

---

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

---

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

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

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

---



**祈福生活服務**  
CLIFFORD MODERN LIVING

**CLIFFORD MODERN LIVING HOLDINGS LIMITED**

**祈福生活服務控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 3686)**

**CONTINUING CONNECTED TRANSACTIONS:  
RESPECTIVE SUPPLEMENTAL AGREEMENTS  
TO THE MASTER TENANCY AGREEMENT AND  
THE MASTER COMPOSITE SERVICES AGREEMENT  
AND  
REVISION OF ANNUAL CAPS**

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



---

A letter from the Board is set out on pages 6 to 19 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 20 to 21 of this circular. A letter from Dakin Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 22 to 48 of this circular.

A notice convening the EGM of Clifford Modern Living Holdings Limited to be held at Rooms 2401-2, Admiralty Centre I, 18 Harcourt Road, Hong Kong on 23 June 2017 at 10:30 a.m. (or such time immediately after conclusion of the Company's annual general meeting held on the same date and at the same venue) is set out on pages 54 to 56 of this circular. Whether or not you are able to attend and vote at the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the meeting (i.e. no later than 10:30 a.m. (Hong Kong time) on Wednesday, 21 June 2017) 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.

7 June 2017

---

# CONTENTS

---

|   | <i>Page</i> |
|---|-------------|
| <b>Definitions</b> .....  | 1           |
| <b>Letter from the Board</b>  |             |
| Introduction .....  | 6           |
| The Supplemental Master Tenancy Agreement .....   | 8           |
| The Supplemental Master Composite Services Agreement .....  | 12          |
| Reasons for and Benefits of the Supplemental Master Tenancy Agreement and<br>the Supplemental Master Composite Services Agreement and<br>Revision of Existing Annual Caps ..... | 16          |
| Listing Rules Implications .....  | 17          |
| General Information .....   | 17          |
| Extraordinary General Meeting .....   | 17          |
| Recommendation .....  | 18          |
| Further Information .....   | 19          |
| <b>Letter from the Independent Board Committee</b> .....  | 20          |
| <b>Letter from Dakin Capital Limited</b> .....  | 22          |
| <b>Appendix I – General Information</b> .....   | 49          |
| <b>Notice of the Extraordinary General Meeting</b> .....  | 54          |

*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:*

|                             |  |
|-----------------------------|--|
| “Ancillary Living Services” | off-campus training services, property agency services, employment placement services and laundry services   |
| “April Announcement”        | the Company’s announcement dated 28 April 2017 on (among other matters) the entering into of the Supplemental Master Agreements  |
| “associate(s)”              | has the meaning ascribed to such term under the Listing Rules  |
| “Board”                     | board of Directors   |
| “Clifford Aged Home”        | Clifford Aged Home Company Limited* (廣州市祈福護老公寓有限公司), a company established in the PRC and a member of Ms. Wendy Man’s Group  |
| “Clifford Bayview”          | a residential community developed by the Private Group where property management services have been provided by the Group since 2004, with approximately 794,000 sq.m. contracted gross floor area as at 31 December 2016.     |
| “Clifford Estates Panyu”    | Clifford Estates (Panyu) Limited* (廣州市番禺祈福新邨房地產有限公司), a company established in the PRC with limited liability and a member of the Private Group  |
| “Clifford Wonderview”       | a residential cum commercial property project with an aggregate gross floor area of about 966,453 sq.m., which is developed by the Private Group and is expected to be completed in the second half of 2017                    |
| “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 whose issued Shares are listed on the Stock Exchange (stock code: 3686) |
| “connected person(s)”       | has the meaning ascribed to such term under the Listing Rules  |
| “controlling shareholder”   | has the meaning ascribed to such term under the Listing Rules  |
| “Director(s)”               | the director(s) of the Company   |

---

## DEFINITIONS

---

|                                 |   |
|---------------------------------|---|
| “EGM”                           | the extraordinary general meeting of the Company (the notice of which is set out on page 54 to 56 of this circular) to be convened and held for the Independent Shareholders to consider and (if thought fit) approve the ordinary resolution(s) in respect of the Supplemental Master Agreements and the transactions contemplated thereunder (including the respective Revised Annual Caps), or any adjournment thereof |
| “Existing CSA Annual Caps”      | the original annual caps for the transactions under the Master Composite Services Agreement for the three years ending 31 December 2018, as disclosed in the Prospectus   |
| “Existing Master Agreements”    | collectively, the Master Tenancy Agreement and the Master Composite Services Agreement  |
| “Existing TA Annual Caps”       | the original annual caps for the lease transactions under the Master Tenancy Agreement for the three years ending 31 December 2018, as disclosed in the Prospectus  |
| “FY2014”, “FY2015” and “FY2016” | each of the financial years ended 31 December 2014, 31 December 2015 and 31 December 2016, respectively   |
| “FY2017” and “FY2018”           | each of the financial years ending 31 December 2017 and 31 December 2018, 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   |
| “Hong Kong”                     | the Hong Kong Special Administrative Region of the PRC  |
| “Independent Board Committee”   | the independent board committee, comprising all the INEDs (namely, Mr. HO Cham, Ms. LAW Elizabeth and Mr. MAK Ping Leung) established to make recommendations to the Independent Shareholders with regard to the Supplemental Master Agreements, the transactions contemplated thereby and the Revised Annual Caps  |

---

## DEFINITIONS

---

|   |   |
|---|---|
| “Independent Financial Adviser”                 | Dakin Capital Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders  |
| “Independent Shareholder(s)”                    | Shareholder(s) who are not required to abstain from voting at the EGM to approve (among other matters) the Supplemental Master Agreements   |
| “Independent Third Party(ies)”                  | individual(s) or company(ies) who is not or are not a connected person(s) (within the meaning ascribed to it under the Listing Rules) of the Company  |
| “INED(s)”                                       | independent non-executive Director(s)   |
| “Latest Practicable Date”                       | 6 June 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular   |
| “Listing Date”                                  | 8 November 2016, being the date where dealings in the Shares first commence on the Main Board of the Stock Exchange   |
| “Listing Rules”                                 | Rules Governing the Listing of Securities on the Stock Exchange   |
| “Master Composite Services Agreement” or “MCSA” | the master composite services agreement dated 21 October 2016 and entered into between the Company on the one part, and Clifford Estates Panyu and Clifford Aged Home on the other part (in their respective capacities as stated in the “Letter from the Board” of this circular), pursuant to which the terms of provision of certain services stated therein by the Group to Clifford Estates Panyu and Clifford Aged Home are regulated |
| “Master Tenancy Agreement” or “MTA”             | the master tenancy agreement dated 21 October 2016 and entered into between Clifford Estates Panyu and the Company (in their respective capacities as stated in the “Letter from the Board” of this circular), pursuant to which the Private Group agreed to lease certain properties to the Group  |
| “Ms. Wendy Man”                                 | Ms. MAN Lai Hung, an executive Director, the chairman of the Board and one of the controlling shareholders of the Company   |

---

## DEFINITIONS

---

|                             |  |
|-----------------------------|--|
| “Ms. Wendy Man’s Group”     | such companies which are under the control of (or 30% or more of the issued share capital of which are owned by) Ms. Wendy Man, other than the Group   |
| “Ms. Wendy Man’s Spouse”    | Mr. PANG Lun Kee Clifford (彭磷基先生), the spouse of Ms. Wendy Man   |
| “PRC”                       | People’s Republic of China   |
| “Private Group”             | such companies which are under the control of (or 30% of more of the issued share capital of which are owned by) Ms. Wendy Man’s Spouse  |
| “Prospectus”                | the prospectus of the Company dated 27 October 2016  |
| “Revised Annual Caps”       | collectively, the Revised CSA Annual Caps and the Revised TA Annual Caps   |
| “Revised CSA Annual Cap(s)” | the proposed revised annual cap(s) for FY2017 and FY2018 in respect of the service fees to be received from the provision of services under the Master Composite Services Agreement (as amended and supplemented by the Supplemental MCSA) |
| “Revised TA Annual Cap(s)”  | the proposed revised annual cap(s) for FY2017 and FY2018 in respect of the rental charges payable by the Group to the Private Group under the Master Tenancy Agreement (as amended and supplemented by the Supplemental MTA)               |
| “RMB”                       | Renminbi, the lawful currency of the PRC   |
| “SFO”                       | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and modified from time to time   |
| “Share(s)”                  | ordinary share(s) of HK\$0.01 each in the share capital of the Company   |
| “Shareholder(s)”            | holder(s) of the Share(s)  |
| “sq.m.”                     | square metre(s)  |
| “Stock Exchange”            | The Stock Exchange of Hong Kong Limited  |
| “subsidiary(ies)”           | has the meaning ascribed to such term under the Listing Rules  |

---

## DEFINITIONS

---

|   |   |
|---|---|
| “substantial shareholder”   | has the meaning ascribed to such term under the Listing Rules   |
| “Supplemental Master Agreements”  | collectively, the Supplemental MCSA and the Supplemental MTA  |
| “Supplemental Master Composite Services Agreement” or “Supplemental MCSA” | the supplemental agreement dated 28 April 2017 and entered into between the Company on the one part, and Clifford Estates Panyu and Clifford Aged Home on the other part, pursuant to which the parties thereto agreed to revise certain terms of the Master Composite Services Agreement |
| “Supplemental Master Tenancy Agreement” or “Supplemental MTA”             | the supplemental agreement dated 28 April 2017 and entered into between Clifford Estates Panyu and the Company, pursuant to which the parties thereto agreed to revise certain terms of the Master Tenancy Agreement  |
| “%”   | percent.  |

\* *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*)  
Mr. SUN Derek Wei Kong (*Chief Executive Officer*)  
Mr. LEONG Chew Kuan (*Chief Financial Officer*)  
Ms. LIANG Yuhua (*Chief Operating Officer*)

*Non-executive Director:*

Mr. LIU Xing

*Independent non-executive Directors:*

Ms. LAW Elizabeth  
Mr. HO Cham  
Mr. MAK Ping Leung  
(alias Mr. MAK Wah Cheung)

*Registered office:*

Cricket Square  
Hutchins Drive, P. O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

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

8 Shiguang Road  
Panyu, Guangzhou  
Guangdong, PRC

*Principal place of business in  
Hong Kong:*

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

7 June 2017

*To the Shareholders*

Dear Sir or Madam

**CONTINUING CONNECTED TRANSACTIONS:  
RESPECTIVE SUPPLEMENTAL AGREEMENTS  
TO THE MASTER TENANCY AGREEMENT AND  
THE MASTER COMPOSITE SERVICES AGREEMENT  
AND  
REVISION OF ANNUAL CAPS**

**INTRODUCTION**

Reference is made to the Prospectus and the Company's April Announcement.



---

## LETTER FROM THE BOARD

---

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

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

For further details of the Existing Master Agreements, please refer to “Continuing Connected Transactions” section of the Prospectus.

As mentioned in the April Announcement, on 28 April 2017 (after trading hours), the Supplemental Master Agreements were entered into to revise certain terms of the respective Existing Master Agreements.

The Supplemental Master Agreements and the transactions contemplated thereunder (including the respective Revised Annual Caps) constitute continuing connected transactions of the Company, and are subject to the reporting, announcement, annual review and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The purpose of this circular is to provide you with (i) further details of the Supplemental Master Agreements and the transactions contemplated thereunder (including the respective Revised Annual Caps); (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Supplemental Master Agreements and the transactions contemplated thereunder (including the respective Revised Annual Caps); (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the same matter; (iv) a notice of the EGM; and (v) other information as required under the Listing Rules.

## LETTER FROM THE BOARD

### THE SUPPLEMENTAL MASTER TENANCY AGREEMENT

On 28 April 2017 (after trading hours), the Supplemental Master Tenancy Agreement was entered into between the Company and Clifford Estate Panyu (in their respective capacity as stated below) to revise certain terms of the Master Tenancy Agreement. The changes contemplated under the Supplemental MTA are made mainly to accommodate the expected increase in the lettable area to be leased by the Group from the Private Group for (i) opening of additional retail and catering outlets and ancillary living services (including off-campus training services) in connection with the completion of the development of Clifford Wonderview (which development will be completed in the second half of 2017), Clifford Hospital Phase II (which will be opened in the second half of 2017), and Clifford Dynamic Garden II and Clifford Group Centre (which will be completed in the second half of 2017), and certain new facilities in the existing residential estates developed by the Private Group, (ii) addition of the Group's offices (with a gross floor area of about 1,480.65 sq.m.) located at Clifford Dynamic Garden II and Clifford Group Centre which will be completed in the second half of 2017, and (iii) establishment of the Company's office in Hong Kong. In addition, as the Group is offered favourable rates by the Private Group for leasing large scale office premises, it plans to lease from the Private Group premises with a total gross floor area of 2,033.7 sq.m. in Hong Kong. The Group plans to sub-lease to Independent Third Party(ies) a portion of the office premises, which is not occupied by the Group, so that a stable rental income may be earned.

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

|  |  |
|--|--|
| Date of the Supplemental MTA:                                | 28 April 2017 (after trading hours)  |
| Parties:   | <ul style="list-style-type: none"> <li>(i) the Company (for itself and on behalf of its subsidiaries) (as tenant)</li> <li>(ii) Clifford Estates Panyu (for itself and on behalf of the other property owners which are members of the Private Group) (as landlord)</li> </ul> |
| Additional premises to be leased under the Supplemental MTA: | in accordance with the Supplemental Master Tenancy Agreement, the Group will lease from the Private Group additional premises with a total gross floor area of 15,496.9 sq.m. in Panyu district and Hong Kong. Brief details of the additional premises are set out below:     |

|                | Number of leases  | Total gross floor area<br>(sq.m.) | Range of monthly rental for FY2017<br>(RMB per sq.m.) |
|----------------|-------------------|-----------------------------------|---|
| Panyu district | 17 <sup>(1)</sup> | 13,463.2                          | 10–260.5  |
| Hong Kong      | 2 <sup>(2)</sup>  | <u>2,033.7</u>                    | 69.3–86.6 <sup>(3)</sup>                              |
| <b>Total</b>   |                   | <b><u>15,496.9</u></b>            |   |

---

## LETTER FROM THE BOARD

---

*Notes:*

- (1) Of the 17 leases, 6 leases are expected to be used for the provision of retail and catering services and 7 leases are expected to be used for the provision of ancillary living services.
- (2) The Company's office in Hong Kong will be located at Room 702, 7th Floor, Chai Wan Industrial City, Phase 2, 70 Wing Tai Road, Chai Wan, Hong Kong and the premises for sub-lease are located at 8th Floor of the same building.
- (3) Of the 2,033 sq.m. to be leased from the Private Group, about 80%-85% of the gross floor area leased by the Group (i.e. approximately 1,600 sq.m. to 1,700 sq.m.) is planned to be sub-leased to Independent Third Parties. Assuming a monthly rental of approximately RMB100 per sq.m., the Company expects to generate rental income of approximately RMB180,000 per month (or RMB2,160,000 per annum) and the estimated profit would be approximately RMB50,000 per month (or RMB600,000 per annum).

- Use: mainly as operating or business outlets or office
- Term: the original term under the Master Tenancy Agreement commenced with effect from 1 January 2016 until the tenth anniversary of such commencement date and may be renewed for a successive period of ten years by mutual consent upon the initial expiry, subject to compliance with the then applicable provisions of the Listing Rules. No change in such connection is made under the Supplemental MTA.
- Rent: the annual rentals in respect of the additional premises to be leased by the Group under the Supplemental MTA 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, and future increments will be determined based on the prevailing GDP growth rate of the PRC in the immediately preceding year (subject to a cap of 7% per annum)
- Conditions: the transactions contemplated under the Supplemental MTA (including the Revised TA Annual Caps) are conditional upon (i) the approval from the Independent Shareholders being obtained in accordance with the provisions of the Listing Rules; and (ii) all other requirements under the Listing Rules being complied with (including the obtaining of the advice of the Independent Financial Adviser).

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

---

## LETTER FROM THE BOARD

---

### Pricing methods and procedures

For new individual tenancy agreement, leasing terms 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. The prevailing market rates of local properties are determined with reference to the comparable information (the "Comparable Information") including: (1) quotation from Independent Third Party estate agency for similar comparable properties owned by Independent Third Parties in the neighbouring area; (2) current tenancy agreements in relation to premises located near or next to the subject premises entered into between the Private Group (as landlord) and Independent Third Party(ies) (as tenant); and (3) where items (1) and (2) not available or applicable, quotation made by the Private Group to Independent Third Party(ies). Future increments will be determined based on the prevailing GDP growth rate of the PRC in the immediately preceding year (subject to a cap of 7% per annum).

When a new lease is to be entered into between the members of the Group and the Private Group, or when the rental fee currently charged is subject to annual increment, the Private Group will provide the draft rental agreement and the rental price offered, and General Managers from the Group's operation departments will be responsible for the collection of Comparable Information and the assessment of the reasonableness of the rental price offered by the Private Group, which will then be reviewed by the Chief Operating Officer. The assessment and the Comparable Information will then be passed to the finance department for verification and second review. The finance manager will also assess whether the Revised TA Annual Caps is exceeded if the Group enters into the new lease or if the rental charged is increased, and whether the terms offered by the Private Group in the respective draft rental agreement is in compliance with the Master Tenancy Agreement (as amended and supplemented by the Supplemental MTA). The executive Directors will then review and approve the rental price offered by the Private Group, the respective draft rental agreement, and the assessment performed by the Group's property agency department.

Chief Operating Officer will also from time to time review the annual rentals agreed between the Group and the Private Group, and compare them with the prevailing market rate of local properties in the neighbourhood with a similar scale and quality. Such measures will ensure that the rentals payable by the Group remain comparable, and the transaction contemplated under the Master Tenancy Agreement (as amended and supplemented by the Supplemental MTA) are conducted on normal commercial terms.

### Revised annual caps

The Existing TA Annual Caps will be revised as follows:

#### *The Existing TA Annual Caps*

| <b>(RMB million)</b> | <b>FY2017</b> | <b>FY2018</b> |
|----------------------|---------------|---------------|
| Total rentals        | 12.0          | 12.5          |

---

## LETTER FROM THE BOARD

---

### *The Revised TA Annual Caps*

| <b>(RMB million)</b> | <b>FY2017</b> | <b>FY2018</b> |
|----------------------|---------------|---------------|
| Total rentals        | 16.0          | 20.0          |

### **Historical transaction amounts**

The total rentals incurred by the Group in relation to the properties leased from members of the Private Group for each of FY2014, FY2015 and FY2016 are as follows:

| <b>(RMB million)</b> | <b>FY2014</b> | <b>FY2015</b> | <b>FY2016</b> |
|----------------------|---------------|---------------|---------------|
| Total rentals        | 6.4           | 7.9           | 7.5           |

### **Basis of determination of the Revised TA Annual Caps**

The Revised TA Annual Caps under the Master Tenancy Agreement (as amended and supplemented by the Supplemental MTA) are determined by the Company with the Private Group after taking into account the following: (i) the historical amount of rentals paid or payable by the Group; (ii) the gross floor area of additional premises to be leased from the Private Group under the Supplemental MTA; (iii) the prevailing property market conditions of Panyu district and Hong Kong; and (iv) the prevailing GDP growth rate of the PRC.

In arriving at the Revised TA Annual Caps as mentioned above, the Company assumes that (i) the approval from the Independent Shareholders in respect of the transactions contemplated under the Supplemental MTA (including the Revised TA Annual Caps) will be obtained in June 2017; and (ii) the tenancy agreements in respect of the additional premises to be leased by the Group in Panyu district become effective from 1 July 2017. Based on the rentals payable by the Group under the Master Tenancy Agreement and the Supplemental MTA, the breakdown of Revised TA Annual Caps is as follows:

| <b>(RMB million)</b>     | <b>FY2017</b>           | <b>FY2018</b>                  |
|--------------------------|-------------------------|--------------------------------|
| Master Tenancy Agreement | 12.0                    | 12.5                           |
| Supplemental MTA         | 4.0 <sup>(Note 1)</sup> | 7.5                            |
| <b>Total</b>             | <b>16.0</b>             | <b>20.0<sup>(Note 2)</sup></b> |

*Note 1:* the increment mainly related to additional premises to be leased by the Group in Panyu district assuming become effective from 1 July 2017.

*Note 2:* the increment is based on the assumption of 7% GDP growth rate of the PRC for FY2017.

Save for the changes as contemplated by the Supplemental MTA, all other terms and conditions of the Master Tenancy Agreement remain unchanged and effective. Please refer to the section headed “Continuing Connected Transactions” in the Prospectus for further details of the Master Tenancy Agreement.

---

## LETTER FROM THE BOARD

---

### THE SUPPLEMENTAL MASTER COMPOSITE SERVICES AGREEMENT

On 28 April 2017 (after trading hours), the Supplemental MCSA was entered into between the Company on the one part, and Clifford Estates Panyu and Clifford Aged Home on the other part (in their respective capacities as mentioned below) to revise certain terms of the Master Composite Services Agreement. The changes contemplated under the Supplemental MCSA are made mainly to accommodate the expected increase in the volume of (i) resident support services and ancillary living services (including employment placement services and laundry services) in connection with the expected opening of Clifford Hospital Phase II in the second half of 2017; (ii) property management services, resident support services and property agency services in connection with the expected completion of the development of Clifford Wonderview in the second half of 2017; and (iii) property management services in connection with Clifford Group Centre and certain newly developed residential units in the existing estates developed by the Private Group, and property agency services in connection with newly developed residential units in Clifford Bayview.

The principal terms of the Master Composite Services Agreement (as amended and supplemented by the Supplemental MCSA) are summarized as follows:

|  |  |
|--|--|
| Date of the Supplemental MCSA:               | 28 April 2017 (after trading hours)  |
| Parties:                                     | <p>(i) Clifford Estates Panyu (for itself and on behalf of other members of the Private Group) and Clifford Aged Home (for itself and on behalf of other members of Ms. Wendy Man's Group) (both as receiving parties)</p> <p>(ii) the Company (for itself and on behalf of its subsidiaries) (as service providers)</p>   |
| Term:  | three years commencing from 1 January 2016 to 31 December 2018. No change in such connection is made under the Supplemental MCSA.  |
| Volume of services expected to be increased: | <p>(i) in connection with the expected opening of Clifford Hospital Phase II in the second half of 2017, the Group's provision of resident support services and ancillary living services (including employment placement services and laundry services);</p> <p>(ii) in connection with the expected completion of the development of Clifford Wonderview in the second half of 2017, the Group's provision of additional property management services, resident support services and property agency services;</p> |

---

## LETTER FROM THE BOARD

---

- (iii) in connection with the expected completion of Clifford Group Centre in the second half of 2017 and certain newly developed residential units in the existing estates developed by the Private Group, the Group's provision of additional property management services; and
- (iv) in connection with the newly developed residential units in Clifford Bayview, the Group's provision of additional property agency services.

Conditions: the transactions contemplated under the Supplemental MCSA (including the Revised CSA Annual Caps) are conditional upon (i) the approval from the Independent Shareholders being obtained in accordance with the provisions of the Listing Rules; and (ii) all other requirements under the Listing Rules being complied with (including the obtaining of the advice of the Independent Financial Adviser).

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

### **Pricing policy**

The pricing policy applicable to the additional volume of services under the Supplemental MCSA follows that applicable to transactions of similar nature or types which is applicable to services rendered to Independent Third Parties. Such pricing policy is set out in greater detail below:

- (i) Procurement purchase prices of relevant products provided by the Group are determined (a) based on the trading cost (including purchase price and other costs) of the relevant products plus a premium of approximately 4% (which is equivalent to the estimated administrative and/or miscellaneous expenses incurred in processing the orders plus a mark-up); or (b) through arm's length negotiation and having regard to the comparable market prices, depending on the size of the order to ensure that the terms offered by the Group shall be no more favourable than those available to Independent Third Parties.

---

## LETTER FROM THE BOARD

---

- (ii) Property management      the Group determines the property management fee based on the regulations promulgated by the PRC government with reference to the prices charged by property management companies (which are Independent Third Parties) in the neighbourhood to ensure that the prices offered by the Group shall be no more favourable than those available from such companies.
- (iii) Laundry      laundry service fee is determined by the relevant parties through arm's length negotiation, with reference to the laundry fees charged by Independent Third Party laundry service providers for services of a similar nature in the neighbourhood to ensure that the terms offered by the Group shall be no more favourable than those available from Independent Third Party laundry service providers.
- (iv) Resident support      in respect of renovation and property fitting services, the prices are determined by relevant parties on arm's length basis, having regard to the nature and value of the relevant services rendered by the Group and the actual costs and expenses incurred plus a mark-up ranging from approximately 30% to 45% which is determined with reference to the service fees that the Group charges Independent Third Parties (most of whom are local residents). In respect of home cleaning services, the prices are determined by relevant parties on arm's length basis with reference to the prices offered to the Independent Third Parties (most of whom are local residents). The Group's prices are readily available market information made known to (among others) unrelated third party users and potential users. Such prices shall be no more favourable than prices of similar services rendered by the Group to Independent Third Parties.
- (v) Employment placement      the prices are determined by relevant parties on arm's length basis having regard to the type of care helper which is fixed with reference to the prices charged by Independent Third Party employment placement agencies providing services of a similar nature in the neighbourhood to ensure that the prices offered by the Group are no more favourable than those available from Independent Third Party employment placement agencies.



---

## LETTER FROM THE BOARD

---

- (vi) Property agency the property agency fees are determined by relevant parties on arm's length basis with reference to the historical fees paid by the Group and the prevailing market rates of local property agencies (which are Independent Third Parties) in the neighbourhood with a similar scale and quality to ensure that the fees offered by the Group are no more favourable than those available from Independent Third Party local property agencies.

### Revised annual caps

The Existing CSA Annual Caps will be revised as follows:

#### *The Existing CSA Annual Caps*

| <b>(RMB million)</b> | <b>FY2017</b> | <b>FY2018</b> |
|----------------------|---------------|---------------|
| Total                | 23.0          | 23.0          |

#### *The Revised CSA Annual Caps*

| <b>(RMB million)</b> | <b>FY2017</b> | <b>FY2018</b> |
|----------------------|---------------|---------------|
| Total                | 37.0          | 41.0          |

### Historical transaction amounts

The total fees charged by the Group in relation to the provision of the services for each of FY2014, FY2015 and FY2016 are as follows:

| <b>(RMB million)</b> | <b>FY2014</b> | <b>FY2015</b> | <b>FY2016</b> |
|----------------------|---------------|---------------|---------------|
| Total                | 22.4          | 20.4          | 22.6          |

### Basis of determination of the Revised CSA Annual Caps

The Revised CSA Annual Caps under the Master Composite Services Agreement (as amended and supplemented by the Supplemental MCSA) are determined by the Company with the Private Group and Ms. Wendy Man's Group after taking into account the following: (i) the historical amount of the service fees charged by the Group; (ii) the expected increase in service fee or goods price in the PRC in the years from now and up to 31 December 2018; (iii) the additional volume of resident support services and ancillary living services (including employment placement services and laundry services) to be provided by the Group in connection with the expected opening of Clifford Hospital Phase II in the second half of 2017; (iv) the additional volume of property management services, resident support services, and property agency services to be provided by the Group in connection with the expected completion of the development of Clifford Wonderview in the second half of 2017; (v) the additional volume of property management services and property agency services to be provided by the Group in connection with

---

## LETTER FROM THE BOARD

---

the expected completion of Clifford Group Centre in the second half of 2017 and the newly developed residential units in Clifford Bayview; and (vi) the prevailing GDP growth rate of the PRC.

### **REASONS FOR AND BENEFITS OF THE SUPPLEMENTAL MASTER TENANCY AGREEMENT AND THE SUPPLEMENTAL MASTER COMPOSITE SERVICES AGREEMENT AND REVISION OF EXISTING ANNUAL CAPS**

As regards the Supplemental MTA, the lease by the Group of additional area of properties for opening additional retail and catering outlets from the Private Group mainly arises as a result of the expected completion of the development of Clifford Wonderview, the expected opening of Clifford Hospital Phase II in the second half of 2017, the expected completion of Clifford Dynamic Garden II and Clifford Group Centre in the second half of 2017, and certain new facilities in the existing residential estates developed by the Private Group. The Board believes that addition of the Group's offices (with a lettable area of about 1,480.65 sq.m.) will increase the administrative efficiency and communications between management and staff of the Group. Further, the Group is expected to have additional level of investor relations services to be delivered in Hong Kong, and hence the lease by the Group of certain office premises from the Private Group will help attain such purpose. In addition, as the Group is offered favourable rates by the Private Group for leasing large scale office premises, it plans to lease from the Private Group premises with a total gross floor area of 2,033.7 sq.m. in Hong Kong. The Group plans to sub-lease to Independent Third Party(ies) a portion of the office premises, which is not occupied by the Group, so that a stable rental income may be earned.

In view of the above, the Directors (including the INEDs) are of the view that the terms of the Supplemental MTA and the transactions contemplated thereunder (including the Revised TA Annual Caps) are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Group, and are in the interests of the Company and the Shareholders as a whole.

As regards the Supplemental MCSA, the Group's provision of additional volume of services mainly arises as a result of the expected completion of the development of Clifford Wonderview and the expected opening of Clifford Hospital Phase II in the second half of 2017 and the expected completion of Clifford Group Centre in the second half of 2017. As the Group has been rendering property management services, retail services and ancillary living services (including property agency services, employment placement services and laundry services), it is in the Group's ordinary course of business to provide such additional volume of services to the Private Group and (where relevant) Ms. Wendy Man's Group. The basis of service fees to be charged by the Group for such additional volume of services will be the same as that provided under the MCSA.

In view of the above, the Directors (including the INEDs) are of the view that the terms of the Supplemental MCSA and the transactions contemplated thereunder (including the Revised CSA Annual Caps) are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group, and are in the interests of the Company and the Shareholders as a whole.

In view of her (and/or her associate's) interests in the Supplemental Master Agreements, Ms. Wendy Man has abstained from voting in respect of the relevant resolutions at the Board meeting held on 28 April 2017 for considering the Supplemental Master Agreements.

---

## LETTER FROM THE BOARD

---

### LISTING RULES IMPLICATIONS

Ms. Wendy Man is an executive Director, the chairman of the Board and one of the controlling shareholders of the Company. Ms. Wendy Man's associates are connected persons of the Company under Rule 14A.07 of the Listing Rules. As at the date of this circular, the ultimate controlling shareholder of the Private Group (including Clifford Estates Panyu) and Ms. Wendy Man's Group (including Clifford Aged Home) is Ms. Wendy Man's Spouse and Ms. Wendy Man, respectively. As such, the Private Group (including Clifford Estates Panyu) and Ms. Wendy Man's Group (including Clifford Aged Home) are associates of Ms. Wendy Man. Accordingly, the entering into of the Supplemental Master Agreements constitutes continuing connected transactions of the Company (and a variation of the Existing Master Agreements) under Chapter 14A of the Listing Rules.

As more than one of the applicable percentage ratios (other than the profits ratio) in respect of the aggregate amount of the proposed Revised TA Annual Caps, on an annual basis, is more than 5% (but less than 25%) and the aggregate amount of the proposed Revised TA Annual Caps is more than HK\$10 million, the Supplemental MTA and the transactions contemplated thereunder (including the Revised TA Annual Caps) are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under the Listing Rules.

As all of the applicable percentage ratios (other than the profits ratio) in respect of the aggregate amount of the proposed Revised CSA Annual Caps, on an annual basis, is more than 5% (but less than 25%) and the aggregate amount of the proposed Revised CSA Annual Caps is more than HK\$10 million, the Supplemental MCSA and the transactions contemplated thereunder (including the Revised CSA Annual Caps) are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under the Listing Rules.

### GENERAL INFORMATION

The Group is principally engaged in the provision of four main service segments: property management services, retail services, catering services and Ancillary Living Services in the PRC.

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

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

### EXTRAORDINARY GENERAL MEETING

A resolution for approving each of the Supplemental Master Agreements and the transactions contemplated thereunder (including the respective Revised Annual Caps) will be proposed at the EGM.

A notice convening the EGM to be held at Rooms 2401–2, Admiralty Centre I, 18 Harcourt Road, Hong Kong on 23 June 2017 at 10:30 a.m. is set out on pages 54 to 56 of this circular.

---

## LETTER FROM THE BOARD

---

In accordance with the Listing Rules, any connected person or Shareholder and its associates with a material interest in the Supplemental Master Agreements and the transactions contemplated thereunder must abstain from voting on the resolutions to approve the respective Supplemental Master Agreements and the transactions contemplated thereunder (including the respective Revised Annual Caps) at the EGM.

By virtue of Ms. Wendy Man's (or, as the case may be, her associates') interests in the Supplemental Master Agreements, Ms. Wendy Man and her associates are required to abstain from voting on the relevant resolutions to be proposed at the EGM. As at the Latest Practicable Date, Ms. Wendy Man, through her wholly-owned company (namely, Elland Holdings Limited) held 750,000,000 Shares, representing 75% of the entire issued share capital of the Company. To the best of the Directors' knowledge and information, no Shareholders other than Ms. Wendy Man and her associates have a material interest in the Supplemental Master Agreements and the transactions contemplated thereunder and no other Shareholders are required to abstain from voting on the ordinary resolutions in relation to the respective Supplemental Master Agreements and the transactions contemplated thereunder (including the respective Revised Annual Caps) to be proposed at the EGM.

A form of proxy for the EGM is enclosed herewith. Whether or not Shareholders are able to attend and vote at the EGM, they are requested to complete the enclosed form of proxy and return the same to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM (i.e. no later than 10:30 a.m. (Hong Kong time) on Wednesday, 21 June 2017) or any adjournment thereof. Completion and return of the form of proxy as instructed will not prevent Shareholders from subsequently attending and voting at the EGM or any adjourned meeting if they so wish, and in such event, the instrument appointing a proxy shall be deemed to be revoked.

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

### **RECOMMENDATION**

The Directors (including all the INEDs after having regard to the advice of the Independent Financial Adviser) consider that the Supplemental Master Agreements and the transactions contemplated thereunder have been conducted by the Company in its ordinary and usual course of business, on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and that the respective Revised Annual Caps for the transactions contemplated under the Supplemental Master Agreements are fair and reasonable. The Directors therefore recommend the Independent Shareholders to vote in favour of the relevant resolution set out in the notice of the EGM.

---

## LETTER FROM THE BOARD

---

### FURTHER INFORMATION

The Independent Board Committee comprising all three INEDs has been appointed to recommend the Independent Shareholders in respect of the Supplemental Master Agreements and the transactions contemplated thereunder (including the respective Revised Annual Caps). Dakin 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 20 to 21 of this circular, which contains its recommendation to the Independent Shareholders; (ii) the letter from the Independent Financial Adviser set out on pages 22 to 48 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 of 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)**

7 June 2017

*To the Independent Shareholders*

Dear Sir or Madam

**CONTINUING CONNECTED TRANSACTIONS:  
RESPECTIVE SUPPLEMENTAL AGREEMENTS  
TO THE MASTER TENANCY AGREEMENT AND  
THE MASTER COMPOSITE SERVICES AGREEMENT  
AND  
REVISION OF ANNUAL CAPS**

We refer to the circular of the Company dated 7 June 2017 (the “**Circular**”) to the Shareholders, of which this letter forms a part. Terms defined in the Circular have the same meanings in this letter unless the context otherwise requires.

In compliance with the Listing Rules, we have been appointed by the Board to form the Independent Board Committee to advise the Independent Shareholders as to whether, in our opinion, the Supplemental Master Agreements and the transactions contemplated thereunder are conducted by the Company in its ordinary and usual course of business, are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. In this connection, Dakin Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Supplemental Master Agreements and the transactions contemplated thereunder (including the respective Revised Annual Caps).

We wish to draw your attention to the letter from the Board set out on pages 6 to 19 of the Circular, and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 22 to 48 of the Circular which contains its opinion in respect of the Supplemental Master Agreements and the transactions contemplated thereunder (including the respective Revised Annual Caps).

---

## LETTER FROM INDEPENDENT BOARD COMMITTEE

---

Having considered the Supplemental Master Agreements and the transactions contemplated thereunder (including the Revised Annual Caps) and having taken into account the advice of the Independent Financial Adviser and its recommendation in relation thereto, we consider that the Supplemental Master Agreements and the transactions contemplated thereunder (including the Revised Annual Caps) are conducted by the Company in its ordinary and usual course of business, are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend that you vote in favour of the relevant resolutions set out in the notice of the EGM.

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

---

## LETTER FROM DAKIN CAPITAL LIMITED

---

*The following is the text of the letter of advice from Dakin Capital Limited to the Independent Board Committee and the Independent Shareholders in connection with the Supplemental Master Agreements and the transactions contemplated thereunder (including the respective Revised Annual Caps), which has been prepared for the purpose of inclusion in this circular.*



7 June 2017

Clifford Modern Living Holdings Limited  
7th Floor, Chai Wan Industrial City, Phase II  
70 Wing Tai Road  
Chai Wan, Hong Kong

*To the Independent Board Committee and the Independent Shareholders*

Dear Sir/Madam

**CONTINUING CONNECTED TRANSACTIONS:  
RESPECTIVE SUPPLEMENTAL AGREEMENTS TO  
THE MASTER TENANCY AGREEMENT AND  
THE MASTER COMPOSITE SERVICES AGREEMENT  
AND  
REVISION OF ANNUAL CAPS**

### INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the Supplemental Master Agreements and the transactions contemplated thereunder (including the respective annual caps thereof) (together, the “**Transactions**”), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 7 June 2017 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 28 April 2017 (after trading hours), the Supplemental Master Agreements were entered into to revise certain terms of the respective Existing Master Agreements.

The changes contemplated under the Supplemental MTA are made mainly to accommodate the expected increase in the lettable area to be leased by the Group from the Private Group for (i) opening of additional retail and catering outlets and ancillary living services (including off-campus training services) in connection with the completion of the development of Clifford Wonderview (which development will be completed in the second half of 2017), Clifford Hospital Phase II (which will be opened in the second half of 2017), and Clifford Dynamic Garden II and



---

## LETTER FROM DAKIN CAPITAL LIMITED

---

Clifford Group Centre (which will be completed in the second half of 2017), and certain new facilities in the existing residential estates developed by the Private Group, (ii) addition of the Group's offices (with a gross floor area of about 1,480.65 sq.m.) located at Clifford Dynamic Garden II and Clifford Group Centre which will be completed in the second half of 2017, and (iii) establishment of the Company's office in Hong Kong. In addition, the Group plans to sub-lease to Independent Third Party(ies) a portion of the office premises, which is not occupied by the Group, so that a stable rental income may be earned.

The changes contemplated under the Supplemental MCSA are made mainly to accommodate the expected increase in the volume of (i) resident support services and ancillary living services (including employment placement services and laundry services) in connection with the expected opening of Clifford Hospital Phase II in the second half of 2017; (ii) property management services, resident support services and property agency services in connection with the expected completion of the development of Clifford Wonderview in the second half of 2017; and (iii) property management services in connection with Clifford Group Centre and certain newly developed residential units in the existing estates developed by the Private Group, and property agency services in connection with the newly developed residential units in Clifford Bayview.

As more than one of the applicable percentage ratios (other than the profits ratio) in respect of the proposed revised annual caps under the Supplemental Master Tenancy Agreement and the Supplemental Master Composite Services Agreement, respectively, are more than 5% (but less than 25%) and the proposed revised annual caps in the two respective agreements are more than HK\$10 million, the Transactions are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under the Listing Rules.

Ms. Wendy Man is an executive Director, the chairman of the Board, and one of the controlling shareholders. As a result, Ms. Wendy Man's associates are connected persons of the Company under Rule 14A.07 of the Listing Rules.

As at the Latest Practicable Date, the ultimate controlling shareholder of the Private Group (including Clifford Estates Panyu) and Ms. Wendy Man's Group (including Clifford Aged Home) is Ms. Wendy Man's Spouse and Ms. Wendy Man respectively. As such, the Private Group (including Clifford Estates Panyu) and Ms. Wendy Man's Group (including Clifford Aged Home) are associates of Ms. Wendy Man and therefore connected persons of the Company under Rule 14A.07 of the Listing Rules. Accordingly, the entering into the Supplemental Master Agreements constitutes continuing connected transactions of the Company (and a variation of the Existing Master Agreements) under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, Ms. Wendy Man, through her wholly-owned company (namely, Elland Holdings Limited) held 750,000,000 Shares, representing 75% of the entire issued share capital of the Company. By virtue of Ms. Wendy Man's (or, as the case may be, her associates') interests in the Supplemental Master Agreements, Ms. Wendy Man and her associates will be required to abstain from voting on the relevant resolutions to be proposed at the EGM.

---

## LETTER FROM DAKIN CAPITAL LIMITED

---

The Independent Board Committee has been formed, comprising all the independent non-executive Directors (namely, Mr. HO Cham, Ms. LAW Elizabeth and Mr. MAK Ping Leung), to make recommendations to the Independent Shareholders in respect of the Transactions. We, Dakin Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to (i) whether Transactions are on normal commercial terms, in the ordinary and usual course of business of the Company, and in the interests of the Company and the Shareholders as a whole; (ii) whether such terms are fair and reasonable; and (iii) whether the Independent Shareholders should vote in favour of the resolutions to approve the Transactions.

### OUR INDEPENDENCE

In the last two years, we have provided independent advice to the independent non-executive Directors in relation to a discloseable and connected transaction in relation to the acquisition of the 24.5% equity interest of 廣州市番禺祈福物業管理有限公司 (literally translated as Guangzhou Panyu Clifford Property Management Limited) (the “**24.5% PM Panyu PRC Co Acquisition**”) as detailed in the Company’s announcement dated 16 May 2017. Our engagement was limited to the provision of independent advice to the independent non-executive Directors in relation to the merits and fairness of such acquisition. Under our engagement in relation to the 24.5% PM Panyu PRC Co Acquisition, we received normal professional fees from the Company. Other than our engagement in relation to the 24.5% PM Panyu PRC Co Acquisition and this appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Transactions, as at the Latest Practicable Date, we did not have any other relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. For the purpose of Rule 13.84 of the Listing Rules, we are independent of the Company.

### BASIS OF OUR OPINION

In formulating our opinion, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and the management of the Company. We have assumed that all statements, information and representations provided by the Directors and the management of the Company, for which they are solely and wholly responsible, were true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion and expectation made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information has been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of opinions expressed by the Directors and the management of the Company. We believe that we have been provided with sufficient information to reach an informed view and to form a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Company.

The 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,

---

## LETTER FROM DAKIN CAPITAL LIMITED

---

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 matters the omission of which would make any statement herein or the Circular misleading.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Transactions, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of Transactions and our recommendation to the Independent Board Committee and the Independent Shareholders, we have taken the following principal factors and reasons into consideration:

#### 1. Background information on the Group

The Group is primarily engaged in the provision of services to residents in properties developed under the brand name of Clifford, including property management services, retail services, catering services and Ancillary Living Services (i.e. off-campus training services, property agency services, employment placement services and laundry services) in the PRC. The Shares were listed on the Stock Exchange on 8 November 2016.

The table below sets out the key financial information of the Group for FY2016 and FY2015 as extracted from the Company's annual report for the year ended 31 December 2016 (the "**2016 Annual Report**"):

|  | <b>FY2016</b><br><i>RMB'000</i><br>(Audited) | <b>FY2015</b><br><i>RMB'000</i><br>(Audited) |
|--|--|--|
| Revenue                                      | 289,681                                      | 261,112                                      |
| Profit attributable to owners of the Company | 20,247                                       | 34,847                                       |
| Profit for the year                          | 23,054                                       | 40,094                                       |

We note that the profit for the year decreased from approximately RMB40.1 million for FY2015 to approximately RMB23.1 million for FY2016. The decrease was mainly due to the increase in the recognition of listing expenses from approximately RMB5.7 million for FY2015 to approximately RMB22.9 million for FY2016. Had such listing expenses been excluded from the profit for the year, the Group would have recognised profit for the year that amounted to approximately RMB46.0 million and approximately RMB45.8 million for FY2016 and FY2015 respectively, which suggests that the Group's financial performance has been relatively stable in the past two years.

The Group has been providing services in residential communities and properties developed by the Private Group since 1998. We note that the Transactions are mainly in relation to the residential communities and properties such as commercial buildings and hospitals which are owned and/or newly developed by the Private Group. As such, upon completion of the development

---

## LETTER FROM DAKIN CAPITAL LIMITED

---

and the opening of these residential communities and properties, the Transactions would allow the Group to secure its continual services to and generate stable income from the residents of these residential communities, tenants of the commercial buildings, users of the hospitals and pedestrians with access to these residential communities and properties, who are all independent of the Group. In addition, the Group plans to sub-lease to Independent Third Party(ies) a portion of the office premises in Hong Kong which are leased from the Private Group, so that a stable rental income may be earned. As a result, the Transactions would generate revenue and rental income and improve the financial performance of the Group.

### **2. The Supplemental Master Tenancy Agreement**

#### *(i) The Master Tenancy Agreement*

Reference is made to the “Continuing Connected Transactions” section of the Prospectus in relation to, among other things, the Master Tenancy Agreement, which was entered into between Clifford Estates Panyu (for itself and on behalf of the other property owners which are members of the Private Group) (as landlord) and the Company (on behalf of its subsidiaries) (as tenant) dated 21 October 2016, and pursuant to which, the Group has agreed to lease certain properties (including the Leased Properties and other properties which the Group may lease from the Private Group in the future) from members of the Private Group for a term of ten years commencing from 1 January 2016.

We note from the 2016 Annual Report that pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the continuing connected transactions in relation to the Master Tenancy Agreement undertaken during FY2016, and confirmed that such transactions were entered into: (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms and on terms no less favourable to the Group than terms available from independent third parties; and (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

In addition, we note from the 2016 Annual Report that pursuant to Rule 14A.56 of the Listing Rules, the Company’s independent auditor has performed the agreed procedures in relation to such continuing connected transactions and provided a letter to the Board, confirming that nothing has come to their attention that causes them to believe such continuing connected transactions: (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve provision of goods and services by the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (iv) have exceeded the annual cap as set by the Company with respect to the aggregate amount of the continuing connected transactions.

As the Board expects that the Existing TA Annual Caps for FY2017 and FY2018 will no longer be sufficient, the Group entered into the Supplemental Master Tenancy Agreement on 28 April 2017.

---

## LETTER FROM DAKIN CAPITAL LIMITED

---

**(ii) Background information of the Private Group**

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

**(iii) Summary of the Supplemental Master Tenancy Agreement**

We summarise in the following table the principal terms of the Master Tenancy Agreement (as amended and supplemented by the Supplemental MTA):

|   |  |
|---|--|
| Date of the Supplemental MTA:   | 28 April 2017 (after trading hours)  |
| Parties:  | <p>(i) the Company (for itself and on behalf of its subsidiaries) (as tenant)</p> <p>(ii) Clifford Estates Panyu (for itself and on behalf of the other property owners which are members of the Private Group) (as landlord)</p>  |
| Additional premises to be leased under the Supplemental MTA (“ <b>Additional Premises</b> ”): | in accordance with the Supplemental Master Tenancy Agreement, the Group will lease from the Private Group additional premises with a total gross floor area of 15,496.9 sq.m. in Panyu district and Hong Kong. Brief details of the additional premises are set out below: |

|                | Number of leases  | Total gross floor area<br>(sq.m.) | Range of monthly rental for FY2017<br>(RMB per sq.m.) |
|----------------|-------------------|-----------------------------------|---|
| Panyu district | 17 <sup>(i)</sup> | 13,463.2                          | 10–260.5  |
| Hong Kong      | 2                 | 2,033.7                           | 69.3–86.6   |
| <b>Total</b>   |                   | <b>15,496.9</b>                   |   |

*Note:*

- (i) Of the 17 leases, 6 leases are expected to be used for the provision of retail and catering services and 7 leases are expected to be used for the provision of ancillary living services.

---

## LETTER FROM DAKIN CAPITAL LIMITED

---

- Use: mainly as operating or business outlets or office
- Term: the original term under the Master Tenancy Agreement commenced with effect from 1 January 2016 until the tenth anniversary of such commencement date and may be renewed for a successive period of ten years by mutual consent upon the initial expiry, subject to compliance with the then applicable provisions of the Listing Rules. No change in such connection is made under the Supplemental MTA.
- Rent: the annual rentals in respect of the additional premises to be leased by the Group under the Supplemental MTA 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 future increments will be determined based on the prevailing GDP growth rate of the PRC in the immediately preceding year (subject to a cap of 7% per annum).
- Conditions: the transactions contemplated under the Supplemental MTA (including the Revised TA Annual Caps) are conditional upon (i) the approval from the Independent Shareholders being obtained in accordance with the provisions of the Listing Rules; and (ii) all other requirements under the Listing Rules being complied with (including the obtaining of the advice of the Independent Financial Adviser).

***(iv) Reasons for and benefits of entering into the Supplemental Master Tenancy Agreement***

According to the Letter from the Board, the changes contemplated under the Supplemental Master Tenancy Agreement are made mainly to accommodate the expected increase in the lettable area to be leased by the Group from the Private Group for the following reasons:

***(a) Opening of additional retail and catering outlets and ancillary living services***

According to the Letter from the Board, the opening of additional retail and catering outlets and ancillary living services (including off-campus training services) was in connection with the completion of the development of Clifford Wonderview (which development will be completed in the second half of 2017), Clifford Hospital Phase II (which will be opened in the second half of 2017), and Clifford Dynamic Garden II and Clifford Group Centre (which will be completed in the second half of 2017), and certain new facilities in the existing residential estates developed by the Private Group.

---

## LETTER FROM DAKIN CAPITAL LIMITED

---

The Group has been providing services in residential communities and properties, such as hospitals, developed by the Private Group since 1998. In these residential communities and properties, the Group provides retail services, catering services and certain Ancillary Living Services to the Clifford residents and facilities users by leasing certain properties owned by the Private Group. As a result of the expected opening of Clifford Wonderview, Clifford Dynamic Garden II, Clifford Hospital Phase II and Clifford Group Centre in the second half of 2017, and the expected newly available facilities in some of the existing residential estates developed by the Private Group, the demand for facilities such as convenience stores, restaurants, laundry centres and off-campus learning centres from the residents, especially to those new residents in Clifford Wonderview and Clifford Dynamic Garden II, the users of Clifford Hospital Phase II and the tenants of Clifford Group Centre will increase. The Directors are of the view that, based on the Private Group's experiences in developing various residential communities under the brand name of "Clifford", the Group's past experiences in operating those facilities in the existing residential communities developed by the Private Group, and the profitability of the Group's existing operations, the Group is confident that the leasing of additional stores from the Private Group will allow the Group to earn stable income and profits from residents, users of the facilities and tenants who are Independent Third Party(ies).

*(b) Addition of the Group's offices in Panyu district*

According to the Letter from the Board, the additional Group's offices proposed to be leased in Panyu district have a total gross floor area of approximately 1,480.65 sq.m., and are expected to be located at Clifford Dynamic Garden II and Clifford Group Centre, both of which will be completed in the second half of 2017. We have discussed with the management of the Group and understand that in provision of retail, catering and resident support services in those newly developed residential communities and buildings such as Clifford Wonderview, Clifford Dynamic Garden II and Clifford Group Centre as discussed above, the Group will need to set up offices for managing and monitoring the daily operations of the provision of such services. The setting up of the Group's offices will increase the administrative efficiency and communications between management and staff of the Group.

*(c) The establishment of the Company's office in Hong Kong*

According to the Letter from the Board, the Group expects to have additional level of investor relations services to be delivered in Hong Kong, and the lease by the Group of certain office premises from the Private Group in Hong Kong will help to attain such purpose.

In addition, the Group plans to sub-lease to Independent Third Party(ies) a portion of the office premises, which is not occupied by the Group, so that a stable rental income may be earned. The Directors advised that areas not occupied by the Group are currently being leased by the Private Group to the Independent Third Party(ies) and are fully occupied by the Independent Third Party(ies). The Directors

---

## LETTER FROM DAKIN CAPITAL LIMITED

---

also advised that none of the tenants have the intention to withdraw from renting the current premises. According to the Letter from the Board, the Group plans to lease office premises from the Private Group and sub-lease the portion not occupied by the Group to Independent Third Party(ies) for rental income, as the Group is offered favourable rate by the Private Group for leasing large scale office premises. Through the commencement of the sub-leasing of offices in Hong Kong, the Directors believe that the Group could further diversify its source of rental income, and further improve its profitability.

(v) *Duration of the Master Tenancy Agreement*

The duration of the Master Tenancy Agreement (as amended and supplemented by the Supplemental MTA) is ten years commenced from 1 January 2016 to 31 December 2025 (i.e. the tenth anniversary of such commencement date). The duration of the Master Tenancy Agreement was determined after the negotiation between the Company (for itself and on behalf of its subsidiaries) (as tenant) and Clifford Estates Panyu (for itself and on behalf of the other property owners which are members of the Private Group) (as landlord). Upon expiry of the Master Tenancy Agreement, it may be renewed for a successive period of ten years by mutual consent, subject to compliance with the then applicable provisions of the Listing Rules.

In assessing the reasonableness and fairness of the duration of the Master Tenancy Agreement (i.e. ten years), we have taken into account the following:

- (1) The Group's operation of outlets such as restaurants, convenience stores and learning centres and the use of offices in both Panyu district and Hong Kong are expected to be longer than three years;
- (2) The Group would make a substantial amount of capital investments on setting up the premises leased from the Private Group for its use as operating or business outlets in Panyu district such as restaurants and convenience stores, and for its use as offices in both Hong Kong and Panyu district. The duration of the Master Tenancy Agreement and the respective lease agreements should be long enough to match the investment horizon of the Group;
- (3) The long-term duration of the Master Tenancy Agreement will prevent the recurrence of relocation costs and initial investments costs in setting up the outlets or offices;
- (4) The long-term duration of the Master Tenancy Agreement will allow the Company to secure a favourable location in residential communities and properties developed by the Private Group with a stable number of residents and pedestrians; and
- (5) If the duration of Master Tenancy Agreement is not sufficiently long, it may give rise to disruption of the Group's operations, and may be disadvantageous to the Company from commercial perspective, while the long-term nature of the Master Tenancy Agreement may secure stable and reliable supply of spaces



---

## LETTER FROM DAKIN CAPITAL LIMITED

---

for the Group to operate and provide services for the residents, users of the facilities and tenants who are Independent Third Party(ies).

In addition to the factors stated above, in considering whether it is a normal business practice for leases of operating or business outlets and offices to have a duration longer than 3 years, we have also conducted researches on companies listed on the Stock Exchange involving leasing of properties for the provision of catering, retail and ancillary living services, and for office use (the “**Comparable Transactions**”). We noted from the latest annual report of companies with principal activities of provision of catering (such as Tsui Wah Holdings Limited (Stock Code: 1314)), retail (such as Lianhua Supermarket Holdings Co., Ltd (Stock Code: 0980)), and education and training (such as Wisdom Education International Holdings Company Limited (Stock Code: 6068)) services in the PRC, the contract term of the Comparable Transactions has duration of up to 20 years.

After taking into the consideration of:

- (a) the views of the Directors as stated above, especially the Group’s intention for operating the outlets and offices in long term, the initial investments in setting up the premises to be leased from the Private Group and the benefits of a long-term leasing of premises located in the residential communities and buildings developed by the Private Group which provides stable income generated from the Group’s principal activities to the Group; and
- (b) the duration of the Comparable Transactions is up to 20 years,

we consider that (i) a term of longer than three years in respect of the Master Tenancy Agreement is in the interest of the Company and the Shareholders as a whole, and (ii) it is normal business practice for the Master Tenancy Agreement to be of such duration.

**(vi) The Revised TA Annual Caps**

The table below sets out the historical rentals paid or payable to the Private Group for FY2016, the Existing TA Annual Caps and the Revised TA Annual Caps:

|                             | <b>FY2016</b>      | <b>FY2017</b>      | <b>FY2018</b>      |
|-----------------------------|--------------------|--------------------|--------------------|
|                             | <i>RMB million</i> | <i>RMB million</i> | <i>RMB million</i> |
| Total rentals paid/payable  | 7.5                | N/A                | N/A                |
| The Existing TA Annual Caps | 11.5               | 12.0               | 12.5               |
| The Revised TA Annual Caps  | N/A                | 16.0               | 20.0               |

**(a) The historical total rentals paid or payable to the Private Group**

The historical total rentals paid or payable to the Private Group in FY2016 was approximately RMB7.5 million, which amounts to approximately 65.2% of the Existing TA Annual Caps for FY2016. We note from the management that the relatively low utilisation rate of annual caps of approximately 65.2% for FY2016 was

---

## LETTER FROM DAKIN CAPITAL LIMITED

---

mainly due to (i) the delay in the expected completion of the relocation and expansion of the outlets in Panyu district, and (ii) (for prudent purpose) the consideration of the maximum potential rental costs in relation to the one-off relocation as described in (i) above (i.e. full-year rental costs for both old and new premises) when setting the Existing TA Annual Caps for FY2016. The management advises us that such relocation and expansion of the outlets in Panyu district will be completed in FY2017 and the leasing of such outlets is expected to be commenced in FY2017.

*(b) The bases of determination of the Revised TA Annual Caps*

The Revised TA Annual Caps for FY2017 and FY2018 are RMB16.0 million and RMB20.0 million respectively, representing increases of approximately 33.3% and 60.0%, respectively, as compared with the Existing TA Annual Caps for the respective years. The Company confirmed that such increases are in line with the needs of the expansion of outlets and offices which is mainly due to the reasons mentioned in section (2)(iv) headed “Reasons for and benefits of entering into the Supplemental Master Tenancy Agreement” above. The Additional Premises involves a total of 19 leases (i.e. 17 leases in the Panyu district and 2 leases in Hong Kong) with total gross floor area of approximately 15,496.9 sq.m. The management of the Company confirmed that the Existing TA Annual Caps for FY2017 and FY2018 were exclusive of the Additional Premises.

As stated in the Letter from the Board, the Revised TA Annual Caps under the Master Tenancy Agreement (as amended and supplemented by the Supplemental MTA) are determined by the Company with the Private Group after taking into account the following: (i) the historical amount of rentals paid or payable by the Group; (ii) the gross floor area of additional premises to be leased from the Private Group under the Supplemental MTA; (iii) the prevailing property market conditions of Panyu district and Hong Kong; and (iv) the prevailing GDP growth rate of the PRC.

In arriving at the Revised TA Annual Caps as mentioned above, the Company assumes that (i) the approval from the Independent Shareholders in respect of the transactions contemplated under the Supplemental MTA (including the Revised TA Annual Caps) will be obtained in June 2017; and (ii) the tenancy agreements in respect of the additional premises to be leased by the Group in Panyu district become effective from 1 July 2017. Based on the rentals payable by the Group under the Master Tenancy Agreement and the Supplemental MTA, the breakdown of the Revised TA Annual Caps is as follows:

|                          | <b>FY2017</b>           | <b>FY2018</b>                  |
|--------------------------|-------------------------|--------------------------------|
|                          | <i>RMB million</i>      | <i>RMB million</i>             |
| Master Tenancy Agreement | 12.0                    | 12.5                           |
| Supplemental MTA         | 4.0 <sup>(Note 1)</sup> | 7.5                            |
| <b>Total</b>             | <b>16.0</b>             | <b>20.0<sup>(Note 2)</sup></b> |

---

## LETTER FROM DAKIN CAPITAL LIMITED

---

*Note 1:* The increment mainly related to additional premises to be leased by the Group in Panyu district assuming become effective from 1 July 2017.

*Note 2:* The increment is based on the assumption of 7% GDP growth rate of the PRC for FY2017.

(c) *Pricing policy and internal control measures*

The annual rentals in respect of the additional premises to be leased by the Group under the Supplemental MTA 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. The prevailing market rates of local properties are determined with reference to the comparable information (the "**Comparable Information**") including: (1) quotation from Independent Third Party estate agency for similar comparable properties owned by Independent Third Parties in the neighbouring area; (2) current tenancy agreements in relation to premises located near or next to the subject premises entered into between the Private Group (as landlord) and Independent Third Party(ies) (as tenant); and (3) where items (1) and (2) not available or applicable, quotation made by the Private Group to Independent Third Party(ies). Future increments will be determined based on the prevailing GDP growth rate of the PRC in the immediately preceding year (subject to a cap of 7% per annum). In addition, the Chief Operating Officer of the Company will from time to time review the annual rentals agreed between the Group and the Private Group, and compare them with the prevailing market rate of local properties in the neighbourhood with a similar scale and quality.

When a new lease is to be entered into between the members of the Group and the Private Group, or when the rental fee currently charged is subject to annual increment, the Private Group will provide the draft rental agreement and the rental price offered, and General Managers from the Group's operations departments will be responsible for the collection of Comparable Information and the assessment of the reasonableness of the rental price offered by the Private Group, which will then be reviewed by Chief Operating Officer of the Company. The assessment and the Comparable Information will then be passed to the finance department for verification and second review. The finance manager will also assess whether the Revised TA Annual Caps is exceeded if the Group enters into the new lease or if the rental charged is increased, and whether the terms offered by the Private Group in the respective draft rental agreement is in compliance with the Master Tenancy Agreement (as amended and supplemented by the Supplemental MTA). The executive Directors will then review and approve the rental price offered by the Private Group, the respective draft rental agreement, and the assessment performed by the Group's operations departments.

The executive Directors will closely monitor the rental paid or payable to the Private Group pursuant to the Master Tenancy Agreement (as amended and supplemented by the Supplemental MTA) regularly on a monthly basis to ensure that the Revised TA Annual Caps are not exceeded and to ensure the implementation of the relevant internal control measures as mentioned above.

---

## LETTER FROM DAKIN CAPITAL LIMITED

---

*(d) Assessment of the reasonableness of the Revised TA Annual Caps*

In our assessment of the fairness and reasonableness of the Revised TA Annual Caps, we have:

- (1) obtained and reviewed the list of the Additional Premises;
- (2) in relation to the 17 leases regarding the Additional Premises in the Panyu district (which represents the leases in relation to the abovementioned reasons in paragraph (a) headed “Opening of additional retail and catering outlets and ancillary living services” and paragraph (b) headed “Addition of the Group’s offices in Panyu district” under section (2)(iv) headed “Reasons for and benefits of entering into the Supplemental Master Tenancy Agreement”):
  - (A) obtained a list of comparison provided by the Company between the expected unit price of the Additional Premises offered by the Private Group and the local properties currently rented by the Private Group to the Independent Third Parties, and the Company’s assessment in determining the unit price of the Additional Premises;
  - (B) obtained 5 samples of the rental contracts in relation to local properties rented to the independent third parties;
  - (C) obtained and reviewed the construction permits in relation to Clifford Wonderview, Clifford Hospital Phase II and the Clifford Group Centre issued by the relevant government authorities in Guangzhou which showed the existence of such developments; and
  - (D) conducted our own independent research on the economy and GDP of Panyu district and noted that in accordance with the statistics from the Development and Reform Bureau of Panyu District, Guangzhou City (廣州市番禺區發展和改革局), the GDP growth rate in Panyu district for the first quarter of 2017 was 8.7%, and the total retail sales of consumer goods in Panyu district for FY2016 recorded an increase of 11.0% compared to FY2015;
- (3) in relation to the 2 leases in Hong Kong regarding the establishment of the Company’s offices in Hong Kong and the sub-lease of a portion of office premises as mentioned in paragraph (c) headed “The establishment of the Company’s office in Hong Kong” under section

---

## LETTER FROM DAKIN CAPITAL LIMITED

---

(2)(iv) headed “Reasons for and benefits of entering into the Supplemental Master Tenancy Agreement” above:

- (A) obtained a list of unit price in relation to the rental of office premises from the Private Group to the Group;
- (B) conducted our own independent research on the unit price of the similar premises transacted in the same area which are publicly available on the websites of certain independent property agency firms, and noted that the terms in relation to the Group’s rental of the offices in Hong Kong from the Private Group is, in general, near to the market rent but is slightly better (from the Group’s perspective) than the unit prices shown in such websites;
- (C) in relation to the sub-lease of a portion of office premises,
  - (1) obtained a list of rental contracts expected to be entered into between the Group and the Independent Third Party(ies);
  - (2) obtained the analysis of profit expected to be earned in relation to the rental income expected to be earned under the current rental contracts as described in (1) above and expected rental expenses paid/payable by the Group to the Private Group; and
  - (3) obtained 2 samples showing independent third parties’ intention of renting certain office units from the list of rental contracts as described in (1) above.

***(vii) Our view***

We concur with the Directors’ view that it is fair and reasonable and in the interest of the Company and the Shareholders as a whole to set the Revised TA Annual Caps for FY2017 and FY2018, after taking into the consideration of the following:

- (a) The Existing TA Annual Caps for FY2017 and FY2018 were exclusive of the Additional Premises;
- (b) The rentals to be paid and payable regarding the opening of additional retail and catering outlets and ancillary living services and the addition of the Group’s offices in Panyu district are for the purpose of conducting the ordinary course of business of the Group and were consistent with the Group’s outlook in 2017 to “further expand their retail, catering and off-campus training network” as disclosed in the 2016 Annual Report. The opening of the Group’s offices in Panyu district near to their operating premises will increase the administrative efficiency and communications between management and staff of the Group;

---

## LETTER FROM DAKIN CAPITAL LIMITED

---

- (c) The rentals to be paid and payable regarding the establishment of the Company's offices in Hong Kong will allow the Group to enhance their corporate governance by having additional level of investor relations services;
- (d) In relation to the sub-lease of a portion of office premises in Hong Kong:
  - (i) the rentals to be paid or payable regarding the sub-lease of a portion of office premises in Hong Kong will allow the Group to earn a stable rental income;
  - (ii) we note that the terms in relation to the Group's rental of the office in Hong Kong from the Private Group is generally slightly better (from the Group's perspective) than the unit prices publicly available, and the total rental fee to be payable by the Group is less than the total rental income currently earned by the Private Group from the Independent Third Party(ies) under the current leasing arrangement (such income is expected to be earned by the Group upon the commencement of the sub-leasing business in Hong Kong by the Group);
  - (iii) the portion expected to be sub-leased by the Group is currently being fully occupied by Independent Third Party(ies); and
  - (iv) the Group could be benefited from obtaining favourable rates by the Private Group for leasing large scale office premises;

therefore, we are of the view that the sub-lease of a portion of office premises in Hong Kong will become the rental business of the Group, and allow the Group to further improve its profitability and to earn a stable rental income in the ordinary and usual course of business. We consider that such sublease arrangement is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole;

- (e) The continuous leasing of the Additional Premises from the Private Group will allow the Group to establish its presence to the residents in residential communities and buildings developed by the Private Group and thus maintain a stable relationship with the Private Group, which has been developing residential communities under the brand name of Clifford since the 1990s;
- (f) Based on the information obtained and analysis conducted as mentioned above, we noted that in determining the rentals paid or payable per sq.m., the Directors have principally taken into account (a) the historical amount of rentals paid or payable by the Group, (b) the demand from the residents, tenants and users for the newly developed residential communities and properties, (c) the rent of the premises rented to Independent Third Parties and/or the prevailing market rent, (d) the prevailing market conditions of Panyu district and Hong Kong, and (e) the prevailing GDP growth rate of the PRC;

---

## LETTER FROM DAKIN CAPITAL LIMITED

---

- (g) Based on independent research on GDP and retail sales of consumer goods of the Panyu district, it is noted that growth was recorded in the fourth quarter of 2016 and the first quarter of 2017 respectively compared to the same period of the preceding year. It was also generally in line with the prevailing GDP growth rate of the PRC of 6.7% in FY2016; and
- (h) As confirmed by the Directors, the Company will strictly follow the internal control measures mentioned in paragraph (c) headed “Pricing policy and internal control measures” under section (2)(vi) headed “The Revised TA Annual Caps” above. We consider that through the implementation of such internal control measures, it will ensure that the rental price offered by the Private Group to the Group and the terms and conditions for any new leases be in compliance with the terms and conditions under the Master Tenancy Agreement (as amended and supplemented by the Supplemental MTA) and that the aggregate actual rental expenses paid or payable to the Private Group will not exceed the relevant Revised TA Annual Caps.

Based on the factors and reasons discussed above, we are of the view that the Revised TA Annual Caps were set by the Directors after due and careful consideration and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of both the Company and the Shareholders as a whole.

### **3. The Supplemental Master Composite Services Agreement**

#### *(i) The Master Composite Services Agreement*

Reference is made to the “Continuing Connected Transactions” section of the Prospectus in relation to, among other things, the Master Composite Services Agreement, which was entered into between the Company (for itself and on behalf of its subsidiaries) (as service providers) and Clifford Estates Panyu (for itself and on behalf of other members of the Private Group) and Clifford Aged Home (for itself and on behalf of Ms. Wendy Man’s Group) (as receiving parties) dated 21 October 2016, and pursuant to which, the Group has agreed to provide to members of both the Private Group and Ms. Wendy Man’s Group with various types of services, including but not limited to the provision of procurement of food, beverages and sundry items, property management, laundry, resident support, employment placement and property agency for a term of three years commencing from 1 January 2016.

We note from the 2016 Annual Report that pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the continuing connected transactions in relation to the Master Composite Services Agreement undertaken during FY2016, and confirmed that such transactions were entered into: (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms and on terms no less favourable to the Group than terms available from independent third parties; and (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

---

## LETTER FROM DAKIN CAPITAL LIMITED

---

In addition, we note from the 2016 Annual Report that pursuant to Rule 14A.56 of the Listing Rules, the Company's independent auditor has performed the agreed procedures in relation to such continuing connected transactions and provided a letter to the Board, confirming that nothing has come to their attention that causes them to believe such continuing connected transactions: (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve provision of goods and services by the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (iv) have exceeded the annual cap as set by the Company with respect to the aggregate amount of the continuing connected transactions.

As the Board expects that the Existing CSA Annual Caps for FY2017 and FY2018 will no longer be sufficient, the Group entered into the Supplemental Master Composite Services Agreement on 28 April 2017.

***(ii) Background information of the Private Group and Ms. Wendy Man's Group***

Please refer to section (2)(ii) headed "Background information of the Private Group" above for the background information of the Private Group.

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

***(iii) Summary of the Supplemental Master Composite Services Agreement***

We summarise in the following table the principal terms of the Master Composite Services Agreement (as amended and supplemented by the Supplemental MCSA):

|                                |   |
|--------------------------------|---|
| Date of the Supplemental MCSA: | 28 April 2017 (after trading hours)   |
| Parties:                       | (i) Clifford Estates Panyu (for itself and on behalf of other members of the Private Group) and Clifford Aged Home (for itself and on behalf of other members of Ms. Wendy Man's Group) (both as receiving parties)<br><br>(ii) the Company (for itself and on behalf of its subsidiaries) (as service providers) |
| Term:                          | three years commencing from 1 January 2016 to 31 December 2018. No change in such connection is made under the Supplemental MCSA.   |



---

## LETTER FROM DAKIN CAPITAL LIMITED

---

- Volume of services expected to be increased (“**Additional Services**”):
- (i) in connection with the expected opening of Clifford Hospital Phase II in the second half of 2017, the Group’s provision of resident support services and ancillary living services (including placement services and laundry services);
  - (ii) in connection with the expected completion of the development of Clifford Wonderview in the second half of 2017, the Group’s provision of additional property management services, resident support services and property agency services;
  - (iii) in connection with the expected completion of Clifford Group Centre in the second half of 2017 and certain newly developed residential units in the existing estates developed by the Private Group, the Group’s provision of additional property management services; and
  - (iv) in connection with the newly developed residential units in Clifford Bayview, the Group’s provision of additional property agency services.
- Pricing policy:
- the basis of service fees to be charged by the Group for additional volume of services under the Supplemental MCSA will be the same as that provided under the MCSA.
- Conditions:
- the transactions contemplated under the Supplemental MCSA (including the Revised CSA Annual Caps) are conditional upon (i) the approval from the Independent Shareholders being obtained in accordance with the provisions of the Listing Rules; and (ii) all other requirements under the Listing Rules being complied with (including the obtaining of the advice of the Independent Financial Adviser).

---

## LETTER FROM DAKIN CAPITAL LIMITED

---

(iv) *Reasons for and benefits of entering into the Supplemental Master Composite Services Agreement*

According to the Letter from the Board, the changes contemplated under the Supplemental Master Composite Services Agreement are made mainly to accommodate the expected increase in the volume of services to be provided to the Private Group and Ms. Wendy Man's Group in relation to the following:

(a) *Clifford Hospital Phase II*

According to the Letter from the Board, the Group expects to provide to the Private Group and where relevant, Ms. Wendy Man's Group the resident support services and ancillary living services (including employment placement services and laundry services) in connection with the expected opening of Clifford Hospital Phase II in the second half of 2017. As disclosed in the Prospectus, the Group has been providing employment placement services and laundry services to the Clifford Hospital. Furthermore, the Group is the sole labour dispatch agent of Clifford Hospital, providing patient care helper agency services mainly to patients who are hospitalised in the Clifford Hospital and residents discharged from the Clifford Hospital who require short-term or long-term care.

As a result of the expected completion of Clifford Hospital Phase II in the second half of 2017, the expected amount of services required by the Private Group and where relevant, Ms. Wendy Man's Group in relation to certain resident support services and ancillary living services will be increased. The management of the Company confirmed that the type of services to be provided by the Group to the Private Group and where relevant, Ms. Wendy Man's Group in relation to Clifford Hospital Phase II will be similar to those currently providing to Clifford Hospital.

(b) *Clifford Wonderview*

According to the Letter from the Board, the Group expects to provide to the Private Group, and where relevant, Ms. Wendy Man's Group property management services (in relation to property units which are developed by the Private Group but not yet sold or occupied), resident support services and property agency services in connection with the expected completion of the development of Clifford Wonderview in the second half of 2017. Clifford Wonderview is a residential cum commercial property project with an aggregate gross floor area of about 966,453 sq.m.

As disclosed in the 2016 Annual Report, the Group is primarily engaged in the provision of services to residents in residential communities developed under the brand name of Clifford, such as Clifford Estates, Clifford Waterfront and Clifford Gold Coast. The expected completion of newly developed Clifford Wonderview will allow the Group to provide services to the Private Group, Ms. Wendy Man's Group and the residents in a new residential community developed by the Private Group, and thus increasing the gross floor area managed by the Group.

---

## LETTER FROM DAKIN CAPITAL LIMITED

---

(c) *Clifford Group Centre, Clifford Bayview and other existing estates*

According to the Letter from the Board, the Group expects to provide to the Private Group, and where relevant, Ms. Wendy Man's Group property management services in connection with Clifford Group Centre and certain newly developed residential units in the existing estates developed by the Private Group (in relation to property units which are developed by the Private Group but not yet sold or occupied), and property agency services in connection with the newly developed residential units in Clifford Bayview. Clifford Bayview is a residential community developed by the Private Group where property management services have been provided by the Group since 2004, with approximately 794,000 sq.m. contracted gross floor area as at 31 December 2016.

As discussed above, the Private Group expects to open Clifford Group Centre in the second half of 2017. Similar to other commercial properties owned by the Private Group which are located in other districts, such as Clifford Logistic Centre and Clifford (Huashan) Industrial Park, the Group is expected to be engaged to provide property management services to the Private Group since the opening of Clifford Group Centre. Moreover, in connection with certain newly developed residential units in the existing estates developed by the Private Group, the Group is expected to provide property management services to the Private Group before the units are being sold or occupied. Furthermore, as disclosed in the 2016 Annual Report, additional residential community in Clifford Bayview is expected to be completed in second half of 2017; as a result, with an aim to facilitate the property sales and leasing and as the ordinary business of the Group, the Group is expected to serve as an agent to provide property agency services to the Private Group for earning commission income.

(v) *The Revised CSA Annual Caps*

The table below sets out the historical service fees received or receivable from the Private Group, and where relevant, Ms. Wendy Man's Group for FY2016, the Existing CSA Annual Caps and the Revised CSA Annual Caps:

|                              | <b>FY2016</b>      | <b>FY2017</b>      | <b>FY2018</b>      |
|------------------------------|--------------------|--------------------|--------------------|
|                              | <i>RMB million</i> | <i>RMB million</i> | <i>RMB million</i> |
| Total service fees           |                    |                    |                    |
| received/receivable          | 22.6               | N/A                | N/A                |
| The Existing CSA Annual Caps | 23.0               | 23.0               | 23.0               |
| The Revised CSA Annual Caps  | N/A                | 37.0               | 41.0               |

(a) *The historical service fees received or receivable from the Private Group and Ms. Wendy Man's Group*

The historical service fees received or receivable from the Private Group, and where relevant, Ms. Wendy Man's Group for FY2016 was approximately RMB22.6

---

## LETTER FROM DAKIN CAPITAL LIMITED

---

million, which already amounted to approximately 98.2% of the Existing CSA Annual Caps for FY2016, representing the nearly full utilisation of the Existing CSA Annual Caps for FY2016.

*(b) The bases of determination of the Revised CSA Annual Caps*

The Revised CSA Annual Caps for FY2017 and FY2018 are RMB37.0 million and RMB41.0 million respectively, representing increases of approximately 21.7% and 78.3%, respectively, as compared with the Existing CSA Annual Caps for the respective years. The Company confirmed that such increases are in line with the needs for the Additional Services from the Private Group and Ms. Wendy Man's Group as a result of the expansion of the residential communities by the Private Group, Clifford Hospital Phase II and Clifford Group Centre as discussed in the section (3)(iv) headed "Reasons for and benefits of entering into the Supplemental Master Composite Services Agreement" above.

As stated in the Letter from the Board, the Revised CSA Caps under the Master Composite Services Agreement (as amended and supplemented by the Supplemental MCSA) are determined by the Company with the Private Group and Ms. Wendy Man's Group after taking into account the following: (i) the historical amount of the service fees charged by the Group to the Private Group and Ms. Wendy Man's Group; (ii) the expected increase in service fee and goods price in the PRC in the years from now and up to 31 December 2018; (iii) the additional volume of resident support services and ancillary living services (including employment placement services and laundry services) to be provided by the Group in connection with the expected opening of Clifford Hospital Phase II in the second half of 2017; (iv) the Additional Services to be provided by the Group in connection with the expected completion of the development of Clifford Wonderview in the second half of 2017; (v) the additional property management services, and property agency services to be provided by the Group in connection with the expected completion of Clifford Group Centre in the second half of 2017 and the newly developed residential units in Clifford Bayview; and (vi) the prevailing GDP growth rate of the PRC. The management of the Company confirmed that the Existing CSA Annual Caps for FY2017 and FY2018 were exclusive of the Additional Services.

We also noted that there is a buffer of approximately 15% which is applied in the Revised CSA Annual Caps for each of FY2017 and FY2018, which, according to the Directors, was to offer flexibility to the Group in dealing with any unforeseeable increase of the transaction volume as a result of the expected opening of several new facilities in FY2017, including Clifford Wonderview, Clifford Hospital Phase II and Clifford Group Centre.

---

## LETTER FROM DAKIN CAPITAL LIMITED

---

(c) *Pricing policy and internal control measures*

The pricing policy in relation to the relevant service fees for the Additional Services under the Supplemental MCSA will be the same as that provided under the Master Composite Services Agreement, which was disclosed in the Prospectus. The relevant pricing policy in relation to the Additional Services under the Supplemental MCSA is summarised below:

**Property management:** The Group determines the property management fee based on the regulations promulgated by the PRC government with reference to the prices charged by property management companies (which are Independent Third Parties) in the neighbourhood to ensure that the prices offered by the Group shall be no more favourable than those available from such companies.

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

**Resident support:** In respect of home cleaning services, the prices are determined by the relevant parties on an arm's length basis with reference to prices offered to the Independent Third Parties (most of whom are local residents). The prices are readily available market information made known to (among others) unrelated third party users and potential users. Such prices shall be no more favourable than prices of similar services rendered by us to Independent Third Parties.

**Employment placement:** The prices are determined by the relevant parties on an arm's length basis having regard to the type of care helper which is fixed with reference to the prices charged by Independent Third Party employment placement agencies providing services of a similar nature in the neighbourhood to ensure that the prices offered by the Group are no more favourable than those available from Independent Third Party employment placement agencies.

---

## LETTER FROM DAKIN CAPITAL LIMITED

---

Property agency: The property agency fees are determined by the relevant parties on an arm's length basis with reference to the historical fees paid by us and the prevailing market rates of local property agencies (which are Independent Third Parties) in the neighbourhood with a similar scale and quality to ensure that the fees offered by the Group are no more favourable than those available from Independent Third Party local property agencies.

When new services are requested by the Private Group and where relevant, Ms. Wendy Man's Group (i.e. the receiving party(ies)) from the Group, the Group's general manager of the respective operations will, in accordance with the pricing policy as mentioned above, suggest a quotation, which will then be reviewed by the Chief Operating Officer of the Company. The Group's general manager will also enquire the receiving party(ies) the expected amount of services required, and obtain their preliminary view on the quotation. The quotation and the relevant comparable information (as summarised in the table above) will then be passed to the finance department for verification and second review. The finance manager will also assess whether the Revised CSA Annual Caps will be exceeded when the new services are to be provided, and whether the terms of new services are within the scope of and in compliance with the Master Composite Services Agreement (as amended and supplemented by the Supplemental MCSA). The executive Directors will then review and approve the service fee in respect of the new services to be charged to the Private Group or Ms. Wendy Man's Group.

The executive Directors will closely monitor the service fees charged to the Private Group and Ms. Wendy Man's Group pursuant to the Master Composite Services Agreement (as amended and supplemented by the Supplemental MCSA) regularly on a monthly basis to ensure that the Revised CSA Annual Caps are not exceeded and to ensure the implementation of the relevant internal control measures on pricing policy as mentioned above.

*(d) Assessment of the reasonableness of the Revised CSA Annual Caps*

In our assessment of the fairness and reasonableness of the Revised CSA Annual Caps, we have:

- (1) obtained and reviewed the list of additional services expected to be provided by the Group to the Private Group and Ms. Wendy Man's Group in both FY2017 and FY2018;
- (2) obtained and reviewed the construction permits in relation to Clifford Wonderview, Clifford Hospital Phase II and the Clifford Group Centre issued by the relevant government authorities in Guangzhou which showed the existence of such developments;
- (3) obtained and reviewed the respective price ranges and sales volume for each of the Additional Services from the Company;

---

## LETTER FROM DAKIN CAPITAL LIMITED

---

- (4) obtained and reviewed the references in relation to the determination of price range from the Company, including, where available and applicable, the quotation from Independent Third Party(ies), the pricing to be charged and/or currently being charged to the residents in the residential communities developed by the Private Group, and the past agreements and transactions with the Private Group and Ms. Wendy Man's Group for similar services;
- (5) in relation to the approximately 15% buffer applied to the Revised CSA Annual Caps for both FY2017 and FY2018, we were advised from the management that the buffer is to deal with the unforeseeable increase of the transaction volume especially in relation to the expected opening of the new residential communities (i.e. Clifford Wonderview) and the new facilities (i.e. Clifford Hospital Phase II and Clifford Group Centre);
- (6) made references to, on our best effort basis and as far as we are aware, the relevant publicly available information in relation to the price quoted by Independent Third Parties regarding services similar to some of the Additional Services, and noted that where such information available, the price charged by the Group to the Private Group and Ms. Wendy Man's Group is in general in line with the quotations publicly available; and
- (7) conducted our own independent research on the economy and GDP of the Panyu district, and note that in accordance with the statistics from the Development and Reform Bureau of Panyu District, Guangzhou City (廣州市番禺區發展和改革局), the GDP growth rate in Panyu district for the first quarter of 2017 was 8.7%, and the total retail sales of consumer goods in Panyu district for FY2016 recorded an increase of 11.0% compared to FY2015.

**(vi) Our view**

We concur with the Directors' view that it is fair and reasonable and in the interest of the Company and the Shareholders as a whole to set the Revised CSA Annual Caps for FY2017 and FY2018, after taking in to the consideration of the following:

- (a) The provision of the Additional Services would generate revenue to the Group and improve the financial performance of the Group;
- (b) The Existing CSA Annual Caps for FY2017 and FY2018 were exclusive of the Additional Services;
- (c) Approximately 98.2% of the Existing CSA Annual Caps for FY2016 has been utilised in FY2016, which is near to full utilisation;

---

## LETTER FROM DAKIN CAPITAL LIMITED

---

- (d) The provision of the Additional Services are in the ordinary course of business of the Group;
- (e) The service fees to be received by the Group under the Master Composite Services Agreement (as amended and supplemented by the Supplemental MCSA) would generate revenue and thus can potentially improve the financial performance of the Group;
- (f) In relation to the property management income to be received or receivable from the Private Group, it will subsequently be converted to property management income from residents (i.e. Independent Third Party(ies)) when the relevant property units are subsequently sold to and occupied by the residents. As a result, the provision of property management services to the Private Group in relation to property units which are not yet sold or occupied will allow the Group to earn a stable revenue from the residents (i.e. Independent Third Party(ies)) in the future;
- (g) The Group has been providing services to the residential estates and properties developed and owned by the Private Group in the past. The provision of the Additional Services to the Private Group and Ms. Wendy Man's Group will allow the Group to expand its service profile and size of operation, and to maintain stable relationship with the Private Group and Ms. Wendy Man's Group;
- (h) Based on the information obtained and analysis conducted as mentioned above, we noted that in determining the price range for each of the Additional Services to be provided, the Directors have principally taken into account (a) the historical amount of the service fees and price range charged by the Group, (b) where relevant and available, the quotation from the Independent Third Party(ies), (c) the expected increase in service fee or goods price in the PRC in the years from now and up to 31 December 2018, (d) the demand for the Additional Services from the Private Group, Ms. Wendy Man's Group and the residents of the newly developed residential communities and properties and the existing estates, and (e) the prevailing GDP growth rate of the PRC;
- (i) We consider the buffer of approximately 15% applied to the Revised CSA Annual Caps for both FY2017 and FY2018 acceptable, because (a) it is reasonable to allow a buffer for any unforeseeable increase of transaction volume in relation to the newly developed and completed residential communities and properties, and (b) it allows a buffer for any future in the Group's pricing to be charged to the Private Group if the Group can do so in accordance with the pricing policy as stated in paragraph (c) headed "Pricing policy and internal control measures" under section (3)(v) headed "The Revised CSA Annual Caps" above (which can enable the Group to further increase its revenue);



---

## LETTER FROM DAKIN CAPITAL LIMITED

---

- (j) Based on our independent research on GDP and retail sales of consumer goods of the Panyu district, we noted that growth was recorded in the fourth quarter of 2016 and the first quarter of 2017 respectively compared to the same period the preceding year; and
- (k) As confirmed by the Directors, the Company will strictly follow the internal control measures mentioned in paragraph (c) headed “Pricing policy and internal control measures” under section (3)(v) headed “The Revised CSA Annual Caps” above regularly. We consider that through the implementation of such internal control measures, it will ensure that the relevant transactions will be conducted in compliance with the terms and conditions under the Master Composite Services Agreement (as amended and supplemented by the Supplemental MCSA) and that the aggregate service fees received or receivable by the Group will not exceed the relevant Revised CSA Annual Caps.

Based on the factors and reasons discussed above, we are of the view that the Revised CSA Annual Caps were set by the Directors after due and careful consideration and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of both the Company and the Shareholders as a whole.

### RECOMMENDATION

Having considered the principal factors and reasons discussed above and in particular the following (which should be read in conjunction with and interpreted in the full context of this letter):

- (i) the Transactions, especially the transactions contemplated under the Master Composite Services Agreement (as amended and supplemented by the Supplemental MCSA) would generate revenue to the Group and improve the financial performance of the Group;
- (ii) the Transactions are in the ordinary and usual course of business of the Group, or to be entered into for purpose of generating revenue from principal activities of the Group;
- (iii) the entering into the Supplemental Master Agreements allows the Group to provide services to the residential communities, the hospital and the commercial building newly developed by the Private Group;
- (iv) the extension of the Group’s offices under the Supplemental TA, such as the establishment of the Company’s office in Hong Kong and the opening of additional offices in Panyu district, will allow the Group to enhance its investor relations management and achieve administrative efficiency in its operations; and
- (v) the commencement of the sub-leasing business of the Group in Hong Kong will allow the Group to earn a stable income and diversify the Group’s business;

---

## LETTER FROM DAKIN CAPITAL LIMITED

---

we consider that (i) the entering into of the Supplemental Master Agreements is conducted in the ordinary and usual course of business of the Group, on normal commercial terms and in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Revised Annual Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, and the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolutions to be proposed at the EGM to approve the Transactions.

Yours faithfully,  
For and on behalf of  
**Dakin Capital Limited**  
**Leung Kit Ming**  
*Managing Director*

*Mr. Leung Kit Ming is licenced under the Securities and Futures Ordinance to carry on Type 6 (advising on corporate finance) regulated and is currently a responsible officer and sponsor principal of Dakin Capital Limited. Mr. Leung has over 7 years of experience in the corporate finance industry and is experienced in advising clients on matters regulated by the Listing Rules and the Code on Takeovers and Mergers as well as executing corporate finance transactions as sponsor, compliance adviser, financial adviser and independent financial adviser.*

## 1. RESPONSIBILITY STATEMENT

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

## 2. INTEREST IN SECURITIES

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and chief executives of the Company had any interest or short position in the Shares, underlying Shares and debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) nor had any interest in the right to subscribe for Shares in the Company which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

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

| Name of Director                | Capacity  | Number of<br>Shares held <sup>(1)</sup> | Percentage of<br>the issued<br>share capital<br>of the<br>Company |
|---------------------------------|---|---|---|
| Ms. MAN Lai Hung <sup>(1)</sup> | Interest in a<br>controlled<br>corporation <sup>(1)</sup> | 750,000,000                             | 75%   |
| Ms. MAN Lai Hung                | Beneficial owner  | 5,000,000 <sup>(2)</sup>                | 0.5%  |
| Mr. SUN Derek Wei Kong          | Beneficial owner  | 2,500,000 <sup>(2)</sup>                | 0.25%   |
| Mr. LEONG Chew Kuan             | Beneficial owner  | 2,500,000 <sup>(2)</sup>                | 0.25%   |
| Ms. LIANG Yuhua                 | Beneficial owner  | 2,500,000 <sup>(2)</sup>                | 0.25%   |
| Mr. LIU Xing                    | Beneficial owner  | 2,500,000 <sup>(2)</sup>                | 0.25%   |

*Notes:*

- (1) Elland Holdings Limited is solely owned by Ms. Man Lai Hung which in turn owns 750,000,000 Shares. By virtue of the SFO, Ms. Man Lai Hung is deemed or taken to be interested in all the shares which are beneficially owned by Elland Holdings Limited.

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

### 3. DIRECTORS' SERVICE CONTRACTS

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

### 4. COMPETING INTERESTS

As at the Latest Practicable Date,

- (a) the Private Group was the owner of 51% equity interest in a joint venture which operated certain catering outlets (namely, Manhattan Cafe (a western restaurant) and Clifford Palace (a Chinese restaurant)) which were located at Clifford Resort Centre in Clifford Estates. As the minority interests in such joint venture were owned by some PRC state-owned enterprises and because of objection of such minority equity-holders to the transfer of such catering outlets to the Group, these catering outlets remained to be operated by the Private Group. Having regard to factors such as target customers, average spending per customer per meal, sales and marketing, management and staffing, and sourcing of food and beverages, the Company considers that these catering outlets did not constitute direct competition with the Group's catering business. For further details of such catering outlets, please refer to page 250 to 253 of the Prospectus;
- (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:

- (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) save as disclosed in the “Letter from the Board” as regards the interests of Ms. Wendy Man (or, as the case may be, Ms. Wendy Man’s Spouse) in the Existing Master Agreements and the Supplemental Master Agreements, none of the Directors had any direct or indirect interest in any assets which had been since 31 December 2016 (the date to which the latest published audited consolidated financial statements of the Company were made up), (i) acquired or disposed of by; (ii) leased to; or (iii) are proposed to be acquired or disposed of by; or (iv) are proposed to be leased to any member of the Group.

## 6. MATERIAL ADVERSE CHANGES

The Directors have confirmed that there has been no material change in the financial or trading position or outlook of the Group since 31 December 2016, the date to which the latest published audited accounts of the Group were made up, and up to and including the Latest Practicable Date.

## 7. EXPERT

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

| <b>Name</b>           | <b>Qualification</b>  |
|-----------------------|---|
| Dakin Capital Limited | a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO |

As at the Latest Practicable Date, Dakin Capital Limited:

- (a) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name, in the form and context in which they respectively appear;
- (b) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and

- (c) did not have any direct or indirect interest in any assets which had been, since 31 December 2016 (the date to which the latest published audited consolidated financial statements of the Company were made up), acquired, 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.

## 8. GENERAL

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

## 9. DOCUMENTS AVAILABLE FOR INSPECTION

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

- (a) the letter from the Board, the text of which is set out on pages 6 to 19 of this circular;
- (b) the letter from the Independent Board Committee, the text of which is set out on pages 20 to 21 of this circular;
- (c) the letter from Dakin Capital Limited, the text of which is set out on pages 24 to 48 of this circular;
- (d) the written consent referred to in the paragraph headed “Expert” in this appendix;
- (e) the Master Tenancy Agreement;
- (f) the Supplemental MTA;
- (g) the Master Composite Services Agreement;
- (h) the Supplemental MCSA; and
- (i) this circular.

## 10. MISCELLANEOUS

- (a) The secretary of the Company is Mr. Yu Ding Him Anthony, who is a member of CPA Australia and the Hong Kong Institute of Certified Public Accountants. He is also an associate of the Chartered Institute of Management Accountants.
- (b) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

- (c) The branch share registrar of the Company in Hong Kong is Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The principal place of business of the Company in Hong Kong is at 7th Floor, Chai Wan Industrial City, Phase II, 70 Wing Tai Road, Chai Wan, Hong Kong.

---

## NOTICE OF EXTRAORDINARY GENERAL MEETING

---



**祈福生活服務**  
CLIFFORD MODERN LIVING

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

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 3686)**

#### **NOTICE OF THE EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting of Clifford Modern Living Holdings Limited (“Company”) will be held at Rooms 2401–2, Admiralty Centre I, 18 Harcourt Road, Hong Kong on Friday, 23 June 2017 at 10:30 a.m. (or such time immediately after conclusion of the Company’s annual general meeting held on the same date and at the same venue) to consider and, if thought fit, pass (with or without modifications) the following resolutions as ordinary resolutions of the Company:

#### **ORDINARY RESOLUTIONS**

1. **“THAT:**
  - (a) the Supplemental Master Tenancy Agreement and the transactions contemplated under the Supplemental Master Tenancy Agreement (as defined and described in the Company’s circular dated 7 June 2017 to its shareholders, a copy of which has been produced to the meeting marked “A” and signed by the Chairman of the meeting for the purpose of identification) and the proposed revised annual caps for each of the years ending 31 December 2017 and 31 December 2018 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 Supplemental Master Tenancy Agreement and all transactions and other matters contemplated thereunder or ancillary thereto, to waive compliance from and/or agree to any amendment or supplement to any of the provisions of the Supplemental Master Tenancy Agreement which in their opinion is not of a material nature and to effect or implement any other matters referred to in this resolution.”



---

## NOTICE OF EXTRAORDINARY GENERAL MEETING

---

2. “**THAT:**
- (a) the Supplemental Master Composite Services Agreement and the transactions contemplated under the Supplemental Master Composite Services Agreement (as defined and described in the Company circular to its shareholders dated 7 June 2017, a copy of which has been produced to the meeting marked “B” and signed by the Chairman of the meeting for the purpose of identification) and the proposed revised annual caps for each of the years ending 31 December 2017 and 31 December 2018 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 Supplemental Master Composite Services Agreement and all transactions and other matters contemplated thereunder or ancillary thereto, to waive compliance from and/or agree to any amendment or supplement to any of the provisions of the Supplemental Master Composite Services Agreement which in their opinion is not of a material nature and to effect or implement any other matters referred to in this resolution.”

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

Hong Kong, 7 June 2017

*Notes:*

- 1 The register of members of the Company will be closed from Monday, 19 June 2017 to Friday, 23 June 2017, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for voting at the extraordinary general meeting of the Company (“EGM”), all transfers of shares of the Company accompanied by the relevant share certificates must be lodged for registration with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, by not later than 4:30 p.m. on Friday, 16 June 2017.
- 2 Any shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint another person as his proxy to attend and vote instead of him. A shareholder who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the above meeting. A proxy need not be a shareholder of the Company. If more than one proxy is appointed, the number of shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy.
- 3 In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the offices of the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time for holding the EGM (i.e. no later than 10:30 a.m. (Hong Kong time) on Wednesday, 21 June 2017) 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.

---

## NOTICE OF EXTRAORDINARY GENERAL MEETING

---

- 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.

*As at the date of this notice, the board of directors of the Company comprises Ms. MAN Lai Hung, Mr. SUN Derek Wei Kong, Mr. LEONG Chew Kuan and Ms. LIANG Yuhua as executive Directors; Mr. LIU Xing as non-executive Director; and Ms. LAW Elizabeth, Mr. HO Cham and Mr. MAK Ping Leung as independent non-executive Directors.*