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

Retail | Property Management | Catering | Ancillary Living Services
零售 | 物業管理 | 餐飲 | 配套生活服務

ANNUAL REPORT

2016

CONTENTS

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

讓生活更寫意
Let Life be more Enjoyable!

CORPORATE INFORMATION

Executive Directors
Ms. MAN Lai Hung *(Chairman)*
Mr. SUN Derek Wei Kong *(Chief Executive Officer)*
Mr. LEONG Chew Kuan *(Chief Financial Officer)*
Ms. LIANG Yuhua *(Chief Operating Officer)*

Non-executive Director
Mr. LIU Xing

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

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, CPA

Authorised representatives
Mr. LEONG Chew Kuan
Mr. YU Ding Him Anthony

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

Headquarters in the PRC
8 Shiguang Road
Panyu
Guangzhou
Guangdong
PRC

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
PO 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 Communications Hong Kong Branch

Legal Adviser
As to Hong Kong laws
Chiu & Partners

Compliance Adviser
Guotai Junan Capital Limited

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 2016 RMB'000	2015 RMB'000	Percentage change
Revenue	**289,681**	261,112	**+10.9%**
Gross profit	**120,048**	100,458	**+19.5%**
Operating profit	**41,300**	56,344	**–26.7%**
Profit before income tax	**41,673**	56,786	**–26.6%**
Profit for the year	**23,054**	40,094	**–42.5%**
Profit attributable to:			
Owners of the Company	**20,247**	34,847	**–41.9%**
Non-controlling interests	**2,807**	5,247	**–46.5%**
Adjusted net profit for the year(1)&(2)	**45,978**	45,830	**+0.3%**
Gross profit margin (%)	**41%**	38%	**+7.9%**
Net profit margin (%)	**8%**	15%	**–46.7%**
Adjusted net profit margin (%)(1)&(2)	**16%**	18%	**–11.1%**
Earnings per share ("EPS") attributable to the owners of the Company during the year (expressed in RMB per share)**:**			
– Basic earnings per share	**0.026**	0.046	**–43.5%**
– Diluted earnings per share	**0.026**	0.046	**–43.5%**

Notes:

(1) Adjusted net profit for the year is derived by adding back listing expenses of RMB22.9 million (2015: RMB5.7 million) for the year.

(2) This non-GAAP financial data is a supplemental financial measure that is not required by, or presented in accordance with, HKFRSs and is therefore referred to as a "non-GAAP" financial measure. It is not a measurement of the Group's financial performance under HKFRSs and should not be considered as an alternative to profit from operations or any other performance measures derived in accordance with HKFRSs.

CHAIRMAN'S STATEMENT

Ms. MAN Lai Hung
Chairman

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 2016.

We are a service provider with a diversified service portfolio comprising four main service segments, namely property management services, retail services, catering services and ancillary living services. The Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 8 November 2016 (the "**Listing Date**"), therefore the Company is welcoming its first fiscal year after the Listing.

Financial Highlights

Our revenue increased to approximately RMB289.7 million for the year ended 31 December 2016, representing an increase of approximately RMB28.6 million or 10.9%.

For the year ended 31 December 2016, our gross profit increased to approximately RMB120.0 million representing an increase of approximately RMB19.5 million or 19.4%. Meanwhile, our gross profit margin improved from approximately 38% for the year ended 31 December 2015 to 41% for the year ended 31 December 2016. Net profit for 2016 reached RMB23.1 million and after excluding the non-recurring listing expenses of RMB22.9 million, the adjusted net profit was approximately RMB46.0 million.

Business Highlights

We believe that with our proven track record, substantial experience and good quality of services, we are well positioned to have further growth by means of winning more property management service contracts and further expanding our services to the residential communities we managed and areas in proximity.

Increased GFA for property management services

Our total contracted gross floor area ("**GFA**") had increased to 5,951,000 sq.m. in 2016, representing an increase of 245,000 sq.m. or 4.3%. This increase was due to expansion in GFA in the residential communities we managed as well as inclusion of one new residential community, namely Clifford Dynamic Garden II. The property management services revenue increased to RMB52.0 million, representing a growth of 2.6%.

Relocation and new outlets for retail and catering services

During February and March 2016, we have relocated Clifford Supermarket, Clifford Market (Clifford Estates), Herbal Cuisine Soup Shop, The Owls and Clifford Owls Café to a newly developed shopping plaza with an aim to attract higher customer flow and promote better quality of service. This newly developed shopping plaza is located at Clifford Landmark, which is within the proximity of Clifford Estates. Notwithstanding, we have also opened eight new catering outlets in this newly developed shopping plaza.

This relocation has resulted in increased customer flow after their commencement of business that saw our retail and catering services revenues increased to RMB186.3 million, representing a year-on-year growth of RMB11.4 million or 6.5%.

Steady growth in student admissions for off-campus training services

For the years ended 31 December 2013, 2014, 2015 and 2016, we had approximately 9,000, 12,000 and 19,000 and 22,000 students or learners enrolment in our training programmes and interest classes. The off-campus training revenue increased to RMB27.1 million or 31.0%. This signifies a steady growth in student admissions for our off-campus training services. Due to the changes in 'PRC one-child policy' and as the social competition becomes more intense, we believe that the demand for both training programmes and interest classes will continue to drive significant growth to this segment.

Outlook For 2017

Further increase total GFA for property management services

We plan to further expand our business and increase our market share by expanding the total GFA and the number of residential communities we manage. We also intend to accelerate our growth in property management services by acquiring suitable property management companies and winning new property management contracts. We have been seeking potential property management companies and contracts mainly in Guangdong Province, covering contracted GFA of over 50,000 sq.m., and price of properties being in the mid-to-high-range.

We believe that by further increasing our total contracted GFA, we will be able to increase our revenue from our property management services.

Further expand our retail, catering and off-campus training network

To ride on our past experiences, we intend to further expand our retail, catering and off-campus training services network for our business growth. We plan to explore suitable locations for expanding these networks both in the residential communities we manage and areas in the proximity.

To develop online marketing and online distribution channels

We intend to invest in online marketing, such as advertising on third-parties' websites for promoting our various services and Group's profile. We also intend to collaborate with other websites or online sales platforms to further promote our goods and services.

Acknowledgements

On behalf of the Board, I would like to extend my gratitude to our shareholders and business partners for their continuous support for the Group. In the coming years, the Group will continue its active business expansions, with an aim to bring higher quality and provide our residents and customers with more life-satisfaction experiences. With the continuous efforts from us, the Group will bring good returns to its shareholders in the long run.

MAN Lai Hung
Chairman
Hong Kong, 23 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS


FRUIT
FRUIT
水果
SALAD


惠尔家职业介绍
Welcome Employment Agency
月嫂

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

We are a service provider with a diversified service portfolio comprising four main service segments: property management services, retail services, catering services and ancillary living services.

1. Property management services: We provide property management services to 13 residential communities and two pure commercial properties, with an aggregate contracted GFA of approximately 5,951,000 sq.m. as of 31 December 2016 (2015: 5,706,000 sq.m.). Property management services primarily include general property management services and resident support services;

2. Retail services: We primarily operate 17 retail outlets (one supermarket, one wet market, 14 convenience stores and one imported goods specialty store) of different scales mainly located in Clifford Estates and other areas in proximity, covering a total GFA of approximately 10,193 sq.m. as of 31 December 2016 (2015: 17 retail outlets, covering a total of approximately 9,689 sq.m.);

3. Catering services: We primarily operate 17 catering outlets (five Chinese restaurants, six casual dining restaurants, four East Asian and Western restaurants and two cafés) serving different types of cuisines and in different dining styles mainly located in Clifford Estates and other areas in proximity, covering a total GFA of approximately 5,821 sq.m. as of 31 December 2016 (2015: 11 catering outlets, covering a total GFA of approximately 5,536 sq.m.); and

4. Ancillary living services: We primarily provide off-campus training services, property agency services, employment placement services and laundry services (collectively, "**Ancillary Living Services**").

Property Management Services

As of 31 December 2016, our total contracted GFA under management had grown to 5,951,000 sq.m. which was mainly due to a new residential community located in Panyu district during December 2016, known as "Clifford Dynamic Garden II (祈福活力花園II)", and increase in GFA in a residential community in Huadu district, known as "Clifford Brilliant Terrace (祈福輝煌台)". The table below sets forth the total contracted GFA and the number of residential communities and pure commercial properties we managed in different regions in the PRC as of the dates indicated:

	As at 31 December			
	2016		2015	
	Approximate total contracted GFA ('000 sq.m.)	**Number of communities**	Approximate total contracted GFA ('000 sq.m.)	Number of communities
Residential communities				
Panyu district	**3,797**	**4**	3,705	3
Huadu district	**848**	**7**	698	7
Zhaoqing city	**346**	**1**	346	1
Foshan city	**794**	**1**	794	1
Subtotal	**5,785**	**13**	5,543	12
Pure commercial properties				
Huadu district	**166**	**2**	163	2
Total	**5,951**	**15**	5,706	14

In the second-half of year 2017, it is expected that there will be additional GFA of approximately 73,000 sq.m. in Clifford Bayview (南灣半島) (in connection with an additional residential community) to be launched by the companies which are under the control of (or 30% of more of the issued share capital of which are owned by) the spouse of Ms. MAN Lai Hung (the "**Private Group**"). As of 31 December 2016, the said additional residential community was still in its development stage. Its estimated completion and delivery dates will be around the second half of 2017. Following completion and delivery, general property management services will be provided by us to such additional residential community, and the related property management service fees will be charged on a commission basis. The Group expects the total general property management service fees income to be approximately RMB2.4 million per year, after delivery of all the units. The average property management service fees income is approximately RMB2.75 per sq.m. per month. As the completion date and the time of delivery of such units to the new owners is not expected to be long, we expect a small amount of service fees to be received from the Private Group for pre-delivery property services in connection with such additional residential community.

"Clifford Wonderview (祈福繽紛匯)" is located adjacent to Clifford Estates in Panyu district. Its development was completed by the end of 2016. We will provide some pre-delivery property management services to the community, and we will charge our general property management service fees on a commission basis. We expect the units at "Clifford Wonderview (祈福繽紛匯)" sold will be gradually delivered to the relevant property owners during the second-half of 2017.

By second-half of 2017, the number of residential communities under our management is expected to increase from 13 communities to 15 communities. The increase in the total contracted GFA of our property management services (including "Clifford Wonderview (祈福繽紛匯)") is expected to be about 683,000 sq.m.

Scope of Services in Our Property Management Service Segment

Our property management services can be grouped into two main types: (i) general property management services; and (ii) resident support services. The following sets out the scope of each service type we render under our property management service segment:

(i) General property management services

We focus on providing general property management services such as security, cleaning, gardening, repair and maintenance to residential communities and pure commercial properties. For residential communities managed on a commission basis, the general property management services are delivered by on-site staff which the labour costs are borne by the property owners. For pure commercial properties managed on a lump sum basis and pre-delivery property management services of residential communities on a lump-sum basis, the general property management services are delivered by on-site staff which labour costs are borne by us.

(ii) Resident support services

Our resident support services primarily include: (i) household helper services; (ii) renovation and fitting-out services; and (iii) household repair and maintenance services. We provide these services through our employees and third-party contractors.

Retail Services

As of 31 December 2016, our retail network consisted of 17 retail outlets (one supermarket, one wet market, 14 convenience stores and one imported goods specialty store) under the names of "Clifford Supermarket (祈福超市)", "Ni Wo Ta Convenience Store (你我他便利店)" and "Dailey's Mart", respectively, mainly located in three of the residential communities we manage and the surrounding areas in the Guangdong Province.

Our Retail Outlets

The following table sets out certain key performance indicators of our current retail outlets in operation during the year ended 31 December 2016:

	For the year ended 31 December	
	2016	2015
Average daily revenue by type of retail outlet (in RMB thousands)(Note)		
Supermarket	**151.48**	151.30
Wet market	**27.19**	18.61
Convenience store	**98.46**	100.58
Imported goods specialty store	**2.50**	3.59

Note: Calculated by dividing revenue for the year by 360 days.

Revenue Models for Our Retail Services

Our revenue is mainly derived from direct sales of goods, concessionaire fees and rental income from stall tenants at our retail outlets.

Direct sales of goods

Under direct sales arrangements, we source merchandises directly from suppliers and then sell the merchandises to our customers at our retail outlets (except the wet market). Most of our merchandises of our retail outlets are under direct sales arrangements.

During the year and up to 31 December 2016, we have only entered into contracts with local entities and therefore we do not have any overseas direct supplier.

Concessionaire fees

Under concessionaire sales arrangements, we arrange for specific concessionaires to occupy a certain allocated space in our supermarket, for the establishment of their own sales counter for their own branded merchandise. As of 31 December 2016, we had approximately 18 concessionaires.

Rental income from stall tenants

We lease stall space in our wet markets and receive rental income and management fees from stall tenants who are usually fresh food retailers. We generally enter into standard form of agreements with our stall tenants for a term of one year. As of 31 December 2016, we had approximately 105 stall tenants.

Catering Services

As of 31 December 2016, we operated 17 catering outlets in different categories (five Chinese restaurants, six casual dining restaurants, four East Asian and Western restaurants and two cafés) in Guangdong Province. In November 2016, we closed down "Herbal Cuisine (Shawan Branch) (藥膳坊（沙灣分店）)" due to change of local community development plan causing unsatisfactory customer traffic in the neighbourhood and decrease in sales.

We target to offer our customers good tasting and healthy food at value-oriented price with hospitable yet efficient services, with a positioning of price-for-value dining choices with variety to cater the needs of the residents and customers from surrounding area.

Our Catering Outlets

We endeavour to offer an outstanding dining experience, including food, service and dining atmosphere, at our catering outlets which are positioned to provide different dining style to suit different needs of the customers.

Operating data of our catering outlet operations during the year sets forth as follows:

	Year ended 31 December	
	2016	2015
Average number of customer per day per catering outlet[1][7]		
Chinese restaurants[5]	**347**	599
Casual dining restaurants	**368**	631
East Asian and Western restaurants[6]	**228**	369
Cafés	**98**	91
Average spending per customer per meal (RMB)[2][7]		
Chinese restaurants	**50**	49
Casual dining restaurants	**25**	34
East Asian and Western restaurants[6]	**60**	65
Cafés	**23**	37
Average seat turnover rate (X)[3]		
Chinese restaurants	**1.6**	2.1
Casual dining restaurants	**3.2**	3.7
East Asian and Western restaurants[6]	**1.8**	2.1
Cafés	**1.1**	1.1
Average daily catering outlet sales by category (RMB)[4]		
Chinese restaurants	**103,092**	116,725
Casual dining restaurants	**73,319**	64,279
East Asian and Western restaurants[6]	**54,656**	24,114
Cafés	**6,819**	6,757
Number of catering outlets	**17**	11

Notes:

(1) Calculated by dividing total customer traffic (assuming 360 days in the year) by number of restaurants during the year. For outlets newly opened in 2016, the number of days since commencement of business is taken into account for the calculation.

(2) Calculated by dividing average daily revenue (assuming 360 days in the year) by the average number of customer per day per catering outlet for the year. For outlets newly opened in 2016, the number of days since commencement of business is taken into account for the calculation.

(3) Calculated by dividing the average number of customer per day per catering outlet for the year by the total number of seats at the catering outlet.

(4) Calculated by dividing total revenue by the total number of days during the year (assuming 360 days in the year).

(5) "Herbal Cuisine Soup Shop (藥膳湯館)" was not included until 2016 as it only offered take-away services with no seating area inside the catering outlet.

(6) From May 2013 to January 2016, we only operated one East Asian and Western restaurant, being "Beehive Bar & Kitchen (相見好餐廳)". In February 2016, we have opened three new East Asian and Western restaurants, being "La TaveRona (達維納意大利餐廳)", "Yamabuki (山吹日本料理)" and "Best Thai (泰出色)".

(7) For casual dining restaurants and cafés, catering outlets closed due to relocation and the relocated ones are counted as one outlet in calculation.

For the year ended 31 December 2016, there was a significant decrease in the average number of customers per day in our catering outlets (except cafés) as compared to the corresponding year in 2015. This was mainly due to our expanded catering service network in Panyu district where we opened a total of eight new catering outlets (namely, one Chinese restaurant, four casual dining restaurants and three East Asian and Western restaurants) at "Clifford Landmark (祈福名都花園)". Due to the introduction of new kind of food products (such as desserts and drinks) offered by our new casual dining restaurants, namely "Bababibi Dessert (巴巴閉閉甜品店)" and "Cha Cha Drinks Shop (Cha Cha 奶茶店)", which generally have a lower unit price, the average spending per customer per meal for our casual dining restaurants for the year ended 31 December 2016 showed a downward trend as compared with 2015. Prior to January 2016, we only operated one East Asian and Western restaurant, being "Beehive Bar & Kitchen (相見好餐廳)". In February 2016, we opened three new East Asian and Western restaurants at "Clifford Landmark (祈福名都花園)" offering different cuisines and styles of catering service which additionally brought up the related average daily restaurants sales for the year ended 31 December 2016.

Ancillary Living Services

During the year and up to 31 December 2016, we provided off-campus training services, property agency services, employment placement services, and laundry services.

Off-campus Training Services

As of 31 December 2016, we had two learning centres within Clifford Estates. For the year ended 31 December 2016, we had approximately 22,000 (2015: 19,000) students or learners enrolment in our training programmes and interest classes. Our training programmes mainly include: (i) elementary, middle and high school tutoring courses; and (ii) language learning classes; while our interest classes are divided into four main categories, namely: (i) dance; (ii) martial arts; (iii) sports; and (iv) music. As of 31 December 2016, we operated one licenced centre providing training programmes and one centre providing interest classes, 51 full-time employees, including 13 licenced teachers and 31 teaching assistants, and 182 were part-time teachers.

As social competition became more intense, we believe that parents were more willing to spend on education or training for their children and as a result, the demand for both training programmes and interest classes increased, driving the significant growth in the number of students enrolled and revenue from off-campus training services during the year ended 31 December 2016.

Property Agency Services

As of 31 December 2016, we had one headquarter and five branch offices located in different districts in Guangdong Province. Our property agency services primarily include: (i) sales agency services focused on residential property market; (ii) residential properties rental agency services; and (iii) post-rental services. In January 2017, we closed down two branch offices in Panyu district and Huadu district due to change of local community development plan causing unsatisfactory customer traffic in the neighbourhood and decrease in sales.

Portfolio of property agency services

By way of serving as an agent, we provide our property agency services principally to the residents and property owners of residential communities we manage with an aim to facilitate the property sales and leasing for such residents and property owners among these residential communities and to diversify our income sources. Our property agency services can be grouped into sales agency services, rental agency services and post-rental services.

Employment Placement Services

As of 31 December 2016, we had one branch office in Clifford Estates. Our employment placement services primarily include: (i) employment agency services for household helpers, postnatal care helpers and patient care helpers; and (ii) labour dispatch services.

Portfolio of our employment placement services

We act as an agent in providing employment placement services principally to residents of Clifford Estates and other residential communities within the neighbourhood, with the aim of supplying quality helpers to our clients as well as maintaining or enhancing the quality of our helpers. Our employment placement services include employment agency services and labour dispatch services.

Laundry Services

As of 31 December 2016, we operated four laundry shops and one laundry facility located in Clifford Estates. We target (i) the corporate customers in proximity such as hospitals, hotels and schools; and (ii) individual customers who are mainly the residents of Clifford Estates, with an aim to provide reliable, convenient and quality laundry and dry cleaning services.

Portfolio of our laundry services

We generate most of our revenue from laundry services for corporate customers, including the Private Group, hospitals, hotels and schools and individual laundry services.

Prospects and Future Plans

We plan to strengthen our position in the property management industry and further expand our service network. We intend to achieve our objectives by implementing the following strategies:

Property Management

Further increase the total GFA and the number of residential units we manage 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 GFA and the number of residential communities we manage. We plan to selectively evaluate opportunities in areas around the existing locations where we have a presence with a view to maximising our economies of scale.

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, catering services and Ancillary Living 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. As the property management market is highly fragmented and there is a trend of consolidation in the industry, we can strengthen our business presence and expand into new geographies through acquisition. We have been seeking for potential property companies principally with a focus of business operations in Guangdong Province, covering contracted GFA of over 50,000 sq.m., price of properties being in the mid-to-high-range at its location and that the residential communities or pure commercial properties under their management would be able to implement our business model in achieving our business strategy of standardisation and centralization. We intend to continue to apply our operating model and our standardisation and centralisation strategies to our acquired targets. We believe that this strategy would allow us to efficiently manage an expanding business with increasing complexity.

The holder of the 24.5% equity interest in Guangzhou Panyu Clifford Property Management Limited* (廣州市番禺祈福物業管理有限公司), a 75.5% equity-owned subsidiary of the Company, recently indicated its wishes to dispose of such equity interest, and the Group is currently considering whether or not to acquire such equity interest. If there is any material progress on this matter, the Company will make further announcement in compliance with the applicable laws and rules.

Retail and Catering

Further expand our retail network and catering network

During the year ended 31 December 2016, we opened a total of eight catering outlets (being one Chinese restaurant, four casual dining restaurants and three East Asian and Western restaurants).

To ride on our past experience in retail and catering service segments, we intend further expand our retail service and catering service network for our business growth. We plan to explore suitable locations for expanding our retail and catering outlet network both in the residential communities we manage and areas in the proximity. By acting as the property manager of these residential communities, we believe we have a better understanding on the needs of the existing residents and the customer traffic within the communities and the neighbourhood.

With the aim to solidify our presence across Guangdong Province, we intend to expand our retail network by opening new outlets in different residential communities, with similar customer profile and traffic of Clifford Estates, in various locations within Guangdong Province.

Leveraging on the popularity of our catering outlets, within communities we provide living services, we plan to continue expanding our catering network by solidifying our presence in Guangdong Province and branching out catering outlets into surrounding area outside the residential communities we manage.

We operate a standardised business model, and we believe that we will be able to replicate our established operational and managerial procedures as we continue to expand our catering network services. Our standardised operations enhance scalability by allowing us to efficiently transfer knowledge and adopt best practises when opening new catering outlets. In addition, we believe that since all of our catering outlets are self-operated, we could easily implement our comprehensive set of standards and specifications to maintain standardisation.

To Develop Online Marketing and Build Online Distribution Channels

We observe the trend that online sales and services have become more popular in the PRC. We intend to invest in online marketing, such as advertising on third-parties' websites for promoting various of our services and our Group's profile. We also intend to collaborate with other websites or online sales platforms for promoting our services and selling our goods through internet, targeting at residents in the communities we manage as well as those in proximity.

Going forward, our Group will continue its strategy of setting up and operating our retail and catering outlets on leased premises in the residential communities we manage and will consider opening new retail and catering outlets in proximity to the residential communities we manage. We believe such arrangements are appropriate and commercially reasonable so that our Group could focus its capital resources on one of its core business in operating its retail and catering outlets.

Financial Review

Revenue

Our revenue increased from RMB261.1 million for the year ended 31 December 2015 to RMB289.7 million for the year ended 31 December 2016, representing an increase of RMB28.6 million or 10.9%. The growth in our revenue was mainly attributable to increase in revenue from our catering services and Ancillary Living Services segments.

Property management services

	For the year ended 31 December	
	2016	2015
	RMB'000	RMB'000
General property management services	**29,654**	27,929
Resident support services	**22,317**	22,743
Total	**51,971**	50,672

Revenue in the property management services slightly increased by 2.6% to RMB52.0 million for the year ended 31 December 2016 from RMB50.7 million for the year ended 31 December 2015. Such increase was mainly attributable to the increase in revenue of our general property management services. The increase in revenue of our general property management services from RMB27.9 million for the year ended 31 December 2015 to RMB29.7 million for the year ended 31 December 2016 was primarily due to the increase in GFA that we manage.

Retail services

	For the year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Revenue by type of retail outlet		
Supermarket	**54,532**	54,468
Wet market	**9,787**	6,699
Convenience store	**35,447**	36,207
Imported goods specialty store	**901**	1,294
Total	**100,667**	98,668

Revenue in the retail services slightly increased by 2.0% to RMB100.7 million for the year ended 31 December 2016 from RMB98.7 million for the year ended 31 December 2015. The relative stability was primarily attributable to the increase in revenue of wet market, being partially offset by the decrease in revenue of convenience stores and imported goods specialty store. The increase in revenue of wet market from RMB6.7 million for the year ended 31 December 2015 to RMB9.8 million for the year ended 31 December 2016 was primarily due to opening of a new wet market "Clifford Market (Clifford Landmark)" in March 2016 while the Clifford Market (Clifford Estates) was still in operation until August 2016. The decrease in revenue of convenience stores and imported goods specialty store from RMB37.5 million for the year ended 31 December 2015 to RMB36.3 million for the year ended 31 December 2016 was primarily due to the continuing effect of relocation of the central bus terminal which affected the pedestrian flow during the year.

Catering services

	For the year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Catering outlet revenue by category		
Chinese restaurants	**37,113**	42,021
Casual dining restaurants	**26,395**	23,141
East Asian and Western restaurants	**19,676**	8,681
Cafés	**2,455**	2,432
Total	**85,639**	76,275

Revenue in the catering services increased by 12.2% to RMB85.6 million for the year ended 31 December 2016 from RMB76.3 million for the year ended 31 December 2015. Such increase was primarily due to the increase in revenue of casual dining restaurants and East Asian and Western restaurants. The increase in revenue of casual dining restaurants from RMB23.1 million for the year ended 31 December 2015 to RMB26.4 million for the year ended 31 December 2016 and the increase in revenue of East Asian and Western restaurants from RMB8.7 million to RMB19.7 million for the same period were primarily due to opening of new restaurants in 2016.

Ancillary Living Services

	For the year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Ancillary Living Services revenue by category		
Off-campus training services	**27,056**	20,651
Property agency services	**13,267**	4,496
Employment placement services	**1,500**	1,467
Laundry services	**9,581**	8,883
	51,404	35,497

Revenue in the Ancillary Living Services increased by 44.8% to RMB51.4 million for the year ended 31 December 2016 from RMB35.5 million for the year ended 31 December 2015. Such increase was primarily due to the increase in revenue of our off-campus training services and property agency services. The increase in revenue of our off-campus training services from RMB20.7 million for the year ended 31 December 2015 to RMB27.1 million for the year ended 31 December 2016 was mainly brought by the increase in class enrolments. The increase in revenue of property agency services from RMB4.5 million for the year ended 31 December 2015 to RMB13.3 million for the year ended 31 December 2016 was mainly due to the increase in sales in the residential property market.

Cost of Sales

Our cost of sales comprises mainly the cost of goods sold for our retail service segment, the employee benefit expenses for each of our business segments and the cost of raw materials and consumables for our catering service segment.

Our cost of sales increased from RMB160.7 million for the year ended 31 December 2015 to RMB169.6 million for the year ended 31 December 2016, representing an increase of RMB8.9 million or 5.5%. The growth in our cost of sales was largely in line with our increase in revenue. In particular, we incurred more cost of raw materials and consumables for the year ended 31 December 2016, which is in line with the growth of our catering business segment.

Gross profit and gross profit margin

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

	For the year ended 31 December			
	2016		2015	
	Gross profit RMB'000	**Gross profit margin %**	Gross profit RMB'000	Gross profit margin %
Property management services	**32,488**	**63%**	27,950	55%
Retail services	**42,490**	**42%**	38,189	39%
Catering services	**18,418**	**22%**	16,173	21%
Ancillary Living Services	**26,652**	**52%**	18,146	51%
Laundry services	**2,896**	**30%**	2,787	31%
Off-campus training services	**16,254**	**60%**	12,001	58%
Property Agency services	**6,237**	**47%**	2,278	51%
Employment placement services	**1,265**	**84%**	1,080	74%
Overall	**120,048**	**41%**	100,458	38%

Our gross profit increased from RMB100.5 million for the year ended 31 December 2015 to RMB120.0 million for the year ended 31 December 2016, representing an increase of RMB19.5 million or 19.4%. Meanwhile, our gross profit margin improved from 38% for the year ended 31 December 2015 to 41% for the year ended 31 December 2016. The increase in gross profit was mainly due to the contribution of our property management services, retail services and Ancillary Living Services segments. The increase in gross profit margin was mainly attributable to increase in gross profit margin of our property management services and retail services segment. The increase in gross profit margin of our property management service segment from 55% for the year ended 31 December 2015 to 63% for the year ended 31 December 2016 was mainly attributable to the decrease in the number of small scale renovation and fitting-out projects which have lower profit margin. There were more small-scale renovation and fitting-out services to residents for the year ended 31 December 2015 as compared to the same period in 2016 because of the delivery of new residential units of Clifford Landmark (祈福名都花園) in around late 2014. Gross profit in the retail services increased by 11.3% to RMB42.5 million for the year ended 31 December 2016 from RMB38.2 million for the year ended 31 December 2015. Gross profit margin of retail services increased to 42% from 39% for the same period, mainly because of increased rental income, and the rental income generated from leasing space on outdoor glass windows of supermarket and convenience stores for advertising since May 2015 without incurrence of corresponding direct cost.

Selling and marketing expenses

Our selling and marketing expenses primarily consist of employee benefit expenses for our selling and marketing staff, depreciation and amortisation charge, operating lease payments and utility expenses.

Our selling and marketing expenses increased from RMB18.3 million for the year ended 31 December 2015 to RMB21.5 million for the year ended 31 December 2016, representing an increase of 17.5%, which was primarily due to the increase in number of employees and expenses in relation to opening and relocation of new retail and catering outlets in 2016. A substantial portion of selling and marketing expenses was relating to retail service segment and catering service segment. Other expenses increased from RMB1.7 million for the year ended 31 December 2015 to RMB2.1 million for the year ended 31 December 2016 mainly due to the purchase of consumables for setting up new outlets in 2016.

Administrative expenses

Our administrative expenses principally comprised listing expenses, staff benefit expenses and office related expenses for administrative departments.

Our administrative expenses increased from RMB26.3 million for the year ended 31 December 2015 to RMB58.5 million for the year ended 31 December 2016, representing a growth of 122.4%, primarily due to the incurrence of listing expenses and increase in employee benefit expense due to the increase in headcount. The Group's listing expenses charged to consolidated income statement for the year ended 31 December 2016 amounted to RMB22.9 million (2015: RMB5.7 million), which primarily consisted of the service fees the Group paid to professional parties in connection with its preparation for the Global Offering. Other expenses increased from RMB0.7 million for the year ended 31 December 2015 to RMB2.6 million for the year ended 31 December 2016 mainly due to the incurrence of cost for setting up new outlets in 2016.

Other gains or losses — net

We incurred other losses of RMB0.6 million for the year ended 31 December 2015 and other gains of RMB0.8 million for the year ended 31 December 2016. The change from net loss to net gain was primarily arisen from the fluctuation of exchange rate of Renminbi against HK dollars.

Other income

Our other income decreased from RMB1.0 million for the year ended 31 December 2015 to RMB0.5 million for the year ended 31 December 2016, representing a decrease of RMB0.5 million or 50%. The decrease was attributable to the decrease in interest income.

Finance income

Our finance income is RMB380,000 for the year ended 31 December 2016, which is comparable to the year ended 31 December 2015.

Income tax expenses

The weighted average applicable tax rate was 28% and 42% for the years ended 31 December 2015 and 2016 respectively. The increase in weighted average applicable tax rate for the years ended 31 December 2015 and 2016 was mainly due to non-deductible listing expenses incurred by the Company.

Net Profit and Adjusted Profit for the Year

For the year ended 31 December 2016, as a result of the cumulative effect of the above factors, the Group's net profit was RMB23.1 million and its net profit margin was 8%.

Adjusted profit is defined as profit for the year before the Group's listing expenses were charged to the consolidated income statement. As this expense item is non-recurring, the Company believes that a separate analysis of the impact of this expense item adds clarity to the constituent part of the Group's results of operations and provides additional useful information for investors to assess the operating performance of the Group's business. Set forth below is an analysis of adjusted profit for the year:

	For the year ended 31 December		**Variance**	
	2016	2015		
	RMB'000	RMB'000	RMB'000	%
Profit for the year	**23,054**	40,094	–17,040	–42.5%
Add:				
Listing expenses	**22,924**	5,736	17,188	299.7%
Adjusted profit for the year	**45,978**	45,830	148	0.3%

Adjusted net profit for the year increased from RMB45.8 million in the corresponding period of 2015 to RMB46.0 million in 2016, representing an increase of 0.3%.

Property, Plant and Equipment

Our property, plant and equipment mainly consist of machinery, vehicles, office equipment, and leasehold improvements. As at 31 December 2015 and 2016, the net book values of our Group's property, plant and equipment were RMB10.3 million and RMB19.5 million, respectively. The increase was mainly due to addition of machinery and leasehold improvements for the replacement and addition of equipment for our newly opened catering outlets and retail outlets.

Inventories

Our inventories mainly consist of merchandise goods for our retail service segment and raw materials for our catering service segment we procured from suppliers.

Our inventories increased from RMB8.3 million as of 31 December 2015 to RMB11.5 million as of 31 December 2016, primarily due to increase in inventory level as a result of increase in stock for our opening of new retail and catering outlets.

Our inventory turnover days was 18 days and 21 days during the years ended 31 December 2015 and 2016. The changes were in line with the fluctuation of our stock level as explained above.

During the year, we did not recognise any provision or write-down for our inventories.

Trade and Other Receivables

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

Trade receivables

Our trade receivables are mainly related to our receivable of outstanding property management fee and the receivables arisen from laundry services.

Our trade receivables decreased by 31.3% from RMB8.0 million as of 31 December 2015 to RMB5.5 million as of 31 December 2016 as a result of settlement of property management service fee due from developers in respect of vacant units on a lump sum basis.

Amounts placed in Residents' Accounts

Under the property management service contracts on a commission basis, we essentially act as an agent of the property owners. We are principally engaged in (a) provision of property management services to the residential communities under commission basis and are entitled to commission income at a pre-determined portion of the general property management service fees (the "**Entitled Commission**"); and (b) provision of resident support services under the residents' request and charge residents of fees at the rates accepted by residents (the "**Support Services Income**").

The residents are the beneficial owners of the Residents' Accounts and we are responsible for the treasury function of the Residents' Accounts and manage the utilisation of funds received and saved in these accounts on behalf of the residents.

Fund accumulated in the Residents' Accounts include:

(i) the balance of net Support Services Income which is entitled to but has not yet been withdrawn by our PM Subsidiaries;

(ii) the balance of Entitled Commission which is entitled to but has not yet been withdrawn by our PM Subsidiaries; and

(iii) the balance of the gross general property management service fees paid by the residents net of our Entitled Commission and payments of expenses incurred for various services rendered to the residential communities ("**Undeployed Funds**") which our PM Subsidiaries are not entitled to.

Such "Amounts placed in Residents' Accounts" in our consolidated balance sheet (which amounted to RMB24.0 million and RMB18.0 million as at 31 December 2015 and 2016 respectively) represented only Entitled Commission and Support Services Income, but did not include the Undeployed Funds.

Trade and Other Payables

Our trade and other payables primarily comprise trade payables, other payables, advances from customers and accrued payroll.

Trade payables

Our trade payables primarily comprise fees due to third-party suppliers for procurement of raw materials for our catering service segment and products for provision of our retail service segment, and fees due to sub-contractors for provision of our resident support service. We generally enjoy credit terms of approximately seven days to 45 days from the suppliers.

Our trade payables increased by 59.7% from RMB12.4 million as of 31 December 2015 to RMB19.8 million as of 31 December 2016, primarily because of increase in procurement from third-parties for our newly-opened catering outlets and increase in stock for the newly opened Clifford Supermarket.

Other payables

Our other payables primarily comprise amounts due to third parties included deposits received from tenants in our retail business which amounted to RMB6.2 million and RMB3.9 million as at 31 December 2015 and 2016 respectively. The decrease was mainly due to the settlement of deposits to concessionaires and stall tenants in our old supermarket and wet market.

Advances from customers

Advances from customers are primarily related to prepaid course fees received from customers in our off-campus training services, prepaid service fees for our resident support services and the unused value of our consumption cards issued by us in Renminbi which can be used in our outlets to pay our retail, catering and laundry services. Advances from customers increased from RMB6.6 million as of 31 December 2015 to RMB13.1 million as of 31 December 2016, primarily due to the increase of enrolment of our interest classes which led to increase in advances receipt from customers.

Accrued payroll

Our accrued payroll increased by 5.1% from RMB13.8 million to RMB14.5 million as at 31 December 2015 and 31 December 2016, respectively. This was primarily due to the increase in number of employees in relation to opening of catering outlets during the year.

Liquidity and Capital Resources

Overview

Our primary liquidity requirements relate to the funding of required working capital to support an increase in our scale of operations, purchase of property, plant and equipment and payments for leasehold land. To date, we have financed our cash requirements through a consolidation of cash generated from operating activities and the proceeds of capital contributions from our Shareholders together with the unutilised net proceeds from the issue of new shares under the global offering as set out in the prospectus of the Company dated 27 October 2016 (the "**Prospectus**").

As at 31 December 2016, our material sources of liquidity were cash and cash equivalents of RMB181.9 million.

In September 2016, our Group entered into a banking facility letter, pursuant to which we were granted a banking facility for a short-term unsecured revolving loan of up to HKD10 million, our Group drew down a loan of HKD5 million under the banking facility in September 2016 and repaid it in November 2016.

Gearing Ratio

Gearing ratio is calculated based on our total debts (being cash advances due to related parties) divided by our total equity as of the end of each year.

Our gearing ratio decreased from 13.5% as at 31 December 2015 to nil as at 31 December 2016, which was primarily due to the settlement of cash advances due to related parties.

Pledge of Assets

The Group had no pledged assets as of 31 December 2016 (31 December 2015: Nil).

Contingent Liabilities

The Group had no material contingent liabilities as of 31 December 2016.

Employees and Remuneration Policies

As at 31 December 2016, excluding labour costs borne by the properties that we manage on commission basis, the Group had approximately 1,034 employees (31 December 2015: approximately 1,001 employees). Remuneration is determined with reference to the performance, skills, qualifications and experiences of the staff concerned and the prevailing industry practice.

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

Material Acquisition and Disposals of Subsidiaries or Associated Companies

The Group had no material acquisition or disposal of subsidiaries or associated companies during the year ended 31 December 2016. In addition, the Group had no significant investments held during the year ended 31 December 2016.

Save for the expansion plans as disclosed in the sections headed "Business" and "Future Plans and Use of Proceeds" in the Prospectus, the Group has no specific plan for major investment or acquisition for major capital assets or other businesses. However, the Group will continue to identify new opportunities for business development.

Corporate Information

The Company was incorporated in the Cayman Islands on 6 January 2016 as an exempted company with limited liability, and the shares were listed on the main board of the Stock Exchange on 8 November 2016.

DIRECTORS' PROFILE

Directors

Chairman and Executive Director

Ms. MAN Lai Hung (孟麗紅), aged 57, is the chairman of the Group and an executive Director of the Company. She is primarily responsible for strategic planning and direction and 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 is a member of the Eleventh Guangdong Committee of the Chinese People's Political Consultative Conference* (中國人民政治協商會議第十一屆廣東省委員會). She is a member of the standing committee of the Thirteenth Beijing Women's Federation* (北京市婦女聯合會) and also serves as the vice president of the Fourteenth Executive Committee of the Guangzhou Chamber of Commerce* (廣州市總商會) and the vice chairman of the Ninth Standing Committee of the Chamber of Commerce of Guangzhou Foreign Investment Enterprises (廣州外商投資企業商會). Ms. Man was appointed as the honourary chairman of Baise City Education Fund* (百色市教育基金會) in November 2014 and 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. Ms. Man has served as 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) since July 2016. Ms. Man was admitted as a fellow member of Hong Kong Institute of Directors in January 2017.

Ms. Man first joined the Private Group in around 1990. Currently Ms. Man is a director in various members of the Private Group in which she has assumed only a non-executive role since her founding of the Group.

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. She is the sole shareholder of Elland Holdings, which in turn is the controlling shareholder of the Company. Ms. Man is a director of each of the subsidiaries of the Group.

Executive Directors

Mr. SUN Derek Wei Kong (孫偉剛), aged 39, is an executive Director and the chief executive officer of the Group. He is primarily responsible for managing the overall operations of the Group and in particular, planning the business and development strategies and overseeing the management of the Group's business. Mr. Sun was awarded a degree of Bachelor of Science by the Columbia University in the City of New York in May 1999.

Mr. Sun is a member of the Twelfth Guangzhou Committee of the Chinese People's Political Consultative Conference* (中國人民政治協商會議第十二屆廣州市委員會). He is also vice chairman of the Eighth Zhongshan Committee of the Youth Federation* (第八屆中山市青年聯合會).

Mr. Sun was the executive vice president of the Private Group between January 2008 and January 2016, and was in charge of strategy formulation and operational management in businesses comprising property development and management, hotel, health care, education and information technology. In March 2015, Mr. Sun joined the Group as the chief executive officer responsible for overseeing the overall management and operation of the Group.

Mr. Sun has extensive experience in strategic planning and operational management. From November 2003 to January 2008, Mr. Sun served as a consultant of McKinsey & Company, Inc. Hong Kong, a management consulting firm, in which Mr. Sun formulated and advised on strategic development and operations of major infrastructure companies and financial institutions in the Greater China region.

Mr. LEONG Chew Kuan (梁昭坤), aged 40, is an executive Director and the chief financial officer of the Group. He is primarily responsible for financial reporting and management and business planning of the Group. Mr. Leong was awarded a degree of Bachelor of Business by the University of Technology, Sydney in July 2000.

Mr. Leong has been a member of HKICPA since May 2014 and a member of the Malaysian Institute of Accountants since August 2003. Mr. Leong was admitted as a member of CPA Australia in February 2000 and was awarded a fellow membership in February 2014. He was also admitted as a member of Hong Kong Business Accountants Association in September 2016.

Mr. Leong joined the Private Group as financial controller in March 2014 and ceased to hold such office in January 2016. Since February 2015, Mr. Leong joined the Group as the chief financial officer responsible for overseeing the financial planning and management of the Group.

Mr. Leong has extensive experience in accounting, auditing and corporate finance. From June 2004 to May 2006, Mr. Leong was employed by KPMG (Malaysia), a firm of certified public accountants, serving first as audit senior and then senior associate, in which he was responsible for performing audit works. Mr. Leong was then employed by KPMG (Hong Kong) in November 2006, and was a manager responsible for auditing and advisory works when leaving in January 2010.

Ms. LIANG Yuhua (梁玉華), aged 52, 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.

Non-executive Director

Mr. LIU Xing (劉興), aged 53, is a non-executive Director. 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 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 62, was appointed an independent non-executive Director of the Company with effect from 21 October 2016. 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, an associate of HKICPA in May 1982, a chartered accountant in England and Wales in February 2006 and a fellow certified public accountant in Australia in November 2009. She is a fellow of HKICPA since December 1991, a fellow of The Taxation Institute of Hong Kong since April 2003 and a chartered professional accountant in 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 and is a member of the Eleventh Chinese People's Political Consultative Conference Guangdong Committee* (中國人民政治協商會議第十一屆廣東省委員會委員).

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

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 in the Stock Exchange with stock code: 188) and China Vanke Co., Ltd. (萬科企業股份有限公司) (listed in the Stock Exchange with stock code: 2202 for H shares and listed in Shenzhen Stock Exchange with stock code: 000002 for A shares), and she is also an independent non-executive director of Sunwah International Limited (listed in Toronto with stock code: SWH).

Mr. HO Cham (何湛), aged 59, was appointed an independent non-executive Director of the Company with effect from 21 October 2016. 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 then 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 articled 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 67, was appointed an independent non-executive Director of the Company with effect from 21 October 2016. 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. From March 2010 to June 2013, Mr. Mak was also an independent non-executive director of North Asia Resources Holdings Limited (北亞資源控股有限公司) (stock code: 61).

SENIOR MANAGEMENT'S PROFILE

Senior Management and Company Secretary

Mr. DENG Zhengchuan (鄧正川), aged 45, joined the Group in May 2012 and has since become the general manager of Guangzhou Clifford Trading Limited* (廣州市祈福貿易有限公司), responsible for managing and overseeing the operation of retail business of the Group.

Mr. Deng has extensive working experience in operation and management of retail business. He was the senior managing supervisor of the retail stores of Guangdong Aeon Team Co., Ltd.* (廣東永旺天河城商業有限公司) from April 1996 to November 2007 and the manager of the supermarket department of Guangdong Lerun Department Store Company Limited* (廣東樂潤百貨有限公司) since March 2008. From May 2009 to May 2012, Mr. Deng worked as a store general manager of Ole', one of the leading chain supermarkets operated by China Resources Vanguard Co., Ltd.* (華潤萬家有限公司).

Mr. CEN Jiayin (岑家殷), aged 35, joined the Group in April 2012 and has since become the general manager of Guangzhou Mascot Catering Limited* (廣州市福品餐飲有限公司), responsible for managing and overseeing the operation of catering services business of the Group.

Prior to joining the Group, Mr. Cen worked for Guangzhou Haoxuan Catering Management Company Limited* (廣州市浩軒餐飲管理有限公司), a company engaging in provision of catering management and operation services, from June 2002 to July 2007 as an operation manager responsible for overseeing general operation. From August 2007 to February 2012, Mr. Cen worked for Guangzhou Jinzhan Catering Management Company Limited* (廣州市金展餐飲管理有限公司), a company engaging in provision of investment management and marketing planning for catering business services, in which Mr. Cen was responsible for overseeing the management and business development.

Mr. CHEN Yuxiong (陳宇雄), aged 50, 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 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.

Mr. CHEN Zhezhen (陳哲臻), aged 47, is the human resources manager of the Group responsible for overseeing human resources allocation and staff development of the Group. Mr. Chen was elected as a council member of Panyu Tourism Association* (廣州市番禺區旅遊協會) in March 2014.

Mr. Chen joined the Group in January 2015 as the personnel administration manager of Guangzhou Mascot Catering Limited* (廣州市福品餐飲有限公司). Prior to joining the Group, Mr. Chen was the personnel administration manager of 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), a member of the Private Group which engaged in the provision of resort and recreational facilities, from August 2000 to July 2011. From August 2011 and up to December 2014, Mr. Chen served as the director of the personnel administration department of the said company.

Mr. YU Ding Him Anthony (余定謙), aged 32, was appointed as the company secretary of the Company on 6 January 2016, responsible for company secretarial matters of the Group. Mr. Yu 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.

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their report and the audited consolidated financial statements of the Group for the year ended 31 December 2016.

Principal Activities

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 11 to the consolidated financial statements.

Results and Business Review

The results of the Group for the year ended 31 December 2016 are set out in the consolidated income statement on page 70.

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 2016 and an analysis of the Group's performance during the year using financial key 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 5, the "Management Discussion and Analysis" on pages 6 to 23 and the "Environmental, Social and Governance Report" on pages 54 to 64 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 in satisfying customers without storing too much inventory

(iv) Risks relating to our catering services

- Any significant liability claims, food contamination complaints from our customers or reports of incidents of food tampering could adversely affect our reputation, business and operations
- Intense competition in the catering service industry could prevent us from increasing or sustaining our revenue and profitability

(v) 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 the sustainable development of the environment is important to the sustainable operation of the business in its daily operation, the Group has adopted various green measures to reduce its adverse impact on the environment. More details on the Group's environmental policies and performance are set out in the "Environmental, Social and Governance Report" on pages 54 to 64 of this annual report.

Dividends Distribution

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: nil).

Annual General Meeting

The annual general meeting of the Company (the "**AGM**") is currently planned to be held on Friday, 23 June 2017. 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 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, 23 June 2017) be closed from Monday, 19 June 2017 to Friday, 23 June 2017, 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, all duly completed and signed transfer forms 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 Friday, 16 June 2017.

Share Capital

Details of change during the year in the share capital of the Company are set out in note 17 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 2016 are set out in note 12 to the consolidated financial statements.

Distributable Reserves of the Company

Movements in reserves of the Group during the year ended 31 December 2016 are set out in page 74 in the consolidated statement of changes in equity.

Our reserves available for distribution to the shareholders of the Company consist 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 of 31 December 2016, the Company's reserve available for distribution to equity holders amounted to approximately RMB293.1 million.

Directors

The Directors during the year ended 31 December 2016 and up to the date of this report were:

Executive Directors:

Ms. MAN Lai Hung (Chairman, appointed on 6 January 2016)
Mr. SUN Derek Wei Kong (Chief Executive Officer, appointed on 6 January 2016)
Mr. LEONG Chew Kuan (Chief Financial Officer, appointed on 6 January 2016)
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, shall retire at the annual general meeting ("AGM").

In addition, pursuant to Article 111 of the Articles of Association, Ms. MAN Lai Hung, Mr. SUN Derek Wei Kong, Mr. LEONG Chew Kuan, Ms. LIANG Yuhua and Mr. LIU Xing, who were appointed by a director on 6 January 2016, shall hold office until the AGM and shall be subject to re-election 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 with effect from 1 November 2016 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, 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 2016, 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)]	750,000,000	75%
Ms. MAN Lai Hung	Beneficial owner	5,000,000[(2)]	0.5%
Mr. SUN Derek Wei Kong	Beneficial owner	2,500,000[(2)]	0.25%
Mr. LEONG Chew Kuan	Beneficial owner	2,500,000[(2)]	0.25%
Ms. LIANG Yuhua	Beneficial owner	2,500,000[(2)]	0.25%
Mr. LIU Xing	Beneficial owner	2,500,000[(2)]	0.25%

Notes:

(1) Elland Holdings Limited is solely owned by Ms. MAN Lai Hung which in turn owns 750,000,000 Shares. 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 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 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 2016, 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 2016, 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	750,000,000[(2)]	75%
Mr. PANG Lun Kee Clifford[(1)]	Interest of spouse	755,000,000[(2)]	75.5%

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 held by Ms. MAN Lai Hung.

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

Save as disclosed above, as at 31 December 2016, 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 2016 were as follows:

Name of category of participant	Balance as at 31 December 2015	Exercised during the year	Lapsed or cancelled during the year	Balance as at 31 December 2016	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	21 October 2016	9 May 2017 to 8 May 2022	0.414	N/A
SUN Derek Wei Kong	–	–	–	2,500,000	21 October 2016	9 May 2017 to 8 May 2022	0.414	N/A
LEONG Chew Kuan	–	–	–	2,500,000	21 October 2016	9 May 2017 to 8 May 2022	0.414	N/A
LIANG Yuhua	–	–	–	2,500,000	21 October 2016	9 May 2017 to 8 May 2022	0.414	N/A
LIU Xing	–	–	–	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	21 October 2016	9 May 2017 to 8 May 2022	0.414	N/A
CHEN Yuxiong	–	–	–	1,250,000	21 October 2016	9 May 2017 to 8 May 2022	0.414	N/A
DENG Zhengchuan	–	–	–	500,000	21 October 2016	9 May 2017 to 8 May 2022	0.414	N/A
CEN Jiayin	–	–	–	500,000	21 October 2016	9 May 2017 to 8 May 2022	0.414	N/A
CHEN Zhezhen	–	–	–	250,000	21 October 2016	9 May 2017 to 8 May 2022	0.414	N/A
Employees of the Group	–	–	–	2,175,000	21 October 2016	9 May 2017 to 8 May 2022	0.414	N/A
Total	–	–	–	21,175,000				

(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). No options were exercised, lapsed or cancelled during the year. As at the date of this annual report, the Company had 21,175,000 share options under the Pre-IPO Share Option Scheme, representing approximately 2.1% 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 18(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 2016.

Borrowings

As at 31 December 2016, the Group had no borrowings.

Equity-Linked Agreements

Save for the Scheme as set out above, no equity-linked agreements were entered into by the Company, during or subsisted at the end of the year 2016.

Directors' Interests in Transaction, Arrangement or Contract of Significance

Save as disclosed under the section headed "Continuing Connected Transactions" on pages 38 to 40 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 2016.

Contracts of Significance

During the year under review, save as disclosed in the paragraph headed "Continuing 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 2016, the aggregate revenue attributable to the five largest customers of the Group accounted for approximately 6.4% of the Group's total sales in the year.

Guangzhou Huadu Clifford Property Development Company Limited* (廣州市花都祈福房地產有限公司), Guangdong Clifford Hospital Company Limited* (廣東祈福醫院有限公司) and Guangzhou Huadu Clifford Estates Property Development Company Limited* (廣州市花都祈福花園房產有限公司), which were three of the Group's five largest customers for the year ended 31 December 2016, 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 2016.

During the year ended 31 December 2016, the aggregate purchases attributable to the five largest suppliers of the Group accounted for approximately 14.0% of the Group's total purchases.

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 2016.

Subsidiaries

Details of the subsidiaries of the Company as at 31 December 2016 are set out in note 11 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.

Continuing Connected Transactions

The Company has entered into the following continuing connected transactions during the year ended 31 December 2016. 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. The spouse of Ms. Man is Mr. Pang Lun Kee Clifford. He is a close associate of Ms. Man. He is also the ultimate controlling shareholder of the Private Group. Being an associate of Ms. Man, members of the Private Group are connected persons of the Company under Rule 14A.12 of the Listing Rules following the Listing.

2. **Ms. Man's Group**

Ms. Man's Group comprise 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, who is one of the controlling shareholders of the Company, an executive Director and the Chairman. Being an associate of Ms. MAN Lai Hung, members of Ms. Man's Group are connected person of the Company under Rule 14A.12 of the Listing Rules following the Listing.

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. During the year under review, amounts payable/paid by the Group to the Private Group amounted to approximately RMB7,486,000.

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 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 has agreed to provide certain services to members of both the Private Group and Ms. Man's Group for a term of three years ending 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 has 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. During the year under review, amounts receivable/received by the Group from Private Group and Ms. Man Lai Hung's Group amounted to approximately RMB22,618,000.

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 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

The continuing connected transactions disclosed above also constitute related party transaction under the Hong Kong Financial Reporting Standards. A summary of significant related party transactions made during the year was disclosed in note 25(b) to the consolidated financial statements.

Compliance with the Deed of Non-Competition

Please refer to page 50 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 Hong Kong Financial Reporting Standards. 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 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 2016, 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 MPF Schemes Ordinance 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 of 31 December 2016.

The Group's subsidiaries in the PRC, in compliance with the applicable regulations of the PRC, 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 RMB84.1 million was charged to the consolidated income statement, representing RMB2.6 million for the Directors' remuneration and RMB81.5 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. For the year ended 31 December 2016, the Board is of the view that the Company has complied with all code provisions set out in the CG Code, except for code provision A.1.1 due to the short period time since the Listing Date, details of which are set out in the "Corporate Governance Report" on pages 43 to 53 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 2016 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 (less 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 2016, none of the net proceeds had been utilised. All of the 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 2016 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, 23 March 2017

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 Board is of the view that since the Listing Date, up to 31 December 2016, the Company has complied with all the code provisions as set out in the CG Code, except for code provision A.1.1 due to the short period of time since the Listing Date, details of which are explained in the relevant paragraphs of this report.

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.

Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the Group's code of conduct regarding Directors' securities transactions.

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 period from the Listing Date up to 31 December 2016.

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

The Board currently comprises eight Directors, consisting of four executive Directors, one non-executive Director and three independent non-executive Directors.

During the year ended 31 December 2016 and up to the date of this annual report, the Board comprises the following Directors:

Executive Directors
Ms. MAN Lai Hung *(Chairman)*
Mr. SUN Derek Wei Kong *(Chief Executive Officer)*
Mr. LEONG Chew Kuan *(Chief Financial Officer)*
Ms. LIANG Yuhua *(Chief Operating Officer)*

Non-executive Director
Mr. LIU Xing

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

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time. 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.

Board Meetings and Directors' Attendance Records

Code provision A.1.1 of the CG Code provides that regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

During the period from the Listing Date to 31 December 2016, the Board has not held any meetings. After listing on the Stock Exchange, the Company has adopted the practice of holding Board meetings regularly for at least four times a year at approximately quarterly intervals to discuss overall strategy as well as operations and financial performance of the Group. Up to the date of this annual report, one Board meeting was held on 23 March 2017.

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 are open for Director's inspection.

Chairman and Chief Executive Officer

The positions of Chairman and Chief Executive Officer are held by Ms. MAN Lai Hung and Mr. SUN Derek Wei Kong respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company's business development and daily management and operations generally.

Independent Non-executive Directors

Since the Listing Date, the Board at all times met the requirements 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 has received 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.

During the year ended 31 December 2016, the Company organized a training session conducted by the qualified professionals for all Directors. Such training session covers a wide range of relevant topics including Directors' duties and responsibilities, corporate governance, and update on Listing Rule amendments etc.. In addition, relevant reading materials including Directors' manual, legal and regulatory update and seminar handouts have been provided to the Directors for their reference and studying.

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

The Audit Committee consists 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 (including one independent non-executive Director who possesses the appropriate professional qualifications or accounting or related financial management expertise).

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.

No meeting of the Audit Committee was held during the period from the Listing Date to 31 December 2016. Up to the date of this annual report, a meeting of the Audit Committee was held on 23 March 2017 to review the annual financial results and report in respect of the year ended 31 December 2016 and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, 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 will also meet the external auditors at least once in 2017 without the presence of the executive Directors.

Remuneration Committee

The Remuneration Committee consists 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.

As the Company has just been listed on the Listing Date and there was no change in the policy and structure of the remuneration of the Directors and senior management of the Group. No meeting of the Remuneration Committee was held from the Listing Date to 31 December 2016. Up to the date of this annual report, a meeting of the Remuneration Committee was held on 23 March 2017 to review and make recommendation to the Board on the remuneration policy and structure of the Company and the remuneration packages of the executive Directors and senior management and other related matters.

Details of the remuneration of the senior management by band are set out in this report on page 51.

Nomination Committee

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.

No meeting of the Nomination Committee was held from the Listing Date to 31 December 2016. Up to the date of this annual report, a meeting of the Nomination Committee was held on 23 March 2017 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.

Up to the date of this annual report, the Board met once, among other matters, to review 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 report.

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 2016 are set out in note 26(a) to the consolidated financial statements.

Details of the five individuals with 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 (the "**Internal Control Consultant**") 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;

- we have engaged an internal control consultant in December 2016 to assist the Board and the Internal Audit Department in implementing and monitoring of the risk management and internal control systems;

- we have appointed a compliance adviser upon Listing to advise us on on-going compliance with the Listing Rules and other applicable securities laws and regulations in Hong Kong;

- for the purpose of enhancing compliance awareness and knowledge, we have arranged compliance training to our management. The trainings provide information with respect to our internal control policies in relation to compliance with relevant laws and regulations. In addition, training has also been provided to our Directors and senior management in relation to compliance with 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 23 March 2017, the management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2016. The Directors are of the view that the risk management and internal control systems are adequate and effective.

At the board meeting held on 23 March 2017, 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 2016, 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 the 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 from the Listing Date to 31 December 2016 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 from the Listing Date to 31 December 2016 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 2016.

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 67 to 69.

Remuneration of Directors and five individuals with highest emoluments

Details of the remuneration of each of the Directors for the year ended 31 December 2016 are set out in note 26(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 2016 is set out below:

	Number of individuals
Nil to HK$1,000,000	5

Auditors' Remuneration

During the year ended 31 December 2016, 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 RMB'000
Audit services	1,947
Non-audit services	153
Total	2,100

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 2016. The biographical details of Mr. YU are set out on page 30 of this annual report.

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 2016. 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 China, 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 (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 ESG Report 2016

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (hereinafter referred to as the "**ESG Guide**") in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange. This report is the first Environmental, Social and Governance ("**ESG**") report (the "**ESG Report 2016**") published by the Group, which illustrates our performance in environmental, social and governance. Unless otherwise stated, the ESG Report 2016 covers the performance of environment and social responsibilities in four business segments of the Group, including property management services, retail services, catering services and ancillary living services from 1 January 2016 to 31 December 2016.

The Group sticks to its core philosophy of "Bringing a Delightful Touch to Life", and its core value of being "Responsible, Honest, Ready to Share, and Innovative" in daily operation and management. During our service provision, we never forget to fulfill our corporate social responsibility, give back to society, serve with consistent honesty, protect the interest of our stakeholders, and create value for different stakeholder groups.

Stakeholder Engagement and Materiality Assessment

We emphasized the communication with stakeholders and focused on the stakeholders' expectations of our environment and social responsibilities. Our major stakeholders include customers, shareholders, investors, governments, regulators, suppliers and communities. We communicated with stakeholders and collected their opinions in various ways, to enhance their engagement in formulating our business strategies. The Group will also maintain active and candid communication with its stakeholders, to help meet their expectations and demands and strive for stakeholders' long-term interest.

Customers

Ways of Engagement:
- Customer activities
- Daily operation/communication
- Collecting opinions

Expectations and demands:
* High-quality products and services
* Customer information protection and management
* Honesty and business activities

Shareholders/Investors

Ways of Engagement:
- General meetings
- Annual reports, financial reports and announcements
- Direct communication

Expectations and demands:
* Financial results
* Sustainable business development
* Investment in and contribution to society
* The transparency of the Company to Shareholders/Investors

Employees

Ways of Engagement:
- Training courses
- Employee activities
- Performance appraisal
- Daily communication such as meetings

Expectations and demands:
* Career development
* Health and safety
* Remuneration and benefits
* Equal opportunities

Governments/Regulators

Ways of Engagement:
- Direct communication
- Compliance management
- Meetings

Expectations and appeals:
* Operation and tax payment in compliance with laws and regulations
* Business development strategies
* Business ethics
* Community engagement

Suppliers

Ways of Engagement:
- Field trip and assessment
- Close communication
- Execution of orders/contracts

Expectations and appeals:
* Corporate reputation
* Product quality
* Environmental responsibility

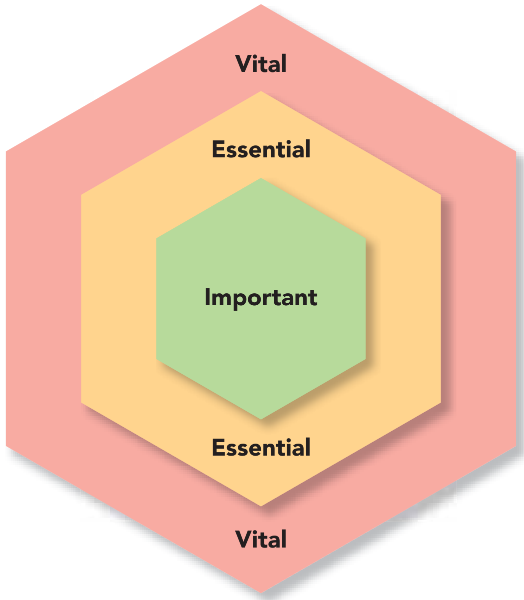
Communities

Ways of Engagement:
- Promotion of employment
- Voluntary service
- Investment in and contribution to the community

Expectations and demands:
* Contribution to society
* Environmental responsibility

In order to understand the stakeholders' expectations of the Group's ESG Report 2016, the Group has invited external professional advisors to help assess the materiality of relevant issues. We have developed a bank of issues which are selected by our analysis of stakeholders' focuses and with reference to the ESG Reporting Guide. We have also studied our internal and external stakeholders and analyzed the results, which will be applied to the planning of the Group's future ESG reports.

External Assessment
(The Impact on the Stakeholders)



Internal Assessment
(The Impact on the Business)

- Customer satisfaction
- Emissions and sewage treatment
- Health and safety of products and services
- Provider selection and assessment

- Waste treatment
- Resource consumption
- Employment
- Training and development of employees
- Health and safety of staff
- Customer privacy management
- Anti-corruption, anti-bribery

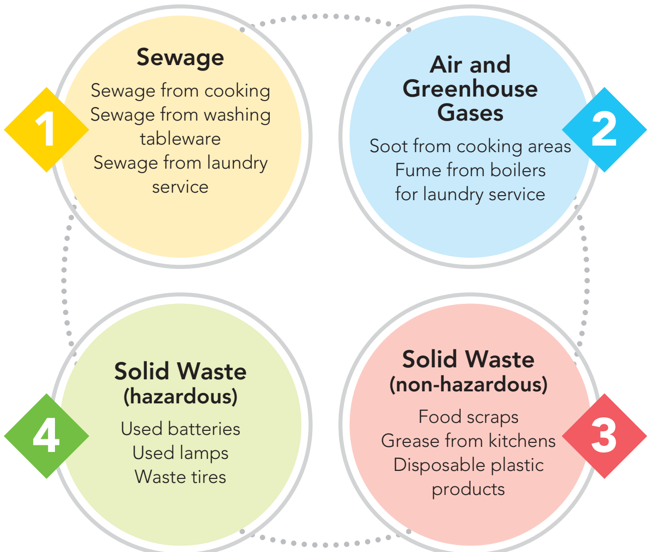
- Community development
- Reasonable marketing and promotion
- Employee composition by age group and gender
- Preventing child and forced labour

A Environmental

A1 Emissions

The Group complies with the national laws and regulations on environmental management and the requirements on emission standards. In 2016, the Group did not have any major non-compliance with relevant laws and regulations or any record concerning major environment pollution accidents.

The Group has the following categories of emissions in 2016:



The Group has built sewage treatment tanks for the laundry service, processed laundry sewage till it fitted relevant indicator from the environment protection bureau, before being discharged. The sewage from the Group's catering service is treated to remove its oil and residue so that it fits the emission standard and can be discharged.

The Group carries out the following management measures to reduce the environmental impact of its air and greenhouse gases:

– Installing soot purification devices in the kitchen, to ensure that the soot from cooking is filtered and purified through such devices before being discharged;

– Using natural gas and electrical devices for energy facilities, to reduce the air pollution caused by burning coal;

– Using environmentally friendly air conditioners, to reduce the environmental impact of Freon;

– Installing dust removal devices on the fume extractors for laundry service in accordance with government requirements, to ensure the fume generated from the equipment is filtered through dust removal devices before being discharged;

– Engaging professional companies to regularly maintain gas exhausting devices, to ensure normal function of all facilities.

The Group has its food scrap and grease recycled and properly treated by professional recycling companies. Such companies are also engaged to recycle and treat the Group's hazardous wastes, such as used batteries, used lamps and wasted tires, to prevent or reduce the negative environmental impact caused by the inappropriate treatment of such hazardous wastes.

Besides, the Group clearly states that no engineering construction shall take place during public holidays and all evenings, so that nearby residents can be exposed to less noise.

A2 Use of Resources

The Group uses energy-saving equipment during daily operation, in order to reach the goal on energy saving and consumption reduction:

– LED lights are adopted at operating areas, to reduce energy consumption;

– We adopt laundry machines equipped with variable frequency technology. The converter is able to alter the frequency of the power supply of the motor to control the electrical control equipment in the AC motor and reach the goal of saving energy. Since its establishment, our laundry company has adopted high-power electrical machines equipped with variable frequency technology.

In the Group's canteens, we adopted eco-friendly tableware for our package tableware, which is provided for consumers at their expense, in a bid to reduce the environmental impact caused by the use of disposable tableware. In the Group's retail stores also charge consumers for plastic bags, in addition to occasional events to offer free eco-friendly shopping bags, to help influence consumers to reduce the consumption of plastic bags from the source.

The Group uses custom-made large water tanks to collect the condensate water from steam-powered heating equipment in draining rooms, and the cooling water from dry cleaning machines. The collected water is then reused in linen re-wash and main wash for recycle, to improve the effectiveness of water consumption and reduce resource consumption.

The Group provides that every Saturday, relevant department managers and heads of property management companies set up appropriate schedules for switching on and off the lights in public areas according to current weather data and the actual situation. Such schedule can be adjusted by the staff of each specific area, to ensure that the lights in public areas are turned on or off according to the time of the day and minimize electricity consumption.

The Group attaches great importance to and encourages energy saving and efficient resource utilization, and takes appropriate measures of resource recycling and reuse, to reduce the waste of resources. The Group encourages its staff members to save electricity, water and paper in their daily work, and stipulates the following clear requirements in the Staff Handbook:

– Department staff shall switch off the lights when leaving the office, and the temperature shall not fall below 25°C in an air-conditioned office;

– The maintenance staff shall provide immediate and comprehensive checks on whether any water taps are opened when water supply resumes after a long period of water stoppage, in a bid to prevent excessive water loss;

– Staff members shall adopt paperless office as much as they can, print on both sides of a sheet of paper, and reuse the clean side of used paper for drafts or notes, etc.

In 2016, the Group initiated a green renovation project of furnishing supermarkets with enclosed glass. The project mainly aims to save the electricity consumption of the central air conditioning in the supermarkets, by providing fully enclosed glass near the escalators located at supermarket exits and extending the air curtain above such escalators, to prevent or reduce the cold air from central air conditioners escaping through the insufficient glass and air curtains, which in turn will save electricity. The project has been completed and put into operation in January 2017.

A3 Environment and Natural Resources

The Group considers environmental protection as its corporate responsibility and recognizes that sustainable development of the environment is important to the sustainable operation of our business. In its daily operation, the Group adopts various green measures to reduce its adverse impact on the environment.

When providing services for proprietors, the Group tries its best to use environmentally friendly and energy-saving facilities, and strictly monitors the emissions of its facilities. For example, the property management companies have already replaced all shuttle buses not satisfying government's emission standards, and monitors the exhaust emission of all the shuttle buses based on government monitoring standard monthly. The vehicles found to be not in compliance with the emission standards would be immediately sent to repair shops for maintenance, in order to reduce the environmental pollution of exhaust.

The Group's property management companies seldom use pesticides to protect green plants, in order to reduce the environmental pollution of pesticides. Meanwhile, we introduce beneficial insects to eat pests, to protect the green plants. This in turn helps develop a small biological chain in the community in which pests are eaten by beneficial insects who are consumed by birds. In addition, the Group explicitly states in the Proprietor's Manual that no proprietor shall randomly dump sewage or garbage in public areas, in order to reduce the environmental pollution caused by proprietors' misconduct.

In addition, the Group is actively involved in the "**Earth Hour**" global environmental protection activity launched by the World Wide Fund for Nature. From 20:30 to 21:30 on 26 March 2016, the Group's stores and office areas turn off all unnecessary lights, electricity equipment and products. At the same time, we mobilized all staff members and their families to join in the event, to strengthen the awareness of environmental protection among all staffs and appeal to community residents for a low-carbon lifestyle.

B Social

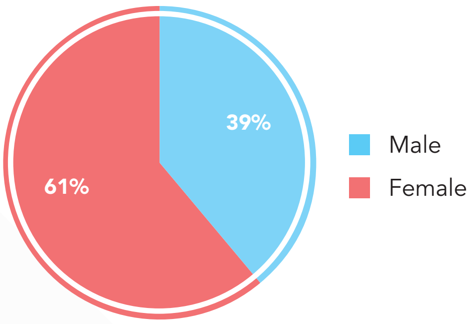
B1 Employment

The Group is in strict compliance with relevant national and local law and regulations in relation to employment. In 2016, the Group did not have any material non-compliance with employment-related laws and regulations.

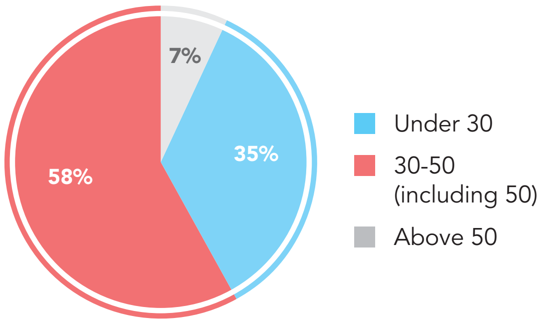
The Group has formulated the Code of Operation for the Human Resources and Administration Department (《人事行政部運營守則》) to standardize staff recruitment and dismissal, promotion, remuneration, working hours, holidays, equal opportunities and other day-to-day matters. The Group is also committed to providing its staff with reasonable remuneration packages and equal, non-discriminative work atmosphere. In the Group, male and female staff members have equal opportunities for employment and promotion.

As at 31 December 2016, the Group had a staff of 1,034. Their details are stated as follows:

Gender Distribution



Age Distribution



The Group conducts regular performance appraisals for its staff according to the standards of technical skills and business levels. Department heads appraise the job performance of their subordinates in respect of their quality, achievements and ability, and advise on salary adjustment or promotion according to organizational structure, positions setting, work requirements and manpower budgets.

TIDBITS OF SPORTS MEETS


Marathon


Basketball Match


Tug of war


Snooker Match

B2 Health and Safety

The Group is in strict compliance with the provisions on occupational health and safety provided in the PRC labor law and local labor regulations. In 2016, the Group did not have any material non-compliance with relevant laws and regulations.

While striving to ensure the occupational safety of its staff, the Group requires those with special work types to work with permitted licenses during recruitment, in order to ensure that such staff members have adequate qualifications to work safely. During their induction, new staff members receive training on their work position guidelines, to guide the staff to work safely. As for the staff's daily work, we have formulated and distributed an operational manual on daily work to the staff, to regulate occupational health and safety, and enhance all the staff's awareness of safety and health.

The Group has a full-time fire brigade to regularly inspect fire-fighting equipment and escape routes, to ensure that fireproof and escape facilities are in good condition. The Group conducts fire drills once every year; staff of the Group must attend the drills to enhance the fire prevention awareness and consciousness to escape.

The Group cares about the health of its staff members. Every year, we organize all the staff to receive a medical checkup at the local hygiene and epidemic prevention station, where they have gained timely knowledge of their physical conditions. Meanwhile, the Group encourages its staff to participate in staff sports meets, such as marathons, basketball matches, tug of war and snooker matches, to promote health concepts and enhance staff cohesion.

B3 Development and Training

In order to improve the overall quality and professional techniques of all our staff, we formulate the Training Management System to standardize staff training management. We have set up a series of training courses based on different stages and positions of our staff members, to cater to their needs in such respects as their entry and safe practice, and improvement application skills and management capability. Such courses are aimed to help the staff enjoy all-round development to adapt to the needs of social change and meet the needs of enterprises for talents.

The Group attaches great importance to the training on staff service quality; for each service field, relevant staff members receive training on service awareness, etiquette, service language, ethics and communication skills from time to time, to improve our service quality.

TIDBITS ON TRAINING SITES

Training of Work Skills

Training of Service Etiquette

Training of Fire Safety Operation

Training of Fire Safety Operation

B4 Labor Standards

The Group recruits staff in accordance with national and local laws and regulations relating to labor rights and interests and the requirements of the Group's Code of Operation of Human Resources and Administration Department. The Group remains firm in employing no child labor and forced labor, and ensures staff rights and interests. In 2016, the Group did not have any material non-compliance with relevant laws and regulations.

The Staff Manual of the Group clarifies the regulation on average daily working hours, overtime pay and alternative leave of the staff. Regarding the applicable cases to overtime pay, the Group shall pay the staff members for their overtime work in accordance with statutory requirements.

B5 Supply Chain Management

The Group has formulated and implemented such systems as the Purchasing Management System and the Product Selection Management System for Suppliers, requiring cooperative suppliers to hold such legal documents as recognized by the government and relevant departments and to sell the goods that are sourced from proper channels. Food suppliers shall provide their goods in compliance with the current regulations on food labeling and related sanitation regulations. Such suppliers shall also submit relevant food permits, QS certification, trademark certification, purchase invoices and other supporting documents if necessary. The Group builds its supplier archives by such technological approaches as scanning, taking photographs, data exchange, and preparing spreadsheets, for future reference.

For goods or services of large demand or frequent consumption, the procurement department shall, based on its actual needs, work with the departments that consume such goods or services to comprehensively learn from and assess the suppliers in respect of their conditions, cost control, transport and after-sales service, record relevant negotiations and establish supplier archives.

In order to ensure smooth supply channels and prevent accidents, the Group provides that it should have two or more suppliers as back-up suppliers or have alternate procurement between them for daily necessaries. Bulk commodities should be supplied by more than two suppliers at the same time to ensure reasonable supply, quality and price.

The Group conducts unscheduled inspection on ongoing suppliers, such as visiting the site of the supplier to effectively investigate its production capacity, technical skills, quality assurance capability, supply capacity, safety and environmental management.

B6 Product Responsibility

The Group is in strict compliance with the laws and regulations relating to product health and safety for daily operation and management. After receiving ingredients such as fresh ingredients from the suppliers, we require the suppliers to provide the food qualification certificate for the day. We also strictly check such certificates for other ingredients to ensure the quality of ingredients before their storage. The Group regularly checks the shelf life and quality of its inventories, to ensure the quality of the products sold.

In addition, the Group has formulated the Food Safety Management System to regulate the health and safety of food. Regarding the management of food safety, we have set up a separate storage room to conserve food. The Group also stores its raw and cooked ingredients separately in a strict manner, and washes different ingredients in different flush tanks to ensure no cross-contamination of food and hence food quality.

The Group values customer feedback on its products and services, and has developed a Complaint Handling Process to regulate the way we handle customer comments. We advocate a proactive approach and flexible channels to ensure that customers can express their views conveniently and communicate with us effectively.

– The proprietors may contact the responsible staff of the customer service department of the Group's property management companies via telephone and WeChat. At the same time, we collect proprietors' feedback through the daily house visits of our service specialists and regular proprietor forums;

– Service specialists pay visits to proprietors in a timely manner to check on the handling of the complaints;

– The customer service department regularly analyzes and summarizes the records of its compliments and complaints account, and adjusts the services based on the results of such analysis to improve customer satisfaction.

The Group strictly complies with the relevant laws and regulations relating to the privacy of personal information and has formulated the Proprietor Information Confidentiality System, to regulate the protection of proprietors' information. We ensure that the personal information we have collected are kept confidential and used only for specified purposes. The Group has set up a system control to access proprietors' information, which is only accessible by the staff with enquiry authority. No staff (even director) has the authority to bulk export proprietors' personal information from the system. At the same time, all the system users have their own passwords, which ensure all enquiries has log record and can be traced.

The Group advertises and publicizes the information of products and services in strict compliance with the relevant regulations of the PRC advertising law, to and according to the actual situation, to protect customers' interest. In 2016, the Group did not have any matters concerning false advertising or publicity.

B7 Anti – Corruption

The Group and its employees strictly comply with relevant laws, regulations and code of ethics. In 2016, The Group did not have any litigation cases involving the corruption of the Group or its staff.

The Group has set up report mailboxes and disclosed its reporting channels, such as telephone, WeChat and mailboxes, through media to collect the views on the staff behavior of the Group. All such reporting will be processed in a prudent and confidential manner. The Group distributes the Employee Handbook to all the staff. By reading the Handbook, staff can understand the scope and channels of reporting corrupt behavior, and their obligation to cooperate with investigation, and monitor the behavior of other staff.

The Group pays attention to educate its staff on clean conduct. All new staff members are required to receive the pre-service vocational education on clean conduct, to guide their conduct and behavior during daily operation. Meanwhile, we have established a special process to handle three types of discipline inspection, namely, "receiving report", "routine work measures, supervision, inspection and penalties" and "a special monitoring procedure" and clarified the authority level of investigation, so as to guide discipline inspection personnel to complete their work effectively.

B8 Community Investment

The Group understands community needs by actively participating in or organizing community activities, and taking community interest into account during the management of daily operation, to establish a harmonious relationship between the Company and communities through joint efforts.

In December 2016, the Group organized a "donating warmth to the mountainous area" ("捐衣送暖到山區") activity at the commercial street of Clifford Landmark, in the hope of helping the needy. The recipients were people who live in the mountainous area of Qinghai Yushu and Guizhou Huishui.

After the activity, we have received the thank-you letters from Guangzhou Youth Volunteers Association (廣州青年志願者協會) and the service team Donating Clothes with Compassion (衣點愛心服務隊).

From June to July 2016, the Group sponsored and organized as a co-organizer of the campaign "Donating Books with Compassion" ("愛心捐書大行動") in each of its communities. The activity, which started in 2008, has already helped establish dozens of philanthropic book stores in Qingyuan, Guangxi and other poor mountainous areas.

On December 4, 2016, the Group organized its Clifford Marathon, during which residents and the Group's staff ran along the main roads of Clifford Estates and around Clifford Lake. The activity is held to promote proper exercise among the residents and the staff of the Group for robust physiques.

In 2016, the Group motivated its staff to participate in a voluntary blood donation activity, to contribute to society and help the people in need.

On 7 May 2016, the Group organized a Mother's Day activity themed "I Love My Mom" ("我愛媽媽"), a contest to design reusable bags. The activity aims to advocate a green life and parent-child activities.

On 19 June 2016, the Group organized a Father's Day activity themed "My Dad" ("我的老爸"), a T-shirt design contest. The activity aims to encourage parent-child activities and improve the bond between family members.

INDEPENDENT AUDITOR'S REPORT

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 70 to 125, which comprise:

- the consolidated income statement for the year ended 31 December 2016;
- the consolidated statement of comprehensive income for the year ended 31 December 2016;
- the consolidated balance sheet as at 31 December 2016;
- the consolidated statement of changes in equity for the year ended 31 December 2016;
- the consolidated statement of cash flows for the year ended 31 December 2016; 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 2016, and of its consolidated financial performance and its consolidated cash flows for the year ended 31 December 2016 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 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 judgment, 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 Matters (Continued)

Key audit matter identified in our audit is the recoverability of amounts placed in residents' accounts, which is summarized as follows:

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of Amounts Placed in Residents' Accounts	
Refer to note 4(a) and 15(b) to the consolidated financial statements. Certain subsidiaries of the Group engaging in property management business on commission basis opened bank accounts on behalf of the resident communities ("Residents' Accounts"). The Residents' Accounts are for the purpose of collection of property management fees and resident support services fees from the residents and payment of the related expenditure of the communities. The Group is also responsible for managing these bank accounts on behalf of the resident communities pursuant to the property management service contracts. The balances of Residents' Accounts comprise of property management commission fees and residents support service fees entitled by the Group which are classified as "Amounts placed in Residents' Accounts" in trade and other receivables of the Group's consolidated balance sheet. The Amounts placed in the Residents' Accounts are settled annually. As at 31 December 2016, the Amounts placed in Residents' Accounts amounted to RMB18,005,000, representing 6% of total assets of the Group. When the balances of the Residents' Accounts are not able to cover the related expenditure of the communities, impairment provision should be considered for Amounts placed in Residents' Accounts. We focused on this area because management made subjective judgements in analysing the recoverability of the Amounts placed in Residents' Accounts.	We have performed the following procedures to address this key audit matter: 1) We understood, assessed and tested the internal controls over the Residents' Accounts which were managed by the Group; 2) We obtained the financial statements of the resident communities (the "Resident's Book") for the year ended 31 December 2016, discussed with the management who prepared the Resident's Book to assess whether the property management fee received or receivable from the resident communities was able to cover the expenditure incurred relating to the property management services as at balance sheet date; and 3) We obtained the annual budget of the resident communities for the year ending 31 December 2017, and performed procedures to assess the recoverability of the Amounts placed in Residents' Accounts. Our procedures comprised mainly: • Analysing whether the forecasted property management fee was consistent with historical charge rate of same or similar properties; • Analysing the cash collection ratio in relation to property management fees, assessing whether the projected cash collection ratio was consistent with the historical collection pattern; • Analysing the major cost compositions contained in the budget by comparing with the actual costs incurred in the year ended 31 December 2016. For the cost fluctuations, we inquired of management about the reason on a sample basis, and assessed the reasonableness of such changes by examining supporting evidences. 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 the information included in Chairman's Statement, Management Discussion and Analysis and Report of Directors (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and Environmental, Social and Governance Report, Corporate Governance Report, Financial Highlights and Financial Summary, which are expected to be made available to us after that date.

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 prior to the date of this auditor's report, 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.

When we read Environmental, Social and Governance Report, Corporate Governance Report, Financial Highlights and Financial Summary, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate action considering our legal rights and obligations.

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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgment 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.

- 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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 Chu Wang Hay.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2017

CONSOLIDATED INCOME STATEMENT

(All amounts in RMB thousands unless otherwise stated)

	Note	Year ended 31 December 2016	2015
Revenue	5	**289,681**	261,112
Cost of sales	6	**(169,633)**	(160,654)
Gross profit		**120,048**	100,458
Selling and marketing expenses	6	**(21,540)**	(18,263)
Administrative expenses	6	**(58,528)**	(26,275)
Other income	8	**512**	1,018
Other gains/(losses) – net		**808**	(594)
Operating profit		**41,300**	56,344
Finance income	8	**380**	444
Finance cost	8	**(14)**	–
Share of profit/(loss) from investment in an associate		**7**	(2)
Profit before income tax		**41,673**	56,786
Income tax expenses	9	**(18,619)**	(16,692)
Profit for the year		**23,054**	40,094
Profit attributable to:			
– Owners of the Company		**20,247**	34,847
– Non-controlling interests		**2,807**	5,247
		23,054	40,094
Earnings per share attributable to the owners of the Company during the year (expressed in RMB per share):			
– Basic earnings per share	10	**0.026**	0.046
– Diluted earnings per share	10	**0.026**	0.046

The notes on pages 76 to 125 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in RMB thousands unless otherwise stated)

	Year ended 31 December	
	2016	2015
Profit for the year	**23,054**	40,094
Other comprehensive income	**–**	–
Total comprehensive income for the year	**23,054**	40,094
Total comprehensive income attributable to:		
– Owners of the Company	**20,247**	34,847
– Non-controlling interests	**2,807**	5,247
	23,054	40,094

The notes on pages 76 to 125 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

(All amounts in RMB thousands unless otherwise stated)

	Note	As at 31 December 2016	2015
Assets			
Non-current assets			
Property, plant and equipment	12	**19,477**	10,259
Intangible assets		**444**	373
Investment in an associate		**–**	63
		19,921	10,695
Current assets			
Inventories	14	**11,542**	8,265
Trade and other receivables	15	**41,564**	47,200
Term deposits	16(b)	**27,544**	7,960
Restricted cash	16(c)	**608**	478
Cash and cash equivalents	16(a)	**181,853**	93,334
		263,111	157,237
Total assets		**283,032**	167,932
Equity			
Equity attributable to owners of the Company			
Share capital	17	**8,744**	–
Share premium	17	**183,824**	–
Reserves	18	**(98,535)**	4,007
Retained earnings		**109,288**	91,395
		203,321	95,402
Non-controlling interests		**6,381**	3,574
Total equity		**209,702**	98,976

The notes on pages 76 to 125 are an integral part of these consolidated financial statements.

(All amounts in RMB thousands unless otherwise stated)

	Note	As at 31 December 2016	2015
Liabilities			
Non-current liabilities			
Deferred income tax liabilities	19	**1,200**	857
Current liabilities			
Trade and other payables	20	**64,712**	60,148
Current income tax liabilities		**7,418**	7,951
		72,130	68,099
Total liabilities		**73,330**	68,956
Total equity and liabilities		**283,032**	167,932

The notes on pages 76 to 125 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 70 to 125 were approved by the Board of Directors on 23 March 2017 and were signed on its behalf by:

Ms. MAN Lai Hung
Chairman & Executive Director

Mr. LEONG Chew Kuan
Chief Financial Officer & Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in RMB thousands unless otherwise stated)

	Note	Attributable to owners of the Company					Non-controlling interests	Total equity
		Share capital (Note 17)	Share premium (Note 17)	Reserves (Note 18)	Retained earnings	Total		
Balance at 1 January 2015		2,805	–	11,070	64,296	78,171	1,903	80,074
Comprehensive income								
Profit for the year		–	–	–	34,847	34,847	5,247	40,094
Other comprehensive income		–	–	–	–	–	–	–
		–	–	–	34,847	34,847	5,247	40,094
Transactions with owners of the Company								
Transfer of a subsidiary under common control	1.2(c)	(2,805)	–	(4,863)	–	(7,668)	–	(7,668)
Changes in ownership interests in a subsidiary without change of control	23	–	–	(9,948)	–	(9,948)	(3,576)	(13,524)
Appropriation of statutory reserves		–	–	7,748	(7,748)	–	–	–
		(2,805)	–	(7,063)	(7,748)	(17,616)	(3,576)	(21,192)
Balance at 31 December 2015		–	–	4,007	91,395	95,402	3,574	98,976
Balance at 1 January 2016		**–**	**–**	**4,007**	**91,395**	**95,402**	**3,574**	**98,976**
Comprehensive income								
Profit for the year		**–**	**–**	**–**	**20,247**	**20,247**	**2,807**	**23,054**
Other comprehensive income		**–**	**–**	**–**	**–**	**–**	**–**	**–**
		–	**–**	**–**	**20,247**	**20,247**	**2,807**	**23,054**
Transactions with owners of the Company								
Effect of the Reorganisation	**18(b)**	**8**	**105,182**	**(105,190)**	**–**	**–**	**–**	**–**
Employees' share option	**18(c)**	**–**	**–**	**294**	**–**	**294**	**–**	**294**
Issue of shares in connection with the Company's listing	**17**	**8,736**	**92,330**	**–**	**–**	**101,066**	**–**	**101,066**
Share issuance costs	**17**	**–**	**(13,688)**	**–**	**–**	**(13,688)**	**–**	**(13,688)**
Appropriation of statutory reserves	**18(a)**	**–**	**–**	**2,354**	**(2,354)**	**–**	**–**	**–**
		8,744	**183,824**	**(102,542)**	**(2,354)**	**87,672**	**–**	**87,672**
Balance at 31 December 2016		**8,744**	**183,824**	**(98,535)**	**109,288**	**203,321**	**6,381**	**209,702**

The notes on pages 76 to 125 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in RMB thousands unless otherwise stated)

		Year ended 31 December	
	Note	2016	2015
Cash flows from operating activities			
Cash generated from operations	21	83,014	62,027
Income tax paid		(12,334)	(16,492)
Net cash generated from operating activities		70,680	45,535
Cash flows from investing activities			
Purchases of property, plant and equipment		(14,430)	(3,336)
Proceeds from disposal of property, plant and equipment		396	10
Purchases of intangible assets		(142)	(287)
Loans repaid by related parties and a third party		–	36,400
Increase in term deposits		(19,584)	(4,960)
Interest received		437	5,967
Net cash (used in)/generated from investing activities		(33,323)	33,794
Cash flows from financing activities			
Dividends paid to the then equity holders of the Group		–	(22,619)
Consideration paid to Ms. Man for transfer of subsidiaries under common control		–	(7,668)
Acquisition of additional interest in a subsidiary		–	(13,524)
Interest paid to a related party		–	(111)
Proceeds from a bank loan		4,473	–
Repayment of the bank loan		(4,473)	–
Interest paid to a bank		(14)	–
Proceeds from issue of ordinary shares		101,066	–
Listing expenses paid		(36,564)	(11,902)
Cash advances from related parties		3,072	56,451
Cash advances repaid to related parties		(16,398)	(64,292)
Net cash generated from/(used in) financing activities		51,162	(63,665)
Net increase in cash and cash equivalents		88,519	15,664
Cash and cash equivalents at beginning of year	16(a)	93,334	77,670
Cash and cash equivalents at end of year	16(a)	181,853	93,334

The notes on pages 76 to 125 are an integral part of these consolidated financial statements.

1. General Information and Reorganisation

1.1 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 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, etc. (the "Listing Business") in the People's Republic of China (the "PRC").

The Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 8 November 2016 (the "Listing").

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 23 March 2017.

1.2 Reorganisation

Prior to the incorporation of the Company and the completion of the reorganisation (the "Reorganisation"), the Listing Business was principally operated by the PRC companies of the Group (collectively the "Operating Companies") controlled by Ms. Man Lai Hung ("Ms. Man").

Except for three of the Operating Companies, namely Guangzhou Clifford Education Information Consulting Limited (廣州市祈福教育信息諮詢有限公司) (Note 1.2(a)), Guangzhou Champion Management Limited (廣州市冠勤企業管理諮詢有限公司) (Note 1.2(b)) and Panyu Clifford Property Management Limited (廣州市番禺祈福物業管理有限公司, "Panyu PM Co") (Note 1.2(c)), all the other Operating Companies were indirectly held by Elland Holdings Limited ("Elland Holdings") (an investment holding company incorporated in British Virgin Islands wholly owned by Ms. Man) through Great Polly Investments Limited ("Great Polly") and a number of intermediate holding companies incorporated in British Virgin Islands ("BVI") or Cayman Islands wholly owned by Great Polly (the "Intermediate Holding Companies") before the Reorganisation.

In preparation for the Listing, the Reorganisation was undertaken pursuant to which certain Operating Companies engaged in the Listing Business were transferred from Ms. Man to the Group by way of the following steps:

(a) Guangzhou Clifford Education Information Consulting Limited was held by an individual on behalf of Ms. Man. On 24 February 2014, the entire equity interests of Guangzhou Clifford Education Information Consulting Limited was transferred to a subsidiary of the Group at a consideration of RMB2,612,000.

1. General Information and Reorganisation (Continued)

1.2 Reorganisation (Continued)

(b) Guangzhou Champion Management Limited was indirectly held by Ms. Man. On 26 February 2014, the entire equity interest of Guangzhou Champion Management Limited was transferred to a subsidiary of the Group at a consideration of RMB101,000.

(c) 51% of equity interests in Panyu PM Co was held by a related company of the Group on behalf of Ms. Man and the remaining 49% equity interests were held by two non-controlling shareholders. On 24 August 2015, the 51% of equity interests in Panyu PM Co was transferred from Ms. Man to a subsidiary of the Group at a consideration of RMB7,668,400. On 29 December 2015, the subsidiary of the Group further acquired 24.5% of the equity interests in Panyu PM Co from one of the two non-controlling shareholders at a consideration of RMB13,524,000. After the acquisition, the Group holds 75.5% of the equity interests in Panyu PM Co.

(d) On 8 July 2015, Wide Leisure Limited ("Wide Leisure") was incorporated in the BVI with share capital of US$1 allotted to Ms. Man.

(e) On 13 November 2015, Green Charm Enterprises Limited ("Green Charm") was incorporated in Hong Kong with share capital of HK$1 allotted to Ms. Man.

(f) On 6 January 2016, the Company was incorporated in the Cayman Islands with 10,000 nil-paid shares issued to Elland Holdings.

(g) On 21 January 2016, the Company acquired the entire equity interest in Wide Leisure from Ms. Man at a consideration of US$1.

(h) On 21 January 2016, Wide Leisure acquired the entire equity interest in Green Charm from Ms. Man at a consideration of HK$1.

(i) On 22 January 2016, the Company allotted and issued 990,000 new shares of HK$0.01 each to Elland Holdings together with the 10,000 nil-paid shares then held by Elland Holdings being credited as fully paid up at par in exchange for transferring the issued share capital of the Intermediate Holding Companies from Great Polly Investments Limited to Green Charm.

After the completion of the Reorganisation, the Company became the holding company of the Group.

(All amounts in RMB thousands unless otherwise stated)

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 disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements have been prepared under the historical cost convention.

The preparation of consolidated 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 or after 1 January 2016:

HKFRS 11 (Amendments)	Accounting for acquisitions of interests in joint operations
HKAS 16 and HKAS 38 (Amendments)	Clarification of acceptable methods of depreciation and amortisation
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment entities: applying the consolidation exception
HKAS 27 (Amendment)	Equity method in separate financial statements
Annual improvements 2014	Annual improvements 2012–2014 cycle
HKAS 1 (Amendment)	Disclosure initiative
HKFRS 14	Regulatory deferral accounts

The adoption of these amendments did not have any significant impact on the current period or any prior period.

(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 2016 and not early adopted by the Group

Up to the date of issuance of this report, 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
HKAS 7 (Amendment)	Statement of cash flows	1 January 2017
HKAS 12 (Amendment)	Income taxes	1 January 2017
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
HKFRS 16	Leases	1 January 2019
HKFRS 2 (Amendment)	Classification and measurement of share-based payment transactions	1 January 2018

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.

The amendments to HKAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The amendments to HKAS 12 on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.

HKFRS 15 replaces the previous revenue standards: HKAS 18 Revenue and HKAS 11 Construction Contracts, and the related Interpretations on revenue recognition. HKFRS 15 establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize 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 core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an approach of transfer of risk and rewards to an approach based on transfer of control. HKFRS 15 provides specific guidance on capitalisation of contract cost and licence arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Under HKFRS 15, an entity recognises revenue when a performance obligation is satisfied.

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 2016 and not early adopted by the Group (Continued)

HKFRS 9 (2014), "Financial instruments" replaces the whole of HKAS 39. HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

HKFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 contains a 'three stage' approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. HKFRS 9 applies to all hedging relationships, with the exception of portfolio fair value hedges of interest rate risk.

The amendments to HKFRS 10 and HKAS 28 address an inconsistency between HKFRS 10 and HKAS 28 in the sale and contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary. The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted.

The Group is a leasee of certain offices and buildings, which are currently accounted for as operating leases under HKAS 17 based on the accounting policy as set out in Note 2.23(a). As of 31 December 2016, the Group's minimum lease payments under non-cancellable operating lease agreements are of RMB61,575,000 as separately disclosed in Note 22. Under HKFRS 16, leasees are required to recognise a lease liability reflecting future lease payments and a right-of-use asset for all lease contracts in the balance sheet. Leasees will also have to present interest expense on the lease liability and depreciation on the right-of-use asset in the income statement. In comparison with operating leases under HKAS 17, this will change not only the allocation of expenses but also the total amount of expenses recognised for each period of the lease term. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term. The new standard has included an optional exemption for certain short-term leases and leases of low-value assets. This exemption can only be applied by leasees. The Group is expected to apply the new standard starting from the financial year beginning on or after 1 January 2019.

There are no other HKFRSs or HK (IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

2. Summary of Significant Accounting Policies (Continued)

2.2 Subsidiaries

2.2.1 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 Group applies the acquisition method to account for business combinations except business combinations under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

Acquisition-related costs are expensed as incurred.

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 re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

2. Summary of Significant Accounting Policies (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) *Business combinations* (Continued)

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(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.

(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. Summary of Significant Accounting Policies (Continued)

2.2 Subsidiaries (Continued)

2.2.2 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.

2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of profit of investments accounted for using equity method" in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in the consolidated income statement.

2. Summary of Significant Accounting Policies (Continued)

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/(losses) – net".

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	5-15 years
– Vehicles	4-5 years
– Office equipment	3-5 years
– Leasehold improvements	3-8 years
– Other equipment	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 2.8).

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 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial assets

2.9.1 Classification

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period, which are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" (Note 2.12), "term deposits", "restricted cash" and "cash and cash equivalents" (Note 2.13) in the consolidated balance sheet.

2.9.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2. Summary of Significant Accounting Policies (Continued)

2.10 Impairment of financial assets

Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2.11 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.

2.12 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 2.9.2 for further information about the Group's accounting for trade receivables and Note 2.10 for a description of the Group's impairment policies.

2. Summary of Significant Accounting Policies (Continued)

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 balance sheet. Bank deposits with initial terms of over three months are included in "term deposits" in the consolidated balance sheet. 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.

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the consolidated income statement as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2. Summary of Significant Accounting Policies (Continued)

2.17 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on interest rates on similar borrowings in the entity's functional currency.

2.18 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 balance sheet 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.

2. Summary of Significant Accounting Policies (Continued)

2.18 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

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.

(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.

2.19 Employee benefits

(a) Pension obligations

The Group companies incorporated in the PRC 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 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.

2. Summary of Significant Accounting Policies (Continued)

2.19 Employee benefits (Continued)

(b) Housing benefits

PRC 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.

2.20 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 hold 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. Summary of Significant Accounting Policies (Continued)

2.21 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.

2.22 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied or services rendered, stated net of discounts returns and value added taxes and after eliminating sales within the Group. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. 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 when services are rendered. 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 the Group delivers the goods 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.

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

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)

2.22 Revenue recognition (Continued)

(e) Provision of the other services

The Group also provides various services, such as laundry services, off-campus training services, employment placement services, construction services, etc. Revenue is recognised when services are rendered.

(f) Rental income

The Group's policy for recognition of revenue from operating leases is described in Note 2.23(b).

(g) Interest income

Interest income is recognised using the effective interest method.

2.23 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

When assets are leased out under operating lease, the assets are included in the balance sheet 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.

2.24 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.

3. Financial Risk Management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: 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

Except for the receipt of listing proceeds and payment of certain listing expenses are transacted in Hong Kong Dollar, the Group's operates in the PRC with most transactions being settled in RMB, which is the functional currency of the group companies. 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.

(All amounts in RMB thousands unless otherwise stated)

3. Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

3.1.1 Foreign exchange risk (Continued)

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities as at 31 December 2016 and 2015 are as follows:

	As at 31 December	
	2016	2015
Monetary assets denominated in:		
– Hong Kong Dollars (HK$)	**76,411**	3,174
Monetary liabilities denominated in:		
– HK$	**412**	14,033

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	
	2016	2015
5% appreciation in RMB against:		
– HK$	**(3,800)**	543
5% depreciation in RMB against:		
– HK$	**3,800**	(543)

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.

(All amounts in RMB thousands unless otherwise stated)

3. Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

3.1.3 Credit risk

The Group has no concentrations on credit risk. Cash transactions are limited to high credit quality institutions. The Group's maximum exposure to credit risk in relation to financial assets is the carrying amounts of bank balances and trade and other receivables shown in the consolidated balance sheet.

As at 31 December 2016, substantially all the Group's bank balances are deposited with major financial institutions incorporated in the PRC, which management believes are of high credit quality without significant credit risk (31 December 2015: same).

The table below shows the bank balances of the major counterparties with external credit ratings as at 31 December 2016 and 2015 are as follows:

	As at 31 December	
	2016	2015
Counterparties with external credit ratings (Note):		
– Aa1	**47,394**	16,114
– A1	**162,377**	85,437
	209,771	101,551

Note: The source of credit rating is from Moody's.

For the trade and other receivables, the Group assessed the credit quality of the counter parties by taking into account their financial position, credit history and other factors. Management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any. The directors are of the opinion that risk of default by counter parties is low.

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 2016	35,367
As at 31 December 2015	38,864

3. Financial Risk Management (Continued)

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 balance sheets. During the years ended 31 December 2016 and 2015, the Group is at net cash position, which is calculated as cash and cash equivalents less total borrowings.

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) Recoverability of Amounts placed in Residents' Accounts

Certain property management companies of the Group engaged in provision of property management services for residential communities on commission basis opened bank accounts on behalf of the residents ("Residents' Accounts") to collect the property management fee and resident support services fee from the residents. The property management companies are also responsible for the treasury function of these bank accounts on behalf of the residents pursuant to the property management service contracts. The balances of Residents' Accounts included the property management commission fee and residents support service fee entitled by the property management companies of the Group which is classified as "Amounts placed in Residents' Accounts" in trade and other receivables of the Group's balance sheet. As at 31 December 2016, the amounts placed in Residents' Accounts amounted to RMB18,005,000 (31 December 2015: RMB24,010,000).

The Group made fund transfers of entitled amounts periodically from the Residents' Accounts to the Group's own bank accounts. When the remaining balances in the Residents' Accounts after such fund transfer are not able to cover the related cash expenditure of the property management services of the community, the Group's entitled amount cannot be collected in full and impairment provision should be considered. Management estimates the provision for Amounts Placed in Resident's Accounts by analysing whether property management fee received or receivable can cover the incurred cash expenditure relating to the property management services as at balance sheet date. Where the expectation is different from the original estimates, such difference will impact the carrying amount of Amounts Placed in Residents' Accounts and the impairment charge in the period in which such estimate has been made. As at 31 December 2016, no impairment provision was made for the Amounts Placed in Residents' Accounts (31 December 2015: nil).

(b) Income taxes

The Group is subject to corporate income taxes in the PRC 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.

(All amounts in RMB thousands unless otherwise stated)

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, and employment placement 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 assesses the performance of the operating segments based on a measure of segment revenue and results and segment assets. Segment results excluded central administration costs, other income, other gains/(losses)-net, finance income, finance costs and income tax expenses, and segment assets excluded the cash and cash equivalents, term deposits and interest receivable from related parties and a third party, as these activities are centrally driven by the Group.

Segment revenue and results

The segment revenue and results and the reconciliation with profit for the year ended 31 December 2016 are as follows:

	Retail services	Catering services	Property management services	Off-campus training services	Property agency services	Laundry services	Employment placement services	Total
Gross segment revenue	100,971	86,305	52,045	27,056	13,267	9,951	1,500	291,095
Inter-segment revenue	(304)	(666)	(74)	–	–	(370)	–	(1,414)
Revenue	100,667	85,639	51,971	27,056	13,267	9,581	1,500	289,681
Segment results	16,598	3,081	30,225	11,756	5,260	356	864	68,140
Other income								512
Other gains – net								808
Finance income								380
Finance costs								(14)
Unallocated expenses								(28,153)
Income tax expenses								(18,619)
Profit for the year								23,054
Segment results include:								
Share of profit from investment in an associate	–	7	–	–	–	–	–	7
Depreciation and amortisation	1,843	2,157	83	214	11	521	4	4,833

(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 2015 are as follows:

	Retail services	Catering services	Property management services	Off-campus training services	Property agency services	Laundry services	Employment placement services	Total
Gross segment revenue	98,881	76,280	50,672	20,651	4,496	9,316	1,467	261,763
Inter-segment revenue	(213)	(5)	–	–	–	(433)	–	(651)
Revenue	98,668	76,275	50,672	20,651	4,496	8,883	1,467	261,112
Segment results	16,598	7,828	25,795	8,656	1,402	670	705	61,654
Other income								1,018
Other losses – net								(594)
Finance income								444
Unallocated expenses								(5,736)
Income tax expenses								(16,692)
Profit for the year								40,094
Segment results include:								
Share of loss from investment in an associate	–	(2)	–	–	–	–	–	(2)
Depreciation and amortisation	815	833	92	131	26	523	4	2,424

(All amounts in RMB thousands unless otherwise stated)

5. Segment Information (Continued)

The segment assets and the reconciliation with total assets of the Group as at 31 December 2016 and 2015 are as follows:

Segment assets

	As at 31 December	
	2016	2015
Retail services	**27,127**	18,101
Catering services	**13,068**	6,331
Property management services	**24,543**	35,626
Off-campus training services	**1,008**	518
Property agency services	**111**	83
Laundry services	**5,381**	5,295
Employment placement services	**2,245**	475
Total segment assets	**73,483**	66,429
Cash and cash equivalents	**181,853**	93,334
Term deposits	**27,544**	7,960
Interest receivable from related parties and a third party	**152**	209
Total assets	**283,032**	167,932

These assets are allocated based on the operations of the segment and the physical location of the assets.

As at 31 December 2016, certain proceeds from the IPO of HK$80.7 million (equivalent to RMB72.4 million) were temporarily deposited in our bank accounts in Hong Kong and will be remitted to our PRC companies for intended use. Except for this, more than 90% of the carrying values of the Group's assets are situated in the PRC and all of the Group's revenue are derived from activities in, and from customers located in the PRC and no geographical segment analysis is shown.

There is no single customer contributes more than 10% of the Group's revenue for each of the years ended 31 December 2016 and 2015.

(All amounts in RMB thousands unless otherwise stated)

6. Expenses by Nature

	Year ended 31 December 2016	2015
Employee benefit expenses (Note 7)	**84,097**	65,512
Cost of goods sold for retail business	**56,237**	59,080
Cost of raw materials and consumables for catering business	**33,581**	28,581
Listing expenses	**22,924**	5,736
Utilities – electricity, water and gas, etc.	**10,388**	9,332
Operating lease payments	**9,220**	9,208
Sub-contracting costs for other services	**7,835**	8,916
Depreciation and amortisation	**4,833**	2,424
Office expenses	**3,963**	2,552
Business tax and other levies	**3,901**	8,921
Auditors' remuneration:		
– Audit service	**1,947**	176
– Non-audit service	**153**	–
Advertising expenses	**834**	403
Others	**9,788**	4,351
	249,701	205,192

7. Employee Benefit Expenses

	Year ended 31 December 2016	2015
Wages and salaries	**68,580**	52,444
Staff welfare expenses (Note (a))	**15,223**	13,068
Pre-IPO share options granted to directors, senior management and employees (Note 18(c))	**294**	–
	84,097	65,512

(a) Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC 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)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group included 2 executives for the year ended 31 December 2016 (2015: 1). The emoluments of executives are disclosed in Note 26, the emoluments payable to the remaining highest paid individuals during the years ended 31 December 2016 and 2015 are as follows:

	Year ended 31 December	
	2016	2015
Basic salaries, housing allowances, other allowances and benefits in kind	**1,963**	1,508

The emoluments fell within the following bands:

	Number of individuals Year ended 31 December	
	2016	2015
Emolument bands (in HKD)		
Nil – HKD1,000,000	**3**	4

8. Other Income, Finance Income and Cost

	Year ended 31 December	
	2016	2015
Other income:		
– Interest income on cash and cash equivalents	**300**	778
– Interest income from amounts placed in Residents' Accounts (Note 15(b))	**212**	240
	512	1,018
Finance income:		
– Interest income from loans to related parties	**–**	301
– Interest income on term deposits	**380**	143
	380	444
Finance cost:		
– Interest expenses of a bank borrowing	**(14)**	–
Finance income – net	**366**	444

(All amounts in RMB thousands unless otherwise stated)

9. Income Tax Expenses

	Year ended 31 December	
	2016	2015
Current tax:		
– PRC corporate income tax	**17,294**	15,733
– Hong Kong profits tax	**125**	102
– PRC withholding income tax	**857**	5,546
Total current tax	**18,276**	21,381
Deferred tax:		
– PRC withholding income tax	**343**	(4,689)
Income tax expenses	**18,619**	16,692

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	
	2016	2015
Profit before tax	**41,673**	56,786
Tax charge at effective rate applicable to profits in the respective group entities	**17,526**	15,659
Tax effects of:		
– An associate's result reported net of tax	**2**	(1)
– Income not subject to tax	**(544)**	(231)
– Expenses not deductible for tax purposes	**301**	139
– Tax losses for which no deferred income tax asset was recognised	**134**	269
	17,419	15,835
PRC withholding income tax	**1,200**	857
Tax charge	**18,619**	16,692

The weighted average applicable tax rate was 42% (2015: 28%). The increase in weighted average applicable tax rate for the year ended 31 December 2016 is mainly due to non-deductible listing expenses incurred by the Company.

(All amounts in RMB thousands unless otherwise stated)

9. Income Tax Expenses (Continued)

PRC corporate income tax

The income tax provision of the Group in respect of operations in the PRC 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 corporate income tax rate applicable to the group entities located in the PRC ("PRC entities") is 25% according to the Corporate Income Tax Law of the People's Republic of China effective on 1 January 2008.

PRC withholding income tax

PRC withholding income tax of 10% shall be levied on the dividends declared by PRC 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 subsidiaries are incorporated or operated in Hong Kong and fulfil the requirement to the tax treaty arrangement between the PRC and Hong Kong.

During the year ended 31 December 2016, provision of deferred income tax for the earnings of the PRC subsidiaries planned to be distributed to overseas has been made at withholding income tax rate of 10%.

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.

10. 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	
	2016	2015
Profit attributable to equity holders of the Company (RMB)	**20,247,000**	34,847,000
Weighted average number of ordinary shares in issue	**786,986,301**	750,000,000
Basic earnings per share for profit attributable to the shareholders of the Company during the year (expressed in RMB per share)	**0.026**	0.046

The weighted average number of ordinary shares in issue for the purpose of calculating basic and diluted earnings per share has been adjusted for the effect of capitalisation issue of 749,000,000 shares pursuant to the resolution dated 21 October 2016 (Note 17(b)) and subsequently became effective on 8 November 2016.

(All amounts in RMB thousands unless otherwise stated)

10. 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.

For the year ended 31 December 2015, diluted earnings per share is equal to the basic earnings per share, as there were no dilutive shares. As stated in Note 18(c), Pre-IPO Share Option Scheme was adopted and effective on 8 November 2016. Diluted earnings per share for the year ended 31 December 2016 was calculated as below:

	Year ended 31 December	
	2016	2015
Profit attributable to equity holders of the Company (RMB)	**20,247,000**	34,847,000
Weighted average number of ordinary shares in issue	**786,986,301**	750,000,000
Adjustments for:		
– Pre-IPO share options	**1,040,878**	–
Weighted average number of ordinary shares for diluted earnings per share	**788,027,179**	750,000,000
Diluted earnings per share for profit attributable to the shareholders of the Company during the year (expressed in RMB per share)	**0.026**	0.046

(All amounts in RMB thousands unless otherwise stated)

11. Subsidiaries

The following is a list of the principal subsidiaries at 31 December 2016:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Registered/ issued and paid-up capital	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
Directly owned					
Wide Leisure Limited 廣逸有限公司	BVI, limited liability company	Investment holding in BVI	USD1	100%	–
Indirectly owned					
Green Charm Enterprises Limited 青美企業有限公司	Hong Kong, limited liability company	Investment holding in Hong Kong	HKD1	100%	–
Alpha Year Investment Ltd 贊溢投資有限公司	Hong Kong, limited liability company	Investment holding in Hong Kong	HKD1	100%	–
Treasure Forever Limited 寶都花華有限公司	Hong Kong, limited liability company	Investment holding in Hong Kong	HKD1	100%	–
Clifford Property Mgt (HK) Ltd 祈福物業管理(香港)有限公司	Hong Kong, limited liability company	Investment holding in Hong Kong	HKD1	100%	–
Pretty Angel Limited 彩琪有限公司	Hong Kong, limited liability company	Consultancy services in Hong Kong	HKD1	100%	–
Best Able Investments Ltd. 溢年投資有限公司	Hong Kong, limited liability company	Investment holding in Hong Kong	HKD1	100%	–
Mighty Choice Limited 威麒有限公司	Hong Kong, limited liability company	Investment holding in Hong Kong	HKD1	100%	–
Easy Dollar Investments Limited 駿鑫投資有限公司	Hong Kong, limited liability company	Investment holding in Hong Kong	HKD1	100%	–

(All amounts in RMB thousands unless otherwise stated)

11. Subsidiaries (Continued)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Registered/ issued and paid-up capital	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
Indirectly owned (Continued)					
Vigour Trade Limited 業湛有限公司	Hong Kong, limited liability company	Investment holding in Hong Kong	HKD1	100%	–
Favour Market Investments Limited 銘樂投資有限公司	Hong Kong, limited liability company	Investment holding in Hong Kong	HKD1	100%	–
Ace Wisdom Limited 佳廷有限公司	Hong Kong, limited liability company	Investment holding in Hong Kong	HKD1	100%	–
Guangzhou Panyu Clifford Property Management Limited* 廣州市番禺祈福物業管理有限公司	PRC, limited liability company	Property management services in the PRC	RMB5,500,000	75.5%	24.5%
Foshan Clifford Property Management Limited* 佛山市祈福物業管理有限公司	PRC, limited liability company	Property management services in the PRC	HKD8,770,000	100%	–
Guangzhou Clifford Trading Limited* 廣州市祈福貿易有限公司	PRC, limited liability company	Retail services in the PRC	RMB1,000,000	100%	–
Guangzhou Smart Real Estate Agency Limited* 廣州市睿明房地產中介有限公司	PRC, limited liability company	Property agency services in the PRC	RMB300,000	100%	–
Guangzhou Welcome Employment Limited* 廣州市惠爾家職業介紹有限公司	PRC, limited liability company	Employment placement services in the PRC	RMB2,000,000	100%	–
Guangzhou Goodwash Laundry Limited* 廣州市雪白洗衣有限公司	PRC, limited liability company	Laundry services in the PRC	RMB5,000,000	100%	–
Guangzhou Clifford Herbal Cusine Catering Limited* 廣州市祈福藥膳坊餐飲有限公司	PRC, limited liability company	Catering services in the PRC	RMB1,000,000	100%	–

(All amounts in RMB thousands unless otherwise stated)

11. Subsidiaries (Continued)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Registered/ issued and paid-up capital	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
Indirectly owned (Continued)					
Guangzhou Mascot Catering Limited* 廣州市福品餐飲有限公司	PRC, limited liability company	Catering services in the PRC	RMB1,000,000	100%	–
Guangzhou Panyu Clifford Education Training Centre* 廣州市番禺區祈福教育培訓中心	PRC, limited liability company	Off-campus training services in the PRC	RMB50,000	100%	–
Guangzhou Clifford Household Services Limited* 廣州市祈福家居服務有限公司	PRC, limited liability company	Construction and household services in the PRC	RMB500,000	100%	–
Guangzhou Clifford Farm Restaurant Catering Limited* 廣州市祈福農家菜館餐飲有限公司	PRC, limited liability company	Catering services in the PRC	RMB1,000,000	100%	–
Guangzhou Clifford Big Brother Congee & Noodles Limited* 廣州市祈福一哥雲吞面有限公司	PRC, limited liability company	Catering services in the PRC	RMB1,000,000	100%	–

* 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)

12. Property, Plant and Equipment

	Machinery	Vehicles	Office equipment	Leasehold improvements	Other equipment	Total
Year ended 31 December 2015						
Opening net book amount	6,641	310	902	1,407	100	9,360
Additions	2,027	3	408	563	335	3,336
Disposals	(58)	(3)	(7)	–	–	(68)
Depreciation charge	(696)	(107)	(830)	(681)	(55)	(2,369)
Closing net book amount	7,914	203	473	1,289	380	10,259
As at 31 December 2015						
Cost	10,821	730	2,861	3,553	472	18,437
Accumulated depreciation	(2,907)	(527)	(2,388)	(2,264)	(92)	(8,178)
Net book amount	7,914	203	473	1,289	380	10,259
Year ended 31 December 2016						
Opening net book amount	**7,914**	**203**	**473**	**1,289**	**380**	**10,259**
Additions	**1,399**	**103**	**1,664**	**9,682**	**1,582**	**14,430**
Disposals	**(33)**	**–**	**(156)**	**–**	**(261)**	**(450)**
Depreciation charge	**(886)**	**(72)**	**(1,077)**	**(2,521)**	**(206)**	**(4,762)**
Closing net book amount	**8,394**	**234**	**904**	**8,450**	**1,495**	**19,477**
As at 31 December 2016						
Cost	**12,024**	**833**	**3,664**	**13,236**	**1,785**	**31,542**
Accumulated depreciation	**(3,630)**	**(599)**	**(2,760)**	**(4,786)**	**(290)**	**(12,065)**
Net book amount	**8,394**	**234**	**904**	**8,450**	**1,495**	**19,477**

Depreciation of the property, plant and equipment has been charged to profit or loss as follows:

	Year ended 31 December	
	2016	2015
Cost of sales	**1,968**	1,021
Selling and marketing expenses	**2,006**	932
Administrative expenses	**788**	416
	4,762	2,369

(All amounts in RMB thousands unless otherwise stated)

13. Financial Instruments by Category

	As at 31 December	
	2016	2015
Financial asset		
Loans and receivables:		
– Trade and other receivables excluding prepayments	**40,564**	43,073
– Cash and cash equivalents	**181,853**	93,334
– Term deposits	**27,544**	7,960
– Restricted cash	**608**	478
	250,569	144,845
Financial liabilities at amortised costs		
Trade and other payables excluding non-financial liabilities	**35,367**	38,864

14. Inventories

	As at 31 December	
	2016	2015
Merchandise goods	**9,491**	6,588
Raw materials	**1,656**	1,589
Others	**395**	88
	11,542	8,265

(All amounts in RMB thousands unless otherwise stated)

15. Trade and Other Receivables

	As at 31 December	
	2016	2015
Trade receivables (Note (a)):		
– Related parties (Note 25(d))	**1,507**	4,297
– Third parties	**3,956**	3,655
	5,463	7,952
Amounts placed in Residents' Accounts (Note (b))	**18,005**	24,010
Other receivables:		
– Related parties (Note 25(d))	**9,530**	5,954
– Third parties	**7,414**	4,948
	16,944	10,902
Interest receivables (Note (c)):		
– Related parties (Note 25(d))	**–**	57
– A third party	**152**	152
	152	209
Prepayments:		
– Third parties	**1,000**	4,127
	41,564	47,200

(All amounts in RMB thousands unless otherwise stated)

15. Trade and Other Receivables (Continued)

(a) Trade receivables due from third parties mainly represented the receivables of outstanding property management fee charged on commission basis and the receivables of laundry service income.

During the years ended 31 December 2016 and 2015, the Group's trading terms are mainly on a cash basis, except for certain corporate customers of laundry services and household services, as well as property management fee receivable from residents, which is generally with one month credit period.

As at 31 December 2016 and 2015, the ageing analysis of the trade receivables based on invoice date were as follows:

	As at 31 December	
	2016	2015
Up to 1 year	**4,773**	7,591
1 to 2 years	**433**	266
Over 2 years	**257**	95
	5,463	7,952

As at 31 December 2016, trade receivables of RMB5,463,000 were fully performing (31 December 2015: RMB7,952,000).

As at 31 December 2016, trade receivables of RMB3,156,000 were past due but not impaired. These relate to a number of customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The ageing analysis of these trade receivable is as follows:

	As at 31 December	
	2016	2015
0 to 30 days	**49**	46
31 to 60 days	**453**	865
61 to 90 days	**545**	911
91 to 180 days	**782**	2,125
181 to 365 days	**689**	380
1 to 2 years	**428**	266
Over 2 years	**210**	48
	3,156	4,641

(All amounts in RMB thousands unless otherwise stated)

15. Trade and Other Receivables (Continued)

(b) Certain property management companies of the Group engaged in provision of property management services for residential communities on commission basis opened bank accounts on behalf of the residents ("Residents' Accounts") to collect the property management fee and resident support services fee from the residents. The property management companies are also responsible for the treasury function of these bank accounts on behalf of the residents pursuant to the property management contracts. As at 31 December 2016, amounts placed in Residents' Accounts of RMB18,005,000 represented the balances of the property management commission fee and resident support service fee entitled by the property management companies (31 December 2015: RMB24,010,000). As at 31 December 2016, amounts placed in Resident's Accounts carry interest at prevailing rates from 0.35% to 1.75% per annum (31 December 2015: 0.35% to 2.05% per annum). The fair value of these balances approximates their carrying amounts.

(c) Interest receivable from loans to a third party carry fixed interest rates of 6% per annum and repayable within one year from the balance sheet date.

Trade and other receivables do not contain impaired assets. 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.

16. Cash and Bank Balances

(a) Cash and cash equivalents

	As at 31 December	
	2016	2015
Cash at bank and on hand	**170,579**	84,604
Short-term bank deposits	**11,274**	8,730
	181,853	93,334

Short-term bank deposits carry interest at prevailing deposit rates which range from 1.35% to 1.60% per annum.

	As at 31 December	
	2016	2015
Cash and cash equivalents denominated in (Note):		
– RMB	**105,442**	90,160
– HK$	**76,411**	3,174
	181,853	93,334

Note: The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

16. Cash and Bank Balances (Continued)

(b) Term deposits

	As at 31 December	
	2016	2015
Matured within:		
– 6 months	**490**	4,460
– 1 year	**27,054**	3,500
	27,544	7,960

The term deposits carry interest at prevailing deposit rates which range from 1.55% to 3.00% per annum. The fair value of the Group's term deposits approximate their carrying amounts. The term deposits are denominated in RMB.

(c) 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.

17. 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:					
At the date of incorporation and as at 31 December 2016	10,000,000,000	100,000,000	87,440		
Issued and fully paid:					
Issue of shares on 6 January 2016 (date of incorporation) (Note 1.2(f))	10,000	–	–	–	–
Effect of the Reorganisation (Note 18(b))	990,000	10,000	8	105,182	105,190
Issue of ordinary shares (Note (a))	250,000,000	2,500,000	2,187	98,879	101,066
Share issuance costs (Note (a))	–	–	–	(13,688)	(13,688)
Capitalisation issue (Note (b))	749,000,000	7,490,000	6,549	(6,549)	–
As at 31 December 2016	1,000,000,000	10,000,000	8,744	183,824	192,568

(a) On 8 November 2016, the Company was listed on the Main Board of the Stock Exchange by way of share offering of 250,000,000 new shares with par value of HKD0.01 per share at offer price of HKD0.46 per share. The total cash consideration, before issuance costs was approximately HKD115,582,000 (equivalent to RMB101,066,000). The underwriting commissions and other capitalised issuance costs paid and payable amounting to RMB13,688,000 have been debited to the share premium.

(b) According to a written resolution dated 21 October 2016, conditional on the share premium account of the Company being credited as a result of the public offering, 749,000,000 shares were allotted and issued to the then sole shareholder of the Company at par value of HKD0.01 per share by capitalising HKD7,490,000 (equivalent to RMB6,549,000) standing to the credit of the share premium account as fully paid.

(All amounts in RMB thousands unless otherwise stated)

18. Reserves

	Statutory reserve (Note (a))	Capital reserve (Note (b))	Share – based compensation reserve (Note (c))	Total
As at 31 December 2014	3,871	7,199	–	11,070
Acquisition of a subsidiary under common control	–	(4,863)	–	(4,863)
Transaction with non-controlling interests	–	(9,948)	–	(9,948)
Appropriation of statutory reserves	7,748	–	–	7,748
As at 31 December 2015	11,619	(7,612)	–	4,007
Effect of the Reorganisation (Note (b))	–	(105,190)	–	(105,190)
Pre-IPO share option scheme (Note (c))	–	–	294	294
Appropriation of statutory reserves	2,354	–	–	2,354
As at 31 December 2016	**13,973**	**(112,802)**	**294**	**(98,535)**

(a) Statutory reserve

In accordance with relevant rules and regulations in the PRC, except for sino-foreign equity joint venture enterprises, all PRC companies are required to transfer 10% of their profit after taxation calculated under PRC 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

Amounts 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 represented the difference between the capital of subsidiaries under common control and the consideration paid (Note 1.2).

(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 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 ("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 five years and six months of the Listing Date.

As at 31 December 2016, the Pre-IPO Share Option Scheme was not yet exercisable.

18. Reserves (Continued)

(c) Pre-IPO Share Option Scheme (Continued)

Movements in the number of shares options outstanding are as follows:

	Average exercise price in HK$ per share option	Number of share options
As at 1 January 2016	–	–
Granted	**0.414**	21,175,000
As at 31 December 2016	**0.414**	21,175,000

The expiry date of the share options outstanding at as at 31 December 2016 is 8 May 2022 (31 December 2015: nil).

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 by an independent valuer based on significant unobservable inputs. These inputs include:

Description	Fair value as at 31 Dec 2016 RMB'000	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of Unobservable inputs to fair value
Pre-IPO share options	1,472	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)

19. Deferred Income Tax Liabilities

The analysis of deferred income tax liabilities is as follows:

	As at 31 December 2016	2015
Deferred income tax liabilities:		
– Deferred income tax liability to be recovered within 12 months	**1,200**	857

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
Deferred tax liabilities	
As at 1 January 2015	5,546
Credited to consolidated income statement	(4,689)
As at 31 December 2015	857
As at 1 January 2016	**857**
Charged to consolidated income statement	**343**
As at 31 December 2016	**1,200**

As at 31 December 2016, the Group did not recognise deferred income tax assets of RMB1,209,000 (31 December 2015: RMB1,075,000) in respect of tax losses of RMB5,487,000 (31 December 2015: RMB4,884,000). Tax losses of group entities operated in the PRC could be carried forward for a maximum of five years.

As at 31 December 2016, the Group has not recognised the provision of PRC withholding income tax of RMB7,778,000 (As at 31 December 2015: RMB4,012,000) in relation to the undistributed profits of certain PRC group entities totalling RMB77,780,000 (2015: RMB40,120,000) as the Group does not have a plan to distribute these profits out of the PRC in the foreseeable future.

(All amounts in RMB thousands unless otherwise stated)

20. Trade and Other Payables

	As at 31 December 2016	2015
Trade payables (Note (a)):		
– Related parties (Note 25(d))	**16**	3
– Third parties	**19,823**	12,444
	19,839	12,447
Other payables:		
– Related parties (Note 25(d))	**2,466**	15,157
– Third parties	**13,062**	11,585
	15,528	26,742
Advances from customers:		
– Third parties	**13,124**	6,565
Accrued payroll	**14,547**	13,780
Other taxes payables	**1,674**	614
	64,712	60,148

(a) As at 31 December 2016 and 2015, the ageing analysis of the trade payables (including amounts due to related parties of trading in nature) based on invoice date were as follows:

	As at 31 December 2016	2015
Up to 1 year	**18,140**	11,639
1 to 2 years	**1,009**	214
2 to 3 years	**152**	499
Over 3 years	**538**	95
	19,839	12,447

(All amounts in RMB thousands unless otherwise stated)

21. Cash Generated from Operations

	Year ended 31 December	
	2016	2015
Profit before income tax	**41,673**	56,786
Adjustments for:		
– Depreciation of property, plant and equipment (Note 12)	**4,762**	2,369
– Amortisation of intangible assets	**71**	55
– Losses on disposal of property, plant and equipment	**54**	58
– Finance income (Note 8)	**(380)**	(143)
– Finance cost (Note 8)	**14**	–
– Share based compensation (Note 7)	**294**	–
Changes in working capital:		
– Restricted cash	**(130)**	(425)
– Inventories	**(3,277)**	(113)
– Trade and other receivables	**(5,479)**	(264)
– Trade and other payables	**45,412**	3,704
Cash generated from operations	**83,014**	62,027

22. Commitments

Operating lease commitments – group entities as lessee

The Group leases various retail outlets, restaurants, 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	
	2016	2015
Up to 1 year	**13,619**	6,348
1 to 5 years	**47,956**	26,487
Over 5 years	**–**	4,513
	61,575	37,348

23. Transactions With Non-controlling Interests

Acquisition of additional interest in a subsidiary

On 29 December 2015, the Group acquired 24.5% equity interests of Panyu PM Co at a consideration of RMB13,524,000. The carrying amount of the non-controlling interests in Panyu PM Co being acquired as of the date of acquisition is RMB3,576,000. The effect of changes in equity of the Group is summarised as follows:

	As at 31 December 2015
Carrying amount of non-controlling interests acquired	3,576
Consideration paid to non-controlling interests	(13,524)
Excess of consideration paid recognised as a decrease in reserves	(9,948)

(All amounts in RMB thousands unless otherwise stated)

24. Future Minimum Rental Payment Receivable

The future aggregate minimum lease rental receivables under non-cancellable operating leases are as follows:

	As at 31 December	
	2016	2015
Up to 1 year	**8,170**	2,401
1 to 5 years	**7,414**	780
	15,584	3,181

25. Related Party Transactions

(a) Name and relationship with related parties:

Name	**Relationship**
Ms. Man	Ultimate shareholder of the Company
Mr. Pang Lun Kee	Spouse of Ms. Man
廣東祈福醫院有限公司	Company under control of the spouse of Ms. Man
廣州市花都祈福房地產有限公司	Company under control of the spouse of Ms. Man
廣州市花都祈福花園房產有限公司	Company under control of the spouse of Ms. Man
廣州市冠都物業有限公司	Company under control of the spouse of Ms. Man
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
廣州市花都祈福置業有限公司	Company under control of the spouse of Ms. Man
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
佛山市南海祈福仙湖酒店有限公司	Company under control of the spouse of Ms. Man
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
廣州市番禺區祈福英語實驗學校	Company under significant influence of the spouse of Ms. Man
肇慶祈福海岸房地產有限公司	Company under control of the spouse of Ms. Man
佛山市南海祈福置業有限公司	Company under control of the spouse of Ms. Man
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 third party companies
廣州市倚湖物業有限公司	Company under control of the spouse of Ms. Man
廣州市番禺區祈福新邨學校	Company under significant influence of the spouse of Ms. Man
佛山市南海祈福家居實業有限公司	Company under control of the spouse of Ms. Man
佛山市南海祈福房地產有限公司	Company under control of the spouse of Ms. Man
廣州市番禺祈福房產有限公司	Company under control of the spouse of Ms. Man
China Venture Limited	Company under control of the spouse of Ms. Man
廣州市科進計算機技術有限公司	Company under control of Ms. Man
Clifford Modern Living Company Limited	Company under control of Ms. Man
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

(All amounts in RMB thousands unless otherwise stated)

25. Related Party Transactions (Continued)

(b) The following transactions were carried out with related parties:

	Year ended 31 December 2016	2015
Sales of goods		
廣東祈福醫院有限公司	**420**	158
Others (individual transaction is less than RMB200,000)	**744**	602
	1,164	760
Provision of services		
廣州市花都祈福房地產有限公司	**4,076**	3,335
廣東祈福醫院有限公司	**3,511**	3,177
廣州市花都祈福花園房產有限公司	**2,413**	2,221
廣州市番禺祈福新邨房地產有限公司	**1,778**	4,084
廣州市冠都物業有限公司	**1,578**	–
廣州市番禺祈福新邨渡假俱樂部有限公司	**1,558**	2,415
廣州市花都祈福置業有限公司	**1,500**	1,417
廣州市花都新華祈福房地產有限公司	**1,171**	54
佛山市南海祈福仙湖酒店有限公司	**967**	194
廣州市番禺區祈福英語實驗學校	**627**	468
廣州市番禺區祈福英語實驗小學	**502**	543
肇慶祈福海岸房地產有限公司	**486**	485
佛山市南海祈福置業有限公司	**445**	389
廣州市番禺區祈福新邨學校	**354**	389
廣州市倚湖物業有限公司	**346**	694
佛山市南海祈福家居實業有限公司	**240**	241
Others (individual transaction is less than RMB200,000)	**1,118**	904
	22,670	21,010
Interest income received/receivable of loans to related parties		
佛山市南海祈福房地產有限公司	**–**	179
廣州市花都新華祈福房地產有限公司	**–**	122
	–	301
Rental expenses		
廣州市番禺祈福新邨房地產有限公司	**3,468**	5,742
廣州市冠都物業有限公司	**1,992**	–
廣州市番禺祈福新邨渡假俱樂部有限公司	**927**	960
廣東祈福醫院有限公司	**681**	670
廣州市番禺區祈福新邨學校	**120**	120
廣州市番禺祈福房產有限公司	**119**	200
Others (individual transaction is less than RMB100,000)	**179**	158
	7,486	7,850
Purchase of property, plant and equipment		
廣州市冠都物業有限公司	**8,093**	–

(All amounts in RMB thousands unless otherwise stated)

25. Related Party Transactions (Continued)

(c) Key management compensation

Compensations for key management other than those for directors as disclosed in Note 26 is set out below.

	Year ended 31 December	
	2016	2015
Salaries and other employee benefits	**1,650**	1,134

(d) Balances with related parties

	As at 31 December	
	2016	2015
Receivables from related parties (Note 15):		
– Trade receivables (Note (i))		
廣東祈福醫院有限公司	**599**	537
廣州市番禺祈福新邨渡假俱樂部有限公司	**201**	533
佛山市南海祈福仙湖酒店有限公司	**199**	8
廣州市番禺祈福新邨房地產有限公司	**124**	343
廣州市番禺區祈福新邨學校	**39**	150
廣州市花都祈福置業有限公司	**14**	1,250
廣州市倚湖物業有限公司	**9**	167
廣州市花都祈福花園房產有限公司	**–**	1,108
Others (individual balance is less than RMB100,000)	**322**	201
	1,507	4,297
– Other receivables (Note (ii))		
廣州市番禺祈福新邨渡假俱樂部有限公司	**2,502**	1,456
廣州市冠都物業有限公司	**1,937**	590
廣東祈福醫院有限公司	**1,625**	202
廣州市番禺祈福新邨房地產有限公司	**1,606**	1,773
China Venture Limited	**917**	917
廣州市科進計算機技術有限公司	**271**	6
廣州市番禺區祈福英語實驗學校	**139**	19
廣州市番禺祈福房產有限公司	**–**	293
Clifford Modern Living Company Limited	**–**	354
Others (individual balance is less than RMB100,000)	**533**	344
	9,530	5,954
– Interest receivable from related parties		
Others (individual balance is less than RMB100,000)	**–**	57
Total receivables from related parties	**11,037**	10,308

(All amounts in RMB thousands unless otherwise stated)

25. Related Party Transactions (Continued)

(d) Balances with related parties (Continued)

	As at 31 December	
	2016	2015
Payables to related parties (Note 20):		
– Trade payables (Note (i))		
Others (individual balance is less than RMB100,000)	**16**	3
– Other payables (Note (ii))		
廣州市番禺祈福新邨房地產有限公司	**713**	79
廣州市花都新華祈福房地產有限公司	**453**	452
廣州市番禺祈福新邨渡假俱樂部有限公司	**418**	202
廣東祈福醫院有限公司	**172**	94
廣州市展盛商業地產經營管理有限公司	**145**	–
Ms. Man	**–**	13,310
China Venture Limited	**–**	345
廣州市花都祈福花園房產有限公司	**–**	248
Others (individual balance is less than RMB100,000)	**565**	427
	2,466	15,157
Total payables to related parties	**2,482**	15,160

(i) Trade receivables and payables with related parties are unsecured and interest-free. These balances are with credit period of one month.

(ii) Other receivables and payables with related parties are unsecured and interest-free. The deposits balances are repayable upon maturity of rental period according to the respective contracts, the remaining balances are repayable on demand.

	As at 31 December	
	2016	2015
Other receivables:		
– Cash advance	**4,100**	541
– Deposits	**3,274**	2,320
– Others	**2,156**	3,093
	9,530	5,954
Other payables:		
– Cash advance	**–**	13,326
– Deposits	**–**	39
– Others	**2,466**	1,792
	2,466	15,157

(All amounts in RMB thousands unless otherwise stated)

25. Related Party Transactions (Continued)

(e) Movements of other payables to related parties

	Year ended 31 December	
	2016	2015
As at beginning of the year	**15,157**	22,629
Additions	**9,249**	39,960
Repayments	**(21,940)**	(47,432)
As at end of the year	**2,466**	15,157

26. Benefits and Interests of Directors

During the year ended 31 December 2016, the following directors of the Company were appointed:

Chairman
Ms. Man Lai Hung (appointed on 6 January 2016)

Executive directors
Mr. Sun Wei Kong (appointed on 6 January 2016)
Mr. Leong Chew Kuan (appointed on 6 January 2016)
Ms. Liang Yuhua (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)

(All amounts in RMB thousands unless otherwise stated)

26. Benefits and Interests of Directors (Continued)

(a) Directors' emoluments

For the year ended 31 December 2016

The directors' emoluments received from the Group for the year ended 31 December 2016 are as follows:

	Year ended 31 December 2016					
	Fee	Salary (Note (i))	Allowances and benefits in kind (Note (ii))	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	–	69	8	–	233
Executive directors						
Mr. Sun Wei Kong	156	518	35	16	–	725
Mr. Leong Chew Kuan	156	385	35	16	–	592
Ms. Liang Yuhua	156	545	35	8	–	744
Non-executive director						
Mr. Liu Xing	156	–	35	–	–	191
Independent non-executive directors						
Ms. Law Elizabeth	26	–	–	–	–	26
Mr. Ho Cham	26	–	–	–	–	26
Mr. Mak Ping Leung	26	–	–	–	–	26
Total	858	1,448	209	48	–	2,563

Notes:

(i) 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.

(ii) Includes housing allowances and estimated amortisation of the Pre-IPO share options.

26. Benefits and Interests of Directors (Continued)

(a) Directors' emoluments (Continued)

For the year ended 31 December 2015

Ms. Man Lai Hung and Mr. Liu Xing did not receive any emoluments from the Group and related parties of the Group for the year ended 31 December 2015.

Ms. Liang Yuhua received emoluments from the Group amounting to RMB529,000 in the year ended 31 December 2015.

Mr. Sun Wei Kong and Mr. Leong Chew Kuan received emoluments totaling RMB681,000 during the year ended 31 December 2015, which were borne by related parties of the Group. Mr. Sun Wei Kong and Mr. Leong Chew Kuan were also management of the related parties during the year ended 31 December 2015 and their emoluments were not allocated to the Group as the management of the Company considers there is no reasonable basis of allocation.

(b) Directors' retirement benefits

During the year ended 31 December 2016, there were no additional retirement benefit received by the directors except for the attribution to a retirement benefit scheme as disclosed in note(a) above (2015: same).

(c) Directors' termination benefits

During the year ended 31 December 2016, there were no termination benefits received by the directors (2015: same).

(d) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2016, no consideration was paid to third parties for making available the services of the directors of the Company (2015: 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 2016, 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 (2015: 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 2016 (2015: same).

(All amounts in RMB thousands unless otherwise stated)

27. Balance sheet and reserve movement of the Company

Balance sheet of the Company

The Company was set up on 6 January 2016. Balance sheet of the Company as at 31 December 2016 is presented below:

	As at 31 December 2016
Assets	
Non-current assets	
Investments in subsidiaries	**105,190**
Current assets	
Other receivables	**748**
Cash and cash equivalents	**72,204**
	72,952
Total assets	**178,142**
Equity and liabilities	
Equity attributable to owners of the Company	
Share capital	**8,744**
Share premium	**183,824**
Reserves (Note (a))	**294**
Accumulated losses (Note (a))	**(38,928)**
Total equity	**153,934**
Liabilities	
Current liabilities	
Other payables	**24,208**
Total liabilities	**24,208**
Total equity and liabilities	**178,142**

The balance sheet of the Company was approved by the Board of Directors on 23 March 2017 and was signed on its behalf by:

Ms. MAN Lai Hung
Chairman & Executive Director

Mr. LEONG Chew Kuan
Chief Financial Officer & Executive Director

Note (a) Reserve movement of the Company

	Accumulated losses	Reserves
At 6 January 2016	–	–
Loss for the year	(38,928)	–
Pre-IPO share option scheme	–	294
At 31 December 2016	(38,928)	294

FINANCIAL SUMMARY

(All amounts in RMB thousands unless otherwise stated)

	For the year ended 31 December			
	2016	2015	2014	2013
Revenue	**289,681**	261,112	236,844	227,130
Gross profit	**120,048**	100,458	85,810	75,521
Operating profit	**41,300**	56,344	46,424	42,070
Profit before income tax	**41,673**	56,786	49,682	46,413
Profit for the year	**23,054**	40,094	34,257	32,742
Profit attributable to:				
Owners of the Company	**20,247**	34,847	29,588	27,885
Non-controlling interests	**2,807**	5,247	4,669	4,857

ASSETS AND LIABILITIES

	As at 31 December			
	2016	2015	2014	2013
Total assets	**283,032**	167,932	194,182	179,247
Total liabilities	**73,330**	68,956	114,108	121,326
	209,702	98,976	80,074	57,921
Equity attributable to owners of the Company	**203,321**	95,402	78,171	56,085
Non-controlling interests	**6,381**	3,574	1,903	1,836
	209,702	98,976	80,074	57,921