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).

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3686)

(A) DISCLOSEABLE AND CONNECTED TRANSACTION: ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL IN, AND SHAREHOLDER'S LOANS TO, EASY SOUTH LIMITED AND (B) CONTINUING CONNECTED TRANSACTIONS

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

A letter from the Board is set out on pages 7 to 25 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 26 to 27 of this circular. A letter from Sorrento Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 28 to 72 of this circular.

A notice convening the EGM of Clifford Modern Living Holdings Limited to be held at Room 1501–02, 15/F Hong Kong Club Building, 3A Charter Road, Central, Hong Kong on 18 December 2017 at 10:00 a.m. is set out on pages 96 to 97 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 10:00 a.m. (Hong Kong time) on Saturday, 16 December 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.

29 November 2017

CONTENTS

This circular is prepared in both English and Chinese.
In the event of inconsistency, the English text of this circular will prevail.

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

"Acquisition"	the acquisition of the Sale Share and the Sale Debts by the Purchaser from the Vendor in accordance with the terms and conditions of the SP Agreement
"Acquisition Price of the Sale Debts"	the price for the Sale Debts payable by the Purchaser to the Vendor
"Acquisition Price of the Sale Share"	the price for the Sale Share payable by the Purchaser to the Vendor
"Announcement"	the Company's announcement dated 16 October 2017 on (among other matters) the SP Agreement being entered into and the MES Agreement
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	board of Directors
"Business Day(s)"	a day (excluding Saturday and any day on which a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a "black" rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for business
"BVI"	the British Virgin Islands
"Clifford Aged Home"	Clifford Aged Home Company Limited* (廣州市祈福護老公寓有限公司), a company established in the PRC and a member of Ms. Wendy Man's Group
"Clifford Estates Panyu"	Clifford Estates (Panyu) Limited* (廣州市番禺祈福新邨房地產有限公司), a company established in the PRC with limited liability and a member of the Private Group
"Company"	Clifford Modern Living Holdings Limited, a company incorporated in the Cayman Islands as an exempted company with limited liability and whose issued Shares are listed on the Main Board of the Stock Exchange (stock code: 3686)

"Completion"	completion of the SP Agreement in accordance with the terms and conditions as set out in the SP Agreement
"Completion Date"	the third Business Day after the fulfillment (or waiver) of the last of the conditions precedent mentioned in the section headed "Discloseable Transaction And Connected Transaction – The SP Agreement – Conditions precedent to completion of the SP Agreement" (both inclusive) or such other date as the parties hereto may agree in writing, on which date Completion will take place
"connected person(s)"	has the same meaning ascribed to such term under the Listing Rules
"Consideration"	initially HK$23 million, being the total consideration payable by the Purchaser to the Vendor for the Acquisition
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company (the notice of which is set out on page 96 to 97 of this circular) to be convened and held for the purpose of considering, and if thought fit, approving (1) the SP Agreement and the transactions contemplated under it, and (2) the MES Agreement and the transactions contemplated hereunder it (including the proposed annual cap for FY2018 relating thereto), or any adjournment thereof
"Enlarged Group"	the Company and its subsidiaries as enlarged by the Acquisition upon Completion
"FY2014", "FY2015" and "FY2016"	each of the financial years ended 31 December 2014, 2015 and 2016, respectively
"FY2017" and "FY2018"	each of the financial years ending 31 December 2017 and 2018, respectively
"Group"	collectively, the Company and its subsidiaries from time to time, which (i) before Completion, does not include the Target Group, and (ii) after Completion, will include the Target Group
"HK$"	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 (i) the SP Agreement and the transactions contemplated thereunder; and (ii) the MES Agreement and the transactions contemplated thereunder (including the proposed annual cap relating thereto)
"Independent Financial Adviser" or "IFA"	Sorrento Capital Limited, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the SP Agreement, the MES Agreement and the respective transactions contemplated thereunder (including the proposed annual cap relating to the MES Agreement)
"Independent Shareholder(s)"	Shareholder(s) who are not required to abstain from voting at the EGM to approve (among other matters) the SP Agreement, the MES Agreement and the respective transactions contemplated thereunder (including the proposed annual cap for FY2018 relating to the MES Agreement)
"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"	27 November 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"Longstop Date"	29 December 2017 at 5:00 p.m., or such later time and date as the Vendor and the Purchaser may agree in writing
"MESA 2018 Annual Cap"	proposed annual cap for FY2018 relating to the MES Agreement

"Ms. Wendy Man" or "Vendor"	Ms. Man Lai Hung, an executive Director the chairman of the Board and one of the controlling shareholders of the Company
"Ms. Wendy Man's Group"	such companies which are under the control of (or 30% or more of the issued share capital of which are owned by) Ms. Wendy Man, other than the Group
"Ms. Wendy Man's Spouse"	Mr. PANG Lun Kee Clifford (彭磷基先生), the spouse of Ms. Wendy Man
"PRC"	the People's Republic of China which, for the purposes of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"PRC Tax Administration"	State Administration of Tax of the PRC (國家稅務總局) or its delegated authority
"Private Group"	such companies which are under the control of (or 30% or more of the issued share capital of which are owned by) Ms. Wendy Man's Spouse
"Prospectus"	the prospectus of the Company dated 27 October 2016
"Purchaser"	Green Charm Enterprises Limited (青美企業有限公司), a company incorporated in Hong Kong on 13 November 2015 with limited liability and an indirect wholly-owned subsidiary of the Company
"Relevant Income Tax"	such amount of income tax payable to 國家稅務總局 (State Administration of Taxation) of the PRC or its delegated authority pursuant to "關於非居民企業間接轉讓財產企業所得稅若干問題的公告" (國家稅務總局公告2015年第7號) and/or other regulations as promulgated by the said State Administration of Taxation in respect of any gain arising from or in connection with the Acquisition
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Debts"	the Shareholder Loans to be assigned by the Vendor to the Purchaser at Completion, which equals to the face value of the loans outstanding as at Completion made by or on behalf of the Vendor (or her associates) to the Target Group, on and subject to the terms and conditions set out in the SP Agreement

"Sale Share"	one share of US$1 each in, and representing the entire issued share capital of Targetco BVI
"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)
"Shareholder Loans"	the interest-free loans owing by members of the Target Group to the Vendor and her associates, which amounted to about HK$11.4 million as at 31 August 2017
"SP Agreement"	the sale and purchase agreement dated 16 October 2017 and entered into between the Purchaser and the Vendor in relation to the Acquisition
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the same meaning ascribed to such term under the Listing Rules
"substantial shareholder"	has the meaning ascribed to it under the Listing Rules
"Target Business"	the businesses of providing information technology services, related engineering services, security systems and hardware and software integration, most of which are delivered on project basis by the Target Group
"Target Group"	collectively, Targetco BVI, Targetco HK and Targetco PRC
"Targetco BVI"	Easy South Limited (怡南有限公司), company incorporated in BVI on 3 April 2013 with limited liability and solely owned by Ms. Wendy Man
"Targetco HK"	Diamond Ray Limited (暉躍有限公司), a company incorporated in Hong Kong on 26 November 2012 with limited liability and a wholly-owned subsidiary of Target BVI

"Targetco PRC"	Guangzhou Kejian Computer Technology Co., Limited* (廣州市科健計算機技術有限公司), a company established in the PRC on 24 August 2007 and a wholly-owned subsidiary of Targetco HK
"US$"	United States dollars, the lawful currency of the United States
"%"	per cent.

* *For identification purposes only*

For the purpose of this circular, unless otherwise specified, conversions of RMB into Hong Kong dollars are based on the approximate exchange rate of RMB1.00 to HK$1.15. Such exchange rate has been used, where applicable, for the purposes of illustration only and do not constitute a representation that any amounts were or may have been exchanged at such rate or any other rates or at all.

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

29 November 2017

To the Shareholders

Dear Sir or Madam

(A) DISCLOSEABLE AND CONNECTED TRANSACTION: ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL IN, AND SHAREHOLDER'S LOANS TO, EASY SOUTH LIMITED AND (B) CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

Reference is made to the Announcement in which the Company announced that on 16 October 2017, the Purchaser (being a wholly-owned subsidiary of the Company) and the Vendor (being a Director and a substantial shareholder of the Company) entered into the SP Agreement. Pursuant to the SP Agreement, the Purchaser has conditionally agreed to acquire from the Vendor the Sale Share and the Sale Debts at the Consideration of HK$23 million. For details, please refer to the paragraph headed "Letter from the Board – Discloseable Transaction and Connected Transaction – The SP Agreement" in this circular.

As at the date of this circular, Targetco PRC is a direct wholly-owned subsidiary of Targetco HK, which in turn is a direct wholly-owned subsidiary of Targetco BVI. The entire issued share capital of Targetco BVI is solely owned by the Vendor. Subject to and immediately after Completion taking place, members of the Target Group will become indirect wholly-owned subsidiaries of the Company.

Since some of the applicable percentage ratios in respect of the Acquisition exceed 5%, but all the applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction under Chapter 14 of the Listing Rules. The Vendor is a connected person of the Company by virtue of her being a Director and a substantial shareholder of the Company. As such, the Acquisition also constitutes a connected transaction under Chapter 14A of the Listing Rules. Accordingly, the Acquisition is subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under the Listing Rules.

Before the entering into of the SP Agreement, the Target Group has been engaged in the Target Business and (in its ordinary course of business) providing information technology services, related engineering services, security systems and hardware and software integration to (among other persons) the Private Group (i.e. such companies which are under the control of (or 30% or more of the issued share capital of which are owned by) Ms. Wendy Man's Spouse) and Ms. Wendy Man's Group (i.e. 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), during the latter's ordinary course of business. As the provision of such services will continue after the Completion Date, Targetco PRC (as service provider) on the one part and Clifford Estates Panyu (for itself and on behalf of the other members of the Private Group) and Clifford Aged Home (for itself and on behalf of the other members of Ms. Wendy Man's Group) (as receiving parties) on the other part entered into the MES Agreement on 16 October 2017. For details, please refer to paragraph headed "Letter from the Board – Continuing Connected Transactions – MES Agreement" in this circular.

Subject to and following Completion, members of the Target Group will become indirect wholly-owned subsidiaries of the Company. The transactions contemplated under the MES Agreement will, after Completion, constitute continuing connected transactions on the part of the Company under Chapter 14A of the Listing Rules, 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 SP Agreement, the MES Agreement and the respective transactions contemplated thereunder (including the proposed MESA 2018 Annual Cap); (ii) a letter of recommendation from the Independent Board

Committee to the Independent Shareholders in respect of the SP Agreement, the MES Agreement and the transactions contemplated under them (including the proposed MESA 2018 Annual Cap); (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the same matters; (iv) a notice of the EGM; and (v) other information as required under the Listing Rules.

DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION – THE SP AGREEMENT

On 16 October 2017, the Purchaser (being a wholly-owned subsidiary of the Company) and the Vendor (being a Director and a substantial shareholder of the Company) entered into the SP Agreement. Pursuant to the SP Agreement, the Purchaser has agreed to acquire from the Vendor the Sale Share and the Sale Debts at the Consideration of HK$23 million.

As at the date of this circular, Targetco PRC is a direct wholly-owned subsidiary of Targetco HK, which in turn is a direct wholly-owned subsidiary of Targetco BVI. The entire issued share capital of Targetco BVI is solely owned by the Vendor. Subject to and immediately after Completion taking place, members of the Target Group will become indirect wholly-owned subsidiaries of the Company.

The principal terms of the SP Agreement are summarized as below:

Date of SP Agreement:

16 October 2017 (after trading hours)

Parties to the SP Agreement:

(1) The Vendor (as vendor); and

(2) the Purchaser (as purchaser), which is an indirect wholly-owned subsidiary of the Company.

As at the date of this circular, the Vendor is the sole shareholder of Targetco BVI. Targetco BVI has an authorised share capital of US$50,000 divided into 50,000 ordinary shares of US$1 each, of which one (1) share has been issued and fully paid up and is beneficially owned by the Vendor.

The Vendor is a connected person of the Company by virtue of her being a Director and a substantial shareholder of the Company. She is also the Chairman of the Board.

Subject matters

(1) the Sale Share comprising one ordinary share having a par value of US$1 in Targetco BVI, representing Targetco BVI's entire issued share capital; and

(2) the Sale Debts, which amounted to approximately HK$11.4 million (approximately RMB9.9 million) as at 31 August 2017, and which will (immediately before Completion) comprise the entire interest-free Shareholder Loans owing by members of the Target Group to the Vendor and her associates.

The Acquisition Price of the Sale Debts shall be an amount equal to the face value of the Sale Debts as at the Completion Date. The Acquisition Price of the Sale Share shall be an amount equal to the difference between the Consideration and the Acquisition Price of the Sale Debts.

Consideration

The Consideration of HK$23 million is to be paid by the Purchaser (or by other members of the Group on the Purchase's behalf) to the Vendor (or her nominee) in the following installments:

(i) a deposit of HK$5 million to be paid upon the signing of the SP Agreement;

(ii) a sum of HK$13 million to be paid upon Completion; and

(iii) the remaining balance ("Withholding Balance") to be paid subject to and upon the satisfaction of the following conditions:

Following Completion, the Vendor and the Purchaser shall take all reasonable steps to liaise the PRC Tax Administration to ascertain as soon as possible the amount of income tax (if any) payable to the PRC Tax Administration by the Vendor in respect of any gain arising from or in connection with the Acquisition. If the full payment of Relevant Income Tax is made by the Vendor, the Purchaser shall release the entirety of the Withholding Balance to the Vendor. If, however, the Relevant Income Tax is fully or partially paid by the Purchaser, the Purchaser shall release such amount equivalent to the Withholding Balance less the Relevant Income Tax to the Vendor. If the portion of the Relevant Income Tax paid by the Purchaser is greater than the Withholding Balance, the Vendor has agreed to pay the Purchaser the difference between the Relevant Income Tax and the Withholding Balance within 20 Business Days from the date of the said payment by the Purchaser (or its agent). Under the SP Agreement, if the amount of Relevant Income Tax is greater than Withholding Balance and such amount is paid by the Vendor, the Purchaser shall release only the entirety of the Withholding Balance to the Vendor, and is not obliged to pay any further amount to the Vendor.

The Consideration was determined after taking into consideration factors including the profitability of Target Group for the year ended 31 December 2016 (which net profit after taxation amounted to about RMB7.3 million), the comparable price earnings ratio applicable to companies which had similar businesses to those of the Target Group (which ranged from about 6 times to about 14 times), the prospects of the Target Group and other factors which were considered to be appropriate by the Vendor and the Purchaser. Having taken into consideration the generally satisfactory financial performance of the Target Group for FY2015 and FY2016 (which net profit after taxation amounted to about RMB5.9 million and RMB7.3 million respectively) and the contracts on hand, the Board is cautiously optimistic about the prospects of the Target Group. The Consideration was reached after arm's length negotiations between the parties to the SP Agreement and reference to the valuation report issued by AVISTA Valuation Advisory Limited on 9 October 2017. The valuation result of the Target Group was estimated to be approximately RMB32.6 million (approximately HK$37.6 million) by market approach. The consideration will be paid from internally generated funds of the Group.

Conditions precedent to completion of the SP Agreement

Completion of the Acquisition is subject to the following conditions precedent being fulfilled and remaining satisfied at Completion (or, where applicable, waived by the Purchaser in accordance with the terms of the SP Agreement):

(A) the Purchaser having received from the Vendor a legal opinion on PRC laws, covering matters relating to Targetco PRC, in such form and substance to the Purchaser's satisfaction;

(B) (if required) the approval by the Independent Shareholders at the EGM of the SP Agreement and the transactions contemplated by the SP Agreement, and all other consents and acts required under the Listing Rules having been obtained and completed or, as the case may be, the relevant waiver from compliance with any of such rules having been obtained from the Stock Exchange;

(C) (if required) all requisite waivers, consents and approvals from any relevant governments or regulatory authorities or other relevant third parties in connection with the transactions contemplated by the SP Agreement having been obtained;

(D) the Purchaser being reasonably satisfied with the results of the due diligence exercise (whether legal, accounting, financial, operational or other aspects that the Purchaser considers relevant) on the Target Group, the Target Business and related activities, businesses, assets, liabilities, operations, prospects and other status which the Purchaser, its agents or professional advisers think necessary and appropriate to conduct;

(E) the Purchaser being reasonably satisfied, from the date of the SP Agreement and at any time before the Completion, that the warranties given by the Vendor under the SP Agreement remain true and accurate in all material respects and is not misleading and that there is no breach in any material respect of any such warranties or other provisions of the SP Agreement (including without limitation those concerning the Group) by the Vendor; and

(F) all outstanding Shareholder Loans owing from members of the Target Group to the Vendor and her associates having been assigned to become loans owing by Targetco BVI to the Vendor immediately before Completion, and all necessary approvals, consents, authorisations and licences in relation thereto having been obtained from the relevant governmental authorities or parties concerned.

Under the SP Agreement, the Vendor has agreed to use all reasonable endeavours to satisfy the above conditions precedent on or before the Longstop Date (i.e. 29 December 2017 or such later date as the Vendor and the Purchaser may agree in writing). The Purchaser has the right at any time to waive the above conditions precedent in writing (other than that set out in item (B) above which is not waivable) and such waiver may be made subject to such terms and conditions as may be determined by the Purchaser.

As at the date of this circular, save for the publication of the Announcement and the despatch of this circular, none of the above conditions have been fulfilled.

If the above conditions precedent are not fulfilled or waived (to the extent waivable) on or before the Longstop Date, the SP Agreement shall lapse and be of no further effect except for certain clauses (such as confidentiality, governing law etc) stated in the SP Agreement, and no party to the SP Agreement shall have any claim against or liability to the other parties, save in respect of any antecedent breaches of the SP Agreement.

Completion

Completion of the Acquisition shall take place on the third Business Day after the fulfillment (or waiver) of the last of the above conditions precedent, or such other date as the Vendor and the Purchaser may agree in writing.

Immediately after Completion, members of the Target Group will become indirect wholly owned subsidiaries of the Company and their financial results will be consolidated with those of the Group.

Financial information on the Target Group

Set out below are the unaudited consolidated net profit before and after taxation of the Target Group based on the unaudited accounts of the Target Group prepared in accordance with the Hong Kong Financial Reporting Standards for FY2015 and FY2016:

(RMB million)	FY2015	FY2016
Net profit before taxation	7.9	9.3
Net profit after taxation	5.9	7.3

Comparable companies selected with corresponding comparable price-earnings multiples

The Consideration was determined having regard to the comparable price-earnings multiples applicable to companies which had similar businesses to those of the Target Group, details of which are set out in the section headed "Valuation Approach – Selected Valuation Approach" in "Appendix I – Valuation Report from AVISTA Valuation Advisory Limited" of this circular. The following is a summary of the comparable companies and the related price-earnings multiples as of 31 August 2017:

	Comparable companies	Listing location	Principal businesses of the comparable company	Price earnings multiple *(Note)*
1	Technovator International Limited	Hong Kong	Building technology sector (including building automation, security and access controls)	6.5
2	Johnson Controls International	The United States	Providing building products and technology solutions (including air systems, building management, HVAC controls, security)	14.1
3	I Controls Incorporation	South Korea	Developing advanced eco-friendly building solutions, home automation systems, security/disaster prevention and solutions for traffic & transportation management	11.2
4	DAI-DAN Company Limited	Japan	Constructing electrical, air-conditioning, and water sanitary facilities in buildings, as well as building intelligent building system for security, disaster prevention, etc.	12.4

	Comparable companies	Listing location	Principal businesses of the comparable company	Price earnings multiple *(Note)*
5	Asahi Kogyosha Company Limited	Japan	Designing, building and maintaining air-conditioning and sanitation facilities; constructing security, disaster prevention and electrical facilities in family houses	7.4
6	Otec Corporation	Japan	Designing, constructing and maintaining automatic air-conditioning control systems in office buildings; selling related products such as pipes and valves; developing integrated building management system for security, communication, etc.	7.3
7	Nihon Dengi Company Limited	Japan	Designing, constructing and maintaining integrated building management systems for air-conditioning, security and electrical facilities	12.8
8	Fujita Engineering Company Limited	Japan	Construction and maintenance of facilities; undertaking air-conditioning, security control, sanitation, electrical, instrumentation and mechanical installation works	6.1
9	Yurtec Corporation	Japan	Facility engineering company, which undertakes electrical equipment construction, construction equipment works and plumbing work	6.3
		Median		7.4

Note: These indicate the price-earnings multiple after "lack of marketability discount" and "control premium"

As at 30 September 2017, the unaudited consolidated total asset value and net asset value of Target Group amounted to approximately RMB67.1 million and RMB10.3 million, respectively.

Other principal terms of the SP Agreement

Under the SP Agreement, the Vendor has given the following representations and warranties to the Purchaser: as at the Completion Date, (a) there shall be no other borrowings, obligations or liabilities (whether actual or contingent) of the Target Group owing to any other party (whether the Vendor or its Associates or otherwise), otherwise than those trade payables whose accrual or occurrence are consented by the Purchaser by prior written notice, and which arise in the ordinary course of business of the Target Group; and (b) (otherwise than those as shown in the financial statements of the Target Group or those expressly disclosed to and agreed by the Purchaser prior to the signing of the SP Agreement) there are no guarantees given by any Group Company whatsoever and howsoever. If there occurs any breach of the above representations or warranties, the Acquisition Price shall be reduced by an amount equal to the aggregate amount of such additional liabilities.

Further, the Vendor has also given (conditional upon Completion having taken place) an indemnity in favour of the Purchaser (for itself and for trustee on behalf of members of the Target Group) against any costs, claims, damages, expenses, losses, penalties, liabilities, actions and proceedings which the Purchaser or such member of the Target Group may incur, suffer, accrue, directly or indirectly, from any act of such member arising from or in connection with any non-compliance of such member on or before the Completion Date.

During the due diligence process, it was noted that for FY2015 and FY2016, Targetco PRC did not make full contribution to social insurance schemes and housing provident fund as required under the relevant PRC laws and regulations. The Group was given to understand that Targetco PRC failed to make such full contributions because some of its employees (particularly migrant workers) were reluctant to participate in the social insurance schemes and/or housing provident funds, and preferred cash payment in lieu of payments to such contributions. Based on the past experience of the Vendor, the risk of Targetco PRC being imposed a fine or additional late payment fee is not too high; and having regard to the indemnity provided by the Vendor under the SP Agreement, the Directors are of the view that such non-compliance would not undermine the benefits brought by the Acquisition to the Company (hence its Independent Shareholders). To the best knowledge of the Company after having made all reasonable enquiries, members of the Target Group did not have any other non-compliances, other than those as disclosed above.

Reasons for and benefits of the Acquisition

The Target Group has been deriving its revenue from (i) its engineering services which are provided on project basis and (ii) its maintenance services which are provided after the completion of the engineering projects. The Target Group has been identifying potential clients through the business networking of the management of Targetco PRC, and soliciting its businesses mainly through tendering and/or invitations to bid from potential clients. After securing an engineering project, the Company may (if necessary) sub-contract part of the engineering services to other independent contractors. Service fees charged for its engineering and maintenance services are mainly based on estimated costs plus a reasonable margin, and are paid based on contract terms agreed with the counter-parties. Major cost components for the Target Business include labour costs and costs of materials. Generally, engineering services provided by the Target Group usually last from three months to one year, and its maintenance services usually last for one year. The Target Group's major clients include property developers, property management companies and schools. The Company is of the view that the management of the Target Group possesses the requisite management competency. In particular, Mr. Cao Jun is the general manager of Targetco PRC from 2012 up to the Latest Practicable Date. He holds a Bachelor Degree in Computer Science from Hefei University of Technology (合肥工業大學)* which was awarded in 1997, and a Master Degree in Political Education from Jiamusi University* (佳木斯大學) awarded in 2014. He worked as a network manager of Guangzhou Panyu Clifford Estates Property Development Company Limited* (廣州市番禺祈福新邨房地產有限公司) from 2007 to 2010, and a manger of computer department of Guangzhou Huadu Clifford Real Estate Co., Ltd.* (廣州市花都祈福房地產有限公司) during 2010 to 2012.

The Target Group has been principally engaged in the Target Business in the PRC, which to a certain extent is related to the property management business engaged by the Group. For instance, in February 2017, the Target Group completed a project in relation to office internet network, and smart cards system for access control and management (for residents and other users of real estates to which the Group has been providing property management services); and also completed a project in relation to the design, supply and installation works of close-circuit television system for monitoring underground garages and elevators in December 2016. After the Acquisition, it is expected that the Group would benefit from such technology knowhow held by the Target Group and the related supporting services which may be provided by the Target Group. The upgraded office internet network and smart cards system may effectively reduce the time required for verification of identification of residents and their private vehicles, hence reducing the extent of traffic jams in peak hours in the residential areas managed by the Group. The upgraded underground garage and elevator monitoring system enhances the security level and may provide a safer environment to the residents. Taking into account the technological support that the Group will receive from the Target Group, it is expected that the Acquisition will facilitate the Group to provide better and more comprehensive property management services to the residents living in the residential communities under the management of the Group, and also expand the Group's source of income. The Directors believe that the Acquisition will bring positive returns to the Group.

The Board is of the view that the Directors and senior management of the Company possess managerial competency and expertise in operating the Target Business. In particular, Mr. Sun Derek Wei Kong is an executive Director and the chief executive officer of the Group. He was an executive vice-president of the Private Group between January 2008 and January 2016, and (prior to joining the Group) was in charge of (among other matters) directing and overseeing information technology and engineering businesses of the Private Group. Mr. Sun obtained a Bachelor Degree in Operation Research from the School of Engineering and Applied Science, Columbia University, New York, U.S.A. In addition to Mr. Sun, Mr. Chen Yuxiong is a member of the senior management of the Group, who is currently the chief operating officer of Guangzhou Panyu Clifford Property Management Limited and responsible for managing and overseeing the operation of the property management services business of the Group). Mr. Chen has nearly 20 years of experience in property management and property projects handling. He obtained a Bachelor Degree in Engineering from the Guangdong Mechanical Engineering Institution* (廣東機械學院) (currently known as Guangdong University of Technology (廣東工業大學) in June 1988. Mr. Chen has experience with monitoring the engineering works provided by the Target Group, including smart cards management and security system installation.

For FY2015, FY2016 and the six months ended 30 June 2017, a total of 67%, 86% and 93% of the Target Group's total revenue was derived from the Private Group and Ms. Wendy Man's Group respectively. For FY2016 and during the ten months ended 31 October 2017, the Target Group's customer base was composed of about 24 Independent Third Parties. As the Target Group only had limited resources, it spent limited efforts in expanding its customer base. If, after completion of the Acquisition, the contracts signed by the Target Group with the Private Group and/or Ms. Wendy Man's Group are deferred or if the Target Group ceases to have the Private Group and Ms.Wendy Man's Group as its customers, the Target Group may experience a significant drop in revenue and may also bear counter-party risks, which may in turn adversely affect the performance and profitability of the Group.

In order to widen its customer base to include more Independent Third Parties, the Target Group has been participating in various tenders invited by Independent Third Parties: for FY2016, it was awarded a total of 19 projects with a total contract sum of approximately RMB7.6 million; and for the 10 months ended 31 October 2017, it was awarded a total of 16 contracts and the total contract sum is expected to amount to RMB3.7 million. The Independent Third Party customers include property management companies, business enterprises, residential communities and governmental bodies.

Taking into account the above factors, the Directors (including all the INEDs after having regard to the advice of the IFA) consider that the terms of the SP Agreement are fair and reasonable, and the Acquisition is on normal commercial terms or better (having such meaning as ascribed to such expression under Chapter 14A of the Listing Rules) and the Acquisition and our Group engaging in the Target Business is in the interests of the Company and its Shareholders as a whole.

Listing Rules implications regarding the SP Agreement

Since some of the applicable percentage ratios in respect of the Acquisition exceed 5%, but all the applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction under Chapter 14 of the Listing Rules.

The Vendor is a connected person of the Company by virtue of her being a Director and a substantial shareholder of the Company. As such, the Acquisition also constitutes a connected transaction under Chapter 14A of the Listing Rules. Accordingly, the Acquisition is subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS – MES AGREEMENT

Before the entering into of the SP Agreement, the Target Group has been engaged in the Target Business and providing information technology services, related engineering services, security systems and hardware and software integration to (among other persons) the Private Group (i.e. such companies which are under the control of (or 30% or more of the issued share capital of which are owned by) Ms. Wendy Man's Spouse) and Ms. Wendy Man's Group (i.e. 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). Such provision of services will continue after Completion and will be governed by the MES Agreement.

Subject to and following Completion, members of the Target Group will become indirect wholly-owned subsidiaries of the Company. The transactions contemplated under the MES Agreement will, after Completion, constitute continuing connected transactions on the part of the Company under Chapter 14A of the Listing Rules.

The principal terms of the MES Agreement are summarized as follows:

Date: 16 October 2017

Parties:

(i) Clifford Estates Panyu (for itself and on behalf of other members of the Private Group);

(ii) Clifford Aged Home (for itself and on behalf of other members of Ms. Wendy Man's Group)

on the one part, both as receiving parties; and

(iii) Targetco PRC on the other part, as service provider

Term: The initial term is for a period commencing on the Completion Date and expiring on 31 December 2018.

The term of the MES Agreement may be extended for a period of three years after the expiry of the initial term, subject to approval of such extension and the transactions contemplated thereunder (including the related annual caps) by the Independent Shareholders (if required) in accordance with the Listing Rules.

Subject matter: Provision of engineering and maintenance services (relating to information technology, security systems and hardware and software integration) to the Private Group and Ms. Wendy Man's Group

Pricing policy: In respect of engineering services, the prices are generally determined by relevant parties on a project-by-project basis through tendering process, having regard to the nature and complexity of the projects and the actual costs and expenses incurred for procurement of materials, staff remuneration and other service fees payable to third parties, plus a mark-up ranging from approximately 30% to 45%, which is determined with reference to tendering specifications of each project and service fees that the Group charges against Independent Third Parties. After receiving the tendering specifications of the engineering projects, members of the tendering team would analyze and calculate the costs involved (including estimated manpower, qualified persons (e.g. engineers or other experts) and materials to be used), complexity of the engineering services involved and estimated project duration. The general manager of Targetco PRC will then compare the profitability of the projects with the engineering works of similar size and complexity provided to other Independent Third Parties, and the compliance officer of the Company will review such profit estimate to ensure that the terms to be charged to the connected person (hence to be received by the Enlarged Group) are no less favourable than those charged to Independent Third Parties. The mark-up range for the Target Group's engineering service fees charged against Independent Third Parties is approximately 25% to 45%.

In respect of maintenance services, the prices are determined by relevant parties on arm's length basis with reference to the prices offered to the Independent Third Parties. The prices shall be no less favourable than prices of similar services rendered by the Group to Independent Third Parties. The percentage range of the Target Group's maintenance service fees charged for relevant engineering service contract sum provided to Independent Third Parties is approximately 8% to 15%.

For the ten months ended 31 October 2017, the Target Group was awarded 16 projects from Independent Third Parties, and the aggregate contract sum amounted to RMB3.7 million. On such bases, it is considered that the Target Group had sufficient Independent Third Party customers for reference for its price determination process. After the Acquisition, the Company will continue to follow the above procedures to review and approve the price and terms of its engineering and maintenance services, in order to ensure that the price and other terms to be offered by the Target Group to the Private Group and/or Ms. Wendy Man's Group will be no less favorable than those offered by the Target Group to Independent Third Parties from time to time.

Conditions precedent to the MES Agreement becoming effective:

The provision of services under the MES Agreement shall be subject to the fulfillment of the following conditions:

(i) completion of the SP Agreement;

(ii) the approval of the MES Agreement by Independent Shareholders by way of an ordinary resolution passed at an EGM having been obtained; and

(iii) all other requirements under the Listing Rules being complied with (including the obtaining the advice of the Independent Financial Adviser).

As at the date of this circular, save for the publication of the Announcement and this circular, none of the above conditions have been fulfilled.

Pricing method and procedures

Prior to the SP Agreement being entered into, the tendering team (which comprises senior management of the Target Group) would determine the price for the engineering services by conducting preliminary costing and pricing analysis when the Target Group is invited to participate in the tendering process to ensure that terms in the tender are normal commercial terms in the ordinary course of business.

The senior management of the Target Group are planned to be retained by the Company after the Acquisition. Save for being former employees of the Target Group (which forms part of Ms. Wendy Man's Group prior to the completion of the Acquisition), they are third parties independent to the Private Group, Ms. Wendy Man's Group, their ultimate beneficial owners and their respective associates.

Subject to and following Completion having taken place, the tendering team (which will comprise senior management of the Target Group and such other senior management as may be designated by the Company) would determine the price for the engineering services in accordance with the above established principles, and in respect of any engineering services to be rendered to the Private Group and/or Ms. Wendy Man's Group, such price and other terms (to be received by our Group) are no less favourable than those of similar services rendered to Independent Third Parties.

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

(i) approximately 8% to 15% of the relevant engineering services contract sum and such percentage range is determined by analyzing and calculating the costs involved (such as manpower, qualified persons (e.g. engineers or other experts) and estimated duration of the maintenance services required); and

(ii) relevant parties on arm's length basis with reference to the prices offered to the Independent Third Parties. The prices (to be received by our Group) shall be no less favourable than prices of similar services rendered by the Group to Independent Third Parties.

Under the MES Agreement, the Group will, by the end of each calendar year during the term, consult the Private Group and Ms. Wendy Man's Group on, among others, potential projects which may be offered through tenders for the next calendar year and will (where applicable) give tenders for such projects when being invited.

Historical transaction records

The total fees charged by the Target Group in relation to the provision of similar engineering and maintenance services by the Target Group to the Private Group and Ms. Wendy Man's Group for each of FY2015, FY2016 and FY2017 are as follows:

Year	**Amount of service fees** *RMB (million)*
FY2015	20.5
FY2016	31.9
FY2017 *(Up to 31 August 2017; see note below)*	24.8

Note: Up to 31 August 2017, the service fees accrued for engineering and maintenance services by the Target Group to the Private Group and Ms. Wendy Man's Group amounted to about RMB24.8 million. Based on the outstanding engineering and maintenance service contracts which are expected to be completed on or before 31 December 2017, the expected service fees for engineering and maintenance services by the Target Group to the Private Group and Ms. Wendy Man's Group is about RMB33.4 million for the entire FY2017. As Completion is expected to take place in mid or late December 2017, the amount of such service fees attributable to the Private Group and Ms. Wendy Man's Group is expected to be less than RMB1.3 million.

Proposed MESA 2018 Annual Cap

The proposed annual cap in respect of the transactions contemplated under the MES Agreement for FY2018 is RMB75 million.

Basis of determination of the proposed MESA 2018 Annual Cap

The proposed MESA 2018 Annual Cap as set out above is determined by the Company with the Private Group and Ms. Wendy Man's Group after taking into account the following: (i) the contractual amount of approximately RMB11.9 million and RMB31.1 million expected for FY2016 and FY2017, respectively, in respect of the tenders awarded to the Target Group through tender process of the Private Group and Ms. Wendy Man's Group, and the outstanding services which are expected to be performed in FY2017 and FY2018; (ii) the estimated transaction amount as a result of any variation orders made by the Private Group and Ms. Wendy Man's Group in the course of project implementation; (iii) the maintenance service required for the projects implemented and completed in the past three years; (iv) the estimated success rate of the Target Group tendering for the engineering works, based upon the historical tendering success rate and participation rate of the Target Group over the past three years; and (v) an estimate for possible projects indicated to be subject to tender, but not yet invited and/or awarded.

Reasons for and benefits of entering into the MES Agreement

In its ordinary course of business, the Target Group has been providing engineering and maintenance services to (among other parties) the Private Group and Ms. Wendy Man's Group. The Directors consider that following Completion, the continuation of providing such services by the Target Group to the Private Group and Ms. Wendy Man's Group will not prejudice the interests of the Company or its shareholders.

In view of the above, the Directors (including all the INEDs after having regard to the advice of the IFA) are of the view that (i) the terms and conditions of the MES Agreement are normal commercial terms and are fair and reasonable, and the transactions contemplated under the MES Agreement will be conducted in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole; and (ii) the proposed MESA 2018 Annual Cap is fair and reasonable.

In view of Ms. Wendy Man (and/or her associates') interests in the SP Agreement and the MES Agreement, Ms. Wendy Man has abstained from voting in respect of the relevant resolutions at the Board meeting held on 16 October 2017 for considering such agreements.

Listing Rules implications regarding the MES Agreement

Subject to and after completion of the Acquisition having taken place, members of the Target Group will become indirect wholly-owned subsidiaries of the Company. The transactions contemplated under the MES Agreement constitute continuing connected transactions on the part of the Company under Chapter 14A of the Listing Rules.

The relevant applicable percentage ratios for the aggregate amount of the transactions contemplated for FY2018 under the MES Agreement are expected to be more than 5% and the aggregate amount of the proposed MESA 2018 Annual Cap is more than HK$10 million. As such, the MES Agreement and the transactions contemplated under it will, subject to and upon Completion taking place, become 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 in the PRC: 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).

The Target Group is principally engaged in the the businesses of providing information technology services, related engineering services, security systems and hardware and software integration, most of which are delivered on project basis. The ultimate beneficial owner of the Target Group is Ms. Wendy Man. The original investment cost of the Vendor in the Target Group amounted to about RMB8 million, which is substantially equivalent to the registered capital in Targetco PRC. The registered capital in Targetco PRC was RMB0.1 million at the time of its incorporation. It was then increased by cash injection to RMB3 million on 12 August 2008, and to RMB8 million on 24 October 2016.

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 the Ms. Wendy Man's Spouse.

Ms. Wendy Man's Group (without taking account of the Target Group) is principally engaged in the businesses of (among others) aged, maternal and infant care and information technology in the PRC. Its ultimate controlling shareholder is Ms. Wendy Man.

EGM

A resolution for approving each of (i) the SP Agreement and the transactions contemplated by it, and (ii) the MES Agreement and the transactions contemplated under it (including the proposed MESA 2018 Annual Cap) will be proposed at the EGM.

A notice convening the EGM to be held at Room 1501–02, 15/F Hong Kong Club Building, 3A Charter Road, Central, Hong Kong on 18 December 2017 at 10:00 a.m. is set out on pages 96 to 97 of this circular.

In accordance with the Listing Rules, any connected person or Shareholder and its associates with a material interest in the SP Agreement, the MES Agreement and the transactions contemplated under them (including the proposed MESA 2018 Annual Cap) must abstain from voting on the resolutions to approve such agreements and the transactions contemplated thereunder (including the proposed MESA 2018 Annual Cap) at the EGM.

By virtue of Ms. Wendy Man's (or, as the case may be, her associates') interests in the SP Agreement and the MES Agreement, Ms. Wendy Man and her associates are required to abstain from voting on the relevant resolutions to be proposed at the EGM. As at the Latest Practicable Date, Ms. Wendy Man, through her wholly-owned company (namely, Elland Holdings Limited) held 750,000,000 Shares, representing 74.89% 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 SP Agreement, the MES Agreement and the transactions contemplated under them (including the proposed MESA 2018 Annual Cap) and no other Shareholders are required to abstain from voting on the ordinary resolutions in relation to the said matters to be proposed at the EGM.

The voting of the EGM will be taken by poll.

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 10:00 a.m. (Hong Kong time) on Saturday, 16 December 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.

RECOMMENDATION

The Directors (including all the INEDs after having regard to the advice of the IFA) consider that the (i) the Acquisition, though not conducted in the ordinary course of business of the Group, is in the interests of the Company and the Shareholders as a whole; (ii) the terms and conditions of SP Agreement and the MES Agreement, and the transactions contemplated thereunder (including the proposed MESA 2018 Annual Cap) are agreed on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole; and (iii) the transactions contemplated under the MES Agreement will (after Completion) be conducted by the Group in its ordinary and usual course of business. The Directors therefore recommend the Independent Shareholders to vote in favour of the relevant resolutions set out in the notice of the EGM.

FURTHER INFORMATION

The Independent Board Committee (comprising all three INEDs) has been appointed to recommend the Independent Shareholders in respect of the SP Agreement, the MES Agreement and the transactions contemplated under them (including the proposed MESA 2018 Annual Cap). Sorrento 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 26 to 27 of this circular, which contains its recommendation to the Independent Shareholders; (ii) the letter from the Independent Financial Adviser set out on pages 28 to 72 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 II to this circular.

Yours faithfully
For and on behalf of the Board of
Clifford Modern Living Holdings Limited
SUN Derek Wei Kong
Executive Director

* *For identification purposes only*

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)

29 November 2017

To the Independent Shareholders

Dear Sir or Madam

(A) DISCLOSEABLE AND CONNECTED TRANSACTION: ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL IN, AND SHAREHOLDER'S LOANS TO, EASY SOUTH LIMITED AND (B) CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 29 November 2017 (the "**Circular**") to the Shareholders, of which this letter forms 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 to advise the Independent Shareholders as to whether, in our opinion, the SP Agreement, the MES Agreement and the transactions contemplated under them (including the proposed MESA 2018 Annual Cap) 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, and the transactions contemplated under the MES Agreement are on normal commercial terms or better and will (after Completion) be conducted by the Group in its ordinary and usual course of business. In this connection, Sorrento 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 SP Agreement, the MES Agreement and the transactions contemplated under them (including the proposed MESA 2018 Annual Cap).

We wish to draw your attention to the letter from the Board set out on pages 7 to 25 of the Circular, and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 28 to 72 of the circular which contains its opinion in respect of the SP Agreement, the MES Agreement and the transactions contemplated under them (including the proposed MESA 2018 Annual Cap).

Having taken into account the advice of the Independent Financial Adviser and its recommendation in relation thereto, we consider that (i) the Acquisition, though not conducted in the ordinary course of business of the Group, is in the interests of the Company and the Shareholders as a whole; (ii) the terms and conditions of SP Agreement and the MES Agreement, and the transactions contemplated thereunder (including the proposed MESA 2018 Annual Cap) are agreed on normal commercial terms or better and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole; and (iii) the transactions contemplated under the MES Agreement will (after Completion) be conducted by the Group in its ordinary and usual course of business. 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

The following is the full text of the letter from Independent Financial Adviser which sets out its advice to the Independent Board Committee and the Independent Shareholders for inclusion in this circular:

SORRENTO
CAPITAL LIMITED
擎天資本有限公司

29 November 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

(A) DISCLOSEABLE AND CONNECTED TRANSACTION: ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL IN, AND SHAREHOLDER'S LOANS TO, EASY SOUTH LIMITED AND (B) CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Acquisition and continuing connected transactions (including the proposed MESA 2018 Annual Cap), details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company dated 29 November 2017 to the Shareholders (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 requires otherwise.

On 16 October 2017, the Purchaser, Green Charm Enterprises Limited, being an indirectly wholly-owned subsidiary of the Company, entered into the SP Agreement with the Vendor, pursuant to which the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Share and the Sale Debts, representing 100% of the equity interests of Targetco BVI, at the Consideration of HK$23 million.

As at the date of the Circular, Targetco PRC is a direct wholly-owned subsidiary of Targetco HK, which in turn is a direct wholly-owned subsidiary of Targetco BVI. The entire issued share capital of Targetco BVI is solely owned by the Vendor. Subject to and immediately after Completion taking place, members of the Target Group will become indirect wholly-owned subsidiaries of the Company.

Since some of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition exceed 5%, but all the applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction for the Company pursuant to Rule 14.07 of the Listing Rules and is therefore subject to the reporting and announcement requirements.

Ms. Wendy Man, as the Vendor, is the founder of the Group, the executive Director, the chairman of the Board and the controlling Shareholder of the Company who owns a total of 750,000,000 Shares, representing approximately 74.89% of the existing issued share capital of the Company. Therefore the Vendor and her associates are considered as connected persons to the Company under Chapter 14A of the Listing Rules. As such, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is therefore subject to the reporting, announcement, Circular and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

On 16 October 2017, Targetco PRC, on one part and, Clifford Estates Panyu (for itself and on behalf of other members of the Private Group) and the Clifford Aged Home (for itself and on behalf of other members of Ms. Wendy Mans' Group), on the other part, entered into the Master Engineering Services Agreement (the "**MES Agreement**") for a period of approximately 1 year commencing on the Completion Date and expiring on 31 December 2018 pursuant to which engineering and maintenance services will be provided by the Target Group to the Private Group and Ms. Wendy Man's Group.

The Private Group comprises those companies under the control of (or 30% or more of the issued share capital of which are owned by) Ms. Wendy Man's Spouse who is the ultimate controlling shareholder of the Private Group. Since the 1990s, Ms. Wendy Man's Spouse has been actively engaged in the business of property development and property investment in the PRC. He contributed to and helped shape the initial development of the Group members. He was a director when the Group members were established. Also he has been a director of Guangzhou Panyu Clifford Property Management Limited* (廣州市番禺祈福物業管理有限公司) since the date of its incorporation and assumed a non-executive role since July 2011. As at the Latest Practicable Date, save for the above company, Ms. Wendy Man's Spouse did not hold directorship in the Company or any of its subsidiaries nor was he involved in the daily management or operation of any of the Group members.

Ms. Wendy Man's Group comprises those companies 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.

Subject to and immediately after Completion taking place, members of the Target Group will become indirectly wholly-owned subsidiaries of the Company, and the transactions contemplated under the MES Agreement will constitute continuing connected transactions on the part of the Company under Chapter 14A of the Listing Rules.

As the relevant applicable percentage ratios for the aggregate amounts of the transactions contemplated for FY2018 under the MES Agreement are expected to be more than 5% and the aggregate amounts of the proposed MESA 2018 Annual Cap are more than HK$10 million, the

MES Agreement and the transactions contemplated under it will, subject to and upon Completion taking place, become subject to the reporting, announcement, Circular, Independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all the INED, namely Mr. Ho Cham, Ms. Law Elizabeth and Mr. Mak Ping Leung, has been established to advise the Independent Shareholders as to whether the SP Agreement, the MES Agreement and the transactions contemplated thereunder (including the proposed MESA 2018 Annual Cap) are in the interests of the Company and the Shareholders as a whole and fair and reasonable so far as to Independent Shareholders are concerned, and the transactions contemplated under the MES Agreement are on normal commercial terms and will (after Completion) be conducted by the Group in its ordinary and usual course of business.

We have been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders. Our role is to provide an independent opinion and recommendation as to whether (a) (i) the SP Agreement, the MES Agreement and the transactions contemplated thereunder (including the proposed MESA 2018 Annual Cap) are in the interests of the Company and the Shareholders as a whole and fair and reasonable so far as to Independent Shareholders are concerned; and (ii) the transactions contemplated under the MES Agreement are on normal commercial terms and will (after Completion) be conducted by the Group in its ordinary and usual course of business; and (b) whether the Independent Shareholders should vote in favour of the resolutions to be proposed at the EGM to approve the Acquisition and the continuing connected transactions (including the proposed MESA 2018 Annual Cap).

INDEPENDENCE DECLARATION

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. In the last two years, we have not acted as the independent financial adviser to the Independent Board Committee and the Shareholders of the Company for any transaction.

Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders with respect to the Acquisition and the continuing connected transactions (including the proposed MESA 2018 Annual Cap), we have relied on (i) the statements, information, opinions and representations contained or referred to in the Circular; (ii) the information and representations supplied, and the opinions expressed, by the Company, its Directors and its management; and (iii) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular, for which the Directors are solely and wholly responsible, were true, accurate and complete in all respects at the date thereof and may be relied upon. Should there be any material changes to our opinion after the despatch of the Circular, the Shareholders would be notified as soon as possible. We have no reason to doubt the truth, accuracy and completeness of such information and representations provided to us by the Company, its Directors and its management.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been reasonably arrived at after due and careful consideration and there are no other material facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information supplied, representations made or opinions expressed by the Company, its Directors and its management, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company, or the counterparties of the SP Agreement and MES Agreement.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Acquisition and the continuing connected transactions (including the proposed MESA 2018 Annual Cap), 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.

A. PRINCIPAL FACTORS AND REASONS CONSIDERED FOR THE ACQUISITION

In arriving at our opinion and recommendation in relation to the Acquisition, we have taken into account the following principal factors:

1. Background and terms of the Acquisition

(i) Information of the Group

Principal business of the Group

The Company was listed on the Main Board of the Stock Exchange on 8 November 2016. The Company is an investment holding company. The Company and its subsidiaries are primarily engaged in the provision of services to residents in properties developed under the brand name of Clifford, comprising four main service segments: property management services, retail services, catering services and ancillary living services in the PRC.

(a) Property management services

Property management services primarily includes (i) general property management services; and (ii) resident support services. The Group provides property management services to residential communities and pure commercial properties.

(b) Retail services

Retail services primarily includes the operation of retail outlets of different scales mainly located in Clifford Estates (祈福新邨) and other areas in proximity.

(c) Catering services

Catering services primarily includes the operation of catering outlets, franchising and catering partnership businesses, serving different types of cuisines and in different dining styles mainly located in Clifford Estates and other areas in proximity.

(d) Ancillary living services

Ancillary living services primarily includes off-campus training services, property agency services, employment placement services and laundry services.

The Group has been providing services in residential communities and properties developed by the Private Group since 1998. During the year ended 31 December 2016, the aggregate revenues attributable to the five largest customers of the Group accounted for approximately 6.4% of the Group's total sales in the year. Guangzhou Huadu Clifford Property Development Company Limited* (廣州市花都祈福房地產有限公司), Guangdong Clifford Hospital Company Limited* (廣東祈福醫院有限公司) and Guangzhou Huadu Clifford Estates Property Development Company Limited* (廣州市花都祈福花園房產有限公司), members of the Private Group, were three of the Group's five largest customers for the year ended 31 December 2016.

Financial performance of the Group

The table below sets out a summary of the financial information of the Group as extracted from the annual report of the Company for the year ended 31 December 2016 (the "**Annual Report 2016**") and the interim report of the Company for the six months ended 30 June 2017 (the "**Interim Report 2017**"):

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	For the year ended 31 December		**For the six months ended 30 June**	
	2015	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Revenue	261,112	289,681	139,793	152,890
Gross profit	100,458	120,048	54,952	68,016
Profit for the year/period	40,094	23,054	11,983	21,545
Profit attributable to the owners of the Company	34,847	20,247	10,618	20,482

Consolidated Statement of Financial Position

	As at 31 December		**As at 30 June**
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Unaudited)
Total assets value	167,932	283,032	308,098
Net assets value	98,976	209,702	211,490
Cash and cash equivalents	93,334	181,853	196,478
Total liabilities	68,956	73,330	96,608

For the year ended 31 December 2016

We noted that profit for the year decreased from approximately RMB40.1 million for the year ended 31 December 2015 to approximately RMB23.1 million for the year ended 31 December 2016. The decrease was mainly due to the increase in the recognition of listing expenses from approximately RMB5.7 million for the year ended 31 December 2015 to approximately RMB22.9 million for the year ended 31 December 2016. Had such listing expenses been excluded from the profit for the year, the Group would have recognised profit for the year amounting to approximately RMB45.8 million and approximately RMB46.0 million for years ended 31 December 2015 and 2016 respectively, which suggests that the Group's financial performance has been relatively stable in the past two years.

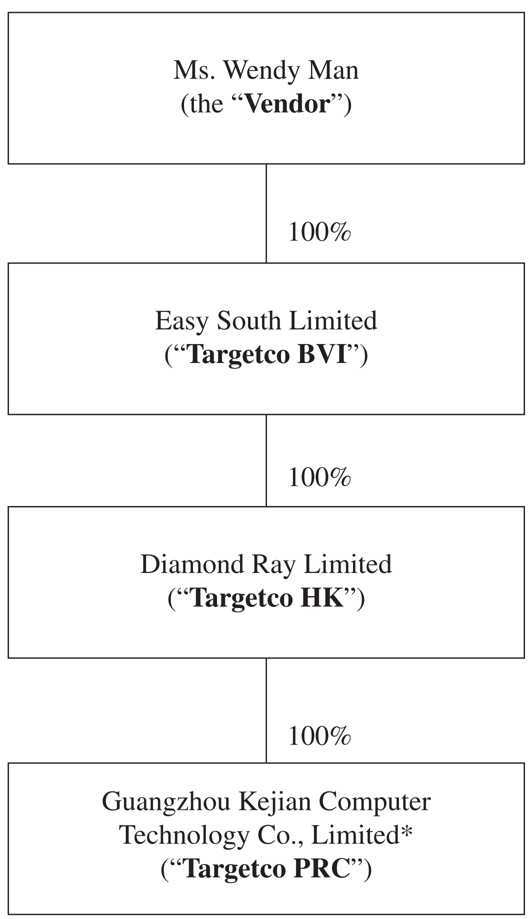
For the six months ended 30 June 2017

The profit for the period increased from approximately RMB12.0 million for the period ended 30 June 2016 to approximately RMB21.5 million for the period ended 30 June 2017. The increase was mainly attributed to the listing expenses amounting to RMB10.0 million being recognised for the period ended 30 June 2016. Had such listing expenses been excluded from the profit for the period, the Group would have recognised profit for the period amounting to approximately RMB22.0 million for period ended 30 June 2016, which suggests that the Group's financial performance has been relatively stable in the past two periods.

(ii) Information of the Target Group

Group structure of the Target Group

The following chart depicts the group structure of the Target Group as of the Latest Practicable Date:



Principal business of the Target Group

Targetco BVI is a company incorporated in the BVI which is ultimately wholly owned by the controlling Shareholder of the Company with an authorised capital of US$50,000 divided into 50,000 shares of US$1 each, of which one (1) share has been issued and is fully paid up or credited as fully paid up. Targetco BVI, through its wholly owned investment holding subsidiary, Targetco HK, holds the entire issued share capital of Targetco PRC.

Targetco PRC is a company established in the PRC on 24 August 2007 with an initial registered capital of RMB100,000, which was subsequently increased by cash injection to RMB3,000,000 on 12 August 2008, and to RMB8,000,000 on 24 October 2016. The principal place of operation of Targetco PRC is 8/F, Storage Building, Clifford Estates, Zhongcun Street, Panyu District, Guangdong Province, the PRC.

As stated in the Letter from the Board, The Target Group has been engaged in the businesses of providing information technology services, related engineering services, security systems and hardware and software integration to (among other persons) the Private Group and Ms. Wendy Man's Group. It has been deriving its revenue from (i) engineering services which are provided on project basis and (ii) maintenance services which are provided after the completion of the engineering projects. The Target Group has been identifying potential clients through the business networking of the management of Targetco PRC, and soliciting its businesses mainly through tendering and/or invitations to bid from potential clients. After securing an engineering project, the Target Group may (if necessary) sub-contract part of the engineering services to other independent contractors. Generally, engineering services provided by the Target Group usually last from three months to one year, and its maintenance services usually last for one year. The Target Group's major clients include property developers, property management companies and schools. The scope of operation of Targetco PRC includes a variety of installation services which includes integrated circuit chip installation services, surveillance camera design and installation, property management transmitting devices networking and installation, optic fiber wiring, security gates installation and electrical wiring.

Most of the businesses of Targetco PRC were conducted within Clifford Estates and other properties managed by the Group. Over 90% of its revenue was derived from the Private Group and Ms. Wendy Man's Group during the year of 2017. The operations and profitability of Targetco PRC are heavily dependent on the economic and social conditions of Guangdong Province area. However, Targetco PRC does not preclude any business opportunities for services contracts from the Independent Third Parties.

Financial performance of the Target Group

The table below sets out a summary of the financial information of the Target Group:

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	For the year ended 31 December		For the nine months ended 30 September	
	2015	**2016**	**2016**	**2017**
	RMB'million (Unaudited)	*RMB'million* (Unaudited)	*RMB'million* (Unaudited)	*RMB'million* (Unaudited)
Revenue	29.1	37.1	31.4	29.8
Gross profit	11.8	15.1	11.9	8.7
Profit before taxation	7.9	9.3	7.8	1.0
Profit attributable to the owners of the company	5.9	7.3	5.8	0.5

Consolidated Statement of Financial Position

	As at 31 December		As at 30 September
	2015	**2016**	**2017**
	RMB'million (Unaudited)	*RMB'million* (Unaudited)	*RMB'million* (Unaudited)
Total assets value	21.2	39.3	67.1
Net assets value	12.8	20.7	10.3
Cash and cash equivalents	3.6	5.7	6.4
Total liabilities	8.2	18.4	56.8

For the year ended 31 December 2016

The revenue of the Target Group increased from approximately RMB29.1 million for the year ended 31 December 2015 to approximately RMB37.1 million for the year ended 31 December 2016. As advised by the management of the Target Group, the increase was primarily attributable to new services contracts entered and one major engineering services project with approximately RMB12 million recognised as revenue during the year ended 31 December 2016.

The profit attributable to the owners of the company for the year ended 31 December 2015 of approximately RMB5.9 million (representing a 20.3% net profit margin) was similar to the profit attributable to the owners of the company for the year ended 31 December 2016 of approximately RMB7.3 million (representing a 19.7% net profit margin).

The total assets value of the Target Group increased from approximately RMB21.2 million as at 31 December 2015 to approximately RMB39.3 million as at 31 December 2016. As advised by the management of the Target Group, the increase was primarily attributable to the increase in inventory balances from approximately RMB2.2 million as at 31 December 2015 to approximately RMB17.3 million as at 31 December 2016, which included, amongst others, the materials used in the engineering services projects.

The total liabilities of the Target Group increased from approximately RMB8.2 million as at 31 December 2015 to approximately RMB18.4 million as at 31 December 2016. As advised by the management of the Target Group, the increase was primarily attributable to the increase in receipt in advance from approximately RMB0.4 million as at 31 December 2015 to approximately RMB7.1 million as at 31 December 2016 due to the increase in deposit received from engineering services projects in progress.

For the nine months ended 30 September 2017

The revenue of the Target Group for the period ended 30 September 2016 of approximately RMB31.4 million was similar to the revenue for the period ended 30 September 2017 of approximately RMB29.8 million.

The profit attributable to the owners of the company decreased from approximately RMB5.8 million (representing a 18.5% net profit margin) for the period ended 30 September 2016 to approximately RMB0.5 million (representing a 1.7% net profit margin) for the period ended 30 September 2017. As advised by the management of the Target Group, the decrease for the period ended 30 September 2017 was primarily attributable to (i) the Target Group engaging in several projects (with larger contract sums) which had a lower gross profit margin; and (ii) a one-off provision expenses for relocating office building amounted to approximately RMB2 million.

The total assets of the Target Group significantly increased from approximately RMB39.3 million as at 31 December 2016 to approximately RMB67.1 million as at 30 September 2017. As advised by the management of the Target Group, the increase was primarily attributable to the increase in inventory balances from RMB17.3 million as at 31 December 2016 to approximately RMB38.7 million as at 30 September 2017, which included, amongst others, the materials to be used in the engineering services projects.

The total liabilities of the Target Group increased from approximately RMB18.4 million as at 31 December 2016 to approximately RMB56.8 million as at 30 September 2017. As advised by the management of the Target Group, the increase was primarily attributable to the increase in accounts payables and receipt in advance from approximately RMB4.5 million and RMB7.1 million respectively as at 31 December 2016 to approximately RMB11.4 million and RMB20.4 million respectively as at 30 September 2017.

(iii) Information of Ms. Wendy Man

Ms. Wendy Man, as the Vendor, is the founder, the executive Director, the chairman of the Board and the controlling Shareholder of the Company who owns a total of 750,000,000 Shares, representing approximately 74.89% of the existing issued share capital of the Company. She is primarily responsible for strategic planning and direction and overall performance of the Group. She is also the sole shareholder of the Target Group and the ultimate controlling shareholder of Ms. Wendy Man's Group. Her spouse has control (or owned 30% or more of the issued share capital) in the Private Group. She first joined the Private Group in the 1990s. Currently, she is a director of various members of the Private Group.

(iv) Industry overview in the PRC and reasons for and benefits of the Acquisition

Overview of the engineering and maintenance services industry in the PRC

Over the last several years, the engineering and maintenance services industry, particularly in intellectual engineering services, has experienced a rapid growth with the support of favourable government policies in the PRC, such as the Technical Guidelines for Green Construction* (綠色建築技術導則) and Application of Digital Technology in Architecture and Residential Area* (建築及居住區數位化技術應用). In review of the PRC's 12th Five-Year Plan (2011–2015) announced by the Ministry of Land and Resources of the PRC, the PRC government had focused on the ideology of innovation, and development of an intellectual country. With the support from the government, broadband network coverage in the PRC has witnessed a significant growth. According to the National Bureau of Statistics of the PRC, the internet penetration rate had increased from 42.1% in 2015 to 53.2% in 2016.

Looking forward to the PRC's 13th Five-Year Plan (2016–2020) announced by the Ministry of Land and Resources of the PRC, the PRC government continues to focus on the ideology of innovation and integration of its idea to the Silk Road Economic Belt and 21st Century Maritime Silk Road. The government of Panyu District, Guangzhou City, therefore, is to collaborate with the state-wide development plan on strengthening the foundation of information technology. According to the PRC's 13th Five-Year Plan for Economic and Social Development of Panyu District, Guangzhou City* (廣州市番禺區國民經濟和社會發展第十三個五年規劃綱要), the government of Panyu District, Guangzhou City, aims to establish itself as a livable city with advanced technology and all-around innovations. As a result, the demand for engineering and maintenance services industry, particularly in intellectual engineering services and its ancillary services is expected to increase in Panyu District and Guangzhou City in the PRC.

According to the National Bureau of Statistics of the PRC, the gross domestic product ("**GDP**") in the PRC was approximately RMB74,412.7 billion in 2016, which represents a growth of 6.7% compared to 2015, whereas the urban disposable income per capita was approximately RMB33,616, an increase by 7.8% when compared with the figure over the same time period in the last year. According to the Bureau of Statistics of the Guangzhou City, the PRC* (廣州市統計局), the GDP in the Guangzhou City in 2016 was approximately RMB1,961.1 billion, which represents a growth of 8.2% from 2015, whereas the urban disposable income per capita was approximately RMB50,940.7, representing an increase by 9.0% when compared with the figure over the same time period in the last year. With the increase in GDP and urban disposable income per capita in the PRC, and particularly in Guangzhou City, the quality of urban living environment is expected to improve, which promotes the demand for the engineering and maintenance services industry in urban areas of the PRC and particularly in Guangzhou City.

In addition, according to the National Bureau of Statistics of the PRC, the total investment in real estate development was approximately RMB10,258.1 billion in 2016, which represents a year-on-year nominal increase of 6.9% while according to the Bureau of Statistics of the Guangzhou City* (廣州市統計局), the total investment in real estate development was approximately RMB254.1 billion in 2016, which represents a year-on-year nominal increase of 18.9%. The increased supply of gross floor area and accelerated investment in real estate sector lays the foundation for engineering and maintenance services industry development and its ancillary services in the PRC particularly in Guangzhou City.

Reasons for and benefits of the Acquisition

With a series of upcoming residential, retail, commercial and hospital developments in Clifford Estates, the Group believes implementing more innovative technology into property management and introducing new advance information technology features for the residents are key factors to achieve their goal of providing more convenient services and creating a pleasant living environment to the residential communities. Driven by the increase in disposable income per capita in Guangzhou City, the Directors believe there will be continuous demand for innovative smart living from the residents.

The Group is engaged in the provision of various services including but not limited to property management services which commenced in 1998. The Group mainly provides management services in the Clifford Estates and other residential communities located in Guangdong Province and also to the neighbourhood. The business has expanded into retail, catering and other ancillary living services since 2008.

Targetco PRC offers a variety of installation services including but not limited to integrated circuit chip installation services, surveillance camera design and installation, property management transmit devices networking and installation, optic fiber wiring, security gates installation and electrical wiring.

With reference to the Annual Report 2016, the Group plans to strengthen its position in the property management industry through acquisitions of property management companies. According to the Letter from the Board, the Target Group has completed a project in relation to office internet network, and smart cards system for access control and management (for residents and other users of real estates to which the Group has been providing property management services) in February 2017; and has also completed a project in relation to design, supply and installation works of close-circuit television system for monitoring underground garages and elevators in December 2016. The Directors expect that after the Acquisition, the Group would benefit from such technology knowhow held by the Target Group and the related supporting services which may be provided by it. The upgraded office internet network and smart cards system may effectively reduce the time required for verification of identification of residents and their private vehicles, hence reducing the extent of traffic jams in peak hours in the residential areas managed by the Group. The upgraded underground garage and elevator monitoring system enhances the security level and may provide a safer environment to the residents. Taking into account of the technological support that the Group will receive from the Target Group, the Directors believe that the Acquisition would facilitate the Group to provide better and more comprehensive property management services to the residents living in the residential communities under the management of the Group, as well as increase the Group's source of income. The Directors consider the Acquisition is in line with the Company's strategy to accelerate its business growth.

The Acquisition is not conducted in the ordinary course of business of the Group. However, the Directors consider that the Acquisition would allow the Group to leverage on its existing property management services by (i) further enhancing and expanding the existing security system and devices, such as surveillance cameras coverage within the residential communities and/or newly developed locations; (ii) implementing advanced technology to the entrance gates including those connecting different districts and accessing parking lots for malls, entertainment venues, hotels, office buildings, logistics parks, professional market and residential area; (iii) minimising information technology system failures of the network security as the Group relies on information and technology system across different services segments in managing daily operations and collecting real-time financial and operating data in retail outlets; and (iv) implementing innovative information technology to the property management for the development projects within Clifford Estates in the future. The Directors believe synergy effects would be brought to the Group upon Completion.

The Directors also consider that with the stable growth in real estate investment the Group may possibly submit joint tender for its property management services along with its intellectual engineering services. As aforesaid, increase in demand for innovative and intellectual living style would bring along a growing demand for engineering and maintenance services in the PRC. The Group considers the added-value created by modern and advance technology may increase the opportunity for successful tenders in the future.

Moreover, the Group considers Targetco PRC's in-house development team, which specialises in developing hardware and networking systems, would allow the Group to improve its business operation by more prevalent incorporation of internet under the Group and for the residents and users within the managed properties.

For our due diligence purpose, we have (i) reviewed the Interim Report 2017 and the Annual Report 2016 of the Company; (ii) performed public research on the current economic and market conditions; and (iii) visited the site of the Target Group and discussed with its operations team. We consider that (i) the Acquisition is in line with the Company's strategy to provide comprehensive property management services; (ii) the existing regulatory and market atmosphere including but not limited to the favourable government policies, upward tendency of economics and social environment conditions are expected to increase the demand for engineering and maintenance services; (iii) the Target Group's business developments provide a fitting supplement to the Group's existing businesses; and (iv) the synergy effects upon Completion would be beneficial to the Group. Considering the potential benefits that the Acquisition may bring to the Group, we concur with the Directors' view that the Acquisition is fair and reasonable and in the interests of the Group and the Shareholders as a whole.

(v) Principal terms of the Acquisition

The SP Agreement

Date	:	16 October 2017
Parties	:	(1) The Vendor; and
		(2) The Purchaser, which is an indirect wholly-owned subsidiary of the Company

Assets to be acquired	:	Pursuant to the SP Agreement, the Purchaser has agreed to purchase, and the Vendor has agreed to sell or procure the sale of, the Sale Share and the Sale Debts, representing 100% of the equity interests of Targetco BVI, on and subject to the terms and conditions set out therein.

Sale Share comprising one ordinary share having a par value of US$1 in Targetco BVI, representing Targetco BVI's entire issued share capital.

Sale Debts which amounted to approximately HK$11.4 million (approximately RMB9.9 million) as at 31 August 2017, and which will (immediately before Completion) comprise the entire interest-free Shareholder Loans owing by members of the Target Group to the Vendor and her associates.

The Acquisition Price of the Sale Debts shall be an amount equal to the face value of the Sale Debts as at the Completion Date. The Acquisition Price of the Sale Share shall be an amount equal to the difference between the Consideration and the Acquisition Price of the Sale Debts.

Consideration	:	The Consideration for the Acquisition is HK$23 million which will be settled by the Purchaser (or by other members of the Group on the Purchaser's behalf) from internal funds of the Group to the Vendor (or her nominee). The Consideration shall be paid in the following installments:

(1) a deposit of HK$5 million ("**Deposit**") upon the signing of the SP Agreement;

(2) a sum of HK$13 million ("**Completion Installment**") upon Completion; and

(3) the remaining balance ("**Withholding Balance**") to be paid subject to and upon the satisfaction of the following conditions:

Following Completion, the Vendor and the Purchaser shall take all reasonable steps to liaise with the PRC Tax Administration to ascertain as soon as possible the amount of income tax (if any) payable to the PRC Tax Administration by the Vendor in respect of any gain arising from or in connection with the Acquisition. If the full payment of Relevant Income Tax is made by the Vendor, the Purchaser shall release the entirety of the Withholding Balance to the Vendor. If, however, the Relevant Income Tax is fully or partially paid by the Purchaser, the Purchaser shall release such amount equivalent to the Withholding Balance less the Relevant Income Tax to the Vendor. If the portion of the Relevant Income Tax paid by the Purchaser is greater than the Withholding Balance, the Vendor has agreed to pay the Purchaser the difference between the Relevant Income Tax and the Withholding Balance within 20 Business Days from the date of the said payment by the Purchaser (or its agent). Under the SP Agreement, if the amount of Relevant Income Tax is greater than Withholding Balance and such amount is paid by the Vendor, the Purchaser shall release only the entirety of the Withholding Balance to the Vendor, and is not obliged to pay any further amount to the Vendor.

Conditions precedent : Completion is conditional upon Purchaser and the Company having obtained all necessary or appropriate approvals, authorisations, consents and licences as a company listed on the Main Board of the Stock Exchange, including but not limited to the approval of the Independent Shareholders for the SP Agreement and the transactions contemplated thereunder at EGM, as well as other conditions precedent set out in the Circular.

If the conditions precedent cannot be fulfilled (or waived), the SP Agreement shall be terminated and no party to the SP Agreement shall have any claim against or liability to the other parties.

Completion	:	Subject to satisfaction (or waiver, as the case may be and where applicable) of the above conditions precedent, Completion shall take place on the Completion Date. Immediately after Completion, members of the Target Group will become indirectly wholly-owned subsidiaries of the Company and their financial results will be consolidated with those of the Group.

Basis of determining the Consideration

According to the Letter from the Board, the Consideration was determined after arm's length negotiations between the Vendor and the Purchaser, taking into account of, amongst others, (i) the profitability of the Target Group for the year ended 31 December 2016 (with net profit after taxation amounted to about RMB7.3 million); (ii) the comparable price to earnings ratio applicable to companies which had similar businesses to the Target Group (which ranged from approximately 6 times to approximately 14 times); (iii) the prospect of the Target Group; and (iv) other factors which were considered to be appropriate by the Vendor and the Purchaser. Having taken into consideration the generally satisfactory financial performance of the Target Group for FY2015 and FY2016 (which net profit after taxation amounted to about RMB5.9 million and RMB7.3 million respectively), and the contracts on hand, the Board is cautiously optimistic about the prospects of the Target Group. The Consideration was finalised after taking into account of the fair value of the Target Group pursuant to the business valuation carried out by AVISTA Valuation Advisory Limited (the "**Independent Valuer**") under the market approach, and adjusted by (i) the provision of the liabilities which were not yet recognised in the management accounts of the Target Group as at 31 August 2017 (including but not limited to the provision of social insurance and housing provident fund); and (ii) a bargaining discount from negotiation of approximately 20% after the adjustment of the aforesaid provision of liabilities.

To assess whether the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole, we have considered the following:

Valuation of the Target Group by the Independent Valuer

According to the valuation report ("**Valuation Report**") in relation to the Target Group prepared by the Independent Valuer using the market approach, the fair value of the entire entity interest of the Target Group as at 31 August 2017 ("**Valuation Date**") was estimated to be approximately RMB32.6 million (equivalent to approximately HK$37.6 million) (the "**Valuation**").

In assessing the fairness and reasonableness of the Valuation, for our due diligence purposes, we have (i) reviewed the Valuation Report and discussed with the Independent Valuer on the methodology, basis and assumptions used in arriving at the Valuation as at the Valuation Date, as well as on areas which we required further explanation and we are not aware of any specific issues; (ii) reviewed the terms of engagement of the Independent Valuer having particular regard to whether the scope of work is appropriate and whether there are any limitations on the scope of work which might adversely affect the degree of assurance given by the Valuation Report and we are not aware of any inappropriateness and limitations on the scope of work; (iii) interviewed the Independent Valuer regarding its expertise and for any current or prior relationships with the Purchaser, the Vendor and their respective connected persons and noted all the responsible staff involved are independent to the Purchaser, the Vendor and their associates; (iv) assessed the independence, experience and qualification of the Independent Valuer in respect of the Valuation and we are satisfied with their qualification and experience; and (v) checked the source of the data provided by the Independent Valuer and we are not aware of any material errors and omissions.

Based on our discussion with the Independent Valuer and our review of the Valuation Report, and having considered that (i) the methodologies being adopted in the Valuation; (ii) the principal basis and assumptions used in arriving the Valuation; and (iii) the qualification, expertise and experience of the Independent Valuer, we have not identified any substantial issue which may cause us to doubt the fairness and reasonableness of the methodology adopted and the basis used in arriving at the Valuation.

We are advised by the Independent Valuer, that there are three generally acceptable valuation approaches in an appraisal of the equity, or the net assets of a business, namely the market approach, the cost approach and the income approach.

Market approach provides an indication of value by comparing the subject assets to similar assets that have been sold in the market, with appropriate adjustments for the differences between the subject assets and the assets that are considered to be comparable to the subject assets. There are two methods under the market approach to determine the valuation, namely being (i) recent transactions method; and (ii) the guideline public company method ("**GPC method**"). The Independent Valuer advised that the market approach by the GPC method is an appropriate method for the Valuation as there are a sufficient number of comparable publicly traded companies with business similar to that of the Target Group available in the market, and their market values are good indicators of the industry.

Providing there are a reasonable number of comparable companies available in the market, we agree with the Independent Valuer that the GPC method is an appropriate valuation methodology in valuing the equity interest of the Target Group.

Cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence (physical, functional or economical), taking into consideration past and present maintenance policy and rebuilding history. This approach might be considered as the most consistently reliable indication of value for assets without a known used market or separately identifiable cash flows attributable to assets appraised. As advised by the Independent Valuer, the cost approach fails to consider the economic benefits of ownership of the business. The consolidated net book value of the Target Group as at the Valuation Date may not truly reflect the value of the equity interests, as part of the value is attributed to future benefit of the Target Group, deriving from providing intellectual engineering services to its clients. We consider the cost approach is generally not considered applicable to the valuation of a going concern, as it does not capture future earning potential of the business and therefore it could not reflect the market value of the Target Group. Therefore, we concur with the Independent Valuer that the cost approach is not appropriate for the Valuation.

Income approach provides an indication of value based on the principle that an informed buyer would pay no more than the present value of anticipated future economic benefits generated by the subject assets. This approach is subject to the assumption that the business enterprise has been maintaining stable economic benefits and growth rate. As advised by the Independent Valuer, the income approach requires plenty of assumptions in formulating the financial projection of the Target Group, and the assumptions might not be able to reflect the uncertainties in the future performance of the Target Group. Given that improper assumptions will impose significant impact on the fair value, we concur with the Independent Valuer that the income approach is not appropriate for the Valuation.

Based on our discussion with the management of the Company and the Independent Valuer, we understand that while it is the discretion of the Independent Valuer in selecting the most appropriate methodologies in valuing the underlying business based on their professional judgment and the consideration of the industry and nature of the Target Group, the valuation methods adopted by the Independent Valuer as mentioned above are all commonly used and accepted in the PRC and are in accordance with the relevant rules and regulations concerning valuation issued by the Ministry of Finance, the PRC and other relevant authorities in the PRC.

We understand from the Independent Valuer that the following criteria have been taken into consideration when selecting comparable companies for the Valuation, including (i) primary industry of the companies under sectors of industrial or technology; (ii) companies involved in building automation or electrical engineering related business; (iii) over 50% of the total revenue generated from building automation or electrical engineering related business; (iv) companies listed on stock markets of major developed markets; and (v) financial information of the companies is available to the public. As advised by the Independent Valuer, building automation generally refers to computer networking of electronic devices designed to monitor and control the mechanism in security, fire and flood safety, lighting (especially emergency lighting), heating, ventilation and air conditioning and humidity control systems in a building; while electrical engineering generally refers to design, construction, and maintenance of electrical devices. The Target Group's primary activities are providing services in industrial and technological sectors which includes installing and networking of electrical devices, such as integrated circuit chips, surveillance camera and property management transmit device, optic fiber and security gates. These services are closely related to automation and electrical engineering business that are designed to provide supervision, control and maintenance of the automation mechanism in security systems of property management, building, and electrical devices. Given no companies are ever exactly alike, we concur with the Independent Valuer's view that the business of the comparable companies are reasonably similar with those of the Target Group. As a result of the above criteria, the Independent Valuer has selected 9 comparable companies. Accordingly, we have reviewed the websites and the latest financial/business reports of the comparable companies selected for the Valuation by the Independent Valuer and noted that the comparable companies are mainly engaged in or are partially involved in the provision of intellectual/electrical engineering services. As such, we concur with the Independent Valuer that there are sufficient public companies in a similar nature and business to that of the Target Group, and their market values are good indicators of the industry. Having considered the three general valuation methodologies, in particular the market approach is a commonly adopted methodology, the value of the Target Group could be reflected by making reference to the comparable companies, we concur with the view of the Independent Valuer that using market approach represents a fair and reasonable assessment on the Valuation.

As advised by the Independent Valuer, they have primarily focused their research scope for companies engaging businesses in Hong Kong and the PRC markets. Nonetheless, only a limited number of comparable companies can be identified in Hong Kong and the PRC markets. The Independent Valuer has therefore expanded their scope of selection to cover companies that are listed in stock markets of major developed markets, which generated the current list of selected comparable companies. While location of businesses and stock prices in different stock markets may not be directly comparable to the Target Group, they consider that market multiples are universal to market participants, in which the results derived from market multiples should fairly reflect the fair value of the valuation subject that is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Given that developed stock markets are liquid markets which are always available and liquid, clear and free flowing, where market participants would easily purchase or sell stocks without materially affecting the market price, we therefore concur with the Independent Valuer to include comparable companies despite the fact that the comparable companies are not listed in the PRC. The selection of comparable companies in the stock exchanges in our view can also provide a generalised reference in terms of price to earnings ratio ("**P/E ratio**") for companies of similar business operations for the Valuation.

The 9 comparables satisfying the above criteria are listed below:

Company name	Stock code	Listing location	Business description	P/E ratio as of 31 August 2017 before LOMD and control premium	P/E ratio as of 31 August 2017 after LOMD and control premium
Technovator International Limited	SEHK: 1206	Hong Kong	Technovator International Limited provides a wide range of products and professional services within the building technology sector. The company's products include building automation, security and access controls, multi media conference facility systems, fire automation systems, and hi tech building products.	6.7	6.5
Johnson Controls International	NYSE: JCI	The United States	Johnson Controls International plc (JCI) provides building products and technology solutions. The company offers air systems, building management, HVAC controls, security, and fire safety solutions. JCI serves customers worldwide.	14.6	14.1

Company name	Stock code	Listing location	Business description	P/E ratio as of 31 August 2017 before LOMD and control premium	P/E ratio as of 31 August 2017 after LOMD and control premium
I Controls Incorporation	KOSE: A039570	South Korea	I Controls Incorporation develops advanced eco-friendly building solutions, home automation systems, security/disaster prevention, home ventilation systems, solutions for managing traffic & transportation, and green energy products.	11.6	11.2
DAI-DAN Company Limited	TSE: 1980	Japan	DAI-DAN Co., Ltd. constructs electrical, air-conditioning, and water sanitary facilities in buildings. The company also builds intelligent building systems for security, disaster prevention, and environmental control. Additionally, the company develops and installs industrial incinerators and waste water treatment equipment.	12.8	12.4
Asahi Kogyosha Company Limited	TSE: 1975	Japan	Asahi Kogyosha Company Limited designs, builds, and maintains air-conditioning and sanitation facilities. The company also constructs security, disaster prevention, and electrical facilities in family houses, buildings, and industrial plants. Additionally, Asahi Kogyosha Company Limited develops and installs environmental control devices such as clean rooms for high-tech industries.	7.6	7.4

Company name	Stock code	Listing location	Business description	P/E ratio as of 31 August 2017 before LOMD and control premium	P/E ratio as of 31 August 2017 after LOMD and control premium
Otec Corporation	JASDAQ: 1736	Japan	Otec Corporation is an electrical engineering company. The company designs, constructs, and maintains automatic air-conditioning control systems in office buildings. Otec Corporation also sells its related products such as pipes and valves. Additionally, the company develops integrated building management systems for security, water supply, communication, and electrical facilities.	7.5	7.3
Nihon Dengi Company Limited	JASDAQ: 1723	Japan	Nihon Dengi Company Limited designs, constructs, and maintains integrated building management systems for air-conditioning, security, and electrical facilities. The company also develops integrated production systems for industrial factories.	13.3	12.8
Fujita Engineering Company Limited	JASDAQ: 1770	Japan	Fujita Engineering Company Limited engages in the construction of facilities in Japan and internationally. The company undertakes air-conditioning and sanitation, electrical, instrumentation, and mechanical installation works. It is also involved in the sale of information and communication industrial equipment; equipment maintenance facilities management; manufacture of electronic devices; contract management of water supply and sewerage system; and installation of housing equipment and facilities.	6.4	6.1

Company name	Stock code	Listing location	Business description	P/E ratio as of 31 August 2017 before LOMD and control premium	P/E ratio as of 31 August 2017 after LOMD and control premium
Yurtec Corporation	TSE: 1934	Japan	Yurtec Corporation operates as a facility engineering company in Japan and internationally. The company undertakes electrical equipment construction comprising indoor electrical equipment, distribution line, transmission line, developmental substation, etc.; construction equipment works consisting of renewal, air-conditioning, and plumbing work, such as electrical instrumentation work; and information and communication equipment construction activities. It also provides civil engineering and construction works, including undergrounding facility, site preparation, hydroelectric power plant civil workpiece, substation basic and public sewer, etc.; and new energy and distributed power works that includes solar power, wind power generation, cogeneration, and fuel cells.	6.5	6.3
			Maximum	14.6	14.1
			Minimum	6.4	6.1
			Median	7.6	7.4

Discount for lack of marketability

As advised by the Independent Valuer, they have adopted a discount for lack of marketability ("**LOMD**") of 15.8% to reflect the fact that there is no ready market for shares in a closely held corporation. The concept of marketability deals with the liquidity of an ownership interest, that is, how quickly and easily it can be converted to cash if the owner chooses to sell. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company. Targetco BVI is a privately held company (and is unlikely to undergo public offering and shares of it are unlikely to be listed on any major stock exchange or be marketable in any over-the-counter market in the near future) of which the liquidity of its equity interests would differ from publicly listed companies and hence would not be directly comparable to the comparable companies, shares of which are traded publicity on relevant stock exchanges. However, the P/E ratio adopted in the Valuation was calculated from public listed companies, representing the marketable interest. Thus, LOMD is adopted to adjust such marketable interest fair value to non-marketable interest fair value when valuating the Target Group.

We understand from the Independent Valuer that, they have calculated the LOMD using the put option method by adopting the Black-Scholes Option Pricing Model, which is one of the most commonly used theoretical models. The concept is that when comparing a public share and a private share, holder of a public share has the ability to sell the shares (i.e. a put option) to the stock market right away. Put option model is to measure the value of the put option in a scenario where the only difference between two identical securities is that one is marketable with a freely traded price (instead of a fixed strike price) and the other is non-marketable but provided with an option to sell it back also at its freely traded price at the end of the expected restriction period (i.e. the put option), such that the LOMD will be derived by comparing the value of the put option to the stock price. For details of parameters applied in estimating the LOMD by put option method, please refer to the Valuation Report as set out in Appendix I to the Circular.

We understand that, when calculating the LOMD via put option method, a volatility of 28.9% which was obtained with reference to the comparable companies was applied towards the calculation. We have noted from the public research in relation to the calculation of LOMD which also suggested that, volatility of comparable companies is often applied towards the calculation of LOMD during valuation of equity interest of private companies. Given Targetco BVI is a private company and its equity interest would not be freely trade on market, the volatility of Targetco BVI's equity interest towards the market will not be readily available. Therefore, we consider that it would be appropriate to apply the volatility of the comparable companies towards the calculation. Pursuant to the discussion with the Independent Valuer, comparable companies with similar business operation tend to be subjected to similar levels of volatility. Therefore, we concur with the Independent Valuer that estimating LOMD from the comparable companies via the above mentioned method to be appropriate.

Control premium

The Independent Valuer advised that they have adopted a control premium of 15.0% to adjust for the effect of minority interest market value to controlling interest market value. Control premium means the amount that a buyer is willing to pay over the minority equity value of the company in order to acquire a controlling interest in that company. The P/E ratio adopted in the valuation was calculated from public listed companies, which represents minority ownership interest; market value calculated using such P/E ratio, therefore, represents the minority interest. In deriving the fair market value of the entire equity interests in Targetco BVI by using the market price of the shares of the comparables, we concur a control premium should be adopted to negate the aforesaid effect of lack of control of the comparables in the Valuation.

We have discussed with the Independent Valuer regarding the adjustments for control premium and were given to understand that the size of adjustment of control premium was determined by the Independent Valuer with reference to "The Control Premium: A Preference for Payoff Autonomy" by David Owens, Zachary Grossman & Ryan Fackler, in which suggested a range of 8% to 15% for the control premium. We concur with the Independent Valuer that, since an absolute control of, i.e., 100% share in Targetco BVI is being acquired, a control premium of 15.0% is considered appropriate and suitable for Targetco BVI.

We have reviewed the websites and the source of data of the comparable companies selected for the Valuation by the Independent Valuer, and performed re-calculation to check the accuracy of the P/E ratio of each comparable. As advised by the Independent Valuer, the low end of P/E ratio has been adopted in the Valuation to reflect the fact that there is a high concentration of Target Group's customers and revenue (over 90% of the revenue was attributable by the Private Group and Ms. Wendy Man's Group and the revenue was mainly contributed by several major projects during the year of 2017). Based on the above, we concur with the Independent Valuer's view that selecting the low end P/E ratio of the comparables is prudent and justified.

For the purpose of Valuation, the trailing twelve months (from 1 September 2016 to 31 August 2017) total net profits of the Target Group, which amounted to approximately RMB5.30 million, was extracted from the unaudited management accounts of the Target Group. We have obtained and reviewed the unaudited management account and noted that net profits of approximately RMB5.30

million was calculated based on total revenue generated from trailing twelve months less the cost of sales, administrative expenses, selling expenses, finance costs and income tax. Considering the services provided by the Target Group are on project basis in which revenue may vary year to year, we concur with the Independent Valuer that using trailing twelve months net profits for the Valuation of the Target Group to be reflective of the Target Group's recent activities and thus fair and reasonable.

Comparable transactions

To further assess the fairness and reasonableness of the Consideration, we have identified comparable transactions (the "**Comparable Transactions**") which (i) involves the acquisition of the information technology services companies, which primarily provide engineering and maintenance services similar to the Target Group; and (ii) the purchasers or the controlling shareholders of the purchasers are companies listed on the Stock Exchange. The Comparable Transactions have been selected exhaustively from 1 September 2016 to the date of the SP Agreement ("**the Comparable Transactions Review Period**") based on the criteria set out above. In addition, due to the limited amount of comparable transactions being identified, we expanded our criteria to include all notifiable transactions in relation to acquisitions of the information technology services companies, which provide engineering and maintenance services under the property management industry. To the best of our efforts, in our research through public sources with adequate information available, we have identified 4 Comparable Transactions from the above criteria. We are of the view that our selections in the Comparable Transactions Review Period would provide us a representative sample size within a reasonable period of time from the date of the SP Agreement. Also, we consider the Comparable Transactions are fair and representative samples for reference and would provide us with recent relevant information on the market conditions and sentiments. The table below sets out the summary of the P/E ratios under the Comparable Transactions:

Date of announcement	Purchaser *(stock code)*	Target	Principal activities of the target	Total consideration	P/E ratio *(Note)*
08/09/2017	Shougang Concord International Enterprises Company Limited (697.hk)	Shouzhong Investment Management Co., Ltd.* (首中投資管理有限公司)	Business of car parking system and services in the PRC with a focus on smart car parking system	RMB116 million	N/A

Date of announcement	Purchaser *(stock code)*	Target	Principal activities of the target	Total consideration	P/E ratio *(Note)*
25/08/2017	North Mining Shares Company Limited (433.hk)	Gold Pearl Investment Limited (金珍珠投資有限公司)	Business of security construction, face recognition and courtyard management technology	HK$430 million	N/A
09/04/2017	HNA Holding Group Co. Limited (521.hk)	CWT Limited	Business of integrated logistics solutions with interests in logistics services, commodity marketing, financial services and engineering services (which includes management and maintenance of facilities, vehicles and equipment, supply and installation of engineering products, property management, and design-and-build solutions for logistics properties)	HK$7,693 million	13.35
26/07/2016	Zhong Ao Home Group Limited (1538.hk)	Zhejiang Yongcheng Property Management Company Limited 浙江永成物業管理有限公司	Business of (i) provision of property management services; (ii) provision of engineering services and catering service; (iii) sales assistance services; (iv) sales of engineering spare parts; and (v) provision of ancillary services in relation to common areas	RMB210 million	9.85
				Maximum	13.35
				Minimum	9.85
				Median	11.60
		Targetco BVI		HK$23 million	3.77

Source: The Stock Exchange of Hong Kong Limited

Notes:

(i) The P/E ratio represents total consideration divided by the profit before taxation of the target for the financial year immediately preceding the date of announcement attributable to the percentage of shareholdings acquired

(ii) The P/E ratio is not applicable if there was net loss before taxation for the latest financial year of the target.

Based on the table above, it is observed that the P/E ratio of Targetco BVI under the Acquisition is below the range of the P/E ratios of the Comparable Transactions, which indicates that the Consideration is at a comparatively lower price than that as represented by the P/E ratios of the Comparable Transactions.

For the identified Comparable Transactions, we noticed that in 2 out of 4 of the Comparable Transactions, the target had recent net loss financial performance, indicating the purchasers were optimistic towards engineering and maintenance services industry and future prospects notwithstanding the net loss position of the targets. We have reviewed the financial statements of the Target Group for FY2015, FY2016 and the six months ended 30 June 2017 and noted that the Target Group had been profit-making in all those years and period, of which approximately 67%, 86% and 93%, of the revenue respectively were attributable by the Private Group and Ms. Wendy Man's Group. Notwithstanding the fact that there were reliance on Target Group's customers and revenue, we concur with the management of the Target Group that its financial performance is likely to be sustainable for the foreseeable future, after taking into account of (i) total contracts that have already been entered into/confirmed from the Private Group and Ms. Wendy Man's Group amounts to approximately RMB86.6 million as at the Latest Practicable Date; (ii) long standing business relationship since 2008 between the Target Group with the Private Group and Ms. Wendy Man's Group; (iii) the historical tender success rate of the Target Group amongst the projects with the Private Group and Ms. Wendy Man's Group was approximately 95% in the past 3 years and, the Target Group is expected to successfully tender most of the projects from the Private Group and Ms. Wendy Man's Group in the future due to its history and familiarity with the Private Group and Ms. Wendy Man's Group; (iv) the reliance is likely to be mutual and complementary since most of the engineering and maintenance services relating to information technology, security systems and hardware and software integration of the Private Group and Ms. Wendy Man's Group are provided by the Target Group; and (v) the level of reliance is likely to decrease in the future as the Target Group has been actively participating in various tenders invited by the Independent Third Parties in order to widen its customer base. Given that (i) the Target Group had been profit-making for the past two financial years and nine months ended 30 September 2017; (ii) its financial performance is likely to be sustainable in the foreseeable future; and (iii) the P/E ratio of the Target Group under the Acquisition is below the range of the P/E ratios of the Comparable Transactions, which indicates that the Consideration is at a comparatively lower price, we are of the view the Acquisition is fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Selection of valuation multiples

In our assessment of the valuation of the Target Group, we have considered various commonly used valuation multiples, including (i) enterprise value/earnings before interests, taxes, depreciation and amortisation ratio ("**EV/EBITDA ratio**"); (ii) price to book ratio ("**P/B ratio**"); and (iii) P/E ratio. Based on the nature of the subject business, we consider that P/E ratio is the most appropriate in this valuation assessment and therefore have been adopted. The multiples selection assessments are as follows:

> We did not consider EV/EBITDA ratio as an appropriate benchmark because we consider it is relatively subjective. The EV/EBITDA ratio uses market capitalisation of the company as the starting point, taking into account of the value of debt, minority interest, preferred shares and excludes excess cash and cash equivalents to represent enterprise value, which is then divided by EBITDA amount. Enterprise value generally requires normalised adjustments on debts and/or non-operating assets/liabilities on the target which may be subjective. As a result, we are of the view that it is not appropriate to adopt EV/EBITDA ratio to assess the Target Group's value.
>
> We did not consider PB ratio as an appropriate benchmark because it captures only the tangible assets of a company. The Target Group is service-oriented and the Target Group does not generate its revenue based on its assets. P/B ratio is usually adopted in the valuation of asset-intensive companies. However, the Target Group is an asset-light group. The Target Group relies on labour force to generate income while its assets cannot show its income-producing capacity. Therefore, we are of the view that it is not appropriate to adopt the P/B ratio to assess Target Group's value.

Undertaking by the Vendor

According to the SP Agreement, the Vendor represents and warrants to the Purchaser that as at the Completion Date, (a) there should be no other borrowings, obligations or liabilities (whether actual or contingent) of the Target Group owing to any other party (whether the Vendor or its associates or otherwise), otherwise than those trade payables whose accrual or occurrence are consented by the Purchaser by prior written notice, and which arise in the ordinary course of business of the Target Group; and (b) (otherwise than those as shown in the financial statements of the Target Group or those expressly disclosed to and agreed by the Purchaser prior to the signing of the SP Agreement) there are no guarantees given by any Group members whatsoever and howsoever. If there occurs any breach of the above representations or warranties, the Acquisition Price shall be reduced by an amount equal to the aggregate amount of such additional liabilities. As a result, the Consideration would be deducted by other obligations or liabilities (whether actual or contingent) of the Target Group owing to any other party (whether the Vendor or its associates or otherwise). The Group is therefore protected from any additional obligation and liabilities.

The Vendor has also given (conditional upon Completion having taken place) an indemnity in favour of the Purchaser (for itself and for trustee on behalf of members of the Target Group) against any costs, claims, damages, expenses, losses, penalties, liabilities, actions and proceedings which the Purchaser or such member of the Target Group may incur, suffer, accrue, directly or indirectly, from any act of such member arising from or in connection with any non-compliance of such member on or before the Completion Date. Under the terms of the SP Agreement, the Group is therefore not liable to the additional claims, commitment and/or tax obligation without prior written notice. We consider these undertaking are reasonable and fair to the Company and the Shareholders as a whole.

Payment term of the Consideration

According to the State Administration of Taxation Announcement (2015) No. 7 ("**Announcement 7**"), the vendor would be subject to withholding tax obligation on the sales of shares in the PRC, and could be subject to potential penalty where the vendor fails to report the transaction and pay the taxes. The Announcement 7 requires the purchaser to act as the withholding agent and apply 10% withholding tax to the purported transfer gain. The Announcement 7 also stipulates that the PRC tax liability arises on the date when relevant equity transfer contract or sale and purchase agreement become effective and the procedures of shareholding alteration are completed. The vendor would have a responsibility to file tax returns with respective local in-charge tax authorities within 7 days upon the tax notice issuance. According to China Tax Collection and Administration Law, related penalties (50% to 300% of unpaid tax) shall be applied for the failure of withholding agents. Therefore, the Company would face stringent penalties for failure to pay the tax within the allotted timeframe if the Vendor also fails to pay its taxes.

According to the SP Agreement, there would be a Withholding Balance equivalent to the Consideration less the Deposit and less further the Completion Installment, (or where applicable). For the details of the payment manner of the Consideration, please refer to the section headed "Principal terms of the Acquisition". The Withholding Balance would be paid upon the satisfaction of the Relevant Income Tax payable, which shall be paid within 20 Business Days from the date of the Relevant Income Tax amount being ascertained (or such shorter period as may be prescribed by the PRC Tax Administration). Based on the above contract terms, the Group could therefore obtain tax warranties and lower itself against the risk of any potential PRC tax issue. As such, we consider the payment terms are in the interest of the Company and Shareholders as a whole.

Having considered that (i) the P/E ratio is below the range of the P/E ratios of the Comparable Transactions; (ii) the Consideration is below the fair value of Targetco BVI as of the Valuation Date as assessed by the Independent Valuer; (iii) the future prospect of the Target Group is promising as a result of the positive outlook in the engineering and maintenance services industry in the PRC; (iv) stable profitability of the Target Group for FY2015, FY2016 and six months ended 30 June 2017 and likeliness to sustain its financial performance for the foreseeable future; (v) the Acquisition is in line with the Company's objective to facilitate the Group to provide better and more comprehensive property management services to the residents living in the residential communities under the management of the Group; (vi) the undertaking by the Vendor and the payment term protect the interests of the Company; and (vii) the terms and conditions of the SP Agreement, which have been negotiated on an arm's length basis between the parties, are on normal commercial terms, we are of the view that the Acquisition is in the interests of the Company and the Shareholders as a whole and the Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

2. Financial effects of the Acquisition

(i) Profit and loss

Immediately after Completion, members of the Target Group will become indirect wholly owned subsidiaries of the Group and their financial results will be consolidated into the consolidated financial statements of the Group, after eliminating the intercompany transactions. It is expected that the Company will be able to record additional revenue from the Target Group upon Completion. The actual effect on earnings or losses of the Company will depend on future financial performance of the Target Group's businesses.

(ii) Assets and liabilities

As extracted from the Company's Interim Report 2017, the consolidated total assets and total liabilities of the Group were approximately RMB308.1 million and 96.6 million respectively as at 30 June 2017. For illustration purposes, as if the Acquisition was completed on 31 August 2017, the total assets of the Enlarged Group would have increased by approximately RMB61.0 million, which is primarily attributable to the consolidation of the assets of the Target Group, mainly being inventories, accounts receivables and cash, as offset by cash expected to be paid out by the Group to settle the Consideration; the total liabilities of the Enlarged Group would have increased by approximately RMB59.0 million, which is primarily attributable to the consolidation of the liabilities of the Target Group, mainly being receipt in advance and accounts payables. Shareholders should note that the exact effects of the Acquisition on the Group's net assets value shall only be determined, and subject to audit, upon Completion of the Acquisition based on the then fair value of the consolidated net assets of the Target Group.

(iii) Cash and cash equivalents/working capital

As disclosed in the Company's Interim Report 2017, the Group had current assets of approximately RMB288.9 million including cash and cash equivalents of approximately RMB196.5 million and current liabilities of approximately RMB94.8 million as at 30 June 2017. Considering the settlement of Consideration will be financed by the Company's own internal resources, the cash and cash equivalents/working capital will be affected by the amount of the Consideration accordingly. For illustration purposes, as if the Acquisition were completed on 31 August 2017, the total cash and cash equivalents of the Enlarged Group would be approximately RMB184.3 million. As advised by the management of the Company, the Group will be able to meet its working capital requirements for the next 12 months.

B. PRINCIPAL FACTORS AND REASONS CONSIDERED FOR THE CONTINUING CONNECTED TRANSACTIONS

1. Information on the counterparties to the continuing connected transactions and background of the continuing connected transactions

The Private Group is principally engaged in the business of, among others, property development and investment, hotel investment and management, education, hospital and medical services, and aged, maternal and infant care in the PRC. In their ordinary course of business, the Private Group receives the Group's services (mainly, in the areas of procurement, property management, laundry, resident support and maintenance, employment placement and property agency) to support their business activities and development. The Private Group is under the control of (or 30% or more of the issued share capital of which are owned by) Ms. Wendy Man's Spouse who is the ultimate controlling shareholder. Members of the Target Group will become part of the Group upon Completion, therefore, any transactions occurring between the Target Group and the Private Group after Completion will become continuing connected transactions of the Group under the Listing Rules.

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.

Before entering into the SP Agreement, the Target Group has been engaged in the Target Business and (in its ordinary course of business) providing information technology services, related engineering, security systems and hardware and software integration to (among other persons) the Private Group and Ms. Wendy Man's Group. Upon Completion, such provision of services will continue and will be governed by the MES Agreement. The Target Group, which is wholly owned by Ms. Wendy Man, will also become indirectly wholly-owned subsidiaries of the Company, and the engineering and maintenance services which will be provided by the Target Group to the Private Group and Ms. Wendy Man's Group under the MES Agreement, will constitute continuing connected transactions on the part of the Company under Chapter 14A of the Listing Rules.

2. MES Agreement

(i) General terms

Date	:	16 October 2017
Parties	:	(i) Clifford Estates Panyu (for itself and on behalf of other members of the Private Group); (ii) Clifford Aged Home (for itself and on behalf of other members of Ms. Wendy Man's Group) on the one part, both as receiving parties; and (iii) Targetco PRC on the other part, as service provider.
Term	:	The initial term is for a period commencing on the Completion Date and expiring on 31 December 2018. The term of the MES Agreement may be extended for a period of three years after the expiry of the initial term, subject to approval of such extension and the transactions contemplated thereunder (including the related annual cap) by the Independent Shareholders (if required) in accordance with the Listing Rules.
Subject matter	:	Provision of engineering and maintenance services (relating to information technology, security systems and hardware and software integration) to the Private Group and Ms. Wendy Man's Group.

Pricing policy	:	In respect of engineering services, the prices are determined by relevant parties on a project-by-project basis through tendering process, having regard to the nature and complexity of the projects and the actual costs and expenses incurred for procurement of materials, staff remuneration and other service fees payable to third parties, plus a mark-up ranging from approximately 30% to 45%, which is determined with reference to tendering specifications of each projects and service fees that the Group charges against the Independent Third Parties. After receiving the tendering specifications of the engineering projects, members of the tendering team would analyse and calculate the costs involved (including estimated manpower, qualified persons (e.g. engineers or other experts) and materials to be used), complexity of the engineering services involved and estimated project duration. The general manager of Targetco PRC will then compare the profitability of the projects with the engineering works of similar size and complexity provided to other Independent Third Parties, and the compliance officer of the Company will review such profit estimate to ensure that the terms to be charged to the connected person are no less favourable than those charged to the Independent Third Parties. The mark-up range for Target Group's engineering service charges against the Independent Third Parties is approximately 25% to 45%. In respect of maintenance services, the prices are determined by (i) approximately 8% to 15% of the relevant engineering services contract sum and such percentage range is determined by analysing and calculating the costs involved (such as manpower, qualified persons (e.g. engineers or other experts) and estimated duration of the maintenance services required; and (ii) relevant parties on an arm's length basis with reference to the prices offered to the Independent Third Parties. The prices shall be no less favourable than prices of similar services rendered by the Group to the Independent Third Parties.

Conditions precedent to the MES Agreement becoming effective	:	Agreement is conditional upon the completion of the SP Agreement and the Company having obtained all necessary or appropriate approvals, authorisations, consents and licences as a company listed on the Main Board of the Stock Exchange, including but not limited to the approval of the Independent Shareholders for the SP Agreement and the transactions contemplated thereunder at EGM, as well as other conditions precedent set out in the Circular.

(ii) Reasons for and benefits of the MES Agreement

According to the management of the Company, entering into the MES Agreement is mainly for the following reasons and benefits:

(a) Providing long term business relationship and stable demand of the Target Group's services

As part of the Target Group's ordinary course of business, it provides engineering and maintenance services to (among other parties) the Private Group and Ms. Wendy Man's Group. The Directors consider that following Completion, the continuation of providing such services by the Target Group to the Private Group and Ms. Wendy Man's Group will not prejudice the interests of the Company or its Shareholders. On the other hand, the Directors believe that the MES Agreement shall provide stable demand for the Target Group's engineering and maintenance services and represents a stable and trustworthy business relationship for the Target Group with the Private Group and Ms. Wendy Man's Group.

(b) Flexibility to continue to tender for contracts with the Private Group and Ms. Wendy Man's Group

Under the MES Agreement, the Group will be able to continue to tender for contracts with the Private Group and Ms. Wendy Man's Group, which have been contributing significant portion of the Target Group's revenue. The Target Group will not be obligated to tender for contracts under the MES Agreement. If any services are transacted pursuant to the MES Agreement, all such services transactions must be on normal commercial terms and at a price that is not lower than the price offered to other customers in the market at the time of the transaction. The MES Agreement will therefore give the Target Group the flexibility but not obligation to continue to tender for contracts from the Private Group and Ms. Wendy Man's Group if it so wishes at competitive market prices.

(c) Increasing demand in the engineering and maintenance services industry

As stated in the section headed "overview of the engineering and maintenance services industry in the PRC", (i) the engineering and maintenance services industry, particularly in intellectual engineering services has experienced a rapid growth with the support of favourable government policies in the PRC; and (ii) the growth in GDP and urban disposable income per capita provide a favourable social environment and conditions in the PRC, whereas the government of Guangzhou City aims to establish a livable city with advanced technology and all around innovations to align with the national policies. As a result, the demand in the engineering and maintenance services in PRC and especially in Guangzhou City is expected to increase accordingly.

Upon Completion, the Group will be able to consolidate the financial results of the Target Group into that of the Group. As advised by the management of the Target Group, the revenue contribution from customers, which are associates of Ms. Wendy Man and includes, among others, residential, retail, commercial and hospital developments developed by companies under the Private Group, have accounted for approximately 67%, 86% and 93% for FY2015, FY2016 and the six months ended 30 June 2017, respectively.

(iii) Terms of individual contracts

The Target Group has been engaged in the Target Business and (in its ordinary course of business) providing related engineering and maintenance services to (among other persons) the Private Group and Ms. Wendy Man's Group before entering into the SP Agreement and after Completion. In order to assess the fairness and reasonableness of the individual contracts entered into with the Private Group and Ms. Wendy Man's Group, we have reviewed the contracts for each type of services provided by the Target Group and compared contract terms with ones under contracts entered into with the Independent Third Parties and discussed with the management of the Target Group in relation to the basis of major terms, such as pricing terms (amongst others, the cost and the profit margin determination) and settlement terms. We have noticed that the contract terms of the individual services agreements entered with the Private Group and Ms. Wendy Man's Group are similar to the individual services agreements entering with the Independent Third Parties. As such, we are of the view that the contracts terms of the MES Agreement are no less favourable than the contract terms with the Independent Third Parties.

As advised by the management of the Company, in determining the pricing of engineering services contracts, a cost-plus basis is generally adopted by the Target Group on the estimated cost of the project plus a mark-up by relevant parties on a project-by-project basis through tendering process. The tendering team (which comprises senior management of the Target Group) would determine the price for the engineering services by conducting preliminary costing and pricing analysis when the Target Group is invited to participate in the tendering process. We are advised that the contract cost is generally estimated with reference to (i) the nature and complexity of the projects; and (ii) the actual costs and expenses incurred for procurement of materials, staff remuneration and other service fees payable to third parties. The management finalises the total contract sum of the specific individual services agreements based on the above estimation of costs plus a markup ranging from approximately 30% to 45%, which is determined with reference to the service fees that the Group charges against the Independent Third Parties, in which such contract sum and other terms (to be received by the Group) are no less favourable than those of similar services rendered to the Independent Third Parties. The major factors considered when determining the profit margin of a contract comprises, among others, (i) complexity of work; (ii) scale of the project; and (iii) length of services.

In respect of maintenance services, the contract sum is determined by (i) approximately 8% to 15% of the relevant engineering services contract sum and such percentage range is determined by analysing and calculating the costs involved (including estimated manpower, qualified persons (e.g. engineers or other experts), materials to be used), complexity of the engineering services involved and estimated duration of the maintenance services required); and (ii) relevant parties on an arm's length basis with reference to the prices offered to the Independent Third Parties. The price shall be no less favourable than prices of similar services rendered by the Group to the Independent Third Parties. We are advised that the contract sum is determined after taking into account of: (i) the scale and size of the maintenance area; (ii) estimated costs of materials and number of workers required, and the subcontracting services, if necessary; and (iii) prices offered to the Independent Third Parties. The prices (to be received by the Group) shall be no less favourable than prices of similar services rendered by the Group to the Independent Third Parties.

For our due diligence purpose, we have (i) obtained and reviewed the full lists of projects for the years from FY2016 to FY2018 in order to understand the nature and scale of the projects performed and to be performed by the Target Group; (ii) analysed the gross profits by projects (and further analysed the reasons for the diversity of gross profit margin, if any) to indicate the normalised profit margin charged by the Target Group to the Private Group, Ms. Wendy Man's Group, and the Independent Third Parties; (iii) interviewed with the operations team of the Target Group and the management of the Company regarding the entire procedure from tendering to completion of individual projects to understand the business flow; (iv) obtained and reviewed the historical transaction records of specific individual services agreements entered between the Group, Private Group, Ms. Wendy Man's Group and other Independent Third Parties, including the cost estimation and the related gross profit margin; (v) understood the pricing policy and pricing procedures of the Target Group to assess the fairness and reasonableness of the pricing of the specific individual services agreements; (vi) obtained and reviewed the quotations from subcontractors for specific individual services agreements to understand the components affecting the pricing determination; and (vii) performed research on the market conditions of the engineering and maintenance services industry and whether the Group's pricing policy is comparative to the prevailing market rates.

According to the project lists for FY2017 ("**Project List 2017**") and FY2018 ("**Project List 2018**") provided by the Company, we noticed that the estimated average gross profit margin for the engineering services revenue generated from the Private Group and Ms. Wendy Man's Group to be approximately 31.9% for the year ending 31 December 2017 and would be approximately 38.0% for the year ending 31 December 2018. We have further analysed the estimated average gross profit margin for the engineering services revenue generated from the Independent Third Parties to be approximately 46.3% for the year ending 31 December 2017 while nil project has been estimated so far for FY2018. As advised by the management of Target Group, the primary reason for the variance of the gross profit margin between the Private Group and Ms. Wendy Man's Group and the Independent Third Parties was due to a lower gross profit margin charged for larger scaled projects in order to be more competitive in the tendering process. As further advised by management of Target Group, the historical projects entered with the Independent Third Parties had a higher average gross profit margin due to smaller project sizes. We have reviewed the project list and their respective individual contracts and confirmed the same.

On the other hand, we noted that the estimated gross profit margin for the maintenance services revenue generated from the Private Group and Ms. Wendy Man's Group would be approximately ranging from 90% to 95% for the years ending 31 December 2017 and 2018. We have further analysed the gross profit margin for the maintenance services revenue generated from the Independent Third Parties to be approximately ranging from 90% to 95% for the year ending 31 December 2017 while nil project has been estimated so far for FY2018. As such, the gross profit margins of were similar to each other.

We have performed market research on the market condition, in particular the market gross profit margin within the engineering and maintenance services industry. According to the 2017 Construction Industry Development and Prospect in the China* (2017年中國建築行業發展趨勢及市場前景預測) issued by the China Index Academy* (中國產業信息), the gross profit margin for the engineering and maintenance services industry for the third quarter of 2016 was approximately 26.1%. Given the average gross profit margin of the total revenue generated from the Private Group and Ms. Wendy Man's Group is estimated to be higher than the aforesaid gross profit margin for the engineering and maintenance services industry, we believe the pricing terms between the Target Group and the Private Group and Ms. Wendy Man's Group are no less favourable to the Company and Shareholders as a whole when compared to the industry average.

Furthermore, we have compared the other principal contract terms, which includes, among others, payment terms, construction manner, responsibilities, quality check, completion, project transfer, breach of contract, etc., in the contracts entered between Private Group, Ms. Wendy Man's Group, the Group and the Independent Third Parties and discovered those contract terms are similar with both parties.

In addition, we have discussed with the management of the Company regarding the internal control measures for monitoring the pricing and terms of the transactions contemplated under the MES Agreement and for ensuring that the transactions conducted under such MES Agreement are entered into based on normal commercial terms. We noted the Company will monitor the implementation of the specific individual services agreement under the MES Agreement to ensure the terms are strictly adhered to the parties under the MES Agreements. We are of the view of the procedures aforementioned to be implemented would ensure the transactions under the MES Agreement are entered into normal commercial terms.

(iv) The proposed MESA 2018 Annual Cap

The proposed annual cap for the transactions contemplated by the MES Agreement for FY2018 is set out as follows:

	FY2018
	RMB' million
Annual cap	75

According to Rule 14A.52 of the Listing Rules, the period for continuing connected transactions must not exceed three years, except in cases where the nature of the transaction requires the contract to be a duration longer than three years. As advised by the Directors, the services provided by the Target Group are on a project-by-project basis through tendering and the duration of the project is generally within 1 year. Since the projects are through tendering with short service periods, the management of the Company considers they could not reliably estimate the annual amount of continuing connected transactions for any periods which extends far into the future. Thus we consider the proposed term of the MES Agreement to end in 31 December 2018 (less than three years) to be reasonable.

To assess the reasonableness of the proposed MESA 2018 Annual Cap, we have carried out certain steps including the following:

Discussed with the management of the Company in relation to the future prospects of the engineering and maintenance services industry

We have discussed with the management of the Company and they expect the demand of the engineering and maintenance services, particularly the intellectual engineering services will be sustainably increased. This is supported by favourable policies announced and implemented by the government in the PRC, including but not limited to the Technical Guidelines for Green Construction* (綠色建築技術導則), Application of Digital Technology in Architecture and Residential Area* (建築及居住區數位化技術應用) and the

PRC's 12th Five-Year Plan (2011-2015). For details of the industry overview, please refer to the section headline "overview of the engineering and maintenance services industry in the PRC". In addition, as stated in the Interim Report 2017, the Company plans to further expand the total gross floor area and the number of residential units which the Company manages. As of 30 June 2017, the total contracted gross floor area under the Group's management was approximately 6,673,000 square meters, including two new residential communities, namely "Clifford Wonderview (祈福繽紛匯)" and "The Green (果嶺天地)", which were developed by companies under the Private Group, thus providing an opportunity for the increase in demand of engineering and maintenance services. The Company has also been seeking for potential property companies with a principal focus of business operations in Guangdong Province, covering contracted gross floor areas of over 50,000 square meters. This potential increase in gross floor area lays the foundation for engineering and maintenance services for the Target Group.

Reviewed the basis of calculating the proposed MESA 2018 Annual Cap

As advised by the Company, since the services provided by the Target Group are delivered on a project-by-project basis, the historical transaction amounts with the Private Group and Ms. Wendy Man's Group were not entirely relevant to future projected amounts. The proposed MESA 2018 Annual Cap was instead determined based on (i) the contractual amount of approximately RMB11.9 million and RMB31.1 million for FY2016 and FY2017, respectively, in respect of the tenders awarded to the Target Group through tender process of the Private Group and Ms. Wendy Man's Group, and the outstanding services which are expected to be performed in FY2017 and FY2018; (ii) the estimated transaction amount as a result of any variation orders made by the Private Group and Ms. Wendy Man's Group in the course of project implementation; (iii) the maintenance services required for the projects implemented and completed in the past three years; (iv) the estimated success rate of the Target Group tendering for the engineering works, based upon the historical tendering success rate and participation rate of the Target Group over the past three years; and (v) an estimate for possible projects indicated to be subject to tender, but are not yet invited and/or awarded.

We have reviewed the Target Group's Project List 2018 and noted the total contracts that have been entered into/confirmed from the Private Group and Ms. Wendy Man's Group amounts to approximately RMB86.6 million, of which approximately RMB61.9 million is projected to be accounted for as revenue in the year ending 31 December 2018. However, we also realise that there may be some potential projects which only become known to the Target Group during the year they commence. As an example, from the Target Group's Project List 2017 which we have reviewed, there are 9 projects with the Private Group and Ms. Wendy Man's Group which are still under tendering process as at the Latest

Practicable Date. The total contract sums from these projects, which were not known at the beginning of year 2017 amount to RMB1.1 million and approximately 90.1% of the total is projected to be recognised as revenue for the year ending 31 December 2017. As a result of our review above and due to the nature of the Target Group's business, we concur with the management of the Company that it is reasonable to assume similar case may happen in the year 2018 and that the proposed MESA 2018 Annual Cap should be sufficiently reflected.

As advised by the management of the Company, in anticipating the projects in Project List 2018, the historical tender success rate amongst the projects with the Private Group and Ms. Wendy Man's Group, which was approximately 95% in the past 3 years, have been taken into consideration. We concur with the management of the Company on the assumption that the tender success rate will carry forward to 2018 to be fair and reasonable as the historical tender success rate has been stable in the previous years.

Taking into account (i) the total estimated revenue generated from the Private Group and Ms. Wendy Man's Group covered approximately 82.6% of the proposed MESA 2018 Annual Cap for the year ending 31 December 2018; (ii) the management, based on their experiences and historical records, estimated only approximately 71.5% of the total contract sums of the projects in Project List 2018 to be completed and recognised as revenue in FY2018; and (iii) the historical tender success rate of the Target Group amongst the projects with the Private Group and Ms. Wendy Man's Group was approximately 95% in the past 3 years, we consider the basis in determining the proposed MESA 2018 Annual Cap to be aligned with the management's best estimation of the amounts of the potential continuing connected transactions, and we consider the proposed MESA 2018 Annual Cap is not excessive and is fair and reasonable for the Company and Shareholders as a whole.

Based on our assessment, we are of the view that (i) entering into the MES Agreement will provide stable demand for the Target Group's business upon Completion; (ii) the contract terms with the Private Group and Ms. Wendy Man's Group are on normal commercial terms; (iii) the pricing policy under the specific individual services agreements are consistent with the MES Agreement and are fair and reasonable; and (iv) the proposed MESA 2018 Annual Cap is consistent with the management's best estimation of the amounts of potential continuing connected transactions and is fair and reasonable. Thus, we consider that entering into the MES Agreement is in the interests of the Company and the Shareholders as a whole and the proposed MESA 2018 Annual Cap under the MES Agreement is fair and reasonable.

3. Internal control

Upon Completion, in order to ensure that the transactions contemplated under the MES Agreement would not exceed the proposed MESA 2018 Annual Cap, are conducted on normal commercial terms or not less favourable to the Group, and in accordance with the pricing policy of the Group and will not be prejudicial to the interests of the Company and its Shareholders as a whole, the Group will adopt the following measures:

(1) the management of the Company would prepare a budget according to the annual cap approved by the Independent Shareholders. All financial data for the continuing connected transactions would be collected from the accounting system every month by the accountants, who would input the actual data and compare the actual results with the budget. The finance manager would review and analyse the results by comparing the fluctuation and trend. Should there be any unreasonable variances, the finance manager would investigate and correct, if necessary. The overall results would be reviewed and reported to executive Directors (excluding Ms. Wendy Man) every month. If the actual continuing connected transactions have exceeded 5% of the budget which is prepared according to the annual cap approved by the Independent Shareholders, both the finance manager and the general manager of the Company would explain the reasons and provide a remediation plan. In case the management foresees the annual cap would be exceeded, or when the annual cap is 75% utilised, the chief executive officer and chief operation officer would consider to propose to increase and revise the annual cap;

(2) prior to entering into the specific individual services agreements between the Private Group and Ms. Wendy Man's Group, the general manager from the Group's operations department will be responsible for collection of information from different tenders, and assessment of the reasonableness of the contract sum, by reference to, among others, project design and quality, construction technique, prevailing market conditions. The assessment and the tenders' information will then passed to the finance department for verification and second review. The finance manager will also assess whether the annual cap would be exceeded if the Group enters into the new construction project, and whether the terms offered by the Private Group and Ms. Wendy Man's Group in the specific individual services agreements are in compliance with the MES Agreement. The executive Directors (excluding Ms. Wendy Man) will then review and approve the specific individual services agreements, and the assessment performed by the Group's operations department;

(3) upon execution of the specific individual services agreements, the Group's finance department will be responsible for continuously monitoring and checking on a monthly basis of the annual cap to ensure that it is not exceeded and to ensure the implementation of the relevant internal control measures as mentioned above;

(4) throughout the term of the MES Agreement, the operations department and the financial department are responsible for monitoring the implementation of the specific individual services agreements under the MES Agreement to ensure that the terms, including the fees charged under the specific individual services agreements are strictly adhered to by the parties to the MES Agreement. Any deviation from the contract terms thereof should be reported to the management of the Company for further actions. In addition, the management of the Company will perform spot checks on the implementation of the MES Agreement to ensure compliance of the contract terms as and when necessary.

Having reviewed the above internal control policies, we are of the view that they are adequate and effective internal control measures for monitoring the contract sum contemplated under the specific individual services agreements and to ensure the continuing connected transactions are based on normal commercial terms and on a fair and reasonable basis, and will be within the proposed MESA 2018 Annual Cap. Also, the approval by the executive Directors (excluding Ms. Wendy Man) would ensure transactions are entered into fair and reasonable basis with the Private Group and Ms. Wendy Man's Group.

RECOMMENDATION

Having considered the above principal factors and reasons, particularly:

(i) increasing demand in the PRC and Guangzhou City for engineering and maintenance services, particularly in intellectual engineering services;

(ii) the Group would be able to provide better and more comprehensive property management services to the residents living in the residential communities, the Group's source of income could be increased;

(iii) the satisfactory financial performance of the Target Group and the prospects in engineering and maintenance services industry in the PRC;

(iv) the implied P/E ratio of Targetco BVI is below the range of the P/E ratios of the Comparable Transactions which indicates that the Consideration is at a comparatively lower price than that as represented by the P/E ratios of the Comparable Transactions;

(v) the Consideration is below the fair value of Targetco BVI as of the Valuation Date as assessed by the Independent Valuer;

(vi) the undertaking by the Vendor and the payment term of the Consideration protect the interests of the Company in general;

(vii) the Acquisition is expected to enhance the overall financial performance and profitability of the Group upon Completion;

(viii) the entering of the MES Agreement would provide long term business relationship and stable demand for the Target Group's services while providing flexibility to continue to tender for contracts with the Private Group and Ms. Wendy Man's Group;

(ix) the pricing policy and contract terms under MES Agreement are on normal commercial terms and no less favourable than the contract terms with the Independent Third Parties;

(x) the proposed MESA 2018 Annual Cap is aligned with the management estimation of the amounts of potential continuing connected transactions; and

(xi) the adequate and effective internal control measurements regarding the transactions contemplated under the MES Agreement,

we are of view that (i) the Acquisition, though not conducted in the ordinary course of business of the Group, is in the interests of the Company and the Shareholders as a whole; (ii) the terms and conditions of SP Agreement and the MES Agreement, and the transactions contemplated thereunder (including the proposed MESA 2018 Annual Cap) are agreed on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole; and (iii) the transactions contemplated under the MES Agreement will (after Completion) be conducted by the Group in its ordinary and usual course of business.

Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the proposed Acquisition, the continuing connected transactions (including the proposed MESA 2018 Annual Cap) and the transactions contemplated thereunder.

Yours faithfully
For and on behalf on
Sorrento Capital Limited

Aaron Wong	**May Lin**
Director	*Director*

* *For identification purpose only*

The following is the text of the valuation report from AVISTA Valuation Advisory Limited in connection with the SP Agreement, the MES Agreement and the respective transactions contemplated under such agreements (including the proposed annual cap for FY2018 relating to the MES Agreement).

艾華迪集團
AVISTA GROUP

9 October 2017

The Board of Directors
Clifford Modern Living Holdings Limited
7/F, Chai Wan Industrial City, Phase 2
70 Wing Tai Road
Chai Wan, Hong Kong

Dear Sirs/Madams,

Re: Valuation of 100% equity interest of Easy South Limited

In accordance with your instructions, we have conducted a business valuation in connection with the 100% equity interest of Easy South Limited (the "**Target**") as of 31 August 2017 (the "**Valuation Date**"). We understand that Clifford Modern Living Holdings Limited (the "**Company**" or "**you**") intends to acquire 100% equity interest of the Target (the "**Proposed Acquisition**").

It is our understanding that this appraisal will be used as reference to your determining the price for the purchase of the Target and, where relevant, for disclosure purpose under the requirement of the listing rules of the Hong Kong Stock Exchange (the "**Listing Rules**"). This report (the "**Report**") does not constitute an opinion on the commercial merits and structure of the Proposed Acquisition. We are not responsible for unauthorized use of the Report.

We accept no responsibility for the realisation and completeness of any estimated data, or estimates furnished by or sourced from any third parties which we have used in connection with this Report. We assumed that financial and other information provided to us are accurate and complete.

This Report presents the summary of the business appraised, describes the basis of analysis and assumptions, explains the analysis methodology adopted in this appraisal process to calculate the value, also the additional supporting documentation has been retained as a part of our work papers.

BASIS OF ANALYSIS

We have appraised the fair value of 100% equity interest of the Target.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

COMPANY BACKGROUND

The Target is an investment holding company incorporated in British Virgin Islands ("**BVI**") and ultimately wholly owned by Ms. MAN Lai Hung ("**Ms. Wendy Man**"), one of the controlling shareholders of the Company. The Target, through its wholly owned investment holding subsidiary namely Diamond Ray Limited ("**Diamond Ray**"), holds the entire issued share capital of Guangzhou Kejian Computer Technology Company Limited ("**Kejian**", together with the Target and Diamond Ray as the "**Target Group**").

Kejian is principally engaged in the businesses of providing information technology services, related engineering services, security systems and hardware and software integration in China.

We understand that the Company intends to acquire 100% equity interest of the Target. As such, the Company would like to assess the fair value of the 100% equity interest of the Target as of the Valuation Date.

SCOPE OF WORK

In conducting this valuation exercise, we have

- Co-ordinated with the Company's representatives to obtain the required information and documents for our valuation;
- Gathered the relevant information of the Target Group, including the legal documents, licenses, financial statements, projections, etc. made available to us;
- Discussed with the Company to understand the history, business model, operations, customer base, business development plan, etc. of the Target Group for valuation purpose;
- Carried out researches in the sector concerned and collected relevant market data from reliable sources for analysis;
- Investigated into the information of the Target Group made available to us and considered the basis and assumptions of our conclusion of value;
- Designed an appropriate valuation model to analyze the market data and derived the estimated fair value of the Target; and
- Compiled a report on the valuation, which outlines our findings, valuation methodologies and assumptions, and conclusion of value.

When performing our valuation, all relevant information, documents, and other pertinent data concerning the assets, liabilities and contingent liabilities should be provided to us. We relied on such data, records and documents in arriving at our opinion of values and had no reason to doubt the truth and accuracy of the information provided to us by the Company, the Target Group and its authorized representatives.

INDUSTRY OVERVIEW

Economic Overview

Over the last five years, the Gross Domestic Product ("**GDP**") of East Asia & Pacific has experienced a steady march, with nominal GDP growing from approximately USD19.63 trillion in 2011 to approximately USD22.48 trillion in 2016, representing a compound annual growth rate ("**CAGR**") of approximately 2.75% while the CAGR of the global GDP stationed at around 0.62%. Signaled by the improving economic indicators such as non-farm payroll and unemployment rate from those major developed countries, global market sentiment has shown evidence of turning from recovering to optimism. Economic activities are expected to become progressively prosperous.

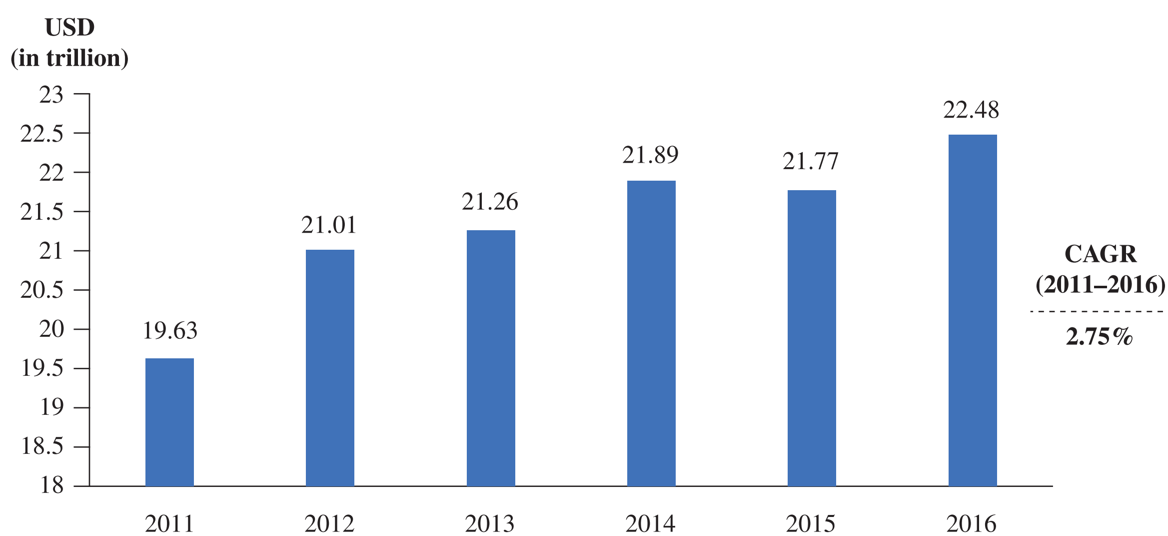


Figure 1: Nominal GDP of East Asia & Pacific (2011–2016)

(Source: The World Bank)

Property Management Market in China

The property management industry in China services a wide range of properties such as residential, offices, shopping malls, industrial facilities, schools and hospitals. Apart from collecting the traditional monthly management fees, the new generation of property managers focus more on value-added services. In particular, there are in-house established online-to-offline platforms which aim to provide services, ranging from online shopping to wealth management, in order to cope with the wide range of client needs and generate extra revenue from these services.

The China Index Academy, an authoritative industry organization on the property management industry, has released its 2017 industry report on the top 100 property management companies recently. The report shows that the property management industry continued to expand in 2016. The total market size in terms of Gross Floor Area ("**GFA**") managed increased by approximately 6.0% year-on-year to 18.5 billion sq.m., which is generally in line with the growth of the GFA of properties completed nationally in the same period.

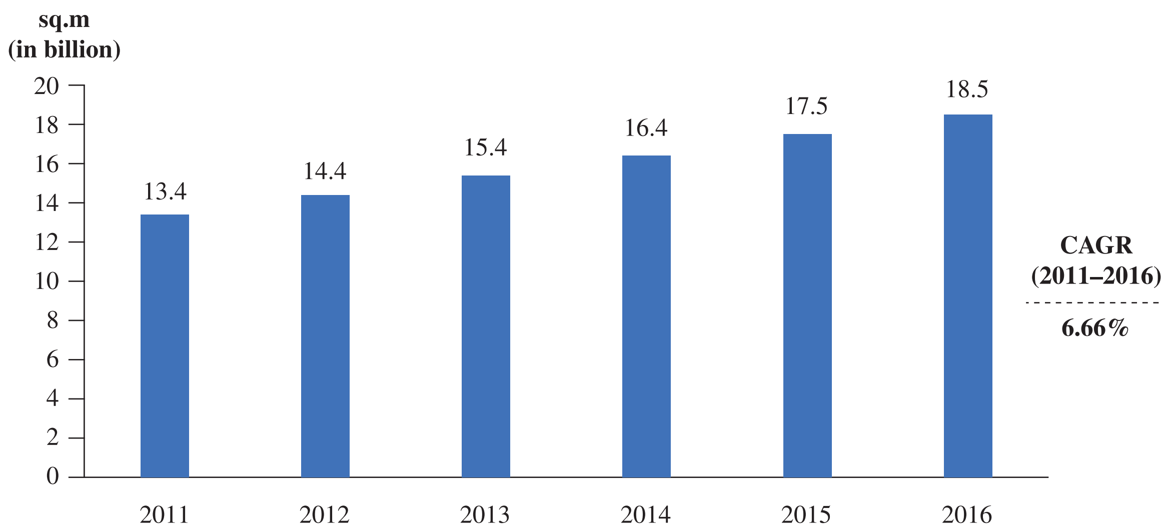


Figure 2: Market Size of Property Management in terms of GFA (2011–2016)

(Source: 中國產業信息網)

Meanwhile, the market share of the leading companies continued to grow. The market share of the top 100 companies grew from 28.42% in 2015 to 29.44% in 2016, while that of the top 10 companies increased to a larger extent by 2.54% to 10.18% in 2016.

Building Automation System Industry

Building Automation System ("**BAS**") is a network of integrated computer components that automatically control a wide range of building operations such as HVAC, security/access control, lighting, energy management, maintenance management, fire safety control, etc. A building controlled by a BAS is often referred to as an intelligent building. The growth of this market is expected to be driven by the increase in demand for energy-efficient systems, growing need for the automation of security systems in buildings, and advancement of Internet of Things in BAS. The following chart illustrates the BAS market in China between 2012 to 2015.

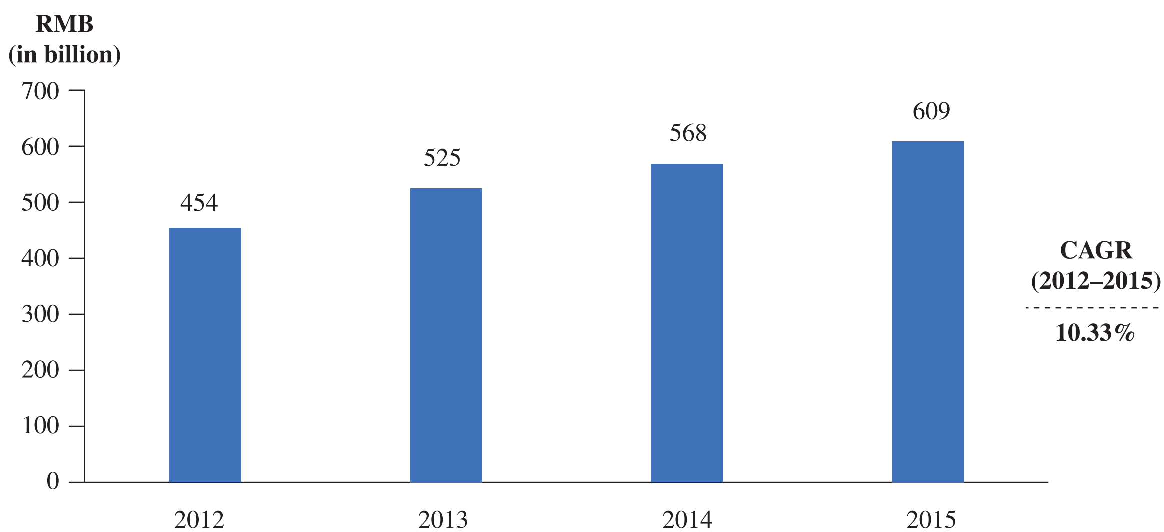


Figure 3: Market Size of Building Automation System Industry (2012–2015)

(Source: 中國產業信息網)

According to《樓宇智能化行業市場深度分析及投資戰略研究報告》recently published by 前瞻產業研究院, a well-known research institution in China, the market size of BAS market is expected to reach approximately RMB1,060 billion in 2018, representing a CAGR of approximately 15% from 2013 to 2018. This offers huge opportunities for companies engaged in the business of BAS.

LIMITATIONS OF THE REPORT

The Report serves as reference to your determining the price for the purchase of the Target and, where relevant, for a basis for disclosure purpose under the requirement of the Listing Rules. We will not be liable for any unauthorized use of the report. Accordingly, the Report may not be used nor relied upon in any other connection by, and are not intended to confer any benefit on, any person (including without limitation the respective shareholders of the Company and the Target).

The Report does not constitute an opinion on the commercial merits and structure of the Proposed Acquisition. The Report does not purport to contain all the information that may be necessary or desirable to fully evaluate the Proposed Acquisition. We are not required to and have not conducted a comprehensive review of the business, technical, operational, strategic or other commercial risks and merits of the Proposed Acquisition and such remain the sole responsibility of the Directors and the management of the Company.

We understand that the financial advisor of the Company may require the Report for their internal reference only. They will perform their own separate analysis to satisfy their role and responsibility. Our work and the Report are not meant to substitute their own procedures to substantiate the opinion they are required to render.

We have assumed and relied upon, and have not independently verified the accuracy, completeness and adequacy of the information provided or otherwise made available to us or relied upon by us in the Report, whether written or verbal, and no representation or warrant, expressed or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of all such information.

VALUATION ASSUMPTIONS OF EQUITY VALUE ANALYSIS

In arriving at our opinion of value, we have considered the following principal factors:

- the economic outlook for the region operated by the Target Group and specific competitive environments affecting the industry;

- the business risks of the Target Group;

- the price multiples of the comparable companies engaging in business operations similar to the Target Group;

- the experience of the management team of the Target Group and support from its shareholders; and

- the legal and regulatory issues of the industry in general.

A number of general assumptions have to be made in arriving at our value conclusion. The key assumptions adopted in this valuation include:

- There will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target Group; and

- There is no material change in the financial positions of the Target and the comparable companies between the respective financial reporting dates and the Valuation Date.

We have assumed that there are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported values. Further, we assume no responsibility for changes in market conditions after the Valuation Date.

VALUATION APPROACH

General Valuation Approaches

There are three generally accepted approaches to appraise the fair value of the equity value of the Target, namely Income Approach, Cost Approach and Market Approach. All three of them have been considered regarding the valuation of the Target:

Income Approach	The income approach provides an indication of value based on the principle that an informed buyer would pay no more than the present value of anticipated future economic benefits generated by the subject asset. The fundamental method for income approach is the discounted cash flow ("**DCF**") method. Under the DCF method, the value depends on the present value of future economic benefits to be derived from ownership of the enterprise. Thus, an indication of the equity value is calculated as the present value of the future free cash flow of a company less outstanding interest-bearing debt, if any. The future cash flow is discounted at the market-derived rate of return appropriate for the risks and hazards of investing in a similar business.
Cost Approach	The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence (physical, functional or economical) present, taking into consideration past and present maintenance policy and rebuilding history.
Market Approach	The market approach provides an indication of value by comparing the subject asset to similar assets that have been sold in the market, with appropriate adjustments for the differences between the subject asset and the assets that are considered to be comparable to the subject asset.

Under the market approach, the comparable company method computes a price multiple for publicly listed companies that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset. The comparable transaction method computes a price multiple using recent sales and purchase transactions of assets that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset.

Selected Valuation Approach

Each of the abovementioned approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing business entities that are similar in nature. In this appraisal regarding the fair value of the equity value of the Target, we applied the Market Approach due to the following reasons:

- Cost Approach is not appropriate in the current appraisal as it fails to consider the economic benefits of ownership of the business. We considered the consolidated net book value of the Target as of the Valuation Date may not truly reflect the value of its equity interests, as part of value will be attributed to future benefit of the Target, deriving from providing wealth management services to its clients.

- Income Approach is also considered inappropriate as plenty of assumptions were involved in formulating the financial projection of the Target, and the assumptions might not be able to reflect the uncertainties in the future performance of the Target. Given that improper assumptions will impose significant impact on the fair value, Income Approach is not adopted in this valuation.

- Fair value arrived from Market Approach reflects the market expectations over the corresponding industry as the price multiples of the comparable companies were arrived from market consensus. Since there are sufficient public companies in a similar nature and business to that of the Target, their market values are good indicators of the industry. Therefore, Market Approach has been adopted in this valuation.

By adopting market approach, we have to select the appropriate comparable public companies. The selection of the comparable companies was based on the comparability of the overall industry sector. Although no two companies are ever exactly alike, behind the differences there are certain business universals such as required capital investment and overall perceived risks and uncertainties that guided the market in reaching the expected returns for companies with certain similar attributes. They are selected with mainly with reference to the following selection criteria:

- The primary industry of the companies is under industrial or technology;

- The companies are involved in building automation or electrical engineering related businesses;
- Over 50% of the total revenue are generated from building automation or electrical engineering related businesses;
- The companies are listed in stock markets of major developed markets; and
- The financial information of the companies is available to the public.

Details of the comparable companies are listed as follows:

Company Name	Stock Code	Listing Location	Business Description
Technovator International Limited	SEHK: 1206	Hong Kong	Technovator International Limited provides a wide range of products and professional services within the Building Technology sector. The Company's products include building automation, security and access controls, multi media conference facility systems, fire automation systems, and hi tech building products.
Johnson Controls International	NYSE: JCI	The United States	Johnson Controls International plc (JCI) provides building products and technology solutions. The Company offers air systems, building management, HVAC controls, security, and fire safety solutions. JCI serves customers worldwide.
I Controls Incorporation	KOSE: A039570	South Korea	I Controls Incorporation develops advanced eco-friendly building solutions, home automation systems, security/disaster prevention, home ventilation systems, solutions for managing traffic & transportation, and green energy products.

Company Name	Stock Code	Listing Location	Business Description
DAI-DAN Company Limited	TSE: 1980	Japan	DAI-DAN Co., Ltd. constructs electrical, air-conditioning, and water sanitary facilities in buildings. The Company also builds intelligent building systems for security, disaster prevention, and environmental control. Additionally, Dai-Dan develops and installs industrial incinerators and waste water treatment equipment.
Asahi Kogyosha Company Limited	TSE: 1975	Japan	Asahi Kogyosha Company Limited designs, builds, and maintains air-conditioning and sanitation facilities. The Company also constructs security, disaster prevention, and electrical facilities in family houses, buildings, and industrial plants. Additionally, Asahi Kogyosha develops and installs environmental control devices such as clean rooms for high-tech industries.
Otec Corporation	JASDAQ: 1736	Japan	Otec Corporation is an electrical engineering company. The Company designs, constructs, and maintains automatic air-conditioning control systems in office buildings. Otec also sells its related products such as pipes and valves. Additionally, the Company develops integrated building management systems for security, water supply, communication, and electrical facilities.

Company Name	Stock Code	Listing Location	Business Description
Nihon Dengi Company Limited	JASDAQ: 1723	Japan	Nihon Dengi Company Limited designs, constructs, and maintains integrated building management systems for air-conditioning, security, and electrical facilities. The Company also develops integrated production systems for industrial factories.
Fujita Engineering Company Limited	JASDAQ: 1770	Japan	Fujita Engineering Company Limited engages in the construction of facilities in Japan and internationally. The company undertakes air-conditioning and sanitation, electrical, instrumentation, and mechanical installation works. It is also involved in the sale of information and communication industrial equipment; equipment maintenance facilities management; manufacture of electronic devices; contract management of water supply and sewerage system; and installation of housing equipment and facilities.

Company Name	Stock Code	Listing Location	Business Description
Yurtec Corporation	TSE: 1934	Japan	Yurtec Corporation operates as a facility engineering company in Japan and internationally. The company undertakes electrical equipment construction comprising indoor electrical equipment, distribution line, transmission line, developmental substation, etc.; construction equipment works consisting of renewal, air-conditioning, and plumbing work, such as electrical instrumentation work; and information and communication equipment construction activities. It also provides civil engineering and construction works, including undergrounding facility, site preparation, hydroelectric power plant civil workpiece, substation basic and public sewer, etc.; and new energy and distributed power works that includes solar power, wind power generation, cogeneration, and fuel cells.

Source: Bloomberg

After selecting the abovementioned comparable companies, we have to determine the appropriate valuation multiples for the valuation of the Target, in which we have considered price-to-earnings ("**P/E**"), price-to-book ("**P/B**") and enterprise value/earnings before interests, taxes, depreciation and amortization ("**EV/EBITDA**") multiples.

The price-to-book multiple is considered not appropriate for this valuation because book value captures only the tangible assets of a company which, if a company creates any market value added (as reflected by a price-to-book ratio of larger than 1), should have its own intangible competencies and advantages. These intangible company-specific competencies and advantages are not captured in the price-to-book ratio and so in general, the equity's book value has little bearing with its fair value. Thus, the price-to-book is not a good measurement of the fair value of a company.

EV/EBITDA multiple uses market capitalization of the company as the starting point, takes into account the value of debt, minority interest, preferred shares and excludes excess cash and cash equivalents to represent enterprise value, which is then divided by EBITDA amount. As enterprise value generally requires normalized adjustments on debts and/or non-operating assets/liabilities on the Target which may be subjective, this multiple was not adopted.

P/E multiple has been adopted in the valuation of the Target. P/E multiple is one of the most commonly used valuation multiples in the market. It is intuitive which directly relates the price of a share to the proportion of the company's profits that belong to the owner of that share. Since the Target has been generating net profit since 2014, P/E multiple is considered to be appropriate.

The P/E multiples of comparable companies are as follows:

No.	Company Name	Exchange: Ticker	P/E as of 31 August 2017 Before LOMD and Control Premium(1)	P/E as of 31 August 2017 After LOMD and Control Premium(4)
1	Technovator International Limited	SEHK:1206	6.7	6.5
2	Johnson Controls International	NYSE:JCI	14.6	14.1
3	I Controls Incorporation	KOSE:A039570	11.6	11.2
4	DAI-DAN Company Limited	TSE:1980	12.8	12.4
5	Asahi Kogyosha Company Limited	TSE:1975	7.6	7.4
6	Otec Corporation	JASDAQ:1736	7.5	7.3
7	Nihon Dengi Company Limited	JASDAQ:1723	13.3	12.8
8	Fujita Engineering Company Limited	JASDAQ:1770	6.4	6.1
9	Yurtec Corporation	TSE:1934	6.5	6.3
	Maximum		14.6	14.1
	Minimum		6.4	6.1
	Median		7.6	7.4
	Lack of Marketability Discount ("LOMD")(2)			15.8%
	Control Premium(3)			15.0%

Notes:

(1) Data sourced from Bloomberg database. The market capitalizations of the comparable companies are as of 31 August 2017. Net income data are based on the latest available financial data of the comparable companies from the period of 1 July 2016 to 30 June 2017.

(2) LOMD reflects the fact that there is no ready market for shares in a closely held company. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in publicly listed companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly listed company.

As the Target is unlikely to undergo public offering and shares of the Target are unlikely to be listed in any major stock exchange or be marketable in any over-the-counter market in near future, the ownership interest in the Target is not readily marketable. However, the P/E multiple adopted in the valuation was calculated from public listed companies, which represents marketable ownership interest; fair value calculated using such P/E multiple, therefore, represents the marketable interest. Thus, LOMD was adopted to adjust such marketable interest fair value to non-marketable interest fair value.

In this valuation exercise, we have assessed the LOMD using the put option method, which is one of the most commonly used theoretical models. The concept is that when comparing a public share and a private share, holder of a public share has the ability to sell the shares (i.e. a put option) to the stock market right away. The value of put option is determined by "Black-Scholes Option Pricing Model" with the following parameters.

Parameters	**As of 31 August 2017**	**Remarks**
Option Type	European Put	
Spot Price and Exercise Price	100	*Note 1*
Maturity	5	*Note 2*
Risk free rate	3.6%	Yield on 5-year China Government Bond as at the Valuation Date from Bloomberg
Volatility	28.9%	With reference to comparable companies as above
Implied LOMD	**15.8%**	

Note 1: At-the-money put option is assumed, that is the stock price equals the strike price which is its freely traded price which can be any price but both are assumed to be 100 (being equal to each other) for present purposes. Put option model is to measure the value of the put option in a scenario where the only difference between two identical securities is that one is marketable with a freely traded price (instead of a fixed strike price) and the other is non-marketable but provided with an option to sell it back also at its freely traded price at the end of the expected restriction period (i.e. the put option), such that the LOMD will be derived by comparing the value of the put option to the stock price.

Note 2: As there is no specific indication of the time to maturity, we have assumed that a liquidity event will occur 5 years after the Valuation Date. A liquidity event is an event, such as IPO, merger or sales, from which the subject asset will have marketability. The assumption of occurrence of a liquidity event is our normal approach to determine the maturity. The type of the liquidity event is not relevant for the purpose of determining the parameter used.

The value of non-marketable interest can be calculated from marketable interest using the following formula:

Fair Value of Non-Marketable Interest = Fair Value of Marketable Interest x (1 – LOMD)

(3) Control premium is the amount that a buyer is willing to pay over the minority equity value of the company in order to acquire a controlling interest in that company. The P/E multiple adopted in the valuation was calculated from public listed companies, which represents minority ownership interest; market value calculated using such P/E multiple, therefore, represents the minority interest. Thus, control premium was adopted to adjust such minority interest market value to controlling interest market value.

Adjustment for control is made by the application of a control premium to the value of the Target's shares. The paper "The Control Premium: A Preference for Payoff Autonomy" by David Owens, Zachary Grossman & Ryan Fackler suggested a range of 8% to 15%. Since an absolute control of, i.e. 100% shares in the Target is being acquired, a control premium of 15% is considered appropriate and suitable for the Target.

The value of controlling interest can be calculated from minority interest using the following formula:

Fair Value of Controlling Interest = Fair Value of Minority Interest x (1 + Control Premium)

(4) Combining the adjustments on LOMD and control premium,

Adjusted P/E multiple = P/E multiple x (1 – LOMD) x (1 + Control Premium)

Valuation Parameters

Net income of the Target Group*	RMB5,300,641
Adopted P/E multiple#	6.1

* Based on the latest financial information during the period from 1 September 2016 to 31 August 2017 provided by the Management. As no consolidated financial statements have been prepared by the Management, we have simply added up the financial statements of Easy South Limited, Diamond Ray Limited and Guangzhou Kejian Computer Technology Company Limited. We understand that Diamond Ray has recognized a dividend income of RMB13 million, being the distribution from Kejian in July 2017. As the dividend distribution is an inter-group transaction and one-off in nature, this income has been excluded from the total net income of the Target Group for valuation purpose.

\# According to the Management, over 90% of the revenue was attributable to a number of entities which are under the control of (or 30% or more of the issued share capital of which are owned by) the spouse of Ms. Wendy Man and Ms. Wendy Man, and the revenues were mainly contributed by several major projects during the year. In light of the risk associated with high concentration of customer and revenue, the low end of the range of comparable P/E multiples has been adopted in the valuation.

Valuation Result

Estimated 100% Equity Value of the Target based on P/E multiple	RMB32,595,000^
HKD/RMB exchange rate as of the Valuation Date@	0.8679
Estimated 100% Equity Value of the Target based on P/E multiple	HKD37,556,000

^ The amount does not equal to the multiple of Net Income of the Target and the adopted P/E multiple illustrated above due to rounding.

@ Based on the exchange rate between RMB and HKD as defined in the Sale and Purchase Agreement for acquisition of the Target.

CONCLUSION OF VALUE

Based on our investigation and analysis and on the analysis method employed, it is our opinion that the fair value of the 100% equity interest of the Target as of 31 August 2017 is RMB32,595,000 (or HKD37,556,000).

The conclusion of the fair value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We hereby certify that we have neither present nor prospective interests in the Company, the Target nor the value reported.

Yours faithfully,
For and on behalf of
AVISTA Valuation Advisory Limited
Vincent C B Pang
CFA, HKICPA, CPA (Aus.)
Managing Director

Note: Mr. Vincent Pang is a member of CFA Institute, Hong Kong Institute of Certified Public Accountants and CPA Australia. Vincent has over 15-year experience in financial valuation and business consulting in Hong Kong and China.

GENERAL LIMITATIONS AND CONDITIONS

This Report was prepared based on the following general assumptions and limiting conditions:

- All data, including historical financial data, which we relied upon in reaching opinions and conclusions or set forth in the Report are true and accurate to our best knowledge. Whilst reasonable care has been taken to ensure that the information contained in the Report is accurate, we cannot guarantee its accuracy and we assume no liability for the truth or accuracy of any data, opinions, or estimates furnished by or sourced from any third parties which we have used in connection with the Report.

- We also assume no responsibilities in the accuracy of any legal matters. In particular, we have not carried out any investigation on the title of or any encumbrances or any interest claimed or claimable against the property appraised. Unless otherwise stated in the Report, we have assumed that the owner's interest is valid, the titles are good and marketable, and there are no encumbrances that cannot be identified through normal processes.

- We have not verified particulars of property, including their areas, sizes, dimensions, and descriptions, which we have used or have referred to in connection with the preparation of this Report, unless otherwise stated in this Report. Any information regarding areas, sizes, dimensions, and descriptions of property mentioned in this Report are for identification purposes only, and no one should use such information in any conveyance or other legal document. Any plans or graphical illustrations presented in this Report are intended only for facilitating the visualization of the property and its surroundings and such plans or graphical illustrations should not be regarded as a survey or a scale for size.

- The value opinion presented in this Report is based on the prevailing or then prevailing economic conditions and on the purchasing power of the currency stated in the Report as of the date of analysis. The date of value on which the conclusions and opinions expressed apply is stated in this Report.

- This Report has been prepared solely for the use or uses stated. Except for extraction of or reference to the Report by the Company, its financial advisor and/or its independent financial advisor for their respective work in relation to the Proposed Acquisition, it is not intended for any other use or purpose or use by any third parties. We hereby disclaim that we are not liable for any damages and/or loss arisen in connection with any such unintended use.

- Prior written consent must be obtained from AVISTA Valuation Advisory Limited for publication of this Report. Except for disclosure in the Circular in relation to the Proposed Acquisition, no part of this Report (including without limitation any conclusion, the identity of any individuals signing or associated with this Report or the firms/companies with which they are connected, or any reference to the professional associations or organizations with which they are affiliated or the designations awarded by those organizations) shall be disclosed, disseminated or divulged to third parties by any means of publications such as prospectus, advertising materials, public relations, news.

- No environmental impact study has been carried out, unless otherwise stated in this Report. We assume all applicable laws and governmental regulations are being complied with unless otherwise stated in this Report. We have also assumed responsible ownership and that all necessary licenses, consents, or other approval from the relevant authority or private organizations have been or to be obtained or renewed for any use that is relevant to value analysis in this Report.

- Unless otherwise stated in this Report, the value estimate set out in this Report excludes the impact of presence of any harmful substances such as asbestos, urea-formaldehyde foam insulation, other chemicals, toxic wastes, or other potentially hazardous materials or of structural damage or environmental contamination. For purposes of evaluating potential structural and/or environmental defects, where their existence could have a material impact on value of the property, we would recommend that advices from the relevant experts, such as a qualified structural engineer and/or industrial hygienist, should be sought.

1. RESPONSIBILITY STATEMENT

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

2. INTEREST IN SECURITIES

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

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

Name of Director	**Capacity**	**Number of Shares held** *(Note 3)*	**Percentage of the issued share capital of the Company**
Ms. Wendy MAN(1)	Interest in a controlled corporation(1)	750,000,000	74.89%
Ms. Wendy MAN	Beneficial owner	5,000,000(2)	0.50%
Mr. SUN Derek Wei Kong	Beneficial owner	2,500,000(2)	0.25%
Mr. LEONG Chew Kuan	Beneficial owner	2,500,000(2)	0.25%
Ms. LIANG Yuhua	Beneficial owner	2,500,000(2)	0.25%
Mr. LIU Xing	Beneficial owner	2,500,000(2)	0.25%

Notes:

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

(2) These represent the maximum number of Shares which may be allotted and issued to the respective Directors upon the exercise of the Pre-IPO Share Options (as defined in the Prospectus) granted to each of them. In respect of these 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 (i.e. 8 November 2016) and (ii) ending on the date falling five (5) years and six (6) months of the Listing Date (i.e. 8 November 2016). 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 these 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. DIRECTORS' INTEREST IN COMPETING BUSINESS

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, save as disclosed in:

(aa) the Company's circular dated 7 June 2017 (in relation to the Supplemental Master Tenancy Agreement and the Supplemental Master Composite Services Agreement, both as referred to in the said circular), and

(bb) 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 SP Agreement and the MES Agreement,

(a) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group; and

(b) none of the Directors had any direct or indirect interest in any assets which had been since 30 June 2017 (the date to which the latest published audited consolidated financial statements of the Company were made up), (i) acquired or disposed of by; (ii) leased to; or (iii) are proposed to be acquired or disposed of by; or (iv) are proposed to be leased to any member of the Group.

6. MATERIAL ADVERSE CHANGES

The Directors have confirmed that there has been no material change in the financial or trading position or outlook of the Group since 30 June 2017, being the date to which the latest published unaudited accounts of the Group were made up, and up to and including the Latest Practicable Date.

7. EXPERTS

The following are the qualifications of the experts who have given their opinions or advice, which are contained or referred to in this circular:

Name	Qualification
Sorrento Capital Limited	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO
AVISTA Valuation Advisory Limited	Independent valuer

As at the Latest Practicable Date, none of the above experts:

(a) had any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;

(b) had any interest, direct or indirect, in the promotion of, or in any assets which had been within the two years immediately preceding the issue of this circular acquired or disposed of by or leased to, any member of the Group; and

(c) had any direct or indirect interest in any assets which had been acquired, or disposed of by, or leased to any member of the Group, or were proposed to be acquired, or disposed of by, or leased to any member of the Group since 30 June 2017, the date to which the latest published unaudited financial statements of the Group were made up.

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

8. GENERAL

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

9. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of each of the following agreements 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 7 to 25 of this circular;

(b) the letter from the Independent Board Committee, the text of which is set out on pages 26 to 27 of this circular;

(c) the letter from Sorrento Capital Limited, the text of which is set out on pages 28 to 72 of this circular;

(d) the written consent referred to in the paragraph headed "Experts" in this Appendix II;

(e) the SP Agreement;

(f) the MES Agreement; and

(g) 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 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.

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 Room 1501–02, 15/F Hong Kong Club Building, 3A Charter Road, Central, Hong Kong on Monday, 18 December 2017 at 10:00 a.m. to consider and, if thought fit, pass (with or without modifications) the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**:

   (a) the SP Agreement (as defined and described in the Company's circular dated 29 November 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 transactions contemplated thereunder be and are hereby approved; 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 SP 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 SP Agreement which in their opinion is not of a material nature and to effect or implement any other matters referred to in this resolution."

2. "**THAT**:

   (a) the MES Agreement (as defined and described in the Company's circular mentioned in proposed resolution no.1 above, 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 transactions contemplated thereunder and the proposed annual cap for the year ending 31 December 2018 relating to the MES Agreement be and are hereby approved; 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 MES Agreement and all transactions and other matters contemplated thereunder or ancillary thereto (including the proposed annual cap for the year ending 31 December 2018 relating to the MES Agreement), to waive compliance from and/or agree to any amendment or supplement to any of the provisions of the MES 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
SUN Derek Wei Kong
Executive Director

Hong Kong, 29 November 2017

Notes:

1 The register of members of the Company will be closed from Wednesday, 13 December 2017 to Monday, 18 December 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 Tuesday, 12 December 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 10:00 a.m. (Hong Kong time) on Saturday, 16 December 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.

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.