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# LETTER FROM THE BOARD

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祈福生活服務  
CLIFFORD MODERN LIVING

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

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

**(Stock Code: 3686)**

*Executive Directors:*

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

Ms. HO Suk Mee

Mr. LIU Xing

*Non-executive Director:*

Ms. LIANG Yuhua

*Independent non-executive Directors:*

Ms. LAW Elizabeth

Mr. HO Cham

Mr. MAK Ping Leung

(alias Mr. MAK Wah Cheung)

*Registered office:*

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Grand Cayman KY1-1111

Cayman Islands

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

8 Shiguang Road

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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

9 December 2021

*To the Shareholders*

Dear Sir or Madam,

### **CONTINUING CONNECTED TRANSACTIONS: (1) 2021 MASTER TENANCY AGREEMENTS; AND (2) 2021 MASTER COMPOSITE SERVICES AGREEMENTS**

#### **INTRODUCTION**

Reference is made to the Previously Published Documents in relation to, among other matters, the continuing connected transactions as provided under the Existing Consolidated MTA (i.e. the 2016 Master Tenancy Agreement, as supplemented by the 2017 & 2018 Supplemental MTAs) and the 2021 Announcement.

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The purpose of this circular is to provide you with (i) further details of the 2021 MTA No.1 and the 2021 MCSAs and the transactions contemplated thereunder (including the respective proposed annual caps thereof); (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the 2021 MTA No.1 and the 2021 MCSAs and the transactions contemplated thereunder (including the respective proposed annual caps thereof); (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the same matters; (iv) a notice of the EGM; and (v) other information as required under the Listing Rules.

### (1) CONTINUING CONNECTED TRANSACTIONS UNDER THE 2021 MTA NO. 1

#### Introduction

Pursuant to the Existing Consolidated MTA entered into between Clifford Estates Panyu (for itself and on behalf of the other property owners which are members of the then Private Group) (as landlord) and the Company (for itself and on behalf of its subsidiaries) (as tenant), Clifford Estates Panyu agreed to lease certain properties to the Company, on and subject to the respective terms and conditions contained therein.

The original term under the Existing Consolidated MTA commenced with effect from 1 January 2016 until the tenth anniversary of such commencement date, and may be renewed for a successive period of ten years by mutual consent upon the initial expiry, subject to compliance with the then applicable requirements of the Listing Rules. At the Company's extraordinary general meeting held on 28 January 2019, the then Independent shareholders approved the annual caps in respect of the transactions contemplated under the 2016 MTA (as supplemented by the 2017 & 2018 Supplemental MTAs) for each of FY2019, FY2020 and FY2021. It is expected that the Company will continue to lease such properties under the Existing Consolidated MTA after 31 December 2021.

During 2020 and 2021, corporate reorganisation is being implemented in respect of certain companies which are members of the then WM Group and members of the then Private Group, and which principally engage in the provision hospital/clinical, elderly and postpartum care services, healthcare and related services in the PRC. Upon the completion of such reorganisation ("**WM Healthcare Group Reorganisation**"), these companies will become the subsidiaries of Clifford Medical, and hence members of the WM Healthcare Group.

On 29 October 2021, for the purpose of replacing the Existing Consolidated MTA in order to streamline the management of the lease arrangements in the future, the Company (for itself and on behalf of its subsidiaries) (as tenant) entered into the 2021 Master Tenancy Agreements, comprising:

- (i) 2021 MTA No.1 made with Clifford Estates Panyu (for itself and on behalf of the other property owners which are members of the Private Group) (as landlord); and

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- (ii) 2021 MTA No.2 made with Clifford Medical (for itself and on behalf of certain members of the WM Healthcare Group) (as landlord),

pursuant to which the respective landlords agreed to lease certain properties to the Company, on and subject to the respective terms and conditions contained therein. Each of 2021 MTA No.1 and 2021 MTA No.2 has a term of three years commencing from 1 January 2022 to 31 December 2024.

### Principal terms of the 2021 MTA No.1

#### 2021 MTA No.1

The principal terms of 2021 MTA No.1 are summarised below:

Date of 2021 MTA No.1:	29 October 2021 (after trading hours)
Parties:	(i) the Company (for itself and on behalf of its subsidiaries) (as tenant)
	(ii) Clifford Estates Panyu (for itself and on behalf of the other property owners which are members of the Private Group) (as landlord)
Premises to be leased under the 2021 MTA No.1:	Under 2021 MTA No.1, the Group will lease from the Private Group premises with a total gross floor area of 23,880 sq. m. in Panyu district, Foshan district, Huadu district of Guangdong Province, the PRC and in Hong Kong. Brief details of the premises are set out below:

	<b>Number of leases</b>	<b>Total gross floor area (sq. m.)</b>	<b>Range of monthly rental (RMB per sq. m.)</b>
Panyu district	30	21,787	8–290 <sup>(Note)</sup>
Foshan district	1	20	20
Huadu district	1	40	41
Hong Kong	2	2,033	105
Total	<u>34</u>	<u>23,880</u>	

*Note:* Among these 30 leases for premises in Panyu district, the monthly rental of two of them fall within the range of RMB210 to 290 per sq. m. due to the usage and location of these premises while the range of monthly rental of the remaining premises ranges from RMB8 to 94 per sq. m.

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The construction of certain residential properties developed by the Private Group are expected to be completed and will be allowed to be occupied during FY2022, FY2023 and FY2024, respectively. Accordingly, 2021 MTA No.1 also contains a term that upon the completion of construction and commencement of occupation of such properties, the Group will lease from the Private Group some of these newly developed premises with a total gross floor area of 2,900 sq. m. and an additional floor of 1,400 sq. m., being part of an existing warehouse (*Note 1*) in Panyu district of Guangdong Province, the PRC. Brief details of the newly developed premises to be leased by the Group are set out below:

	<b>Number of new leases</b>	<b>Total gross floor area</b>  <i>(sq. m.)</i>	<b>Expected range of monthly rental</b> <i>(Note 2)</i>  <i>(RMB per sq. m.)</i>
FY2022	1	2,000	170
FY2023	3	700	200–290
FY2024	2	1,600	5–235
<b>Total</b>	<b>6</b>	<b>4,300<sup>(Note 1)</sup></b>	

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

*Note 2:* These expected monthly rentals are estimated based on the rentals of similar premises in Panyu district taking into account the usage and location of the relevant premises. The Group will engage an independent valuer to issue fair rent letter as reference for determining the relevant annual rentals payable. For FY2024, as one of the premise to be leased is part of an existing warehouse, its rental is expected to be approximately RMB5 per sq. m.

With respect to the properties leased under 2021 MTA No.1, individual members of the Group (as tenants) and individual members of the Private Group (as landlords) entered or will enter into individual tenancy agreements which prescribe specific lease terms and conditions (including rental, payment method and other terms). The terms of such individual tenancy agreements shall be consistent with those of the 2021 MTA No.1.

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If any of the individual tenancy agreements expires before 31 December 2024 (being the expiry date of 2021 MTA No.1), the Company is entitled to renew such individual tenancy agreement with the relevant landlord (being a member of the Private Group) by giving three months' written notice, subject to the compliance with the then applicable provisions of the Listing Rules.

Use: Mainly as operating or business outlets, offices, warehouses

Term: Three years commencing from 1 January 2022 to 31 December 2024

Rent: The annual rentals payable by the Group under the existing individual tenancy agreements have been determined by the Group with reference to the range of prevailing market rates for each of the premises under the exiting individual tenancy agreements as at 31 December 2020 based on the valuation results of an independent property valuer contained in a fair rent letter (the "**Fair Rent Letter**") and the management's assessment of the prevailing market rates for FY2021. The Fair Rent Letter provided an independent analysis on the rental levels of the properties (including those leased under the 34 existing individual tenancy agreements covered by the 2021 MTA No.1) as of 31 December 2020, showing that the monthly rental payable by the Group under such existing tenancy agreements are within the range of the prevailing market rates. The date of the Fair Rent Letter is in line with the description set out in the prospectus of the Company dated 27 October 2016, which stated that the first fair rent letter issued in 2016 shall be used to determine the rental payable for five years up to 2020, and the second fair rent letter (i.e. the Fair Rent Letter) shall be used to determine the rental payable for the sixth year (i.e. FY2021).

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

The annual rental payable by the Group shall be increased by an amount not exceeding the lower of (i) 7% (which is determined with reference to the GDP growth rate of the PRC during 2010 to 2020); and (ii) the prevailing GDP growth rate of the PRC in the immediately preceding year.

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The annual rentals in respect of the premises to be leased by the Group under 2021 MTA No.1 were determined after arm's length negotiations between the relevant parties with reference to the prevailing market rates of local properties in the neighbourhood with a similar scale and quality and subject to the internal control measures of the Group and of the Private Group. The prevailing market rates of local properties are determined with reference to:

- (i) quotations of one or more similar comparable properties owned by Independent Third Parties in the neighbouring area provided by independent estate agency;
- (ii) the terms of at least one existing tenancy agreement entered into between the Private Group (as landlord) and Independent Third Party(ies) (as tenant) in relation to premises located near or next to the subject premises; and
- (iii) (where items (i) and (ii) are not available or applicable) at least two quotations provided by the Private Group to Independent Third Party(ies).

After the general manager of administration department has collected available data and market information (including quotations from Independent Third Parties), such information will first be passed to an executive Director (excluding Ms. Wendy Man) for checking the compliance with the pricing policy, and subsequently to the finance department for verification and review, the finance department will also decide whether the quotation offered by the Private Group is no less favourable than those given by the Independent Third Party estate agency and whether the lease terms are fair and reasonable. Future increments will be determined based on the GDP growth rates of the PRC (subject to a cap of 7% per annum). The executive Directors will closely monitor the rentals payable to the Private Group and new individual leases to be entered into pursuant to 2021 MTA No.1 on a monthly basis to ensure that the annual caps are not exceeded and to ensure the implementation of the relevant internal control measures on pricing policy (which is also applicable to 2021 MTA No.2).

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Changes in leased premises: where there are any changes in leased premises arising from or in connection with the business development of the Group, the parties may revise the list of premises to be leased by the Group by way of entering into supplemental agreements or memoranda to record such changes. To the extent that (i) the relevant changes (or cumulative changes) do not result in the annual cap for the relevant year (as approved by the then Independent Shareholders) being exceeded, and (ii) the manner of determining the rentals of such premises being made in compliance with the terms of 2021 MTA No.1, such changes will be considered as immaterial (unless the Stock Exchange or the majority of the INEDs consider otherwise). If any of the changes are considered to be material, these changes will take effect conditional upon the applicable requirements under the Listing Rules being complied with.

First right of refusal: Pursuant to 2021 MTA No.1, Clifford Estates Panyu (for itself and on behalf of the other property owners which are members of the Private Group) has granted first right of refusal to the Company (for itself and on behalf of its subsidiaries), such that at any time during the term of 2021 MTA No.1, if any relevant landlord(s) intends to sell, assign or transfer any premises leased by the Group (as tenants) under 2021 MTA No.1, such premises shall be first offered to the Group for purchase at a fair and reasonable price to be determined based on the valuation of an independent valuer.

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

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Conditions precedent to 2021 MTA No.1 becoming effective: The transactions contemplated under 2021 MTA No.1 are conditional upon (i) the Company having complied with its obligations regarding the disclosure and approval of 2021 MTA No.1 and the transactions contemplated thereunder, including (if so required) the approval from the Independent Shareholders being obtained, in accordance with the provisions of its articles of association and the Listing Rules; and (ii) all other requirements under the Listing Rules being complied with (including obtaining the advice of the Independent Financial Adviser).

Each of the conditions set out above is not waivable under any circumstances. As at the date of this circular, save for the publication of the 2021 Announcement and this circular (including the obtaining of the advice of the Independent Financial Adviser), none of the conditions as set out above have been fulfilled.

Each of the 2020 MTA No. 1, 2021 MTA No. 2, 2021 MCSA No.1 and 2021 MCSA No. 2 are not inter-conditional to each other.

### ***2021 MTA No.2***

The principal terms of 2021 MTA No.2 (including the term, rent, first right of refusal and conditions precedent) are essentially similar to those of 2021 MTA No.1, save and except that, under 2021 MTA No.2, the Group will only lease one premise from the WM Healthcare Group premises with a total gross floor area of 91 sq. m. in Panyu district of Guangdong Province, the PRC for its operation as a convenience store.

### **Historical transaction amounts**

The initial annual caps in respect of the transactions contemplated under the 2016 Master Tenancy Agreement for each of FY2016, FY2017 and FY2018 were, as disclosed in the Prospectus, RMB11.5 million, RMB12.0 million and RMB12.5 million, respectively. On 23 June 2017, the annual caps in respect of the transactions contemplated under the 2016 MTA (as supplemented by the 2017 Supplemental MTA) for each of FY2017 and FY2018 was approved by the then Independent Shareholders at the Company's extraordinary general meeting to be revised to RMB16.0 million and RMB20.0 million, respectively. On 28 January 2019, the annual caps in respect of the transactions contemplated under the 2016 MTA (as supplemented by the 2017 & 2018 Supplemental MTAs) for each of FY2019, FY2020 and FY2021 was approved by the then Independent Shareholders at the Company's extraordinary general meeting to RMB19.0 million, RMB20.0 million and RMB21.0 million, respectively.



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The historical transaction amount in respect of the transactions contemplated under the Existing Consolidated MTA for each of FY2019, FY2020 and FY2021 (up to 31 October 2021) are set out below:

	<b>FY2019</b>	<b>FY2020</b>	<b>FY2021 (up to 31 October 2021)</b>
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
	(Audited)	(Audited)	(Unaudited)
Rental paid or payable to landlords which are members of the Private Group	12.6	10.6	11.1
Rental paid or payable to landlords which are members of the WM Healthcare Group (which are members of the then WM Group or members of the then Private Group)	0.1	0.1	0.1
Total	12.7	10.7	11.2

So far as the Directors are aware, the annual caps in respect of the transactions contemplated under the Existing Consolidated MTA for FY2021 has not been exceeded as at the Latest Practicable Date.

### **Proposed annual caps**

According to Hong Kong Financial Reporting Standard (HKFRS) 16 “Leases”, the Group is required to recognise a right-of-use asset and a lease liability, which are measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate in the year of entering into the leases where the Group acts as a lessee. Pursuant to the requirements of the Listing Rules, as the transactions contemplated under the 2021 MTA No.1 will be recognised as the acquisitions of right-of-use assets, the Group is required to set annual caps on the total value of right-of-use assets relating to the leases to be entered into by the Group as a lessee for each of FY2022, FY2023 and FY2024 under the 2021 MTA No.1. As the 2021 MTA No. 2 only involves the leasing of one premise (the balance of the right-of-use assets representing such premise to be recognised by the Group in FY2022 amounted to approximately RMB0.4 million), such transaction will be regarded as an acquisition of capital asset for the purpose of the Listing Rules.

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The following table sets out the proposed annual caps, which represent the total value of right-of-use assets relating to the leases to be entered into by the Group under the 2021 MTA No.1 and 2021 MTA No.2, for FY2022, FY2023, and FY2024:

	<b>FY2022</b> <i>(RMB million)</i>	<b>FY2023</b> <i>(RMB million)</i>	<b>FY2024</b> <i>(RMB million)</i>
Proposed annual caps for 2021			
MTA No.1	57.1 <sup>(Note)</sup>	13.6	19.7

*Note:* Since the 2021 MTA No.1 entered into by the Group is in the form of a framework agreement and the term of the aforementioned 34 lease agreements under this framework agreement range from two to ten years, the proposed annual cap for the total value of the right-of-use assets for FY2022 is larger when compared to the historical transaction amount (which represents the rental paid or payable to landlords which are members of the Private Group, instead of the right-of-use assets of the leased premises recognized by the Group) in respect of the transactions contemplated under the Existing Consolidated MTA for each of FY2019, FY2020 and FY 2021 (up to 31 October 2021) as it includes (i) the total value of right-of-use assets representing the premises under all these 34 leases as at 31 December 2021 and (ii) the addition of the right-of-use assets in relation to new leases to be entered into the Group under 2021 MTA No.1 during FY2022.

### **Basis of determination of the proposed annual caps**

The proposed annual caps in respect of the transactions contemplated under the 2021 MTA No. 1 have been determined with reference to:

- (i) the rentals payable by the Group;
- (ii) the gross floor area of premises (including the existing premises and the newly developed premises, which were set out in the paragraph headed “Principal terms of the 2021 MTA No.1 – 2021 MTA No.1” in this section) to be leased from the Private Group under the 2021 MTA No. 1;
- (iii) the market rent and the range of monthly rental (which were set out in the paragraph headed “Principal terms of the 2021 MTA No.1 – 2021 MTA No.1” in this section) of the premises (including the existing premises and the newly developed premises) to be leased under the 2021 MTA No. 1 based on the prevailing market conditions and the rental level of similar properties in the vicinity;
- (iv) the value of the Group’s rights to use the underlying leased asset for the lease term which is initially measured on present value basis and calculated by discounting the non-cancellable lease payments for each lease to be entered into under the 2021 MTA No. 1, using the incremental borrowing rate as the discount rate; and
- (v) the expected growth of the unit rental or the prevailing GDP growth rate of the PRC, whichever is lower.

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### **Implications of the Listing Rules**

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

The transactions contemplated under 2021 MTA No.1 and 2021 MTA No.2 are not aggregated under Rule 14A.81 of the Listing Rules, for the reasons that (i) the locations of the properties leased under 2021 MTA No.1 and 2021 MTA No.2 respectively are different; (ii) the nature and uses of the properties leased under the 2021 MTAs are different; and (iii) the properties leased under the 2021 MTAs are used as the Group's operating or business outlets, offices or warehouses, which are in the ordinary and usual course of its existing business, and hence will not lead to any involvement by the Group in a new business activity.

For 2021 MTA No.1, as all of the applicable percentage ratios (other than the profits ratio) in respect of the largest annual cap thereunder is more than 5% (but less than 25%) and such largest annual cap is more than HK\$10 million, the 2021 MTA No.1 and the transactions contemplated thereunder are subject to the reporting, announcement, annual review and Independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

For 2021 MTA No.2, as all of the applicable percentage ratios (other than the profits ratio) in respect of the only lease thereunder based on the value of the right-of-use asset recognised by the Group is less than 5% and is less than HK\$3 million, 2021 MTA No.2 and the transactions contemplated thereunder are therefore fully exempt from the reporting, announcement, annual review and Independent shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules. Considering the relevance of 2021 MTA No.1 and 2021 MTA No.2, brief details of 2021 MTA No.2 and the transactions contemplated thereunder are also included in this circular for the Shareholder's information.

## **(2) CONTINUING CONNECTED TRANSACTIONS UNDER THE 2021 MASTER COMPOSITE SERVICES AGREEMENTS**

### **Introduction**

Reference is made to the Previously Published Documents in relation to, among other matters, the continuing connected transactions as provided under the existing 2018 MCSA.

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On 18 October 2018, the 2018 MCSA was entered into between the Company (on behalf of its subsidiaries) (as service providers) on the one part, and Clifford Estates Panyu (for itself and on behalf of the other members of the then Private Group) and Clifford Elderly Home (for itself and on behalf of other members of the then WM Group) (as receiving parties) on the other part. Pursuant to the 2018 MCSA, the Company agreed to provide the following services to the respective receiving parties for a term of three years from 1 January 2019 to 31 December 2021:

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

It is expected that the continuing connected transactions under the 2018 MCSA will continue beyond their expiry on 31 December 2021. Further, during 2020 and 2021, the WM Healthcare Group Reorganisation is being implemented in respect of certain companies which (prior to the WM Healthcare Group Reorganisation being implemented) were members of the then WM Group or members of the then Private Group, upon the completion of which these companies will become members of the WM Healthcare Group.

On 29 October 2021, for the purpose of renewing the transactions as provided under the existing 2018 MCSA, the Company (for itself and on behalf of its subsidiaries) (as service providers) entered into the 2021 MCSAs, comprising:

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

pursuant to which the Group agreed to provide the following services to the respective receiving parties for a term of three years ending 31 December 2024: (a) living services; (b) engineering and maintenance services; and (c) telecommunication services, on and subject to the respective terms and conditions contained therein.

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### Principal terms of the 2021 Master Composite Services Agreements

#### *2021 MCSA No.1*

The principal terms of 2021 MCSA No.1 are summarised below:

Date of 2021 MCSA No.1: 29 October 2021 (after trading hours)

Parties:

- (i) the Company (for itself and on behalf of its subsidiaries) (as service providers)
- (ii) Clifford Estates Panyu (for itself and on behalf of the other members of the Private Group) and Clifford Xianhu Hotel (for itself and on behalf of the other members of the WM Non-HC Group) (both as receiving parties)

Term: Three years commencing 1 January 2022 and ending 31 December 2024

Both parties are entitled, by giving three months' written notice, to extend the term of 2021 MCSA No.1 for a period of three years after the expiry of the initial term on 31 December 2024, subject to compliance with the then applicable provisions of the Listing Rules.

Services to be provided by the Group:

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

Conditions precedent to 2021 MCSA No.1 becoming effective: The transactions contemplated under 2021 MCSA No.1 (including the proposed annual caps thereof) are conditional upon (i) the Company having complied with its obligations regarding the disclosure and approval of 2021 MCSA No.1 and the transactions contemplated thereunder, including (if required) the approval from the Independent Shareholders being obtained in accordance with the provisions of its articles of association and the Listing Rules; and (ii) all other requirements under the Listing Rules being complied with (including obtaining the advice of the Independent Financial Adviser).

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Each of the conditions set out above is not waivable under any circumstances. As at the date of this circular, save for the publication of the 2021 Announcement and this circular (including the obtaining of the advice of the Independent Financial Adviser), none of the conditions as set out above have been fulfilled.

Each of the 2020 MTA No. 1, 2021 MTA No. 2, 2021 MCSA No.1 and 2021 MCSA No. 2 are not inter-conditional to each other.

### *2021 MCSA No.2*

The principal terms of 2021 MCSA No.2 are summarized as below:

Date of 2021 MCSA No.2: 29 October 2021 (after trading hours)

Parties: (i) the Company (for itself and on behalf of its subsidiaries) (as service providers)

(ii) Clifford Medical (for itself and on behalf of the other members of the WM Healthcare Group) (as receiving parties)

Term: Three years commencing 1 January 2022 and ending 31 December 2024

Both parties are entitled, by giving three months' written notice, to extend the term of 2021 MCSA No.2 for a period of three years after the expiry of the initial term on 31 December 2024, subject to compliance with the then applicable provisions of the Listing Rules.

Services to be provided by the Group: living services; engineering and maintenance services; and telecommunication services.

Conditions precedent to 2021 MCSA No.2 becoming effective: The transactions contemplated under 2021 MCSA No.2 (including the proposed annual caps thereof) are conditional upon (i) the Company having complied with its obligations regarding the disclosure and approval of 2021 MCSA No.2 and the transactions contemplated thereunder, including (if required) the approval from the Independent Shareholders being obtained in accordance with the provisions of the Listing Rules; and (ii) all other requirements under the Listing Rules being complied with (including obtaining the advice of the Independent Financial Adviser).

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Each of the conditions set out above is not waivable under any circumstances. As at the date of this circular, save for the publication of the 2021 Announcement and this circular (including the obtaining of the advice of the Independent Financial Adviser), none of the conditions as set out above have been fulfilled.

Each of the 2020 MTA No. 1, 2021 MTA No. 2, 2021 MCSA No.1 and 2021 MCSA No. 2 are not inter-conditional to each other.

### **Pricing policy**

The pricing policy applicable to services provided under each of 2021 MCSA No.1 and 2021 MCSA No.2 follows that applicable to transactions of similar nature or types which are applicable to services rendered by the Group. Such pricing policy is summarized below:

- (i) Procurement Purchase prices of relevant products provided by the Group are determined (a) through arm's length negotiation and having regard to the comparable market prices (including the terms of procurement service agreement entered into between the Group (as service provider) and at least one Independent Third Party (as receiving parties) with similar purchase volume); or (b) if item (a) is not available, based on the trading cost (including purchase price and other costs) of the relevant products plus a premium of approximately 5% to 10% (the administrative and miscellaneous expenses incurred in the process is generally around 1–2% of the trading cost), to ensure that the terms offered by the Group to the connected persons shall be no more favourable than those available to Independent Third Parties (subject to, in respect of the Group's provision of such services to the WM Healthcare Group under 2021 MCSA No.2, the terms offered by the Group being no less favourable than those available to the WM Healthcare Group from Independent Third Parties ("**Mutually Fair Arrangement**"), but in any event at terms no less favourable than those offered to the Group by Independent Third Party).

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- (ii) Property management services
- The Group determines the property management fee based on the regulations promulgated by the PRC government (including the Measures on the Charges of Property Service (《物業服務收費管理辦法》), the Property Management Interim Measures of Guangzhou City (《廣州市物業管理暫行辦法》) and the notices issued by the Price Bureau of Guangzhou City (廣州市物價局) and the Land and Resources and Housing Administrative Bureau of Guangzhou City (廣州市國土資源和房屋管理局) from time to time in relation to, among other things, the applicability and range of government-guided pricing for property management fee) with reference to the prices charged by our Group (as service provider) to at least two Independent Third Parties (as receiving parties) in the neighbourhood to ensure that the prices offered by the Group to the connected persons shall be no more favourable than those available to Independent Third Parties (subject to, in respect of the Group's provision of services to the WM Healthcare Group under 2021 MCSA No.2, the Mutually Fair Arrangement, but in any event at terms no less favourable than those offered to the Group by Independent Third Party).
- (iii) Laundry
- Laundry service fee is determined by the relevant parties through arm's length negotiation, with reference to the laundry service fees charged by our Group (as service provider) to at least one Independent Third Party (as receiving party) for services of a similar nature in the neighbourhood to ensure that the terms offered by the Group to the connected persons shall be no more favourable than those available to Independent Third Parties (subject to, in respect of the Group's provision of such services to the WM Healthcare Group under 2021 MCSA No.2, the Mutually Fair Arrangement, but in any event at terms no less favourable than those offered to the Group by Independent Third Party).



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(iv) Resident support

In respect of renovation and property fitting services, the prices are determined by relevant parties on arm's length basis, having regard to (i) the nature and value of the relevant services rendered by the Group; (ii) the actual costs and expenses incurred plus a mark-up ranging from approximately 30% to 45% which is determined with reference to the service fees that the Group (as service provider) charges Independent Third Parties (most of whom are local residents), to ensure that the terms offered by the Group to the connected persons shall be no more favourable than those available to Independent Third Parties; (iii) (in respect of the Group's provision of such services to the WM Healthcare Group under 2021 MCSA No.2) the renovation and property fitting service fees charged by at least one Independent Third Party services provider for services of a similar nature in the neighbourhood to ensure that the terms offered by the Group are in compliance with the Mutually Fair Arrangement, but in any event at terms no less favourable than those offered to the Group by Independent Third Party.

In respect of the home cleaning services, the prices are determined by relevant parties on arm's length basis with reference to:

- (a) the prices offered by the Group (as service provider) to at least one Independent Third Party (most of whom are local residents) (The prices offered by the Group are readily available market information made known to (among others) unrelated third party users and potential users. The prices offered by the Group to the connected persons shall be no more favourable than prices of similar services offered by the Group to Independent Third Parties); and
- (b) (in respect of the Group's provision of such services to the WM Healthcare Group under 2021 MCSA No.2) the home cleaning service fees charged by at least one Independent Third Party services provider for services of a similar nature in the neighbourhood to ensure that the terms offered by the Group are in compliance with the Mutually Fair Arrangement, but in any event at terms no less favourable than those offered to the Group by Independent Third Party.

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## LETTER FROM THE BOARD

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- (v) Employment placement agency services      The prices are determined by relevant parties on arm's length basis having regard to the type of care helper which is fixed with reference to the prices charged by our Group (as service provider) to at least one Independent Third Party (as receiving party) for providing services of a similar nature in the neighbourhood to ensure that the prices offered by the Group to the connected persons are no more favourable than those available to Independent Third Parties (subject to, in respect of the Group's provision of such services to the WM Healthcare Group under 2021 MCSA No.2, the Mutually Fair Arrangement, but in any event at terms no less favourable than those offered to the Group by Independent Third Party).
- (vi) Property agency services      The property agency fees are determined by relevant parties on arm's length basis with reference to the historical fees charged by the Group (as service provider) to at least one Independent Third Party (as receiving party) in the neighbourhood with a similar scale and quality to ensure that the fees offered by the Group to the connected persons are no more favourable than those available to Independent Third Parties (subject to, in respect of the Group's provision of such services to the WM Healthcare Group under 2021 MCSA No.2, the Mutually Fair Arrangement, but in any event at terms no less favourable than those offered to the Group by Independent Third Party).

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## LETTER FROM THE BOARD

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(vii) Engineering and  
maintenance

The prices are generally determined by relevant parties on a project-by-project basis through tendering process, having regard to the nature and complexity of the projects and the actual costs and expenses incurred for procurement of materials, staff remuneration and other service fees payable to third parties, plus a mark-up ranging from approximately 10% to 45%, which is determined with reference to tendering specifications of each project and service fees that the Group (as service provider) charges against Independent Third Parties (as receiving parties).

After receiving the tendering specifications of the engineering projects, members of the tendering team would analyse and calculate the costs involved (including estimated manpower, qualified persons (e.g. engineers or other experts) and materials to be used), complexity of the engineering services involved and estimated project duration. The general manager of Guangzhou Kejian will then compare the profitability of the projects with (a) the engineering works of similar size and complexity provided to other Independent Third Parties and (b) (in respect of the provision of such services by the Group to the WM Healthcare Group under 2021 MCSA No.2) the engineering works of similar size and complexity provided by 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 persons are no more favourable than those charged to Independent Third Parties (subject to, in respect of the Group's provision of engineering services to the WM Healthcare Group under 2021 MCSA No.2, the Mutually Fair Arrangement, but in any event at terms no less favourable than those offered to the Group by Independent Third Party). The mark-up range for the Group's engineering service fees charged against Independent Third Parties is approximately 10% to 45%; and the mark-up range for engineering service fees charged by Independent Third Party services providers is approximately 10% to 45%.

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## LETTER FROM THE BOARD

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In respect of maintenance services, the prices are determined by relevant parties on arm's length basis with reference to (i) the prices offered by the Group (as service provider) to the Independent Third Parties (as receiving parties), which has taken into account the nature and complexity of the maintenance services to be provided, costs and expenses of the equipment and spare parts required for the maintenance services, staff remuneration and estimated duration and frequency of maintenance services required and (ii) (in respect of the Group's provision of such services to the WM Healthcare Group under 2021 MCSA No.2) the prices offered by Independent Third Party services providers. The prices to be charged to the connected persons shall be no more favourable than prices of similar services charged by the Group to Independent Third Parties (subject to, in respect of the Group's provision of maintenance services to the WM Healthcare Group under 2021 MCSA No.2, the Mutually Fair Arrangement, but in any event at terms no less favourable than those offered to the Group by Independent Third Party). The percentage range of maintenance service fees charged for relevant engineering service contract sum provided to Independent Third Parties is approximately 3% to 15%; for the provision of similar maintenance services by Independent Third Party services providers, the percentage range of maintenance service fees charged for relevant engineering service contract sum is approximately 3% to 15%.

(viii) Telecommunication

The prices, which the Group charges receiving parties on a monthly basis, are determined by relevant parties on arm's length basis having regard to the actual costs and expenses incurred, plus a mark-up ranging from approximately 10% to 40%, which is determined with reference to (i) the Group's policy on the service fees that the Group charges or will charge the Independent Third Parties and (ii) (in respect of the Group's provision of telecommunication services to the WM Healthcare Group under 2021 MCSA No.2) the service fees charged by Independent Third Party services providers, but in any event at terms no less favourable than those offered to the Group by Independent Third Party.

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## LETTER FROM THE BOARD

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### **Pricing methods and procedures**

In respect of (i) living services (procurement, property management, laundry, resident support, employment placement agency services and property agency services) and (ii) telecommunication services, the general manager of the respective operations will provide a quotation in accordance with the pricing policy which will then be reviewed by the Executive Director (excluding Ms. Wendy Man). The general manager will also enquire the receiving party(ies) the expected amount of services required, and obtain their preliminary view on the quotation. The quotation and the relevant comparable information will then be passed to the finance department for verification and second review. The prices (to be received by the Group) shall be no less favourable than prices of similar services rendered by the Group to Independent Third Parties and (in respect of the Group's provision of such services to the WM Healthcare Group under 2021 MCSA No.2) the prices (to be charged and received by the Group) shall also be no less favourable than prices of similar services rendered by Independent Third Party services providers to the WM Healthcare Group.

In respect of engineering services, the tendering team (which will comprise senior management of the Group) will determine the prices by conducting preliminary costing and pricing analysis when the Group is invited to participate in the tendering process to ensure that terms in the tender are normal commercial terms in the ordinary course of business, and for services to be rendered to the Private Group, the WM Non-HC Group and the WM Healthcare Group, such price and other terms are no less favourable than those of similar services rendered to Independent Third Parties; and (in respect of the Group's provision of engineering services to the WM Healthcare Group under 2021 MCSA No.2) such prices and other terms shall also be no less favourable than those of similar services rendered by Independent Third Party services providers to the WM Healthcare Group.

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

- (i) approximately 3% to 15% of the relevant engineering services contract sum; and
- (ii) relevant parties on arm's length basis with reference to the prices offered to the Independent Third Parties. The prices (to be received by the Group) shall be no less favourable than prices of similar services rendered by the Group to Independent Third Parties; and (in respect of the Group's provision of services to the WM Healthcare Group under 2021 MCSA No.2) the prices (to be charged and received by the Group) shall also be no less favourable than prices of similar services rendered by Independent Third Party services providers to the WM Healthcare Group.

Under the 2021 MCSAs, the finance manager will assess whether the annual caps will be exceeded on a monthly basis, and whether the terms of services are within the scope of and in compliance with the 2021 MCSAs. The executive Directors will then review and approve the service fees in respect of the services to be charged to the Private Group, the WM Non-HC Group and the WM Healthcare Group. The executive Directors will closely monitor the service fees charged to the Private Group, the WM Non-HC Group and the WM Healthcare Group pursuant to the 2021 MCSAs on a monthly basis to ensure that the annual caps are not exceeded and to ensure the implementation of the relevant internal control measures on pricing policy.

## LETTER FROM THE BOARD

### Historical transaction amounts and proposed annual caps

The annual caps in respect of the transactions contemplated under the 2018 MCSA for each of FY2019, FY2020 and FY2021 are RMB126.0 million, RMB129.0 million and RMB138.0 million, respectively.

The historical transaction amount in respect of the transactions contemplated under the 2018 MCSA for each of FY2019, FY2020 and FY2021 (up to 31 October 2021) are set out below:

	<b>FY2019</b>	<b>FY2020</b>	<b>FY2021 (up to 31 October 2021)</b>
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
	(Audited)	(Audited)	(Unaudited)
Aggregate service fees paid or payable by members of the Private Group and the WM Non-HC Group	58.8	80.6	56.6
Service fees paid or payable by members of the WM Healthcare Group (which are members of the then WM Group or members of the then Private Group)	11.5	7.7	9.4
<b>Total</b>	<b>70.3</b>	<b>88.3</b>	<b>66.0</b>

So far as the Directors are aware, the annual cap in respect of the transactions contemplated under the 2018 MCSA for FY2021 has not been exceeded as at the Latest Practicable Date.

The following table sets out the proposed annual caps in respect of the transactions contemplated under each of 2021 MCSA No.1 and 2021 MCSA No.2 for each of FY2022, FY2023 and FY2024:

	<b>FY2022</b>	<b>FY2023</b>	<b>FY2024</b>
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Proposed annual caps for 2021 MCSA No.1	132	129	139
Proposed annual caps for 2021 MCSA No.2	34	41	44
<b>Total</b>	<b>166</b>	<b>170</b>	<b>183</b>

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## LETTER FROM THE BOARD

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### **Basis of determination of the proposed annual caps**

The proposed annual caps in respect of the transactions contemplated under each of 2021 MCSA No. 1 and 2021 MCSA No. 2 have been determined based on the historical transaction amounts for the relevant services, the additional volume of services to be provided in the next three years, together with the factors which are specific to the particular types of services as set out below:

- (i) For living services (except for property management services):
  - (a) the historical transaction amounts for living services (excluding property management) amounted to approximately RMB14.9 million for the ten months ended 31 October 2021 and the expected transaction amounts of approximately RMB3.0 million for the two months ending 31 December 2021;
  - (b) the expected annual growth rate of 7%, which is estimated with reference to the GDP growth rate of the PRC during 2010 to 2020;
- (ii) For property management services:
  - (a) the historical property management fees paid under the 2018 MCSA;
  - (b) the ongoing property management engagements (covering the total floor area of approximately 2,700,000 sq. m.) and their respective managements fees;
  - (c) the expected completion of new property projects in the next three years (including new property projects with the expected total floor area of approximately 645,000 sq. m. will be completed in FY2022 and approximately 330,000 sq. m. will be completed in FY2023 and FY2024) and the expected management fees for such newly completed properties;
- (iii) For engineering and maintenance work and telecommunication services:
  - (a) the historical contractual amount of approximately RMB73.2 million, RMB88.3 million and RMB43.3 million for FY2019, FY2020 and for the six months ended 30 June 2021 in respect of the tenders awarded to the Group through tender process of the Private Group, the WM Non-HC Group and the WM Healthcare Group, and the outstanding services which are expected to be performed in FY2022, FY2023 and FY2024;
  - (b) the estimated success rate of the Group tendering for the engineering works, based upon the historical tendering success rate and participation rate of the Group over the past three years, which for FY2019, FY2020 and the ten months ended 31 October 2021 reached 100%;

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## LETTER FROM THE BOARD

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- (c) the total contract sum for the ongoing engineering and maintenance work and telecommunication services and the relevant tenders submitted by the Group to the Private Group, the WM Non-HC Group or the WM Healthcare Group, which, for FY2022, amounted to approximately RMB114.1 million;
- (d) the estimated transaction amount as a result of any variation orders made by the Private Group, the WM Non-HC Group and the WM Healthcare Group in the course of project implementation; and
- (e) the maintenance service required for the projects implemented and completed in the past three years; an estimate for possible projects indicated to be subject to tender, but not yet invited and/or awarded.

### **Implications of the Listing Rules**

For the reasons stated in the section headed “(1) Continuing Connected Transactions under the 2021 MTA No.1 – Implications of the Listing Rules” above, both the Private Group (including Clifford Estates Panyu) and the WM Healthcare Group (including Clifford Medical) are connected persons of the Company under the Listing Rules.

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

Accordingly, the entering into of the 2021 MCSAs constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, the transactions contemplated under 2021 MCSA No.1 and 2021 MCSA No.2 are aggregated as if they were one transaction, on the basis that (i) both of them involve the provision of living services, engineering and maintenance services by the Group which are of similar nature and (ii) the respective receiving parties, namely, the Private Group, the WM Non-HC Group and the WM Healthcare Group, are all connected persons (as defined under the Listing Rules). As more than one of the applicable percentage ratios (other than the profits ratio) in respect of the aggregate amount of the proposed annual caps under the two 2021 MCSAs is more than 25% (but less than 75%) and the annual consideration is more than HK\$10 million, the 2021 MCSAs and the transactions contemplated thereunder (including the proposed annual caps thereof) are subject to the reporting, announcement, annual review and Independent Shareholders’ approval requirements under the Listing Rules.



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## LETTER FROM THE BOARD

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### REASONS FOR AND BENEFITS OF THE 2021 MTA NO. 1 AND THE 2021 MCSAs

As regards the 2021 Master Tenancy Agreements, the Group has been leasing certain properties from the Private Group (some members of which will become members of the WM Healthcare Group as part of the WM Healthcare Reorganisation in 2020 and 2021), and these properties have been used as the Group's operating or business outlets, offices warehouses, etc. As the Group's businesses have been carried out or situated at the relevant leased properties, it is considered appropriate (in terms of cost, time and operational stability) to continue leasing such properties from the Private Group or the WM Healthcare Group (as the case may be). In addition, relocating any of such leased properties will also incur unnecessary expenses. Accordingly, the Board considered that the renewal of their tenancy is fair and reasonable in order to avoid any material disruptions in the Group's operations.

As regards the 2021 Master Composite Services Agreements, since the Group generally understands the business needs of the Private Group, the WM Non-HC Group and the WM Healthcare Group, it is expected that the Group will, in its ordinary course of business continue to supply such services to the Private Group, the WM Non-HC Group and the WM Healthcare Group.

The Directors (excluding the INEDs whose views will be given after taking into account the advice from the Independent Financial Adviser) consider that the continuing connected transactions contemplated under the 2021 MTA No.1 and the 2021 MCSAs have been conducted on normal commercial terms, are fair and reasonable and in the interests of the Company and its shareholders as a whole, and that the proposed annual caps for the continuing connected transactions contemplated under the 2021 MTA No.1 and the 2021 MCSAs are fair and reasonable.

In view of her (and/or her associate's) interests in the 2021 MTAs and the 2021 MCSAs, Ms. Wendy Man has abstained from voting in respect of the relevant resolutions at the Board meeting held on 29 October 2021 for considering the 2021 MTAs and the 2021 MCSAs.

### GENERAL INFORMATION

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

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

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

The WM Healthcare Group is principally engaged in the businesses of (among others) the provision hospital/clinical, elderly and postpartum care services, healthcare and related services in the PRC. Its ultimate controlling shareholder is Ms. Wendy Man.

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## LETTER FROM THE BOARD

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### EGM

A resolution for approving each of the 2021 MTA No.1 and the 2021 MCSAs, and the transactions contemplated thereunder (including the respective proposed annual caps thereof) will be proposed at the EGM.

A notice convening the EGM to be held at Room 225, 2/F Mega Cube, 8 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong on Thursday, 30 December 2021 at 10:00 a.m. is set out on pages 65 to 68 of this circular.

In accordance with the Listing Rules, any connected person or Shareholder and its associates with a material interest in the 2021 MTA No.1 and the 2021 MCSAs and the transactions contemplated thereunder must abstain from voting on the resolutions to approve these agreements and the transactions contemplated thereunder (including the respective proposed annual caps thereof) at the EGM.

By virtue of Ms. Wendy Man's (or, as the case may be, her associates') interests in the 2021 MTA No.1 and the 2021 MCSAs, Ms. Wendy Man's and her associates are required to abstain from voting on the relevant resolutions to be proposed at the EGM. As at the Latest Practicable Date, Ms. Wendy Man, through her solely-owned company (namely Elland Holdings Limited), held 740,840,000 Shares, representing approximately 72.94% 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 2021 MTA No.1 and the 2021 MCSAs and the transactions contemplated thereunder, and no other Shareholders are required to abstain from voting on the ordinary resolutions in relation to the respective 2021 MTA No.1 and the 2021 MCSAs and the transactions contemplated thereunder (including the respective proposed annual caps) to be proposed at the EGM.

A form of proxy for the EGM is enclosed herewith. Whether or not Shareholders are able to attend and vote at the EGM, they are requested to complete the enclosed form of proxy and return the same to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, at Level 54, 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 Tuesday, 28 December 2021) or any adjournment thereof. Completion and return of the form of proxy as instructed will not prevent Shareholders from subsequently attending and voting at the EGM or any adjourned meeting if they so wish, and in such event, the instrument appointing a proxy shall be deemed to be revoked.

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

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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Directors (including all the INEDs after having regard to the advice of the IFA) consider that the 2021 MTA No.1 and the 2021 MCSAs and the transactions contemplated thereunder have been conducted by the Company in its ordinary and usual course of business, on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and that the respective proposed annual caps for the transactions contemplated under the 2021 MTA No.1 and the 2021 MCSAs are fair and reasonable. The Directors therefore recommend the Independent Shareholders to vote in favour of the relevant resolution set out in the notice of the EGM.

### FURTHER INFORMATION

The Independent Board Committee comprising all three INEDs, namely, Ms. LAW Elizabeth, Mr. HO Cham and Mr. MAK Ping Leung, has been appointed to recommend the Independent Shareholders in respect of the 2021 MTA No.1 and the 2021 MCSAs and the transactions contemplated thereunder (including the respective proposed annual caps). Altus Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in such regard.

Accordingly, your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 35 to 36 of this circular, which contains its recommendation to the Independent Shareholders; (ii) the letter from the Independent Financial Adviser set out on pages 37 to 60 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders; and (iii) the general information set out in the Appendix to this circular.

Yours faithfully

For and on behalf of the Board of

**Clifford Modern Living Holdings Limited**

**MAN Lai Hung**

*Chairman, Chief Executive Officer and Executive Director*

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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Directors (including all the INEDs after having regard to the advice of the IFA) consider that the 2021 MTA No.1 and the 2021 MCSAs and the transactions contemplated thereunder have been conducted by the Company in its ordinary and usual course of business, on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and that the respective proposed annual caps for the transactions contemplated under the 2021 MTA No.1 and the 2021 MCSAs are fair and reasonable. The Directors therefore recommend the Independent Shareholders to vote in favour of the relevant resolution set out in the notice of the EGM.

### FURTHER INFORMATION

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Accordingly, your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 35 to 36 of this circular, which contains its recommendation to the Independent Shareholders; (ii) the letter from the Independent Financial Adviser set out on pages 37 to 60 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders; and (iii) the general information set out in the Appendix to this circular.

Yours faithfully

For and on behalf of the Board of

**Clifford Modern Living Holdings Limited**

**MAN Lai Hung**

*Chairman, Chief Executive Officer and Executive Director*

