
LETTER FROM THE BOARD



祈福生活服務
CLIFFORD MODERN LIVING

CLIFFORD MODERN LIVING HOLDINGS LIMITED

祈福生活服務控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 3686)

Executive Directors:

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

Ms. HO Suk Mee

Mr. LIU Xing

Non-executive Director:

Ms. LIANG Yuhua

Independent non-executive Directors:

Ms. LAW Elizabeth

Mr. HO Cham

Mr. MAK Ping Leung

(alias Mr. MAK Wah Cheung)

Registered office:

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Cayman Islands

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

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70 Wing Tai Road, Chai Wan

Hong Kong

22 November 2024

To the Shareholders

Dear Sir or Madam,

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

INTRODUCTION

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

LETTER FROM THE BOARD

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

(1) THE 2024 MASTER TENANCY AGREEMENTS

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

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

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

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

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

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

LETTER FROM THE BOARD

Principal terms of the 2024 Master Tenancy Agreements

2024 MTA No.1

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

Date of 2024 MTA No.1:	16 October 2024 (after trading hours)
Parties:	<p>(i) the Company (for itself and on behalf of its subsidiaries) (as tenant)</p> <p>(ii) Clifford Estates Panyu (for itself and on behalf of other 30%-controlled companies of Ms. Wendy Man's Spouse) (as landlord)</p>
Premises to be leased under 2024 MTA No.1:	Under 2024 MTA No.1, the Group will lease from the Private Group premises with a total gross floor area of 27,197 sq.m. in Panyu district, Foshan district, Huadu district of Guangdong Province in mainland China and in Hong Kong, China. Brief details of the premises are set out below:

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

Notes:

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

LETTER FROM THE BOARD

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

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

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

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

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

LETTER FROM THE BOARD

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

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

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

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

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

LETTER FROM THE BOARD

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

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

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

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

Payment of rent:

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

LETTER FROM THE BOARD

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

To the extent that (i) the relevant changes (or cumulative changes) do not result in the annual cap for the relevant year (as approved by the then Independent Shareholders) being exceeded, and (ii) the manner of determining the rentals of such premises being made in compliance with the terms of 2024 MTA No.1, such changes will be considered as immaterial (unless the Stock Exchange or the majority of the INEDs consider otherwise). If any of the changes are considered to be material, such changes will take effect conditional upon the applicable requirements under the Listing Rules being complied with.

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

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

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

LETTER FROM THE BOARD

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

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

2024 MTA No.2

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

- | | |
|------------------------|---|
| Date of 2024 MTA No.2: | 16 October 2024 (after trading hours) |
| Parties: | (i) the Company (for itself and on behalf of its subsidiaries) (as tenant) |
| | (i) Clifford Medical (for itself and on behalf of its subsidiaries) (as landlord) |

Premises to be leased under 2024 MTA No.2:	Under 2024 MTA No.2, the Group will lease from the WM Healthcare Group two premises with a total gross floor area of 202 sq.m. in Panyu district of Guangdong Province with monthly rental of RMB62 per sq.m.
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With respect to the premises leased under 2024 MTA No.2, individual members of the Group (as tenants) and individual members of the WM Healthcare Group (as landlords) entered or will enter into individual tenancy agreements which prescribe specific lease terms and conditions (including rental, payment method and other terms). The terms of such individual tenancy agreements shall be consistent with those of 2024 MTA No.2.

If any of the individual tenancy agreements expires before 31 December 2027 (being the expiry date of 2024 MTA No.2), the Company is entitled to renew such individual tenancy agreement with the relevant landlord (being a member of the WM Healthcare Group) by giving three months' written notice, subject to the compliance with the then applicable provisions of the Listing Rules.

Use:	Mainly operating as convenience stores
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Term:	Three years commencing from 1 January 2025 and ending on 31 December 2027
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LETTER FROM THE BOARD

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

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

Historical transaction amounts

2021 MTA No.1

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

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

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

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

Proposed annual caps

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

LETTER FROM THE BOARD

2024 MTA No.1

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

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

Notes:

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

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

Basis of determination of the proposed annual caps

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

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

LETTER FROM THE BOARD

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

Implications of the Listing Rules regarding the 2024 MTAs

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

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

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

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

LETTER FROM THE BOARD

(2) THE 2024 MASTER COMPOSITE SERVICES AGREEMENTS

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

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

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

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

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

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

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

LETTER FROM THE BOARD

Principal terms of the 2024 Master Composite Services Agreements

2024 MCSA No.1

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

Date of 2024 MCSA No.1: 16 October 2024 (after trading hours)

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

(ii) Clifford Estates Panyu (for itself and on behalf of other 30%-controlled companies of Ms. Wendy Man's Spouse) and Clifford Xianhu Hotel (for itself and on behalf of other 30%-controlled companies of Ms. Wendy Man (other than the Group and the WM Healthcare Group)) (both as receiving parties)

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

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

Services to be provided by the Group: (a) living services, i.e. procurement, property management, laundry, resident support, employment placement services and property agency services;

(b) engineering and maintenance services (mainly relating to information technology, security systems and hardware and software integration); and

(c) telecommunication services.

LETTER FROM THE BOARD

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

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

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

2024 MCSA No.2

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

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

LETTER FROM THE BOARD

Conditions precedent to 2024 MCSA No.2 becoming effective:

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

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

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

Pricing policy

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

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

LETTER FROM THE BOARD

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

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

LETTER FROM THE BOARD

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

(iii) Laundry

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

(iv) Resident support

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

LETTER FROM THE BOARD

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

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|-----------------------------------|--|
| (v) Employment placement services | Agency fees charged by our Group are determined having regard to (a) the nature and type of positions being placed; and (b) the agency or management fees charged by our Group (as service provider) to at least one Independent Third Party (as receiving party) for provision of employment placement services of a similar nature in the neighbouring areas. |
| (vi) Property agency services | Property agency fees charged by our Group are determined with reference to the property agency fees charged by the Group (as service provider) to at least one Independent Third Party (as receiving party) for provision of agency services for properties located in the neighbouring areas with a similar scale and quality. |
| (vii) Engineering and maintenance | In respect of engineering services, fees charged by the Group are generally determined by relevant parties on a project-by-project basis (whether the relevant terms are determined through open tender or by arm's length negotiations), with reference to the actual costs and expenses incurred for procurement of materials, staff remuneration and other service fees payable to third parties involved in the engineering project, plus a mark-up ranging from approximately 10% to 45% having regard to the nature and complexity of the engineering work involved in the project, which is in line with (a) the mark-up range charged by the Group (as service provider) to Independent Third Parties (as receiving parties); and (b) the mark-up range charged by Independent Third Party service providers, for provision of engineering services of similar specifications. |

LETTER FROM THE BOARD

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

(viii) Telecommunication

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

Pricing methods and procedures

Living services and telecommunication services

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

Engineering and maintenance services

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

LETTER FROM THE BOARD

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

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

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

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

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

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

LETTER FROM THE BOARD

Historical transaction amounts and proposed annual caps

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

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

LETTER FROM THE BOARD

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

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

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

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

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

LETTER FROM THE BOARD

Basis of determination of the proposed annual caps

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

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

LETTER FROM THE BOARD

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

LETTER FROM THE BOARD

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

Implications of the Listing Rules regarding the 2024 MCSAs

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

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

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

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

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

LETTER FROM THE BOARD

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

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

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

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

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

INFORMATION ABOUT THE PARTIES

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

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

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

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

LETTER FROM THE BOARD

EGM

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

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

In accordance with the Listing Rules, any connected person or Shareholder and its associates with a material interest in 2024 MTA No.1 and the 2024 MCSAs and the respective transactions contemplated thereunder must abstain from voting on the resolutions to approve these agreements and the respective transactions contemplated thereunder (including the respective proposed annual caps thereof) at the EGM.

By virtue of Ms. Wendy Man's (or, as the case may be, her associate's) interests in 2024 MTA No.1 and the 2024 MCSAs, Ms. Wendy Man's and her associates are required to abstain from voting on the relevant resolutions to be proposed at the EGM. As at the Latest Practicable Date, Ms. Wendy Man, directly and indirectly through her solely-owned company (namely Elland Holdings Limited), held an aggregate of 741,170,000 Shares, representing approximately 72.97% of the entire issued share capital of the Company.

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

A form of proxy for the EGM is enclosed herewith. Whether or not Shareholders are able to attend and vote at the EGM, they are requested to complete the enclosed form of proxy and return the same to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM (i.e. no later than 11:00 a.m. (Hong Kong time) on Monday, 16 December 2024) or any adjournment thereof. Completion and return of the form of proxy as instructed will not prevent Shareholders from subsequently attending and voting at the EGM or any adjourned meeting if they so wish, and in such event, the instrument appointing a proxy shall be deemed to be revoked.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The chairman of the EGM will therefore demand a poll for every resolution put to the vote of the EGM. An announcement on the poll results of the EGM will be made by the Company following the conclusion of the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

LETTER FROM THE BOARD

RECOMMENDATION

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

FURTHER INFORMATION

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

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

Yours faithfully

For and on behalf of the Board of

Clifford Modern Living Holdings Limited

MAN Lai Hung

Chairman, Chief Executive Officer and Executive Director

