
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Clifford Modern Living Holdings Limited 祈福生活服務控股有限公司, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, stockbroker or licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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祈福生活服務
CLIFFORD MODERN LIVING

CLIFFORD MODERN LIVING HOLDINGS LIMITED

祈福生活服務控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 3686)

CONTINUING CONNECTED TRANSACTIONS:

- (1) 2024 MASTER TENANCY AGREEMENTS; AND
- (2) 2024 MASTER COMPOSITE SERVICES AGREEMENTS

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

ALTUS CAPITAL LIMITED

A letter from the Board is set out on pages 6 to 33 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 34 to 35 of this circular. A letter from Altus Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 36 to 63 of this circular.

A notice convening the EGM to be held at Function Room 23H, Level 23, One Island East, 18 Westlands Road, Taikoo Place, Quarry Bay, Hong Kong on Wednesday, 18 December 2024 at 11:00 a.m. is set out on pages 69 to 71 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 17/F, Far East Finance Centre, 16 Harcourt Road, 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 11:00 a.m. (Hong Kong time) on Monday, 16 December 2024) or any adjournment thereof. Completion and return of the form of proxy as instructed will not preclude you from subsequently attending and voting at the meeting or any adjourned meeting if you so wish.

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

22 November 2024

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This circular is prepared in both English and Chinese.

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

DEFINITIONS

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

“2021 Master Composite Services Agreements” or “2021 MCSAs”	collectively, 2021 MCSA No.1 and 2021 MCSA No.2
“2021 Master Tenancy Agreements” or “2021 MTAs”	collectively, 2021 MTA No.1 and 2021 MTA No.2
“2021 MCSA No.1”	the master composite services agreement dated 29 October 2021 and entered into between the Company (for itself and on behalf of its subsidiaries) on the one part, and Clifford Estates Panyu (for itself and on behalf of other members of the Private Group) and Clifford Xianhu Hotel (for itself and on behalf of other members of the WM Non-HC Group) on the other part, pursuant to which the Company agreed to provide services stated therein to Clifford Estates Panyu and Clifford Xianhu Hotel
“2021 MCSA No.2”	the master composite services agreement dated 29 October 2021 and entered into between the Company (for itself and on behalf of its subsidiaries) and Clifford Medical (for itself and on behalf of the other members of the WM Healthcare Group), pursuant to which the Company agreed to provide services stated therein to Clifford Medical
“2021 MTA No.1”	the master tenancy agreement dated 29 October 2021 and entered into between Clifford Estates Panyu (for itself and on behalf of the other property owners which are members of the Private Group) and the Company (for itself and on behalf of its subsidiaries), pursuant to which Clifford Estates Panyu agreed to lease certain properties to the Company
“2021 MTA No.2”	the master tenancy agreement dated 29 October 2021 and entered into between Clifford Medical (for itself and on behalf of certain members of the WM Healthcare Group) and the Company (for itself and on behalf of its subsidiaries), pursuant to which Clifford Medical agreed to lease certain properties to the Company
“2024 Master Composite Services Agreements” or “2024 MCSAs”	collectively, 2024 MCSA No.1 and 2024 MCSA No.2
“2024 Master Tenancy Agreements” or “2024 MTAs”	collectively, 2024 MTA No.1 and 2024 MTA No.2

DEFINITIONS

“2024 MCSA No.1”	the master composite services agreement dated 16 October 2024 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 30%-controlled companies of Ms. Wendy Man’s Spouse) and Clifford Xianhu Hotel (for itself and on behalf of other 30%-controlled companies of Ms. Wendy Man (other than the Group and the WM Healthcare Group)) on the other part, pursuant to which the Company agreed to provide services stated therein to Clifford Estates Panyu and Clifford Xianhu Hotel
“2024 MCSA No.2”	the master composite services agreement dated 16 October 2024 and entered into between the Company (for itself and on behalf of its subsidiaries) and Clifford Medical (for itself and on behalf of its subsidiaries), pursuant to which the Company agreed to provide services stated therein to Clifford Medical
“2024 MTA No.1”	the master tenancy agreement dated 16 October 2024 and entered into between Clifford Estates Panyu (for itself and on behalf of other 30%-controlled companies of Ms. Wendy Man’s Spouse) and the Company (for itself and on behalf of its subsidiaries), pursuant to which Clifford Estates Panyu agreed to lease certain premises to the Company
“2024 MTA No.2”	the master tenancy agreement dated 16 October 2024 and entered into between Clifford Medical (for itself and on behalf of its subsidiaries) and the Company (for itself and on behalf of its subsidiaries), pursuant to which Clifford Medical agreed to lease certain premises to the Company
“30%-controlled company(ies)”	has the meaning ascribed thereto under Chapter 14A of the Listing Rules
“Articles of Association”	the articles of association of the Company currently in force
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“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 mainland China with limited liability and a member of the Private Group

DEFINITIONS

“Clifford Medical”	Clifford Medical Group Limited (祈福醫療集團有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability and the holding company of the WM Healthcare Group, which is indirectly and wholly owned by Ms. Wendy Man
“Clifford Xianhu Hotel”	Foshan City Nanhai Clifford Xianhu Hotel Company Limited*(佛山市南海祈福仙湖酒店有限公司), a company established in mainland China with limited liability and a member of the WM Non-HC Group (i.e. a 30%-controlled company of Ms. Wendy Man)
“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(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at Function Room 23H, Level 23, One Island East, 18 Westlands Road, Taikoo Place, Quarry Bay, Hong Kong on Wednesday, 18 December 2024 at 11:00 a.m. for the Independent Shareholders to consider, and if thought fit, to approve the ordinary resolution(s) in respect of (i) 2024 MTA No.1; (ii) 2024 MCSA No.1; and (iii) 2024 MCSA No.2, and the respective transactions contemplated thereunder (including the respective annual caps thereof)
“FY2021”, “FY2022” and “FY2023”	each financial year ended 31 December 2021, 31 December 2022 and 31 December 2023, respectively
“FY2024”, “FY2025”, “FY2026” and “FY2027”	each financial year ending 31 December 2024, 31 December 2025, 31 December 2026, and 31 December 2027, respectively
“GDP”	gross domestic product (and all references to GDP growth rates are real as opposed to nominal rates of GDP growth)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong, China

DEFINITIONS

“Hong Kong, China”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee, comprising all the independent non-executive Directors, namely Ms. LAW Elizabeth, Mr. HO Cham and Mr. MAK Ping Leung, established to make recommendations to the Independent Shareholders with regard to 2024 MTA No.1, 2024 MCSA No.1 and 2024 MCSA No.2, and the respective transactions contemplated thereunder (including the respective proposed annual caps thereof)
“Independent Financial Adviser”	Altus Capital Limited, a corporation licensed to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders
“Independent Shareholder(s)”	Shareholder(s) who are not required to abstain from voting at the EGM to approve (among other matters) 2024 MTA No.1, 2024 MCSA No.1 and 2024 MCSA No.2, and the respective transactions contemplated thereunder (including the respective proposed annual caps thereof)
“Independent Third Party(ies)”	individual(s) or company(ies) who is not (or are not) a connected person(s) (as defined under the Listing Rules) of the Company
“INED(s)”	independent non-executive Director(s)
“Latest Practicable Date”	18 November 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“mainland China” or “PRC”	the mainland of the People’s Republic of China
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
“Ms. Wendy Man”	Ms. Man Lai Hung (孟麗紅女士), an executive Director, the chief executive officer of the Company, the chairman of the Board and one of the controlling shareholders

DEFINITIONS

“Ms. Wendy Man’s Spouse”	Mr. PANG Lun Kee Clifford (彭磷基先生), the spouse of Ms. Wendy Man
“October 2024 Announcement”	the Company’s announcement dated 16 October 2024 in relation to, among other things, the 2024 MTAs and the 2024 MCSAs and the transactions contemplated thereunder
“Previously Published Documents”	the following documents published by the Company: (i) the Company’s announcement dated 29 October 2021 in relation to the 2021 MTAs and the 2021 MCSAs; (ii) the Company’s circular dated 9 December 2021 in relation to the 2021 MTAs and the 2021 MCSAs; and (iii) the Company’s announcement dated 30 December 2021 in relation to the poll results of the extraordinary general meeting held on the same date for approving the respective transactions contemplated under 2021 MTA No.1 and the 2021 MCSAs, and the respective annual caps proposed thereunder for each of FY2022, FY2023 and FY2024
“Private Group”	such 30%-controlled companies of Ms. Wendy Man’s Spouse
“Prospectus”	the Company’s prospectus dated 27 October 2016
“RMB”	Renminbi, the lawful currency of mainland China
“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
“WM Healthcare Group”	Clifford Medical and its subsidiaries, which are principally engaging in the operation of (among others) hospital and certain ancillary healthcare facilities such as postnatal care centre, elderly care service centre, dental clinic and pharmacy in mainland China
“WM Non-HC Group”	such 30%-controlled companies of Ms. Wendy Man, other than the Group and the WM Healthcare Group
“%”	per cent.

* For identification purposes only

LETTER FROM THE BOARD



祈福生活服務
CLIFFORD MODERN LIVING

CLIFFORD MODERN LIVING HOLDINGS LIMITED

祈福生活服務控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 3686)

Executive Directors:

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

Ms. HO Suk Mee

Mr. LIU Xing

Non-executive Director:

Ms. LIANG Yuhua

Independent non-executive Directors:

Ms. LAW Elizabeth

Mr. HO Cham

Mr. MAK Ping Leung

(alias Mr. MAK Wah Cheung)

Registered office:

Cricket Square

Hutchins Drive, P. O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

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

8 Shiguang Road

Panyu, Guangzhou

Guangdong, PRC

*Principal place of business
in Hong Kong:*

7th Floor

Chai Wan Industrial City, Phase II

70 Wing Tai Road, Chai Wan

Hong Kong

22 November 2024

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS:
(1) 2024 MASTER TENANCY AGREEMENTS; AND
(2) 2024 MASTER COMPOSITE SERVICES AGREEMENTS**

INTRODUCTION

Reference is made to (i) the Previously Published Documents in relation to, among other matters, the continuing connected transactions and connected transaction provided under the 2021 Master Tenancy Agreements and the 2021 Master Composite Services Agreements; and (ii) the October 2024 Announcement.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with (i) further details of 2024 MTA No.1 and the 2024 MCSAs and the transactions contemplated thereunder (including the respective proposed annual caps thereof); (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of 2024 MTA No.1, the 2024 MCSAs and the transactions contemplated thereunder (including the respective proposed annual caps thereof); (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the same matters; (iv) a notice of the EGM; and (v) other information as required under the Listing Rules.

(1) THE 2024 MASTER TENANCY AGREEMENTS

Reference is made to the Previously Published Documents in relation to, among other matters, the continuing connected transactions and connected transaction provided under the 2021 Master Tenancy Agreements, comprising 2021 MTA No.1 and 2021 MTA No.2.

On 29 October 2021, the Company (for itself and on behalf of its subsidiaries) (as tenant) entered into (i) 2021 MTA No.1 with Clifford Estates Panyu (for itself and on behalf of the other property owners which are members of the Private Group) (as landlord); and (ii) 2021 MTA No.2 with Clifford Medical (for itself and on behalf of certain members of the WM Healthcare Group) (as landlord), pursuant to which the respective landlords agreed to lease certain premises to the Group, on and subject to the respective terms and conditions contained therein.

Each of the 2021 Master Tenancy Agreements has a term of three years commenced from 1 January 2022 and ending on 31 December 2024. It is expected that the Company will continue to lease such premises under the 2021 Master Tenancy Agreements after 31 December 2024.

On 16 October 2024, for the purpose of replacing the 2021 Master Tenancy Agreements, the Company (for itself and on behalf of its subsidiaries) (as tenant) entered into the 2024 Master Tenancy Agreements, comprising:

- (i) 2024 MTA No.1 made with Clifford Estates Panyu (for itself and on behalf of other 30%-controlled companies of Ms. Wendy Man's Spouse) (as landlord); and
- (ii) 2024 MTA No.2 made with Clifford Medical (for itself and on behalf of its subsidiaries) (as landlord),

pursuant to which the respective landlords agreed to lease certain premises to the Group, on and subject to the respective terms and conditions contained therein. Each of the 2024 Master Tenancy Agreements has a term of three years commencing from 1 January 2025 and ending on 31 December 2027.

LETTER FROM THE BOARD

Principal terms of the 2024 Master Tenancy Agreements

2024 MTA No.1

The principal terms of 2024 MTA No.1 are summarised below:

Date of 2024 MTA No.1: 16 October 2024 (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 other 30%-controlled companies of Ms. Wendy Man's Spouse) (as landlord)

Premises to be leased under 2024 MTA No.1: Under 2024 MTA No.1, the Group will lease from the Private Group premises with a total gross floor area of 27,197 sq.m. in Panyu district, Foshan district, Huadu district of Guangdong Province in mainland China and in Hong Kong, China. Brief details of the premises are set out below:

Location of premises	Number of leases	Total gross floor area (sq.m.)	Range of monthly rental (RMB per sq.m.) (Note 1)	Usage
Clifford Estates in Panyu district	40	25,124	4-266 ^(Note 2)	Business outlet, canteen, office and warehouse
Clifford Bayview in Foshan district	1	20	20	Business outlet
Clifford Brilliant Terrace in Huadu district	1	20	50	Business outlet
Chai Wan, Hong Kong, China	2	2,033	109	Office and warehouse
Total	44	27,197		

Notes:

- (1) Refers to the range of monthly rental for FY2025.
- (2) Among these 40 leases for premises in Panyu district, the monthly rental of four of them fall within the range of RMB230 to 266 per sq.m. as these premises are situated in a relatively high-traffic shopping mall and leased for operation of business outlets by the Group; while the range of monthly rental of the remaining premises ranges from RMB4 to 80 per sq. m.

LETTER FROM THE BOARD

The construction of certain residential properties in Clifford Estates in Panyu district developed by the Private Group are expected to be completed and will be allowed to be occupied during the period from FY2025 to FY2027. Accordingly, 2024 MTA No.1 also contains a term that upon the completion of construction and commencement of occupation of such properties, the Group will lease from the Private Group some of these newly developed premises with a total gross floor area of 6,338 sq.m. in Clifford Estates in Panyu district of Guangdong Province in mainland China. Brief details of the newly developed premises which are expected to be leased by the Group are set out below:

	Number of new leases	Total gross floor area (sq. m.)	Expected range of monthly rental (Note 2)			Usage
			FY2025	FY2026	FY2027	
			(RMB per sq.m.)			
FY2025	2	2,238	38-69	38-74	38-78	Business outlet
FY2026	1	2,000	N/A	69	69-74	Business outlet
FY2027	4	2,100	N/A	N/A	69	Business outlet
Total	7	6,338 (Note 1)				

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

Note 2: These expected monthly rentals are estimated based on the rentals of similar premises in Panyu district taking into account the usage and location of the relevant premises. The Group will engage an independent valuer to issue fair rent letter as reference for determining the relevant annual rentals payable.

With respect to the premises leased under 2024 MTA No.1, individual members of the Group (as tenants) and individual members of the Private Group (as landlords) entered or will enter into individual tenancy agreements which prescribe specific lease terms and conditions (including rental, payment method and other terms). The terms of such individual tenancy agreements shall be consistent with those of 2024 MTA No.1.

LETTER FROM THE BOARD

If any of the individual tenancy agreements expires before 31 December 2027 (being the expiry date of 2024 MTA No.1), the Company is entitled to renew such individual tenancy agreement with the relevant landlord (being a member of the Private Group) by giving three months' written notice, subject to the compliance with the then applicable provisions of the Listing Rules.

Use: Mainly operating as business outlets, offices, warehouses and/or other related purposes

Term: Three years commencing from 1 January 2025 and ending on 31 December 2027

Rent: The annual rentals payable by the Group under the existing individual tenancy agreements have been determined by the Group with reference to the range of prevailing market rates for each of the premises under the exiting individual tenancy agreements as at 31 August 2024 based on the valuation results of an independent property valuer contained in a fair rent report (the "**Fair Rent Report**") and the management's assessment of the prevailing market rates for FY2024. The Fair Rent Report provided an independent analysis on the rental levels of the premises (including those leased under the 44 existing individual tenancy agreements covered by 2024 MTA No.1) as of 31 August 2024, showing that the rental payable by the Group under such existing tenancy agreements are within the range of the rentals of similar properties.

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

LETTER FROM THE BOARD

The annual rentals in respect of the premises to be leased by the Group under 2024 MTA No.1 were determined after arm's length negotiations between the relevant parties with reference to the prevailing market rates of local properties in the neighbourhood with a similar scale and quality and subject to the internal control measures of the Group and of the Private Group. The prevailing market rates of local properties are determined with reference to:

- (i) (for existing leases) the Fair Rent Report or (for leases regarding newly developed premises or new leases to be entered into by the Group) fair rent report(s) to be issued by independent valuer;
- (ii) quotations of one or more similar comparable properties owned by Independent Third Parties in the neighbouring area provided by independent estate agency; and
- (iii) at least two quotations of similar comparable properties owned by the Private Group provided by independent estate agency.

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

The annual rental payable by the Group shall be increased each year by a percentage not exceeding the lower of (i) 5% (which is determined with reference to the GDP growth rate of mainland China in 2023); and (ii) the prevailing GDP growth rate of mainland China in the immediately preceding year.

Payment of rent:

Annual rentals shall be payable in 12 equal instalments, on or before the first PRC bank working day of each month

LETTER FROM THE BOARD

Changes in leased premises: Where there are any changes in leased premises (in terms of usage or gross floor area leased) arising from or in connection with the business development of the Group, the parties may enter into supplemental agreements or memoranda to implement corresponding amendments to the relevant individual tenancy agreement.

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 2024 MTA No.1, such changes will be considered as immaterial (unless the Stock Exchange or the majority of the INEDs consider otherwise). If any of the changes are considered to be material, such changes will take effect conditional upon the applicable requirements under the Listing Rules being complied with.

First right of refusal: Pursuant to 2024 MTA No.1, Clifford Estates Panyu (for itself and on behalf of other 30%-controlled companies of Ms. Wendy Man's Spouse) has granted first right of refusal to the Company (for itself and on behalf of its subsidiaries), such that at any time during the term of 2024 MTA No.1, if any relevant landlord(s) intends to sell, assign or transfer any premises leased by the Group (as tenants) under 2024 MTA No.1, such premises shall be first offered to the Group for purchase at a fair and reasonable price to be determined based on the valuation of an independent valuer.

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

Conditions precedent to 2024 MTA No.1 becoming effective: The transactions contemplated under 2024 MTA No.1 are conditional upon (i) the Company having complied with its obligations regarding the disclosure and approval of 2024 MTA No.1 and the transactions contemplated thereunder, including (if so required) the approval from the Independent Shareholders being obtained, in accordance with the provisions of the Articles of Association and the Listing Rules; and (ii) all other requirements under the Listing Rules being complied with (including obtaining the advice of the Independent Financial Adviser, if so required).

LETTER FROM THE BOARD

Each of the conditions set out above is not waivable under any circumstances. As at the Latest Practicable Date, save for the publication of the October 2024 Announcement, none of the conditions as set out above has been fulfilled.

Each of 2024 MTA No.1, 2024 MTA No.2, 2024 MCSA No.1 and 2024 MCSA No.2 are not inter-conditional to each other.

2024 MTA No.2

The principal terms of 2024 MTA No.2 are summarised below:

Date of 2024 MTA No.2:	16 October 2024 (after trading hours)
Parties:	(i) the Company (for itself and on behalf of its subsidiaries) (as tenant) (i) Clifford Medical (for itself and on behalf of its subsidiaries) (as landlord)
Premises to be leased under 2024 MTA No.2:	Under 2024 MTA No.2, the Group will lease from the WM Healthcare Group two premises with a total gross floor area of 202 sq.m. in Panyu district of Guangdong Province with monthly rental of RMB62 per sq.m. With respect to the premises leased under 2024 MTA No.2, individual members of the Group (as tenants) and individual members of the WM Healthcare Group (as landlords) entered or will enter into individual tenancy agreements which prescribe specific lease terms and conditions (including rental, payment method and other terms). The terms of such individual tenancy agreements shall be consistent with those of 2024 MTA No.2. If any of the individual tenancy agreements expires before 31 December 2027 (being the expiry date of 2024 MTA No.2), the Company is entitled to renew such individual tenancy agreement with the relevant landlord (being a member of the WM Healthcare Group) by giving three months' written notice, subject to the compliance with the then applicable provisions of the Listing Rules.
Use:	Mainly operating as convenience stores
Term:	Three years commencing from 1 January 2025 and ending on 31 December 2027

LETTER FROM THE BOARD

Other principal terms of 2024 MTA No.2 (including the rent, payment of rent, changes in leased premises, first right of refusal and conditions precedent) are substantially similar to those of 2024 MTA No.1.

For the reasons set out in the paragraph headed “Implications of the Listing Rules regarding the 2024 MTAs” in this section below, 2024 MTA No.2 and the transactions contemplated thereunder are therefore fully exempt from the reporting, announcement, annual review and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. As such, for the historical transaction amounts and proposed annual caps in relation to 2024 MTA No.2, please refer to the October 2024 Announcement for further details.

Historical transaction amounts

2021 MTA No.1

During FY2022, FY2023 and FY2024, the addition of right-of-use assets under 2021 MTA No.1 are set out below:

	FY2022	FY2023	FY2024
			(up to
			31 August
			2024)
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Addition of right-of-use assets	<u>10.2</u>	<u>2.0</u>	<u>16.2</u>

The annual caps previously set for 2021 MTA No.1 for the three years ending 31 December 2024 were RMB57.1 million, RMB13.6 million and RMB19.7 million, respectively.

So far as the Directors are aware, the annual cap in respect of the transactions contemplated under 2021 MTA No.1 for FY2024 has not been exceeded as at the Latest Practicable Date and the actual transaction amount for FY2024 under 2021 MTA No.1 is not expected to exceed the relevant annual cap for FY2024.

Proposed annual caps

According to Hong Kong Financial Reporting Standard (HKFRS) 16 “Leases”, the Group is required to recognise a right-of-use asset and a lease liability, which are measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate in the year of entering into the leases where the Group acts as a lessee. Pursuant to the requirements of the Listing Rules, as right-of-use assets (calculated as the initial amount of lease liability at the relevant lease commencement date) will be recognised by the Group when it enters into leases under 2024 MTA No.1, the Group is required to set annual caps in respect of the total value of the addition of the right-of-use assets relating to the leases to be entered into by the Group as a lessee for each of FY2025, FY2026 and FY2027 under 2024 MTA No.1.

LETTER FROM THE BOARD

2024 MTA No.1

The following table sets out the proposed annual caps, which represent the total value of the addition of right-of-use assets relating to the leases to be entered into by the Group under 2024 MTA No.1, for each of FY2025, FY2026, and FY2027:

	FY2025 (RMB million)	FY2026 (RMB million)	FY2027 (RMB million)
Proposed annual caps for 2024 MTA No.1	21.0 ^(Notes 1 and 2)	18.2 ^(Note 1)	14.1 ^(Notes 1 and 2)

Notes:

1. The proposed annual cap for the total value of the addition of the right-of-use assets: (i) for FY2025, represents the addition of the right-of-use assets in relation to 13 leases (including new leases and renewal of existing leases) to be entered into by the Group under 2024 MTA No.1 during FY2025; (ii) for FY2026, represents the addition of the right-of-use assets in relation to 12 leases (including new leases and renewal of existing leases) to be entered into by the Group under 2024 MTA No.1 during FY2026; and (iii) for FY2027, represents the addition of the right-of-use assets in relation to 8 leases (including new leases and renewal of existing leases) to be entered into by the Group under 2024 MTA No.1 during FY2027.
2. The proposed annual caps under 2024 MTA No.1 for each of FY2025 and FY2027 have been revised in this circular to correct the inadvertent errors in compiling the relevant sums of the total value of the addition of right-of-use assets as stated in the October 2024 Announcement.

Right-of-use asset is calculated as the initial amount of lease liability at the lease commencement date. As the number of new leases to be entered into by the Group under 2024 MTA No.1 fluctuates during the three years ending 31 December 2027 as shown in the note to the table above, the proposed annual caps for 2024 MTA No.1 for the three years ending 31 December 2027 also fluctuates in similar magnitude.

Basis of determination of the proposed annual caps

The proposed annual caps in respect of the transactions contemplated under 2024 MTA No.1 have been determined with reference to:

- (i) the rentals payable by the Group;
- (ii) the gross floor area of premises (including the existing premises and the newly developed premises, details which are set out in the paragraph headed “Principal terms of the 2024 Master Tenancy Agreements – 2024 MTA No.1” in this section above) to be leased from the Private Group under 2024 MTA No.1;
- (iii) the market rent and the range of monthly rental (details which are set out in the paragraph headed “Principal terms of the 2024 Master Tenancy Agreements – 2024 MTA No.1” in this section above) of the premises (including the existing premises and the newly developed premises) to be leased under 2024 MTA No.1 based on the prevailing market conditions and the rental level of similar properties in the vicinity;

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- (iv) the value of the Group's rights to use the underlying leased asset for the lease term which is initially measured on present value basis and calculated by discounting the non-cancellable lease payments for each lease to be entered into under the 2024 Master Tenancy Agreements, using the incremental borrowing rate as the discount rate; and
- (v) the expected increment of annual rental each year at the lower of (a) 5% (which is determined with reference to the GDP growth rate of mainland China in 2023); and (b) the prevailing GDP growth rate of mainland China in the immediately preceding year.

Implications of the Listing Rules regarding the 2024 MTAs

Ms. Wendy Man is an executive Director, the chief executive officer of the Company, the chairman of the Board and one of the controlling shareholders of the Company, and hence Ms. Wendy Man's associates are connected persons of the Company under Rule 14A.07 of the Listing Rules. As at the Latest Practicable Date, the Private Group (including Clifford Estates Panyu) comprises 30%-controlled companies of Ms. Wendy Man's Spouse, while that the WM Healthcare Group (including Clifford Medical) comprises 30%-controlled companies of Ms. Wendy Man. As such, both the Private Group (including Clifford Estates Panyu) and the WM Healthcare Group (including Clifford Medical) are associates of Ms. Wendy Man, and hence connected persons of the Company under the Listing Rules.

The transactions contemplated under 2024 MTA No.1 and 2024 MTA No.2 are not aggregated under Rule 14A.81 of the Listing Rules, for the reasons that (i) the locations of the premises leased under 2024 MTA No.1 and 2024 MTA No.2 respectively are different; (ii) the nature and uses of the premises leased under the 2024 MTAs are different; and (iii) the premises leased under the 2024 MTAs are used as the Group's operation as business outlets, offices or warehouses and/or other related purposes, which are in the ordinary and usual course of its existing business, and hence will not lead to any involvement by the Group in a new business activity.

For 2024 MTA No.1, as at least one of the applicable percentage ratios (other than the profits ratio) in respect of the largest annual cap thereunder is more than 5% (but less than 25%) and such largest annual cap is more than HK\$10 million, 2024 MTA No.1 and the transactions contemplated thereunder are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

For 2024 MTA No.2, as all of the applicable percentage ratios (other than the profits ratio) in respect of the annual caps thereunder are less than 5% and all of such annual caps are less than HK\$3 million, 2024 MTA No.2 and the transactions contemplated thereunder are therefore fully exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Considering the relevance of 2024 MTA No.1 and 2024 MTA No.2, brief details of 2024 MTA No.2 and the transactions contemplated thereunder are also included in this circular for the Shareholder's information.

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(2) THE 2024 MASTER COMPOSITE SERVICES AGREEMENTS

Reference is made to the Previously Published Documents in relation to, among other matters, the continuing connected transactions as provided under the 2021 Master Composite Services Agreements, comprising 2021 MCSA No.1 and 2021 MCSA No.2.

On 29 October 2021, the Company (for itself and on behalf of its subsidiaries) (as service providers) entered into:

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

pursuant to which the Group agreed to provide the following services to the respective receiving parties for a term of three years ending 31 December 2024: (a) procurement, property management, laundry, resident support, employment placement agency and property agency services; (b) engineering and maintenance services; and (c) telecommunication services, on and subject to the respective terms and conditions contained therein. It is expected that the continuing connected transactions contemplated under the 2021 Master Composite Services Agreements will continue beyond their expiry on 31 December 2024.

On 16 October 2024, for the purpose of replacing the 2021 Master Composite Services Agreements, the Company (for itself and on behalf of its subsidiaries) (as service providers) entered into the 2024 Master Composite Services Agreements, comprising:

- (i) 2024 MCSA No.1 made with Clifford Estates Panyu (for itself and on behalf of other 30%-controlled companies of Ms. Wendy Man's Spouse) and Clifford Xianhu Hotel (for itself and on behalf of other 30%-controlled companies of Ms. Wendy Man (other than the Group and the WM Healthcare Group)) (as receiving parties); and
- (ii) 2024 MCSA No.2 made with Clifford Medical (for itself and on behalf of its subsidiaries) (as receiving parties),

pursuant to which the Group agreed to provide the following services to the respective receiving parties for a term of three years commencing from 1 January 2025 and ending on 31 December 2027: (a) procurement, property management, laundry, resident support, employment placement services and property agency services (collectively **"living services"**); (b) engineering and maintenance services; and (c) telecommunication services, on and subject to the respective terms and conditions contained therein.

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Principal terms of the 2024 Master Composite Services Agreements

2024 MCSA No.1

The principal terms of 2024 MCSA No.1 are summarised below:

Date of 2024 MCSA No.1: 16 October 2024 (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 30%-controlled companies of Ms. Wendy Man's Spouse) and Clifford Xianhu Hotel (for itself and on behalf of other 30%-controlled companies of Ms. Wendy Man (other than the Group and the WM Healthcare Group)) (both as receiving parties)

Term: Three years commencing from 1 January 2025 and ending on 31 December 2027

Both parties are entitled, by giving three months' written notice, to extend the term of 2024 MCSA No.1 for a maximum of three years after the expiry of the initial term on 31 December 2027, subject to compliance with the then applicable provisions of the Listing Rules.

Services to be provided by the Group:

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

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Conditions precedent to 2024 MCSA No.1 becoming effective: The transactions contemplated under 2024 MCSA No.1 are conditional upon (i) the Company having complied with its obligations regarding the disclosure and approval of 2024 MCSA No.1 and the transactions contemplated thereunder, including (if so required) the approval from the Independent Shareholders being obtained, in accordance with the provisions of the Articles of Association and the Listing Rules; and (ii) all other requirements under the Listing Rules being complied with (including obtaining the advice of the Independent Financial Adviser, if so required).

Each of the conditions set out above is not waivable under any circumstances. As at the Latest Practicable Date, save for the publication of the October 2024 Announcement, none of the conditions as set out above has been fulfilled.

Each of 2024 MTA No.1, 2024 MTA No.2, 2024 MCSA No.1 and 2024 MCSA No.2 are not inter-conditional to each other.

2024 MCSA No.2

The principal terms of 2024 MCSA No.2 are summarised as below:

Date of 2024 MCSA No.2:	16 October 2024 (after trading hours)
Parties:	(i) the Company (for itself and on behalf of its subsidiaries) (as service providers) (ii) Clifford Medical (for itself and on behalf of its subsidiaries) (as receiving parties)
Term:	Three years commencing from 1 January 2025 and ending on 31 December 2027 Both parties are entitled, by giving three months' written notice, to extend the term of 2024 MCSA No.2 for a maximum of three years after the expiry of the initial term on 31 December 2027, subject to compliance with the then applicable provisions of the Listing Rules.
Services to be provided by the Group:	living services; engineering and maintenance services; and telecommunication services.

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Conditions precedent to 2024 MCSA No.2 becoming effective:

The transactions contemplated under 2024 MCSA No.2 are conditional upon (i) the Company having complied with its obligations regarding the disclosure and approval of 2024 MCSA No.2 and the transactions contemplated thereunder, including (if so required) the approval from the Independent Shareholders being obtained, in accordance with the provisions of the Articles of Association and the Listing Rules; and (ii) all other requirements under the Listing Rules being complied with (including obtaining the advice of the Independent Financial Adviser, if so required).

Each of the conditions set out above is not waivable under any circumstances. As at the Latest Practicable Date, save for the publication of the October 2024 Announcement, none of the conditions as set out above has been fulfilled.

Each of 2024 MTA No.1, 2024 MTA No.2, 2024 MCSA No.1 and 2024 MCSA No.2 are not inter-conditional to each other.

Pricing policy

Pursuant to 2024 MCSA No.1, service fees charged by the Group and the terms set out thereunder shall be no less favourable to the Group than terms available to Independent Third Parties.

Pursuant to 2024 MCSA No.2, (i) service fees charged to WM Healthcare Group and the terms set out thereunder shall be no less favourable to the WM Healthcare Group than terms available from independent third parties (to WM Healthcare Group), but in any event, (ii) service fees charged by the Group and the terms set out thereunder shall be no less favourable to the Group than terms available to Independent Third Parties (“**Mutually Fair Arrangement**”).

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Service fees charged by the Group pursuant to each of 2024 MCSA No.1 and 2024 MCSA No.2 shall be determined through arm's length negotiations, having regard to the above terms regarding service fees and other terms, and in accordance with the following pricing policy based on the nature or type of services provided by the Group:

- | | |
|-----------------------------------|---|
| (i) Procurement | Procurement prices of relevant products charged by the Group are determined (a) having regard to the market prices of comparable products by taking into consideration the terms of procurement service agreement entered into between the Group (as service providers) and at least one Independent Third Party (as receiving parties) with similar procurement volume; or (b) if item (a) is not available, based on the trading cost (including purchase cost and other costs) of the relevant products plus a premium of approximately 3% to 40% with reference to the nature of certain products which are consumables and the market demand (the administrative and miscellaneous expenses incurred in the process is generally around 1% to 2% of the trading cost). |
| (ii) Property management services | Property management fees charged by the Group are determined (a) based on the applicable laws and regulations of mainland China and guidelines promulgated by mainland China government from time to time (details of which are set out in the following paragraph), and (b) having regard to the fees charged by our Group (as service provider) to at least two Independent Third Parties (as receiving parties) for the provision of property management services for properties in the neighbouring area. |

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As at the Latest Practicable Date, the applicable laws and regulations and guidelines of mainland China which the Group will take into account when determining the property management fees charged include (1) the Management Measures on the Charges of Property Service (《物業服務收費管理辦法》), pursuant to which the property management service fee shall follow either government-guided pricing or market-regulated pricing based on the nature and features of properties of various kinds, and the specific pricing principles shall be determined by the competent price administration departments and real estate departments of provincial level; (2) the Interim Measures for Property Management in Guangzhou City (《廣州市物業管理暫行辦法》), which stipulates that property management service fee proposals should be approved by the property owners with specified parts representing over 50% of total gross floor area and the property owners with over 50% of the total number of people to decide other issues, and (3) the notices issued by the Price Bureau of Guangzhou City (廣州市物價局) and the Land and Resources and Housing Administrative Bureau of Guangzhou City (廣州市國土資源和房屋管理局) from time to time, which set out the government-guided pricing for residential housing preliminary property management service fee.

(iii) Laundry

Laundry service fees charged by the Group are determined with reference to the laundry service fees charged by our Group (as service provider) to at least one Independent Third Party (as receiving party) for laundry services of a similar nature in the neighbouring area.

(iv) Resident support

In respect of renovation and property fitting services, service fees charged by the Group are determined having regard to (i) the nature and value of the relevant services provided by the Group; and (ii) the actual costs and expenses incurred in connection with the provision of relevant services plus a mark-up ranging from approximately 18% to 45%, which is determined with reference to the service fees charged by the Group (as service provider) to Independent Third Parties for the provision of renovation and property fitting services in the neighbouring areas.

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In respect of home cleaning services, service fees charged by the Group are determined with reference to the service fees charged by the Group (as service provider) to at least one Independent Third Party (as receiving party) for the provision of home cleaning services of a similar nature in the neighbouring area, which are standard fees readily accessible to Independent Third Party customers.

(v) Employment placement services

Agency fees charged by our Group are determined having regard to (a) the nature and type of positions being placed; and (b) the agency or management fees charged by our Group (as service provider) to at least one Independent Third Party (as receiving party) for provision of employment placement services of a similar nature in the neighbouring areas.

(vi) Property agency services

Property agency fees charged by our Group are determined with reference to the property agency fees charged by the Group (as service provider) to at least one Independent Third Party (as receiving party) for provision of agency services for properties located in the neighbouring areas with a similar scale and quality.

(vii) Engineering and maintenance

In respect of engineering services, fees charged by the Group are generally determined by relevant parties on a project-by-project basis (whether the relevant terms are determined through open tender or by arm's length negotiations), with reference to the actual costs and expenses incurred for procurement of materials, staff remuneration and other service fees payable to third parties involved in the engineering project, plus a mark-up ranging from approximately 10% to 45% having regard to the nature and complexity of the engineering work involved in the project, which is in line with (a) the mark-up range charged by the Group (as service provider) to Independent Third Parties (as receiving parties); and (b) the mark-up range charged by Independent Third Party service providers, for provision of engineering services of similar specifications.

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In respect of maintenance services, service fees charged by the Group are determined by relevant parties with reference to the actual costs and expenses incurred for procurement of materials, staff remuneration and other service fees payable to third parties involved in the provision of maintenance services, plus a mark-up ranging from approximately 10% to 45% having regard to the nature and complexity of the maintenance work involved.

(viii) Telecommunication

The monthly service fees charged by the Group are determined having regard to the actual costs and expenses incurred, plus a mark-up ranging from approximately 10% to 40%, which is determined based on the Group's policy on the standard service fees that the Group charges or will charge the Independent Third Parties.

Pricing methods and procedures

Living services and telecommunication services

In respect of (i) living services (procurement, property management, laundry, resident support, employment placement services and property agency services) and (ii) telecommunication services, the general manager of the relevant subsidiary of the Company will enquire with potential customers as to the nature and volume of services required. The general manager will then prepare a fee quotation in accordance with the pricing policy, which will then be reviewed by an executive Director (excluding Ms. Wendy Man). The quotation and the relevant supporting information will then be passed to the finance department of the Group for verification and approval, in order to ensure that (i) (for 2024 MCSA No.1) service fees charged by the Group and the terms set out in 2024 MCSA No.1 shall be no less favourable to the Group than terms available to Independent Third Parties; and (ii) (for 2024 MCSA No.2) service fees charged and the terms set out in 2024 MCSA No.2 shall be subject to the Mutually Fair Arrangement.

Engineering and maintenance services

In respect of engineering services, when the Group is invited to participate in tenders for engineering projects, upon receipt of the tender specifications, members of the tendering team, which includes senior management of the Group, will determine the fee quotation by (a) estimating the costs involved, including costs relating to manpower and qualified persons such as engineers or other experts and materials to be used; and (b) assessing the complexity of the engineering services involved; and (c) estimating the time required for the engineering project.

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The general manager of the relevant subsidiary of the Company will then compare the profitability of the projects with (i) the engineering works of similar size and complexity provided to other Independent Third Parties; and (ii) (in respect of the provision of such services by the Group to the WM Healthcare Group under 2024 MCSA No.2) the engineering works of similar size and complexity provided by other Independent Third Parties, and the finance manager of the Company will review such profit estimate to ensure that:

- (1) for 2024 MCSA No.1, engineering service fees charged by the Group to the Private Group or WM Non-HC Group shall be no less favourable to the Group than terms available to Independent Third Parties; and
- (2) for 2024 MCSA No.2, engineering service fees charged by the Group to WM Healthcare Group shall be subject to the Mutually Fair Arrangement.

In respect of maintenance services, the general manager of the relevant subsidiary of the Group will enquire with potential customers as to the nature and volume of maintenance services required. The general manager will then assess the nature and complexity of the maintenance services to be provided, costs and expenses incurred in relation to the required equipment and spare parts, staff remuneration and estimated time required and frequency of maintenance services required, and a mark-up ranging from approximately 10% to 45% having regard to the nature and complexity of the maintenance work involved will be charged for the maintenance service fees. In determining the maintenance service fees, the general manager of the relevant subsidiary shall ensure that:

- (1) for 2024 MCSA No.1, maintenance service fees charged by the Group to the Private Group or WM Non-HC Group shall be no less favourable to the Group than terms available to Independent Third Parties; and
- (2) for 2024 MCSA No.2, maintenance service fees charged by the Group to WM Healthcare Group shall be subject to the Mutually Fair Arrangement.

The Company has adopted stringent internal control procedures to ensure the annual caps set under the 2024 MCSAs are not exceeded and the terms of services provided by the Group are within the scope of and in compliance with the terms of the 2024 MCSAs:

The finance manager of the Group will monitor the actual transaction amounts of the continuing connected transactions incurred under the 2024 MCSAs on a monthly basis. If the actual transaction amount reaches 70% or more of the relevant annual cap at any time of the year, the finance manager will inform the Board, which will then assess the need to take appropriate measures in accordance with the requirements of the Listing Rules before annual cap is exceeded. If the actual transaction amount further reaches 80% or more of the relevant annual cap at any time of the year, the chief financial officer of the Company will closely monitor the actual transaction amounts on a weekly basis.

LETTER FROM THE BOARD

Historical transaction amounts and proposed annual caps

The historical transaction amount in respect of the transactions contemplated under the 2021 Master Composite Services Agreements for each of FY2022, FY2023 and FY2024 (up to 31 August 2024) are set out below:

	FY2022	FY2023	FY2024 (up to 31 August 2024)
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Aggregate service fees paid or payable by the Private Group and the WM Non-HC Group under 2021 MCSA No.1			
• procurement, property management, laundry, resident support, employment placement agency and property agency services	30.0	32.4	19.3
• engineering and maintenance services and telecommunication services	<u>29.3</u>	<u>13.2</u>	<u>5.8</u>
Sub-total	59.3	45.6	25.1
Aggregate service fees paid or payable by the WM Healthcare Group under 2021 MCSA No.2			
• procurement, property management, laundry, resident support, employment placement agency and property agency services	5.1	10.0	3.7
• engineering and maintenance services and telecommunication services	<u>2.5</u>	<u>1.2</u>	<u>0.6</u>
Sub-total	<u>7.6</u>	<u>11.2</u>	<u>4.3</u>
Total	<u><u>66.9</u></u>	<u><u>56.8</u></u>	<u><u>29.4</u></u>

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The annual caps previously set for the three years ending 31 December 2024 were RMB132.0 million, RMB129.0 million and RMB139.0 million for 2021 MCSA No.1, respectively; and RMB34.0 million, RMB41.0 million and RMB44.0 million for 2021 MCSA No.2, respectively.

So far as the Directors are aware, the annual cap in respect of the transactions contemplated under each of the 2021 Master Composite Services Agreements for FY2024 has not been exceeded as at the Latest Practicable Date and the actual transaction amounts for FY2024 under each of the 2021 MCSAs are not expected to exceed the relevant annual caps for FY2024.

The Board considers that the low historical utilisation of the existing annual caps for FY2022, FY2023 and the eight months ended 31 August 2024 under the 2021 MCSAs were mainly attributable to: (a) the fact that the COVID-19 pandemic had lasted longer than originally anticipated in late 2021 (being the relevant time of assessing the annual caps for the 2021 MCSAs); and (b) the downturn in the property market and the general economy of mainland PRC during the relevant periods, which led to a decrease in our service demand.

The following table sets out the proposed annual caps in respect of the transactions contemplated under each of 2024 Master Composite Services Agreements for each of FY2025, FY2026 and FY2027:

	FY2025 <i>(RMB million)</i>	FY2026 <i>(RMB million)</i>	FY2027 <i>(RMB million)</i>
Proposed annual caps for 2024 MCSA No.1	79.3	82.4	86.0
Proposed annual caps for 2024 MCSA No.2	46.7	47.8	49.5
Total	126.0	130.2	135.5

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Basis of determination of the proposed annual caps

The proposed annual caps in respect of the transactions contemplated under each of 2024 MCSA No.1 and 2024 MCSA No.2 have been determined based on the following factors and assumptions:

- (i) For living services (except for property management services):
 - (a) due to the sluggish economy and a highly competitive environment in mainland China during FY2022, FY2023 and FY2024, the historical transaction amounts for living services (excluding property management services) for the five years ending 31 December 2024 (for FY2024, using the historical transaction amount for the eight months ended 31 August 2024 to derive the annualised amount), which amounted to approximately RMB9.7 million, RMB18.0 million, RMB13.6 million, RMB18.9 million and RMB11.6 million for the five years ending 31 December 2024 respectively;
 - (b) the expected service fees charged by the Group for each of the living services (except for property management services), which are determined based on the pricing policy as set out in the paragraph headed “The 2024 Master Composite Services Agreements – Pricing policy” above;
 - (c) the expected increase in the demand for our procurement, employment placement and property agency services due to the operational needs of the counterparties of the 2024 MCSAs, including:
 - (i) procurement services – in particular, since the COVID-19 pandemic, online purchase and delivery has become increasingly acceptable to the general public due to its convenience;
 - (ii) employment placement service – WM Healthcare Group’s increasing demands for more professional or general caretakers due to the aging population;
 - (iii) property agency service – additional property agency service demands by the Private Group and the WM Non-HC Group for identifying properties for their operation are expected, as they intend to engage the Group for provision of property agency services to replace the independent service providers whom they currently engage; and
 - (iv) procurement, employment placement and property agency services – additional services demands are expected as a result of the counterparties’ intention to engage the Group as opposed to independent suppliers whom they currently engage;

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- (d) the expected transaction amounts in respect of the ongoing living services (except for property management services) which are expected to carry on throughout FY2025, FY2026 and FY2027; and
 - (e) the expected annual growth rate of 5%, which is estimated with reference to the GDP growth rate of mainland China in 2023 and the average historical GDP growth rate of mainland China of 5.0% for the past five years.
- (ii) For property management services:
- (a) the historical property management fees received or receivable by the Group for the five years ending 31 December 2024 (for FY2024, using the historical transaction amount for the eight months ended 31 August 2024 to derive the annualised amount), which amounted to approximately RMB14.8 million, RMB16.0 million, RMB21.5 million, RMB23.5 million and RMB22.9 million for the five years ending 31 December 2024 respectively;
 - (b) the ongoing property management engagements (covering the total rentable floor area of approximately 3,358,000 sq.m.) and their respective managements fees of RMB23.0 million; and
 - (c) the expected increase in the demand for our property management services, in particular, certain healthcare-related properties of the WM Healthcare Group of approximately 250,000 sq.m. gross floor area which are currently managed by independent service providers, will be available and expected to be managed by the Group. These healthcare-related properties have stringent management standards and therefore requires a broader scope of services than regular properties, which include stricter cleaning standards, waste disposal standards and the need for an 24-hour emergency maintenance team, and in turn, our Group can charge a higher management fee then regular properties.
- (iii) For engineering and maintenance work and telecommunication services:
- (a) the historical contractual amount of approximately RMB88.3 million, RMB43.3 million, RMB63.8 million, RMB56.5 million and RMB31.8 million for the four years ended 31 December 2023 and the eight months ended 31 August 2024 respectively in respect of the tenders awarded to the Group through tender process of the Private Group, the WM Non-HC Group and the WM Healthcare Group (the decreases in the contractual amounts of tenders awarded were attributable to the sluggish economy in mainland PRC during the relevant periods, which impacted the service demand) and the corresponding service fees for engineering and maintenance work and telecommunication services recognised by the Group under such contracts of approximately RMB63.8 million, RMB56.5 million, RMB31.8 million, RMB14.4 million and RMB9.5 million for the five years ending 31 December 2024 respectively (for FY2024, using the historical transaction amount for the eight months ended 31 August 2024 to derive the annualised amount) respectively, and the outstanding services which are expected to be performed in FY2025, FY2026 and FY2027;

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- (b) the estimated success rate of the Group tendering for the engineering works, based upon the historical tendering success rate and participation rate of the Group over the past three years, which for FY2022, FY2023 and the eight months ended 31 August 2024 which were close to 100%;
- (c) the total contract sum for the ongoing engineering and maintenance work and telecommunication services and the relevant tenders submitted by the Group to the Private Group, the WM Non-HC Group or the WM Healthcare Group (but results of the tenders have not finalised), which, for FY2025, amounted to approximately RMB2.9 million;
- (d) the estimated transaction amount as a result of any variation orders made by the Private Group, the WM Non-HC Group and the WM Healthcare Group in the course of project implementation; and
- (e) the maintenance service required for the projects implemented and completed in the past three years; an estimate for possible projects indicated to be subject to tender, but not yet invited and/or awarded.

Implications of the Listing Rules regarding the 2024 MCSAs

For the reasons stated in the paragraph headed “(1) The 2024 Master Tenancy Agreements – Implications of the Listing Rules regarding the 2024 MTAs” above, both the Private Group (including Clifford Estates Panyu) and the WM Healthcare Group (including Clifford Medical) are connected persons of the Company under the Listing Rules.

As for Clifford Xianhu Hotel and the WM Non-HC Group, they are all 30%-controlled companies of Ms. Wendy Man. As such, the members of the WM Non-HC Group (including Clifford Xianhu Hotel) are also associates of Ms. Wendy Man, and hence connected persons of the Company under the Listing Rules.

Accordingly, the entering into of the 2024 MCSAs constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, the transactions contemplated under 2024 MCSA No.1 and 2024 MCSA No.2 are aggregated as if they were one transaction, on the basis that (i) both of them involve the provision of living services, engineering and maintenance services and telecommunication services by the Group which are of similar nature and (ii) the respective receiving parties, namely, the Private Group, the WM Non-HC Group and the WM Healthcare Group, are all connected persons (as defined under the Listing Rules).

As at least one of the applicable percentage ratios (other than the profits ratio) in respect of the aggregate amount of the proposed annual caps under the 2024 MCSAs is more than 25% (but less than 75%) and the annual consideration is more than HK\$10 million, the 2024 MCSAs and the transactions contemplated thereunder (including the proposed annual caps thereof) are subject to the reporting, announcement, annual review and Independent Shareholders’ approval requirements under the Listing Rules.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE 2024 MTAS AND THE 2024 MCSAS

As regards the 2024 Master Tenancy Agreements, the Group has been leasing certain properties from the Private Group and the WM Healthcare Group during FY2022, FY2023 and FY2024, and these properties have been used as the Group's operation of business outlets, offices, warehouses, etc. As the Group's businesses have been carried out or situated at the relevant leased properties, it is considered appropriate (in terms of cost, time and operational stability) to continue leasing such properties from the Private Group or the WM Healthcare Group (as the case may be). In addition, relocating any of such leased properties will also incur unnecessary expenses. Accordingly, the Board considered that entering into the 2024 Master Tenancy Agreements is fair and reasonable in order to avoid any material disruptions in the Group's operations.

As regards the 2024 Master Composite Services Agreements, since the Group generally understands the business needs of the Private Group, the WM Non-HC Group and the WM Healthcare Group, it is expected that the Group will, in its ordinary course of business continue to supply such services to the Private Group, the WM Non-HC Group and the WM Healthcare Group.

The Directors (excluding the INEDs (except for 2024 MTA No.2) whose views will be given after taking into account the advice from the Independent Financial Adviser) consider that the continuing connected transactions contemplated under the 2024 MTAs and the 2024 MCSAs have been conducted on normal commercial terms, are fair and reasonable and in the interests of the Company and its shareholders as a whole, and that the proposed annual caps for the continuing connected transactions contemplated under the 2024 MTAs and the 2024 MCSAs are fair and reasonable.

In view of her (and/or her associate's) interests in the 2024 MTAs and the 2024 MCSAs, Ms. Wendy Man has abstained from voting in respect of the relevant resolutions at the Board meeting held on 16 October 2024 for considering the 2024 MTAs and the 2024 MCSAs.

INFORMATION ABOUT THE PARTIES

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

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

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

The WM Healthcare Group is principally engaged in the operation of (among others) hospital and certain ancillary healthcare facilities such as postnatal care centre, elderly care service centre, dental clinic and pharmacy in mainland China. Its ultimate controlling shareholder is Ms. Wendy Man.

LETTER FROM THE BOARD

EGM

Resolutions for approving each of 2024 MTA No.1, 2024 MCSA No.1 and 2024 MCSA No.2, and the respective transactions contemplated thereunder (including the respective proposed annual caps thereof) will be proposed at the EGM.

A notice convening the EGM to be held at Function Room 23H, Level 23, One Island East, 18 Westlands Road, Taikoo Place, Quarry Bay, Hong Kong on Wednesday, 18 December 2024 at 11:00 a.m. is set out on pages 69 to 71 of this circular.

In accordance with the Listing Rules, any connected person or Shareholder and its associates with a material interest in 2024 MTA No.1 and the 2024 MCSAs and the respective transactions contemplated thereunder must abstain from voting on the resolutions to approve these agreements and the respective 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 associate's) interests in 2024 MTA No.1 and the 2024 MCSAs, Ms. Wendy Man's and her associates are required to abstain from voting on the relevant resolutions to be proposed at the EGM. As at the Latest Practicable Date, Ms. Wendy Man, directly and indirectly through her solely-owned company (namely Elland Holdings Limited), held an aggregate of 741,170,000 Shares, representing approximately 72.97% of the entire issued share capital of the Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholders (other than Ms. Wendy Man and her associates) have a material interest in 2024 MTA No.1, the 2024 MCSAs and the transactions contemplated thereunder, and no other Shareholders are required to abstain from voting on the ordinary resolutions in relation to the respective 2024 MTA No.1 and the 2024 MCSAs and the transactions contemplated thereunder (including the respective proposed annual caps) to be proposed at the EGM.

A form of proxy for the EGM is enclosed herewith. Whether or not Shareholders are able to attend and vote at the EGM, they are requested to complete the enclosed form of proxy and return the same to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, 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 11:00 a.m. (Hong Kong time) on Monday, 16 December 2024) 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 except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The chairman of the EGM will therefore demand a poll for every resolution put to the vote of the EGM. An announcement on the poll results of the EGM will be made by the Company following the conclusion of the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors (including all the INEDs after having regard to the advice of the IFA) consider that 2024 MTA No.1, the 2024 MCSAs and the respective transactions contemplated thereunder have been conducted by the Company in its ordinary and usual course of business, on normal commercial terms or better, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and that the respective proposed annual caps for the transactions contemplated under 2024 MTA No.1 and the 2024 MCSAs are fair and reasonable. The Directors therefore recommend the Independent Shareholders to vote in favour of the relevant resolutions set out in the notice of the EGM.

FURTHER INFORMATION

The Independent Board Committee comprising all three INEDs, namely, Ms. LAW Elizabeth, Mr. HO Cham and Mr. MAK Ping Leung, has been appointed to advise the Independent Shareholders in relation to 2024 MTA No.1 and the 2024 MCSAs and the respective transactions contemplated thereunder (including the respective proposed annual caps). Altus Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in such regard.

Accordingly, your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 34 to 35 of this circular, which contains its recommendation to the Independent Shareholders; (ii) the letter from the Independent Financial Adviser set out on pages 36 to 63 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders; and (iii) the general information set out in the Appendix to this circular.

Yours faithfully

For and on behalf of the Board of

Clifford Modern Living Holdings Limited

MAN Lai Hung

Chairman, Chief Executive Officer and Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



祈福生活服務
CLIFFORD MODERN LIVING

CLIFFORD MODERN LIVING HOLDINGS LIMITED

祈福生活服務控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 3686)

22 November 2024

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS: (1) 2024 MASTER TENANCY AGREEMENTS; AND (2) 2024 MASTER COMPOSITE SERVICES AGREEMENTS

We refer to the circular of the Company dated 22 November 2024 (the “**Circular**”) to the Shareholders, of which this letter forms a part. Terms defined in the Circular shall have the same meanings when used 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, taking into account the recommendation of the Independent Financial Adviser, advise the Independent Shareholders as to whether, in our opinion, 2024 MTA No.1 and the 2024 MCSAs and the respective transactions contemplated thereunder (including the respective proposed annual caps thereof) are conducted by the Company in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders as a whole and on normal commercial terms or better and terms of the transactions are fair and reasonable so far as the Independent Shareholders are concerned. In this connection, Altus Capital Limited has been appointed as the Independent Financial Adviser to make recommendations to the Independent Board Committee and the Independent Shareholders in respect of the terms of 2024 MTA No.1 and the 2024 MCSAs, and the respective 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 6 to 33 of the Circular, and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 36 to 63 of the Circular which contains its opinion in respect of 2024 MTA No.1 and the 2024 MCSAs, and the respective transactions contemplated thereunder (including the respective proposed annual caps thereof).

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the recommendation of the Independent Financial Adviser in relation thereto, we consider that 2024 MTA No.1 and the 2024 MCSAs and the respective transactions contemplated thereunder (including the respective proposed annual caps thereof) are conducted in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders as a whole and on normal commercial terms or better and terms of the transactions are fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, we recommend that the Independent Shareholders vote in favour of the relevant ordinary resolutions set out in the notice of the EGM to approve each of 2024 MTA No.1, 2024 MCSA No.1 and 2024 MCSA No.2, and the respective transactions contemplated thereunder (including the respective proposed annual caps thereof).

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

LETTER FROM ALTUS CAPITAL LIMITED

The following is the text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2024 MTA No.1, the 2024 MCSAs and the transactions contemplated thereunder (including the respective annual caps thereof), which has been prepared for the purposes of incorporation in this circular.

ALTUS.

Altus Capital Limited
21 Wing Wo Street
Central
Hong Kong

22 November 2024

To the Independent Board Committee and the Independent Shareholders

Clifford Modern Living Holdings Limited

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

Dear Sirs,

**CONTINUING CONNECTED TRANSACTIONS:
(1) 2024 MASTER TENANCY AGREEMENTS; AND
(2) 2024 MASTER COMPOSITE SERVICES AGREEMENTS**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the 2024 MTA No.1, the 2024 MCSAs and the transactions contemplated thereunder (including the respective annual caps thereof). Details of which are set out in the “Letter from the Board” contained in the circular of the Company dated 22 November 2024 (the “**Circular**”). Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

LETTER FROM ALTUS CAPITAL LIMITED

The 2024 MTAs

On 16 October 2024, for the purpose of replacing the 2021 Master Tenancy Agreements, the Company (for itself and on behalf of its subsidiaries) (as tenant) entered into the 2024 Master Tenancy Agreements, comprising:

- (i) 2024 MTA No.1 made with Clifford Estates Panyu (for itself and on behalf of other 30%-controlled companies of Ms. Wendy Man's Spouse) (as landlord); and
- (ii) 2024 MTA No.2 made with Clifford Medical (for itself and on behalf of its subsidiaries) (as landlord),

pursuant to which the respective landlords agreed to lease certain premises to the Group, on and subject to the respective terms and conditions contained therein. Each of 2024 Master Tenancy Agreements has a term of three years commencing from 1 January 2025 to 31 December 2027.

The 2024 MCSAs

On 16 October 2024, for the purpose of replacing the 2021 MCSAs, the Company (for itself and on behalf of its subsidiaries) (as service providers) entered into the 2024 MCSAs, comprising:

- (i) 2024 MCSA No.1 made with Clifford Estates Panyu (for itself and on behalf of other 30%-controlled companies of Ms. Wendy Man's Spouse) and Clifford Xianhu Hotel (for itself and on behalf of other members of the WM Non-HC Group) (as receiving parties); and
- (ii) 2024 MCSA No.2 made with Clifford Medical (for itself and on behalf of its subsidiaries) (as receiving parties),

pursuant to which the Group agreed to provide to the following services to the respective receiving parties for a term of three years from 1 January 2025 and ending on 31 December 2027: (a) procurement, property management, laundry, resident support, employment placement services and property agency services (collectively “**living services**”); (b) engineering and maintenance services; and (c) telecommunication services, on and subject to the respective terms and conditions contained therein.

LISTING RULES IMPLICATIONS

The 2024 MTA No.1

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

LETTER FROM ALTUS CAPITAL LIMITED

The transactions contemplated under 2024 MTA No.1 and 2024 MTA No.2 are not aggregated under Rule 14A.81 of the Listing Rules, for the reasons that (i) the locations of the premises leased under 2024 MTA No.1 and 2024 MTA No.2 respectively are different; (ii) the nature and uses of the premises leased under the 2024 MTAs are different; and (iii) the premises leased under the 2024 MTAs are used as the Group's operation as business outlets, offices or warehouses and/or other related purposes, which are in the ordinary and usual course of its existing business, and hence will not lead to any involvement by the Group in a new business activity.

For 2024 MTA No.1, as all of the applicable percentage ratios (other than the profits ratio) in respect of the largest annual cap thereunder is more than 5% (but less than 25%) and such largest annual cap is more than HK\$10 million, the 2024 MTA No.1 and the transactions contemplated thereunder are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

For 2024 MTA No.2, as all of the applicable percentage ratios (other than the profits ratio) in respect of the annual caps thereunder are less than 5% and all of such annual caps are less than HK\$3 million, 2024 MTA No.2 and the transactions contemplated thereunder are therefore fully exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The 2024 MCSAs

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

Accordingly, the entering into of the 2024 MCSAs constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, the transactions contemplated under 2024 MCSA No.1 and 2024 MCSA No.2 are aggregated as if they were one transaction, on the basis that (i) both of them involve the provision of living services, engineering and maintenance services and telecommunication services by the Group which are of similar nature, and (ii) the respective receiving parties, namely, the Private Group, the WM Non-HC Group and the WM Healthcare Group, are all connected persons (as defined under the Listing Rules). As at least one of the applicable percentage ratios (other than the profits ratio) in respect of the aggregate amount of the proposed annual caps under the 2024 MCSAs is more than 25% (but less than 75%) and the annual consideration is more than HK\$10 million, the 2024 MCSAs and the transactions contemplated thereunder (including the proposed annual caps thereof) are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under the Listing Rules.

LETTER FROM ALTUS CAPITAL LIMITED

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all of the INEDs, namely Ms. LAW Elizabeth, Mr. HO Cham and Mr. MAK Ping Leung, has been established to consider the 2024 MTA No.1, the 2024 MCSAs and the transactions contemplated thereunder (including the respective proposed annual caps) and to give advice and recommendation to the Independent Shareholders as to (i) whether the continuing connected transactions contemplated under the 2024 MTA No.1 and the 2024 MCSAs have been conducted on normal commercial terms, are fair and reasonable and in the interests of the Company and its shareholders as a whole; (ii) whether the proposed annual caps for the continuing connected transactions contemplated under the 2024 MTA No.1 and the 2024 MCSAs are fair and reasonable; and (iii) how the Independent Shareholders should vote in respect of the resolutions relating to the the 2024 MTA No.1, the 2024 MCSAs and the transactions contemplated thereunder (including the respective proposed annual caps) to be proposed at the EGM, taking into account the recommendations of the Independent Financial Adviser.

THE INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders on (i) whether the continuing connected transactions contemplated under the 2024 MTA No.1 and the 2024 MCSAs have been conducted on normal commercial terms, are fair and reasonable and in the interests of the Company and its shareholders as a whole; (ii) whether the proposed annual caps for the continuing connected transactions contemplated under the 2024 MTA No.1 and the 2024 MCSAs are fair and reasonable; and (iii) how the Independent Shareholders should vote in respect of the resolutions relating to the the 2024 MTA No.1, the 2024 MCSAs and the transactions contemplated thereunder (including the respective proposed annual caps) to be proposed at the EGM.

We have previously acted as the independent finance adviser to the Company with regard to the continuing connected transactions relating to a catering service agreement having a duration longer than three years. Our role as independent financial adviser to the Company is to give an opinion with regards to (i) why a period exceeding three years for the catering service is required and (ii) whether it is normal business practice agreement relating to the catering services to be of such duration. Details of such transaction were set out in an announcement of the Company dated 15 September 2023. Save for the aforesaid transaction, we have not acted as financial adviser or independent financial adviser in relation to any transactions of the Company in the last two years prior to the date of the Circular. Given that (i) the previous continuing connected transactions and the existing continuing connected transactions contemplated under the 2024 MTA No.1 and the 2024 MCSAs are not related (i.e. they are two sets of separate transactions); and (ii) we were and continue to remain independent of and not associated to the Company, its controlling Shareholder(s) or connected person(s) since none of the circumstances as described under Rule 13.84 of the Listing Rules exist, we confirm that by acting as an independent financial adviser to the Company in September 2023 in relation to another continuing connected transactions as mentioned above have no impact on our independence to act as Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders with regards to the continuing connected transactions contemplated under the 2024 MTA No.1 and the 2024 MCSAs. Pursuant to Rule 13.84 of the Listing Rules, and given that remuneration for our engagement to opine on the the 2024 MTA No.1, the 2024 MCSAs and the transactions contemplated thereunder (including the respective proposed annual caps) is at market level and not conditional upon successful passing of the resolution(s) to be proposed at the EGM, and that our engagement is on normal commercial terms, we are independent of and not associated with the Company, its controlling shareholder(s) or connected person(s).

LETTER FROM ALTUS CAPITAL LIMITED

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others, (i) the interim report of the Company for the six months ended 30 June 2024 (the “**Interim Report**”); (ii) the annual report of the Company for the year ended 31 December 2023, (the “**Annual Report**”); (iii) the 2024 MTAs; (iv) the 2024 MCSAs; and (v) other information as set out in the Circular.

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

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background Information

1.1 Principal business of the Group

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

1.2 Principal businesses of the Private Group, the WM Non-HC Group, and the WM Healthcare Group (together, the “Connected Parties”)

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

LETTER FROM ALTUS CAPITAL LIMITED

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

The WM Healthcare Group is principally engaged in the operation of (among others) hospital and certain ancillary healthcare facilities such as postnatal care centre, elderly care service centre, dental clinic and pharmacy in mainland China. Its ultimate controlling shareholder is Ms. Wendy Man.

2. Reasons for and Benefits of the 2024 MTA No.1 and the 2024 MCSAs

2.1 2024 MTA No.1

The Group has been leasing certain properties from the Private Group, and these properties have been used as the Group's operating or business outlets, offices warehouses, etc. As advised by the Management, as at 31 August 2024, being the latest practicable date for the purpose of this letter, the Group has entered into 45 leases from the Private Group and the WM Healthcare Group with an aggregate gross floor area of approximately 33,395 square meters under the 2021 MTA No.1. Under the 2024 MTA No.1, the Group will continue to lease 44 premises with a total gross floor area of 27,197 sq.m. from the Private Group and will enter into 7 new leases with a total gross floor area of 6,338 sq.m. from the Private Group as described in the "Letter from the Board".

As the Group's businesses have been carried out or situated at the relevant leased properties for at least over 7 years, the Board considered appropriate (in terms of cost, time and operational stability) to continue leasing such properties from the Private Group or the WM Healthcare Group (as the case may be). In addition, relocating any of such leased properties will also incur unnecessary expenses. Accordingly, the Board considered that the renewal of their tenancy is fair and reasonable in order to avoid any material disruptions in the Group's operations.

We have reviewed the full list of properties under the abovementioned 45 leases as at 31 August 2024, including information such as the locations and purposes of such properties. We noted that most of such properties (being used as shops, offices, training centres, catering and warehouse) are located within the premises of Clifford Estates (祈福新邨) which is situated in Panyu District and serve the purpose of providing various services to the estate. After considering the above, as well as the additional time and costs to relocate other offices of the Group to alternative locations, we concur with the Management that the renewal of their tenancy is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having considered (i) the Group has been from time to time leasing certain premises from various landlords (including but not limited to the Private Group and the WM Healthcare Group) in its usual and ordinary course of business; (ii) the term of the 2024 MTA No.1 being three years commencing from 1 January 2025 and up to 31 December 2027 is consistent with the duration of the 2021 MTAs and a continuation of the 2021 MTAs; (iii) the locations and primary purpose of these leased properties as described above; and (iv) the time and cost of relocation as well as the impact to the Group's operational stability, we are of the view that the entering into of the 2024 MTA No.1 is in the Group's usual and ordinary course of business, and is in the interests of the Company and the Shareholders as a whole.

LETTER FROM ALTUS CAPITAL LIMITED

2.2 2024 MCSAs

We understand from the Management that the Group has been from time to time providing various types of services, including (a) living services; (b) engineering and maintenance services (relating to information technology, security systems and hardware and software integration); and (c) telecommunication services (together, “**Composite Services**”) to different customers (including but not limited to the Connected Parties).

Revenue derived from the provision of the composite services amounted to approximately RMB383 million, RMB345 million and RMB182 million for the two years ended 31 December 2022 and 2023, and the six months ended 30 June 2024 respectively, of which approximately RMB59.3 million, RMB45.6 million and RMB20.9 million were derived from transactions with the non-healthcare group and approximately RMB7.6 million, RMB11.2 million and RMB4.1 million were derived from transactions with the healthcare group. Such revenue derived from transactions with the Connected Parties constitute approximately 17.5%, 16.5% and 13.7% of the Group’s total revenue for the two years ended 31 December 2022 and 2023, and the six months ended 30 June 2024 respectively.

Having considered (i) the Group has been from time to time providing composite services to various customers (including but not limited to the Connected Parties) in its usual and ordinary course of business; (ii) the abovementioned revenue derived from transactions with the Connected Parties in the past years/period and the Connected Parties represents a solid base of the Group’s customers with recurring services demand within the duration of the 2021 MCSAs; (iii) the term of the 2024 MCSAs being three years commencing from 1 January 2025 and up to 31 December 2027 is consistent with the duration of the 2021 MCSAs and a continuation of the 2021 MCSAs, we are of the view that the entering into of the 2024 MCSAs is in the Group’s usual and ordinary course of business, and is in the interests of the Company and the Shareholders as a whole.

3. Analysis on the Terms of the 2024 MTA No.1

3.1 Background and principal terms of the 2024 MTA No.1

Pursuant to the 2021 MTA No.1 entered into between Clifford Estates Panyu (for itself and on behalf of other 30%-controlled companies of Ms. Wendy Man’s Spouse) (as landlord) and the Company (for itself and on behalf of its subsidiaries) (as tenant), Clifford Estates Panyu agreed to lease certain premises to the Group, on and subject to the respective terms and conditions contained therein.

At the Company’s extraordinary general meeting held on 30 December 2021, the then independent shareholders of the Company approved the transactions contemplated under the 2021 MTA No.1 and the annual caps for each of FY2022, FY2023 and FY2024. It is expected that the Company will continue to lease such premises under the 2021 MTA No.1 after 31 December 2024.

LETTER FROM ALTUS CAPITAL LIMITED

On 16 October 2024, for the purpose of replacing the 2021 Master Tenancy Agreements, the Company (for itself and on behalf of its subsidiaries) (as tenant) entered into the 2024 Master Tenancy Agreements, comprising:

- (i) 2024 MTA No.1 made with Clifford Estates Panyu (for itself and on behalf of other 30%-controlled companies of Ms. Wendy Man's Spouse) (as landlord); and
- (ii) 2024 MTA No.2 made with Clifford Medical (for itself and on behalf of its subsidiaries) (as landlord),

pursuant to which the respective landlords agreed to lease certain premises to the Group, on and subject to the respective terms and conditions contained therein. Each of 2024 MTA No.1 and 2024 MTA No.2 has a term of three years commencing from 1 January 2025 to 31 December 2027.

Principal terms of the 2024 MTA No.1 and the 2024 MTA No.2 are set out in the paragraph headed "Principal terms of the 2024 Master Tenancy Agreements" in the "Letter from the Board" of the Circular.

3.2 Rental of the 2024 MTA No.1

In assessing the fairness and reasonableness of the rental of the 2024 MTA No.1, we noted that the annual rentals payable by the Group under the existing individual tenancy agreements have been determined by the Group with reference to the range of prevailing market rates for each of the premises under the existing individual tenancy agreements as at 31 August 2024 based on the valuation results of an independent property valuer (the "**Independent Valuer**") and the management's assessment of the prevailing market rates for 2024. Valuation results containing the range of prevailing market rent for the properties are contained in the fair rent report (the "**Fair Rent Report**"), which we had reviewed. The Management has considered the Fair Rent Report and made reference to the data on the prevailing rent rates that they have collected during their daily operations, they concur with the views of the Independent Valuer.

The Fair Rent Report provided an independent analysis on the rental levels of the properties, including those under the 45 existing individual leases (representing 45 underlying premises) covered by the 2021 MTA No.1 (the "**Properties**") as of 31 August 2024 showing that the monthly rental payable. Pursuant to our interview with the Independent Valuer and our discussion with the Management, we understand that they were not aware of any material change in the property market in mainland China and Hong Kong from 31 August 2024, being the date of the Fair Rent Report, up to the Latest Practicable Date. As such, we believe the Fair Rent Report provides a fair and reasonable reference for the Company to determine the rental of the Properties.

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

LETTER FROM ALTUS CAPITAL LIMITED

We have also made reference to 5 quotations (representing approximately 10% of all the 45 leases) shown on independent property agency websites with regards to properties located in close proximity of the Properties, and have similar features (in terms of size, nature: office, shops, warehouse, year of the properties and duration of the tenancy) and noted the asking rent and related management fees are similar to the current rent of the Properties.

Regarding the increment of the annual rental of the Properties, the annual rental payable by the Group shall be increased by an amount not exceeding the lower of (i) 5%; and (ii) the prevailing GDP growth rate of mainland China in the immediately preceding year. We had cross-checked the proposed increment rate with the GDP growth rate of mainland China in 2023 of 5.2% published by the National Bureau of Statistics of China. We believe the proposed increment is in line with the historical GDP growth of mainland China, and therefore is fair and reasonable.

3.3 Internal controls in relation to the rentals of the 2024 MTA No.1

We noted that the annual rentals in respect of the premises to be leased by the Group under the 2024 MTA No.1 were determined after arm's length negotiations between the relevant parties with reference to the prevailing market rates of local properties in the neighbourhood with a similar scale and quality and subject to the internal control measures of the Group and of the Private Group. The prevailing market rates of local properties are determined with reference to:

- (i) (for existing leases) the Fair Rent Report or (for leases regarding newly developed premises or new leases to be entered into by the Group) fair rent report(s) to be issued by independent valuer;
- (ii) quotations of one or more similar comparable properties owned by Independent Third Parties in the neighbouring area provided by independent estate agency; and
- (iii) at least two quotations of similar comparable properties owned by the Private Group provided by independent estate agency.

After collecting available data and market information (including quotations from Independent Third Parties), 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 each year will be by a percentage of not exceeding the lower of (i) 5%; and (ii) the prevailing GDP growth rate of the immediately preceding year.

We had reviewed the internal control procedures described above, had discussion with the Management and reviewed the Fair Rent Report and noted the rental levels of the Properties are within the range of rental of similar properties as set out in the Fair Rent Report. Based on our review of the Fair Rent Report, we noted that the transactions under the 2021 MTAs were carried out in accordance with the Group's internal control procedures as described above. As such, we are of the view that there is an established mechanism under the 2024 MTAs to monitor and compare the annual rental and the provisions therein are fair and reasonable.

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3.4 Other terms of the 2024 MTA No.1

We had reviewed a set of rental agreement entered between the Private Group and an Independent Third Party in relation to a business premise in the Clifford Estates. According to the Private Group, all the lease agreements are in standardised form. Given the majority of the Properties are located in the Clifford Estates, we believe that by randomly selected one set of standardised rental agreement from the same premises is representative and sufficient for this comparison purpose. We noted that the other terms of the 2024 MTA No.1 are largely similar and comparable to those in the standardised rental agreement with the Independent Third Party. As such, we are of the view that the other terms of the 2024 MTA No.1 are normal commercial terms and are fair and reasonable.

3.5 Conclusion

Having considered (i) rental under the 2024 MTA No.1 were determined with reference to the Fair Rent Report issued by the Independent Valuer; (ii) the internal control procedures in relation to the transactions under the 2024 MTA No.1 will ensure that the Group would lease premises from the Connected Parties with favourable terms; (iii) the other terms of the 2024 MTA No.1 were comparable to those in rental agreement with Independent Third Parties, we are of the view that the terms of the 2024 MTA No.1 are on normal commercial terms and are fair and reasonable.

4. Analysis on the Terms of the 2024 MCSAs

4.1 Background and principal terms of the 2024 MCSAs

On 29 October 2021, the Company (on behalf of its subsidiaries) (as service providers) entered into (i) 2021 MCSA No.1 with Clifford Estates Panyu (for itself and on behalf of the other members of the then Private Group) and Clifford Xianhu Hotel (for itself and on behalf of the other members of the WM Non-HC Group) (both as receiving parties); and (ii) 2021 MCSA No.2 with Clifford Medical (for itself and on behalf of the other members of the WM Healthcare Group), pursuant to which the Company agreed to provide the following services to the respective receiving parties for a term of three years from 1 January 2022 to 31 December 2024:

- (a) procurement, property management, laundry, resident support, employment placement agency and property agency services;
- (b) engineering and maintenance services; and
- (c) telecommunication services.

It is expected that the continuing connected transactions under the 2021 MCSAs will continue beyond their expiry on 31 December 2024.

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On 16 October 2024, for the purpose of replacing the 2021 MCSAs, the Company (for itself and on behalf of its subsidiaries) (as service providers) entered into the 2024 MCSAs, comprising:

- (i) 2024 MCSA No.1 made with Clifford Estates Panyu (for itself and on behalf of other 30%-controlled companies of Ms. Wendy Man's Spouse) and Clifford Xianhu Hotel (for itself and on behalf of other 30%-controlled companies of Ms. Wendy Man (other than the Group and the WM Healthcare Group)) (as receiving parties); and
- (ii) 2024 MCSA No.2 made with Clifford Medical (for itself and on behalf of its subsidiaries) (as receiving parties),

pursuant to which the Group agreed to provide the following services to the respective receiving parties for a term of three years ending 31 December 2027: (a) procurement, property management, laundry, resident support, employment placement services and property agency services (collectively "**living services**"); (b) engineering and maintenance services; and (c) telecommunication services, on and subject to the respective terms and conditions contained therein.

Principal terms of the 2024 MCSA No.1 and the 2024 MCSA No.2 are set out in the paragraph headed "Principal terms of the 2024 Master Composite Services Agreements" in the "Letter from the Board" of the Circular.

4.2 Pricing policies of the living services

For the summary of the pricing policies applicable to services provided under each of 2024 MCSA No.1 and 2024 MCSA No.2, please refer to the paragraph headed "The 2024 Master Composite Services Agreements – Pricing policy" in the "Letter from the Board" of the Circular.

In assessing the fairness and reasonableness of the pricing policies of the living services, we noted that the general manager of the respective operations will enquire with potential customers as to the nature and volume of services required, the general manager will then prepare a fee quotation of the related service in accordance with the pricing policy which will then be reviewed by an Executive Director (excluding Ms. MAN Lai Hung) of the Company. The quotation and the relevant supporting comparable information will then be passed to the finance department for verification and approval, in order to ensure that (i) (for 2024 MCSA No.1) service fees charged by the Group and the terms set out in 2024 MCSA No.1 shall be no less favourable to the Group than terms available to Independent Third Parties; and (for 2024 MCSA No. 2) service fees charged and the terms set out in 2024 MCSA No. 2 shall be subject to the mutually fair arrangement.

LETTER FROM ALTUS CAPITAL LIMITED

We had reviewed the pricing policies described above and had discussed with the Management. Based on the full list of transactions under living services over the past two years ended 31 December 2023 and the eight months ended 31 August 2024, we have randomly selected and obtained one set of sample walk-through documents for each of the living services (including, where applicable, the service agreements entered into between the Group (as service provider) and Independent Third Parties or quotations for services from Independent Third Parties during each of the year/period, the service agreements entered into between the Group and the Connected Parties). We noted that the number of services provided and the volume of transactions are large, and the nature of the services and circumstances of which they were provided were unique as they are customised to be provided within the Clifford Estates. In light of the above and given the selection of the samples was random, we believe the approach is practical and the selected walk-through documents are sufficient for this purpose. Based on our review, we noted that the transactions under the 2021 MCSAs were carried out in accordance with the Group's pricing policies as described above.

Further, based on the aforesaid full list of transactions under living services over the past two years ended 31 December 2023 and the eight months ended 31 August 2024, we noted that (i) a mark-up ranging from approximately 3% to 40% on the purchase price is added to the prices under the procurement services due to the nature of the consumables and the market demand; and (ii) a mark-up ranging from approximately 27% to 35% on the cost is added to the price under other living services (excluding property management which is based on the prevailing market rate). We had reviewed the historic transaction amount for the procurement service and other living services (excluding property management) for the period covering the two years ended 31 December 2022 and 2023, and the eight months ended 31 August 2024, and noted transactions with Independent Third Parties, the Group had charged a mark-up ranging from 3% to 40% on the purchase price/cost. As such, we believe the proposed mark-up of 3% to 40% on top of the purchase price/cost is fair and reasonable.

Taking into account the above, we are of the view that the pricing policy and mechanism for the living services under the 2024 MCSAs are on normal commercial terms and are fair and reasonable.

4.3 Pricing policies of the engineering and maintenance services

Regarding the pricing policies of the engineering services, we noted that the tendering team (which will include 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 the WM Non-HC Group, such price and other terms are no less favourable than those of similar services rendered to Independent Third Parties; and (in respect of the Group's provision of engineering services to the WM Healthcare Group under 2024 MCSA No.2) such prices and other terms shall also be no less favourable than those of similar services rendered by Independent Third Party services providers to the WM Healthcare Group.

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We had reviewed the pricing policies described above and had discussed with the Management. Based on the full list of transactions under engineering services over the past two years ended 31 December 2023 and the eight months ended 31 August 2024, we have randomly selected and obtained a set of sample walk-through documents for the engineering services (including, where applicable, the service agreements entered into between the Group (as service provider) and Independent Third Parties or quotations for services from Independent Third Parties, the service agreements entered into between the Group and the Private Group or the then WM Group) during each of the year/period. We noted that the nature of the services and circumstances of which they were provided were unique as they are customised to be provided within the Clifford Estates. In light of the above and given the selection of samples was random, we believe the approach is practical and the selected walk-through documents are sufficient for this purpose. Based on our review, we noted that the transactions under the 2021 MCSAs were carried out in accordance with the Group's pricing policies as described above.

Further, based on the aforesaid full list of transactions under engineering services over the past two years ended 31 December 2023 and the eight months ended 31 August 2024, we noted that a mark-up ranging from approximately 10% to 45% (having regard to the nature and complexity of the engineering work involved in the project) is added to the prices under the engineering services, which is determined with reference to tendering specifications of each project and service fees that the Group charges against Independent Third Parties. We had obtained and reviewed the sample engineering contracts entered into between the Group (as the service provider) and Independent Third Parties, which had mark-up ranging from 10% to 45%, and supported the range of mark-up under the 2024 MCSAs described above. We noted that the nature of the services and circumstances of which they were provided were unique as they are customised to be provided within the Clifford Estates. In light of the above we believe the selected walk-through documents are sufficient for this purpose.

Regarding the pricing policies of the maintenance services, we also noted a mark-up ranging from approximately 10% to 45% (having regard to the nature and complexity of the maintenance services involved in the project) is added to the prices under the maintenance services. Based on the full list of transactions under maintenance services over the past two years ended 31 December 2023 and the eight months ended 31 August 2024, we had discussed with the Management, and randomly selected and obtained a set of sample walk-through documents for the maintenance services (including, where applicable, the service agreements entered into between the Group (as service provider) and Independent Third Parties or quotations for services from Independent Third Parties) during each of the year/period, which had mark-up ranging from 10% to 45%, and supported the range of mark-up under the 2024 MCSAs described above. We noted that the nature of the services and circumstances of which they were provided were unique as they are customised to be provided within the Clifford Estates. In light of the above and given the selection of samples was random, we believe the approach is practical and the selected walk-through documents are sufficient for this purpose. Based on our review, we noted that the transactions under the 2021 MCSAs were carried out in accordance with the Group's pricing policies as described above.

As such, we are of the view that the pricing policy and mechanism for the engineering and maintenance services under the 2024 MCSAs are on normal commercial terms and are fair and reasonable.

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4.4 Pricing policies of the telecommunication services

In assessing the fairness and reasonableness of the pricing policies of the telecommunication services, we noted that the general manager of the respective operations will enquire with potential customers as to the nature and volume of services required, the general manager will then prepare a fee quotation of the related service in accordance with the pricing policy which will then be reviewed by an Executive Director (excluding Ms. MAN Lai Hung) of the Company. The quotation and the relevant supporting comparable information will then be passed to the finance department for verification and approval. The prices (to be received by the Group) shall be no less favourable than prices of similar services rendered by the Group to Independent Third Parties and (in respect of the Group's provision of such services to the WM Healthcare Group under 2024 MCSA No.2) the prices (to be charged and received by the Group) shall also be no less favourable than prices of similar services rendered by Independent Third Party services providers to the WM Healthcare Group.

Based on the full list of transactions under telecommunication services over the past two years ended 31 December 2023 and the eight months ended 31 August 2024, we had reviewed the pricing policies described above, discussed with the Management, and randomly selected and obtained a set of sample walk-through documents for the telecommunication services (including, where applicable, the service agreements entered into between the Group (as service provider) and Independent Third Parties or quotations for services from Independent Third Parties, the service agreements entered into between the Group and the then Private Group or the then WM Group) during each of the year/period. We noted that the nature of the services and circumstances of which they were provided were unique as they are customised to be provided within the Clifford Estates. In light of the above and given the selection of samples was random, we believe the approach is practical and the selected walk-through documents are sufficient for this purpose. Based on our review, we noted that the transactions under the 2021 MCSAs were carried out in accordance with the Group's pricing policies as described above.

Further, we noted that a mark-up ranging from approximately 10% to 40% is added to the prices under the telecommunication services, which is determined with reference to the Group's policy on the standard service fees that the Group charges or will charge the Independent Third Parties. Based on the full list of transactions under telecommunication services over the past two years ended 31 December 2023 and the eight months ended 31 August 2024, we had randomly selected, obtained and reviewed the sample telecommunication contracts entered into between the Group (as the service provider) and Independent Third Parties during each of the year/period, which had mark-up ranging from 10% to 40%, and supported the range of mark-up under the 2024 MCSAs described above. We noted that the nature of the services and circumstances of which they were provided were unique as they are customised to be provided within the Clifford Estates. In light of the above we believe the sample size is sufficient for this purpose.

As such, we are of the view that the pricing policy and mechanism for the telecommunication services under the 2024 MCSAs are on normal commercial terms and are fair and reasonable.

4.5 Conclusion

In view of the above, we are of the view that the terms of the 2024 MCSAs are on normal commercial terms, and are fair and reasonable.

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5. Analysis on the Proposed Annual Caps of the 2024 MTA NO.1

5.1 Historical utilisation

The table below sets forth (i) the existing annual caps and the historical transaction amounts for the transactions contemplated under the 2024 MTA No.1 for each of FY2022, FY2023 and FY2024.

	FY2022	FY2023	FY2024
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Existing annual caps	57.1	13.6	19.7
Addition of right-of-use assets	10.2	2.0	16.2 <i>(Note 1)</i>
Utilisation rate	17.8%	14.7%	82.2% <i>(Note 2)</i>

Notes:

1. Such amount represents the value of addition of the right-of-use assets during the eight months ended 31 August 2024.
2. The utilisation rate was calculated by dividing the addition of the right-of-use assets during the eight months ended 31 August 2024 against the annual cap for the year ending 31 December 2024.

As advised by the Management, the existing annual caps for FY2022 and FY2023 under the 2021 MTA No.1 were not fully utilised mainly due to the sluggish property market and actual demand in certain services and as a result, some additional premises expected to be leased was not leased, and hence the amount of rental paid under the 2021 MTA No.1 during FY2022 and FY2023 was lower than expected.

5.2 Proposed annual caps

According to Hong Kong Financial Reporting Standard (HKFRS) 16 “Leases”, the Group is required to recognise a right-of-use asset and a lease liability, which are measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate in the year of entering into the leases where the Group acts as a lessee. Pursuant to the requirements of the Listing Rules, as the transactions contemplated under each of 2024 MTA No.1 and 2024 MTA No.2 will be recognised as the acquisitions of right-of-use assets, the Group is required to set annual caps on the total value of right-of-use assets relating to the leases to be entered into by the Group as a lessee for each of FY2025, FY2026 and FY2027 under the 2024 MTA No.1.

As the 2024 MTA No.2 only involves two leases (the balance of the right-of-use assets representing such premise to be recognised by the Group in FY2025 amounted to approximately RMB0.2 million), such transaction will be regarded as an acquisition of capital asset for the purpose of the Listing Rules.

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The following table sets out the proposed annual caps, which represent the total value of the addition of right-of-use assets relating to the leases to be entered into by the Group under each of 2024 MTA No.1 and 2024 MTA No.2, for FY2025, FY2026, and FY2027 (Note):

	FY2025 <i>(RMB million)</i>	FY2026 <i>(RMB million)</i>	FY2027 <i>(RMB million)</i>
Proposed annual caps for 2024			
MTA No.1	21.0 <i>(Note)</i>	18.2	14.1
Proposed annual caps for 2024			
MTA No.2	0.2	0	0

Note: The proposed annual cap for the total value of the addition of the right-of-use assets: (i) for FY2025 represents the addition of the right-of-use assets in relation to 13 (including new leases and renewable of existing leases) to be entered into by the Group under 2024 MTA No.1 during FY2025, (ii) for FY2026, represents the addition of the right-of-use assets in relation to 12 (including new leases and renewable of existing leases) to be entered into by the Group under 2024 MTA No. 1 during FY2026; and (iii) FY2027, represents the addition of the right-of-use assets in relation to 8 (including new leases and renewable of existing leases) to be entered into by the Group under the 2024 MTA No. 1 during FY2027.

Right-of-use asset is calculated as the initial amount of lease liability at the lease commencement date. As the number of new leases to be entered into by the Group under 2024 MTA No. 1 fluctuates over the three years ending 31 December 2027 as shown in the note to the table above, the proposed annual caps for 2024 MTA No.1 over the three years ending 31 December 2027 also fluctuates in similar magnitude.

5.3 Basis of determination of the proposed annual caps

As advised by the Management, the proposed annual caps in respect of the transactions contemplated under the 2024 MTA No.1 for the three years ending 31 December 2027 (the “**MTA Annual Caps**”) were determined based on (i) the rentals payable by the Group; (ii) the gross floor area of premises (including the existing premises and the newly developed premises) to be leased from the Private Group under the 2024 MTA No.1; (iii) the market rent and the range of monthly rental of the premises (including the existing premises and the newly developed premises) to be leased under the 2024 MTA No.1 based on the prevailing market conditions and the rental level of similar properties in the vicinity; (iv) the value of the Group’s rights to use the underlying leased asset for the lease term which is initially measured on present value basis and calculated by discounting the non-cancellable lease payments for each respective lease to be entered into under the 2024 MTA No. 1, using the incremental borrowing rate as the discount rate; and (v) the expected increment of annual rental each year at the lower of (a) 5% (which is determined with reference to the GDP growth rate of mainland China in 2023); and (b) the prevailing GDP growth rate of mainland China in the immediately preceding year.

We noted that the MTA Annual Caps consist of rentals payable by the Group for (i) 44 leases (representing 44 properties) under the 2024 MTA No.1 that are currently occupied by the Group and are used for its operations (the “**Existing Premises**”); and (ii) 7 leases (representing 7 properties) expect to be entered into during FY2025, FY2026 and FY2027 (the “**Additional Premises**”) in line with its business development plan.

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For the rental payable of Existing Premises in FY2025, the calculation had taken into account the gross floor area of all the Existing Premises, as well as their respective expected rental level for FY2025. The expected rental level for the Existing Premises in FY2025 was calculated with reference to the current rental levels for the Existing Premises in FY2024 (which are within the range of rental levels for similar properties as set out in the Fair Rent Report which we reviewed), plus an increment of 5% or less, in accordance with the 2021 MTA No.1. The rental payable for Existing Premises in FY2026 and FY2027 is calculated based on the rental level in FY2025 plus an increment of 5% or less.

For the rent payable of Additional Premises, the calculation had taken into account the rental payable for (i) 6 potential new premises in 祈福名望閣 (Clifford Prestige) to be leased by the Group and to be used as retail shops during FY2025 to FY2027 and (ii) the additional floor 祈福會所 (Clifford Resort Center) to be leased by the Group during FY2025 to FY2027 as an expansion to its office in the same location. Rental levels of which are calculated with reference to their respective gross floor area and the rental levels of similar properties as set out in the Fair Rent Report, with an increment of 5% or less per year adjusted depending on the expected starting date for each lease.

In assessing the fairness and reasonableness of the MTA Annual Caps, we had reviewed the full calculation breakdown of the MTA Annual Caps, the Company's internal business development schedule as well as the Fair Rent Report. We have also made reference to 2 quotations shown on independent property agency websites with regards to properties located in close proximity of the Additional Properties, and have similar features (in terms of size, nature, office, shops, warehouse, year of the properties and duration of the tenancy) and noted the asking rent and related management fees are similar to the expected rent of the Additional Properties when determining the relevant MTA Annual Caps. We noted from the Company's internal business development schedule that the Company is expected to lease a total floor area of 2,238 sq. m., 2,000 sq. m. and 2,100 sq. m. in FY2025, FY2026 and FY2027, respectively. We had cross-checked the proposed increment rate with the GDP growth rate of mainland China in 2023 of 5.2% published by the National Bureau of Statistics of China). We believe the proposed increment is in line with the historical GDP growth of mainland China, and therefore is fair and reasonable. As such, we are of the view that the MTA Annual Caps were determined by the Management under reasonable ground and due care, are consistent with its business development schedule, and the MTA Annual Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

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6. Analysis on the Proposed Annual Caps of the 2024 MCSAs

6.1 Historical utilisation

The table below sets forth (i) the existing annual caps and the historical transaction amounts for the transactions contemplated under the 2021 MCSAs for each of FY2022, FY2023 and FY2024.

	FY2022 (RMB million)	FY2023 (RMB million)	FY2024 (RMB million)
2021 MCSA No.1	132.0	129.0	139.0
2021 MCSA No.2	34.0	41.0	44.0
Existing annual caps under the 2021 MCSAs	166.0	170.0	183.0
Aggregate service fees paid or payable by the Private Group and the WM Non-HC Group under 2021 MCSA No.1			
• procurement, property management, laundry, resident support, employment placement agency and property agency services	30.0	32.4	19.3
• engineering and maintenance services and telecommunication services	29.3	13.2	5.8
Sub-total	59.3	45.6	25.1 (Note 1)
Aggregate service fees paid or payable by the WM Healthcare Group under 2021 MCSA No.2			
• procurement, property management, laundry, resident support, employment placement agency and property agency services	5.1	10.0	3.7
• engineering and maintenance services and telecommunication services	2.5	1.2	0.6
Sub-total	7.6	11.2	4.3 (Note 2)
Total service fees paid or payable by the Connected Parties under the 2021 MCSAs	66.9	56.8	29.4 (Note 1)
Utilisation rate	40.3%	33.4%	16.1% (Note 2)

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Notes:

1. Such amount represents the total service fees paid or payable by the Connected Parties under the 2021 MCSAs for the eight months ended 31 August 2024.
2. The utilisation rate was calculated by dividing the total service fees paid or payable by the Connected Parties under the 2021 MCSAs for the eight months ended 31 August 2024 against the total annual cap for the year ending 31 December 2024.

As advised by the Management, the existing annual caps for FY2022, FY2023 and FY2024 under the 2021 MCSAs were not fully utilised mainly due to the sluggish economic and a highly competitive environment, which in turn caused less maintenance projects and the service fees received by the Group to be lower than expected.

6.2 Proposed annual caps

The following table sets out the proposed annual caps in respect of the transactions contemplated under each of 2024 MCSA No.1 and 2024 MCSA No.2 for each of FY2025, FY2026 and FY2027:

	FY2025	FY2026	FY2027
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Proposed annual caps for 2024			
MCSA No.1	79.3	82.4	86.0
Proposed annual caps for 2024			
MCSA No.2	46.7	47.8	49.5
	<u> </u>	<u> </u>	<u> </u>
Total	<u>126.0</u>	<u>130.2</u>	<u>135.5</u>

6.3 Basis of determination of the proposed annual caps

As advised by the Management, the proposed annual caps in respect of the transactions contemplated under each of 2024 MCSA No.1 and 2024 MCSA No.2 (the “**MCSA Annual Caps**”) have been determined based on the historical transaction amounts for the relevant services, the additional volume of services to be provided in the next three years, together with the factors which are specific to the particular types of services as set out below:

- (i) For living services (except for property management services):
 - (a) the historical transaction amounts for living services (excluding property management services) under the 2021 MCSAs, which amounted to approximately RMB9.7 million, RMB18 million, RMB13.6 million, RMB18.9 million and RMB11.6 million for FY2020, FY2021, FY2022, FY2023 and FY2024 (for FY2024, using the historical transaction amount for the eight months ended 31 August 2024 to derive the annualised amount) respectively;

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- (b) the expected service fees charged by the Group for each of the living services (except for property management services), which are determined based on the pricing policy as set out in the paragraph headed “The 2024 Master Composite Services Agreements – Pricing Policy”;
 - (c) the expected transaction amounts in respect of the ongoing living services (except for property management services) which are expected to carry on throughout FY2025, FY2026 and FY2027; and
 - (d) the expected annual growth rate of 5%, which is estimated with reference to the GDP growth rate of mainland China in 2023 and the average historical GDP growth rate of mainland China of 5.0% for the past five years.
- (ii) For property management services:
- (a) the historical property management fees paid under the 2021 MCSAs;
 - (b) the ongoing property management engagements (covering the total rentable floor area of approximately 3,358,000 sq. m.) and their respective managements fees; and
 - (c) the expected increase in the demand for the property management services.
- (iii) For engineering and maintenance work and telecommunication services:
- (a) the historical contractual amount of approximately RMB88.3 million, RMB43.3 million, RMB63.8million, RMB56.5 million and RMB31.8 million for FY2020, FY2021, FY2022, FY2023 and for the eight months ended 31 August 2024 in respect of the tenders awarded to the Group through tender process of the Private Group, the WM Non-HC Group and the WM Healthcare Group, and the outstanding services which are expected to be performed in FY2025, FY2026 and FY2027;
 - (b) the estimated success rate of the Group tendering for the engineering works, based upon the historical tendering success rate and participation rate of the Group over the past three years, which for FY2022, FY2023 and the eight months ended 31 August 2024 close to 100%;
 - (c) the total contract sum for the ongoing engineering and maintenance work and telecommunication services and the relevant tenders submitted by the Group to the Private Group, the WM Non-HC Group or the WM Healthcare Group (but results of the tenders have not finalised), which, for FY2025, amounted to approximately RMB2.9 million;
 - (d) the estimated transaction amount as a result of any variation orders made by the Private Group, the WM Non-HC Group and the WM Healthcare Group in the course of project implementation; and

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- (e) the maintenance service required for the projects implemented and completed in the past three years; an estimate for possible projects indicated to be subject to tender, but not yet invited and/or awarded.

Details of the basis of determination of the proposed annual caps are set out in the section headed “Basis of determination of the proposed annual caps” in the “Letter from the Board”.

6.4 The MCSA Annual Cap for FY2025

We had reviewed the breakdown of historical transaction amount for FY2019, FY2020, FY2021, FY2022, FY2023 and the eight months ended 31 August 2024, and noted that the transaction amount for living services (except for property management) for FY2025 had been estimated based on:

- (i) the average of the historical transaction amount for the past five years ended 31 December 2023 and the annualised amount for year ending 31 December 2024 (by reference to the actual transaction amount for the eight months ended 31 August 2024), and multiplied by a growth rate of 5%;
- (ii) plus the expected income to be generated from the additional services procured by the Connected Parties.

As mentioned above, the existing annual caps for FY2022, FY2023 and FY2024 under the 2021 MCSAs were not fully utilised mainly due to the sluggish economic and a highly competitive environment, which in turn caused less maintenance projects and the service fees received by the Group to be lower than expected. In addition, the economic environment in the Mainland was struck by the pandemic since 2020. Accordingly, we are of the view that by referencing to a longer period of historical transaction amount (in this case, a period of five years from 2020 to 2024 (using the historical transaction amount for the eight months ended 31 August 2024 to derive the annualised amount)) will smooth out the volatility and provide a fair and reasonable ground for the Company to estimate the expected transaction amount for those recurring services for FY2025. We have reviewed the calculations prepared by the Management and noted that they have adhered to this approach.

We also understand from the Management that the Connected Parties expect to engage the Group to provide the following services due to additional demand (“**Additional Services**”). The abovementioned Additional Services are expected extra demand of the existing normal and regular services from the Connected Parties (other than property agency services) on a recurring basis during FY2025 to FY2027:

- (i) *procurement (in particular, since the pandemic, on-line purchase and delivery have been more and more acceptable to the general public due to its convenience)*

Accordingly, the Group intends to source a larger variety of consumables and make it more readily accessible at competitive prices to cater for the demand of the end users of the Connected Parties.

LETTER FROM ALTUS CAPITAL LIMITED

(ii) Employment placement service

With the aging population, the WM Healthcare Group expects their end-users will need more professional or general care-takers. Accordingly, the WM Healthcare Group intends to expand its sourcing network and procure professional or general care-takers via the Group.

(iii) Property agency service

From time to time, the non healthcare group will engage external property agents to identify properties for their operations. Accordingly, the Group intends to secure these services which would have been granted to independent third-party agents.

Set out below are the historical average amount of each service (other than property management and engineering and maintenance work and telecommunication). It is only an estimate of the Management for each service, which forms the basis to determine the proposed annual cap. It is not intended for use as a separate annual cap for each type of services under the 2024 MCSAs:

Type of service	Historical average transaction amount (Note 1) plus an annual increment of 5% (RMB million)	Additional Services during FY2025 (RMB million)	Estimated FY2025 aggregate transaction amount (RMB million)
	A	B	C=A+B
(i) Procurement	4.5	16.8	21.3
(ii) Property management	(see paragraph headed "Property management" below)		
(iii) Laundry	3.4	0	3.4
(iv) Resident support	0.57	0	0.57
(v) Employment placement agency	6.7	7.3	14.0
(vi) Property agency services	3.4	2.8	6.2
Total	18.6	26.9	45.5

Note 1: This figure refers to the historical average amount over the period from 2020 to 2024 (using the historical average amount for the eight months ended 31 August 2024 to derive the annualised amount of 2024).

LETTER FROM ALTUS CAPITAL LIMITED

Living services (excluding property management)

Based on the above, we believe the historical average transaction amounts is a fair and reasonable ground for the Management to rely on in calculating the annual cap for living services under the 2024 MCSAs for FY2025 of approximately RMB45.5 million. We had cross-checked the proposed increment rate with the GDP growth rate of mainland China in 2023 of 5.2% published by the National Bureau of Statistics of China). We believe the proposed increment is in line with the historical GDP growth of mainland China, and therefore is fair and reasonable.

With regard to the Additional Services, we noted from the Management that the Connected Parties have indicated their intention to engage the Group as opposed to the Independent Third Parties whom they are currently engaging. In particular, a significant portion of Additional Services is expected to derive from the healthcare group of the Connected Parties which is currently using other independent third party suppliers. We also noted that the transaction amount for Additional Services for FY2025 was provided by the Connected Parties with reference to their historical transaction volume and expected demand. Since the Connected Parties has the need for the Additional Services, though the Group is not the Connected Parties' exclusive supplier and there is no commitment from the Connected Parties to utilise the Additional Services, we have no reason not to believe the estimate transaction amount of Additional Services for FY2025 provided by the Connected Parties. Accordingly, we are of the view that the estimate transaction amount of Additional Services for FY2025 is fair and reasonable.

Property management

As for the transaction amount for property management for FY2025, we had reviewed the property development schedule of the Connected Parties for FY2025 to FY2027 provided by the Management. We noted that the property management fees for FY2025 were calculated according to (i) the prevailing property management fee offered by the Group (approximately RMB23 million per annum); (ii) the floor area of existing properties continued to be managed (approximately 3,358,000 sq. m.); and (iii) the floor area of the properties of the Connected Parties (a hospital/healthcare facility) currently managed by independent third parties but will be available and expect to be managed by the Group (approximately 250,000 sq. m.), which has a stringent management standard and a broader scope of services than other normal properties (such as cleaning standard, waste disposal standard and the need for an emergency maintenance team standby 24X7), and, in turn, can charge a higher management fee which can be as high as 3 times more than other normal properties. In light of the above, we believe the basis adopted to determine the annual cap for FY2025 is based on reasonable ground and due care, and the estimate transaction amount of RMB51.9 million for FY2025 is fair and reasonable.

LETTER FROM ALTUS CAPITAL LIMITED

Engineering and maintenance work and telecommunication services

As for the transaction amount for engineering and maintenance work and telecommunication services for FY2025, we are of the view that by referencing to a longer period of historical transaction amount (in this case, a period of five years from 2020 to 2024 (using the eight months ended 31 August 2024 to derive the annualised amount)) will again smooth out the volatility and provide a fair and reasonable ground for the Company to estimate the expected transaction amount for those recurring services for FY2025. In addition, we had reviewed the full list of ongoing engineering and maintenance work and telecommunication services and the relevant tenders submitted by the Group to the Connected Parties. As at the Latest Practicable Date, the total contract sum of approximately RMB5.0 million was undergoing the tender process. According to the Management, the historical tender success rate of the Group tendering for engineering and maintenance works and telecommunication services during FY2022 to FY2024 of close to 100%. In view of the relatively low potential transaction amount in 2024 despite a close to 100% tender success rate, we consider that it is justifiable to use a five years historical average amount to estimate the transaction amount for FY2025. We noted that the transaction amount for engineering and maintenance work and telecommunication services for FY2025 was calculated based on the historical average amount over the period from 2020 to 2024 (using the historical transaction amount for the eight months ended 31 August 2024 to derive the annualised amount of 2024). Since the Group is not the Connected Parties' exclusive supplier and there is no commitment from the Connected Parties to utilise the engineering and maintenance work and telecommunication services, we considered the transaction amount for engineering and maintenance work and telecommunication services of RMB28.6 million for FY2025 was estimated based on reasonable ground and due care and was fair and reasonable.

The abovementioned individual annual caps for (i) Living services (excluding property management), (ii) property management, and (iii) engineering and maintenance work and telecommunication services are not intended for use as a separate annual cap for each of these services under the 2024 MCSAs.

In view of the above, we are of the view that the MCSA Annual Cap of approximately RMB126.0 million for FY2025 is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

6.5 The MCSA Annual Caps for FY2026 and FY2027

We noted that the transaction amount for living services (except for property management) for FY2026 and FY2027 had been calculated based on (i) the estimated annual cap of FY2025 and FY2026 with the growth rate of 5% and (ii) the additional services to be procured by the Connected Parties in FY2026 and FY2027 respectively due to the operational needs of the Connected Parties.

LETTER FROM ALTUS CAPITAL LIMITED

Set out below are the historical average amount of each service (other than property management and engineering and maintenance work and telecommunication). It is only an estimate of the Management for each service, which forms the basis to determine the proposed annual caps. It is not intended for use as a separate annual cap for each type of services under the 2024 MCSAs:

		Estimated FY2025 aggregate transaction amount plus an annual increment of 5% (RMB million)	Additional Services during FY2026 (RMB million)	Estimated FY2026 aggregate transaction amount (RMB million)	Estimated FY2026 aggregate transaction amount plus an annual increment of 5% (RMB million)	Additional Services during 2027 (RMB million)	Estimated FY2027 aggregate transaction amount (RMB million)
Type of service		D=A*1.05	E	F=D+E	G=D*1.05	H	I=G+H
(i)	Procurement	4.7	17.7	22.4	5.0	18.1	23.1
(ii)	Property management	(see paragraph headed “Property management” below)					
(iii)	Laundry	3.6	0	3.6	3.8	0	3.8
(iv)	Resident support	0.59	0	0.59	0.62	0	0.62
(v)	Employment placement agency	7.0	7.6	14.6	7.4	7.8	15.2
(vi)	Property agency services	3.6	1.5	5.1	3.8	1.4	5.2
Total		19.5	26.8	46.3	20.6	27.3	47.9

Living services (excluding property management)

Based on the assumptions used above to derive the estimated transaction amount for FY2026 and FY2027, we believe the transaction amount for living services (except for property management and engineering and maintenance work and telecommunication) under the 2024 MCSAs for FY2026 and FY2027 of approximately RMB46.3 million and RMB47.9 million had been arrived at on reasonable ground and after due care.

LETTER FROM ALTUS CAPITAL LIMITED

It seems that the proposed annual caps relating to Additional Services - property agency services reduce from RMB2.8 million in FY2025 to RMB1.5 million in FY2026 and RMB1.4 million in FY2027. As the Connected Parties have indicated their intention to engage the Group as opposed to the Independent Third Parties whom they would have engaged, the Connected Parties expected a higher demand of Additional Services – property agency services in FY2025 (being the first year under the 2024 MCSAs); thereafter, the Connected Parties expected to stabilise within the range of RMB1.4 million to RMB1.5 million.

As mentioned above, the Connected Parties indicated their intention to engage the Group as opposed to the Independent Third Parties whom they are currently engaging and a significant portion of Additional Services is expected to derive from the healthcare group of the Connected Parties which is currently using other independent third party suppliers. We noted that the transaction amount for Additional Services for FY2026 and FY2027 were similar to the estimated transaction amount for FY2025 provided by the Connected Parties. Since the Connected Parties has the need for the Additional Services, though the Group is not the Connected Parties' exclusive supplier and there is no commitment from the Connected Parties to utilise the Additional Services, we have no reason not to believe the indicative transaction amount of Additional Services for FY2026 and FY2027. Accordingly, we are of the view that the estimate transaction amount of Additional Services for FY2026 and FY2027 is fair and reasonable.

Property management

As for the transaction amount for property management for FY2026 and FY2027, we had reviewed the property development schedule of the Connected Parties for FY2025 to FY2027 provided by the Management. We noted that the property management fees for FY2026 and FY2027 were calculated according to (i) the prevailing property management fee offered by the Group plus a 5% annual increment; and (ii) the floor area of existing properties continued to be managed. Based on the above, the property management fees for FY2026 and FY2027 are expected to amount to approximately RMB53.9 million and RMB56.1 million. In light of the above, the estimated property management fee for FY2025 and the historical property management fees paid under the 2021 MCSAs, we believe the basis adopted is reliable and reasonable and the estimated property management fee for FY2026 and FY2027 are fair and reasonable.

Engineering and maintenance work and telecommunication services

As for the transaction amount for engineering and maintenance work and telecommunication services for FY2026 and FY2027, we had reviewed the schedule prepared by the Management were calculated according to (i) the estimated annual cap of FY2025 with the growth rate of 5% and (ii) the additional services to be procured by the Connected Parties in FY2026 and FY2027 respectively due to the operational needs of the Connected Parties. Based on the above assumption, we consider the transaction amount for engineering and maintenance work and telecommunication services of RMB30.0 million and RMB31.5 million for FY2026 and FY2027 were estimated based on reasonable ground and due care.

LETTER FROM ALTUS CAPITAL LIMITED

The abovementioned individual annual caps for (i) Living services (excluding property management), (ii) property management, and (iii) engineering and maintenance work and telecommunication services are not intended for use as a separate annual cap for each of these services under the 2024 MCSAs.

In view of the above, we are of the view that the MCSA Annual Cap for FY2026 and FY2027 of RMB130.2 million and RMB135.5 million respectively are fair and reasonable.

7. Internal controls regarding the proposed annual caps

We noted from the “Letter from the Board” in the Circular that the executive Directors will closely monitor the rentals payable to the Private Group and new individual leases to be entered into pursuant to the 2024 MTA No.1 on a monthly basis to ensure that the annual caps are not exceeded. Furthermore, under the 2024 MCSAs the finance manager will assess whether the annual caps will be exceeded on a monthly basis, and whether the terms of services are within the scope of and in compliance with the 2024 MCSAs. If the actual transaction amount reaches 70% or more of the relevant annual cap at any time of the year, the finance manager will inform the Board, which will then assess the need to take any appropriate measures in accordance with the requirements of the Listing Rules before annual cap is exceeded. If the transaction amount further reaches 80% or more of the relevant annual cap at any time of the year, the chief financial officer of the Company will closely monitor the actual transaction amount on a weekly basis.

We have obtained and reviewed (i) a randomly selected sample monthly report of each of the year ended 31 December 2022 and 2023 and the eight months ended 31 August 2024 issued by the finance department regarding the actual transaction amounts between the Group and the Connected Parties including the remaining transaction amounts under the approved annual caps; (ii) the Group’s internal control policy in relation to the monitoring of the proposed annual caps; (iii) confirmation made by the independent non-executive Directors on the Group’s Annual Report; and (iv) independent auditors’ report on continuing connected transactions for the years ended 31 December 2022 and 2023 respectively. Considering the above and the fact that the annual caps under 2021 MTA No.1 and the 2021 MCSAs had not been exceeded, we have not noted any internal control deficiency (based on the aforesaid information) and concur with the Management that adequate procedures are in place to ensure the proposed annual caps under the 2024 MTA No.1 and the 2024 MCSAs will not be exceeded.

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors are required to review the continuing connected transactions annually and confirm in the Company’s annual report that they have been carried out (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholder as a whole.

In compliance with the Listing Rules, the Company had engaged auditors to report in the continuing connected transactions for the two years ended 31 December 2023. The Company will continue to engage auditors to report on the continuing connected transactions for the year ending 31 December 2024 and on the continuing connected transactions for each of the three years ending 31 December 2027. Given the above, we consider that there exist appropriate procedures and arrangements to ensure that the continuing connected transactions contemplated under the 2024 MTA No.1 and the 2024 MCSAs will be conducted on terms in compliance with the Listing Rules.

LETTER FROM ALTUS CAPITAL LIMITED

RECOMMENDATIONS

Having taken into account the above principal factors and reasons, we consider that the entering into of the 2024 MTA No.1 and the 2024 MCSAs are in the ordinary and usual course of business of the Group, and the terms of the 2024 MTA No.1 and the 2024 MCSAs 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 favour of the relevant resolution(s) at the EGM to approve the entering into of the 2024 MTA No.1, the 2024 MCSAs, and the transactions contemplated thereunder (including the respective proposed annual caps thereof).

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

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

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(i) Directors' and the chief executive's interests and short positions in Shares, underlying Shares and debentures of the Company or any associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO); (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the Shares

Name of Director	Capacity	Number of Shares held	Percentage of the issued share capital of the Company
Ms. Wendy Man	Interest of a controlled corporation ⁽¹⁾	735,840,000 ⁽¹⁾	72.44%
Ms. Wendy Man	Beneficial owner	5,330,000	0.52%

Notes:

- (1) Elland Holdings Limited, which holds 735,840,000 shares of the Company, is wholly owned by Ms. Wendy Man. Ms. Wendy Man is also the sole director of Elland Holdings Limited. 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) All the shares are held in long position.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO); (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

(ii) Substantial Shareholders and other persons' interests and short positions in Shares, underlying Shares and debentures of the Company or any associated corporations

As at the Latest Practicable Date, so far as the Directors were aware, the following persons (other than Directors or the chief executive of the Company) had, or deemed to have, interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long positions in the Shares

Name	Capacity	Number of Shares held	Percentage of the issued share capital of the Company
Elland Holdings Limited	Beneficial owner	735,840,000	72.44%
Ms. Wendy Man's Spouse ⁽¹⁾	Interest of spouse	741,170,000	72.97%

Notes:

- (1) By virtue of the SFO, Ms. Wendy Man's Spouse is deemed to be interested in the shares of the Company which Ms. Wendy Man is interested in.
- (2) All the shares are held in long position.

Save as disclosed above, as at the Latest Practicable Date, so far as the Directors were aware, no persons (other than Directors or the chief executive of the Company) had, or deemed to have, any interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

As at the Latest Practicable Date, save that Ms. Wendy Man is the sole director of Elland Holdings Limited, none of the Directors was a director or employee of any substantial shareholder (as defined in the Listing Rules) of the Company or of a company which had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

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

4. COMPETING INTERESTS

As at the Latest Practicable Date,

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

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

5. OTHER ARRANGEMENTS INVOLVING DIRECTORS

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

- (a) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group; and
- (b) none of the Directors had any direct or indirect interest in any assets which had been since 31 December 2023 (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 adverse change in the financial or trading position of the Group since 31 December 2023, the date to which the latest published audited financial statements of the Group were made up, and up to and including the Latest Practicable Date.

7. EXPERT

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

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

As at the Latest Practicable Date, Altus Capital Limited:

- (a) did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;
- (b) did not have any interest, direct or indirect, in the promotion of, or in any assets which had been within the two years immediately preceding the issue of this circular acquired or disposed of by or leased to, any member of the Group; and
- (c) did not have any direct or indirect interest in any assets which had been acquired, or disposed of by, or leased to any member of the Group, or were proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2023, the date to which the latest published audited financial statements of the Group were made up.

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

8. GENERAL

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

9. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the respective websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (www.cliffordmodernliving.com) for a period of 14 days from the date of this circular:

- (a) the letter from the Board, the text of which is set out on pages 6 to 33 of this circular;
- (b) the letter from the Independent Board Committee, the text of which is set out on pages 34 to 35 of this circular;
- (c) the letter from Altus Capital Limited, the text of which is set out on pages 36 to 63 of this circular;
- (d) the written consent referred to in the paragraph headed “Expert” in this appendix;
- (e) the 2024 MTAs;
- (f) the 2024 MCSAs; and
- (g) this circular.

10. MISCELLANEOUS

- (a) The secretary of the Company is Mr. Lau Chun Pong, who is a member of the Hong Kong Institute of Certified Public Accountants and the American Institute of Certified Public Accountants.
- (b) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (c) The branch share registrar of the Company in Hong Kong is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, 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 Function Room 23H, Level 23, One Island East, 18 Westlands Road, Taikoo Place, Quarry Bay, Hong Kong on Wednesday, 18 December 2024 at 11:00 a.m. to consider and, if thought fit, pass (with or without modifications) the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) 2024 MTA No.1 (as defined in and details of which are set out in the Company’s circular (the “**Circular**”) dated 22 November 2024 to its shareholders, and 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), the transactions contemplated thereunder and the proposed annual caps for each of the years ending 31 December 2025, 31 December 2026 and 31 December 2027 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 2024 MTA No.1 and all transactions and other matters contemplated thereunder or ancillary thereto, to waive compliance from and/or agree to any amendment or supplement to any of the provisions of 2024 MTA No.1 which in their opinion is not of a material nature and to effect or implement any other matters referred to in this resolution.”

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

2. “**THAT:**

- (a) 2024 MCSA No.1 (as defined and details of which are set out in the Circular, and 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), the transactions contemplated thereunder and the proposed annual caps for each of the years ending 31 December 2025, 31 December 2026 and 31 December 2027 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 2024 MCSA No.1 and all transactions and other matters contemplated thereunder or ancillary thereto, to waive compliance from and/or agree to any amendment or supplement to any of the provisions of 2024 MCSA No.1 which in their opinion is not of a material nature and to effect or implement any other matters referred to in this resolution.”

3. “**THAT:**

- (a) 2024 MCSA No.2 (as defined and details of which are set out in the Circular, and a copy of which has been produced to the meeting marked “C” and signed by the Chairman of the meeting for the purpose of identification), the transactions contemplated thereunder and the proposed annual caps for each of the years ending 31 December 2025, 31 December 2026 and 31 December 2027 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 2024 MCSA No.2 and all transactions and other matters contemplated thereunder or ancillary thereto, to waive compliance from and/or agree to any amendment or supplement to any of the provisions of the 2024 MCSA No.2 which in their opinion is not of a material nature and to effect or implement any other matters referred to in this resolution.”

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

Hong Kong, 22 November 2024

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

Notes:

1. The register of members of the Company will be closed from Thursday, 12 December 2024 to Wednesday, 18 December 2024, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, by not later than 4:30 p.m. on Wednesday, 11 December 2024.
2. Any shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint another person as his proxy to attend and vote instead of him. A shareholder who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the above meeting. A proxy need not be a shareholder of the Company. If more than one proxy is appointed, the number of shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy.
3. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the offices of the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time for holding the EGM (i.e. no later than 11:00 a.m. (Hong Kong time) on Monday, 16 December 2024) 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. Bad Weather Arrangements

If a tropical cyclone warning signal number 8 or above is hoisted, or “extreme conditions” caused by super typhoons or a black rainstorm warning is/are in force in Hong Kong at any time between 8:00 a.m. to 11:00 a.m. on the date of the EGM, the meeting will be automatically postponed to a later date. The Company will post an announcement on the websites of Hong Kong Exchanges and Clearing Limited and the Company to notify shareholders of the date, time and location of the rescheduled meeting.

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

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

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