wendy Man's Group (including but not limited to Clifford Scenic Height II and other properties under development owned by the Private Group and/or Ms. Wendy Man's Group, namely, 南沙港灣大酒店 (Nansha Harbour Hotel*) and 南海創業大廈 (Nansha Chuangye Hotel*)). The estimated service fee for such additional telecommunication engineering services amounts to approximately RMB8.1 million.

Upon our review on the calculation of the 2019 CS Annual Cap, we are of the view that the 2019 CS Annual Cap was determined by the Management under reasonable ground with due care, and that the 2019 CS Annual Cap is justifiable, fair and reasonable so far as the Company and the Independent Shareholders are concerned.

(ii) the CS Annual Cap for FY2020 (the "2020 CS Annual Cap")

In relation to the 2020 CS Annual Cap, we were given to understand by the Management that in determining the 2020 CS Annual Cap, the Management first applied a growth rate of 7% to the 2019 Annual Cap (excluding those service fee of approximately RMB17.5 million to be generated by the Group from the provision of the Composite Services to the Private Group and Ms. Wendy Man's Group in FY2019 on a non-recurring basis, such as property agency service for sale of new properties, cleaning service and telecommunication engineering services) to accommodate the organic growth of service fee to be received in FY2020 (i.e. (RMB126 million-RMB17.5 million) \times 1.07=RMB116.1 million).

In addition, the Management has taken into account the development stage of new properties developed by the Private Group and/or Ms. Wendy Man's Group. As advised by the Management, the Private Group intends to commence the sales of Clifford Bayview in January 2020 and will engage the Group as one of the agents for the assistance of property sales. Based on (i) the expected

LETTER FROM ASTRUM CAPITAL MANAGEMENT LIMITED

number of properties to be sold by the Group; (ii) the average gross floor area per flat; (iii) the average selling price per square meter; and (iv) the commission rate to be charged by the Group for the provision of property agency service, it is expected that the service fee for such property agency service amounts to approximately RMB2.4 million. In addition to the property agency service, the Private Group will also request certain Composite Services (including but not limited to property management service and cleaning service) to be provided by the Group for Clifford Bayview, which is expected to incur additional service fee of approximately RMB2.2 million.

The Management also anticipated that the Group will provide additional telecommunication engineering services to the Private Group and Ms. Wendy Man's Group in FY2020. Based on (i) the expected number of existing properties which will upgrade its internet network system; and (ii) the expected number of new properties which will install new internet network system and telephone system, it is expected that the service fee for such telecommunication engineering services amounts to approximately RMB8.7 million.

Upon our review on the calculation of the 2020 CS Annual Cap, we are of the view that the 2020 CS Annual Cap was determined by the Management under reasonable ground with due care, and that the 2020 CS Annual Cap is justifiable, fair and reasonable so far as the Company and the Independent Shareholders are concerned.

(iii) the CS Annual Cap for FY2021 (the "2021 CS Annual Cap")

In relation to the 2021 CS Annual Cap, we were given to understand by the Management that in determining the 2021 CS Annual Cap, the Management first applied a growth rate of 7% to the 2020 Annual Cap (excluding those service fee of approximately RMB13.1 million to be generated by the Group from the provision of the Composite Services to the Private Group and Ms. Wendy Man's Group in FY2020 on a non-recurring basis, such as property agency service for sale of new properties, cleaning service and telecommunication engineering services) to accommodate the organic growth of service fee to be received in FY2021 (i.e. (RMB129 million-RMB13.1 million) \times 1.07=RMB124.0 million).

In addition, the Management has taken into account the development stage of new properties developed by the Private Group and/or Ms. Wendy Man's Group. As advised by the Management, the construction of a new property developed by the Private Group and/or Ms. Wendy Man's Group, namely 祈福繽紛匯II期 (Clifford Wonderview II), is expected to be completed in the fourth quarter of 2021. The Private Group intends to commence the sales of Clifford Wonderview II in January 2021 and will engage the Group as one of the agents for the assistance of property sales. Based on (i) the expected number of properties to be sold by the Group; (ii) the average gross floor area per flat; (iii)

LETTER FROM ASTRUM CAPITAL MANAGEMENT LIMITED

the average selling price per square meter; and (iv) the commission rate to be charged by the Group for the provision of property agency service, it is expected that the service fee for such property agency service amounts to approximately RMB3.6 million. In addition to the property agency service, the Private Group will also request cleaning service to be provided by the Private Group for Clifford Wonderview II, which is expected to incur additional service fee of approximately RMB2.0 million.

The Management also anticipated that the Group will provide additional telecommunication engineering services to the Private Group and Ms. Wendy Man's Group in FY2021. Based on (i) the expected number of existing properties which will upgrade its internet network system; and (ii) the expected number of new properties which will install new internet network system and telephone system, it is expected that the service fee for such telecommunication engineering services amounts to approximately RMB9.3 million.

Upon our review on the calculation of the 2021 CS Annual Cap, we are of the view that the 2021 CS Annual Cap was determined by the Management under reasonable ground and due care, and that the 2021 CS Annual Cap is justifiable, fair and reasonable so far as the Company and the Independent Shareholders are concerned.

However, the Independent Shareholders should note that the CS Annual Caps as contemplated under the 2018 MCSA are relating to future events and are estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2021. Consequently, we express no opinion as to how closely the actual service fee to be received by the Group under such agreement will correspond with the CS Annual Caps.

6. Reporting requirements and conditions of the Continuing Connected Transactions

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the Continuing Connected Transactions are subject to the following annual review requirements:

- (a) each year, the INEDs must review the Continuing Connected Transactions and confirm in the annual report of the Company that the Continuing Connected Transactions have been entered into:
 - (i) in the ordinary and usual course of business of the Group;
 - (ii) on normal commercial terms or better; and

LETTER FROM ASTRUM CAPITAL MANAGEMENT LIMITED

- (iii) in accordance with the MTA (as supplemented by the 2017 Supplemental MTA and the 2018 Supplemental MTA) and the 2018 MCSA governing them on terms that are fair and reasonable and in the interests of the Group and the Shareholders as a whole;
- (b) each year, the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least ten business days prior to the bulk printing of the Company's annual report) confirming whether anything has come to their attention that causes them to believe that the Continuing Connected Transactions:
 - (i) have not been approved by the Board;
 - (ii) were not, in all material respects, in accordance with the pricing policies of the Group (if applicable);
 - (iii) were not entered into, in accordance with the MTA (as supplemented by the 2017 Supplemental MTA and the 2018 Supplemental MTA) and the 2018 MCSA governing the Continuing Connected Transactions; and
 - (iv) have exceeded the respective proposed annual caps;
- (c) the Company must allow, and ensure that the relevant counterparties to the Continuing Connected Transactions allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the Continuing Connected Transactions as set out in paragraph (b); and
- (d) the Company must promptly notify the Stock Exchange and publish an announcement if the INEDs and/or auditors of the Company cannot confirm the matters as required.

The Company confirms that they will strictly comply with the aforementioned annual review requirements under Rules 14A.55 to 14A.59 of the Listing Rules in respect of the Continuing Connected Transactions under the MTA (as supplemented by the 2017 Supplemental MTA and the 2018 Supplemental MTA) and the 2018 MCSA. Taking into account the aforementioned reporting requirements attached to the Continuing Connected Transactions, in particular, (i) the restriction of the value of the Continuing Connected Transactions by way of the proposed annual caps; and (ii) the on-going review by the INEDs and auditors of the Company of the Continuing Connected Transactions, we are of the view that there exist appropriate measures to monitor the conduct of the Continuing Connected Transactions so as to ensure that the Continuing Connected Transactions contemplated under the MTA (as supplemented by the 2017 Supplemental MTA and the 2018 Supplemental MTA) and the 2018 MCSA are on normal commercial terms, fair and reasonable and in the interests of the Group and the Shareholders as a whole and thus, the interests of the Independent Shareholders is safeguarded.

LETTER FROM ASTRUM CAPITAL MANAGEMENT LIMITED

OPINION

Having taken into account the above principal factors and reasons, we consider that the entering into of the 2018 Supplemental MTA and the 2018 MCSA are in the ordinary and usual course of business of the Group and the terms of the 2018 Supplemental MTA and the 2018 MCSA are on normal commercial terms, fair and reasonable, and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favor of the relevant resolution(s) at the EGM to approve the entering into of the 2018 Supplemental MTA and the 2018 MCSA, and the transactions contemplated thereunder (including the respective proposed annual caps thereof).

Yours faithfully,

For and on behalf of

Astrum Capital Management Limited

Hidulf Kwan

Rebecca Mak

Managing Director

Director

Note: Mr. Hidulf Kwan has been a responsible officer of Type 6 (advising on corporate finance) regulated activity under the SFO since 2006 and has participated in and completed various independent financial advisory transactions.

Ms. Rebecca Mak has been a responsible officer of Type 6 (advising on corporate finance) regulated activity under the SFO since 2011 and has participated in and completed various independent financial advisory transactions.

* *For identification purposes only*

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⁾	72.48%
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%

Notes:

- (1) Elland Holdings Limited is solely owned by Ms. Wendy Man which in turn owns 735,840,000 Shares. By virtue of the SFO, Ms. Wendy Man 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 Resort Centre in Clifford Estates. 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:

- (a) the Company's circular dated 7 June 2017 (in relation to the 2017 Supplemental Master Tenancy Agreement and the 2017 Supplemental Master Composite Services Agreement, both as referred to in the said circular);
- (b) the Company's circular dated 29 November 2017 (in relation to the Master Engineering Service Agreement as referred to in the said circular); and
- (c) the "Letter from the Board" as regards the interests of Ms. Wendy Man (or, as the case may be, Ms. Wendy Man's Spouse) in the 2018 Supplemental MTA and the 2018 Master Composite Services Agreement,
 - (aa) 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
 - (bb) none of the Directors had any direct or indirect interest in any assets which had been since 31 December 2017 (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 2017, the date to which the latest published audited accounts 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
Astrum Capital Management Limited	a corporation licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

As at the Latest Practicable Date, Astrum Capital Management 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 2017, the date to which the latest published audited financial statements of the Group were made up.

Astrum Capital Management 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 AVAILABLE FOR INSPECTION

A copy of each of the following documents is available for inspection during normal business hours on any weekday (excluding Saturdays, Sundays and public holidays) at the principal place of business of the Company at 7th Floor, Chai Wan Industrial City, Phase II, 70 Wing Tai Road, Chai Wan, Hong Kong up to and including the date of the EGM:

- (a) the letter from the Board, the text of which is set out on pages 7 to 26 of this circular;
- (b) the letter from the Independent Board Committee, the text of which is set out on pages 27 to 28 of this circular;
- (c) the letter from Astrum Capital Management Limited, the text of which is set out on pages 29 to 64 of this circular;
- (d) the written consent referred to in the paragraph headed “Expert” in this appendix;
- (e) the Master Tenancy Agreement;
- (f) the 2017 Supplemental Master Tenancy Agreement;
- (g) the 2018 Supplemental Master Tenancy Agreement;
- (h) the Master Composite Services Agreement;
- (i) the 2018 Master Composite Services Agreement; and
- (j) this circular.

10. MISCELLANEOUS

- (a) The secretary of the Company is Mr. Yu Ding Him Anthony, who is a member of CPA Australia and the Hong Kong Institute of Certified Public Accountants. He is also an associate of the Chartered Institute of Management 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 22, 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 THE 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)

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 Rooms 1501–02, 15/F Hong Kong Club Building, 3A Charter Road, Central, Hong Kong on Monday, 28 January 2019 at 9:30 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 2018 Supplemental Master Tenancy Agreement and the transactions contemplated thereunder (as defined and described in the Company’s circular dated 11 January 2019 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 2019, 31 December 2020 and 31 December 2021 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 2018 Supplemental Master Tenancy Agreement 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 2018 Supplemental Master Tenancy Agreement which in their opinion is not of a material nature and to effect or implement any other matters referred to in this resolution.”

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

2. “**THAT:**

- (a) the 2018 Master Composite Services Agreement and the transactions contemplated thereunder (as defined and described in the Company’s circular to its shareholders dated 11 January 2019, 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 2019, 31 December 2020 and 31 December 2021 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 2018 Master Composite Services Agreement 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 2018 Master Composite Services Agreement which in their opinion is not of a material nature and to effect or implement any other matters referred to in this resolution.”

3. To re-elect Ms. HO Suk Mee as an executive director and to authorise the board of directors of the Company to fix her remuneration.

For and on behalf of the Board of
Clifford Modern Living Holdings Limited
MAN Lai Hung
Chairman of the Board

Hong Kong, 11 January 2019

Notes:

1. The register of members of the Company will be closed from Wednesday, 23 January 2019 to Monday, 28 January 2019, 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 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, by not later than 4:30 p.m. on Tuesday, 22 January 2019.
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 in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre,

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

183 Queen's Road East, Hong Kong not less than 48 hours before the time for holding the EGM (i.e. no later than 9:30 a.m. (Hong Kong time) on Saturday, 26 January 2019) 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.
6. Concerning resolution no. 3 above, the biographical details and interests in the securities of the Company (if any) of the director proposed to be re-elected at the EGM are provided in the Company's circular dated 11 January 2019.

As at the date of this notice, the board of directors of the Company comprises Ms. MAN Lai Hung, Ms. HO Suk Mee and Ms. LIANG Yuhua as executive Directors; Mr. LIU Xing 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.