# 祈福生活服務
# CLIFFORD MODERN LIVING

祈福生活服務控股有限公司

CLIFFORD MODERN LIVING HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 3686

# 2018 Annual Report

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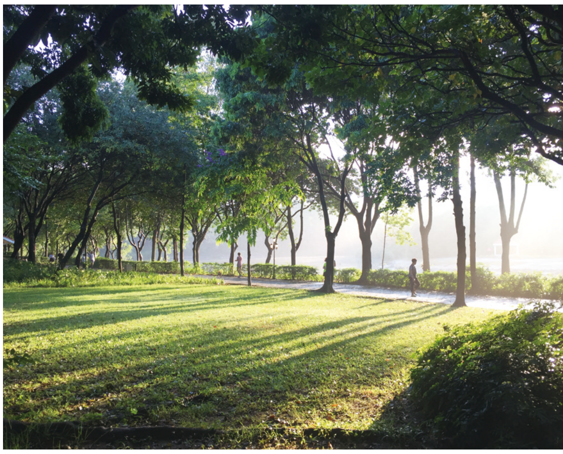





Throughout this annual report, the official Chinese names marked with "*" are the English translations and are for identification purposes only.

# CORPORATE INFORMATION

## Executive Directors
Ms. MAN Lai Hung
*(Chairman and Chief Executive Officer)**
Mr. SUN Derek Wei Kong *(resigned on 1 October 2018)*
Mr. LEONG Chew Kuan *(resigned on 3 December 2018)*
Ms. LIANG Yuhua *(Chief Operating Officer)*
Ms. HO Suk Mee *(appointed on 1 December 2018)*

## Non-executive Director
Mr. LIU Xing

## Independent Non-executive Directors
Ms. LAW Elizabeth
Mr. HO Cham
Mr. MAK Ping Leung (alias Mr. MAK Wah Cheung)

## Audit committee
Ms. LAW Elizabeth *(Chairman)*
Mr. LIU Xing
Mr. HO Cham
Mr. MAK Ping Leung (alias Mr. MAK Wah Cheung)

## Remuneration committee
Mr. MAK Ping Leung (alias Mr. MAK Wah Cheung)
*(Chairman)*
Ms. MAN Lai Hung
Ms. LAW Elizabeth

## Nomination committee
Ms. MAN Lai Hung *(Chairman)*
Ms. LAW Elizabeth
Mr. HO Cham

## Company Secretary
Mr. YU Ding Him Anthony# *(Chief Financial Officer)*

## Authorised representatives
Ms. MAN Lai Hung *(appointed on 1 October 2018)*
Mr. SUN Derek Wei Kong *(resigned on 1 October 2018)*
Mr. YU Ding Him Anthony

## Registered office
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

* Re-designated from non-executive Director to executive Director and appointed as the Chief Executive Officer with effect from 1 October 2018.

# Appointed as the Chief Financial Officer with effect from 3 December 2018.

## Headquarters in the PRC Mainland
8 Shiguang Road
Panyu
Guangzhou
Guangdong
PRC Mainland

## Principal place of business and headquarters in Hong Kong
7th Floor
Chai Wan Industrial City, Phase II
70 Wing Tai Road
Chai Wan
Hong Kong

## Principal share registrar
Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

## Hong Kong branch share registrar
Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

## Principal bankers
Standard Chartered Bank (Hong Kong) Limited
Bank of China (Hong Kong) Limited

## Legal Adviser
As to Hong Kong laws
Chiu & Partners

## Auditors
PricewaterhouseCoopers
*Certified Public Accountants*

## Stock Code
3686

## Company's website
www.cliffordmodernliving.com

## Investor Enquiry Hotline
Tel: (852) 2889 0183

## Investor Enquiry Email Address
pr@cliffordmodernliving.com.hk

# FINANCIAL HIGHLIGHTS

| | For the year ended 31 December 2018 RMB'000 | 2017 RMB'000 | Percentage change |
|---|---|---|---|
| **Continuing operations** | | | |
| **Revenue from contracts with customers** | **341,627** | 365,387 | **-6.5%** |
| **Gross profit** | **166,218** | 151,600 | **+9.6%** |
| **Operating profit** | **102,148** | 84,216 | **+21.3%** |
| **Profit before income tax** | **103,315** | 84,819 | **+21.8%** |
| **Profit from continuing operations** | **72,436** | 57,388 | **+26.2%** |
| **Profit from discontinued operation**[(1)] | **244** | – | **N.A.** |
| **Profit for the year** | **72,680** | 57,388 | **+26.6%** |
| **Profit attributable to:** | | | |
| Owners of the Company | **72,680** | 56,325 | **+29.0%** |
| Non-controlling interests | **–** | 1,063 | **N.A.** |
| Gross profit margin (%) | **48.7%** | 41.5% | **+17.3%** |
| Net profit margin (%) | **21.2%** | 15.7% | **+35.0%** |
| **Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company during the year** (expressed in RMB per share): | | | |
| – Basic earnings per share | **0.072** | 0.056 | **+28.6%** |
| – Diluted earnings per share | **0.071** | 0.056 | **+26.8%** |
| **Earnings per share attributable to the ordinary equity holders of the Company during the year** (expressed in RMB per share): | | | |
| – Basic earnings per share | **0.072** | 0.056 | **+28.6%** |
| – Diluted earnings per share | **0.071** | 0.056 | **+26.8%** |
| **Proposed final/special dividend per ordinary share** | **HK2.20 cents** | HK1.30 cents | **+69.2%** |

Note:

(1) The Group ceased operation of all its catering outlets and franchising businesses under four catering companies in December 2018, leaving one catering company continue with its operation of catering partnership businesses where the Group provides catering consultancy service to its partners. The four catering companies were presented in the current year as a discontinued operation in the consolidated financial statements as explained in Note 19(c).

# CHAIRMAN'S STATEMENT


**In 2018, with our solid track record, substantial experience and good quality services, our business maintained a sound growth where our profit for the year, gross profit margin and net profit margin increased by 26.6%, 17.3% and 35.0% respectively.**

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Clifford Modern Living Holdings Limited (the "**Company**" or: "**Clifford Modern Living**"), I am pleased to present the annual report of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2018.

We are a renowned service provider with a diversified service portfolio in Guangdong Province. We are pleased to announce that our information technology services segment has shown a strong momentum in business growth in 2018, leading to a solid growth in profits from our overall service segments.

## FINANCIAL HIGHLIGHTS

For the year ended 31 December 2018, our revenue reached approximately RMB341.6 million. Our profit for the year increased to approximately RMB72.7 million, representing a year-on-year increase of approximately RMB15.3 million or 26.6%.

For the year ended 31 December 2018, our gross profit margin went up from 41.5% in 2017 to 48.7% in 2018. Net profit margin in 2018 was 21.2% and that in 2017 was 15.7%, representing a year-on-year increase of about 35.0% compared to net profit margin of 15.7% in 2017.

The Board recommended the payment of a final dividend of HK2.20 cents per ordinary share for the year ended 31 December 2018 (2017: special dividend of HK1.30 cents per ordinary share).

## BUSINESS HIGHLIGHTS

In 2018, with our solid track record, substantial experience and good quality services, our business maintained a sound growth.

During the year under review, we made notable progress in expanding our business. Revenue from our information technology services increased dramatically, the total contracted gross floor area ("**GFA**") under our property management service continued to grow and our off-campus training saw a steady increase in the number of enrollment.

Our expansion in service scope, business partners and property management service contracts will help to lay a more solid foundation for our future growth.

### Strong revenue growth of information technology services

Revenue from information technology services increased by 53.6%, from RMB48.1 million for the year ended 31 December 2017 to RMB73.8 million for the year ended 31 December 2018. Such increase was mainly due to the increase in average contract sum which led to the increase in revenue of engineering services from RMB47.8 million for the year ended 31 December 2017 to RMB71.9 million for the year ended 31 December 2018.

Our information technology services have enabled us to provide better and more comprehensive property management services for the residents in the communities under our management and widen our revenue streams.

## Increased GFA for property management services

We provided property management services to 15 residential communities and seven pure commercial properties or projects with an aggregate contracted GFA of approximately 9,620,000 sq.m. as at 31 December 2018 (2017: 6,806,000 sq.m.). The increase in the contracted GFA was mainly contributed by the management of four new pure commercial projects, developed by the mainland of People's Republic of China (the "**PRC Mainland**") government and developers who are independent third parties.

## Rapid business expansion in renovation and fitting-out services

Revenue for renovation and fitting-out services increased from RMB24.3 million for the year ended 31 December 2017 to RMB33.6 million for the year ended 31 December 2018. This is mainly due to the expansion of living services in Panyu district, namely "Clifford Wonderview (祈福繽紛匯)" and pure commercial properties we managed. For the year ended 31 December 2018, we have entered into approximately 45 contracts for the provision of renovation and fitting-out services with a total contract sum amounting to approximately RMB35.1 million.

## Solid income growth in retail services

The Group operated 15 retail outlets (two supermarkets, one wet market and 12 convenience stores) of different scales covering a total GFA of approximately 12,000 sq.m. as at 31 December 2018 (2017: 16 retail outlets covering a total GFA of approximately 12,000 sq.m.).

Revenue from the retail services increased by 7.0%, from RMB105.1 million for the year ended 31 December 2017 to RMB112.4 million for the year ended 31 December 2018. The increase was mainly attributable to the increase in revenue in supermarket from RMB62.1 million for the year ended 31 December 2017 to RMB67.4 million for the year ended 31 December 2018 due to increase in the number of procurement services contracts entered into by the Group. The increase in revenue in wet market and convenience store from RMB9.9 million and RMB33.0 million respectively for the year ended 31 December 2017 to RMB10.6 million and RMB34.3 million respectively for the year ended 31 December 2018 was mainly due to the increase in rental rate charged to stall tenants of wet market, and the increase in retail price of goods for convenience store.

## Off-campus training enrollment on a steady rise

We maintained a steady growth in student enrollment. Approximately 26,000 students or learners enrolled in our training programmes and interest classes in 2018 and 24,000 students in 2017. In 2018, our revenue in off-campus training increased to RMB40.4 million, representing an increase of 18.3%.

## OUTLOOK FOR 2019

### Further expand our property management services

We plan to further expand our business and increase our market share in the industry by expanding the total contracted GFA and the number of residential and purely commercial properties we managed. We plan to step up efforts to expand the integrated project business in apartments, shopping malls and commercial offices developed by independent third parties and provide property management services, property agency services and marketing consultancy services, etc. to further increase our revenue. We intend to accelerate the growth of our property management services by acquiring suitable property management companies in Guangdong Province which would be able to implement our business model in achieving our business strategy of standardisation and centralisation.

### Further develop our information technology services

As more and more emphasis is being placed on advancing the development of smart cities and communities in PRC Mainland, we see an enormous potential in the information technology market. We plan to further increase our investment in information technology segment, with the goal to increase our market share and boost the growth of our overall business.

### Further expand our ancillary living services

For our off-campus training services, we plan to set up more training centers in 2019 to further expand our business.

### Further develop online marketing and build online distribution channels

We intend to promote various services through different online channels including websites and apps on smart phones to reach our customers. In addition, we are considering to upgrade our sales and accounting systems which we believe that it can enhance our data collection process and enable us to respond more quickly to our customers' needs.

## ACKNOWLEDGEMENTS

On behalf of the Board, I would like to extend my sincere gratitude to our shareholders and business partners for their constant support for the Group. Going forward, the Group will continue to actively expand its business and upgrade its service. We will strive to bring superior and diversified living services to the residents and customers, and create value for shareholders.

**MAN Lai Hung**
*Chairman*
Hong Kong, 22 March 2019

# MANAGEMENT DISCUSSION AND ANALYSIS



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Group is a service provider with a diversified service portfolio comprising six main service segments: property management services, renovation and fitting-out services, retail services, catering services, information technology services and Ancillary Living Services (as hereinafter defined).

### 1. Property Management Services

The Group provided property management services to 15 residential communities and seven pure commercial properties or projects with an aggregate contracted GFA of approximately 9,620,000 sq.m. as at 31 December 2018 (2017: 6,806,000 sq.m.). The increase in the contracted GFA was mainly contributed by the management of four new pure commercial projects, which were developed by the PRC Mainland government and developers who are independent third parties.

The table below sets forth the total contracted GFA and the number of residential communities and pure commercial properties or projects we managed in different regions in the PRC Mainland as at the dates indicated:

| | As at 31 December | | | |
|---|---|---|---|---|
| | 2018 | | 2017 | |
| | Approximate total contracted GFA ('000 sq.m.) | Number of communities | Approximate total contracted GFA ('000 sq.m.) | Number of communities |
| ***Residential communities*** | | | | |
| Panyu district | **4,398** | **5** | 4,392 | 5 |
| Huadu district | **1,037** | **7** | 983 | 7 |
| Zhaoqing city | **346** | **1** | 346 | 1 |
| Foshan city | **867** | **2** | 867 | 2 |
| Subtotal | **6,648** | **15** | 6,588 | 15 |
| ***Pure commercial properties/ projects*** | | | | |
| Huadu district | **259** | **3** | 193 | 2 |
| Maoming city | **129** | **1** | – | – |
| Panyu district | **2,584** | **3** | 25 | 1 |
| Subtotal | **2,972** | **7** | 218 | 3 |
| Total | **9,620** | **22** | 6,806 | 18 |

### 2. Renovation and Fitting-out Services

The Group provides renovation and fitting-out services principally for residents, tenants or owners or their principal contractors in their residential units, offices, shops and other properties. To utilize our workforce more efficiently, we delegate the provision of certain renovation and fitting-out services to third-party sub-contractors. We constantly monitor and evaluate third-party sub-contractors on their ability to meet our requirements and standards to ensure the overall quality of our work.

## 3. Retail Services

The Group operated 15 retail outlets (two supermarkets, one wet market and 12 convenience stores) of different scales covering a total GFA of approximately 12,000 sq.m. as at 31 December 2018 (2017: 16 retail outlets covering a total GFA of approximately 12,000 sq.m.).

The following table sets out the average daily revenue by type of retail outlet in operation during the years ended 31 December 2017 and 2018 respectively:

| | For the year ended 31 December | |
|---|---|---|
| | **2018** | 2017 |
| **Average daily revenue by type of retail outlet (RMB'000)[1]** | | |
| Supermarket | **187.3** | 172.6 |
| Wet market | **29.5** | 27.5 |
| Convenience store | **95.3** | 91.8 |

Note:

(1) Calculated by dividing revenue for the year by 360 days.

## 4. Catering Services

The Group has entered into catering partnership businesses in Panyu district with 11 restaurants as at 31 December 2018 and ceased operation of all its catering outlets and franchising businesses in December 2018 to enhance profitability of catering services. The Group provides catering consultancy service to its partners under catering partnership businesses where the Group charges its partners a fixed consultancy service fee on monthly basis.

## 5. Information Technology Services

**Engineering services**

The Group provides information technology services, related engineering services, security systems services and hardware and software integration services, most of which are delivered on project basis.

**Telecommunication services**

The Group established a telecommunication sales outlet in August 2017 in Panyu district, and entered into contracts with some major telecommunication service providers under which the Group acts as agent and promotes their products and services. The Group receives commission as revenue for every successful sale.

## 6. Ancillary Living Services

The Group provides off-campus training services, property agency services, employment placement services and laundry services (collectively, "Ancillary Living Services").

For off-campus training services, the Group had two learning centres in Panyu district as at 31 December 2018 (2017: two learning centres) with 26,000 (2017: 24,000) students or learners enrolled in its training programmes and interest classes. Training programmes mainly include tutoring courses and language learning classes.

For property agency services, the property agency industry is tied up with the property market. Although more stringent regulations have been introduced by the PRC Mainland government, the Group believes that the demand for property agency services will increase in the long term. For employment placement services, the Group constantly monitors the performance and service quality of the relevant household helpers and dispatched workers. For laundry services, the Group maintains both safety and quality services by providing continuous training to its staff.

## PROSPECTS AND FUTURE PLANS

### Property Management Services

**Further increase the total contracted GFA and the number of residential and pure commercial units managed to enhance the reach of our service and increase our revenue**

We plan to further expand our business and increase our market share in the industry by expanding the total contracted GFA and the number of residential communities, and pure commercial properties we managed.

We believe that by enlarging the total contracted GFA and the number of residential communities we manage, we will be able to increase our revenue from our property management services. In addition, we expect that a growing number of residents and property owners will use our retail services and Ancillary Living Services.

**Further expand our property management network through engagements in integrated projects**

We plan to expand our business by managing integrated projects which include apartments, shopping malls and office buildings developed by third parties in Guangdong Province. The services we will be providing include property management, property agency and marketing consultancy services.

**Accelerate our business growth through acquisitions of property management companies**

We intend to accelerate the growth of our property management services by acquiring suitable property management companies in Guangdong Province which would be able to implement our business model in achieving our business strategy of standardisation and centralisation.

**Further develop our information technology services**

As more and more emphasis is being placed on advancing the development of smart cities and communities in PRC Mainland, we see an enormous potential in the information technology market. We plan to further increase our investment in the information technology segment, with the goal to increase our market share and boost the growth of our overall business.

### Ancillary Living Services

**Further expand our Ancillary Living Services**

For our off-campus training services, we plan to set up more training centres in 2019 to further expand our business.

### Develop online marketing and build online distribution channels

We intend to promote various services through different online channels including websites and apps on smartphones to reach our customers. In addition, we are considering to upgrade our sales and accounting systems which we believe would enhance our data collection process and enable us to respond more quickly to our customers' needs.

## FINANCIAL REVIEW

### Revenue

Revenue from contracts with customers decreased from RMB365.4 million for the year ended 31 December 2017 to RMB341.6 million for the year ended 31 December 2018, representing a decrease of RMB23.8 million or 6.5%. The decline in our revenue was mainly attributable to the decrease in revenue from property management services and catering services, and was offset by the increase in revenue from renovation and fitting-out services, retail services, information technology services and Ancillary Living Services.

**Property management services**

| | For the year ended 31 December | | Variance | |
|---|---|---|---|---|
| | **2018** | 2017 | | |
| | **RMB'000** | RMB'000 | RMB'000 | % |
| **Residential property management services** | **32,737** | 29,978 | 2,759 | 9.2 |
| **Commercial property management services** | **6,245** | 5,051 | 1,194 | 23.6 |
| **Resident support services** | **13,313** | 20,709 | (7,396) | -35.7 |
| Household helper services | **11,571** | 19,175 | (7,604) | -39.7 |
| Household repairs and maintenance services | **1,742** | 1,534 | 208 | 13.6 |
| **Total** | **52,295** | 55,738 | (3,443) | -6.2 |

Revenue from property management services decreased by 6.2%, from RMB55.7 million for the year ended 31 December 2017 to RMB52.3 million for the year ended 31 December 2018. Such decrease was mainly attributable to the following factors:

*(i)* ***Household helper services***

Revenue from household helper services decreased from RMB19.2 million for the year ended 31 December 2017 to RMB11.6 million for the year ended 31 December 2018. This was mainly due to the lack of large-scale cleaning services provided to property owners with the expansion of other living services near a residential community, namely the "Clifford Wonderview (祈福繽紛匯)" and a pure commercial property located in Panyu district that the Group managed for the year ended 31 December 2018 compared to the year ended 31 December 2017; and

*(ii)* ***Residential and commercial property management services***

Revenue from residential and commercial property management services increased from RMB35.0 million for the year ended 31 December 2017 to RMB39.0 million for the year ended 31 December 2018. This was primarily because the Group has increased the number of pure commercial properties or projects it managed from three to seven, and the total contracted GFA under the Group's management for residential and pure commercial properties increased significantly from approximately 6,806,000 sq.m. to 9,620,000 sq.m..

**Renovation and fitting-out services**

| | For the year ended 31 December | | Variance | |
|---|---|---|---|---|
| | **2018** | 2017 | | |
| | **RMB'000** | RMB'000 | RMB'000 | % |
| Total revenue | **33,627** | 24,336 | 9,291 | 38.2 |

Revenue from renovation and fitting-out services increased from RMB24.3 million for the year ended 31 December 2017 to RMB33.6 million for the year ended 31 December 2018. This was mainly due to the expansion of living services in Panyu district, namely "Clifford Wonderview (祈福繽紛匯)" and pure commercial properties we managed. For the year ended 31 December 2018, the Group has entered into approximately 45 contracts for provision of renovation and fitting-out services by the Group with a total contract sum amounting to approximately RMB35.1 million.

**Retail services**

| | For the year ended 31 December | | Variance | |
|---|---|---|---|---|
| | **2018** | 2017 | | |
| | **RMB'000** | RMB'000 | RMB'000 | % |
| **Revenue by type of retail outlet** | | | | |
| Supermarket | **67,440** | 62,128 | 5,312 | 8.6 |
| Wet market | **10,622** | 9,897 | 725 | 7.3 |
| Convenience store | **34,325** | 33,045 | 1,280 | 3.9 |
| **Total** | **112,387** | 105,070 | 7,317 | 7.0 |

Revenue from the retail services increased by 7.0%, from RMB105.1 million for the year ended 31 December 2017 to RMB112.4 million for the year ended 31 December 2018. The increase was mainly attributable to the increase in revenue in supermarket from RMB62.1 million for the year ended 31 December 2017 to RMB67.4 million for the year ended 31 December 2018 due to increase in the number of procurement services contracts entered into by the Group. The increase in revenue in wet market and convenience store from RMB9.9 million and RMB33.0 million respectively for the year ended 31 December 2017 to RMB10.6 million and RMB34.3 million respectively for the year ended 31 December 2018 was mainly due to the increase in rental rate charged to stall tenants of wet market, and the increase in retail price of goods for convenience store.

### Catering services

| | For the year ended 31 December | | Variance | |
|---|---|---|---|---|
| | **2018** | 2017 | | |
| | **RMB'000** | RMB'000 | RMB'000 | % |
| **Catering outlet revenue by category** | | | | |
| Chinese restaurants | **–** | 23,023 | (23,023) | N.A. |
| Casual dining restaurants | **–** | 23,667 | (23,667) | N.A. |
| East Asian and Western restaurants | **–** | 16,281 | (16,281) | N.A. |
| Cafés | **–** | 2,332 | (2,332) | N.A. |
| Franchising | **–** | 531 | (531) | N.A. |
| Catering partnership | **3,089** | 973 | 2,116 | 217.5 |
| **Total** | **3,089** | 66,807 | (63,718) | -95.4 |

Revenue from catering services decreased by 95.4%, from RMB66.8 million for the year ended 31 December 2017 to RMB3.1 million for the year ended 31 December 2018. Such decrease was mainly due to the cessation of operation of all catering outlets and franchising businesses in December 2018 to enhance profitability of catering services. The Group ceased operation of all its catering outlets and franchising businesses under four catering companies in December 2018, leaving one catering company continued with its operation of catering partnership businesses where the Group provides catering consultancy service to its partners. The four catering companies were presented in the current year as a discontinued operation in the consolidated financial statements as explained in Note 19(c).

### Information technology services

| | For the year ended 31 December | | Variance | |
|---|---|---|---|---|
| | **2018** | 2017 | | |
| | **RMB'000** | RMB'000 | RMB'000 | % |
| **Information technology services revenue by category** | | | | |
| Engineering | **71,891** | 47,813 | 24,078 | 50.4 |
| Telecommunication | **1,933** | 246 | 1,747 | 710.2 |
| **Total** | **73,824** | 48,059 | 25,765 | 53.6 |

Revenue from information technology services increased by 53.6%, from RMB48.1 million for the year ended 31 December 2017 to RMB73.8 million for the year ended 31 December 2018. Such increase was mainly due to the increase in average contract sum which led to the increase in revenue of engineering services from RMB47.8 million for the year ended 31 December 2017 to RMB71.9 million for the year ended 31 December 2018.

**Ancillary Living Services**

| | For the year ended 31 December 2018 RMB'000 | 2017 RMB'000 | Variance RMB'000 | % |
|---|---|---|---|---|
| **Ancillary Living Services revenue by category** | | | | |
| Off-campus training services | **40,421** | 34,158 | 6,263 | 18.3 |
| Property agency services | **13,838** | 18,417 | (4,579) | -24.9 |
| Employment placement services | **2,370** | 2,578 | (208) | -8.1 |
| Laundry services | **9,776** | 10,224 | (448) | -4.4 |
| **Total** | **66,405** | 65,377 | 1,028 | 1.6 |

Revenue from the Ancillary Living Services increased by 1.6% to RMB66.4 million for the year ended 31 December 2018 from RMB65.4 million for the year ended 31 December 2017. Such increase was primarily due to the increase in revenue from our off-campus training services. The increase in revenue of our off-campus training services from RMB34.2 million for the year ended 31 December 2017 to RMB40.4 million for the year ended 31 December 2018 was mainly brought by the increase in class enrolments.

The increase in revenue was mainly offset by the decrease in revenue from property agency services from RMB18.4 million for the year ended 31 December 2017 to RMB13.8 million for the year ended 31 December 2018. This was mainly due to the decrease in commission income from sales of properties as the PRC Mainland government set limits on property selling prices.

## Cost of Sales

Cost of sales comprises mainly the cost of goods sold for retail services segment, the employee benefit expenses for each business segment and the project cost for renovation and fitting-out services and information technology services as below:

| | For the year ended 31 December 2018 RMB'000 | 2017 RMB'000 | Variance RMB'000 | % |
|---|---|---|---|---|
| **Property management services** | **13,520** | 11,208 | 2,312 | 20.6 |
| **Renovation and fitting-out services** | **20,650** | 23,518 | (2,868) | -12.2 |
| **Retail services** | **63,069** | 63,005 | 64 | 0.1 |
| **Catering services** | **12** | 50,848 | (50,836) | -100.0 |
| **Information technology services** | **50,875** | 37,573 | 13,302 | 35.4 |
| **Ancillary Living Services** | **27,283** | 27,635 | (352) | -1.3 |
| Off-campus training services | **15,762** | 14,952 | 810 | 5.4 |
| Property agency services | **4,212** | 4,723 | (511) | -10.8 |
| Employment placement services | **393** | 847 | (454) | -53.6 |
| Laundry services | **6,916** | 7,113 | (197) | -2.8 |
| **Total** | **175,409** | 213,787 | (38,378) | -18.0 |

Cost of sales decreased from RMB213.8 million for the year ended 31 December 2017 to RMB175.4 million for the year ended 31 December 2018, representing a decrease of RMB38.4 million or 18.0%. The decline in our cost of sales was mainly attributable to the decrease in cost of sales in catering services of RMB50.8 million as the Group ceased operation of all its catering outlets and franchising businesses under four catering companies in December 2018, leaving one catering company continued with its operation of catering partnership businesses where the Group provides catering consultancy service to its partners. The four catering companies were presented in the current year as a discontinued operation in the consolidated financial statements as explained in Note 19(c).

The decrease in cost of sales was mainly offset by the increase in cost of sales in property management services of RMB2.3 million due to the engagement of new commercial properties management contracts, and the increase in cost of sales in information technology services of RMB13.3 million due to the increase in engineering project scale.

### Gross profit and gross profit margin

Gross profit and gross profit margins by business segments are as below:

| | For the year ended 31 December | | | |
|---|---|---|---|---|
| | **2018** | | 2017 | |
| | **Gross profit RMB'000** | **Gross profit margin %** | Gross profit RMB'000 | Gross profit margin % |
| **Property management services** | **38,774** | **74.1%** | 44,530 | 79.9% |
| **Renovation and fitting-out services** | **12,977** | **38.6%** | 818 | 3.4% |
| **Retail services** | **49,318** | **43.9%** | 42,065 | 40.0% |
| **Catering services** | **3,077** | **99.6%** | 15,959 | 23.9% |
| **Information technology services** | **22,949** | **31.1%** | 10,486 | 21.8% |
| **Ancillary Living Services** | **39,123** | **58.9%** | 37,742 | 57.7% |
| Off-campus training services | **24,660** | **61.0%** | 19,206 | 56.2% |
| Property agency services | **9,627** | **69.6%** | 13,694 | 74.4% |
| Employment placement services | **1,977** | **83.4%** | 1,731 | 67.1% |
| Laundry services | **2,859** | **29.2%** | 3,111 | 30.4% |
| **Overall** | **166,218** | **48.7%** | 151,600 | 41.5% |

Gross profit increased from RMB151.6 million for the year ended 31 December 2017 to RMB166.2 million for the year ended 31 December 2018, representing an increase of RMB14.6 million or 9.6%. Meanwhile, our gross profit margin increased from 41.5% for the year ended 31 December 2017 to 48.7% for the year ended 31 December 2018. The increase in gross profit was mainly due to the increase in gross profit for renovation and fitting-out services, retail services, information technology services and off-campus training services under Ancillary Living Services, which was mainly offset by the decrease in gross profit in property management services and catering services. The increase in gross profit margin was mainly due to the increase in gross profit margin in renovation and fitting-out services, retail services, catering services, information technology services and off-campus training services under Ancillary Living Services.

For retail services, gross profit increased by 17.2% to RMB49.3 million for the year ended 31 December 2018 from RMB42.1 million for the year ended 31 December 2017, while gross profit margin increased to 43.9% from 40.0% for the same periods. This was mainly due to the increase in revenue from procurement services which generated higher gross profit margin.

For renovation and fitting-out services and information technology services, gross profit increased by 1,486.4% to RMB13.0 million and 118.9% to RMB22.9 million respectively, for the year ended 31 December 2018 from RMB0.8 million and RMB10.5 million respectively, for the year ended 31 December 2017. Meanwhile, gross profit margin for renovation and fitting-out services and information technology services increased to 38.6% and 31.1% respectively, from 3.4% and 21.8% respectively for the same periods. This was mainly due to the increase in number of projects with higher profit margin for these two business segments.

For Ancillary Living Services, off-campus training services recorded an increase in gross profit by 28.4% to RMB24.7 million for the year ended 31 December 2018 from RMB19.2 million for the year ended 31 December 2017, while gross profit margin increased to 61.0% from 56.2% for the same periods. This was mainly due to the increase in class enrolments.

For property management services, gross profit decreased by 12.9% to RMB38.8 million for the year ended 31 December 2018 from RMB44.5 million for the year ended 31 December 2017, while gross profit margin decreased to 74.1% from 79.9% for the same periods. This was mainly due to the decrease in revenue from household helper services and increase in engagement of new commercial properties management contracts with relatively lower profit margins.

For catering services, gross profit decreased by 80.7% to RMB3.1 million for the year ended 31 December 2018 from RMB16.0 million for the year ended 31 December 2017. However, gross profit margin increased to 99.6% from 23.9% for the same periods. This was mainly due to the cessation of operation of all catering outlets and franchising business with low profit margin in December 2018 to enhance profitability. The Group ceased operation of all its catering outlets and franchising businesses under four catering companies in December 2018, leaving one catering company continued with its operation of catering partnership businesses where the Group provides catering consultancy service to its partners. The four catering companies were presented in the current year as a discontinued operation in the consolidated financial statements as explained in Note 19(c).

## Selling and marketing expenses

Selling and marketing expenses primarily consisted of employee benefit expenses for our selling and marketing staff, depreciation and amortisation charges, operating lease payments and utility expenses.

Selling and marketing expenses remained stable at RMB23.8 million for the year ended 31 December 2018 and RMB24.7 million for the year ended 31 December 2017. A substantial portion of selling and marketing expenses was related to retail services segment.

## Administrative expenses

Administrative expenses principally comprised employee benefit expenses, professional fees and office related expenses for administrative departments.

Administrative expenses decreased from RMB44.9 million for the year ended 31 December 2017 to RMB42.2 million for the year ended 31 December 2018, representing a decrease of 6.0%. This is primarily due to the decrease in employee benefit expenses as the number of employee decreased.

### Net impairment losses on financial assets

The Group incurred net impairment losses on financial assets of RMB1.4 million and nil for the year ended 31 December 2018 and 2017 respectively. Such amount represents provision for loss allowance recognised in profit or loss of trade receivables and other receivables.

### Other income

Other income remained stable and amounted to RMB1.1 million for the year ended 31 December 2018 as compared to RMB1.0 million for the year ended 31 December 2017, mainly representing interest income on cash and cash equivalents.

### Other gains – net

The Group incurred other gains of RMB2.2 million and RMB1.2 million for the year ended 31 December 2018 and 2017 respectively. The increase in other gain was primarily arisen from the currency exchange difference between Hong Kong dollars and Renminbi which was partially offset by the decrease in government grant received.

### Finance income

Finance income is derived from term deposits and increased by 93.5% from RMB0.6 million for the year ended 31 December 2017 to RMB1.2 million for the year ended 31 December 2018 which was mainly due to the increase in term deposits amount.

### Income tax expenses

The weighted average applicable tax rate was 25.2% and 28.3% for the years ended 31 December 2018 and 2017 respectively. The decrease in weighted average applicable tax rate for the year ended 31 December 2018 was mainly due to a subsidiary of the Company obtained the certificate of "High and New Technology Enterprise" and was entitled to a preferential PRC Mainland income tax rate of 15% for 2018, 2019 and 2020.

### Profit for the year

For the year ended 31 December 2018, as a result of the cumulative effect of the above factors, the Group's net profit from continuing operations was RMB72.4 million and its net profit margin was 21.2%.

### Property, Plant and Equipment

Property, plant and equipment mainly consisted of machinery, vehicles, office equipment, and leasehold improvements. As at 31 December 2018 and 2017, the net book values of the Group's property, plant and equipment were RMB14.9 million and RMB18.6 million, respectively. The decrease was mainly due to the fact that the total amount of disposals, transfer to other current assets, or depreciation charge was larger than the total amount of additions for the year ended 31 December 2018.

## Financial assets at fair value through profit or loss

As at 31 December 2018, financial assets at fair value through profit or loss represented unlisted financial products purchased from commercial banks with high market credit rating, liquidity and stable return as below:

| NO. | Bank | Product name | Product type | Principle business of the underlying assets | Investment cost RMB'000 | Change in fair value (Recognised as gains in P/L) RMB'000 | Gain/loss on disposal RMB'000 | Dividend received RMB'000 | Fair value as at 31/12/2018 RMB'000 | Size relative to the Company's total assets |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | China Construction Bank | Ganyuan Capital-protected RMB Wealth Management Products* (乾元眾享保本型人民幣理財產品) | Unlisted financial products purchased from commercial banks | Underlying assets include national bonds, corporate bonds, central bank bills, corporate short-term financing bonds, ultra-short-term financing bonds, medium-term notes, private debt, interbank deposit and other types of bonds and money market instruments, and other assets that meet regulatory requirements. | 15,000 | 413 | – | – | 15,413 | 3.49% |
| 2 | China Construction Bank | Ganyuan Capital-protected RMB Wealth Management Products* (乾元眾享保本型人民幣理財產品) | Unlisted financial products purchased from commercial banks | | 7,000 | 84 | – | – | 7,084 | 1.60% |
| 3 | Agricultural Bank of China | Benlifeng Bubugao Open-ended RMB Wealth Management Products* ("本利豐步步高"開放式人民幣理財產品) | Unlisted financial products purchased from commercial banks | Underlying assets include national bonds, corporate bonds, central bank bills, repurchase, higher credit rating debt (including but not limited to, corporate bonds, short-term financing bonds), exchange bonds, privately raised company bonds, money market funds, bond funds, other low-risk funds or assets, targeted asset management plans, trust plans and other investment products that meet regulatory requirements. | 4,000 | 27 | – | – | 4,027 | 0.91% |
| 4 | Industrial & Commercial Bank of China | Guangying No.1: Legal Person Open-ended Net Worth RMB Wealth Management Products* (廣贏一號：法人開放式淨值型人民幣理財產品) | Unlisted financial products purchased from commercial banks | Underlying assets include: (1) High liquidity assets such as bonds and deposits, including but not limited to various types of bonds, deposits, money market funds and other money market trading instruments; (2) creditor's assets, including but not limited to creditor's trust plans and direct investment in financial plans; (3) other assets or asset portfolio, including but not limited to asset management plan. | 7,700 | 210 | – | – | 7,910 | 1.79% |
| 5 | Bank of China | Bank of China Capital-protected RMB Open-ended Wealth Management Products* (中銀保本理財－人民幣按期開放理財產品) | Unlisted financial products purchased from commercial banks | Underlying assets include national bonds, corporate bonds, NCD, bank deposits, bond repurchase, high-quality corporate bonds (including short-term corporate bonds of securities companies), short-term financing bonds, ultra-short-term financing bonds, medium-term notes, privately raised company bonds, and other low-risk and high-liquidity financial assets within the scope permitted by laws and regulations. | 6,000 | 14 | – | – | 6,014 | 1.36% |

## Inventories

As at 31 December 2018, inventories mainly consisted of merchandise goods for retail services segment and raw materials for information technology services segment the Group procured from suppliers. Inventories decreased from RMB13.9 million as at 31 December 2017 to RMB8.7 million as at 31 December 2018, primarily due to cessation of operation of all catering outlets.

Inventory turnover days was 21 days and 24 days during the years ended 31 December 2018 and 2017 respectively. The changes were in line with the fluctuation of inventory level as explained above. For the year ended 31 December 2018, the Group did not recognise any provision or write-down for inventories.

## Trade and other receivables and prepayments

Trade and other receivables and prepayments mainly consisted of trade receivables, amounts placed in bank accounts opened on behalf of the residents ("Residents' Accounts"), other receivables and prepayments.

### Trade receivables

Trade receivables are mainly related to receivables from outstanding renovation and fitting-out and information technology services. Trade receivables decreased by 22.8% from RMB42.5 million as at 31 December 2017 to RMB32.8 million as at 31 December 2018 as a result of increase in collection effect.

### Other receivables

Other receivables are mainly rental deposits, and deposits paid to suppliers. Other receivables increased by 18.8% from RMB11.7 million as at 31 December 2017 to RMB13.9 million as at 31 December 2018. This was mainly due to the increase in rental deposits paid for the expansion of off-campus training services, and the increase in receivables from the Catering Companies which have ceased operation in December 2018. As at 31 December 2018, the other receivables from related parties remained stable and amounted to RMB4.1 million, as compared to RMB4.2 million as at 31 December 2017.

### Amounts placed in Residents' Accounts

Certain property management companies of the Group have engaged in the provision of property management services for residential communities on commission basis and opened the Residents' Accounts. These Residents' Accounts are used to collect property management fee and resident support services fee from the residents. The property management companies have undertaken the treasury function for these bank accounts on behalf of the residents pursuant to the property management contracts.

As at 31 December 2018, amounts placed in the Residents' Accounts of RMB3.1 million represented the balances of the property management commission fee and resident support service fee entitled by the property management companies (31 December 2017: RMB2.8 million).

### Prepayments

Prepayments are mainly related to prepayments made to sub-contractors for renovation and fitting-out services. Prepayments increased by 87.1% from RMB3.1 million as at 31 December 2017 to RMB5.9 million as at 31 December 2018. This was mainly due to expansion of renovation and fitting-out services.

## Trade and other payables

Trade and other payables primarily comprised trade payables, other payables and accrued payroll.

### Trade payables

Trade payables primarily comprised fees due to third-party suppliers for procurement of raw materials for catering service segment and products for retail services segment, and fees due to sub-contractors for provision of renovation and fitting-out services and information technology services.

Trade payables increased by 30.7% from RMB28.3 million as at 31 December 2017 to RMB37.0 million as at 31 December 2018. The increase was mainly due to increase in revenue from renovation and fitting-out services and engineering services where trade payables due to suppliers and sub-contractors increased accordingly.

### Other payables

Other payables primarily comprised amounts due to third parties, which mainly include deposits received from stall tenants in our retail business and amounted to RMB18.6 million and RMB12.6 million as at 31 December 2018 and 2017 respectively. The increase was mainly due to increase in deposits from the expansion of off-campus training services.

### Accrued payroll

Accrued payroll remained stable at RMB15.1 million as at 31 December 2018 as compared to RMB14.9 million as at 31 December 2017.

## LIQUIDITY AND CAPITAL RESOURCES

### Overview

The Group's primary liquidity requirements relate to the funding of required working capital to support an increase in its scale of operations, purchase of property, plant and equipment and payments for leasehold land. To date, the Group mainly financed its cash requirements through cash generated from operating activities.

As at 31 December 2018, the Group's material sources of liquidity were cash and cash equivalents of RMB209.4 million, with main currencies being Renminbi and Hong Kong dollars. During the year ended 31 December 2018, the Group has not obtained any loans or borrowings.

### Gearing Ratio

Gearing ratio is calculated based on total debts (being loan payables due to related parties) divided by total equity as at the end of each year. Gearing ratio was nil as at 31 December 2018 and 31 December 2017.

## PLEDGE OF ASSETS

The Group had no pledged assets as at 31 December 2018 (31 December 2017: nil).

## CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2018.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, excluding labour costs borne by the property owners of the residential communities that were managed on commission basis, the Group had approximately 638 employees (31 December 2017: approximately 982 employees). Remuneration is determined with reference to the performance, skills, qualifications and experiences of the employee concerned and the prevailing industry practice.

Apart from salary payments, other staff benefits include contribution of the mandatory provident fund (for Hong Kong employees), state-managed retirement pension scheme (for employees in the PRC Mainland) and a discretionary bonus program.

In addition, the Company adopted a share option scheme in October 2016 which allows the Directors to grant share options to employees of the Group in order to retain elite personnel of stay with the Group and to provide incentives for their contribution to the Group. Details of the share options are set out in the paragraph headed "Share Option Schemes" in the Report of the Directors in the annual report of the Company for the year ended 31 December 2018, which will be dispatched to the shareholders of the Company in due course.

## SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

Save as disclosed in paragraph headed "Financial assets at fair value through profit or loss", the Group had no significant investments held, material acquisitions and disposals of subsidiaries or associated companies during the year ended 31 December 2018.

## SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The Group does not have any material subsequent event after 31 December 2018 and up to the date of this report.

## USE OF NET PROCEEDS FROM INITIAL PUBLIC OFFERING

Based on the offer price of HK$0.46 per share and 250,000,000 shares offered by the Company, the Company raised net proceeds of approximately RMB54.7 million (after deducting underwriting fee and commissions and other relevant expenses, equivalent to approximately RMB46.4 million). The proceeds are intended to be applied in the manner consistent with that set out in the section headed "Future Plans and Use of Proceeds" of the Company's prospectus dated 27 October 2016 ("**Prospectus**"). Up to 31 December 2018, approximately RMB34.2 million of the net proceeds had been utilised accordingly. The remaining net proceeds were deposited with certain licensed financial institutions in Hong Kong.

## DIRECTORS

### Chairman and Executive Directors

**Ms. MAN Lai Hung (孟麗紅)**, aged 59, has been the chairman of the Group and a Director of the Company since January 2016. Ms. Man has been re-designated from executive Director to a non-executive Director with effect from 18 April 2018. On 1 October 2018, she has been re-designated from a non-executive Director to an executive Director of the Company and has been appointed as the Chief Executive Officer of the Company. Ms. Man is the founder of the Group and has since been in charge of the strategic development, management, operations as well as the overall performance of the Group. Ms. Man obtained a degree of Bachelor of Business Administration from The Chinese University of Hong Kong in December 1982.

Ms. Man was appointed as a member of the Thirteenth National Committee of the Chinese People's Political Consultative Conference* (中國人民政治協商會議第十三屆全國政協委員會) in January 2018. She also takes part in other social public services including: being a member of the standing committee of the Thirteenth Beijing Women's Federation* (北京市婦女聯合會), the chairman of the Tenth Council of the Chamber of Commerce of Guangzhou Foreign Investment Enterprises* (廣州外商投資企業商會), the vice president of the Fifteenth Executive Committee of the Guangzhou Chamber of Commerce* (廣州市工商業聯合會(總商會)), the vice president and member of the standing committee of the Second Executive Committee of Hong Kong Federation of Guangzhou Association (香港廣州社團總會), the vice president of New Home Association (香港新家園協會*), the founding member of the "Business for Social Good Platform" (商社聚賢平台) organised by Our Hong Kong Foundation (團結香港基金), a fellow member of Hong Kong Institute of Directors, and the honorary chairman of Baise City Education Fund* (百色市教育基金會). Ms. Man was one of the winners of the Fourth Outstanding Entrepreneur Social Responsibility Award* (第四屆傑出企業家社會責任獎) organised by The Mirror (鏡報) in Hong Kong in March 2015, and she was granted the sixteen batch honorary citizen of Guangzhou in November 2018 and awarded "Greater Bay Area Outstanding Woman Entrepreneur Awards 2018" in December 2018.

**Ms. LIANG Yuhua (梁玉華)**, aged 54, is an executive Director and also the Chief Operating Officer of the Group. She is primarily responsible for managing the general operations as well as supervising the overall business performance of all business segments of the Group. Ms. Liang was awarded a diploma in administrative management (行政管理專業) by the College of Continuing Education of Zhongkai University of Agriculture and Engineering* (仲愷農業工程學院繼續教育學院) in December 2014.

Ms. Liang joined the Group in March 2010 and up to April 2012, she was the then general manager of the retail department of Guangzhou Clifford Trading Limited* (廣州市祈福貿易有限公司) and was in charge of managing the overall business operation. She has since April 2012 become the Chief Operating Officer of the Group responsible for overseeing the overall business operation and management.

Before joining the Group, Ms. Liang was employed by the Private Group. Ms. Liang worked as the manager of the resort department of Clifford Estates (Panyu) Limited* (廣州市番禺祈福新邨房地產有限公司俱樂部) between June 1992 and June 1998, a member of the Private Group engaged in real estate development, and Guangzhou Panyu Clifford Estates Resort Club Company Limited* (廣州市番禺祈福新邨渡假俱樂部有限公司) between July 1998 and February 2010, a company engaged in the provision of resort and recreational facilities, respectively.

**Ms. HO Suk Mee (何淑媚)**, aged 51, is an executive Director of the Group and also the marketing director of the Group. She is primarily responsible for business development and marketing matters of the Group. Ms. Ho was awarded a Diploma in Design (Packaging & Advertising) by the Sha Tin Technical Institute in 1988 and a Higher Certificate in Marketing & Sales Management by the Hong Kong Polytechnic University in 1993.

Ms. Ho joined the Group in December 2018. Before joining the Group, Ms. Ho was a marketing director of the Private Group and she was responsible for leading and managing marketing matters of the overall business segments of the Private Group. Ms. Ho joined the Private Group as Assistant Marketing Officer in 1994 and she has since 2000 become a marketing manager managing the overall marketing matters. Ms. Ho was promoted to marketing director in 2006.

## Non-executive Director

**Mr. LIU Xing (劉興)**, aged 55, is a non-executive Director of the Company. He is primarily responsible for advising on legal issues and matters of the Group and overseeing general compliance of rules and regulations of the Group's operation. Mr. Liu was awarded a degree of Bachelor of Law by the then Zhongnan Institute of Politics and Law (中南政法學院) (currently known as Zhongnan University of Economics and Law (中南財經政法大學)) in July 1986. Mr. Liu was issued with a qualification certificate as an accredited lawyer in the PRC Mainland by the Administrative Department of Hubei Province Xianning City* (湖北省咸寧地區行政公署) in April 1991. He is currently a non-practising lawyer.

Mr. Liu is a member of the Twelfth and Thirteenth Guangzhou Committee of the Chinese People's Political Consultative Conference* (中國人民政治協商會議第十二屆及第十三屆廣州市委員會). He has become a judicial inspector of the Guangzhou Intermediate People's Court* (廣州市中級人民法院司法監督員) since September 2012. Mr. Liu is also the executive president of the Guangdong Real Estate Chamber of Commerce* (廣東省地產商會).

In July 1986, Mr. Liu started to work for the Justice Bureau of Hubei Province Xianning City* (湖北省咸寧地區司法局) and was an accredited lawyer of the consultancy department of the Justice Bureau of Hubei Province Xianning City* during August 1988 to August 1995. Mr. Liu founded Hubei Province Haizhou Law Office* (湖北省海舟律師事務所) in August 1995 and up to February 1999 when he assumed the office as the chief lawyer (主任律師).

From July 2000 onward, Mr. Liu has been employed by Clifford Estates (Panyu) Limited* (廣州市番禺祈福新邨房地產有限公司), assuming various offices including being the in-house counsel since July 2000 and the legal manager of the legal department since January 2002. Mr. Liu was promoted to the office as the legal director of Clifford Estates (Panyu) Limited* in September 2010 in which he was in charge of overseeing the legal department and providing legal advice in relation to business negotiations and drafting of contracts and other relevant legal documents.

## Independent Non-executive Directors

**Ms. LAW Elizabeth (羅君美)**, MH JP, aged 64, is an independent non-executive Director of the Company. Ms. Law graduated from McGill University in Canada with a degree of Bachelor of Commerce (majoring in Accounting) in May 1976. Ms. Law became a chartered accountant in Canada in June 1979, a member of HKICPA in May 1982, a member of the Institute of Chartered Accountant in England and Wales in February 2006 and a fellow member of CPA Australia in November 2009. She is a fellow member of HKICPA since December 1991, a fellow member of The Taxation Institute of Hong Kong since April 2003 and a chartered professional accountant, chartered accountant of Canada since November 2012.

Ms. Law served as the president of The Society of Chinese Accountants and Auditors in 1993. She was the founding president of the Association for Women Accountants (Hong Kong) Ltd. and has been appointed as the honourary founding president since 2008. Ms. Law was appointed as Justice of the Peace in Hong Kong in 2009.

Currently, Ms. Law is the managing director of Law & Partners CPA Ltd. and the proprietor of Stephen Law & Company.

Ms. Law is currently an independent non-executive director of Sunwah Kingsway Capital Holdings Limited (新華滙富金融控股有限公司) (listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") with stock code: 188) ,The Wharf (Holdings) Limited (九龍倉集團有限公司) (listed on the Stock Exchange with stock code: 4) and Sunwah International Limited (listed on Toronto Stock Exchange with stock code: SWH). Ms. Law was an independent non-executive director of China Vanke Co., Ltd. (萬科企業股份有限公司) (listed on the Stock Exchange with stock code: 2202 for H shares and listed on Shenzhen Stock Exchange with stock code: 000002 for A shares) until 30 June 2017.

**Mr. HO Cham (何湛)**, aged 61, is an independent non-executive Director of the Company. Mr. Ho was awarded a degree of Bachelor of Laws and the Postgraduate Certificate in Laws by the University of Hong Kong in November 1980 and July 1981 respectively. Mr. Ho was admitted as a solicitor of the Supreme Court of Hong Kong (currently known as the High Court of Hong Kong) in March 1983 and as a solicitor of the Supreme Court of England in January 1990. Mr. Ho is currently a practising solicitor in Hong Kong.

From July 1981 to February 1983, Mr. Ho worked as an article clerk at Johnson Stokes and Master. In March 1983, Mr. Ho joined Ho and Wong as assistant solicitor and became a partner of Ho and Wong in 1987. Currently Mr. Ho is the senior and managing partner of Ho and Wong.

**Mr. MAK Ping Leung (alias Mr. MAK Wah Cheung) (麥炳良，又名麥華章)**, aged 69, is an independent non-executive Director of the Company. Mr. Mak obtained a degree in Bachelor of Arts from the University of Hong Kong in November 1973.

Currently, Mr. Mak is the managing director of the Hong Kong Economic Times Holdings Limited (香港經濟日報集團有限公司) ("**HKET**") and publisher of Hong Kong Economic Times and Sky Post. He is also a founder of HKET. Mr. Mak is responsible for formulating the business strategies and the overall management of publishing, recruitment advertising and printing production of HKET. He has over 30 years of extensive experience in the media and publishing industry. Prior to the founding of HKET in 1987, he was the bureau chief of the European Bureau of Wen Wei Po in London, and was later promoted to the office of deputy general manager of Wen Wei Po. Mr. Mak is currently an honourary advisor of Hong Kong Institute of Marketing. In 1988, Mr. Mak was elected as one of the Ten Outstanding Young Persons of Hong Kong organised by Junior Chamber International Hong Kong (formerly known as Hong Kong Junior Chamber). In 2012, Mr. Mak won the Outstanding Entrepreneurship Award of the Asia Pacific Entrepreneurship Awards 2012 organised by Enterprise Asia.

Mr. Mak is currently an executive director of HKET (stock code: 423), a listed company in Hong Kong.

# SENIOR MANAGEMENT'S PROFILE

## SENIOR MANAGEMENT AND COMPANY SECRETARY

**Mr. CAO Jun (曹軍)**, aged 43, joined Guangzhou Kejian as a general manager in October 2012. He is responsible for managing and supervising the information technology and telecommunication businesses of the Group.

Prior to joining the Group, Mr. Cao worked as a supervisor and manager in the Private Group's computer department from July 2007 to September 2012. He has long been engaged in the information technology, artificial intelligence, process automation and telecommunication industries, and has extensive experience in operations and management.

**Mr. CHEN Yuxiong (陳宇雄)**, aged 52, joined the Group in April 2004 and is currently the chief operating officer of Guangzhou Panyu Clifford Property Management Limited* (廣州市番禺祈福物業管理有限公司), responsible for managing and overseeing the operation of the property management services business of the Group. He obtained a degree of Bachelor of Engineering from the Guangdong Mechanical Engineering Institution* (廣東機械學院) (currently known as Guangdong University of Technology (廣東工業大學)) in June 1988. Mr. Chen is a Certified Property Manager* (物業管理師) of the PRC Mainland and he was appointed as Property Management Expert of Guangzhou* (廣州市物業管理專家) by Guangzhou Housing and Urban-Rural Construction Committee (廣州市住房和城鄉建設委員會) in August 2017.

Mr. Chen has extensive experience in multiple aspects of the property management business. Mr. Chen joined Guangzhou Panyu Clifford Property Management Limited* (廣州市番禺祈福物業管理有限公司) since its establishment in October 1998, and has since served as the property management director responsible for managing and overseeing the operation of property management services. Mr. Chen has also overseen the management and operation of Foshan Clifford Property Management Limited* (佛山市祈福物業管理有限公司) since its establishment.

**PANG MingXia (彭明霞)**, aged 38, is the human resources general manager of the Group responsible for overseeing human resources allocation and staff development of the Group. Ms. Pang joined the Group in March 2017.

Ms. Pang was awarded a degree of Bachelor of Human Resources Management in 2013 by the Sun Yat-sen University ("**中山大學**"). Ms. Pang has extensive human resources management experience and she served as human resources manager of Nan Fung International Holdings Limited and its subsidiaries ("**Nan Fung Group**") and Shenzhen Heungkong Holding Co., Ltd. and its subsidiaries ("**Heungkong Group**") prior to joining the Group. Ms. Pang was primarily responsible for human resources planning and management, as well as staff performance review and incentive system setting and solutions.

**Mr. MAI Weisheng (麥偉生)**, aged 50, joined the Group in April 2005. He currently serves as the general manager of Guangzhou Clifford Trading Co., Ltd.* (廣州市祈福貿易有限公司) and is responsible for managing and supervising the operation of the Group's retail business. Prior to joining the Group, Mr. Mai served as a manager of each of the United States Wal-Mart Kunming Shopping Mall* (美國沃爾瑪昆明購物廣場), Guangzhou Sunshine Chain Store Co., Ltd. Community Supermarket* (廣州市陽光連鎖店有限公司社區超市), and Guangdong Lianyi Industrial Company Panyu Branch* (廣東省聯誼實業公司番禺分公司).

**Mr. YU Ding Him Anthony (余定謙)**, aged 34, is the company secretary and Chief Financial Officer of the Group. He is primarily responsible for financial reporting and company secretarial matters of the Group. He was awarded a degree of Bachelor of Commerce in April 2009 by the University of South Australia. By profession, he has been a member of CPA Australia since January 2013 and a member of HKICPA since May 2014. Mr. Yu was admitted as an associate of the Chartered Institute of Management Accountants in March 2013. He was also admitted as a member of Hong Kong Business Accountants Association in September 2016.

Mr. Yu joined an accounting firm Eric C.K. Fok & Co. from March 2009 as an auditor-junior and left the said firm in December 2010 as an auditor-senior. In January 2011 Mr. Yu joined BDO Limited (the Hong Kong member firm of a global accounting network BDO International Limited) as an associate 2 in the assurance department. He left the said firm in January 2014 as a senior associate. Immediately before joining the Group, from January 2014 to July 2014, Mr. Yu was the deputy chief financial officer of Flying Financial Service Holdings Limited, a company mainly engaged in the provision of integrated financial services which is listed on the Stock Exchange (stock code: 8030).

Mr. Yu joined the Private Group as financial manager in July 2014. He joined the Group in February 2015 and has been responsible for company secretarial matters of the Group.

The Directors have pleasure in presenting their report and the audited consolidated financial statements of the Group for the year ended 31 December 2018.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 12 to the consolidated financial statements.

## RESULTS AND BUSINESS REVIEW

The results of the Group for the year ended 31 December 2018 are set out in the consolidated income statement on page 89.

A fair review of the business of the Group during the year and its future development and outlook, important events affecting the Company occurred during the year ended 31 December 2018 and an analysis of the Group's performance during the year using key financial performance indicators, and relationships with stakeholders as required under Schedule 5 of the Companies Ordinance (Cap. 622 of the laws of Hong Kong) are set out in "Chairman's Statement" on pages 4 to 7, the "Management Discussion and Analysis" on pages 8 to 22 and the "Environmental, Social and Governance Report" on pages 55 to 84 of this annual report which constitute part of this report of the Directors.

## PRINCIPAL RISKS AND UNCERTAINTIES

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorised these risks and uncertainties into the following:

### (i) Risks relating to our general operations

- We rely substantially on key residential communities for a significant portion of our revenue

- Our corporate structure, which consists of multiple service segments, exposes us to challenges not found in companies with a single service segment

- We may not be able to implement our business strategies and our future plans

### (ii) Risks relating to our property management services

- Termination or non-renewal of our property management services contracts could have a material adverse effect on our business, financial position and results of operations

### (iii) Risks relating to our retail services

- We may not be able to maintain the balance between the levels of products supplied to satisfy customers without storing too much inventory

### (iv) Risks relating to our catering services

- Intense competition in the catering service industry could prevent us from increasing or sustaining our revenue and profitability

### (v) Risks relating to our information technology services

- If the contracts signed by us with the Private Group and/or Ms. MAN Lai Hung's Group are deferred or if we cease to have the Private Group and/or Ms. MAN Lai Hung's Group as our customers, we may experience a significant drop in revenue and may also bear counter-party risks, which may in turn adversely affect our performance and profitability

### (vi) Risks relating to our Ancillary Living Services

- If we are not able to continue to attract learners to enrol in our classes at commercially viable fee levels, our revenue may decline and we may not be able to maintain our profitability

## ENVIRONMENTAL POLICY AND PERFORMANCE

The Group considers environmental protection as its corporate responsibility and recognizes that the sustainable development of the environment is important to the sustainable daily operation of the Group's business, the Group has adopted various green measures to reduce any adverse impact that the Group's business may bring to the environment. More details on the Group's environmental policies and performance are set out in the "Environmental, Social and Governance Report" on pages 55 to 84 of this annual report.

## DIVIDENDS DISTRIBUTION

The Board recommended the payment of a final dividend of HK2.20 cents (2017: special dividend HK1.30 cents) per ordinary share in respect of the year ended 31 December 2018, making the total dividend payment of approximately HK$22.3 million (equivalent to approximately RMB19.6 million), subject to the approval by the shareholders at the annual general meeting (the "**AGM**") to be held on Friday, 28 June 2019. The final dividend will be paid in cash on Wednesday, 31 July 2019 to shareholders whose names appeared on the register of members of the Company on Monday, 8 July 2019.

## ANNUAL GENERAL MEETING

The AGM of the Company is currently planned to be held on Friday, 28 June 2019. A notice convening the AGM and all other relevant documents will be published and dispatched to the shareholders of the Company in due course.

## CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement to attend and vote at the AGM, the register of members of the Company will (so long as the AGM remains to be Friday, 28 June 2019) be closed from Friday, 21 June 2019 to Friday, 28 June 2019, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 20 June 2019.

In addition, subject to the approval of the proposed final dividend by the shareholders of the Company at the AGM, the register of members of the Company will be closed from Friday, 5 July 2019 to Monday, 8 July 2019 (both days inclusive) for the purpose of determining the identity of shareholders who qualify for the proposed final dividend. In order to qualify for the proposed final dividend, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 4 July 2019.

## SHARE CAPITAL

Details of change during the year ended 31 December 2018 in the share capital of the Company are set out in note 20 to the consolidated financial statements.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year ended 31 December 2018 are set out in note 13 to the consolidated financial statements.

## DISTRIBUTABLE RESERVES OF THE COMPANY

Movements in reserves of the Group during the year ended 31 December 2018 are set out on page 93 in the consolidated statement of changes in equity.

Our reserves available for distribution to the shareholders of the Company consisted of share premium and retained earnings. Under the Companies Law, Cap. 22 (Law 3 of 1963, as consolidated and revised) of the Cayman Islands and subject to compliance with the articles of association of the Company, the share premium account may be applied by the Company for paying distributions or dividends to the shareholders of the Company if immediately following the date on which the distribution or dividend is proposed to be paid, we will be able to pay off our debts as they fall due in the ordinary course of business. As at 31 December 2018, the Company's reserve available for distribution to equity holders amounted to approximately RMB424.8 million.

## DIRECTORS

The Directors during the year ended 31 December 2018 and up to the date of this report were:

### Executive Directors:

Ms. MAN Lai Hung (Chairman, appointed on 6 January 2016, re-designated from executive Director to non-executive Director on 18 April 2018 and re-designated from non-executive Director to executive Director and appointed as the Chief Executive Officer on 1 October 2018)
Mr. SUN Derek Wei Kong (resigned on 1 October 2018)
Mr. LEONG Chew Kuan (resigned on 3 December 2018)
Ms. HO Suk Mee (appointed on 1 December 2018)
Ms. LIANG Yuhua (Chief Operating Officer, appointed on 6 January 2016)

### Non-executive Director:

Mr. LIU Xing (appointed on 6 January 2016)

### Independent Non-executive Directors:

Ms. LAW Elizabeth (appointed on 21 October 2016)
Mr. HO Cham (appointed on 21 October 2016)
Mr. MAK Ping Leung (alias Mr. MAK Wah Cheung, appointed on 21 October 2016)

Pursuant to Articles 107(A) and (B) of the Articles of Association, Ms. LAW Elizabeth, Mr. HO Cham and Mr. MAK Ping Leung (alias Mr. MAK Wah Cheung), shall retire at the AGM.

All of the above retiring Directors are eligible and will offer themselves for re-election at the AGM.

Each of the Directors has entered into a service contract (or, a letter of appointment, as the case may be) with the Company for a term of three years which may be terminated by not less than three months' notice in writing served by either the Director or the Company.

## DIRECTORS' SERVICE CONTRACTS AND LETTER OF APPOINTMENT

Each of the executive Directors has entered into a service contract with the Company for an initial fixed term of three years effective from 1 November 2016, (except for Ms. MAN Lai Hung and Ms. HO Suk Mee effective from 1 October 2018 and 1 December 2018 respectively) which may be terminated in accordance with the terms of the service contract, including not less than three months' notice in writing served by either party, and renewable subject to terms and conditions to be agreed between the parties.

Non-executive Director and independent non-executive Directors have been appointed to the Board pursuant to their respective letters of appointment, for an initial term of three years commencing from 1 November 2016 renewable subject to terms and conditions to be agreed between the parties, and such appointment may be terminated in accordance with the terms of the letters of appointment, including by either party giving to the other party not less than three months' advance written notice of termination.

Save as aforesaid, no Director proposed for re-election at the AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than normal statutory compensation.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2018, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or of any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) of the Company, as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") were as follows:

| Name of Director | Nature of interest/Capacity | Number of shares | Approximate percentage of shareholding in the Company |
|---|---|---|---|
| Ms. MAN Lai Hung(1) | Interest in a controlled corporation(1) | 735,840,000 | 72.48% |
| Ms. MAN Lai Hung | Beneficial owner | 5,000,000 | 0.49% |
| Ms. LIANG Yuhua | Beneficial owner | 2,500,000(2) | 0.25% |
| Mr. LIU Xing | Beneficial owner | 2,500,000(2) | 0.25% |

Notes:

(1) Elland Holdings Limited is solely owned by Ms. MAN Lai Hung which in turn owns 735,840,000 shares of the Company. By virtue of the SFO, Ms. MAN Lai Hung is deemed or taken to be interested in all the shares which are beneficially owned by Elland Holdings Limited.

(2) These represent the maximum number of shares of the Company which may be allotted and issued to such Directors upon the exercise of the Pre-IPO share options granted to each of them. In respect of these five Directors, the Pre-IPO share options may be exercised at any time during the period (i) commencing on the business day immediately after the expiry of the six-month period after the listing date on 8 November 2016 (the "**Listing Date**") and (ii) ending on the date falling five (5) years and six (6) months of the Listing Date. The exercise price for subscription of each share upon the exercise of the Pre-IPO share options is equal to 90% of HK$0.46.

(3) All the shares are held in long position.

Save as disclosed above, as at 31 December 2018, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules.

## RIGHTS TO ACQUIRE SHARES

Save for the Pre-IPO share options granted to the Directors, at no time during the year was the Company, or its holding company, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2018, so far as the Directors are aware, the following substantial shareholders (other than the Directors and the chief executives of the Company) or institutions have interests or short positions of 5% or more in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

| Name | Capacity/Nature of interest | Number of Shares | Approximate percentage of shareholding in the Company |
|---|---|---|---|
| Elland Holdings Limited | Beneficial owner | 735,840,000(2) | 72.48% |
| Mr. PANG Lun Kee Clifford(1) | Interest of spouse | 740,840,000(2) | 72.97% |

Notes:

(1) Mr. PANG Lun Kee Clifford is the spouse of Ms. MAN Lai Hung. By virtue of the SFO, Mr. PANG Lun Kee Clifford is deemed to be interested in the shares of the Company held by Ms. MAN Lai Hung.

(2) All the shares are held in long position.

Save as disclosed above, as at 31 December 2018, the Directors are not aware of any other person or corporation having an interest or short position in shares and underlying shares of the Company or its associated corporation(s) which would require to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

## SHARE OPTION SCHEMES

The Company operates a pre-initial public offering share option scheme (the "**Pre-IPO Share Option Scheme**") and a share option scheme (the "**Share Option Scheme**") (collectively, the "**Schemes**") for the purpose of recognising and rewarding the contribution of certain eligible participants to the growth and development of the Group and its listing, to strengthen the corporate governance mechanism, to improve the employee incentive system, to align the interest of the Company, its shareholders and its management, to encourage continuing development of the eligible employees with a view to promoting the long-term stability and interest of the Group.

Eligible participants of the Schemes include the Directors, employees and other selected groups of participants. The Pre-IPO Share Option Scheme and the Share Option Scheme were adopted by the Company on 21 October 2016 and became effective on the same day. Unless otherwise cancelled or amended, the Pre-IPO Share Option Scheme will remain in force for 5 years and six months from the Listing Date on 8 November 2016, and the Share Option Scheme will remain in force for 10 years from the adoption date.

The maximum number of shares in respect of which options may be granted under the Schemes and any other schemes by the Company shall not, in aggregate, exceed 10% of the issued share capital of the Company as at the Listing Date unless shareholders' approval has been obtained.

The maximum number of shares issuable under the share options to each eligible participant in the Schemes within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in advance in a general meeting.

Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive Directors. In addition, any share options granted to a substantial shareholder or an independent non-executive Director of the Company, or to any of their associate, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the Directors, and may commence from the date of the offer of the share options and end on a date which is not later than 10 years from the date of the offer of the share options or the date on which such options lapse, if earlier.

Details of the movements in the Company's outstanding share options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme for the year ended 31 December 2018 were as follows:

| Name of category of participant | Balance as at 31 December 2017 | Exercised during the year | Lapsed or cancelled during the year | Balance as at 31 December 2018 | Date of grant | Exercise period | Exercise price per share (HK$) | Closing price of the shares on the trading day immediately before the date of grant (HK$) |
|---|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | | |
| MAN Lai Hung | 5,000,000 | 5,000,000 | – | – | 21 October 2016 | 9 May 2017 to 8 May 2022 | 0.414 | N/A |
| SUN Derek Wei Kong (resigned on 1 October 2018) | 2,500,000 | 2,500,000 | – | – | 21 October 2016 | 9 May 2017 to 8 May 2022 | 0.414 | N/A |
| LEONG Chew Kuan (resigned on 3 December 2018) | 2,500,000 | 2,500,000 | – | – | 21 October 2016 | 9 May 2017 to 8 May 2022 | 0.414 | N/A |
| LIANG Yuhua | 2,500,000 | – | – | 2,500,000 | 21 October 2016 | 9 May 2017 to 8 May 2022 | 0.414 | N/A |
| LIU Xing | 2,500,000 | – | – | 2,500,000 | 21 October 2016 | 9 May 2017 to 8 May 2022 | 0.414 | N/A |
| **Senior Management** | | | | | | | | |
| YU Ding Him Anthony | 1,500,000 | 1,500,000 | – | – | 21 October 2016 | 9 May 2017 to 8 May 2022 | 0.414 | N/A |
| CHEN Yuxiong | 1,250,000 | 1,250,000 | – | – | 21 October 2016 | 9 May 2017 to 8 May 2022 | 0.414 | N/A |
| CEN Jiayin (resigned in July 2018) | 500,000 | 500,000 | – | – | 21 October 2016 | 9 May 2017 to 8 May 2022 | 0.414 | N/A |
| **Employees of the Group** | 975,000 | – | – | 975,000 | 21 October 2016 | 9 May 2017 to 8 May 2022 | 0.414 | N/A |
| Total | 19,225,000 | 13,250,000 | – | 5,975,000 | | | | |

### (A) Pre-IPO Share Option Scheme

Pursuant to the Pre-IPO Share Option Scheme, the Company has granted 21,175,000 options to eligible Directors, senior management and employees of the Group to subscribe for ordinary shares in the Company subject to the terms stipulated under the Pre-IPO Share Option Scheme. The exercise price is 90% of the final offer price of the Shares issued in connection with the listing (HK$0.414). 13,250,000 options were exercised and no options were lapsed or cancelled during the year ended 31 December 2018. As at the date of this report, the Company had 5,975,000 share options under the Pre-IPO Share Option Scheme, representing approximately 0.6% of the issued share capital of the Company as at that date.

Further details of the Pre-IPO Share Option Scheme are set out in Note 21(c) to the consolidated financial statements.

### (B) Share Option Scheme

Pursuant to the Share Option Scheme, the Directors may invite participants to take up options at a price determined by the Board but in any event shall not be less than the highest of (i) the nominal value of a Share; (ii) the closing price of the Share as stated in the Stock Exchange's daily quotation sheet on the offer date; and (iii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date. The option may be exercised in accordance with the terms of the Share Option Scheme at any time during the option period which may be determined and notified by the Board to the grantee at the time of making an offer. As at the date of this annual report, no options have been granted or agreed to be granted pursuant to the Share Option Scheme.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There was no purchase, sale or redemption by the Company or any of its subsidiaries, of the Company's listed securities during the year ended 31 December 2018.

## BORROWINGS

As at 31 December 2018, the Group had no borrowings.

## EQUITY-LINKED AGREEMENTS

Save for the Schemes as set out above, no equity-linked agreements were entered into by the Company, during or subsisted at the end of the year 2018.

## DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

Save as disclosed under the paragraph headed "Connected Transactions" on pages 35 to 37 of this annual report, no Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which any of the Company's subsidiaries was a party during the year.

## MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the Group's business subsisted during the financial year ended 31 December 2018.

## CONTRACTS OF SIGNIFICANCE

During the year under review, save as disclosed in the paragraph headed "Connected Transactions" in this annual report, there had been no contract of significance between the Company or any of its subsidiaries and a controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries.

## INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors are independent.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2018, the aggregate revenue attributable to the largest customer and the five largest customers of the Group accounted for approximately 17.5% and 34.1% of the Group's total sales in the year respectively.

Guangzhou Huadu Clifford Property Development Company Limited* (廣州市花都祈福房地產有限公司), Guangdong Clifford Hospital Company Limited* (廣東祈福醫院有限公司) and Guangzhou Panyu Clifford Estates Property Development Company Limited* (廣州市番禺祈福新邨房地產有限公司), which were three of the Group's five largest customers for the year ended 31 December 2018, are members of the Private Group. Save as disclosed above, none of the Directors, their close associates or any shareholder who, to the knowledge of the Directors, owned more than 5% of the Company's share capital, had any interest in any of the Group's five largest customers for the year ended 31 December 2018.

During the year ended 31 December 2018, the aggregate purchases attributable to the largest supplier and the five largest suppliers of the Group accounted for approximately 5.6% and 18.0% of the Group's total purchases respectively.

None of our Directors, their close associates or any shareholders who, to the knowledge of our Directors, owned more than 5% of the Company's share capital, had any interest in any of the Group's five largest suppliers for the year ended 31 December 2018.

## SUBSIDIARIES

Details of the subsidiaries of the Company as at 31 December 2018 are set out in note 12 to the consolidated financial statements.

## FOREIGN EXCHANGE RISK

Details of the foreign exchange risk are set out in note 3.1.1 to the consolidated financial statements.

## DISCLOSURE UNDER RULE 13.20 OF THE LISTING RULES

The Directors are not aware of any circumstances resulting in the responsibility of disclosure under Rule 13.20 of the Listing Rules regarding the provision of advances by the Company to an entity.

## CONNECTED TRANSACTIONS

The Company has entered into the following continuing connected transactions during the year ended 31 December 2018. Details of the transactions are set out below:

### Connected Persons

1. **Private Group**

   Ms. MAN Lai Hung is one of the controlling shareholders of the Company, an Executive Director and the Chairman of the Group. The spouse of Ms. MAN Lai Hung, Mr. PANG Lun Kee Clifford, controls or owns 30% or more of the issued share capital of certain companies (the "**Private Group**"). Being an associate of Ms. MAN Lai Hung, members of the Private Group are connected persons of the Company under Rule 14A.12 of the Listing Rules.

2. **Ms. MAN Lai Hung's Group**

   Ms. MAN Lai Hung's Group comprises companies which are under the control of (or 30% or more of the issued share capital of which are owned by) Ms. MAN Lai Hung ("**Ms. MAN Lai Hung's Group**"), who is one of the controlling shareholders of the Company, an executive Director and the Chairman of the Group. Being an associate of Ms. MAN Lai Hung, members of Ms. MAN Lai Hung's Group are connected persons of the Company under Rule 14A.12 of the Listing Rules.

**Master Composite Services Agreement**

As disclosed in the Prospectus, the Company (for itself and on behalf of its subsidiaries, as service providers) and Clifford Estates (Panyu) Limited* (廣州市番禺祈福新邨房地產有限公司) (for itself and on behalf of other members of the Private Group) and Clifford Aged Home Company Limited* (廣州市祈福護老公寓有限公司) (for itself and on behalf of Ms. MAN Lai Hung's Group) (as receiving parties) entered into a master composite services agreement ("**Master Composite Services Agreement**") dated 21 October 2016. Pursuant to such agreement, the Group agreed to provide certain services to members of both the Private Group and Ms. MAN Lai Hung's Group for a term of three years ended 31 December 2018 with an option to renew such agreement for an additional term of three years by mutual consent, subject to compliance with the then applicable provisions of the Listing Rules. The Group set annual caps for the maximum aggregate income from the provision of the services under the Master Composite Services Agreement for each of the financial years ended 31 December 2016, 2017 and 2018 which are RMB23.0 million, RMB23.0 million and RMB23.0 million, respectively.

**Master Tenancy Agreement**

As disclosed in the Prospectus, the Company (on behalf of its subsidiaries) (as tenant) and Clifford Estates (Panyu) Limited* (廣州市番禺祈福新邨房地產有限公司) (for itself and on behalf of the other property owners which are members of the Private Group) (as landlord) entered into a master tenancy agreement dated 21 October 2016 ("**Master Tenancy Agreement**"). Pursuant to such agreement, the Group has agreed to lease certain properties (including the properties which the Group may lease from the Private Group in the future) from members of the Private Group for a term of ten years commencing from 1 January 2016 which may be renewed for a successive period of ten years by mutual consent upon initial expiry, subject to the then applicable provisions of the Listing Rules. The Group has set annual caps for the maximum aggregate rental amount payable to the Private Group under the Master Tenancy Agreement for each of the financial years ended 31 December 2016, 2017 and 2018 which are RMB11.5 million, RMB12.0 million and RMB12.5 million, respectively.

**Revision of Annual Caps for transactions contemplated under the Master Composite Services Agreement and the Master Tenancy Agreement**

On 28 April 2017, a supplemental master composite services agreement ("**Supplemental Master Composite Services Agreement**") and supplemental master tenancy agreement ("**Supplemental Master Tenancy Agreement**") were entered between the same parties to revise certain terms of the Master Composite Services Agreement and the Master Tenancy Agreement. Annual caps were revised to RMB37.0 million and RMB41.0 million for the financial years ended 31 December 2017 and 2018 respectively under the Master Composite Services Agreement (as supplemented by the Supplemental Master Composite Services Agreement), and annual caps were revised to RMB16.0 million and RMB20.0 million for the financial years ended 31 December 2017 and 2018 respectively under the Master Tenancy Agreement (as supplemented by the Supplemental Master Tenancy Agreement). For details, please refer to the Company's announcement dated 28 April 2017 and the Company's circular dated 7 June 2017. Both supplemental agreements (including the revised annual caps) were unanimously passed as ordinary resolutions of the Company in the extraordinary general meeting held on 23 June 2017. For details, please refer to the Company's announcement dated 23 June 2017. During the year under review, amounts payable/paid by the Group to the Private Group under the Master Tenancy Agreement (as supplemented by the Supplemental Master Tenancy Agreement) amounted to approximately RMB13.7 million while amounts receivable/ received by the Group under the Master Composite Services Agreement (as supplemented by the Supplemental Master Composite Services Agreement) from the Private Group and Ms. MAN Lai Hung's Group amounted to approximately RMB23.0 million.

**Master Engineering Service Agreement**

On 16 October 2017, Guangzhou Kejian Computer Technology Co. Limited* (廣州市科健計算機技術有限公司), a company established in PRC Mainland on 24 August 2007 and an indirect wholly-owned subsidiary of the Company, on the one part, entered into a master engineering service agreement ("**MES Agreement**") with Clifford Estates (Panyu) Limited* (廣州市番禺祈福新邨房地產有限公司) (for itself and on behalf of other members of the Private Group) and Clifford Aged Home Company Limited* (廣州市祈福護老公寓有限公司) (for itself and on behalf of other members of Ms. MAN Lai Hung's Group) on the other part. Pursuant to such agreement, the Group agreed to provide certain engineering and maintenance services to the Private Group and Ms. MAN Lai Hung's Group for an initial term from 21 December 2017 to 31 December 2018 with an option for extension by mutual consent, subject to compliance with the then applicable provisions of the Listing Rules. The Group set an annual cap of RMB75.0 million for the maximum aggregate income from the provision of the services under the MES Agreement for financial year ended 31 December 2018. The transactions contemplated under the MES Agreement constituted continuing connected transactions on the part of the Company under Chapter 14A of the Listing Rules. For details, please refer to the Company's announcement dated 16 October 2017 and the Company's circular dated 29 November 2017. The MES Agreement was unanimously passed as ordinary resolutions of the Company in the extraordinary general meeting held on 18 December 2017. For details, please refer to the Company's announcement dated 18 December 2017. During the year under review, amounts receivable/ received by the Group under the MES Agreement from Private Group and Ms. MAN Lai Hung's Group amounted to approximately RMB62.2 million.

**2018 Master Composite Services Agreement**

On 18 October 2018, the Company (for itself and on behalf of its subsidiaries) (as service providers) on one part, entered into a master composite services agreement ("**2018 Master Composite Services Agreement**" or "**2018 MCSA**") with Clifford Estates (Panyu) Limited* (廣州市番禺祈福新邨房地產有限公司) (for itself and on behalf of other members of the Private Group) and Clifford Aged Home Company Limited* (廣州市祈福護老公寓有限公司) (for itself and on behalf of Ms. MAN Lai Hung's Group) (as receiving parties) on the other part, to continue the provision of procurement, property management, laundry, resident support and maintenance, employment placement, property agency services and expansion of engineering and maintenance services and telecommunication services to the receiving parties for the three years ending 31 December 2021. Upon the expiry of the term of the MES Agreement, the engineering and maintenance services are provided under the 2018 MCSA with effect from 1 January 2019. The Group has set annual caps for the maximum aggregate income from the provision of the services under the 2018 MCSA for each of the financial years ending 2019, 2020 and 2021 which are RMB126.0 million, RMB129.0 million and RMB138.0 million, respectively.

**2018 Supplemental Master Tenancy Agreement**

On 18 October 2018, the Company (for itself and on behalf of its subsidiaries) (as tenant) entered into a supplemental master tenancy agreement ("**2018 Supplemental Master Tenancy Agreement**" or "**2018 Supplemental MTA**") with Clifford Estates (Panyu) Limited* (廣州市番禺祈福新邨房地產有限公司) (for itself and on behalf of the other property owners which are members of the Private Group) (as landlord), to revise certain terms of the Master Tenancy Agreement (as supplemented by the Supplemental Master Tenancy Agreement). The Group has set annual caps for the maximum aggregate rental amount payable to the Private Group under the Master Tenancy Agreement (as supplemented by the Supplemental Master Tenancy Agreement and the 2018 Supplemental MTA) for each of the financial years ending 2019, 2020 and 2021 which are RMB19.0 million, RMB20.0 million and RMB21.0 million, respectively.

For details of 2018 MCSA and 2018 Supplemental MTA, please refer to the Company's announcement dated 18 October 2018 and the Company's circular dated 11 January 2019. Both agreements (including the annual caps) were unanimously passed as ordinary resolutions of the Company in the extraordinary general meeting held on 28 January 2019. For details, please refer to the Company's announcement dated 28 January 2019.

The independent non-executive Directors have reviewed the abovementioned continuing connected transactions undertaken during the year, and confirmed that such transactions were entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms and on terms no less favourable to the Group than terms available from independent third parties; and

(iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

PricewaterhouseCoopers, Certified Public Accountants, the Company's independent auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

For the purpose of Rule 14A.56 of the Listing Rules, PricewaterhouseCoopers, the independent auditor of the Company, has provided a letter to the Board, confirming that nothing has come to their attention that causes them to believe the continuing connected transactions abovementioned:

(i) have not been approved by the Board;

(ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve provision of goods and services by the Group;

(iii) were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions;

(iv) have exceeded the annual cap as set by the Company with respect to the aggregate amount of each of the continuing connected transactions.

The Directors confirm that the Company has complied with the requirements of Chapter 14A of the Listing Rules in respect of all of its continuing connected transactions.

## SIGNIFICANT RELATED PARTY TRANSACTIONS

In connection with the significant related party transactions set out in note 29 to the consolidated financial statements, save for the transactions set out in paragraph headed "Connected Transactions" in this Report of the Directors, these related party transactions do not constitute connected transactions or continuing connected transactions within the meaning of Chapter 14A of the Listing Rules. For the year ended 31 December 2018, the Company has complied with the disclosure requirements of Chapter 14A of Listing Rules.

## COMPLIANCE WITH THE DEED OF NON-COMPETITION

Please refer to page 40 of the Corporate Governance Report of this annual report for details.

## COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group, such as the Listing Rules and the Revised HKFRS. The audit committee of the Company is delegated by the Board to monitor the Group's policies and practices on compliance with legal and regulatory requirements and such policies are regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of the relevant employees and relevant operation units from time to time. As far as the Company is aware, it has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company.

## INTERESTS OF DIRECTORS IN COMPETING BUSINESS

Save as disclosed in the section headed "Relationship with the Controlling Shareholders" of the Prospectus, during the year ended 31 December 2018, none of the Directors or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or have any other conflict of interests with the Group.

## EMOLUMENT POLICY

The Group's emolument policy is designed to attract, retain and motivate talented individuals to contribute to the success of the business. The emolument policy of the employees of the Group is formulated and reviewed by the remuneration committee of the Company ("**Remuneration Committee**") on the basis of their merit, qualifications and competence.

The emoluments of the Directors are proposed by the Remuneration Committee to the Board, having regards to the Group's operating results, individual performance and comparable market statistics.

The Group operates a Mandatory Provident Fund Scheme ("**MPF Scheme**") under rules and regulations of Mandatory Provident Fund Schemes Ordinance of Hong Kong for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. Contributions are made based on a percentage of the employees' salaries and are charged to consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. No forfeited contribution is available to reduce the contribution payable in the future years as at 31 December 2018.

The Group's subsidiaries in the PRC Mainland, in compliance with the applicable regulations of the PRC Mainland, participated in a state-managed retirement benefits scheme operated by the local government. The subsidiaries are required to contribute a specific percentage of their payroll costs to the retirement benefits schemes. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions. During the year under review, the total amounts contributed by the Group to the schemes and costs charged to the consolidated income statement represent contribution payable to the schemes by the Group at rates specified in the rules of the schemes.

Total emolument of RMB72.9 million was charged to the consolidated income statement, representing RMB2.7 million for the Directors' remuneration and RMB70.2 million for other staff's salaries and allowance.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association, or the applicable laws of the Cayman Islands where the Company is incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## CORPORATE GOVERNANCE

The Directors recognise the importance of good corporate governance in the management of the Group. The Company has adopted the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 40 to 54 of this annual report.

## SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its Directors, it is confirmed that the Company has maintained a sufficient public float throughout the year ended 31 December 2018 and up to the date of this annual report.

## USE OF NET PROCEEDS FROM INITIAL PUBLIC OFFERING

Based on the offer price of HK$0.46 per share and 250,000,000 shares offered by the Company, the Company raised net proceeds of approximately RMB54.7 million (after deducting underwriting fee and commissions and other relevant expenses, equivalent to approximately RMB46.4 million). The proceeds are intended to be applied in the manner consistent with that set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus. Up to 31 December 2018, approximately RMB34.2 million of the net proceeds had been utilised accordingly. The remaining net proceeds were deposited with certain licensed financial institutions in Hong Kong.

## TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to the shareholders by reason of their holding of the Company's securities.

## SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The Group does not have any material subsequent event after 31 December 2018 and up to the date of this annual report.

## PERMITTED INDEMNITY PROVISION

The articles of association of the Company provides that every Director is entitled to be indemnified out of the assets of the Company from and against all actions, costs, charges losses, damages and expenses which he/she may sustain by reason of any act done, concurred in or omitted in or about the execution of his/her duty, or supposed duty, in his/her office or trusts, provided that the indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to him/her.

The Company has taken out and maintained directors' and officers' liability insurance throughout the year, which provides appropriate cover for the directors and officers of the Company.

## AUDITOR

A resolution will be proposed at the forthcoming AGM for the re-appointment of PricewaterhouseCoopers as the independent auditor of the Company.

On behalf of the Board
**MAN Lai Hung**
*Chairman and Executive Director*

Hong Kong, 22 March 2019

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

The Board of Directors of the Company is committed to achieving high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has applied the principles as set out in the CG Code contained in Appendix 14 of the Listing Rules.

The Company is committed to enhancing its corporate governance practices appropriate to the conduct and the growth of its business and to reviewing such practices from time to time to ensure that they comply with statutory and professional standards and align with the latest development.

The Board is of the view that throughout the year ended 31 December 2018, save for the following deviation, the Company has complied with all the code provisions as set out in the CG Code.

Under code provision A.2.1 of the CG Code, the roles of chairman and Chief Executive Officer should be separate and should not be performed by the same individual. However, the Board considers that Ms. MAN Lai Hung has in-depth knowledge and experience in the Group's businesses in the PRC Mainland and therefore it is the best interests of the Group for her to take up the dual roles of the Chairman and Chief Executive Officer. The Board believes that the combined roles of Ms. MAN Lai Hung can provide the Company with strong and consistent leadership that allows for effective and efficient planning and implementation of business decisions and strategies, and should be overall beneficial to the management and development of the Group's business. The structure is supported by the Company's well established corporate governance structure and internal control policies.

### Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made by the Company with all Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2018.

## BOARD OF DIRECTORS

The Board oversees the Group's businesses, strategic decisions and performance and should take decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing them.

## Board Composition

As at 31 December 2018, the Board comprised seven Directors, consisting of three executive Directors, one non-executive Director and three independent non-executive Directors.

During the year ended 31 December 2018 and up to the date of this annual report, the Board comprises the following Directors:

**Executive Directors**

Ms. MAN Lai Hung *(Chairman and Chief Executive Officer)**
Mr. SUN Derek Wei Kong *(Chief Executive Officer)* (resigned on 1 October 2018)
Mr. LEONG Chew Kuan *(Chief Financial Officer)* (resigned on 3 December 2018)
Ms. LIANG Yuhua *(Chief Operating Officer)*
Ms. HO Suk Mee (appointed on 1 December 2018)

**Non-executive Director**

Mr. LIU Xing

**Independent Non-executive Directors**

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

* Re-designated from non-executive Director to executive Director and appointed as the Chief Executive Officer with effect from 1 October 2018.

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

The biographical information of the Directors are set out in the section headed "Directors' Profile" of this annual report.

To the best knowledge of the Company, there is no other financial, business or family relationship among the members of the Board.

## Directors' Attendance Records

The Board held six meetings during the year ended 31 December 2018. The attendance records of each Director at Board meetings, Board committee meetings and the general meeting of the Company held during the year ended 31 December 2018 are set out below:

| Name of Director | Board | Number of Attendance in Person/Number of Meeting(s) Audit Committee | Remuneration Committee | Nomination Committee | Independent Board Committee | Annual General Meeting[(1)] |
|---|---|---|---|---|---|---|
| Ms. MAN Lai Hung | 6/6 | – | 3/4 | 3/4 | – | 1/1 |
| Mr. SUN Derek Wei Kong (resigned on 1 October 2018) | 6/6 | – | – | – | – | 1/1 |
| Mr. LEONG Chew Kuan (resigned on 3 December 2018) | 5/6 | – | – | – | – | 1/1 |
| Ms. LIANG Yuhua | 6/6 | – | – | – | – | 1/1 |
| Mr. LIU Xing | 6/6 | 2/2 | – | – | – | 1/1 |
| Ms. HO Suk Mee (appointed on 1 December 2018) | 0/6 | – | – | – | – | 0/1 |
| Ms. LAW Elizabeth | 6/6 | 2/2 | 4/4 | 4/4 | 2/2 | 1/1 |
| Mr. HO Cham | 6/6 | 2/2 | – | 4/4 | 2/2 | 1/1 |
| Mr. MAK Ping Leung (alias Mr. MAK Wah Cheung) | 6/6 | 2/2 | 4/4 | – | 2/2 | 1/1 |

Note:

(1) The annual general meeting of the Company was held on 22 June 2018.

Apart from regular Board meetings, the Chairman also held a meeting with the non-executive Directors (including independent non-executive Directors) without the presence of the executive Directors (other than Ms. MAN Lai Hung who is the Chairman as well as an executive Director) on 22 March 2018.

## Board Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to the Directors in advance. Notice of regular Board meetings is served to all the Directors at least 14 days before the meeting. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least three days before each Board meeting or committee meeting to keep Directors apprised of the latest development and financial position of the Company and to enable them to make decisions. The Board and each Director also have separate and independent access to the senior management where necessary.

The senior management normally will attend regular Board meetings and where necessary, other Board and committee meetings, to advise on business development, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

The Company's memorandum and articles of association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at the meetings for approving transactions in which such Directors or any of their associates have a material interest.

The secretary of the meetings is responsible for taking and keeping minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and final versions which contain sufficient details the matters considered and decisions reached open for Directors' inspection.

### Chairman and Chief Executive Officer

During the period between 1 January 2018 to 30 September 2018, the positions of Chairman and Chief Executive Officer are held by Ms. MAN Lai Hung and Mr. SUN Derek Wei Kong respectively. With effect from 1 October 2018, Mr. SUN Derek Wei Kong resigned as an executive Director and the Chief Executive Officer. Immediately following the resignation of Mr. SUN Derek Wei Kong, Ms. MAN Lai Hung was re-designated from a non-executive Director to an executive Director and has been appointed as the Chief Executive Officer of the Company.

### Independent Non-executive Directors

During the year ended 31 December 2018, the Board at all times met the requirements of the Rule 3.10 of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

Each independent non-executive Director has entered into an appointment letter with the Company for a term of three years commencing from 1 November 2016 and the appointment letter shall continue unless and until terminated by not less than three months' notice in writing served by either party to another.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors are independent.

### Appointment and Re-election of Directors

The non-executive Directors (including independent non-executive Directors) are appointed for a specific term of three years, subject to renewal after the expiry of the current term.

The Company's articles of association provides that all Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after his/her appointment.

Under the articles of association of the Company, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three of a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The retiring Directors shall be eligible for re-election.

## Responsibilities of the Directors

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including the non-executive Director and the independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Through active participation at Board meetings, taking the lead in managing issues involving potential conflict of interest and serving on Board committees, all non-executive Directors (including the independent non-executive Directors) make various contributions to the effective direction of the Company.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

All Directors carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and the shareholders at all times.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

## Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Such induction shall be supplemented by visits to the Company's key plant sites and meetings with senior management of the Company.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading materials on relevant topics would be provided to Directors where appropriate.

A summary of trainings received by the Directors during the year ended 31 December 2018 according to the records provided by the Directors is as follows:

| Directors | Types of trainings[(1)] |
|---|---|
| **Executive Directors** | |
| Ms. MAN Lai Hung[(2)] | A, B |
| Mr. SUN Derek Wei Kong (resigned on 1 October 2018) | A, B |
| Ms. HO Suk Mee (appointed on 1 December 2018) | A, B |
| Mr. LEONG Chew Kuan (resigned on 3 December 2018) | A, B |
| Ms. LIANG Yuhua | A, B |
| **Non-executive Director** | |
| Mr. LIU Xing | A, B |
| **Independent Non-executive Directors** | |
| Ms. LAW Elizabeth | A, B |
| Mr. HO Cham | A, B |
| Mr. MAK Ping Leung (alias Mr. MAK Wah Cheung) | A, B |

Notes:

(1) A: attending seminars and/or conferences relevant to the Directors' duties and responsibilities or corporate governance.

B: reading materials relating to Directors' duties and responsibilities or corporate governance or regulatory updates.

(2) Re-designated from executive Director to non-executive Director with effect from 18 April 2018 and re-designated from non-executive Director to executive Director to with effect from 1 October 2018.

## BOARD COMMITTEES

The Board has established three committees, namely the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Board committees are of no less exacting terms than those set out in the CG Code and are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

### Audit Committee

As at 31 December 2018, the Audit Committee consisted of three independent non-executive Directors, namely Ms. LAW Elizabeth (Chairman), Mr. HO Cham and Mr. MAK Ping Leung and one non-executive Director, namely Mr. Liu Xing (with Ms. LAW Elizabeth possessing the appropriate professional qualifications and accounting and related financial management expertise).

On 31 December 2018, the Board has revised the terms of reference of the Audit Committee which are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the year ended 31 December 2018, the Audit Committee held two meetings and reviewed the Group's interim and annual financial results and reports, significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, re-appointment of external auditors and engagement of non-audit services and relevant scope of works, and connected transactions and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee also met the external auditors twice a year without the presence of the executive Directors.

### Remuneration Committee

As at 31 December 2018, the Remuneration Committee consisted of two independent non-executive Directors, namely Mr. MAK Ping Leung (Chairman) and Ms. LAW Elizabeth, and one executive Director, Ms. MAN Lai Hung.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

The Remuneration Committee held four meetings during the year ended 31 December 2018 to review on the remuneration policy of executive Directors, assessing performance of executive Directors, and structure of the Company, the remuneration packages of the executive Directors and senior management to approve the terms of executive Directors' service contracts and other related matters and make recommendation to the Board.

Details of the remuneration of the senior management by band are set out in this report on page 49.

### Nomination Committee

As at 31 December 2018, the Nomination Committee consists of one executive Director, Ms. MAN Lai Hung (Chairman), and two independent non-executive Directors, namely Ms. LAW Elizabeth and Mr. HO Cham.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the structure, size and composition of the Board, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board diversity policy, including but not limited to skills, regional and industry experience, educational background, knowledge, expertise, culture, independence, age, gender and other qualities. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

The Nomination Committee held four meetings during the year ended 31 December 2018 to review the structure, size and composition of the Board and the independence of the independent non-executive Directors and to consider the qualifications of the retiring Directors standing for election at the annual general meeting. The diversity policy was also reviewed at the meeting.

## CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

During the year ended 31 December 2018, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and written employee guidelines, and the Company's compliance with the CG Code and disclosure in this corporate governance report.

## DISCLOSURE OF DIRECTORS' INFORMATION PURSUANT TO LISTING RULE 13.51B(1) OF THE LISTING RULES

### Director's Position Held

Mr. SUN Derek Wei Kong and Mr. LEONG Chew Kuan resigned as executive Directors of the Company with effect from 1 October 2018 and 3 December 2018 respectively.

Ms. MAN Lai Hung was re-designated from an executive Director to a non-executive Director for a term of three years from 18 April 2018. Immediately following the resignation of Mr. SUN Derek Wei Kong as an executive Director and the Chief Executive Officer on 1 October 2018, Ms. MAN was re-designated from a non-executive Director to an executive Director of the Company and has been appointed as the Chief Executive Officer of the Company. Ms. MAN remains as the chairman of the Board and a director of most of the Company's principal subsidiaries.

Ms. HO Suk Mee was appointed as an executive Director for a term of three years from 1 December 2018.

### Appointment Letter and Director's Fee

On 16 April 2018, the Board approved the letter of appointment of Ms. MAN Lai Hung as a non-executive Director for a term of three years commencing on 18 April 2018 and to pay Ms. MAN an annual director's fee of HK$216,000 for her role as a non-executive Director. Her service contract as an executive Director entered into with the Company on 1 November 2016 was terminated by mutual consent with effect from 18 April 2018.

On 28 September 2018, the Board approved the service contract of Ms. MAN Lai Hung as executive Director for a term of three years commencing on 1 October 2018 and to pay Ms. MAN an annual director's fee of HK$216,000 for her role as an executive Director. Her service contract as a non-executive Director entered into with the Company on 16 April 2018 was terminated by mutual consent with effect from 1 October 2018.

On 30 November 2018, the Board approved the letter of appointment of Ms. HO Suk Mee as an executive Director for a term of three years commencing on 1 December 2018 and to pay Ms. HO an annual salary of HK$480,240 and an annual director's fee of HK$216,000 for her role as executive Director and marketing director.

## REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies on remuneration of Directors and senior management of the Group. Details of the remuneration of each of the Directors for the year ended 31 December 2018 are set out in note 30(a) to the consolidated financial statements.

Details of the 5 individuals with the highest emoluments (including Directors, senior management and employees of the Group) are set out in note 7(b) to the consolidated financial statements.

## RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee and the internal control consultant engaged by the Company assist the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

In order to ensure the effective implementation of such internal control policies, we have adopted a series of internal control policies, procedures and programmes designed to provide reasonable assurance for achieving objectives including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations, including the following:

- we established an Internal Audit Department in December 2016. The Internal Audit Department is responsible for performing independent review of the adequacy and effectiveness of the risk management and internal control systems. The Internal Audit Department examined key issues in relation to accounting, financial policies and practices and provided its findings and recommendations for improvement to the Audit Committee;

- for the purpose of enhancing compliance awareness and knowledge, we have arranged compliance training for our management. The trainings provide information with respect to our internal control policies in relation to compliance with relevant laws and regulations. In addition, during the year ended 31 December 2018, training has also been provided to our Directors and senior management in relation to compliance with the Listing Rules. Also, we expect to provide continuous and regular training when necessary;

- we have engaged external professional advisers as necessary to work with our Group to conduct regular review to assist in full compliance with relevant rules and regulations.

On 22 March 2019, the management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2018. The Directors are of the view that the risk management and internal control systems are adequate and effective.

At the Board meeting held on 22 March 2019, the Board, as supported by the Audit Committee as well as the management report and the internal audit findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2018, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

## PERFORMANCE OF THE DEED OF NON-COMPETITION AND OTHER UNDERTAKINGS

The independent non-executive Directors were delegated with the authority to review, on an annual basis, the compliance with the deed of non-competition and other undertakings (the "**Deed of Undertakings**") executed by Ms. MAN Lai Hung and Elland Holdings Limited (the "**Controlling Shareholders**") on 21 October 2016, in favour of the Company. Pursuant to the Deed of Undertakings, each of the Controlling Shareholders has, amongst other matters, irrevocably undertaken to the Company on a joint and several basis that at any time during the Relevant Period (as defined therein), each of them will not, directly or indirectly, compete or may compete with the Company's business. A summary of the principal terms of the Deed of Undertakings is set out in the section headed "Relationship with Controlling Shareholders" of the Prospectus. Each of the Controlling Shareholders and her/its close associates has confirmed that she/it had complied with the Deed of Undertakings during the year ended 31 December 2018 and up to the date of this annual report. The independent non-executive Directors were not aware of any non-compliance of the Deed of Undertakings given by the Controlling Shareholders during the year ended 31 December 2018 and up to the date of this annual report.

## DIRECTORS' RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group for the year ended 31 December 2018.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, announcements relating to disclosure of insider information and other disclosures required under the Listing Rules and other statutory and regulatory requirements.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Group's consolidated financial statements, which are put to the Board for approval.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 87 to 88.

## REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the remuneration of each of the Directors for the year ended 31 December 2018 are set out in note 30(a) to the consolidated financial statements.

The annual remuneration of the members of the senior management (other than Directors) by bands for the year ended 31 December 2018 is set out below:

| | **Number of individuals** |
|---|---|
| Nil to HK$1,000,000 | 5 |

## AUDITORS' REMUNERATION

During the year ended 31 December 2018, the total fee paid/payable in respect of audit and non-audit services provided by the Group's external auditors, is set out below:

| Category of services | Fee paid/payable<br>RMB'000 |
|---|---|
| Audit services | 1,800 |
| Non-audit services | |
| – Interim review services | 750 |
| – Other non-audit services | 224 |
| **Total** | 2,774 |

## COMPANY SECRETARY

Mr. YU Ding Him Anthony, is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. Mr. YU reports to the Chairman and is responsible for advising the Board on governance matters.

According to Rule 3.29 of the Listing Rules, Mr. YU has confirmed that he has taken no less than 15 hours of professional training to update his skills and knowledge for the year ended 31 December 2018. The biographical details of Mr. YU are set out on page 26 of this annual report.

## DIVIDEND POLICY

The Board aims to provide sustainable returns to shareholders whilst retaining adequate reserves for the Group's future development. Under a dividend policy adopted by the Board on 22 March 2019 (the "**Dividend Policy**"), the declaration, payment and amount of dividends will be subject to the Board's discretion and the approval of shareholders of the Company. Subject to the factors set out below, the Group targets to distribute dividend to its shareholders no less than 25% of the Company's audited consolidated profit attributable to the owners of the Company in any financial year.

Dividends may be recommended, declared and paid to shareholders from time to time. In summary, the declaration of dividends and the dividend amount shall be determined at the sole and absolute discretion of the Board taking into account the following factors:

- results of operations;
- cash flows;
- financial position;
- statutory and regulatory restrictions on the dividends paid by the Group;
- future prospects; and
- others factors which the Board considers relevant

The Board will review the Dividend Policy from time to time.

## BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy on 21 October 2016 (the "**Board Diversity Policy**") which sets out the Company's approach on the diversity of the Board and is available on the website of the Company. The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance and maintain its competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee will discuss any revisions of the Board Diversity Policy that may be required, and recommend any such revisions to the Board for consideration and approval to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to the skills, professional experience, educational background, knowledge, expertise, culture, independence, age and gender. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board and the business needs of the Company from time to time.

The Nomination Committee will discuss and agree annually measurable objectives for implementing diversity on the Board and recommend them to the Board for adoption.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

## DIRECTOR NOMINATION POLICY

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of knowledge, skills, experience, capability and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The procedure of appointing and re-appointing a Director is summarised as follows:

- the identification of Director candidates by the Nomination Committee based upon suggestions from current Directors, senior management, or recommendations by shareholders;
- a review of the candidates' qualifications by the Nomination Committee to determine which candidates best meet the board's required and desired criteria, as further described below;
- interviews of interested candidates, among those who best meet the desired criteria, by the chairman of the Nomination Committee;
- recommended candidates to the board will according to a majority vote from the Nomination Committee;
- a report to the board by the Nomination Committee on the selection process; and
- formal nomination by the Nomination Committee for inclusion in the slate of directors for the annual meeting of shareholders or appointment by the board to fill a vacancy during the intervals between shareholder meetings.

Factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;

- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;

- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;

- Requirements of Independent Non-executive Directors on the Board and independence of the proposed Independent Non-executive Directors in accordance with the Listing Rules; and

- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

During the year ended 31 December 2018, the Nomination Committee held four meetings to regularly review on the structure, size and composition of the Board and the independence of the independent non-executive Directors and to consider the qualifications of the retiring Directors standing for election at the annual general meeting.

## COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. The general meetings of the Company provide a platform for communication between the Board and the shareholders. The Chairman of the Board as well as chairmen of the nomination committee, remuneration committee and audit committee or, in their absence, other members of the respective committees, are available to answer shareholders' questions at general meetings.

The Company has not made any changes to its memorandum and articles of association in the year 2018. The Company's memorandum and articles of association is available on the websites of the Company and the Stock Exchange.

To promote effective communication, the Company maintains a website (www.cliffordmodernliving.com), where up-to-date information and updates on the Company's financial information, corporate governance practices and other information are available for public access.

## SHAREHOLDERS' RIGHTS

The Company engages with shareholders through various communication channels and a shareholders' communication policy is in place to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

To safeguard shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

### Procedures for Shareholders to Convene an Extraordinary General Meeting

Article 64 of the Company's articles of association provides that any one or more shareholders of the Company holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings of the Company. Such requisition shall be made in writing to the Directors or the Secretary of the Company for the purpose of requiring an Extraordinary General Meeting to be called by the Directors for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Directors fail to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the requisitionist(s) by the Company.

### Procedures for Shareholders to Propose a Person for Election as a Director

Article 112 of the Company's articles of association provides that if a shareholder, who is duly qualified to attend and vote at general meetings of the Company, wishes to propose a person ("**Candidate**") for election as a Director at a general meeting, he/she/it should lodge (i) a written notice ("**Proposal Notice**") of the intention to propose the Candidate for election as a Director; and (ii) a written notice ("**Consent Notice**") by the Candidate of his/her willingness to be elected at either the headquarters and principal place of business of the Company (8 Shiguang Road, Panyu, Guangzhou, Guangdong, PRC) or Hong Kong share registrar of the Company (Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong) at least seven clear days before the date of the general meeting and the period for lodgement of such notices shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and shall be at least seven clear days in length.

### Procedures for Putting Forward Proposals at General Meetings

To put forward proposals at a general meeting of the Company, a shareholder should lodge a written notice of his/her/its proposal ("**Proposal**") with his/her/its detailed contact information at the Company's headquarters and principal place of business of the Company in the PRC Mainland, with a copy of the Proposal served to the Company's Hong Kong share registrar at their respective address and contact details set out on page 2 of this annual report.

The request will be verified with the Company's Hong Kong share registrar and upon their confirmation that the request is proper and in order, the Board will be asked to include the Proposal in the agenda for the general meeting.

The notice period to be given to all the shareholders for consideration of the Proposal raised by the shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

(1) Notice of not less than twenty-one clear days and not less than twenty clear business days in writing if the Proposal requires approval in an annual general meeting of the Company; and

(2) Notice of not less than fourteen clear days and not less than ten clear business days in writing if the Proposal requires approval in an extraordinary general meeting of the Company.

### Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

### Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

| | |
|---|---|
| Address: | 7th Floor, Chai Wan Industrial City, Phase II, 70 Wing Tai Road, Chai Wan, Hong Kong<br>(For the attention of the Board of Directors/Company Secretary) |
| Telephone: | (852) 2889 0183 |
| Fax: | (852) 2889 2422 |
| Email: | pr@cliffordmodernliving.com.hk |

For the avoidance of doubt, shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ABOUT THE REPORT

The Group is pleased to present our 2018 Environmental, Social and Governance ("**ESG**") report (hereinafter referred to as the "**ESG Report 2018**" or this "**Report**") to present to our stakeholders the Group's system establishment and performance in environmental, social and governance aspects in 2018.

### 1. Scope of Report

The ESG Report 2018 discloses the Group's practice and performance in environmental, social and governance aspects during the period from 1 January 2018 to 31 December 2018. In 2018, the Group's scope of business was expanded with the inclusion of Information Technology ("**IT**") business, while catering business was disposed of in December 2018. Unless otherwise stated, this Report covers six core business segments of the Group, namely, property management services, renovation and fitting-out services, retail services, catering services, IT services and ancillary living services.

### 2. Reporting Standards

This report is prepared in accordance with the provisions of the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") as set out in Appendix 27 to the Rules Governing the Listing of Securities (the "**Listing Rules**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

## OUR ESG CONCEPT

The Board undertakes full responsibility for the Group's ESG strategy and reporting. The Board is responsible for reviewing the Group's annual ESG report and providing guidance for the day-to-day management of sustainable development. Each company conducts risk management assessment on a regular basis and has set up an internal control system to ensure appropriate and effective management of ESG risks underpinned by the internal control system. The Group upholds its core philosophy of "bringing a delightful touch to life" and its core value of being "responsible, honest, ready to share, and innovative" in its daily operation and management. In the course of providing services, we are always mindful of our corporate social responsibility and seek to give back to the society. We insist in providing services with honesty and protecting the interests of our stakeholders. We endeavor to add value for different stakeholder groups and believe that this is the cornerstone to the sustainable and long-term development of the Group.

The Group's core values, corporate mission, corporate ethos and strategic vision are set out as follows:

| Core Values | Corporate Mission |
|---|---|
| Responsible, Honest, Ready to Share, Innovative | To lead in the development of the industry, To deliver ever better lifestyles |

| Corporate Ethos | Strategic Vision |
|---|---|
| Exploring, Exceeding; Delivering, Fulfilling | To be the best supplier of living services in China |

*Throughout this ESG report, the English name marked with "*" comes from the Chinese translations and are for identification purposes only.*

## ACHIEVEMENTS AND AWARDS

In 2018, the Group achieved the followings and obtained the below awards:

I. The Group was honorably awarded "Hong Kong Outstanding Enterprises Parade 2018" presented by a Hong Kong local magazine "Economic Digest".

II. The Group was honorably accredited as a "Caring Company" by The Hong Kong Council of Social Service in recognition of our performance of corporate social responsibility in 2018.

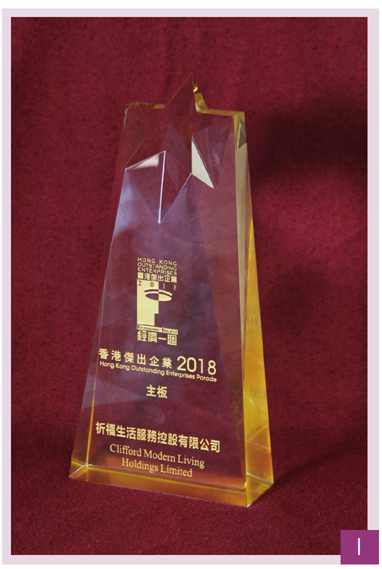
III. Panyu property management company was honorably awarded "Panyu 'Five-star Community'"* ("番禺區'五星小區'") presented jointly by the Housing and Construction Bureau of Panyu* ("番禺區住房和建設局"), Panyu Daily* ("番禺日報社") and Panyu Property Management Institute* ("番禺區物業管理協會").

IV. Panyu property management company was honorably awarded "Guangdong 'Exemplary Enterprise' in the Development of the Rule of Law Culture"* ("廣東省法治文化建設'示範企業'") presented jointly by the Guangdong Legal Knowledge Popularisation Office* ("廣東省普法辦公室"), Guangdong Department of Justice* ("廣東省司法廳"), Guangdong Provincial Economic and Information Commission* ("廣東省經濟和信息化委員會"), SASAC of Guangdong Provincial People's Government* ("廣東省人民政府國資委"), Guangdong Trade Union* ("廣東省總工會") and Guangdong Federation of Chambers of Industry and Commerce* ("廣東省工商聯合會").

V. Panyu property management company was honorably awarded "Panyu Property Service 'Creditworthy Enterprise'"* ("番禺區物業服務'守信企業'") presented jointly by the Housing and Construction Bureau of Panyu* ("番禺區住房和建設局") and Panyu Property Management Institute* ("番禺區物業管理協會").

VI. Panyu property management company retained the top honour of "Security Precaution Five-star Community* ("治安防範五星級小區") under Panyu Community Security Precaution Star Rating* (番禺區小區治安防範星級評定).

VII. Foshan property management company was honorably awarded the top honour of "Security Precaution Five-star Community* ("治安防範五星級小區") under Panyu Community Security Precaution Star Rating* (番禺區小區治安防範星級評定).




I

商界展關懷
caringcompany 2017-19
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

II


III

IV

V

VII

In addition, Panyu property management company was actively involved in industry institutes relating to the property management sector. Appointments and awards received from Guangdong Property Management Industry Institute ("廣東省物業管理行業協會") and Guangzhou Property Management Industry Institute* ("廣州市物業管理行業協會") in 2018 included the following:

I. Panyu property management company was awarded the titles of "Outstanding Standing Council Member Unit"* ("優秀常務理事單位") and "Outstanding Council Member Unit"* ("優秀理事單位") by Guangzhou Property Management Industry Institute* ("廣州市物業管理行業協會") and appointed "Vice President Unit" of the 6th Guangzhou Property Management Industry Institute* ("廣州市物業管理行業協會第六屆理事會副會長單位").

II. Panyu property management company was appointed "Executive Director Unit" of the 5th Guangdong Property Management Industry Institute ("廣東省物業管理行業協會第五屆常務理事單位").

I-1

I-2

II

I-3

## ENGAGEMENT WITH STAKEHOLDERS AND MATERIALITY ASSESSMENT

### 1. Stakeholders Communication Mechanism

The Group is committed to the management of stakeholder relationships and maintains communication with stakeholders through multiple channels. Our major stakeholders include: employees, customers, government and regulatory organisations, investors and shareholders, suppliers and business partners, communities, etc. The Group believes that the management of stakeholder relationships is an ongoing process that goes deeper with time. We will also continue to maintain and optimise our stakeholder communication mechanism in order to enhance cooperation with stakeholders and engage them in joint development.

#### Customers

**Expectations and demands:**
- High-quality products and services
- Customer information protection
- Commercial credibility
- Compliance in operations

**Communication and response:**
* To improve the quality of products and services
* To adopt information technology strategy
* To optimise internal control and risk management
* To perfect customer communication mechanism

#### Investors and shareholders

**Expectations and demands:**
- Financial performance
- Sustainable profitability of the Company
- Protection of interests
- Corporate transparency

**Communication and response:**
* To increase profitability
* To enhance corporate value
* To convene general meetings
* To conduct day-to-day information disclosure

#### Employees

**Expectations and demands:**
- Protection of legal interests
- Good career development platforms
- Remuneration and benefits
- Healthy and safe work environment

**Communication and response:**
* To establish an unobstructed channel for communication with staff
* To enhance staff promotion mechanism
* To offer market-competitive remuneration
* To strengthen safety management mechanism

#### Government and regulatory organisations

**Expectations and demands:**
- Support for national policy
- Compliance with laws and regulatory rules
- Legal compliance in operations and fulfillment of tax obligations
- Provision of employment opportunities

**Communication and response:**
* To adjust development strategy
* To be subject to investigation and research as well as supervision
* To strengthen anti-corruption and integrity in operation
* To actively participate in regional development

#### Suppliers and business partners

**Expectations and demands:**
- Win-win cooperation
- Openness and fairness
- Mutual growth

**Communication and response:**
* To optimise the project management
* To enhance the mechanism of supplier selection
* To build a supplier communication platform

#### Community

**Expectations and demands:**
- Protection of the community environment
- Commitment to social welfare
- Fostering of social harmony
- Promotion of community development

**Communication and response:**
* To implement green operations in a comprehensive manner
* To launch charity projects
* To participate in community co-development initiatives
* To provide premium cultural resources

## 2. Materiality assessment for 2018

In preparing for the ESG Report 2018, the Group has taken into account the expectations of stakeholders in the context of its own development, characteristics of the industry and the policy environment. On the basis of close communication with and feedback from the stakeholders as well as industry analysis, ESG issues for the year have been confirmed and prioritised through overall assessment, the major steps of which are illustrated in the following diagram:

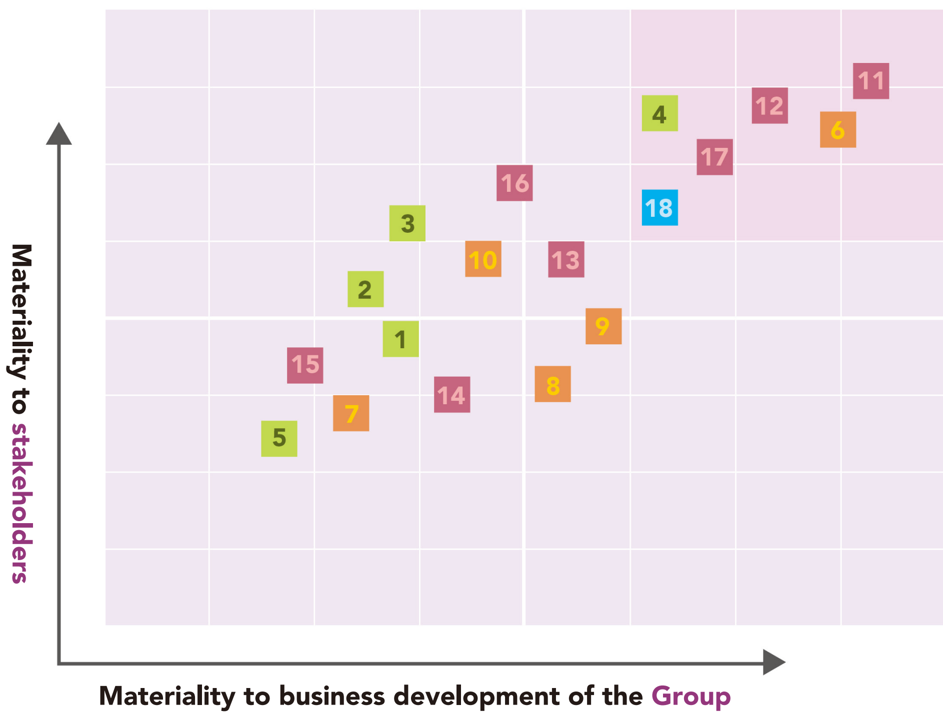
Step 1: In accordance with the ESG Reporting Guide issued by the Stock Exchange and taking into account the Group's developments, dominant trends in the market and the policy environment, 18 ESG issues have been identified.

Step 2: Communication with stakeholders via various channels and collection of feedback and expectations on the Group's ESG performance in 2018.

Step 3: The findings of the analysis are assessed by the Group management to confirm the priority of each ESG issue and prioritise accordingly.

Step 4: Key ESG disclosures for the year are identified according to the prioritised ESG issues and a materiality matrix is formulated.

The diagram below shows the materiality matrix of the Group for 2018. Issues shown within the marked area in the upper right corner are issues that have a significant impact on the Group's business development which concern the stakeholders most.



| Environmental protection | Employment and labour practice |
|---|---|
| 1. Exhaust gas and GHG emission<br>2. Sewage and waste treatment<br>3. Consumption of water resources<br>4. Consumption of energy (e.g. power, gas or oil)<br>5. Consumption of other raw materials (e.g. packaging materials for finished goods) | 6. Staff recruitment and team building<br>7. Performance appraisal and remuneration management<br>8. Staff training and career development<br>9. Staff health and safety<br>10. Prohibition of child labour and forced labour |
| **Operating practices** | **Investing in the community** |
| 11. Product quality management<br>12. Customer service and satisfaction<br>13. Customer privacy and information security<br>14. Maintenance and protection of intellectual property rights<br>15. Reasonable marketing and promotion<br>16. Management of supply-chain environment<br>17. Compliance management and corruption-free practices | 18. Engagement in community welfare initiatives |

According to the prioritisation of ESG issues for 2018, our stakeholders are most concerned with product quality management, customer service and satisfaction, compliance management and corruption-free practices, staff recruitment and team building, consumption of energy (e.g. power, gas or oil) and engagement in community welfare initiatives. In this Report, we will accordingly provide more detailed disclosures of the Group's work and performance in these areas and base our sustainable development planning for next year on these results as important references.

## I. ENVIRONMENTAL PROTECTION

In adherence to the philosophy of green development and in stringent compliance with pertinent laws and regulations, including the "Environmental Protection Law of the People's Republic of China", "Environmental Protection Tax Law of the People's Republic of China" and "Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution", the Group places a strong emphasis on tasks relating to environmental protection and energy conservation in its day-to-day operation.

### 1. Gas emission

The Group's exhaust gas emission is mainly derived from the consumption of vehicular fuel by the Group and its various business segments, fume exhaust from the laundry plant boiler and gas fuel consumption by the catering service company. To reduce the emission of nitrogen oxides, sulphur oxides and particulate matter, etc and to increase our operating efficiency, we have adopted a range of measures as follows:

- The property management service companies have replaced vehicles using regular fuel with hybrid power driven vehicles or pure electric vehicles for one-third of its transport coaches during the year, resulting a significant reduction of gasoline consumption and exhaust gas emission;

- At the laundry plant, dust filter bags have been installed on the boiler fume exhaust equipment to facilitate dust removal, so as to prevent air pollution caused by dust and micro-particles;

- The laundry service company has streamlined its routes for collection and delivery by consolidating collection/delivery points which were close to each other, in order to shorten the mileage of the service vehicles and reduce exhaust gas emission, thereby enhancing the efficiency of its services;

- The catering service company has installed fume purification devices in the kitchens, which are monitored by an online device to provide real-time surveillance of fume emission data and the operation of the fume purification devices.

### 2. Sewage treatment

Sewage generated from the Group's laundry plant is decontaminated at the waste water treatment facility and is only discharged after complying with relevant standards stipulated by the Environmental Protection Bureau. The laundry service company has hired a professional environmental service provider to implement 24-hour online monitoring of various indicators relating to waste water to ensure that any discharge is in compliance with pertinent regulations. In 2018, the laundry plant started to use phosphate-free detergent in washing to further reduce the phosphorus contents in sewage for the protection of water bodies.

Sewage generated from kitchen cooking and kitchenware cleaning at the Group's catering service company is only discharged after oil and grease separation treatment to meet the discharge standards.

### 3. Solid waste disposal and recycling of resources

The Group's environmental and hygiene departments dispose of daily refuse on a regular basis to ensure a clean and hygienic environment. The property management service companies have also formulated the "Guideline for the Recycling of Hazardous Waste" and placed bins for recycling of hazardous wastes to help property owners on the sorting and recycling of hazardous wastes.

Kitchen waste and waste cooking oil and grease generated from the Group's catering business are properly collected and processed by professional recycling service providers to reduce the pollution they caused to the environment. Moreover, the retail company maintains the cleanliness and hygiene of the wet market by hiring well-qualified professional service providers to clean up the grease trap pool in the wet market each month.

### 4. Use of energy and resources

On top of stringent compliance with pertinent laws and regulations, such as the "Energy Conservation Law" of the People's Republic of China and the "Circular Economy Promotion Law" of the People's Republic of China, the Group has also formulated internal regulations, such as the "Rules and Regulations for the Administration of Energy, Electric Power and Water Conservation" and the "Code of Operation for the Human Resources and Administration Department", to regulate measures for energy conservation and the reduction of consumption, as part of its practice of green operations.

**1) Power usage**

- The Group makes full use of the natural daylight to avoid the use of electric lights during daytime. Staff are reminded to turn off electric lights when leaving office premises, while street lights are turned off at regular intervals each night to prevent non-stop usage of electric lights.

- Each Saturday, the relevant department managers and supervisors of the property management service companies decide when to turn on and when to turn off the lights in public areas based on current data on weather conditions and the actual circumstances. The estate staff implement accordingly and seek to minimise power consumption by ensuring that the lights in public areas are turned on or off according to weather changes.

- Currently, the property management service companies have upgraded substantially all road lamps and staircase lights to LED energy-saving lights, while substantially all incandescent lights at the underground carparks have been replaced by smart sensor lights with energy-saving features.

- All high-power machines used at the laundry plant are equipped with variable-frequency drives. Moreover, the high-power motors of the ventilation systems are equipped with time control devices which cut off the power supply of the ventilators during non-working hours to avoid unnecessary wastage caused by oversight.

- The retail company has continued to upgrade the lighting facilities at supermarkets, wet market and convenience stores by introducing energy-saving lights. Currently, LED energy-saving lights account for 80% of all lighting facilities.

- The retail company has installed enclosed glass screens and wind screens on both sides of and above the supermarket's handrail stairway taking into account the geographic location of the supermarket, in order to reduce the loss of cold air from the central air conditioning system, thereby achieving power conservation.

**2) Use of water resources**

- The Group conducts regular surveying and quantitative analysis on water usage and arranges recording of water meter readings by designated staff on a regular basis to compare and analyse data on water usage. When irregularities are identified, immediate actions are taken to inspect the pipes and networks and adopt effective measures to prevent dripping and seepage. In addition, in 2018, the Group engaged an external contractor to carry out repair and maintenance for the water supply equipment of the property management service companies. A total of 12 seepage points have been identified and fixed, resulting in an average monthly reduction of 1,297 cubic metres of water consumption.

- Our laundry plant uses a large customised water tank to collect condensate generated by steam-heating equipment and cooling water generated by the dry washing machine. Water used in the pre-wash and main wish processes in linen wash is recycled, with a view to enhancing the water utilisation rate.

- The Group has adopted a green water consumption policy, under which rain water or recycled water is used in priority to other water sources, while irrigation is conducted by way of spraying, micro-spraying and dripping, etc to save water. Flush irrigation using tap water is prohibited.

- During the year, the Group did not experience any problems or difficulties in securing water supply.

**3) Use of other resources**

The Group promotes the implementation of the paperless office and the use of online office systems to reduce paper consumption. In 2018, a new supply chain management (SCM) system went online to further improve our work efficiency and reduce paper consumption. Staff are required to use both sides of the paper in the printing and photocopying of documents whenever as possible. Moreover, the Group also regulates the procedure for the procurement of office supplies and exercises stringent examination of and control over the dispatch of office supplies to encourage recycled use; a system for the regular recycling of used office paper has been established.

Moreover, the Group's laundry plant has elected to use a cleaner biofuel steam boiler for energy supply in its day-to-day operations, so as to help improving air pollution by reducing emission of sulphur oxides, nitrogen oxides, particulate matter and other pollutants.

## 5. Noise

- The retail company has installed noise-reduction cover on the mainframes of the cooling equipment in its supermarkets to reduce noise pollution;

- The Group has expressly prohibited the conduct of construction work that produces noise on public holidays, festive holidays and during night time.

## 6. Protection of the environment and natural resources

- The Group's laundry plant facilitates the protection of water resources through the measures described above, such as sewage treatment and the use of phosphate-free detergent;

- The Group facilitates the protection of water resources and soil from pollution through the recycling and processing of hazardous wastes, kitchen wastes and used grease as described above;

- The retail company ensures a hygienic environment for its wet market through the formulation of the "Regulations for Hygiene Administration of the Wet Market", which contains specific provisions regarding trash disposal, disinfection and pest control, among others;

- The property management service companies use agricultural pesticide in a prudent manner to reduce pollution of the environment;

- The property management service companies have formulated the "Owner Manual" which expressly prohibits unauthorised pouring of waste water or piling of refuse and unwanted items in public areas.

## 7. Green promotion

- The Group calls for energy conservation in its day-to-day operation and promotes water conservation through measures such as posting reminders in toilets and other areas where water is consumed.

- On 24 March 2018, the Group and all its business segments supported the "Earth Hour" global energy conservation initiative in active response to the call of World Wide Fund for Nature (WWF). From 20:30 to 21:30 on that day, all unnecessary lights and electrical equipment and products were turned off at our office areas and stores. The activity has enhanced the environmental awareness of our staff and sent a message to the residents of our communities as well as the public calling for concern for global warming and practical actions in response to climate change.

**Key Environmental Performance Indicators 2018**

| Key performance Indicator | Description | Data for 2018 |
|---|---|---|
| Pollutants | The numerical value of pollutants disclosed is derived from the consumption of gasoline, diesel, coal gas and natural gas by the Group and its business segments. | Sulphur oxides:1.25 kg<br>Nitrogen oxides: 777.90 kg<br>Particulate matter: 37.37 kg |
| Greenhouse Gas Emission | The numerical value of greenhouse gas emission disclosed is derived from the consumption of gasoline, diesel, coal gas and natural gas and of externally purchased electricity as well as staff travel. The relevant emission coefficient is adopted by reference to the "Reporting Guidance on Environmental KPIs" published by the Stock Exchange; the greenhouse gas emission coefficient for externally purchased electricity is adopted by reference to the "2017 China Regional Grid Emission Factors for Emission Reduction Projects" published by the Ministry of Ecology and Environment; the greenhouse gas emission coefficient for natural gas is adopted by reference to the "2006 IPCC Guidelines for National Greenhouse Gas Inventories"; the emission coefficient for natural gas is adopted by reference to the "Calculation Methods for Coefficient and Material Balance for Industries not Subject to Pollutant Discharge Permission Administration" published by the Ministry of Ecology and Environment and the "Mandatory National Standard GB17820-2012 – Natural Gas" of the People's Republic of China; the volume of greenhouse gas emission derived from staff travelling is measured using the "ICAO Carbon Emissions Calculator" of the International Civil Aviation Organization. | Total greenhouse gas emission: 6,147.93 tonnes<br><br>Intensity of total greenhouse gas emission: 0.02 tonne/RMB'000 in revenue |
| Hazardous waste | In view of the business characteristics of the Group, we basically do not discharge toxic waste. During the year, we have recorded a minimum amount of replacement of used batteries or electronic products. Hence we have not collected or disclosed discharge data specific to the above. Hazardous wastes described in the above have been collected and properly processed by qualified professional service provider to prevent pollution of the environment. | N/A |
| Non-hazardous waste | The Group's non-hazardous waste is mainly general wastes including office papers from our office operation and domestic waste. | Total volume of non-hazardous wastes: 53.36 tonnes |
| Energy consumption | The numerical value of energy consumption in 2018 disclosed is derived from the consumption of gasoline, diesel, coal gas, natural gas and of externally purchased electricity. The energy consumption factor is accounted for with reference to the national "General Principles for Calculation of the Comprehensive Energy Consumption GB2589-2008T". | Total energy consumption: 39,923.48 GJ<br><br>Intensity of energy consumption: 0.11 GJ/RMB'000 in revenue |
| Water consumption | Water consumption are mainly for the Group's business segments and office operations. | Total water consumption: 162,350.16 cubic metres<br><br>Intensity of water consumption: 0.45 cubic metres/RMB'000 in revenue |
| Plastic bags | The Group's plastic bags usage mainly comes from the provision of paid plastics shopping bags for customers at the supermarkets of our retail segment and consumption of plastic packaging of the laundry service companies. | Total plastic bag consumption: 6.17 tonnes |

Note: The environmental data was collected during the period from 1 January 2018 to 31 December 2018 (unless otherwise stated). The scope of collection covers:

- Energy consumption at the office areas of the Group headquarters and the business segments, its supermarkets, wet market, convenience stores and laundry plant; data relating to the catering business represents data for the period from 1 January 2018 to 30 November 2018 (the catering business was subsequently disposed of in December 2018);
- Energy consumption by the business vehicles of the Group headquarters and the business segments;
- Energy consumption by the transport vehicles of the laundry service segment;
- Staff travel for the Group headquarters and the business segments.

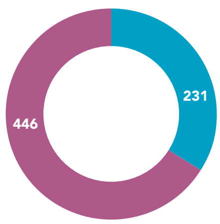
## II. EMPLOYMENT AND STAFF CARE

In addition to stringent compliance with pertinent laws and regulations, including "Labour Law of the People's Republic of China" and "Law on the Prevention and Control of Occupational Diseases of the People's Republic of China", the Group also implements internally formulated regulations such as the "Code of Operation for the Human Resources and Administration Department", caring for employee in resolute adherence to the labour standards as it endeavours to foster workplace harmony and build a sound platform for career development for employees.

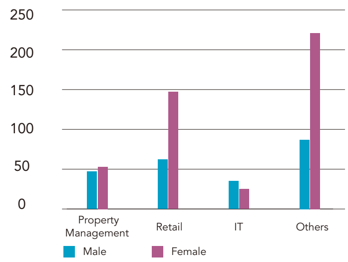
## 1. Recruitment

The Group has formulated the "Rules for the Recruitment System of Clifford Modern Living Holdings Limited" and developed a recruitment regime that is "fair, just and open" to regulate procedures in staff recruitment and facilitate reasonable realisation of human resources. The Group conducts staff recruitment through open recruitment, campus recruitment and internal referrals. Appointments are based on meritocracy regardless of nationality, ethnic origin, age, gender, marital status or religion. As at 31 December 2018, the Group had a total of 677 employees* (Note). Details of our employees are as follows:

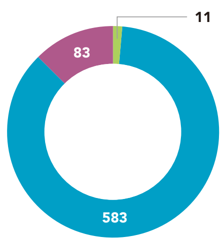
Overall Gender Composition



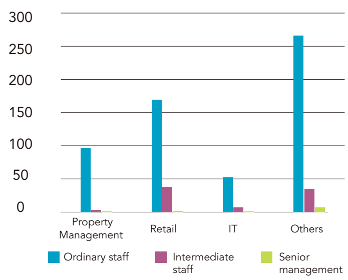

Gender Composition in Different Businesses



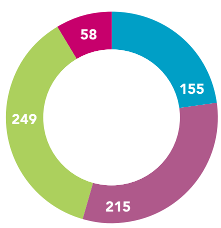

Overall Rank Composition



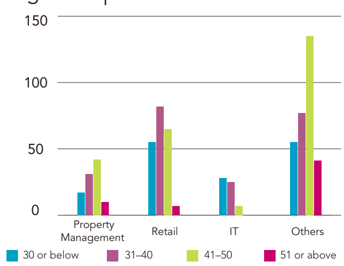

Rank Composition in Different Businesses



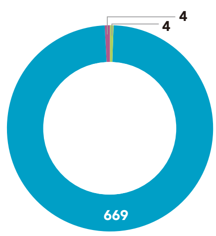

Overall Age Composition



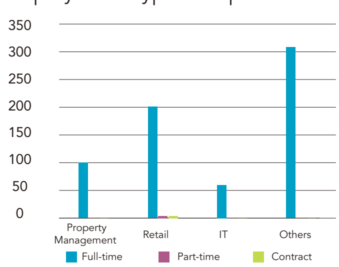

Age Composition in Different Businesses




Overall Employment Type




Employment Type Composition in Different Businesses




Note: As the catering business was disposed of in December 2018, the above data on employees does not including employees of catering business.

## 2. Labour standards

In stringent compliance with pertinent laws and regulations, including the "Labour Contract Law of the People's Republic of China" and "Law of the People's Republic of China on the Protection of Minors", the Group strictly prohibits any employment of child labour or forced labour. Specific matters such as staff working hours and attendance evaluation system are specifically provided for in the Group's "Staff Manual" and the "Code of Operation for the Human Resources and Administration Department". While overtime work is necessary, employees should seek for approval in advance. Upon approval, they shall be granted time-off afterwards or overtime wages in accordance with the law. In 2018, no instances of child labour employment or forced labour was reported in the Group.

## 3. Performance appraisal

The Group has formulated relevant regulations providing for staff appraisal in relation to skills, job competence and performance on a regular basis. Based on the results of such appraisals and taking into account its organisational structure, job establishment, operational requirements and budget for staff expenses, salary adjustments, rewards or promotions will be offered to employees to motivate them and improve the quality of their work. On the other hand, employees who have violated relevant procedures or given rise to negative impact to the Group shall be punished in accordance with pertinent provisions, or removed from their jobs in case of serious violations.

## 4. Remuneration and benefits

The Group offers competitive remuneration to staff and determines their salaries at the start of their employment based on their academic qualifications, work experience, competence and job position. Such salaries are subsequently adjusted according to the results of performance appraisals. The Group conducts market research on a regular basis to understand and analyse market levels for remuneration and benefits. In 2018, the Group's Human Resources Department compiled the "Clifford Modern Living's Remuneration Survey and Analysis Report 2018" after completing a market survey and research and a proposal for staff salary adjustment based on the results of the survey and research to attract and motivate high-calibre staff.

The Group provides a comprehensive regime of staff benefits to its employees that includes annual leaves, marriage leaves, maternity leaves, bereavement leaves, social insurance, personal accident insurance, meal allowance, end-of-year double pay and festive activities, among others, in an effort to care for the specific needs and personal interests of its staff.

## 5. Training and Development

With a strong emphasis on staff training, the Group has formulated the "Regulations for the Administration of Training" to provide for the structure, type, breakdown of tasks and duties regarding training, in an effort to provide employees with a sound career path.

### 1) Structure and types of training

The Group has developed a three-tier training regime. Under the leadership of the general manager, the Human Resources and Administration Department and the business departments organise a company-wide training network catering to staff of different levels with different degrees of sophistication. The Group offers a wide range of types of training covering, among others, induction training, skill training for specific positions, business skill enhancement training and language training to meet different development needs of our employees.

### 2) Internal trainer system

In line with our support for internal exchange and sharing among staff on a regular basis, we have set up an internal trainers' team. The team currently consists of more than 20 members, who have been appointed based on the recommendations of officers-in-charge of various departments followed by a shortlisting and approval process. The internal trainers cover different business segments and design training programmes targeting various specialised skills to help employees of various departments to enhance their business standards and professionalism.

### 3) Supervision and evaluation

To ensure the effectiveness of training, the Group has adopted a dual supervision mechanism by the Human Resources and Administration Department and the business departments to facilitate appraisal of attendance at training, the teaching standards of trainers and training outcomes. Based on the appraisal results, awards such as "Outstanding Trainers" and "Outstanding Participation in Training and Application" were given out to encourage employees' ongoing development.

**Case sharing: Training to enhance our servicing image**

In September 2018, the property management service companies of the Group launched a special training programme on service etiquette for its staff, providing instructions on decent looks and amiable and disciplined ways of speaking for servicing personnel. Simulation training was held on a weekly basis and a comprehensive evaluation was conducted and scores were given once every two weeks by members of the servicing image inspection and evaluation team (comprising the deputy general manager and all department managers) formed by the Company. Thanks to persistent training efforts, there have been notable improvements in the overall image, etiquette standards and servicing awareness of the staff of the property management service companies, who have been widely praised by the property owners.

Photos of staff training for the enhancement of servicing image

Key performance data relating to the Group's training for 2018 is set out as follows:

| Training organised by department | Headcount of participants | Total training hours | Total number of participants |
|---|---:|---:|---:|
| Group Human Resources Department | 30 | 50 | 885 |
| Property Management Segment | 196 | 232.5 | 977 |
| Retail Segment | 80 | 144 | 1, 195 |
| IT Segment | 42 | 73 | 375 |
| Others | 96 | 343 | 1, 007 |
| **Total** | **444** | **842.5** | **/** |

Note: As the catering business was disposed of in December 2018, the above data on staff training does not including employees of catering business.

## 6. Staff care

The Group is highly concerned with the work-life balance of employees. Recreational activities are organised regularly to provide employees with some relaxation.

**Case sharing: Staff activities in 2018**

**1. The Dragon Boat Festival activity**

In June 2018, the Group's property management service companies organised a Dragon Boat rice dumpling production event for its staff. Our colleagues started early on the day to prepare ingredients. Not long afterwards, all were engaged in the delicate craft of dumpling wrapping and unceasing laughter was heard all over the venue when each showed off his or her spectacular skills of handling the wrapping leaves. In the end, the festival was spent in joy and laughter as our colleagues were drawn closer to each other to the benefit of greater workplace harmony.

Photos of the Dragon Boat rice dumpling wrapping activity

**2. Periodic activities designed to boost staff interaction**

The Group organises a variety of staff activities from time to time to enhance interaction among employees, such as gift exchange activities, team-building activities and staff birthday parties, etc, with a view to enhancing the rapport and unity among staff.

Staff birthday party


Exchange of gifts among staff

Team-building activity

## 7. Occupational health and safety

Staff occupational health and safety represents a high priority to the Group, which has complied with relevant laws and regulations and has formulated and diligently implemented internal rules and regulations such as the "Work Safety Regulations and Procedures", "Operational Safety Management" and "Administrative Regulations for Safe and Proper Work Construction, setting out specific provisions in relation to production safety, fire prevention, labour protection and procedures for handling accidents and injuries, etc to ensure the work safety of employees. We provide labour protection supplies to employees according to the business types they are involved in, such as protective jackets, protect vests, protect gloves and protective waist belts for supermarket staff; non-slip boots, washing gloves, waterproof aprons and goggles for staff handling washing operations; insulation shoes and gloves and helmets for maintenance staff. Moreover, the Group organises fire prevention training and fire drills on a regular basis to enhance employees' fire safety awareness and skills.

The property management service companies of the Group hold production safety in high regard and have formulated relevant operating procedures for work safety for all frontline operations, including the Gardening Department, Customer Service Department, Works Department, Fire Brigade and Environmental Hygiene Department, among others, providing staff with instructions on operations safety to ensure their safety at work.

In response to a safety incident occurring at Panyu property management company in July during the year, we have conducted a review and examination of our existing production safety management regime and strengthened our preventive measures regarding production safety accordingly. Such measures include:

1) **Optimisation of the fire safety/production safety management**

Panyu property management company has improved its fire safety/production safety management structure with specify appointments of responsible parties for fire safety/production safety at various levels, including the primary, secondary and tertiary responsible party for fire safety/production safety and a fire safety/production safety manager, among others. The duties, meeting system, training arrangements and inspection system for each level have also been specified as follows:

| | |
|---|---|
| Duties | • "Duties of responsible party for fire safety"<br>• "Duties of responsible party for production safety"<br>• "Duties of fire safety manager" |
| Meeting System | • "System of routine meetings for fire safety/production safety" |
| Training | • "Fire safety/production safety education and training system" |
| Inspection system | • "Inspection system for fire safety/production safety" |

2) **Amendments and improvements to the existing operating procedures for production safety**

In view of changes in the internal and external workplace environment during the year, Panyu Property Management Company has amended and improved the previous operating procedures for production safety to ensure greater relevance of the system in force to the actual conditions of work for our staff, as well as to regulate and improve key points in operational safety in daily operations for various departments.

## III. SUPPLY CHAIN MANAGEMENT

On the basis of their business requirements, each segment of the Group has formulated a series of internal regulations, including the "Procurement Management System", "Process for Commodity Procurement and Suppliers Management" and "System for the Administration of Supplier Selection", to set out provisions regarding the admission, communication, evaluation and removal of/with suppliers, with a view to regulating the management of suppliers.

### 1. Admission of suppliers

The Group evaluates the credentials of potential supply partners from various perspectives, such as their business license, timing and efficiency of deliveries, quality and prices, among others. The business segments formulates corresponding standards and key considerations for evaluation based on their own business characteristics, such as marketing abilities, standard of after-sales services and technical standards, etc, and horizontally compare different suppliers to select suppliers that meet their requirements and include these suppliers in their supplier database. Meanwhile, the Group is also concerned with the suppliers' environmental performance and social responsibility. Accordingly, our attention is also drawn to the performance of the suppliers' products in eco-friendliness, safety and quality when selecting supply partners.

### 2. Communication with suppliers

All business segments of the Group maintain close liaison with the suppliers and organise suppliers' forums, business meetings and new product presentations from time to time. In the meantime, we also actively listen to the views and comments of suppliers to ensure timely response to their demands, in a bid to foster sound partner relationships.

### 3. Evaluation of suppliers

The Group's business segments carry out ongoing evaluation of suppliers from different perspectives based on their own business characteristics. The property management service companies conduct evaluation of a supplier during the course of contractual performance and after the completion of a contract. The retail company evaluates its suppliers on a regular basis with reference to the quality of products supplied, marketability of products, service quality and standard of contractual performance; the IT company conducts evaluation and gives scores against indicators such as product quality, delivery and business competence.

### 4. Removal of suppliers

Based on the results of the aforesaid evaluation of suppliers, the Group's business segments would remove suppliers whose evaluation results do not conform with the Company's requirements and revoke their eligibility as suppliers. Cooperation with such suppliers in future procurement or tendering is also prohibited.

## IV. PRODUCT RESPONSIBILITY

### 1. Product and service quality assurance

The Group conducts its day-to-day operations in strict accordance with the requirements of pertinent laws and regulations, including the "Product Quality Law of the People's Republic of China", the "Advertising Law of the People's Republic of China" and the "Copyright Law of the People's Republic of China", and adopts multiple measures to ensure the quality and safety of its products and services.

#### 1) Quality assurance in property management services

In adherence to its "people-centred and service-oriented" philosophy for servicing, the Group's property management companies implement grid service management which divides the service zone of Clifford's property management into 14 districts to conduct grid service and management based on actual situations, such as the number of households and the geographical location of each group. A customer service centre is set up in each grid (district) to offer personalised butler-type property management service to proprietors and residents in a more meticulous and efficient manner.

The property management service companies have formulated procedures and regulations for their subordinate departments, setting out standards for basic service requirements, such as the etiquette and speech for greeting. Topic-specific training and simulated training are conducted on a weekly basis to facilitate staff understanding and implementation of such standards. A service image inspection team has been set up to conduct inspection of the service quality of front-desk servicing staff once every two weeks. Scores are given and published as a drive for front-desk servicing staff to maintain and enhance their service standards.

Moreover, our property management service companies obtain information on owners' satisfaction and demands through multiple means, such as day-to-day communication, collection of commendation letters from owners, client visits etc.

**Case sharing: Panyu Property Management Company responded to the threat of Typhoon Mangkhut with pro-active measures**

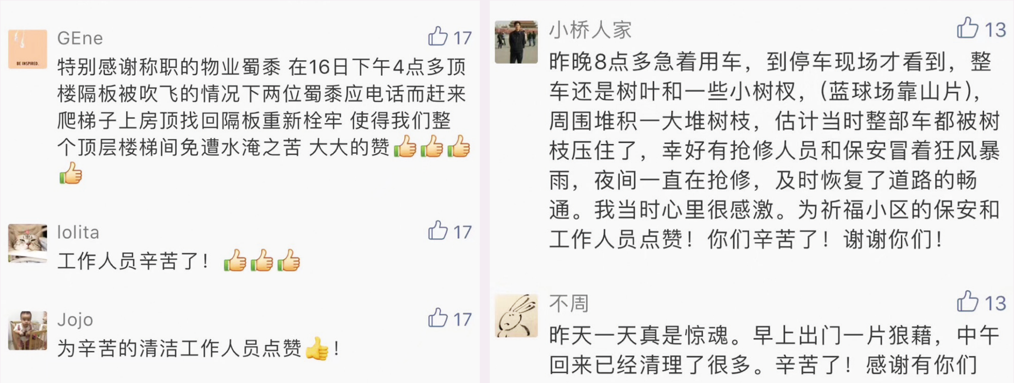
In September 2018, Guangdong Province came under the threat of super typhoon Mangkhut. The staff of Panyu Property Management Company was on alert ahead of times and monitored closely the movements of the typhoon. Potential hazards in the area were removed. For example, dead tree branches were trimmed, sewers were cleared in a timely manner and repair of public facilities was carried out as necessary. Typhoon news was disseminated through public WeChat accounts, dedicated accounts for customers and notices, calling on owners to makes proper preparations to guard their homes against the typhoon and rainstorm.

As the typhoon landed, the rain sheds and road signs in the complex were blown off and the plantations were seriously damaged, with trees broken into halves or even uprooted, blocking passages and smashing the cars of residents parked along the roads. Panyu Property Management staff arrived swiftly at the site to engage in repair and restoration work.

Damage caused by the typhoon

Panyu property management staff engaged in emergency repair and restoration

After the typhoon, our staff worked round-the-clock to clear up debris and restore the complex to its previous clean and tidy conditions in no time. They were highly commended by the owners, many of whom volunteered to join in the cleaning. Some even treated staff of the property management service companies with tea and snacks, in a very encouraging and moving gesture for the staff.



GEne 17
特别感谢称职的物业蜀黍 在16日下午4点多顶楼隔板被吹飞的情况下两位蜀黍应电话而赶来爬梯子上房顶找回隔板重新栓牢 使得我们整个顶层楼梯间免遭水淹之苦 大大的赞👍👍👍👍

lolita 17
工作人员辛苦了！👍👍👍

Jojo 17
为辛苦的清洁工作人员点赞👍！

小桥人家 13
昨晚8点多急着用车，到停车现场才看到，整车还是树叶和一些小树杈，（蓝球场靠山片），周围堆积一大堆树枝，估计当时整部车都被树枝压住了，幸好有抢修人员和保安冒着狂风暴雨，夜间一直在抢修，及时恢复了道路的畅通。我当时心里很感激。为祈福小区的保安和工作人员点赞！你们辛苦了！谢谢你们！

不周 13
昨天一天真是惊魂。早上出门一片狼藉，中午回来已经清理了很多。辛苦了！感谢有你们

Clifford property management companies' post-typhoon actions widely praised by owners – excerpts from comments on Clifford's public account on WeChat

The Group's property management service companies place a strong emphasis on fire safety in the community and organise fire drills on a regular basis to enhance the fire safety awareness of owners and staff, as well as their ability to deal with fire safety incidents. Panyu Property Management Company, for example, has established a dedicated fire-fighting team equipped with two fire engines. The team is formed by staff of the property management service companies, who are mostly retired firemen.

**Case sharing: Fire drill by Panyu Property Management Company**
To enhance the awareness for fire prevention and the ability to deal with fire incidents on the part of owners, residents and staff, the property management service companies conduct regular fire drills for high-rise residential buildings each year. In 2018, eight fire drills were held, supported by 13 outings of fire engines and 80 firemen and policemen.


**Photos of fire drill**

2) **Quality assurance for retail goods**

The Group's retail company places a strong emphasis on the quality of products and goods and conducts stringent inspection of such goods as well as the relevant quality-check certificates and credentials from suppliers prior to their admission into the warehouse to ensure the quality of goods; regular inspection of the quality and valid period of goods is conducted in daily management and goods indicating irregularities are removed from stacks in a timely manner to ensure the quality of goods for sale.

The retail company collects rice samples from five of its brands on a random basis each month and submit such samples to the Panyu Inspection and Testing Centre for quality inspection, such that the inspection of all rice brands is completed in approximately three months. For any month in which a rice brand has not been selected, the supplier of such brand is requested to provide a testing report on the rice. Moreover, the retail company conducts tests on pesticide residues on fresh agricultural produces such as vegetables and fruits on a daily basis and announces the testing results at the stores to ensure product quality and safety.

**Case sharing: food tracking platform for the meat and vegetable market**

In 2018, our wet market launched the system for the tracking of edible agricultural produces jointly developed by the Food & Drug Administration of Guangzhou Municipality and the Software Application Technology Institute of the Chinese Academy of Sciences (Guangzhou Branch). Through this platform, consumers are able to obtain product information (such as the place of origin, product type and whether it has tested, etc), such that the origins and whereabouts of meat and vegetable products are now trackable, providing basis for supervision and evidence for tracing accountability.

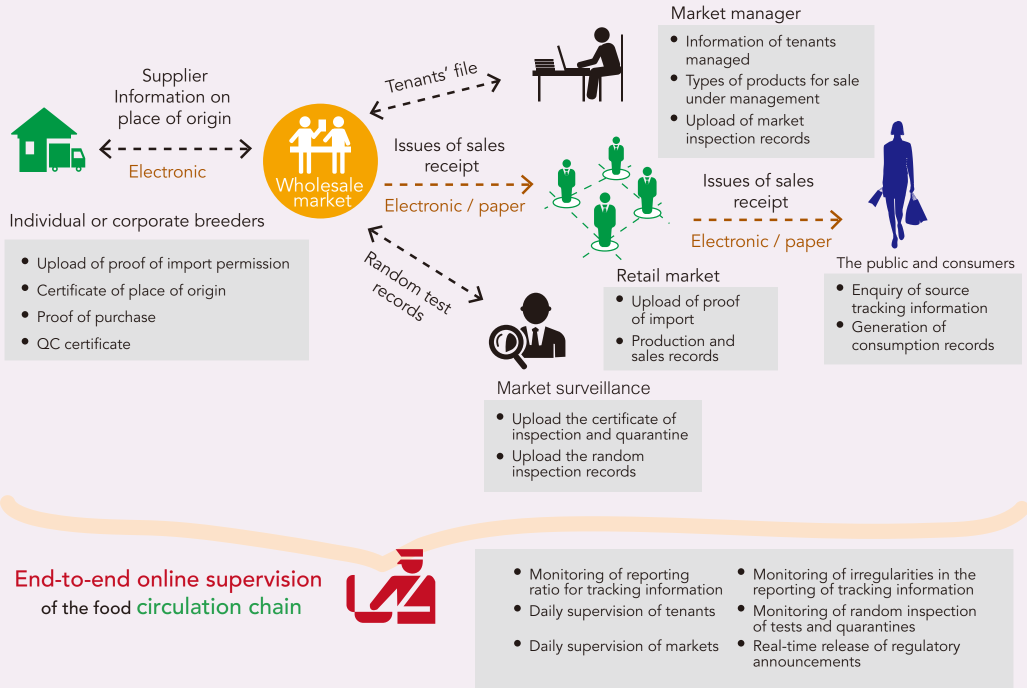



**Diagram indicating the tracking of edible agricultural produces * (Note)**

Note: Source of diagram: Food & Drug Administration of Guangzhou Municipality

3) **Quality assurance in IT service work**

The IT company has formulated work management regulations, such as the "Rules of the Operation of the Work Management Centre", to regulate on-site construction work management, progress and quality. Prior to the implementation of construction work, the Company holds meetings with the customer to design preliminary plans according to the customer's requirements and provide technical briefings to the customer. Construction work will commence only after the customer's requirements have been fully understood, so as to ensure that the work will meet the customer's expectations.

The IT company has a dedicated 24-hour after-sales service hotline. Rules for response and handling have been put in place according to different levels of breakdown, including the timing of the arrival of maintenance staff at the site and the duration for completing the handling of the breakdown, with a view to ensuring efficient solutions to after-sales problems. Following the completion of the handling, a dedicated staff will revisit the handling procedure and complete the "User Feedback Form" to ensure the after-sales problem has been resolved.

**4) Quality assurance in laundry services**

Laundry supplies used by the Group's laundry plant are products with quality assurance selected through a stringent process. Suitable detergents are selected for the washing of different clothes to avoid damage to the clothes while assuring the quality of washing. In 2018, the major detergents used are detergents containing phosphate-free ingredients. This has reduced pollution of the environment as well as assured of the quality of washing.

**5) Quality assurance in catering products and services**

The Group's catering service company consistently places a strong emphasis on the quality of the food it produces and its service quality. A range of measures have been adopted to ensure the quality and safety of the products, including:

- The formulation of the "Regulations for the Administration of Food Safety" which sets out provisions regarding food health and safety. Suppliers are required to provide quality-check certificates for food valid for the day in respect of fresh food products supplied, while relevant quality-check certificates are also required for other materials, as a means to ensure the quality of goods prior to admission to our warehouse. Regular inspection of the warranty periods and quality of products in the inventory is conducted to ensure the quality of goods to be sold.

- The implementation of the "five constants" – "constantly organising, constantly sorting, constantly cleaning, constantly standardising and constantly regulating" – as a means to maintain and enhance the cleanliness of restaurants as well as the health and safety of food.

- The implementation of the "transparent kitchen" project, through which key venues and key processes are disclosed in full to give consumers a thorough understanding of everything underlying the making of a dish, seeing every step and process for themselves so that they could feel at ease as they eat.

- The provision of independent store rooms to preserve the food, the strict separation of uncooked and cooked food, and the use of different sinks for the washing of different food ingredients to ensure the quality of food through the prevention of cross contamination.

## 2. Channels for customer communication and complaints

The Group values customers' feedback on its products and services. We listen to the voice of customers with an open mind to understand customers' expectations and needs and use them as a reference for improving the quality of our products and services.

### 1) Property management service

Owners can reach the officer-in-charge of the customer service departments under the Group's property management service companies via telephone calls and WeChat messages, etc. In the meantime, we also collect feedback from owners through daily house visits made by our dedicated customer service representative and regularly held owners' forums. After handling a complaint, the customer service representative will revisit the case in a timely manner to check if any follow-up actions are needed. The customer service department analyses and draws conclusions from owners' commendations or the records of the complaint desk and adjusts the service approach according to the results of such analyses to increase customer satisfaction. In addition, the Group's property management service companies organise multiple owners' forums at various service areas at year-end to collect their comments and suggestions.

**Case sharing: Owners' forums hosted by Panyu Property Management Company**

In 2018, Panyu Property Management Company hosted a total of 112 owners' forums, 10 sessions more than what were held in 2017, while the number of owners attending the forums also increased by approximately 200 as compared to 2017. The owners' forum allows owners to gain a better understanding of the work of the property management service companies during the past year, while we can also listen to the views of the owners in a more adequate manner and collect invaluable suggestions, so that we could improve our work in various aspects and consistently enhance the quality and standard of our property management services.


Owners' forum hosted by Panyu property management company in 2018

### 2) Retail service

Collection boxes for customers' feedback are placed at all shops under the retail company and a dedicated customer service team will handle and take follow-up actions regarding comments of customers within 48 hours.

3) **IT service**

The IT company collects customers' feedback through offline collection boxes and a customer service hotline. Solutions in response to customers' demands are required to be furnished within a stipulated period after the receipt of customers' comments. Follow-up surveys are done with customers to make sure that the problems have been solved.

4) **Laundry service**

The laundry service company acquires customers' feedback on the laundry service and the washing quality during contact with customers in the course of daily operations and laundry collection/delivery. Comments or demands will be verified and handled, and customers' feedback on the outcome of the handling will be sought during the next business contact or laundry collection/delivery.

5) **Catering service**

The catering company collects customers' feedback through in-store collection boxes and online mobile phone apps for comments and complaints. Actions will be taken to track and handle issues raised by customers.

## 3. Reasonable promotion and marketing

In strict compliance with pertinent laws and regulations, such as the "Advertising Law of the People's Republic of China" and industry norms, the Group's branding department conducts assessment and review of all information and materials to be used in advertisement, promotion and publicity to determine if they are legal, scientific and accurate. The advertisement concerned cannot be published unless it has been examined and approved by the branding department. The Group strictly prohibits the publication of fraudulent and misleading promotional information and materials in solid protection of the legal interests of customers.

## 4. Protection of customer privacy

The Group strictly complies with laws and regulations relating to personal information and privacy and has formulated the "Regulations on Confidentiality of Owners' Information" to set out provisions for the protection of customer information. Moreover, staff of the customer service department with regular access to owners' information are required to sign a "staff confidentiality agreement", ensuring that all personal information collected is handled in a confidential manner and used for designated purposes only.

The property management service companies exercise control over access to owners' information through a system which establishes different levels of delegation. A staff may only access information corresponding to his or her level of delegation. No staff (including Directors) shall have the delegation to retrieve owners' information from the system in large volumes. All system users are provided with individual passwords to ensure that all inspections owners' information are being recorded and traceable.

## 5. Protection of intellectual property rights

The Group's IT company conducts active investigation and research in new technologies, with the aim of providing customers with services of higher quality. As at the end of the year, the Company owned 16 technological inventions, including eight utility models and eight software copyrights, for which patent applications have been filed. To protect the intellectual property of the Group, the Company engaged a third-party intermediary firm in 2018 to train relevant staff in patent application and assessment, information management and other, in order to enhance their awareness for patent protection and safeguard the Group's intangible assets against infringement.

## V. INTEGRITY PRACTICES AND ANTI-CORRUPTION

The Group and its employees strictly comply with relevant laws and regulations, including the "Anti-Money Laundering Law of the People's Republic of China" and the "Interim Provisions on Banning Commercial Bribery". In 2018, the Group was not subject to any corruption-related litigation cases involving the Group or its staff.

### 1. Anti-corruption measures

The development of business integrity is a matter of high priority for the Group. We seek to prevent corruption through practical measures and staff training. In terms of practical measures, the Group requires all subsidiaries to have all of their suppliers and partners sign a pledge for integrity. In terms of staff training, the Group organises integrating training and promotion for new staff on a regular basis to encourage staff participation in anti-corruption. In addition, details of the scope and method of reporting corruption, staff obligation to support anti-corruption and the corresponding reward system are specified in the Employee Handbook issued to all employees, with a view to enhancing staff awareness for anti-corruption.

### 2. Reporting channels

The Group has set up online and offline reporting means, including email, telephone hotline, SMS, website reporting, as well as letter boxes placed in the Group's offices and business venues, in order to provide convenient reporting channels for staff, residents and tenants. To provide more convenience in online reporting, the Group opened reporting portals on its various public accounts, further broadening of its reporting channels.

### 3. Handling processes

Upon receipt of reports on corruption and fraud practices, we will organise the information receive and commence the process of preliminary examination, re-examination and submission for decision. After going through several levels of approval, the Group will launch official investigations on cases that fulfil relevant criteria. Monitor reports will be furnished to the Board of and relevant departments after the close of investigations.

**Case sharing: "Honesty, Dedication, Integrity and Compliance" – Integrity training 2018**

In June 2018, the intermediate and senior management of the Group participated in integrity training under the theme of "Honesty, Dedication, Integrity and Compliance". The training focused on two aspects: the current anti-corruption trends in China and the integrity culture of the Group. Drawing references from the Group's internal rules and regulations on anti-corruption as well as notable internal and external cases, an in-depth analysis on the causes of commercial crimes at private enterprises and proposed solutions were provided to enhance participants' anti-corruption awareness.


**Photos of integrity training**

## VI. INVESTING IN THE COMMUNITY

In the course of its business development, the Group is actively involved in community activities to promote community development, taking into full account the needs and interests of the community as it seeks to foster harmony and inclusiveness in its corporate-community relationship and fulfill its corporate social responsibility as a corporate citizen. In 2018, the Group continued to organise longstanding community welfare campaigns such as book donations, clothing donations and "blessings through Spring couplets", while adding a number of new initiatives for the benefit of the community and the public.

### 1. Social welfare activities

**(1) A distinctive standard: excellence in service**

The Group has launched a number of clothing donation, book donation and charity auction activities since the establishment of a dedicated volunteer team in November 2018. We are looking to involve in environmental campaigns, teenage counselling and elderly care in a more dedicated manner in the future.

**(2) Small gestures count in united efforts**

In September 2018, the Group organised volunteers to pay visits to street cleaners working in the aftermath of "Mangkhut" and lend a helping hand in cleaning up debris and leaves.


**(3) Sharing festive celebrations with a "sweet" Mid-Autumn**

On the eve of the Mid-Autumn Festival in September 2018, the Group teamed up with "Torch", a public welfare group providing community services to homeless kids, to send 100 boxes of mooncakes to underprivileged families so that they could enjoy a "sweet" Mid-Autumn Festival.


**(4) Blood donation in a selfless act of virtue**

In August 2018, the Group organised a blood donation initiative and encouraged employees to actively participate, in order to help those in need. A large number of employees turned up in enthusiastic support.


### (5) Dream of kite flying: caring for homeless children

In August 2018, the Group worked with "Torch" to host a spectacular welfare event known as "Charity at Clifford", during which more than 100 kids from underprivileged families spent an enjoyable afternoon making and flying kites in the company of volunteers.


### (6) Voice of the youth – promoting regional interflow

The Group was actively involved in the "Clifford Group Innovation and Intelligence Development Programme for New-generation Youth – Interflow of Undergraduates from Beijing, Guangzhou, Hong Kong and Taiwan and Internship Programme for Traveling Guangdong Youth" held in July 2018, providing opportunities for interflow among and internships for university students from Beijing, Guangzhou, Hong Kong and Taiwan to enhance their knowledge of the Mainland as well as cultural, ethnic and national identity.


### (7) Charity run – benefiting the community with small steps

In March 2018, the Group organised its staff and their families to join the charity run hosted by Hong Kong Employment Development Service, making modest contributions so that the underprivileged could have access to a diverse range of professional employment advisory and training services.

## 2. Community activities


### (1) Embracing health as one thousand participants joined to compete

Close to one thousand runners participated in the "Clifford Marathon" held in December 2018. The annual run hosted by the Group to encourage sports and healthy lifestyles for all has gradually grown into a cultural event with unique local charm.


### (2) Joy in action: enriching knowledge in gardening

In September 2018, a family activity titled "Introducing gardening knowledge to the household and working together to beautify the environment" was held at the Ying Feng Ge (迎風閣), Yi Yun Ju (倚雲居) and Shan Quan Ju (山泉居) complexes. Parents and kids experienced the joy of planting under the guidance of our colleagues from the gardening department, and appreciated the hard work of the gardener planting seasonable flowers and the flowers were not something that come by easily.

### (3) Mutual aid in community driving health development

In July 2018, health talks and free medical consultation sessions were organised by the Group in association with Clifford Hospital and the Lu Yi (綠怡) and Huoli Huayuan (活力花園) complexes. Residents walked away with practical health tips while healthy and positive lifestyles were promoted in the community.

### (4) Dragon Boat dumplings for an amicable neighborhood

In June 2018, the Group hosted a Dragon Boat Festival rice dumpling wrapping activity titled "Fragrant dumpling leaves at Dragon Boat Festival to Promote Happiness and Harmony in the Neighborhood", in a move to enrich the cultural life and residents and enhance their sense of belonging for the community.

羅兵咸永道

**To the Shareholders of Clifford Modern Living Holdings Limited**
*(incorporated in the Cayman Islands with limited liability)*

## OPINION

### What we have audited

The consolidated financial statements of Clifford Modern Living Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 89 to 161, which comprise:

- the consolidated income statement for the year ended 31 December 2018;
- the consolidated statement of comprehensive income for the year ended 31 December 2018;
- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of changes in equity for the year ended 31 December 2018;
- the consolidated statement of cash flows for the year ended 31 December 2018; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year ended 31 December 2018 in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is the impairment of trade receivables and contract assets, which is summarised as follows:

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| **Impairment of Trade Receivables and Contract Assets**<br><br>Refer to notes 3.1.3, 16 and 17(a) to the consolidated financial statements.<br><br>As at 31 December 2018, the gross amount of trade receivables of the Group amounted to RMB34,207,000 and contract assets of the Group amounted to RMB12,429,000, representing 10.55% of the total assets in total. The trade receivables comprised mainly the receivables from corporate customers of information technology services, and renovation and fitting-out services, of which certain credit terms were granted by the Group. The contract assets mainly represented the Group's right to receipt of proceeds for information technology services and renovation and fitting-out services that the Group has provided to the customers.<br><br>Impairment provision of trade receivables and contract assets was made based on an assessment of the lifetime expected credit losses to be incurred, including an assessment of the risk of default and the expected loss rate. In performing the assessment, management considered the credit quality of the counter parties by taking into account of their financial position, credit history and other factors, as well as the prevailing market conditions. Both current and future general economic conditions were also taken into consideration by management in the estimation. Management also regularly reviewed the recoverability of trade receivables and billing of contract assets and followed up the disputes or amounts overdue, if any. As at 31 December 2018, impairment provision made for the trade receivables amounted to RMB1,367,000 and no impairment provision was made for the contract assets.<br><br>We focused on this area due to the magnitude of trade receivables and contract assets and the significance of management judgements in analysing the expected credit loss of the trade receivables and contract assets. | We have performed the following procedures to address this key audit matter:<br><br>1) We understood, evaluated and validated the key controls relating to management's assessment performed on the expected credit losses of the trade receivables and contract assets, including aging analysis review and regular assessment performed on collectability of the receivable balances and billing arrangements of the contract assets;<br><br>2) We sent and obtained audit confirmations on major outstanding trade receivable balances as at 31 December 2018;<br><br>3) We tested, on sample basis, the progress of provision of services and compared the actual billing schedules with the contract terms;<br><br>4) We tested, on sample basis, the accuracy of aging analysis of trade receivables prepared by management;<br><br>5) We obtained management's assessment on the expected credit losses of trade receivables and contract assets, assessed its reasonableness with reference to the reasons behind the outstanding settlement, aging profile, historical settlement patterns, evaluated adjustment made to the historical loss rates based on current economic conditions and forward-looking information by checking to the published macroeconomics factors, and examining the actual losses recorded during the current financial year, and corroborated management's explanation to underlying documentation and correspondences with the counter parties;<br><br>6) We tested, on a sample basis, the subsequent settlement of trade receivables to cash receipts and the related supporting documentation;<br><br>7) We also tested, on a sample basis, the subsequent billings and settlements of contract assets to bills, cash receipt and related supporting documents.<br><br>We found the judgements made by the Group were supported by the evidences we gathered. |

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ho Chiu Yin.

**PricewaterhouseCoopers**
*Certified Public Accountants*

Hong Kong, 22 March 2019

# CONSOLIDATED INCOME STATEMENT

(All amounts in RMB thousands unless otherwise stated)

| | Note | Year ended 31 December 2018 | 2017 |
|---|---|---|---|
| **Revenue from contracts with customers** | 5 | **341,627** | 365,387 |
| Cost of sales | 6 | **(175,409)** | (213,787) |
| **Gross profit** | | **166,218** | 151,600 |
| Selling and marketing expenses | 6 | **(23,763)** | (24,698) |
| Administrative expenses | 6 | **(42,196)** | (44,909) |
| Net impairment losses on financial assets | 3.1.3 | **(1,397)** | – |
| Other income | 8 | **1,074** | 1,038 |
| Other gains – net | 9 | **2,212** | 1,185 |
| **Operating profit** | | **102,148** | 84,216 |
| Finance income | 8 | **1,167** | 603 |
| **Profit before income tax** | | **103,315** | 84,819 |
| Income tax expenses | 10 | **(30,879)** | (27,431) |
| **Profit from continuing operations** | | **72,436** | 57,388 |
| Profit from discontinued operation | 19(c) | **244** | – |
| **Profit for the year** | | **72,680** | 57,388 |
| **Profit attributable to:** | | | |
| – Owners of the Company | | **72,680** | 56,325 |
| – Non-controlling interests | | **–** | 1,063 |
| | | **72,680** | 57,388 |
| **Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company during the year** (expressed in RMB per share): | | | |
| – Basic earnings per share | 11 | **0.072** | 0.056 |
| – Diluted earnings per share | 11 | **0.071** | 0.056 |
| **Earnings per share attributable to the ordinary equity holders of the Company during the year** (expressed in RMB per share): | | | |
| – Basic earnings per share | 11 | **0.072** | 0.056 |
| – Diluted earnings per share | 11 | **0.071** | 0.056 |

The above consolidated income statement should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in RMB thousands unless otherwise stated)

| | Year ended 31 December | |
|---|---|---|
| | **2018** | 2017 |
| **Profit for the year** | **72,680** | 57,388 |
| **Other comprehensive income** | **–** | – |
| **Total comprehensive income for the year** | **72,680** | 57,388 |
| **Total comprehensive income attributable to:** | | |
| – Owners of the Company | **72,680** | 56,325 |
| – Non-controlling interests | **–** | 1,063 |
| | **72,680** | 57,388 |
| **Total comprehensive income for the year attributable to owners of the Company arises from:** | | |
| – Continuing operations | **72,436** | 57,388 |
| – Discontinued operation | **244** | – |
| | **72,680** | 57,388 |

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(All amounts in RMB thousands unless otherwise stated)

| | Note | As at 31 December 2018 | 2017 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 13 | **14,860** | 18,638 |
| Intangible assets | | **669** | 590 |
| Deferred income tax assets | 22 | **1,743** | 1,017 |
| Long-term receivables | | **–** | 2,106 |
| | | **17,272** | 22,351 |
| **Current assets** | | | |
| Inventories | 15 | **8,723** | 13,928 |
| Amounts due from customers for contract works | | **–** | 7,676 |
| Contract assets | 16 | **12,429** | – |
| Trade and other receivables and prepayments | 17 | **55,690** | 60,346 |
| Financial assets at fair value through profit or loss | 3.3 | **40,448** | – |
| Other current assets | | **–** | 1,993 |
| Term deposits | 18(a) | **86,857** | 61,869 |
| Restricted cash | 18(b) | **613** | 610 |
| Cash and cash equivalents | 18(c) | **209,362** | 187,404 |
| | | **414,122** | 333,826 |
| Assets classified as held for sale | 19 | **10,807** | – |
| Total current assets | | **424,929** | 333,826 |
| **Total assets** | | **442,201** | 356,177 |
| **Equity** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | 20 | **8,872** | 8,761 |
| Share premium | 20 | **179,118** | 184,674 |
| Other reserves | 21 | **(111,497)** | (117,178) |
| Retained earnings | | **245,658** | 179,759 |
| | | **322,151** | 256,016 |
| **Non-controlling interests** | | **–** | – |
| **Total equity** | | **322,151** | 256,016 |

(All amounts in RMB thousands unless otherwise stated)

| | Note | As at 31 December 2018 | 2017 |
|---|---|---|---|
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Deferred income tax liabilities | 22 | **3,000** | 3,264 |
| **Current liabilities** | | | |
| Trade and other payables | 23 | **80,409** | 83,369 |
| Amounts due to customers for contract works | | **–** | 4,792 |
| Contract liabilities | 24 | **19,256** | – |
| Current income tax liabilities | | **10,591** | 8,736 |
| | | **110,256** | 96,897 |
| Liabilities directly associated with assets classified as held for sale | 19 | **6,794** | – |
| Total current liabilities | | **117,050** | 96,897 |
| **Total liabilities** | | **120,050** | 100,161 |
| **Total equity and liabilities** | | **442,201** | 356,177 |

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 89 to 161 were approved by the Board of Directors on 22 March 2019 and were signed on its behalf by:

**Ms. MAN Lai Hung**
*Chairman & Executive Director*

**Ms. LIANG Yuhua**
*Chief Operating Officer & Executive Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in RMB thousands unless otherwise stated)

| | | Attributable to owners of the Company | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Note | Share capital (Note 20) | Share premium (Note 20) | Other reserves (Note 21) | Retained earnings | Total | Non-controlling interests | Total equity |
| **Balance at 1 January 2017** | | 8,744 | 183,824 | (97,035) | 126,108 | 221,641 | 6,381 | 228,022 |
| **Comprehensive income** | | | | | | | | |
| Profit for the year | | – | – | – | 56,325 | 56,325 | 1,063 | 57,388 |
| Other comprehensive income | | – | – | – | – | – | – | – |
| | | – | – | – | 56,325 | 56,325 | 1,063 | 57,388 |
| **Transactions with owners of the Company** | | | | | | | | |
| Changes in ownership interests in a subsidiary without change of control | | – | – | (14,331) | – | (14,331) | (7,444) | (21,775) |
| Effect of business combination under common control | | – | – | (9,794) | – | (9,794) | – | (9,794) |
| Employees' share option scheme: | | | | | | | | |
| – Value of employee services | 21 | – | – | 1,471 | – | 1,471 | – | 1,471 |
| – Proceeds from shares issued | 21 | 17 | 850 | (163) | – | 704 | – | 704 |
| Appropriation of statutory reserves | 21 | – | – | 2,674 | (2,674) | – | – | – |
| | | 17 | 850 | (20,143) | (2,674) | (21,950) | (7,444) | (29,394) |
| **Balance at 31 December 2017** | | 8,761 | 184,674 | (117,178) | 179,759 | 256,016 | – | 256,016 |
| **Balance at 1 January 2018** | | **8,761** | **184,674** | **(117,178)** | **179,759** | **256,016** | **–** | **256,016** |
| **Comprehensive income** | | | | | | | | |
| Profit for the year | | **–** | **–** | **–** | **72,680** | **72,680** | **–** | **72,680** |
| Other comprehensive income | | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| | | **–** | **–** | **–** | **72,680** | **72,680** | **–** | **72,680** |
| **Transactions with owners of the Company** | | | | | | | | |
| Special dividends declared to share holders of the Company | 25 | **–** | **(11,156)** | **–** | **–** | **(11,156)** | **–** | **(11,156)** |
| Employees' share option scheme: | | | | | | | | |
| – Proceeds from shares issued | 21 | **111** | **5,600** | **(1,100)** | **–** | **4,611** | **–** | **4,611** |
| Appropriation of statutory reserves | 21 | **–** | **–** | **6,781** | **(6,781)** | **–** | **–** | **–** |
| | | **111** | **(5,556)** | **5,681** | **(6,781)** | **(6,545)** | **–** | **(6,545)** |
| **Balance at 31 December 2018** | | **8,872** | **179,118** | **(111,497)** | **245,658** | **322,151** | **–** | **322,151** |

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in RMB thousands unless otherwise stated)

| | Note | Year ended 31 December 2018 | 2017 (Restated) |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 26(a) | **118,666** | 91,409 |
| Income tax paid | | **(22,756)** | (16,676) |
| Net cash generated from operating activities | | **95,910** | 74,733 |
| **Cash flows from investing activities** | | | |
| Purchases of property, plant and equipment | | **(7,541)** | (7,079) |
| Proceeds from disposal of property, plant and equipment | | **3,127** | 133 |
| Purchases of intangible assets | | **(337)** | (95) |
| Increase in term deposits | | **(24,988)** | (34,325) |
| Purchase of financial assets at fair value through profit or loss | | **(51,400)** | – |
| Proceeds from disposal of financial assets at fair value through profit or loss | | **11,869** | – |
| Interest received | | **1,167** | 603 |
| Increase in loans and receivables | | **–** | (12,500) |
| Repayments of loans and receivables | | **–** | 12,500 |
| Net cash used in investing activities | | **(68,103)** | (40,763) |
| **Cash flows from financing activities** | | | |
| Proceeds from exercise of share options | 21(c) | **4,611** | 704 |
| Payments of special dividends | 25 | **(11,156)** | – |
| Listing expenses paid | | **–** | (206) |
| Loans from related parties | | **–** | 6,243 |
| Loans repaid to related parties | | **–** | (9,967) |
| Consideration paid to acquire additional interest in a subsidiary | | **–** | (21,775) |
| Consideration paid for business combination under common control | | **–** | (5,588) |
| Net cash used in financing activities | | **(6,545)** | (30,589) |
| **Net increase in cash and cash equivalents** | | **21,262** | 3,381 |
| Cash and cash equivalents at beginning of year | 18(c) | **187,404** | 187,518 |
| Exchange gains/(losses) on cash and cash equivalents | | **696** | (3,495) |
| **Cash and cash equivalents at end of year** | 18(c) | **209,362** | 187,404 |

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

(All amounts in RMB thousands unless otherwise stated)

## 1 GENERAL INFORMATION

Clifford Modern Living Holdings Limited (the "Company") was incorporated in the Cayman Islands on 6 January 2016 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 8 November 2016 (the "Listing"). The Company is an investment holding company. The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are primarily engaged in the provision of services to residents in properties developed under the brand name of Clifford, including retail services, catering services, property management services, laundry services, off-campus training services, property agency services, employment placement services, information technology services, renovation and fitting-out services, etc, in the mainland of People's Republic of China (the "PRC Mainland").

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors (the "Board") on 22 March 2019.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements have been prepared under the historical cost convention except for financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

#### (a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2018:

| | |
|---|---|
| HKFRS 9 | Financial instruments |
| HKFRS 15 | Revenue from contracts with customers |
| HKFRS 2 (Amendment) | Classification and measurement of share-based payment transactions |
| HKFRS 4 (Amendment) | Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts |
| HKAS 40 (Amendment) | Transfers of investment property |
| HK (IFRIC) 22 | Foreign Currency Transactions and Advance Consideration; and |
| Annual Improvements to HKFRSs 2014–2016 cycle | Retirement of short-term exemptions in HKFRS 1<br>Clarifying measurement of investments under HKAS 28 |

Save for the impact of the adoption of these standards and the new accounting policies disclosed in Note 2.2 below, the other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

(All amounts in RMB thousands unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of preparation (Continued)

**(b) New standards and amendments not yet effective for the financial year beginning on 1 January 2018 and not early adopted by the Group**

Up to the date of issuance of these financial statements, the HKICPA has issued the following new standards and amendments to existing standards which are not yet effective and have not been early adopted by the Group:

| | | **Effective for annual years beginning on or after** |
|---|---|---|
| HKFRS 16 | Leases | 1 January 2019 |
| HK (IFRIC) 23 | Uncertainty over income tax treatments | 1 January 2019 |
| HKAS 28 (Amendment) | Long-term Interests in Associates and Joint Ventures | 1 January 2019 |
| HKFRS 9 (Amendment) | Prepayment features with negative compensation | 1 January 2019 |
| HKAS 19 (Amendment) | Plan amendment, curtailment or settlement | 1 January 2019 |
| Annual Improvements to HKFRSs 2015–2017 cycle | Clarifying previously held interest in a joint operation under HKFRS3 Business Combinations and HKFRS 11 Joint Arrangements | 1 January 2019 |
| | Clarifying income tax consequences of payments on financial instruments classified as equity under HKAS 12 Income Taxes | |
| | Clarifying borrowing costs eligible for capitalisation under HKAS 23 Borrowing Costs | |
| HKFRS 3 (Amendment) | Definition of Business | 1 January 2020 |
| HKFRS 17 | Insurance contracts | 1 January 2021 |
| HKFRS 10 and HKAS 28 (Amendment) | Sale or contribution of assets between an investor and its associate or joint venture | To be determined |

The Group has already commenced an assessment of the impact of these new or revised standards, interpretation and amendments, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the directors, no significant impact on the financial performance and position of the Group is expected when they become effective except for HKFRS 16.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of preparation (Continued)

**(b) New standards and amendments not yet effective for the financial year beginning on 1 January 2018 and not early adopted by the Group (Continued)**

***HKFRS 16 Leases***

*Nature of change*

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

*Impact*

The Group has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB44,044,000 (note 27). Of these commitments, approximately RMB142,000 related to short-term leases will be recognised on a straight-line basis as expense in profit or loss. The Group expects to recognise right-of-use assets and lease liabilities of approximately RMB34,313,000 (after adjustments for prepayments and accrued lease payments recognised as at 31 December 2018) on 1 January 2019.

The Group expects that net profit after tax will decrease by approximately RMB1,160,000 for 2019 as a result of adopting the new rules.

Operating cash flows and financing cash flows will increase and decrease respectively by approximately RMB9,386,000 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

*Date of adoption by group*

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. All right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's financial statements.

**(i) Impact on the financial statements**

The directors of the Company consider that the changes in the Group's accounting policies do not have any material impacts on prior year financial statements.

**(ii) HKFRS 9 Financial Instruments**

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 only resulted in changes in accounting policies. No adjustments were made to the amounts recognised in the financial statements. The new accounting policies are set out in Note 2.9.

The changes on the classification and measurement models introduced by HKFRS 9 do not have material impact on the Group's existing financial assets and liabilities, as they are mainly comprised of loans and receivables and financial liabilities at amortised costs as determined under HKAS 39, which are similar to the financial assets and liabilities measured at amortised cost under HKFRS 9, and are expected to continuously be initially recognised at fair value and subsequently measured at amortised cost.

The Group's trade and other receivables (excluding prepayments) and contract assets are subject to new expected credit loss model under HKFRS 9. The Group was required to revise its impairment methodology under HKFRS 9 for trade and other receivables (excluding prepayments) and contract assets.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables. The Group has assessed that there is no significant increase of credit risk for other receivables (excluding prepayments) and contract assets, thus the impairment provision is determined as 12 months expected credit losses. The Directors of the Group consider that there is no material impact of the change in impairment methodology on the Group's retained earnings and equity.

(All amounts in RMB thousands unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Changes in accounting policies (Continued)

#### (iii) HKFRS 15 Revenue from Contracts with Customers – Impact of adoption

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies.

The Group elected to use a modified retrospective approach for transition which allows the Group to recognise the cumulative effects of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings in the 2018 financial year. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 January 2018, thus the comparative figures have not been restated.

In summary, the following adjustments were made to the amounts recognised in the balance sheet at the date of initial application (1 January 2018) and the end of last reporting period presented (31 December 2017):

| | HKAS 18 carrying amount 31 December 2017 | Reclassification | HKFRS 15 carrying amount 1 January 2018 |
|---|---|---|---|
| Trade and other receivables and prepayments | 60,346 | – | 60,346 |
| Amounts due from customers for contract works | 7,676 | (7,676) | – |
| Contract assets | – | 7,676 | 7,676 |
| Amounts due to customers for contract works | 4,792 | (4,792) | – |
| Trade and other payables | 83,369 | (15,411) | 67,958 |
| Contract liabilities | – | 20,203 | 20,203 |

The directors of the Company consider the changes on the Group's revenue recognition do not have material impact on the amounts recognised in the financial statements.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Subsidiaries

#### 2.3.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

*(a) Business combinations*

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Subsidiaries (Continued)

#### 2.3.1 Consolidation (Continued)

*(a) Business combinations (Continued)*

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

*(b) Business combinations under common control*

The consolidated financial statements incorporate the financial statement items of the entities or businesses in which the common control combination occurs as if they had been combined from the date when the entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement and the consolidated statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

A uniform set of accounting polices is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities or businesses are eliminated on consolidation.

*(c) Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Subsidiaries (Continued)

#### 2.3.1 Consolidation (Continued)

*(d) Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

#### 2.3.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

### 2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that makes strategic decisions.

### 2.5 Foreign currency translation

**(a) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi (RMB), which is the Company's functional and the Group's presentation currency.

**(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses are presented in the consolidated income statement within "other gains – net".

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.5 Foreign currency translation (Continued)

**(c) Group companies**

The results and financial position of all foreign operations (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,
- income and expenses for each consolidated income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions), and
- all resulting currency translation differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

### 2.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

| | | |
|---|---|---|
| – | Machinery | 3–15 years |
| – | Vehicles | 4–15 years |
| – | Office equipment | 3–5 years |
| – | Leasehold improvements | 3–8 years |
| – | Other equipment | 3–5 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains/(losses) – net" in the consolidated income statement.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.7 Intangible assets

**Computer software**

Costs associated with acquisition of computer software programmes are recognised as intangible asset as incurred.

Computer software recognised as assets are amortised over their estimated useful lives, which does not exceed ten years.

### 2.8 Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated income statement.

### 2.9 Investments and other financial assets

**Classification**

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.9 Investments and other financial assets (Continued)

**Classification (Continued)**

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

**Recognition and derecognition**

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

**Measurement**

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

**Debt instruments**

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the consolidated income statement.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.9 Investments and other financial assets (Continued)

**Impairment of financial assets**

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade and other receivables (excluding prepayments) and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 17 for more details.

**Reclassification**

The Group could choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset was no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables were permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that was unusual and highly unlikely to recur in the near term. In addition, the Group could choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Group had the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications were made at fair value as of the reclassification date. Fair value became the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date were subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories were determined at the reclassification date. Further increases in estimates of cash flows adjusted effective interest rates prospectively.

### 2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises purchase price and other costs directly attributable to acquisition of inventories, is determined using the first-in first-out method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### 2.11 Construction contracts

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.11 Construction contracts (Continued)

The Group uses the percentage-of-completion method to determine the appropriate amount to be recognised during the contract period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

On the consolidated statement of financial position, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case.

### 2.12 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services provided in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. See Note 2.2 for further information about the Group's accounting for trade receivables and description of the Group's impairment policies.

### 2.13 Cash and cash equivalents, restricted cash and term deposits

In the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank deposits which are restricted to use are included in "restricted cash" of the consolidated statement of financial position. Bank deposits with initial terms of over three months are included in "term deposits" in the consolidated statement of financial position. Restricted cash and term deposits with initial terms of over three months are excluded from cash and cash equivalents.

### 2.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

### 2.15 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired from suppliers in the ordinary course of business. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.16 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

**(a) Current income tax**

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company's subsidiaries and associate operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

**(b) Deferred income tax**

***Inside basis differences***

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

***Outside basis differences***

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.16 Current and deferred income tax (Continued)

**(c) Offsetting**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### 2.17 Employee benefits

**(a) Pension obligations**

The Group companies incorporated in the PRC Mainland contribute funds, based on certain percentage of the salaries of the employees, to a defined contribution retirement benefit plan organised by relevant government authorities in the PRC Mainland on a monthly basis. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further legal or constructive obligation for post-retirement benefits beyond the contributions made.

The Group also participates in a retirement benefit scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of the lower of 5% of eligible employees' relevant aggregate income and HK$1,500. The assets of this MPF Scheme are held separately from those of the Group in independently administered funds.

Contributions to these defined contributions plans are expensed as incurred.

**(b) Housing benefits**

PRC Mainland employees of the Group are entitled to participate in government-sponsored housing funds. The Group contributes to these funds based on certain percentages of the salaries of these employees on a monthly basis. The Group's liability in respect of these funds is limited to the contribution payable in each period. Contributions to the housing funds are expensed as incurred.

**(c) Employee leave entitlements**

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.18 Share-based payments

**Equity-settled share-based payment transactions**

The Group operates an equity-settled share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (and share premium).

### 2.19 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.20 Revenue recognition

The Group establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) identify the contract(s) with customer; (2) identify separate performance obligations in a contract; (3) determine the transaction price; (4) allocate transaction price to performance obligations and (5) recognise revenue when performance obligation is satisfied.

The Group recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services based on transfer of control. The Group recognises revenue when a performance obligation is satisfied. The Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

**(a) Property management fee**

Revenue from property management services (both under lump sum basis and under commission basis) and resident support services is recognised in the accounting period in which the services are rendered as the customer simultaneously receives and consumes the benefits provided by the Group's performance when the Group performs.

For property management services, the Group bills a fixed amount for services provided on a monthly basis and recognises as revenue in the amount to which the Group has a right to bill and that corresponds directly with the value of performance completed.

For property management service income from properties managed under lump sum basis, where the Group acts as principal, the Group entitles to revenue at the value of property management service fee received by the properties. For property management service income from properties managed under commission basis, where the Group acts as an agent of the property owner, the Group entitles revenue at a pre-determined percentage of the property management fee received by the properties.

**(b) Sales of goods and commission income – retail services**

The Group operates one supermarket and several convenient stores for selling commodities. Sales of goods are recognised when control of the goods has been transferred to the customers. Commission income from concessionaire sales is recognised upon delivery of goods.

**(c) Sales of food and beverages – catering services**

Sales of food and beverages in the restaurants operated by the Group are recognised when the food and beverages are served to customers. Revenue from catering consultancy services is recognised in the accounting period in which the services are rendered as the customer simultaneously receives and consumes the benefits provided by the Group's performance when the Group performs.

**(d) Provision of property agency services**

The Group provides property agency services on the residential communities, including property sales agency services, property lease agency services. Agency commission income is recognised when a buyer and seller or lessee and lessor execute a legally binding sale or lease agreement and when the relevant agreement becomes unconditional and irrevocable.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.20 Revenue recognition (Continued)

**(e) Provision of information technology services**

The Group provides information technology services, which primarily involves provision of information technology services, related engineering services, security system and hardware and software integration, and telecommunication services. When providing information technology services, the Group's performance creates or enhances an assets (for example, work-in-progress), that the customer controls as the assets is created or enhanced, and the Group does not have an alternative use with. The revenue of information technology-related services is recognised over time on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" in Note 2.11.

**(f) Provision of renovation and fitting-out services**

The Group provides renovation and fitting-out services principally for residents, tenants or owners or their principal contractors of residential communities in proximity to their residential units, offices, shops and other properties. When providing renovation and fitting-out services, the Group's performance creates or enhances an assets (for example, work-in-progress), that the customer controls as the assets is created or enhanced, and the Group does not have an alternative use with. The revenue of renovation and fitting-out services is recognised over time on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" in Note 2.11.

**(g) Provision of the other services**

The Group also provides various services, such as laundry services, off-campus training services, employment placement services, etc. Revenue is recognised in the accounting period in which the services are rendered as the customer simultaneously receives and consumes the benefits provided by the Group's performance when the Group performs.

**(h) Rental income**

The Group's policy for recognition of revenue from operating leases is described in Note 2.21(b).

**(i) Interest income**

Interest income is recognised using the effective interest method.

If contracts involve the sale of multiple services, the transaction price allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

When either party to a contract has performed, the Group presents the contract in the balance sheet as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for services that the Group has transferred to a customer.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.20 Revenue recognition (Continued)

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers services to the customer, the Group presents the contract as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Incremental costs incurred to obtain a contact, if recoverable, are capitalized and presented as assets and subsequently amortised when the related revenue is recognised. The Group applied the practical expedient to recognise the incremental costs of obtaining a contract as an expense immediately if the amortisation period is less than 12 months.

### 2.21 Leases

**(a) The Group is the lessee**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

**(b) The Group is the lessor**

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

The method for allocating gross earnings to accounting periods is referred to a as the "actuarial method". The actuarial method allocates rentals between finance income and repayment of capital in each accounting period in such a way that finance income will emerge as a constant rate of return on the lessor's net investment in the lease.

When assets are leased out under operating lease, the assets are included in the statement of financial position based on the nature of the assets. Rental income is recognised in the consolidated income statement on a straight-line basis over the term of the lease.

### 2.22 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

(All amounts in RMB thousands unless otherwise stated)

# 3 FINANCIAL RISK MANAGEMENT

## 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Group's principal activities are conducted in RMB. The directors are of the opinion that the Group's activities do not expose it to any significant foreign exchange risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

### 3.1.1 Foreign exchange risk

The Group operates in the PRC Mainland with most transactions being settled in RMB, which is the functional currency of the Group companies. Foreign currency transactions included mainly receipt of listing proceeds, professional fees and employee benefit expenses which are denominated in Hong Kong Dollar. The Group currently does not have a foreign currency hedging policy, and manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities as at 31 December 2018 and 2017 are as follows:

| | As at 31 December | |
|---|---|---|
| | **2018** | 2017 |
| Monetary assets denominated in: | | |
| – Hong Kong Dollars ("HK$") | **22,370** | 27,553 |
| – United States Dollars ("US$") | **7** | – |
| | **22,377** | 27,553 |
| Monetary liabilities denominated in: | | |
| – HK$ | **4,211** | 6,612 |

The following table shows the sensitivity analysis of a 5% change in RMB against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. If there is a 5% appreciation/depreciation in RMB against the relevant currencies, the effect on the profit for the year is as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2018** | 2017 |
| 5% appreciation in RMB against: | | |
| – HK$ | **(842)** | (1,025) |
| – US$ | **–** | – |
| | **(842)** | (1,025) |
| 5% depreciation in RMB against: | | |
| – HK$ | **842** | 1,025 |
| – US$ | **–** | – |
| | **842** | 1,025 |

(All amounts in RMB thousands unless otherwise stated)

# 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

## 3.1 Financial risk factors (Continued)

### 3.1.2 Interest rate risk

The Group's interest rate risk arises from bank balances and amounts placed in bank accounts opened on behalf of the residents ("Amounts placed in Residents' Accounts"). Bank balances and Amounts placed in Residents' Accounts carried at prevailing market interest rate expose the Group to cash flow interest rate risk. The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

Management considers that interest rate risk related to bank balances and Amounts placed in Residents' Accounts is insignificant.

### 3.1.3 Credit risk

Credit risk arises from deposit with banks, contractual cash flows of financial assets carried at amortised cost and at fair value through profit or loss ("FVPL"), and trade and other receivables (excluding prepayment) and contract assets.

The Group has two types of financial assets that are subject to the expected credit loss model:

- trade and other receivables (excluding prepayment)
- contract assets

While deposits with banks are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

*(i)* ***Deposits with banks***

As at 31 December 2018, substantially all the Group's bank balances are deposited with major financial institutions incorporated in the PRC Mainland and Hong Kong, which management believes are of high credit quality without significant credit risk (31 December 2017: same).

The table below shows the bank balances of the major counterparties with external credit ratings as at 31 December 2018 and 2017 are as follows:

| | As at 31 December | |
|---|---|---|
| | **2018** | 2017 |
| Counterparties with external credit ratings (Note): | | |
| – Aa1 | **93,726** | 23,837 |
| – A1 | **202,937** | 225,854 |
| | **296,663** | 249,691 |

Note: The source of credit rating is from Moody's.

# 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

## 3.1 Financial risk factors (Continued)

### 3.1.3 Credit risk (Continued)

*(ii) Financial products measured at fair value through profit or loss*

The Group is exposed to credit risk in relation to financial products that are measured at fair value through profit or loss. The maximum exposure as at 31 December 2018 is the carrying amount of these investments, amounting to RMB40,448,000 (31 December 2017: nil).

The Group expects that there is no significant credit risk associated with financial products measured at fair value through profit or loss since the Group furnishes investment mandates to commercial banks. These mandates require them to invest in bank financial products with high market credit rating, liquidity and stable return. Management does not expect that there will be any significant losses from non-performance by these counterparties.

*(iii) Trade and other receivables (excluding prepayment) and contract assets*

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of individual property owner or the debtor
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors in the Group and changes in the operating results of the debtor

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

(All amounts in RMB thousands unless otherwise stated)

# 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

## 3.1 Financial risk factors (Continued)

### 3.1.3 Credit risk (Continued)

*(iii) Trade and other receivables (excluding prepayment) and contract assets (Continued)*

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The Group uses the expected credit loss model to determine the expected loss provision for other receivables (excluding prepayments). The Group has assessed that there is no significant increase of credit risk for other receivables. Thus the Group used the 12 months expected credit losses model to assess credit loss of other receivables.

As at 31 December 2018, the Group has assessed that the expected loss rate for trade and other receivables and contract assets from related parties was immaterial considering the good finance position and credit history of the related parties. Thus no loss allowance provision for trade and other receivables and contract assets from related parties was recognised in 2018.

As at 31 December 2018, the loss allowance provision for the trade receivables and other receivables due from third parties amounted to RMB1,367,000 and RMB30,000, respectively.

*(a)* As at 31 December 2018, the loss allowance provision for trade and other receivables (excluding prepayments) reconciles to the opening loss allowance for that provision as follows (2017: nil):

| | Trade receivables (excluding trade receivables from related parties) | Contract assets | Other receivables (excluding prepayments and other receivables from related parties) | Total |
|---|---|---|---|---|
| At 1 January 2018 | | | | |
| – calculated under HKFRS 9 | – | – | – | – |
| Provision for loss allowance recognised in profit or loss | 1,367 | – | 30 | 1,397 |
| At 31 December 2018 | 1,367 | – | 30 | 1,397 |

As at 31 December 2017 and 2018, the gross carrying amount of trade and other receivables (excluding prepayments) was RMB57,210,000 and RMB51,219,000, and the maximum exposure to loss was RMB57,210,000 and RMB49,822,000.

(All amounts in RMB thousands unless otherwise stated)

# 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

## 3.1 Financial risk factors (Continued)

### 3.1.3 Credit risk (Continued)

*(b)* ***Previous accounting policy for impairment of trade and other receivables (excluding prepayments)***

In the prior year, the impairment of trade and other receivables (excluding prepayments) was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables apart from the above individual receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- severe default or late payments.

### 3.1.4 Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including short-term and long-term borrowings and obtaining additional funding from shareholders. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and flexibility in funding through having available sources of financing.

The table below set out the Group's financial liabilities by relevant maturity grouping at each balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows.

| | Less than 1 year |
|---|---|
| Trade and other payables, excluding non-financial liabilities: | |
| As at 31 December 2018 | **60,840** |
| As at 31 December 2017 | 48,789 |

## 3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the owner and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Total capital comprises "equity" as shown in the consolidated statement of financial positions. As at 31 December 2018 and 2017, the Group was at net cash position, being calculated as cash and cash equivalents less total borrowings.

# 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

## 3.3 Fair value estimation

### (a) Fair value hierarchy

The Group's financial instruments recognised in the consolidated balance sheets are mainly trade and other receivables, contract assets, financial assets at fair value through profit or loss, cash and cash equivalents, term deposits, restricted cash, and other financial liabilities carried at amortised cost. The carrying value less impairment provision of trade and other receivables, contract assets and trade and others payables are a reasonable approximation of their fair values. Financial assets at fair value through profit or loss was mainly comprised of financial products with variable returns. The fair value of financial liabilities was estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels. An explanation of each level follows underneath the table.

| | As at 31 December | |
|---|---|---|
| | **2018** | 2017 |
| | **Level 3** | Level 3 |
| **Financial assets** | | |
| Financial assets at fair value through profit or loss ("FVPL") | | |
| – Financial products with variable returns | **40,448** | – |

**Level 1:** The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted marked price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

**Level 2:** The fair value of financial instruments that are not traded in an active market (for example, over–the–counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.3 Fair value estimation (Continued)

#### (b) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 instruments during the year ended 31 December 2018:

| | FVPL |
|---|---|
| **Opening balance 31 December 2017** | – |
| Acquisitions | 51,400 |
| Gains for the year recognised in profit or loss | 917 |
| Disposals | (11,869) |
| **Closing balance 31 December 2018** | 40,448 |
| including unrealised gains recognised in profit or loss attributable to balances held at the end of the year | 748 |

#### (c) Valuation inputs and relationships to fair value

The following table presents the Group's financial assets measured and recognised at fair value at 31 December 2018 on a recurring basis:

| Financial assets at fair value through profit or loss | Fair value at 31 December 2018 (RMB'000) | Valuation technique | Unobservable inputs* | Range of inputs (probability-weighted average) | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|
| Financial products | 40,448 | Discounted cash flow | Expected interest rate per annum | 3.00%–3.70% | A change expected interest rate per annum 100 basic points results in a change in fair value by RMB397,000 |

* There were no significant inter-relationships between unobservable inputs that materially affect fair values.

As at 31 December 2018, financial assets at fair value through profit or loss represented unlisted financial products purchased from commercial banks.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

### (a) Impairment of trade receivables

The Group makes allowances on trade receivables based on assumptions about risk of default and expected loss rates. The Group used judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade receivables and doubtful debt expenses in the periods in which such estimate has been changed. For details of the key assumptions and inputs used, see Note 3.1.3 above.

### (b) Estimation of the fair value of financial assets at fair value through profit or loss

Fair value of financial assets at fair value through profit or loss that are not traded in an active market is estimated by using appropriate valuation techniques. Such valuations were based on certain assumptions about credit risk, volatility and liquidity risks associated with the investments, which are subject to uncertainty and might materially differ from the actual results. Further details are included in Note 3.1.3.

### (c) Income taxes

The Group is subject to corporate income taxes in the PRC Mainland and profits tax in Hong Kong. Judgement is required in determining the amount of the provision for taxation and timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

### (d) Construction contracts

The Group uses the percentage-of-completion method to determine the appropriate amount to be recognised during the contract period. The stage of completion is measured by reference to the contract costs incurred up to the end of the accounting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed sometimes fall into different accounting periods. The Group regularly reviews the progress of the contracts and the corresponding budgeted costs incurred for the contract and revises the estimates of contract revenue and contract costs for each construction contract when necessary.

The Group reviews and revises the estimates of contract costs, variation orders and contract claims prepared for each construction contract. Budgeted contract costs are prepared by the management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved, professional estimation on costs of materials, labour costs and etc. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. Such significant estimate may have impact on the profit recognised in each period.

In addition, significant judgement is required to assess the recoverability of contract costs when difference between the estimated costs and the actual costs incurs.

## 5 SEGMENT INFORMATION

Information reported to the executive directors of the Company, who are the chief operating decision makers ("**CODM**") of the Group, was specifically focused on the segments of retail services, catering services, property management services, laundry services, off-campus training services, property agency services, employment placement services and information technology services for the purpose of resource allocation and performance assessment. These divisions are the basis on which the Group reports its segment information under HKFRS 8 "Operation Segments".

The executive directors of the Company assess the performance of the operating segments based on a measure of segment revenue and results and segment assets and liabilities. Segment results excluded central administration costs, other income, other gains-net, finance income, and income tax expenses, and segment assets excluded the deferred income tax assets, financial assets at fair value through profit or loss, interest receivable from a third party, term deposits, cash and cash equivalents and assets classified as held for sale, and segment liabilities excluded the deferred income tax liabilities and liabilities directly associated with assets classified as held for sale as these activities are centrally driven by the Group.

(All amounts in RMB thousands unless otherwise stated)

## 5 SEGMENT INFORMATION (CONTINUED)

### Segment revenue and results

The segment revenue and results and the reconciliation with profit from continuing operations for the year ended 31 December 2018 are as follows:

| | Retail services | Property management services | Off-campus training services | Renovation and fitting-out services | Information technology services | Others | Total |
|---|---|---|---|---|---|---|---|
| Gross segment revenue | 112,559 | 53,351 | 40,421 | 33,627 | 73,894 | 29,099 | 342,951 |
| Inter-segment revenue | (172) | (1,056) | – | – | (70) | (26) | (1,324) |
| **Revenue** | 112,387 | 52,295 | 40,421 | 33,627 | 73,824 | 29,073 | 341,627 |
| Timing of revenue recognition | | | | | | | |
| At a point in time | 100,047 | – | – | – | – | – | 100,047 |
| Over time | 12,340 | 52,295 | 40,421 | 33,627 | 73,824 | 29,073 | 241,580 |
| | 112,387 | 52,295 | 40,421 | 33,627 | 73,824 | 29,073 | 341,627 |
| **Segment results** | 19,880 | 32,514 | 15,379 | 12,161 | 15,450 | 12,592 | 107,976 |
| Other income | | | | | | | 1,074 |
| Other gains – net | | | | | | | 2,212 |
| Finance income | | | | | | | 1,167 |
| Unallocated expenses | | | | | | | (9,114) |
| Income tax expenses | | | | | | | (30,879) |
| **Profit from continuing operations for the year** | | | | | | | 72,436 |
| **Segment results include:** | | | | | | | |
| Depreciation and amortisation | 2,070 | 143 | 1,412 | – | 539 | 653 | 4,817 |

(All amounts in RMB thousands unless otherwise stated)

## 5 SEGMENT INFORMATION (CONTINUED)

### Segment revenue and results (Continued)

The segment revenue and results and the reconciliation with profit for the year ended 31 December 2017 are as follows:

| | Retail services | Catering services | Property management services | Off-campus training services | Renovation and fitting-out services | Information technology services | Others | Total |
|---|---|---|---|---|---|---|---|---|
| Gross segment revenue | 105,280 | 67,073 | 56,502 | 34,158 | 24,336 | 48,385 | 31,410 | 367,144 |
| Inter-segment revenue | (210) | (266) | (764) | – | – | (326) | (191) | (1,757) |
| **Revenue** | 105,070 | 66,807 | 55,738 | 34,158 | 24,336 | 48,059 | 31,219 | 365,387 |
| **Segment results** | 11,590 | 3,303 | 41,973 | 13,255 | 5,372 | 6,288 | 14,701 | 96,482 |
| **Other income** | | | | | | | | 1,038 |
| Other gains – net | | | | | | | | 1,185 |
| Finance income | | | | | | | | 603 |
| Unallocated expenses | | | | | | | | (14,489) |
| Income tax expenses | | | | | | | | (27,431) |
| **Profit for the year** | | | | | | | | 57,388 |
| **Segment results include:** | | | | | | | | |
| Depreciation and amortisation | 1,860 | 2,116 | 93 | 392 | – | 296 | 525 | 5,282 |

(All amounts in RMB thousands unless otherwise stated)

## 5 SEGMENT INFORMATION (CONTINUED)

The segment assets and liabilities and the reconciliation with total assets and liabilities of the Group as at 31 December 2018 and 2017 are as follows:

### Segment assets

| | As at 31 December | |
|---|---|---|
| | **2018** | 2017 |
| Retail services | **21,013** | 19,474 |
| Catering services | **–** | 15,504 |
| Property management services | **5,862** | 10,993 |
| Off-campus training services | **8,345** | 4,181 |
| Renovation and fitting-out services | **9,295** | 11,115 |
| Information technology services | **33,818** | 34,577 |
| Others | **14,038** | 9,281 |
| **Total segment assets** | **92,371** | 105,125 |
| Deferred income tax assets | **1,743** | 1,017 |
| Interest receivable from a third party | **–** | 152 |
| Financial assets at fair value through profit or loss | **40,448** | – |
| Term deposits | **86,857** | 61,869 |
| Restricted cash | **613** | 610 |
| Cash and cash equivalents | **209,362** | 187,404 |
| Assets classified as held for sale | **10,807** | – |
| **Total assets** | **442,201** | 356,177 |

### Segment liabilities

| | As at 31 December | |
|---|---|---|
| | **2018** | 2017 |
| Retail services | **34,096** | 27,949 |
| Catering services | **–** | 10,102 |
| Property management services | **11,727** | 10,540 |
| Off-campus training services | **20,846** | 16,298 |
| Renovation and fitting-out services | **12,910** | 9,384 |
| Information technology services | **22,099** | 16,349 |
| Others | **8,578** | 6,275 |
| **Total segment liabilities** | **110,256** | 96,897 |
| Deferred income tax liabilities | **3,000** | 3,264 |
| Liabilities directly associated with assets classified as held for sale | **6,794** | – |
| **Total liabilities** | **120,050** | 100,161 |

(All amounts in RMB thousands unless otherwise stated)

## 5 SEGMENT INFORMATION (CONTINUED)

These assets and liabilities are allocated based on the operations of the segment and the physical location of the assets and liabilities.

As at 31 December 2018, the balance of certain proceeds from the initial public offering of HK$13.9 million, equivalent to RMB12.2 million (31 December 2017: HK$25.5 million, equivalent to RMB21.3 million) were temporarily deposited in the Group's bank accounts in Hong Kong and will be remitted to the Group's PRC Mainland companies for intended use. Except for this, more than 90% of the Group's assets are situated in the PRC Mainland. During the year ended 31 December 2018, more than 90% of the Group's revenue were derived from activities carried out and from customers located in the PRC Mainland and no geographical segment analysis is prepared.

Clifford Estates (Panyu) Limited* (廣州市番禺祈福新邨房地產有限公司), a company under significant influence of the spouse of Ms. Man Lai Hung ("**Ms. Man**"), contributes more than 16% of the Group's revenue for the year ended 31 December 2018 (the year ended 31 December 2017: 7%).

### (a) Assets and liabilities related to contracts with customers

The Group has recognised the following contract assets and liabilities related to contracts with customers:

| | **As at 31 December 2018** | As at 1 January 2018 |
|---|---|---|
| Contract assets | **12,429** | 7,676 |
| Contract liabilities | **19,256** | 20,203 |

**(i) Significant changes in contract assets and liabilities**

Contract assets have increased as the Group has provided more services ahead of the agreed payment schedules for fixed-price contracts.

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying services are yet to be provided. The slight decrease in contract liabilities was mainly due to the enhancement in the efficiency of the information technology and renovation and fitting-out services projects.

(All amounts in RMB thousands unless otherwise stated)

## 5 SEGMENT INFORMATION (CONTINUED)

### (a) Assets and liabilities related to contracts with customers (Continued)

#### (ii) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the year ended 31 December 2018 relates to carried-forward contract liabilities.

| | For the year ended 31 December 2018 |
|---|---|
| **Revenue recognised that was included in the balance of contract liabilities at the beginning of the year** | |
| Off-campus training services | 12,083 |
| Information technology services | 3,709 |
| Renovation and fitting-out services | 1,965 |
| Retail services | 1,330 |
| Property management services | 880 |
| Others | 236 |
| | 20,203 |

#### (iii) Unsatisfied performance obligations

For property management services, the Group recognises revenue in the amount that equals to the right to invoice, and for information technology services and renovation and fitting-out services, the Group recognises revenue on the percentage of completion basis, which corresponds directly with the value to the customer of the Group's performance to date, on a monthly basis. The Group has elected the practical expedient for not disclosing the remaining performance obligations for these type of contracts. The majority of the property management services contracts do not have a fixed term. The term of the contracts for consultancy services is generally set to expire when the counterparties notify the Group that the services are no longer required.

For other services, they are rendered in short period of time, which is generally less than a year, and the Group has elected the practical expedient for not disclosing the remaining performance obligations for these type of contracts.

#### (iv) Assets recognised from incremental costs to obtain a contract

There was no significant incremental costs to obtain a contract for the year ended 31 December 2018.

(All amounts in RMB thousands unless otherwise stated)

## 6 EXPENSES BY NATURE

### Continuing operations

| | Year ended 31 December | |
|---|---|---|
| | **2018** | 2017 |
| Employee benefit expenses (Note 7) | **72,929** | 92,399 |
| Cost of goods sold for retail business | **57,251** | 59,168 |
| Project cost for information technology services | **42,279** | 29,524 |
| Sub-contracting costs for renovation and fitting-out services | **20,650** | 23,518 |
| Operating lease payments | **14,196** | 16,521 |
| Cost of raw materials and consumables | **3,653** | 28,032 |
| Depreciation and amortisation | **4,817** | 5,282 |
| Utilities – electricity, water and gas, etc. | **5,701** | 9,608 |
| Office expenses | **5,232** | 5,044 |
| Professional fee | **3,663** | 4,245 |
| Auditors' remuneration | | |
| – Audit services | **1,800** | 1,650 |
| – Non-audit services | **974** | 879 |
| Taxes and other levies | **1,702** | 1,359 |
| Advertising expenses | **764** | 590 |
| Others | **5,757** | 5,575 |
| | **241,368** | 283,394 |

## 7 EMPLOYEE BENEFIT EXPENSES

### Continuing operations

| | Year ended 31 December | |
|---|---|---|
| | **2018** | 2017 |
| Wages and salaries | **62,138** | 76,842 |
| Staff welfare expenses (Note (a)) | **10,791** | 14,086 |
| Pre-IPO Share Options granted to directors, senior management and employees (Note 21(c)) | **–** | 1,471 |
| | **72,929** | 92,399 |

**(a)** Employees in the Group's PRC Mainland subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC Mainland subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

(All amounts in RMB thousands unless otherwise stated)

## 7 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

### Continuing operations (Continued)

**(b) Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2018 included three directors (2017: four). The emoluments of directors are disclosed in Note 30, the emoluments payable to the remaining highest paid individuals during the years ended 31 December 2018 and 2017 are as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2018** | 2017 |
| Wages and salaries | **1,365** | 562 |
| Staff welfare expenses (Note (a)) | **103** | 87 |
| Pre-IPO Share Options granted to directors, senior management and employees (Note 21(c)) | **–** | – |
| | **1,468** | 649 |

The emoluments fell within the following bands:

| | Number of individuals Year ended 31 December | |
|---|---|---|
| | **2018** | 2017 |
| Emolument bands (in HK$) | | |
| Nil – HK$1,000,000 | **2** | 1 |

## 8 OTHER INCOME AND FINANCE INCOME

### Continuing operations

| | Year ended 31 December | |
|---|---|---|
| | **2018** | 2017 |
| **Other income:** | | |
| – Interest income on cash and cash equivalents | **1,002** | 934 |
| – Interest income from amounts placed in Residents' Accounts (Note 17(b)) | **72** | 104 |
| | **1,074** | 1,038 |
| **Finance income:** | | |
| – Interest income on term deposits | **1,167** | 603 |

(All amounts in RMB thousands unless otherwise stated)

## 9 OTHER GAINS– NET

### Continuing operations

| | Year ended 31 December | |
|---|---|---|
| | **2018** | 2017 |
| Fair value gains on financial assets at fair value through profit or loss | **794** | – |
| Gains/(losses) on foreign exchanges – net | **696** | (2,710) |
| Government grant | **671** | 3,000 |
| (Losses)/gains on disposal of property, plant and equipment and intangible assets | **(177)** | 1,113 |
| Others | **228** | (218) |
| | **2,212** | 1,185 |

## 10 INCOME TAX EXPENSES

| | Year ended 31 December | |
|---|---|---|
| | **2018** | 2017 |
| Current tax: | | |
| – PRC Mainland corporate income tax | **27,111** | 24,676 |
| – PRC Mainland withholding income tax | **4,764** | 1,300 |
| – Hong Kong profits tax | **76** | 75 |
| Total current tax | **31,951** | 26,051 |
| Deferred tax: | | |
| – PRC Mainland corporate income tax | **(726)** | (684) |
| – PRC Mainland withholding income tax | **(264)** | 2,064 |
| Total deferred tax | **(990)** | 1,380 |
| Income tax expenses | **30,961** | 27,431 |
| Income tax expense is attributable to: | | |
| – Profit from continuing operations | **30,879** | 27,431 |
| – Profit from discontinued operation | **82** | – |
| | **30,961** | 27,431 |

(All amounts in RMB thousands unless otherwise stated)

## 10 INCOME TAX EXPENSES (CONTINUED)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Group entities as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2018** | 2017 |
| Profit from continuing operations before income tax expense | **103,315** | 84,819 |
| Profit from discontinued operation before income tax expense | **326** | – |
| Profit before income tax | **103,641** | 84,819 |
| Tax charge at effective rate applicable to profits in the respective group entities | **26,456** | 24,497 |
| Tax effects of: | | |
| – Income not subject to tax | **(670)** | (675) |
| – Extra tax deduction of research and development expenses | **(298)** | (439) |
| – Expenses not deductible for tax purposes | **628** | 620 |
| – Tax losses for which no deferred income tax asset was recognised | **345** | 64 |
| | **26,461** | 24,067 |
| PRC Mainland withholding income tax | **4,500** | 3,364 |
| Tax charge | **30,961** | 27,431 |

The weighted average applicable tax rate was 25% (2017: 28%). The decrease in weighted average applicable tax rate for the year ended 31 December 2018 is mainly due to a subsidiary of the Company obtained the certificate of "High and New Technology Enterprise" and is entitled to a preferential PRC Mainland income tax rate of 15% for 2018, 2019 and 2020.

### PRC Mainland corporate income tax

The income tax provision of the Group in respect of operations in the PRC Mainland has been calculated at the applicable tax rate on the estimated assessable profits for the years, based on the existing legislation, interpretations and practices in respect thereof.

The general corporate income tax rate applicable to the Group entities located in the PRC Mainland ("**PRC Mainland entities**") is 25% according to the Corporate Income Tax Law of the People's Republic of China effective on 1 January 2008. During the year ended 31 December 2018, a subsidiary of the Company obtained the Certificate of "High and New Technology Enterprise" with valid period from 2018 to 2020. According to the Corporation Income Tax Law of the People's Republic of China, corporations which obtain the Certificate of "High and New Technology Enterprise" are entitled to enjoy a preferential corporate income rate of 15%.

(All amounts in RMB thousands unless otherwise stated)

## 10 INCOME TAX EXPENSES (CONTINUED)

### PRC Mainland withholding income tax

PRC Mainland withholding income tax of 10% shall be levied on the dividends declared by PRC Mainland entities to their foreign investors out of their profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC Mainland subsidiaries are incorporated or operated in Hong Kong and fulfil the requirement to the tax treaty arrangement between the PRC Mainland and Hong Kong.

During the year ended 31 December 2018, provision of deferred income tax for the earnings of the PRC Mainland subsidiaries planned to be distributed to overseas has been made at withholding income tax rate of 5%.

### Hong Kong profits tax

The applicable Hong Kong profits tax rate is 16.5%.

### Overseas corporate income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 of Cayman Islands and is exempted from Cayman Islands income tax. BVI subsidiaries were incorporated under the International Business Companies Act of the British Virgin Islands and are exempted from British Virgin Islands income tax.

## 11 EARNINGS PER SHARE

### (a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

| | Year ended 31 December | |
|---|---|---|
| | **2018** | 2017 |
| Profit from continuing operations attributable to equity holders of the Company (RMB) | **72,436,000** | 56,325,000 |
| Weighted average number of ordinary shares in issue | **1,008,947,260** | 1,000,889,726 |
| Basic earnings per share for profit from continuing operations attributable to the shareholders of the Company during the year (expressed in RMB per share) | **0.072** | 0.056 |

| | Year ended 31 December | |
|---|---|---|
| | **2018** | 2017 |
| Profit attributable to equity holders of the Company (RMB) | | |
| – From continuing operations | **72,436,000** | 56,325,000 |
| – From discontinued operation | **244,000** | – |
| | **72,680,000** | 56,325,000 |
| Weighted average number of ordinary shares in issue | **1,008,947,260** | 1,000,889,726 |
| Basic earnings per share for profit attributable to the shareholders of the Company during the year (expressed in RMB per share) | **0.072** | 0.056 |

(All amounts in RMB thousands unless otherwise stated)

## 11 EARNINGS PER SHARE (CONTINUED)

### (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has dilutive potential ordinary shares arising from the Pre-IPO Share Options. For the Pre-IPO Share Options, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

As stated in Note 21(c), the Pre-IPO Share Option Scheme was adopted and effective on 8 November 2016. Diluted earnings per share for the year ended 31 December 2018 was calculated as below:

| | Year ended 31 December | |
|---|---|---|
| | **2018** | 2017 |
| Profit from continuing operations attributable to equity holders of the Company (RMB) | **72,436,000** | 56,325,000 |
| Weighted average number of ordinary shares in issue | **1,008,947,260** | 1,000,889,726 |
| Adjustments for: | | |
| – Pre-IPO Share Options | **8,334,770** | 7,629,605 |
| Weighted average number of ordinary shares for diluted earnings per share | **1,017,282,030** | 1,008,519,331 |
| Diluted earnings per share for profit from continuing operations attributable to the shareholders of the Company during the year (expressed in RMB per share) | **0.071** | 0.056 |

| | Year ended 31 December | |
|---|---|---|
| | **2018** | 2017 |
| Profit attributable to equity holders of the Company (RMB) | | |
| – From continuing operations | **72,436,000** | 56,325,000 |
| – From discontinued operation | **244,000** | – |
| | **72,680,000** | 56,325,000 |
| Weighted average number of ordinary shares in issue | **1,008,947,260** | 1,000,889,726 |
| Adjustments for: | | |
| – Pre-IPO Share Options | **8,334,770** | 7,629,605 |
| Weighted average number of ordinary shares for diluted earnings per share | **1,017,282,030** | 1,008,519,331 |
| Diluted earnings per share for profit attributable to the shareholders of the Company during the year (expressed in RMB per share) | **0.071** | 0.056 |

(All amounts in RMB thousands unless otherwise stated)

## 12 SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2018 and 2017 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

| Name of entity | Place of incorporation and kind of legal entity | Principal activities and place of operation | Particulars of issued share capital and debt securities | Ownership interest held by the Group (%) 2018 | 2017 |
|---|---|---|---|---|---|
| **Directly owned** | | | | | |
| Wide Leisure Limited 廣逸有限公司 | BVI, limited liability company | Investment holding in BVI | 1 ordinary share USD1 | 100% | 100% |
| **Indirectly owned** | | | | | |
| Guangzhou Panyu Clifford Property Management Limited* 廣州市番禺祈福物業管理有限公司 | PRC Mainland, limited liability company | Property management services in the PRC Mainland | RMB5,500,000 | 100% | 100% |
| Foshan Clifford Property Management Limited* 佛山市祈福物業管理有限公司 | PRC Mainland, limited liability company | Property management services in the PRC Mainland | HK$8,770,000 | 100% | 100% |
| Guangzhou Clifford Trading Limited* 廣州市祈福貿易有限公司 | PRC Mainland, limited liability company | Retail services in the PRC Mainland | RMB1,000,000 | 100% | 100% |
| Guangzhou Smart Real Estate Agency Limited* 廣州市睿明房地產中介有限公司 | PRC Mainland, limited liability company | Property agency services in the PRC Mainland | RMB300,000 | 100% | 100% |
| Guangzhou Welcome Employment Limited* 廣州市惠爾家職業介紹有限公司 | PRC Mainland, limited liability company | Employment placement services in the PRC Mainland | RMB2,000,000 | 100% | 100% |
| Guangzhou Goodwash Laundry Limited* 廣州市雪白洗衣有限公司 | PRC Mainland, limited liability company | Laundry services in the PRC Mainland | RMB5,000,000 | 100% | 100% |
| Guangzhou Clifford Herbal Cuisine Catering Limited* (the "Clifford Herbal Cuisine") (Note 19) 廣州市祈福藥膳坊餐飲有限公司 | PRC Mainland, limited liability company | Catering services in the PRC Mainland | RMB1,000,000 | 100% | 100% |
| Guangzhou Mascot Catering Limited* (the "Mascot Catering") (Note 19) 廣州市福品餐飲有限公司 | PRC Mainland, limited liability company | Catering services in the PRC Mainland | RMB1,000,000 | 100% | 100% |

(All amounts in RMB thousands unless otherwise stated)

## 12 SUBSIDIARIES (CONTINUED)

| Name of entity | Place of incorporation and kind of legal entity | Principal activities and place of operation | Particulars of issued share capital and debt securities | Ownership interest held by the Group (%) 2018 | 2017 |
|---|---|---|---|---|---|
| **Indirectly owned (Continued)** | | | | | |
| Guangzhou Panyu Clifford Education Training Centre* 廣州市番禺區祈福教育培訓中心 | PRC Mainland, limited liability company | Off-campus training services in the PRC Mainland | RMB50,000 | 100% | 100% |
| Guangzhou Clifford Household Services Limited* 廣州市祈福家居服務有限公司 | PRC Mainland, limited liability company | Construction and household services in the PRC Mainland | RMB500,000 | 100% | 100% |
| Guangzhou Clifford Farm Restaurant Catering Limited* (the "Clifford Farm Restaurant") (Note 19) 廣州市祈福農家菜館餐飲有限公司 | PRC Mainland, limited liability company | Catering services in the PRC Mainland | RMB1,000,000 | 100% | 100% |
| Guangzhou Clifford Big Brother Congee & Noodles Limited* (the "Clifford Big Brother") (Note 19) 廣州市祈福一哥雲吞面有限公司 | PRC Mainland, limited liability company | Catering services in the PRC Mainland | RMB1,000,000 | 100% | 100% |
| Guangzhou Clifford Communications Limited* 廣州市祈福通訊有限公司 | PRC Mainland, limited liability company | Communication services in the PRC Mainland | RMB1,000,000 | 100% | 100% |
| Guangzhou Clifford Catering Management Limited* 廣州市祈福餐飲管理有限公司 | PRC Mainland, limited liability company | Catering services in the PRC Mainland | RMB1,000,000 | 100% | 100% |
| Guangzhou Kejian Computer Technology Co., Limited* 廣州市科健計算機技術有限公司 | PRC Mainland, limited liability company | Information technology services in the PRC Mainland | RMB8,000,000 | 100% | 100% |
| Foshan Clifford Overseas Education Consulting Services Limited * 佛山市祈福留學諮詢有限公司 | PRC Mainland, limited liability company | Off-campus training services in the PRC Mainland | RMB500,000 | 100% | N/A |

* The English name of the subsidiaries represents the best effort by the management of the Group in translating their Chinese names as they do not have an official English name.

(All amounts in RMB thousands unless otherwise stated)

## 13 PROPERTY, PLANT AND EQUIPMENT

| | Machinery | Vehicles | Office equipment | Leasehold improvements | Other equipment | Total |
|---|---|---|---|---|---|---|
| **Year ended 31 December 2017** | | | | | | |
| Opening net book amount | 8,405 | 331 | 932 | 8,563 | 1,512 | 19,743 |
| Additions | 1,092 | 3 | 791 | 5,109 | 84 | 7,079 |
| Disposals | (260) | (4) | (49) | (372) | (441) | (1,126) |
| Transferred to other current assets | (359) | – | (294) | (947) | (340) | (1,940) |
| Depreciation charge | (918) | (42) | (1,268) | (2,700) | (190) | (5,118) |
| **Closing net book amount** | 7,960 | 288 | 112 | 9,653 | 625 | 18,638 |
| **As at 31 December 2017** | | | | | | |
| Cost | 11,694 | 1,087 | 3,553 | 15,158 | 979 | 32,471 |
| Accumulated depreciation | (3,734) | (799) | (3,441) | (5,505) | (354) | (13,833) |
| **Net book amount** | 7,960 | 288 | 112 | 9,653 | 625 | 18,638 |
| **Year ended 31 December 2018** | | | | | | |
| Opening net book amount | **7,960** | **288** | **112** | **9,653** | **625** | **18,638** |
| Additions | **256** | **385** | **1,924** | **5,315** | **139** | **8,019** |
| Transferred from other current assets | **359** | **–** | **294** | **947** | **340** | **1,940** |
| Disposals | **(1,850)** | **(16)** | **(263)** | **(218)** | **(26)** | **(2,373)** |
| Transferred to assets classified as held for sale (Note 19) | **(653)** | **(4)** | **(819)** | **(3,028)** | **(364)** | **(4,868)** |
| Depreciation charge | **(1,185)** | **(84)** | **(563)** | **(4,492)** | **(172)** | **(6,496)** |
| **Closing net book amount** | **4,887** | **569** | **685** | **8,177** | **542** | **14,860** |
| **As at 31 December 2018** | | | | | | |
| Cost | **9,300** | **1,448** | **3,807** | **15,689** | **620** | **30,864** |
| Accumulated depreciation | **(4,413)** | **(879)** | **(3,122)** | **(7,512)** | **(78)** | **(16,004)** |
| **Net book amount** | **4,887** | **569** | **685** | **8,177** | **542** | **14,860** |

Depreciation of the property, plant and equipment has been charged to consolidated income statement as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2018** | 2017 |
| Cost of sales | **3,728** | 2,261 |
| Selling and marketing expenses | **2,094** | 2,095 |
| Administrative expenses | **674** | 762 |
| | **6,496** | 5,118 |

(All amounts in RMB thousands unless otherwise stated)

## 14 FINANCIAL INSTRUMENTS BY CATEGORY

| | As at 31 December | |
|---|---|---|
| | **2018** | 2017 |
| **Financial assets** | | |
| Financial assets at amortised cost | | |
| – Amount due from customers for contract works | **–** | 7,676 |
| – Contract assets (Note 16) | **12,429** | – |
| – Trade and other receivables excluding prepayments (Note 17) | **49,822** | 57,210 |
| – Term deposits (Note 18 (a)) | **86,857** | 61,869 |
| – Restricted cash (Note 18 (b)) | **613** | 610 |
| – Cash and cash equivalents (Note 18 (c)) | **209,362** | 187,404 |
| Financial assets at fair value through profit or loss (Note 3.3) | **40,448** | – |
| | **399,531** | 314,769 |
| **Financial liabilities at amortised costs** | | |
| Trade and other payables excluding non-financial liabilities (Note 23) | **60,840** | 48,789 |
| Amounts due to customers for contract works | **–** | 4,792 |
| Contract liabilities (Note 24) | **19,256** | – |
| | **80,096** | 53,581 |

## 15 INVENTORIES

| | As at 31 December | |
|---|---|---|
| | **2018** | 2017 |
| Merchandise goods | **6,991** | 9,161 |
| Raw materials and consumables | **1,514** | 4,593 |
| Others | **218** | 174 |
| | **8,723** | 13,928 |

## 16 CONTRACT ASSETS

| | As at 31 December | |
|---|---|---|
| | **2018** | 2017 |
| Amounts due from customers for contract works | | |
| – Related parties (Note 29(d)) | **738** | – |
| – Third parties | **11,691** | – |
| | **12,429** | – |

(All amounts in RMB thousands unless otherwise stated)

## 17 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

| | As at 31 December | |
|---|---|---|
| | **2018** | 2017 |
| Trade receivables (Note (a)): | | |
| – Related parties (Note 29(d)) | **21,265** | 19,903 |
| – Third parties | **12,942** | 22,599 |
| Total trade receivables | **34,207** | 42,502 |
| Less: allowance for impairment of trade receivables | **(1,367)** | – |
| | **32,840** | 42,502 |
| Amounts placed in Residents' Accounts (Note (b)) | **3,123** | 2,823 |
| Other receivables: | | |
| – Related parties (Note 29(d)) | **4,116** | 4,211 |
| – Third parties | **9,773** | 7,522 |
| Total other receivables | **13,889** | 11,733 |
| Less: allowance for impairment of other receivables | **(30)** | – |
| | **13,859** | 11,733 |
| Interest receivables: | | |
| – A third party | **–** | 152 |
| Prepayments: | | |
| – Third parties | **5,868** | 3,136 |
| | **55,690** | 60,346 |

(All amounts in RMB thousands unless otherwise stated)

## 17 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

(a) Trade receivables due from third parties mainly represented the receivables arising from provision of renovation and fitting-out services and information technology services and the receivables of outstanding property management fee charged on commission basis.

During the years ended 31 December 2018 and 2017, the credit period granted to trade customers of information technology services and renovation and fitting-out services varies from one to three months; the trading of retail services, catering services, off-campus training services, property agency services, employment placement services and laundry services are mainly carried out on cash basis.

As at 31 December 2018 and 2017, the aging analysis of the trade receivables based on invoice date is as follows:

| | As at 31 December | |
|---|---|---|
| | **2018** | 2017 |
| Up to 1 year | **29,800** | 36,456 |
| 1 to 2 years | **2,242** | 4,488 |
| Over 2 years | **2,165** | 1,558 |
| | **34,207** | 42,502 |

(b) Certain property management companies of the Group have engaged in the provision of property management services for residential communities on commission basis and opened bank accounts on behalf of the residents ("Residents' Accounts"). These Residents' Accounts are used to collect the property management fee and resident support services fee from the residents. The property management companies have undertaken the treasury function for these bank accounts on behalf of the residents pursuant to the property management contracts. As at 31 December 2018, amounts placed in Residents' Accounts of RMB3,123,000 represented the balances of the property management commission fee and resident support service fee entitled by the property management companies (31 December 2017: RMB2,823,000). As at 31 December 2018, amounts placed in Resident's Accounts carry interest at prevailing rates from 0.50% to 2.10% per annum (31 December 2017: 0.35% to 2.10% per annum). The fair value of these balances approximates their carrying amounts.

The maximum exposure to credit risk at the reporting dates is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

The Company applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 December 2018, a provision of RMB1,397,000 was made against the gross amounts of trade receivables (note 3.1.3).

(All amounts in RMB thousands unless otherwise stated)

## 18 CASH AND BANK BALANCES

### (a) Term deposits

| | As at 31 December | |
|---|---|---|
| | **2018** | 2017 |
| Matured within: | | |
| – 6 months | **63,886** | 1,490 |
| – 6 months to 1 year | **22,971** | 60,379 |
| | **86,857** | 61,869 |

As at 31 December 2018, the term deposits carried interest at prevailing deposit rates which range from 1.55% to 2.10% per annum (31 December 2017: same). The fair value of the Group's term deposits approximate their carrying amounts. The term deposits are denominated in RMB.

### (b) Restricted cash

Restricted cash represents cash deposits in the banks as security for issuance of cash cards and carrying out training services according to the relevant regulations in the PRC Mainland.

### (c) Cash and cash equivalents

| | As at 31 December | |
|---|---|---|
| | **2018** | 2017 |
| Cash at bank and on hand | **188,994** | 140,144 |
| Short-term bank deposits | **20,368** | 47,260 |
| | **209,362** | 187,404 |

As at 31 December 2018, short-term bank deposits carried interest at prevailing deposit rates which range from 0.50% to 1.50% per annum (31 December 2017: 0.50% to 1.35%).

| | As at 31 December | |
|---|---|---|
| | **2018** | 2017 |
| Cash and cash equivalents denominated in: | | |
| – RMB | **188,153** | 160,042 |
| – HK$ | **21,202** | 27,362 |
| – US$ | **7** | – |
| | **209,362** | 187,404 |

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies out of the PRC Mainland are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC Mainland government.

(All amounts in RMB thousands unless otherwise stated)

## 19 ASSETS CLASSIFIED AS HELD FOR SALE

### (a) Assets classified as held for sale

| | As at 31 December | |
|---|---|---|
| | **2018** | 2017 |
| Property, plant and equipment | **4,868** | – |
| Intangible assets | **53** | – |
| Trade and other receivables | **5,886** | – |
| | **10,807** | – |

### (b) Liabilities directly associated with assets classified as held for sale

| | As at 31 December | |
|---|---|---|
| | **2018** | 2017 |
| Trade and other payables | **6,794** | – |

### (c) Discontinued operation

In December 2018, the Group terminated operation of all its catering outlets under Clifford Farm Restaurant, Clifford Big Brother, Clifford Herbal Cuisine and Mascot Catering (together, the "**Catering Companies**"). According to the agreement dated 1 January 2019, major assets and liabilities of the outlets of the Catering Companies were sold to a third party. Subsequently, the Group has planned for deregistration of the Catering Companies.

(All amounts in RMB thousands unless otherwise stated)

## 19 ASSETS CLASSIFIED AS HELD FOR SALE (CONTINUED)

### (c) Discontinued operation (Continued)

Financial information of the Catering Companies is presented in the current year as a discontinued operation in the consolidated financial statements, which is set out below.

| | Year ended 31 December 2018 |
|---|---|
| Revenue from contracts with customers | 22,471 |
| Cost of sales | (17,152) |
| **Gross profit** | 5,319 |
| Selling and marketing expenses | (605) |
| Administrative expenses | (4,335) |
| Other gain/(losses) – net | (74) |
| **Operating profit** | 305 |
| Finance income | 21 |
| **Profit before income tax** | 326 |
| Income tax expense | (82) |
| **Profit from discontinued operation** | 244 |

| | Year ended 31 December 2018 |
|---|---|
| Net cash inflow from operating activities | 2,336 |
| Net cash outflow from investing activities | (316) |
| Net cash inflow from financing activities | – |
| **Net increase in cash generated by the Discontinued Operation** | 2,020 |

## 20 SHARE CAPITAL AND SHARE PREMIUM

Details of the share capital of the Company are as follows:

| | Number of ordinary shares | Share capital | | Share premium | Total |
|---|---|---|---|---|---|
| | | | Translated to | | |
| | Shares | HK$ | RMB'000 | RMB'000 | RMB'000 |
| **Authorised:** | | | | | |
| As at 31 December 2017 and 2018 | 10,000,000,000 | 100,000,000 | 87,440 | | |
| **Issued and fully paid:** | | | | | |
| **Year ended 31 December 2018** | | | | | |
| As at 1 January 2018 | 1,001,950,000 | 10,019,500 | 8,761 | 184,674 | 193,435 |
| Pre-IPO Share Option Scheme: | | | | | |
| – Proceeds from shares issued (Note 21 (c)) | 13,250,000 | 132,500 | 111 | 5,600 | 5,711 |
| Special dividends declared to shareholders of the Company (Note 25) | – | – | – | (11,156) | (11,156) |
| As at 31 December 2018 | 1,015,200,000 | 10,152,000 | 8,872 | 179,118 | 187,990 |

| | Number of ordinary shares | Share capital | | Share premium | Total |
|---|---|---|---|---|---|
| | | | Translated to | | |
| | Shares | HK$ | RMB'000 | RMB'000 | RMB'000 |
| **Authorised:** | | | | | |
| As at 31 December 2016 and 2017 | 10,000,000,000 | 100,000,000 | 87,440 | | |
| **Issued and fully paid:** | | | | | |
| **Year ended 31 December 2017** | | | | | |
| As at 1 January 2017 | 1,000,000,000 | 10,000,000 | 8,744 | 183,824 | 192,568 |
| Pre-IPO Share Option Scheme: | | | | | |
| – Proceeds from shares issued (Note 21 (c)) | 1,950,000 | 19,500 | 17 | 850 | 867 |
| As at 31 December 2017 | 1,001,950,000 | 10,019,500 | 8,761 | 184,674 | 193,435 |

(All amounts in RMB thousands unless otherwise stated)

## 21 OTHER RESERVES

| | Statutory reserve (Note (a)) | Capital reserve (Note (b)) | Share-based compensation reserve (Note (c)) | Reserves for transactions with non-controlling interest | Total |
|---|---|---|---|---|---|
| **As at 1 January 2018** | **16,650** | **(121,099)** | **1,602** | **(14,331)** | **(117,178)** |
| Employees' share option scheme (Note (c)): | | | | | |
| – Proceeds from shares issued | **–** | **–** | **(1,100)** | **–** | **(1,100)** |
| Appropriation of statutory reserves | **6,781** | **–** | **–** | **–** | **6,781** |
| **As at 31 December 2018** | **23,431** | **(121,099)** | **502** | **(14,331)** | **(111,497)** |
| **As at 1 January 2017** | 13,976 | (111,305) | 294 | – | (97,035) |
| Changes in ownership interests in a subsidiary without change of control | – | – | – | (14,331) | (14,331) |
| Effect of business combination under common control | – | (9,794) | – | – | (9,794) |
| Employees' share option scheme (Note (c)): | | | | | |
| – Value of employee services | – | – | 1,471 | – | 1,471 |
| – Proceeds from shares issued | – | – | (163) | – | (163) |
| Appropriation of statutory reserves | 2,674 | – | – | – | 2,674 |
| **As at 31 December 2017** | 16,650 | (121,099) | 1,602 | (14,331) | (117,178) |

### (a) Statutory reserve

In accordance with relevant rules and regulations in the PRC Mainland, except for sino-foreign equity joint venture enterprises, all PRC Mainland companies are required to transfer 10% of their profit after taxation calculated under PRC Mainland accounting rules and regulations to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund can only be used upon approval by the relevant authority, to offset losses carried forward from previous years or to increase capital of the respective companies.

### (b) Capital reserve

The amount of RMB111,305,000 represented the difference between the carrying value of the listing business and the par value of shares issued by the Company to the then shareholder of the Group in exchange of the Listing Business during the Reorganisation for the Listing. The remaining balance of RMB9,794,000 represented paid-in capital of the acquired subsidiary in a business combination under common control in 2017.

(All amounts in RMB thousands unless otherwise stated)

## 21 OTHER RESERVES (CONTINUED)

### (c) Pre-IPO Share Option Scheme

On 21 October 2016, the Company granted share options to certain directors, senior management and employees of the Group (the "Recipients") under a share option scheme (the "Pre-IPO Share Option Scheme"), under which the option holders are entitled to acquire an aggregate of 21,175,000 shares of the Company at 10% discount to the offer price of HK$0.46 per share upon the listing date on 8 November 2016 ("Listing Date").

The Pre-IPO Share Option shall be exercisable at any time during the period (i) commencing on the business day immediately after the expiry of the six-month period after the Listing Date and (ii) ending on the date falling in five years and six months of the Listing Date.

During the year ended 31 December 2018, certain Recipients have exercised 13,250,000 units (2017: 1,950,000 units) of share options at the exercise price of HK$0.414 per share (2017: same), cash proceeds received by the Company amounted to HK$5,486,000, equivalent to RMB4,611,000 (2017: HK$807,300, equivalent to RMB704,000).

Movements in the number of shares options outstanding are as follows:

| | **2018** | | 2017 | |
|---|---|---|---|---|
| | **Average exercise price in HK$ per share option** | **Number of share options** | Average exercise price in HK$ per share option | Number of share options |
| As at 1 January | **0.414** | **19,225,000** | 0.414 | 21,175,000 |
| Exercised | **0.414** | **(13,250,000)** | 0.414 | (1,950,000) |
| As at 31 December | **0.414** | **5,975,000** | 0.414 | 19,225,000 |

The expiry date of the outstanding share options is 8 May 2022.

The Group has no legal or constructive obligation to repurchase or settle the share options in cash.

The fair value of share options granted is HK$0.10 per option, which was determined using the Binomial Model based on specific unobservable inputs. These input include:

| Description | Valuation technique | Unobservable inputs | Range of unobservable inputs | Relationship of Unobservable inputs to fair value |
|---|---|---|---|---|
| Pre-IPO Share Options | Binomial Model | suboptimal exercise factor | 2.5–3.5 times | The higher the suboptimal exercise factor, the higher the fair value |
| | | volatility | 20%–30% | The higher the volatility, the higher the fair value |
| | | interest rate | 0.8%–1.2% | The higher the interest rate, the higher the fair value |

There were no significant inter-relationships between unobservable inputs that materially affect fair values.

(All amounts in RMB thousands unless otherwise stated)

## 22 DEFERRED INCOME TAX

The analysis of deferred income tax is as follows:

| | As at 31 December | |
|---|---|---|
| | **2018** | 2017 |
| Deferred income tax assets: | | |
| – Deferred income tax assets to be recovered after more than 12 months | **1,743** | 1,017 |
| Deferred income tax liabilities: | | |
| – Deferred income tax liability to be recovered within 12 months | **(3,000)** | (3,264) |
| Deferred income tax liabilities – net | **(1,257)** | (2,247) |

The movement in deferred income tax assets during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

| | Temporary difference relating to accrual of rental expenses | |
|---|---|---|
| | **2018** | 2017 |
| **Deferred tax assets** | | |
| Opening balance | **1,017** | 333 |
| Credited to consolidated income statement | **726** | 684 |
| Closing balance | **1,743** | 1,017 |

The movement in deferred income tax liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

| | Temporary difference relating to undistributed profit of subsidiaries | |
|---|---|---|
| | **2018** | 2017 |
| **Deferred tax liabilities** | | |
| Opening balance | **(3,264)** | (1,200) |
| Credited/(charged) to consolidated income statement | **264** | (2,064) |
| Closing balance | **(3,000)** | (3,264) |

As at 31 December 2018, the Group did not recognise deferred income tax assets of RMB1,041,000 (31 December 2017: RMB1,362,000) in respect of tax losses of RMB5,089,000 (31 December 2017: RMB6,328,000). Tax losses of group entities operated in the PRC Mainland could be carried forward for a maximum of five years.

As at 31 December 2018, the Group has not recognised the provision of PRC Mainland withholding income tax of RMB4,119,000 (31 December 2017: RMB7,448,000) in relation to the undistributed profits of certain PRC Mainland group entities totalling RMB82,380,000 (2017: RMB74,480,000) as the Group does not have a plan to distribute these profits out of the PRC Mainland in the foreseeable future.

(All amounts in RMB thousands unless otherwise stated)

## 23 TRADE AND OTHER PAYABLES

| | As at 31 December 2018 | 2017 |
|---|---|---|
| Trade payables (Note (a)): | | |
| – Related parties (Note 29(d)) | – | 14 |
| – Third parties | **37,036** | 28,317 |
| | **37,036** | 28,331 |
| Other payables: | | |
| – Related parties (Note 29(d)) | **5,187** | 7,856 |
| – Third parties | **18,617** | 12,602 |
| | **23,804** | 20,458 |
| Advances from customers: | | |
| – Related parties (Note 29(d)) | – | 1,332 |
| – Third parties | – | 15,587 |
| | – | 16,919 |
| Accrued payroll | **15,130** | 14,899 |
| Other taxes payables | **4,439** | 2,762 |
| | **80,409** | 83,369 |

(a) As at 31 December 2018 and 2017, the aging analysis of the trade payables (including amounts due to related parties of trading in nature) based on invoice date is as follows:

| | As at 31 December 2018 | 2017 |
|---|---|---|
| Up to 1 year | **34,524** | 25,613 |
| 1 to 2 years | **765** | 1,869 |
| 2 to 3 years | **937** | 126 |
| Over 3 years | **810** | 723 |
| | **37,036** | 28,331 |

(All amounts in RMB thousands unless otherwise stated)

## 24 CONTRACT LIABILITIES

| | As at 31 December | |
|---|---|---|
| | **2018** | 2017 |
| Advances from customers | | |
| – Related parties (Note 29(d)) | **1,434** | – |
| – Third parties | **16,338** | – |
| Amounts due to customers for contract works | | |
| – Related parties (Note 29(d)) | **1,046** | – |
| – Third parties | **438** | – |
| | **19,256** | – |

## 25 DIVIDENDS

Pursuant to the approval at the annual general meeting of shareholders of the Company on 22 June 2018, a special cash dividend of HK1.30 cents per share was declared out of the Company's share premium. The special dividend amounting to HK$13,198,000 (equivalent to RMB11,156,000) based on the total number of issued shares of the Company of 1,015,200,000 shares as at 6 July 2018 was paid at July 2018.

A final dividend in respect of the year ended 31 December 2018 of HK2.20 cents per share, amounting to approximately HK$22,334,000 (equivalent to RMB19,569,000) has been approved by the Board of Directors on 22 March 2019 and are subject to approval of the annual general meeting to be held on 28 June 2019. The final dividend will be distributed out from the Company's retained earnings. These consolidated financial statements have not reflected this dividend payable.

(All amounts in RMB thousands unless otherwise stated)

## 26 CASH FLOW INFORMATION

### (a) Cash generated from operations

| | Year ended 31 December | |
|---|---|---|
| | **2018** | 2017 |
| Profit before income tax from | | |
| – Continuing operations | **103,315** | 84,819 |
| – Discontinued operation | **326** | – |
| **Profit before income tax including discontinued operation** | **103,641** | 84,819 |
| Adjustments for: | | |
| – Depreciation of property, plant and equipment (Note 13) | **6,496** | 5,118 |
| – Amortisation of intangible assets | **153** | 164 |
| – Losses/(gains) on disposal of property, plant and equipment | **121** | (1,113) |
| – Losses on disposal of intangible assets | **24** | – |
| – Exchange gains on cash and cash equivalents | **(696)** | – |
| – Finance income (Note 8) | **(1,167)** | (603) |
| – Gains from financial assets at fair value through profit or loss (Note 3.3) | **(917)** | – |
| – Share based compensation (Note 7) | **–** | 1,471 |
| Changes in working capital: | | |
| – Restricted cash | **(3)** | (2) |
| – Inventories | **5,205** | 619 |
| – Contract assets and amounts due from customers for contract works | **(4,753)** | (608) |
| – Trade and other receivables | **(7,258)** | (9,873) |
| – Long-term receivables | **–** | (2,106) |
| – Contract liabilities and amounts due to customers for contract works | **14,464** | 3,769 |
| – Trade and other payables | **3,356** | 9,754 |
| **Cash generated from operations** | **118,666** | 91,409 |

(All amounts in RMB thousands unless otherwise stated)

## 27 COMMITMENTS

### Operating lease commitments – group entities as lessee

The Group leases various retail outlets, offices and warehouses under non-cancellable operating lease agreements. The lease terms are between 1 and 8 years, and the majority of lease agreements are signed with the related parties.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

| | As at 31 December | |
|---|---|---|
| | **2018** | 2017 |
| Up to 1 year | **12,305** | 11,994 |
| 1 to 5 years | **24,310** | 35,895 |
| Over 5 years | **7,429** | – |
| | **44,044** | 47,889 |

## 28 FUTURE MINIMUM RENTAL PAYMENT RECEIVABLE

The future aggregate minimum lease rental receivables under non-cancellable operating leases are as follows:

| | As at 31 December | |
|---|---|---|
| | **2018** | 2017 |
| Up to 1 year | **14,998** | 13,674 |
| 1 to 5 years | **11,115** | 7,460 |
| | **26,113** | 21,134 |

## 29 RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties:

| Name | Relationship |
|---|---|
| Ms. Man Lai Hung | Ultimate shareholder of the Company |
| Guangzhou Clifford Wonderland Service Apartment Company Limited* 廣州市祈福繽紛世界國際公寓有限公司 | Company under control of Ms. Man |
| Guangzhou Fortune Software Limited* 廣州市科進計算機技術有限公司 | Company under control of the spouse of Ms. Man |
| Guangdong Clifford Hospital Company Limited* 廣東祈福醫院有限公司 | Company under control of the spouse of Ms. Man |
| Guangzhou Huadu Clifford Property Development Company Limited* 廣州市花都祈福房地產有限公司 | Company under control of the spouse of Ms. Man |
| Guangzhou Huadu Clifford Estates Property Development Company Limited* 廣州市花都祈福花園房產有限公司 | Company under control of the spouse of Ms. Man |
| Guangzhou Crown Property Company Limited* 廣州市冠都物業有限公司 | Company under control of the spouse of Ms. Man |
| Guangzhou Huadu Clifford Property Company Limited* 廣州市花都祈福置業有限公司 | Company under control of the spouse of Ms. Man |
| Foshan Nanhai Clifford Golden Lake Hotel Limited* 佛山市南海祈福仙湖酒店有限公司 | Company under control of the spouse of Ms. Man |
| Guangzhou Huadu Xin Hua Clifford Property Development Company Limited* 廣州市花都新華祈福房地產有限公司 | Company under control of the spouse of Ms. Man |
| Guangzhou Panyu Clifford English Experimental School* 廣州市番禺區祈福英語實驗學校 | Company under control of the spouse of Ms. Man |
| Zhaoqing Clifford Coast Property Development Company Limited* 肇慶祈福海岸房地產有限公司 | Company under control of the spouse of Ms. Man |
| Foshan Nanhai Clifford Property Development Limited* 佛山市南海祈福置業有限公司 | Company under control of the spouse of Ms. Man |
| Guangzhou Lakeside Property Company Limited* 廣州市倚湖物業有限公司 | Company under control of the spouse of Ms. Man |
| Foshan Nanhai Clifford Household Industrial Company Limited* 佛山市南海祈福家居實業有限公司 | Company under control of the spouse of Ms. Man |

## 29 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Name and relationship with related parties: (Continued)

| Name | Relationship |
|---|---|
| Foshan Nanhai Clifford Property Development Company Limited* 佛山市南海祈福房地產有限公司 | Company under control of the spouse of Ms. Man |
| Guangzhou Clifford Business Center Management Company Limited* 廣州市祈福商務中心經營管理有限公司 | Company under control of the spouse of Ms. Man |
| China Venture Limited | Company under control of the spouse of Ms. Man |
| Guangzhou Zhan Sheng Commercial Property Management Company Limited* 廣州市展盛商業地產經營管理有限公司 | Company under control of the spouse of Ms. Man |
| Guangzhou Clifford Wonderland Commercial Property Management Company Limited* 廣州市祈福繽紛世界商業地產經營管理有限公司 | Company under control of the spouse of Ms. Man |
| Guangzhou Clifford Wonderland Hotel Limited* 廣州市祈福繽紛世界酒店有限公司 | Company under control of the spouse of Ms. Man |
| Guangzhou Clifford Property Management Company Limited* 廣州市祈福地產經營管理有限公司 | Company under control of the spouse of Ms. Man |
| Guangzhou Clifford Property Management Limited* 廣州祈福物業管理有限公司 | Company under control of the spouse of Ms. Man |
| Maliton Services Limited | Company under control of the spouse of Ms. Man |
| Tango Trading Limited | Company under control of the spouse of Ms. Man |
| Guangzhou Panyu Clifford English Experimental Primary School* 廣州市番禺區祈福英語實驗小學 | Company under joint control of the spouse of Ms. Man and independent third parties |
| Guangzhou Panyu Clifford Estates Resort Club Company Limited* 廣州市番禺祈福新邨渡假俱樂部有限公司 | Company under significant influence of the spouse of Ms. Man |
| Clifford Estates (Panyu) Limited* 廣州市番禺祈福新邨房地產有限公司 | Company under significant influence of the spouse of Ms. Man |
| Guangzhou Clifford Estates School* 廣州市番禺區祈福新邨學校 | Company under significant influence of the spouse of Ms. Man |
| Guangzhou Panyu Clifford English Experimental Kindergarten* 廣州市番禺區祈福英語實驗幼兒園 | Company under significant influence of the spouse of Ms. Man |

(All amounts in RMB thousands unless otherwise stated)

## 29 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) The following transactions were carried out with related parties:

| | Year ended 31 December | |
|---|---|---|
| | **2018** | 2017 |
| Sales of goods to: | | |
| – Companies under control of the spouse of Ms. Man | **988** | 666 |
| – Companies under significant influence of the spouse of Ms. Man | **356** | 312 |
| – A company under joint control of the spouse of Ms. Man and independent third parties | **140** | 105 |
| – Companies under control of Ms. Man | **104** | 10 |
| | **1,588** | 1,093 |
| Provision of services to: | | |
| – Companies under significant influence of the spouse of Ms. Man | **61,248** | 31,458 |
| – Companies under control of the spouse of Ms. Man | **21,550** | 30,725 |
| – A company under joint control of the spouse of Ms. Man and independent third parties | **749** | 1,096 |
| – Companies under control of Ms. Man | **49** | 109 |
| | **83,596** | 63,388 |

| | Year ended 31 December | |
|---|---|---|
| | **2018** | 2017 |
| Rental expenses charged by: | | |
| – Companies under control of the spouse of Ms. Man | **8,830** | 8,536 |
| – Companies under significant influence of the spouse of Ms. Man | **4,897** | 5,801 |
| | **13,727** | 14,337 |

(c) **Key management compensation**

Compensations for key management other than those for directors as disclosed in Note 30 is set out below.

| | Year ended 31 December | |
|---|---|---|
| | **2018** | 2017 |
| Salaries and other employee benefits | **2,923** | 2,596 |

(All amounts in RMB thousands unless otherwise stated)

## 29 RELATED PARTY TRANSACTIONS (CONTINUED)

### (d) Balances with related parties

| | As at 31 December | |
|---|---|---|
| | **2018** | 2017 |
| Receivables from related parties: | | |
| Trade receivables (Note 17) (Note (i)) | | |
| – Companies under significant influence of the spouse of Ms. Man | **11,672** | 6,374 |
| – Companies under control of the spouse of Ms. Man | **9,498** | 12,699 |
| – A company under joint control of the spouse of Ms. Man and independent third parties | **88** | 772 |
| – Companies under control of Ms. Man | **7** | 58 |
| | **21,265** | 19,903 |
| Other receivables (Note 17) (Note (ii)) | | |
| – Companies under control of the spouse of Ms. Man | **3,244** | 3,063 |
| – Companies under significant influence of the spouse of Ms. Man | **725** | 1,146 |
| – A company under joint control of the spouse of Ms. Man and independent third parties | **80** | – |
| –Companies under control of Ms. Man | **67** | 2 |
| | **4,116** | 4,211 |
| Amounts due from customers for contract works | | |
| – Companies under significant influence of the spouse of Ms. Man | **–** | 1,393 |
| – Companies under control of the spouse of Ms. Man | **–** | 684 |
| | **–** | 2,077 |
| Contract assets (Note 16) | | |
| – Companies under significant influence of the spouse of Ms. Man | **712** | – |
| – Companies under control of the spouse of Ms. Man | **26** | – |
| | **738** | – |
| Total receivables from related parties | **26,119** | 26,191 |

(All amounts in RMB thousands unless otherwise stated)

## 29 RELATED PARTY TRANSACTIONS (CONTINUED)

### (d) Balances with related parties (Continued)

| | As at 31 December | |
|---|---|---|
| | **2018** | 2017 |
| Payables to related parties: | | |
| Trade payables (Note 23) (Note (i)) | | |
| – Companies under control of the spouse of Ms. Man | **–** | 14 |
| Other payables (Note 23) (Note (ii)) | | |
| – Companies under control of the spouse of Ms. Man | **3,639** | 2,284 |
| – Companies under significant influence of the spouse of Ms. Man | **1,534** | 1,359 |
| – Ultimate shareholder of the Company | **–** | 4,206 |
| – A company under joint control of the spouse of Ms. Man and independent third parties | **14** | 7 |
| | **5,187** | 7,856 |
| Amounts due to customers for contract works | | |
| – Companies under significant influence of the spouse of Ms. Man | **–** | 1,813 |
| – Companies under control of the spouse of Ms. Man | **–** | 433 |
| | **–** | 2,246 |
| Advances from customers (Note 23) (Note (ii)) | | |
| – Companies under control of the spouse of Ms. Man | **–** | 1,332 |
| | **–** | 1,332 |
| Contract liabilities (Note 24) | | |
| – Companies under control of the spouse of Ms. Man | **1,809** | – |
| – Companies under significant influence of the spouse of Ms. Man | **535** | – |
| – A company under joint control of the spouse of Ms. Man and independent third parties | **136** | – |
| | **2,480** | – |
| Total payables to related parties | **7,667** | 11,448 |

(i) Trade receivables and payables with related parties are unsecured and interest-free. These balances are with credit period varying from one to three months.

(ii) Other receivables and payables with related parties are unsecured and interest-free. Except for the balances paid as rental deposits, which are repayable upon maturity of rental period according to the respective contracts, the remaining balances are repayable on demand.

## 30 BENEFITS AND INTERESTS OF DIRECTORS

During the year ended 31 December 2018, directors of the Company were as below:

*Chairman*
Ms. Man Lai Hung (appointed on 6 January 2016)

*Executive directors*
Mr. Sun Derek Wei Kong (resigned on 1 October 2018)
Mr. Leong Chew Kuan (resigned on 3 December 2018)
Ms. Liang Yuhua (appointed on 6 January 2016)
Ms. Ho Suk Mee (appointed on 1 December 2018)

*Non-executive director*
Mr. Liu Xing (appointed on 6 January 2016)

*Independent non-executive directors*
Ms. Law Elizabeth (appointed on 21 October 2016)
Mr. Ho Cham (appointed on 21 October 2016)
Mr. Mak Ping Leung (alias Mr. MAK Wah Cheung) (appointed on 21 October 2016)

(All amounts in RMB thousands unless otherwise stated)

## 30 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

### (a) Directors' emoluments

**For the year ended 31 December 2018**

The directors' emoluments received from the Group for the year ended 31 December 2018 are as follows:

| | Year ended 31 December 2018 | | | | | |
|---|---|---|---|---|---|---|
| | Fee | Salary (Note (iii)) | Allowances and benefits in kind (Note (iv)) | Employer's contribution to a retirement benefit scheme | Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking | Total |
| *Chairman* | | | | | | |
| Ms. Man Lai Hung | 177 | – | – | 9 | – | 186 |
| *Executive directors* | | | | | | |
| Mr. Sun Derek Wei Kong (Note (i)) | 131 | 375 | – | 12 | – | 518 |
| Mr. Leong Chew Kuan (Note (i)) | 163 | 324 | – | 14 | – | 501 |
| Ms. Ho Suk Mee (Note (ii)) | 15 | 37 | – | 1 | – | 53 |
| Ms. Liang Yuhua | 177 | 568 | – | 9 | – | 754 |
| *Non-executive director* | | | | | | |
| Mr. Liu Xing | 177 | – | – | – | – | 177 |
| *Independent non-executive directors* | | | | | | |
| Ms. Law Elizabeth | 177 | – | – | – | – | 177 |
| Mr. Ho Cham | 177 | – | – | – | – | 177 |
| Mr. Mak Ping Leung | 177 | – | – | – | – | 177 |
| Total | 1,371 | 1,304 | – | 45 | – | 2,720 |

(All amounts in RMB thousands unless otherwise stated)

## 30 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

### (a) Directors' emoluments (Continued)

**For the year ended 31 December 2017**

The directors' emoluments received from the Group for the year ended 31 December 2017 are as follows:

| | Year ended 31 December 2017 | | | | | |
|---|---|---|---|---|---|---|
| | Fee | Salary (Note (iii)) | Allowances and benefits in kind (Note (iv)) | Employer's contribution to a retirement benefit scheme | Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking | Total |
| *Chairman* | | | | | | |
| Ms. Man Lai Hung | 156 | – | 347 | 8 | – | 511 |
| *Executive directors* | | | | | | |
| Mr. Sun Derek Wei Kong | 156 | 518 | 174 | 16 | – | 864 |
| Mr. Leong Chew Kuan | 156 | 385 | 174 | 16 | – | 731 |
| Ms. Liang Yuhua | 156 | 549 | 174 | 8 | – | 887 |
| *Non-executive director* | | | | | | |
| Mr. Liu Xing | 156 | – | 174 | – | – | 330 |
| *Independent non-executive directors* | | | | | | |
| Ms. Law Elizabeth | 156 | – | – | – | – | 156 |
| Mr. Ho Cham | 156 | – | – | – | – | 156 |
| Mr. Mak Ping Leung | 156 | – | – | – | – | 156 |
| Total | 1,248 | 1,452 | 1,043 | 48 | – | 3,791 |

Notes:

(i) In 2018, Mr. Sun Derek Wei Kong and Mr. Leong Chew Kuan resigned from their positions as directors. They were paid with remuneration in their director terms.

(ii) In 2018, Ms. Ho Suk Mee was appointed as executive director, and was paid with remuneration in her director terms.

(iii) Salary paid to a director is generally an emolument paid or receivable in respect of that person's services in connection with the management of the affairs of the Company or its subsidiary undertakings.

(iv) Includes housing allowances and estimated amortisation of the Pre-IPO Share Options.

## 30 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

### (b) Directors' retirement benefits

During the year ended 31 December 2018, there were no additional retirement benefit received by the directors except for a retirement benefit scheme as disclosed in note (a) above (2017: same).

### (c) Directors' termination benefits

During the year ended 31 December 2018, there were no termination benefits received by the directors (2017: same).

### (d) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2018, no consideration was paid to third parties for making available the services of the directors of the Company (2017: same).

### (e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended 31 December 2018, there were no loans, quasi-loans and other dealings entered into by the Company or subsidiaries undertaking of the Company, where applicable, in favour of directors (2017: same).

### (f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had interests, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2018 (2017: same).

(g) During the year ended 31 December 2018, there were no amounts paid or payable by the Company to the directors or any of the five highest paid individuals set out in the Note 7(b) above as an inducement to join or upon joining the Group or as compensation for loss of office.

(All amounts in RMB thousands unless otherwise stated)

## 31 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

### Statement of financial position of the Company

| | As at 31 December | |
|---|---|---|
| | **2018** | 2017 |
| **Assets** | | |
| **Non-current assets** | | |
| Property, plant and equipment | **18** | 22 |
| Investments in subsidiaries | **105,190** | 105,190 |
| | **105,208** | 105,212 |
| **Current assets** | | |
| Trade and other receivables | **54,955** | 17,722 |
| Cash and cash equivalents | **82,389** | 21,294 |
| | **137,344** | 39,016 |
| **Total assets** | **242,552** | 144,228 |
| **Equity and liabilities** | | |
| **Equity attributable to owners of the Company** | | |
| Share capital (Note 20) | **8,872** | 8,761 |
| Share premium (Note 20) | **179,118** | 184,674 |
| Other reserves (Note (a)) | **502** | 1,602 |
| Retained earnings/(accumulated losses) (Note (a)) | **33,778** | (52,691) |
| **Total equity** | **222,270** | 142,346 |
| **Liabilities** | | |
| **Current liabilities** | | |
| Other payables | **20,282** | 1,882 |
| **Total equity and liabilities** | **242,552** | 144,228 |

The statement of financial position of the Company was approved by the Board of Directors on 22 March 2019 and was signed on its behalf:

**Ms. MAN Lai Hung**
*Chairman & Executive Director*

**Ms. Liang Yuhua**
*Chief Operating Officer & Executive Director*

(All amounts in RMB thousands unless otherwise stated)

## 31 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

### Statement of financial position of the Company (Continued)

Note (a) Other reserve movement of the Company

| | (Accumulated losses)/ Retained earnings | Other reserves |
|---|---|---|
| At 1 January 2017 | (38,928) | 294 |
| Loss for the year | (13,763) | – |
| Pre-IPO Share Option Scheme (Note 21(c)) | – | 1,308 |
| **At 1 January 2018** | (52,691) | 1,602 |
| Profit for the year | 86,469 | – |
| Pre-IPO Share Option Scheme (Note 21(c)) | – | (1,100) |
| **At 31 December 2018** | 33,778 | 502 |

## 32 EVENTS AFTER THE REPORTING PERIOD

On 1 January 2019, the Group entered into an agreement with a third party to sell the major assets and liabilities of the Catering Companies at a consideration of RMB4,843,000. The transaction was completed in January 2019 (note 19).

# FINANCIAL SUMMARY

| | For the year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2018** | 2017 | 2016 (Restated) | 2015 | 2014 |
| | **RMB'000** | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Continuing operations** | | | | | |
| **Revenue from contracts with customers** | **341,627** | 365,387 | 327,196 | 261,112 | 236,844 |
| **Gross profit** | **166,218** | 151,600 | 129,451 | 100,458 | 85,810 |
| **Operating profit** | **102,148** | 84,216 | 47,461 | 56,344 | 46,424 |
| **Profit before income tax** | **103,315** | 84,819 | 47,834 | 56,786 | 49,682 |
| **Profit from continuing operations** | **72,436** | 57,388 | 27,831 | 40,094 | 34,257 |
| **Profit from discontinued operation** | **244** | – | – | – | – |
| **Profit for the year** | **72,680** | 57,388 | 27,831 | 40,094 | 34,257 |
| **Profit attributable to:** | | | | | |
| Owners of the Company | **72,680** | 56,325 | 25,024 | 34,847 | 29,588 |
| Non-controlling interests | **–** | 1,063 | 2,807 | 5,247 | 4,669 |

## ASSETS AND LIABILITIES

| | As at 31 December | | | | |
|---|---|---|---|---|---|
| | **2018** | 2017 | 2016 (Restated) | 2015 | 2014 |
| | **RMB'000** | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Total assets | **442,201** | 356,177 | 317,300 | 167,932 | 194,182 |
| Total liabilities | **120,050** | 100,161 | 89,278 | 68,956 | 114,108 |
| | **322,151** | 256,016 | 228,022 | 98,976 | 80,074 |
| Equity attributable to owners of the Company | **322,151** | 256,016 | 221,641 | 95,402 | 78,171 |
| Non-controlling interests | **–** | – | 6,381 | 3,574 | 1,903 |
| | **322,151** | 256,016 | 228,022 | 98,976 | 80,074 |