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9 December 2021

To the Independent Board Committee and the Independent Shareholders

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

Dear Sirs,

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

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the 2021 MTA No.1, the 2021 MCSAs and the transactions contemplated thereunder (including the respective annual caps thereof). Details of which are set out in the "Letter from the Board" contained in the circular of the Company dated 9 December 2021 (the "**Circular**"). Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

香港中環永和街21號

The 2021 MTA No.1

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

(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.

The 2021 MCSAs

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 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.

LISTING RULES IMPLICATIONS

The 2021 MTA No.1

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 two 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, the 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 the Circular for the Shareholder's information.

The 2021 MCSAs

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

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all of the INEDs, namely Ms. LAW Elizabeth, Mr. HO Cham and Mr. MAK Ping Leung, has been established to consider the 2021 MTA No.1, the 2021 MCSAs and the transactions contemplated thereunder (including the respective proposed annual caps) and to give advice and recommendation to the Independent Shareholders as to (i) whether the continuing connected transactions contemplated under the 2021 MTA No.1 and the 2021 MCSAs have been conducted on normal commercial terms and are fair and reasonable, and the entering of the 2021 MTA No.1 and the 2021 MCSAs is in the ordinary and usual course of business of the Company and in the interests of the Company and its shareholders as a whole; (ii) whether the proposed annual caps for the continuing connected transactions contemplated under the 2021 MTA No.1 and the 2021 MCSAs are fair and reasonable; and (iii) how the Independent Shareholders should vote in respect of the resolutions relating to the 2021 MTA No.1, the 2021 MCSAs and the transactions contemplated thereunder (including the respective proposed annual caps) to be proposed at the EGM, taking into account the recommendation of the Independent Financial Adviser.

THE INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders on (i) whether the continuing connected transactions contemplated under the 2021 MTA No.1 and the 2021 MCSAs have been conducted on normal commercial terms and are fair and reasonable, and the entering of each of the 2021 MTA No.1 and the 2021 MCSAs is in the ordinary and usual course of business of the Company and in the interests of the Company and its shareholders as a whole; (ii) whether the proposed annual caps for the continuing connected transactions contemplated under the 2021 MTA No.1 and the 2021 MCSAs are fair and reasonable; and (iii) how the Independent Shareholders should vote in respect of the resolutions relating to the 2021 MTA No.1, the 2021 MCSAs and the transactions contemplated thereunder (including the respective proposed annual caps) to be proposed at the EGM.

We have not acted as financial adviser in relation to any transactions of the Company in the last two years prior to the date of the Circular. Pursuant to Rule 13.84 of the Listing Rules, and given that remuneration for our engagement to opine on the 2021 MTA No.1, the 2021 MCSAs and the transactions contemplated thereunder (including the respective proposed annual caps) is at market level and not conditional upon successful passing of the resolution(s) to be proposed at the EGM, and that our engagement is on normal commercial terms, we are independent of and not associated with the Company, its controlling shareholder(s) or connected person(s).

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others, (i) the interim report of the Company for the six months ended 30 June 2021 (the "**Interim Report**"); (ii) the annual report of the Company for the year ended 31 December 2020 (the "**Annual Report**"); (iii) the 2021 MTAs; (iv) the 2021 MCSAs; and (v) other information as set out in the Circular.

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

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background information

1.1 Principal business of the Group

The Group is principally engaged in the provision of 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).

1.2 WM Healthcare Group Reorganisation

It is expected that the continuing connected transactions contemplated under the Existing Consolidated MTA and the 2018 MCSA will continue beyond 31 December 2021. For further details on the previous continuing connected transactions with the Private Group and the then WM Group, please refer to the Previously Published Documents.

During 2020 and 2021, corporate reorganisation took place 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 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.

As a result of the WM Healthcare Group Reorganisation, the Company shall enter into the 2021 MTA No.1, the 2021 MTA No.2, the 2021 MCSA No.1 and the 2021 MCSA No.2 separately with the Private Group, the WM Non-HC Group, and the WM Healthcare Group (together, the "**Connected Parties**").

1.3 Principal businesses of the Connected Parties

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

2. Reasons for and benefits of the 2021 MTA No.1 and the 2021 MCSAs

2.1 2021 MTA No.1

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 advised by the Management, as at 30 September 2021, being the latest practicable date for the purpose of this letter, the Group leased 34 premises from the Private Group and the WM Non-HC Group with an aggregate gross floor area of approximately 23,880 square meters under the 2016 MTA (as supplemented by the 2017 & 2018 Supplemental MTAs).

As the Group's businesses have been carried out or situated at the relevant leased properties for at least over 4 years, the Board considered appropriate (in terms of cost, time and operational stability) to continue leasing such properties from the Private Group or the WM Healthcare Group (as the case may be). In addition, relocating any of such leased properties will also incur unnecessary expenses. Accordingly, the Board considered that the renewal of their tenancy is fair and reasonable in order to avoid any material disruptions in the Group's operations.

We have reviewed the full list of 34 leased properties as at 30 September 2021, including information such as the locations and purposes of such properties. We noted that most of such properties are located within the premises of Clifford Estates (祈福新邨) and serve the purpose of providing various services to the estate. After considering the above, as well as the additional time and costs to relocate other offices of the Group to alternative locations, we concur with the Board that the renewal of their tenancy is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having considered (i) the Group has been, from time to time, leasing certain premises from various landlords (including but not limited to the Private Group and the WM Healthcare Group) in its usual and ordinary course of business; (ii) the term of the 2021 MTA No.1 being three years commencing from 1 January 2022 and up to 31 December 2024; (iii) the locations and primary purpose of these leased properties; and (iv) the time and cost of relocation as well as the impact to the Group's operational stability, we are of the view that the entering into of the 2021 MTA No.1 is in the Group's usual and ordinary course of business, and is in the interests of the Company and the Shareholders as a whole.

2.2 2021 MCSAs

We understand from the Management that the Group has been, from time to time, providing various types of services, including (a) procurement, property management, laundry, resident support and maintenance, employment placement 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 (together, "**Composite Services**") to different customers (including but not limited to the Connected Parties).

Revenue of the Group amounted to approximately RMB396.6 million, RMB420.1 million and RMB212.0 million for the two years ended 31 December 2019 and 2020, and the six months ended 30 June 2021 respectively, of which approximately RMB70.3 million, RMB88.3 million and RMB43.3 million were derived from transactions with the Connected Parties. Such revenue derived from transactions with the Private Group constitute approximately 17.7%, 21.0% and 20.4% of the Group's total revenue for the two years ended 31 December 2019 and 2020, and the six months ended 30 June 2021 respectively.

Having considered (i) the Group has been, from time to time, providing Composite Services to various customers (including but not limited to the Connected Parties) in its usual and ordinary course of business; (ii) the Connected Parties are one of the Group's major customers; (iii) the term of the 2021 MCSAs being three years commencing from 1 January 2022 and up to 31 December 2024, we are of the view that the entering into of the 2021 MCSAs is in the Group's usual and ordinary course of business, and is in the interests of the Company and the Shareholders as a whole.

3. Analysis on the terms of the 2021 MTA No.1

3.1 Background and principal terms of the 2021 MTA No.1

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.

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.

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

(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 and the 2021 MTA No.2 are set out in the paragraph headed "Principal terms of the 2021 MTA No.1" in the "Letter from the Board" of the Circular.

3.2 Rental of the 2021 MTA No.1

In assessing the fairness and reasonableness of the rental of the 2021 MTA No.1, we noted that the annual rentals payable by the Group under the existing individual tenancy agreements have been determined by the Group with reference to the range of prevailing market rates for each of the premises under the existing individual tenancy agreements as at 31 December 2020 based on the valuation results of an independent property valuer (the "**Independent Valuer**") and the management's assessment of the prevailing market rates for FY2021. Valuation results containing the range of prevailing market rent for the properties are contained in the fair rent letter (the "**Fair Rent Letter**"), which we had reviewed.

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 (the "**Properties**") 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). Pursuant to our interview with the Independent Valuer and our discussion with the Management, we understand that they were not aware of any material change in the property market in the PRC and Hong Kong from 31 December 2020, being the date of the Fair Rent Letter, up to the Latest Practicable Date. Based on our interview with the Independent Valuer, our review of the supporting documents on property market in 2021 provided by the Independent Valuer and the public market data on PRC property market for first half 2021 published by the National Development and Reform Commission of the PRC[1], we noted that the average property prices in the PRC remained relatively stable in 2021 and we were not aware of any material change in the property market in the Properties' locations from 31 December 2020. As such, we believe the Fair Rent Letter provides a fair and reasonable reference for the Company to determine the rental of the Properties.

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

Regarding the increment of the annual rental of the Properties, the annual rental payable by the Group shall be increased by an amount not exceeding the lower of (i) 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. We had compared the proposed increment with the GDP growth of the PRC during 2010 to 2020, which ranged from approximately 2.3% to 10.6%[2], with an average of approximately 7.2% and a median of approximately 7.0% per year. As events such as the China U.S. trade war and COVID-19 pandemic may have an impact on the GDP in the short term, we believe a period of 10 years is sufficient to allow us to observe the long term trend of GDP growth. Therefore, we believe the proposed increment is in line with the historical GDP growth of the PRC, and therefore is fair and reasonable.

1. https://www.ndrc.gov.cn/xxgk/jd/wsdwhfz/202108/t20210830_1295304_ext.html

2. https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=CN

3.3 Internal controls in relation to the rentals of the 2021 MTA No.1

We noted that the annual rentals in respect of the premises to be leased by the Group under the 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 the 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).

We had reviewed the internal control procedures described above, had discussion with the Management and reviewed the Fair Rent Letter and noted the rental levels of the Properties are within the range of rental of similar properties as set out in the Fair Rent Letter. Based on our review of the Fair Rent Letter and the rent paid as set out in the full transaction list under the Existing Consolidated MTAs for the two years ended 31 December 2020 and the ten months ended 31 October 2021, we noted that the transactions under the Existing Consolidated MTAs were carried out in accordance with the Group's internal control procedures as described above. As such, we are of the view that there is an established pricing policy and mechanism under the 2021 MTA No.1 and the provisions therein are fair and reasonable.

3.4 Other terms of the 2021 MTA No.1

We had randomly selected and reviewed a set of rental agreement entered between the Private Group and an Independent Third Party in relation to a business premises in the Clifford Estates. Given the majority of the Properties are located in the Clifford Estates, we believe that one set of rental agreement from the same premises is representative and sufficient for this comparison purpose. We noted that the other terms of the 2021 MTA No.1 including termination clause, rental payment method, miscellaneous expenses and representations and warranties, are no less favourable than those in the rental agreement with the Independent Third Party. As such, we are of the view that the other terms of the 2021 MTA No.1 are normal commercial terms and are fair and reasonable.

3.5 Conclusion

Having considered (i) rental under the 2021 MTA No.1 were determined with reference to the Fair Rent Letter issued by the Independent Valuer; (ii) the internal control procedures in relation to the transactions under the 2021 MTA No.1 will ensure that the Group would lease premises from the Connected Parties with favourable terms; and (iii) the other terms of the 2021 MTA No.1 were comparable to those in rental agreement with Independent Third Parties, we are of the view that the terms of the 2021 MTA No.1 are on normal commercial terms and are fair and reasonable.

4. Analysis on the terms of the 2021 MCSAs

4.1 Background and principal terms of the 2021 MCSAs

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.

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.

Principal terms of the 2021 MCSA No.1 and the 2021 MCSA No.2 are set out in the paragraph headed "Principal terms of the 2021 Master Composite Services Agreements" in the "Letter from the Board" of the Circular.

4.2 Pricing policies of the living services

For the summary of the pricing policies applicable to services provided under each of 2021 MCSA No.1 and 2021 MCSA No.2, please refer to the paragraph headed "Pricing policy" in the "Letter from the Board" of the Circular.

In assessing the fairness and reasonableness of the pricing policies of the living services, we noted that the general manager of the respective operations will provide a quotation of the related service 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 ("**Mutually Fair Arrangement**").

We noted that while the Mutually Fair Arrangement ensures prices (to be received by the Group) are no less favourable than those available to the WM Healthcare Group from Independent Third Parties, it also ensures that 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. As such, the Mutually Fair Arrangement protects the interests of the Company and the Shareholders, and is fair and reasonable.

We had reviewed the pricing policies described above, had discussion with the Management and obtained one set of sample walk-through documents for each of the living services (including, where applicable, the service agreements entered into between the Group (as service provider) and Independent Third Parties or quotations for services from Independent Third Parties, the service agreements entered into between the Group and the then Private Group or the then WM Group) for each of FY2019, FY2020 and the ten months ended 31 October 2021 (where available). We noted that the number of services provided and the volume of transactions are large, and the nature of the services and circumstances of which they were provided were unique as they are customised to be provided within the Clifford Estates. In light of the above, and given the sample was selected on a random basis, we believe the approach is practical and the selected walk-through documents are sufficient for this purpose. Based on our review, we noted that the transactions under the 2018 MCSA were carried out in accordance with the Group's pricing policies as described above.

Further, we noted that the procurement service has an alternative policy of the adding a premium of approximately 5 to 10% on the trading cost (including purchase price and other costs) in order to cover the estimated administrative and/or miscellaneous expenses incurred in processing the orders plus a mark-up. We had reviewed the historic transaction amount breakdown for the procurement service for the period covering the two years ended 31 December 2019 and 2020, and the six months ended 30 June 2021, being the latest available management date for procurement transactions under the 2018 MCSA, and noted that the administrative and miscellaneous expenses incurred in the process is generally around 1-2% of the trading cost. As such, we believe the proposed 5 to 10% is sufficient to cover the administrative and/or miscellaneous expense for this type of transaction.

Taking into account the above, we are of the view that the pricing policy and mechanism for the living services under the 2021 MCSAs are on normal commercial terms and are fair and reasonable.

4.3 Pricing policies of the engineering and maintenance services

Regarding the pricing policies of the engineering services, we noted that the tendering team (which will 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 ("**Mutually Fair Arrangement**").

We noted that while the Mutually Fair Arrangement ensures prices (to be received by the Group) are no less favourable than those available to the WM Healthcare Group from Independent Third Parties, it also ensures that 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. As such, the Mutually Fair Arrangement protects the interests of the Company and the Shareholders, and is fair and reasonable.

We had reviewed the pricing policies described above, had discussion with the Management and obtained a set of sample walk-through documents for the engineering services (including, where applicable, the service agreements entered into between the Group (as service provider) and Independent Third Parties or quotations for services from Independent Third Parties, the service agreements entered into between the Group and the then Private Group or the then WM Group) for each of FY2019, FY2020 and the ten months ended 31 October 2021. We noted that the nature of the services and circumstances of which they were provided were unique as they are customised to be provided within the Clifford Estates. In light of the above, and given the sample was selected on a random basis, we believe the approach is practical and the selected walk-through documents are sufficient for this purpose. Based on our review, we noted that the transactions under the 2018 MCSA were carried out in accordance with the Group's pricing policies as described above.

Further, we noted that a mark-up ranging from approximately 10% to 45% is added to the prices under the engineering services, which is determined with reference to tendering specifications of each project and service fees that the Group (as service provider) charges against Independent Third Parties (as receiving parties). We had obtained and reviewed four sets of engineering contracts entered into between the Group (as the service provider) and Independent Third Parties having the lowest and highest margins that the Group charged Independent Third Parties during the two years ended 31 December 2020 and the six months ended 30 June 2021, which had mark-up ranging from 10% to 45%, and supported the range of mark-up under the 2021 MCSAs described above. We noted that the nature of the services and circumstances of which they were provided were unique as they are customised to be provided within the Clifford Estates. In light of the above, we believe the selected walk-through documents are sufficient for this purpose.

Regarding the pricing policies of the maintenance services, we noted that 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 by the Group (as service provider) to the Independent Third Parties (as receiving parties). 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; 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.

We had reviewed the pricing policies described above, had discussion with the Management and obtained a set of sample walk-through documents for the maintenance services (including, where applicable, the service agreements entered into between the Group (as service provider) and Independent Third Parties or quotations for services from Independent Third Parties, the service agreements entered into between the Group and the then Private Group or the then WM Group) for each of FY2019, FY2020 and the ten months ended 31 October 2021. We noted that the nature of the services and circumstances of which they were provided were unique as they are customised to be provided within the Clifford Estates. In light of the above, and given the sample was selected on a random basis, we believe the approach is practical and the selected walk-through documents are sufficient for this purpose. Based on our review, we noted that the transactions under the 2018 MCSA were carried out in accordance with the Group's pricing policies as described above.

As such, we are of the view that the pricing policy and mechanism for the engineering and maintenance services under the 2021 MCSAs are on normal commercial terms and are fair and reasonable.

4.4 Pricing policies of the telecommunication services

In assessing the fairness and reasonableness of the pricing policies of the telecommunication services, we noted that the general manager of the respective operations will provide a quotation of the related service 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 ("**Mutually Fair Arrangement**").

We noted that while the Mutually Fair Arrangement ensures prices (to be received by the Group) are no less favourable than those available to the WM Healthcare Group from Independent Third Parties, it also ensures that 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. As such, the Mutually Fair Arrangement protects the interests of the Company and the Shareholders, and is fair and reasonable.

We had reviewed the pricing policies described above, had discussion with the Management and obtained a set of sample walk-through documents for the telecommunication services (including, where applicable, the service agreements entered into between the Group (as service provider) and Independent Third Parties or quotations for services from Independent Third Parties, the service agreements entered into between the Group and the then Private Group or the then WM Group) for each of FY2019, FY2020 and the ten months ended 31 October 2021. We noted that the nature of the services and circumstances of which they were provided were unique as they are customised to be provided within the Clifford Estates. In light of the above, and given the sample was selected on a random basis, we believe the approach is practical and the selected walk-through documents are sufficient for this purpose. Based on our review, we noted that the transactions under the 2018 MCSA were carried out in accordance with the Group's pricing policies as described above.

Further, we noted that a mark-up ranging from approximately 10% to 40% is added to the prices under the telecommunication services, which is determined with reference to (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 that the Group charges against Independent Third Parties. We had obtained and reviewed two sets of telecommunication contracts entered into between the Group (as the service provider) and Independent Third Parties having the lowest and highest margins that the Group charged Independent Third Parties during the two years ended 31 December 2020 and the six months ended 30 June 2021, with their mark-up range supporting the range of mark-up under the 2021 MCSAs described above. We noted that the nature of the services and circumstances of which they were provided were unique as they are customised to be provided within the Clifford Estates. In light of the above, we believe the sample size is sufficient for this purpose.

As such, we are of the view that the pricing policy and mechanism for the telecommunication services under the 2021 MCSAs are on normal commercial terms and are fair and reasonable.

4.5 Conclusion

In view of the above, we are of the view that the terms of the 2021 MCSAs are on normal commercial terms, and are fair and reasonable.

5. Analysis on the proposed annual caps of the 2021 MTA No.1

5.1 Historical utilisation

The table below sets forth (i) the existing annual caps and the historical transaction amounts for the transactions contemplated under the Existing Consolidated MTA for each of FY2019, FY2020 and FY2021 (up to 31 October 2021).

	FY2019 *(RMB million)*	**FY2020** *(RMB million)*	**FY2021** *(RMB million)*
Existing annual caps	19.0	20.0	21.0
Total rental paid or payable by the Group	12.7	10.7	13.4 *(Note 1)*
Utilisation rate	66.9%	53.7%	63.8% *(Note 2)*

Notes:

1. Such amount represents the annualised amount of the total rental paid or payable under the Existing Consolidated MTA for the ten months ended 31 October 2021.

2. The utilisation rate was calculated by dividing the annualised amount of the total rental paid or payable under the Existing Consolidated MTA for the ten months ended 31 October 2021 against the total annual cap for the year ending 31 December 2021.

As advised by the Management, the existing annual caps for FY2019, FY2020 and FY2021 under the Existing Consolidated MTA were not fully utilised mainly due to delayed resumption of normal business operations and changes in actual demand in certain services caused by the COVID-19 pandemic and as a result, some additional premises expected to be leased was not leased, and hence the amount of rental paid under the Existing Consolidated MTA during FY2019, FY2020 and FY2021 was lower than expected; and (ii) the year-on-year increase in rental for some of the properties during FY2019, FY2020 and FY2021 did not reach the maximum 7% increment allowed under the Existing Consolidated MTA due to market conditions and prevailing rental rates, hence the total rental paid for FY2020 and FY2021 was lower than expected.

5.2 Proposed annual caps

According to Hong Kong Financial Reporting Standard (HKFRS) 16 "Leases", the Group is required to recognise a right-of-use asset and a lease liability, which are measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate in the year of entering into the leases where the Group acts as a lessee. Pursuant to the requirements of the Listing Rules, as the transactions contemplated under 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 the 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.

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, for FY2022, FY2023, and FY2024:

	FY2022 *(RMB million)*	**FY2023** *(RMB million)*	**FY2024** *(RMB million)*
Proposed annual caps for 2021 MTA No.1	57.1 *(Note)*	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 FY2021 (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.

5.3 Basis of determination of the proposed annual caps

As advised by the Management, the proposed annual caps in respect of the transactions contemplated under the 2021 MTA No.1 for the three years ending 31 December 2024 (the "**MTA Annual Caps**") were determined based on (i) the rentals payable by the Group; (ii) the gross floor area of premises (including the existing premises and the newly developed premises) to be leased from the Private Group under the 2021 MTA No.1; (iii) the market rent 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 respective 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.

We noted that the MTA Annual Caps consist of rentals payable by the Group for (i) 34 properties leased under the 2021 MTA No.1 that are currently occupied by the Group and are used for its operations (the "**Existing Premises**"); and (ii) six properties that the Group expects to lease for its operations during FY2022, FY2023 and FY2024 (the "**Additional Premises**") in line with its business development plan.

For the rental payable of Existing Premises in FY2022, the calculation had taken into account the gross floor area of all the Existing Premises, as well as their respective expected rental level for FY2022. The expected rental level for the Existing Premises in FY2022 was calculated with reference to the current rental levels for the Existing Premises in FY2021 (which are within the range of rental levels for similar properties as set out in the Fair Rent Letter which we reviewed), plus an increment of 7% or less, in accordance with the 2021 MTA No.1. The rental payable for Existing Premises in FY2023 and FY2024 are calculated based on the rental level in FY2022 plus an increment of 7% or less.

For the rent payable of Additional Premises, the calculation had taken into account the rental payable for (i) five potential new premises in Clifford Prestige (祈福名望閣) to be leased by the Group and to be used as retail shops during FY2022 to FY2024; and (ii) the additional floor 祈福新邨倉儲樓 (Clifford Estate Storage Building*) to be leased by the Group in FY2024 as an expansion to its laundry factory in the same location. Rental levels of which are calculated with reference to their respective gross floor area and the rental levels of similar properties as set out in the Fair Rent Letter, with an increment of 7% or less per year adjusted depending on the expected starting date for each lease.

In assessing the fairness and reasonableness of the MTA Annual Caps, we had reviewed the full calculation breakdown of the MTA Annual Caps, the Company's internal business development schedule as well as the Fair Rent Letter. We noted from the Company's internal business development schedule that the Company is expected to lease a total floor area of 2,000 sq. m., 700 sq. m. and 200 sq. m. in Clifford Prestige in FY2022, FY2023 and FY2024, respectively, and to lease an additional floor at the Clifford Estate Storage Building with a total floor area of 1,400 sq.m. in FY2024. We had also compared the proposed increment with the GDP growth of the PRC during 2010 to 2020, which ranged from approximately 2.3% to 10.6%[1], with an average of approximately 7.2% and a median of approximately 7.0% per year. Therefore, we believe the proposed increment is in line with the historical GDP growth of the PRC, and therefore is fair and reasonable. As such, we are of the view that the MTA Annual Caps were determined by the Management under reasonable ground and due care, are consistent with its business development schedule, and the MTA Annual Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

1. https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=CN

6. **Analysis on the proposed annual caps of the 2021 MCSAs**

6.1 Historical utilisation

The table below sets forth (i) the existing annual caps and the historical transaction amounts for the transactions contemplated under the 2018 MCSA for each of FY2019, FY2020 and FY2021.

	FY2019 *(RMB million)*	**FY2020** *(RMB million)*	**FY2021** *(RMB million)*
Existing annual caps	126.0	129.0	138.0
Total service fees paid or payable by the Connected Parties	70.3	88.3	79.2 *(Note 1)*
Utilisation rate	58.1%	68.5%	57.4% *(Note 2)*

Notes:

1. Such amount represents the annualised amount of the total service fees paid or payable by the Connected Parties under the 2018 MCSA for the ten months ended 31 October 2021.

2. The utilisation rate was calculated by dividing the annualised amount of the total service fees paid or payable by the Connected Parties under the 2018 MCSA for the ten months ended 31 October 2021 against the total annual cap for the year ending 31 December 2021.

As advised by the Management, the existing annual caps for FY2019, FY2020 and FY2021 under the 2018 MCSA were not fully utilised mainly due to the delay in certain engineering contracts under the 2018 MCSA as a result of the COVID-19 pandemic, which in turn caused the service fees received by the Group to be lower than expected.

6.2 Proposed annual caps

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

	FY2022 *(RMB million)*	**FY2023** *(RMB million)*	**FY2024** *(RMB million)*
Proposed annual caps for 2021 MCSA No.1	132.0	129.0	139.0
Proposed annual caps for 2021 MCSA No.2	34.0	41.0	44.0

6.3 Basis of determination of the proposed annual caps

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

(i) For living services (except for property management services):

(a) the historical transaction amounts for living services (excluding property management) 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%;

(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.

6.4 The MCSA Annual Cap for FY2022

We had reviewed the breakdown of historical transaction amount under the 2018 MCSA for FY2019, FY2020 and the ten months ended 31 October 2021, and noted that the transaction amount for living services (except for property management) for FY2022 had predominantly been estimated based on the historical transaction amount for the ten months ended 31 October 2021, and multiplied by a growth rate of 7%. The total historical transaction amount for living services (excluding property management) amounted to approximately RMB14.9 million for the ten months ended 31 October 2021. Annualising the historical transaction amount for living services (excluding property management) for the ten months ended 31 October 2021, and multiplying a 7% increment in prices, the transaction amount for living services (excluding property management) for FY2022 was expected to amount to approximately RMB19.1 million (approximately RMB5.9 million under 2021 MCSA No.1 and RMB13.2 million under the 2021 MCSA No.2).

We believe the historical transaction amount is a fair and reasonable ground for the Management to rely on in calculating the MCSA Annual Cap for FY2022. We had compared the proposed year-on-year increment with the GDP growth of the PRC during 2010 to 2020, which ranged from approximately 2.3% to 10.6%, with an average of approximately 7.2% and a median of approximately 7.0% per year. Therefore, we believe the proposed increment in prices is in line with the historical GDP growth of the PRC, and therefore is fair and reasonable.

As for the transaction amount for property management for FY2022, we had reviewed the property development schedule of the Connected Parties for FY2022 to FY2024 provided by the Management. We noted that the property management fees for FY2022 were calculated according to (i) the prevailing property management fee offered by the Group; (ii) the floor area of existing properties continued to be managed; (iii) expected completion date of new properties; and (iv) the floor area of the new properties. Based on the total floor area of approximately 2,700,000 sq. m. for existing properties, and the total floor area of 645,000 sq. m. for new properties expected to complete in FY2022, the property management fees for FY2022 was expected to amount to approximately RMB32.6 million. In light of the above, and the historical property management fees paid under the 2018 MCSA, we believe the basis adopted was reliable and reasonable.

As for the transaction amount for engineering and maintenance work and telecommunication services for FY2022, we had reviewed the full list of ongoing engineering and maintenance work and telecommunication services and the relevant tenders submitted by the Group to the Connected Parties. The total contract sum of which amounted to approximately RMB114.1 million. Considering the historical tender success rate of the Group tendering for engineering works during FY2019 to FY2021 of 100%, we consider the transaction amount for engineering and maintenance work and telecommunication services for FY2022 was estimated based on reasonable ground and due care, and the MCSA Annual Cap for FY2022 is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

6.5 The MCSA Annual Caps for FY2023 and FY2024

We noted that the transaction amount for living services (except for property management) for FY2023 and FY2024 had been calculated based on the growth rate of 7% and the business development schedule of the WM Healthcare Group. The expected transaction amount for living services (except for property management) under the 2021 MCSA No.1 for FY2023 and FY2024 amount to approximately RMB6.3 million and RMB6.7 million, respectively, which represents a growth rate of approximately 7%. As elaborated above, we believe the 7% increment fair and reasonable. The expected transaction amounts for living services (except for property management) under the MCSA No.2 for FY2023 and FY2024 amount to approximately RMB17.5 million and RMB21.8 million, respectively. Such transaction amount was estimated with reference to the operation schedule forecast with an expected gradual increase in average number of beds in operation in the WM Healthcare Group from approximately 1,000 beds in FY2021 to approximately 2,500 beds in FY2024, which are agreeable to the Company and the WM Healthcare Group. We had reviewed the operation schedule forecast and noted the expected fee ranges are comparable to the historical fee charged by the Group. For the details of the pricing policy, please refer to the paragraph headed "(2) Continuing Connected Transactions under the 2021 Master Composite Services Agreements – Pricing Policy" in the "Letter from the Board" of this Circular. As such, we believe the transaction amount for living services (except for property management) under the 2021 MCSAs for FY2023 and FY2024 of approximately RMB23.8 million and RMB28.5 million had been arrived at on reasonable ground and after due care.

The transaction amounts for property management services for FY2023 and FY2024 were calculated based on the ongoing property management engagements, the number of properties to be completed by the Connected Parties in FY2023 and FY2024 and their respective expected management fees. Based on the total floor area of approximately 3,345,000 sq.m. for existing properties in FY2022, and the total floor area of approximately 330,000 sq.m. for new properties expected to complete in FY2023 and FY2024, the transaction amount for property management services in FY2023 and FY2024 amount to approximately RMB21.7 million and RMB24.4 million, respectively. We had reviewed (i) the full list of the ongoing property management engagements and their respective management fees; and (ii) the full property development schedule of the Connected Parties, which sets out all the properties to be completed in FY2023 and FY2024, and noted the expected management fees are comparable to the existing property management fees charged by the Group. As such, we consider the transaction amounts for property management services for FY2023 and FY2024 were estimated based on reasonable ground and due care.

The transaction amounts for engineering and maintenance work and telecommunication services for FY2023 and FY2024 were calculated based on the total contractual amount of the ongoing engineering and maintenance work and telecommunication services, and the relevant tenders submitted by the Group to the Connected Parties. The transaction amount for engineering and maintenance work and telecommunication services in FY2023 and FY2024 amount to approximately RMB124.3 million and RMB130.0 million, respectively. We had reviewed the full list of the ongoing engineering and maintenance work and telecommunication services, and noted the total contractual amount corresponds to the expected transaction amount in FY2023 and FY2024. We also considered the historical tender success rate of the Group tendering for engineering and maintenance work and telecommunication services during FY2019 and FY2021 of 100%. As such, we consider the transaction amounts for engineering and maintenance work and telecommunication services for FY2023 and FY2024 were estimated based on reasonable ground and due care.

In view of the above, we believe the MCSA Annual Caps for FY2023 and FY2024 are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

7. Internal controls regarding the proposed annual caps

We noted from the "Letter from the Board" in the Circular that the executive Directors will closely monitor the rentals payable to the Private Group and new individual leases to be entered into pursuant to the 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 the 2021 MTA No.2). Furthermore, 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.

We have obtained and reviewed (i) sample monthly reports issued by the finance department regarding the actual transaction amounts between the Group and the Connected Parties including the remaining transaction amounts under the approved annual caps; (ii) the Group's internal control policy in relation to the monitoring of the proposed annual caps; (iii) confirmation made by the independent non-executive Directors on the Group's Annual Report; and (iv) independent auditors' report on continuing connected transactions for the year ended 31 December 2020. Considering the above and the fact that the annual caps under Existing Consolidated MTA and the 2018 MCSA had not been exceeded, we concur with the Management that adequate procedures are in place to ensure the proposed annual caps under the 2021 MTA No.1 and the 2021 MCSAs will not be exceeded.

RECOMMENDATIONS

Having taken into account the above principal factors and reasons, we consider that the entering into of the 2021 MTA No.1 and the 2021 MCSAs are in the ordinary and usual course of business of the Group, and the terms of the 2021 MTA No.1 and the 2021 MCSAs are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Therefore, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution(s) at the EGM to approve the entering into of the 2021 MTA No.1, the 2021 MCSAs, and the transactions contemplated thereunder (including the respective proposed annual caps thereof).

Yours faithfully,
For and on behalf of
Altus Capital Limited

Jeanny Leung
Executive Director

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