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

2017
Annual Report


Oxford Phonics World

CONTENTS

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

CORPORATE INFORMATION

Executive Directors
Ms. MAN Lai Hung *(Chairman)*[*]
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. SUN Derek Wei Kong
Mr. YU Ding Him Anthony

Registered office
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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
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

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

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

Legal Adviser
As to Hong Kong laws
Chiu & Partners

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
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* Re-designated from Executive Director to Non-executive Director with effect from 18 April 2018.

FINANCIAL HIGHLIGHTS

	For the year ended 31 December 2017 RMB'000	2016 RMB'000 (Restated)	Percentage change
Revenue	**365,387**	327,196	**+11.7%**
Gross profit	**151,600**	129,451	**+17.1%**
Operating profit	**84,216**	47,461	**+77.4%**
Profit before income tax	**84,819**	47,834	**+77.3%**
Profit for the year	**57,388**	27,831	**+106.2%**
Profit attributable to:			
Owners of the Company	**56,325**	25,024	**+125.1%**
Non-controlling interests	**1,063**	2,807	**-62.1%**
Adjusted net profit for the year[(1)&(2)]	**57,388**	50,755	**+13.1%**
Gross profit margin (%)	**41.5%**	39.6%	**4.9%**
Net profit margin (%)	**15.7%**	8.5%	**84.6%**
Adjusted net profit margin (%)[(1)&(2)]	**15.7%**	15.5%	**1.3%**
Earnings per share ("EPS") attributable to the owners of the Company during the year (expressed in RMB per share):			
– Basic earnings per share	**0.056**	0.032	**75.9%**
– Diluted earnings per share	**0.056**	0.032	**75.9%**
Proposed special dividend per ordinary share	**HK1.30 cents**	–	**N.A.**

Notes:

(1) Adjusted net profit and net profit margin for the year ended 31 December 2016 is derived by adding back listing expenses of RMB22.9 million.

(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.

(3) 2016 figures are restated for the changes as explained in Note 26 to the consolidated financial statements.

CHAIRMAN'S STATEMENT

In 2017, through the acquisition of new business, we have added information technology services to form a richer and diversified service portfolio comprising five major service segments: property management services, retail services, catering services, information technology services and ancillary living services.

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 2017.

We are a renowned service provider with a diversified service portfolio in Guangdong Province. In 2017, we are pleased to announce that we have successfully tapped into the promising information technology services through acquisition, thus further enhancing our integrated service industry chain and forming a richer and more diversified service portfolio comprising five major service segments, namely property management services, retail services, catering services, information technology services and ancillary living services.

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2017, our revenue increased to approximately RMB365.4 million, a year-on-year increase of approximately RMB38.2 million or 11.7%. Our gross profit increased to approximately RMB151.6 million, a year-on-year increase of approximately RMB22.1 million or 17.1%.

For the year ended 31 December 2017, our gross profit margin up from 39.6% in 2016 to 41.5% in 2017. Net profit in 2017 was about RMB57.4 million, a year-on-year increase of about RMB29.6 million or 106.2%. The Board recommended the payment of a special dividend of HK1.30 cents per ordinary share for the year ended 31 December 2017 (2016: Nil).

BUSINESS HIGHLIGHTS

In 2017, with our solid track record, substantial experience and good quality services, we were able to gain more business partners as well as customer recognition, and our business maintained a sound growth.

During the year under review, the Company made notable progress in expanding our business. We successfully acquired information technology services as our new service segment, the total contracted gross floor area ("**GFA**") under our property management services continued to grow and our off-campus training services saw a steady increase in enrollment. Also as of March 2018, the Group made a breakthrough in expanding commercial property management business by signing contracts of leasing of commercial and office space, property management and preliminary planning with several independent third parties. The total contracts' sum for this expansion are approximately RMB16.0 million for the period of one to eight years.

Our expansion in service scope, business partners and property management service contracts have given us a stronger momentum for any further development, laying a more solid foundation for our future growth.

Acquisition of information technology services

On 21 December 2017, we acquired information technology services, further expanding our service scope. The newly added business covers information technology services, related engineering services, security systems and hardware and software integration, and telecommunication services.

The newly added services have enabled us to provide better and more comprehensive property management services for the residents in the communities under our management and widen our revenue sources.

Increased GFA for property management services

In 2017, our total contracted GFA under management had increased to approximately 6,806,000 sq.m., representing a year-on-year increase of 855,000 sq.m. or 14.4%. The increase was mainly due to the additional inclusion of two new residential communities located in Panyu district and Foshan City, known as "Clifford Wonderview (祈福繽紛匯)" and "The Green (果嶺天地)" respectively; and a new pure commercial property located in Panyu district. The revenue of our property management services segment had increased to RMB80.1 million, an increase of 54.0%.

Upgraded convenience store to supermarket for retail services

In January 2017, we have relocated and upgraded one of our convenience stores to a supermarket in Panyu district. The size of such convenience store was upgraded from approximately 100 sq.m. to approximately 1,600 sq.m., and the variety of commodities was also increased from focusing on dry goods and daily supplies to an integrated store.

With the upgrade and renovation of our stores, we were able to attract more customers and boost our revenue of retail service segment, which had seen an increase to RMB105.1 million, a year-on-year growth of RMB4.4 million or 4.4%.

Catering services expansion in new business model

In the past year, we concentrated our catering services expansion on franchising and catering partnership business. As at 31 December 2017, we expanded four franchising and 10 catering partnership businesses in Panyu district respectively. We anticipate that the franchising and catering partnership expansion will drive the revenue growth in our catering services.

Off-campus training enrollment on a steady rise

We maintained a steady growth in student enrollment. In 2017, our revenue in off-campus training services had increased to RMB34.2 million, or 26.2%.

OUTLOOK FOR 2018

Further increase of total GFA for property management services

We plan to increase the total GFA and number of residential and pure commercial properties to further expand our business and market share. We plan to step up efforts to expand the integrated project business in apartments, shopping malls and commercial offices developed by independent third parties and provide property management services, property agency services, marketing consultancy services, etc. to further increase our revenue.

We have been looking for property management companies and contracts that focus mainly on the operation in Guangdong Province with a contracted GFA of over 50,000 square meters and the property price is at a medium or high level compared to the local housing price of the area.

We believe that by expanding the total contracted GFA and the number of residential and pure commercial properties managed by us, we will be able to increase the revenue of property management services.

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

We ride on our past experience and actively expand our retail, catering and off-campus training services network to achieve business growth. We plan to operate in suitable locations to expand our network in residential areas and neighboring areas.

With regard to catering, we shift our business strategy from restaurant service to brand promotion. We intend to select shops located in good location and engage more in franchising and catering partnership business.

Further develop online marketing and build online distribution channels

We intend to invest in online marketing, such as promoting different services and the image of the Group on third party websites. We also intend to work 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 sincere gratitude to our shareholders and business partners for their constant support for the Group. Going forward, the Group will continue to actively expand its business and upgrade its service. We will strive to bring superior and diversified living services to the residents and customers, and create value for shareholders.

MAN Lai Hung
Chairman
Hong Kong, 23 March 2018


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MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

We are a service provider with a diversified service portfolio comprising five main service segments: property management services, retail services, catering services, information technology services and Ancillary Living Services (as hereinafter defined).

1. Property management services: We provide property management services to 15 residential communities and three pure commercial properties with an aggregate contracted GFA of approximately 6,806,000 sq.m. as at 31 December 2017 (2016: 5,951,000 sq.m.). The increase in the contracted GFA was mainly due to the management of two new residential communities, namely "Clifford Wonderview (祈福繽紛匯)" and "The Green (果嶺天地)", and a new pure commercial property which were developed by the companies which are under the control of (or 30% or more of issued share capital of which are owned by) the spouse of Ms. MAN Lai Hung, our executive Director. Property management services primarily include general property management services and resident support services;

2. Retail services: We primarily operate 16 retail outlets (two supermarkets, one wet market, 12 convenience stores and one imported goods specialty store) of different scales mainly located in "Clifford Estates (祈福新邨)" and other areas in proximity, covering a total GFA of approximately 12,000 sq.m. as at 31 December 2017 (2016: 17 retail outlets, covering a total of approximately 10,000 sq.m.);

3. Catering services: We primarily operate 12 catering outlets (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 (祈福新邨)" and other areas in proximity, covering a total GFA of approximately 2,300 sq.m. as at 31 December 2017 (2016: 17 catering outlets, covering a total GFA of approximately 5,800 sq.m.);

4. Information technology services: We acquired this new business in December 2017, which primarily involves provision of information technology services, related engineering services, security systems and hardware and software integration, and telecommunication services; and

5. 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 at 31 December 2017, our total contracted GFA under management had grown to approximately 6,806,000 sq.m. This was mainly due to the inclusion of two new residential communities of approximately 683,000 sq.m. located in Panyu district and Foshan City for the year ended 31 December 2017, known as "Clifford Wonderview (祈福繽紛匯)" and "The Green (果嶺天地)" respectively; and a new pure commercial property located in Panyu district of approximately 25,000 sq.m.

Meanwhile, the delivery of properties in Huadu district, namely "Clifford Fortress (祈福聚龍堡)" and "Clifford Dragon Tower (祈福天龍苑)" during the year ended 31 December 2017 also contributed to an increase in GFA of approximately 123,000 sq.m. while management of an additional car park of "Clifford Logistic Centre (祈福物流園)" for pure commercial properties located in Huadu district contributed to an increase in GFA of approximately 27,000 sq.m. Other factors include the demolition of finance street in "Clifford Estates (祈福新邨)", which led to a decrease in contracted GFA of approximately 3,000 sq.m. 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 mainland as at the dates indicated:

	As at 31 December			
	2017		2016	
	Approximate total contracted GFA ('000 sq.m.)	**Number of communities**	Approximate total contracted GFA ('000 sq.m.)	Number of communities
Residential communities				
Panyu district	**4,392**	**5**	3,797	4
Huadu district[(1)]	**983**	**7**	848	7
Zhaoqing city	**346**	**1**	346	1
Foshan city	**867**	**2**	794	1
Subtotal	**6,588**	**15**	5,785	13
Pure commercial properties				
Huadu district	**193**	**2**	166	2
Panyu district	**25**	**1**	–	–
Subtotal	**218**	**3**	166	2
Total	**6,806**	**18**	5,951	15

Note:

(1) For Clifford Fortress (祈福聚龍堡), we entered into the relevant property management service contract in 2013. We started providing our general property management services which we charged our management fees on a commission basis since May 2017.

For our resident support services, we recorded a revenue increase of RMB22.7 million to RMB45.0 million for the year ended 31 December 2017 (2016: RMB22.3 million). This was mainly contributed from one of our newly managed residential communities, namely "Clifford Wonderview (祈福繽紛匯)", and a pure commercial property located in Panyu district mentioned above, with a total GFA of approximately 623,000 sq.m. Due to increasing demand for living services, we have entered into approximately 30 contracts pursuant to which we will provide household helper, renovation and fitting-out services.

On 16 May 2017, we entered into an equity transfer agreement with Guangzhou Huanyu Meishi Canyin Limited* (廣州市寰宇美食餐飲有限公司)("**Guangzhou Huanyu**") for acquisition of 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)("**Panyu PM Co**"), which was an indirect non-wholly owned subsidiary of the Company before such acquisition, with consideration of RMB21.8 million. Following the completion, Panyu PM Co has become an indirect wholly-owned subsidiary of the Group.

In December 2017, we entered into two services contracts with Guangzhou Di He Jewelry Company Limited* (廣州締和首飾有限公司) and Mao Ming Liu Tao Jewelry Innovation Industrial Company Limited* (茂名六韜珠寶創意產業有限公司). The total contract sums are approximately RMB0.7 million. Pursuant to these contracts, we will provide consultancy and feasibility services to these two independent third parties with our expertise and know-how for residential and commercial property management and property agency services in Guangdong Province.

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 and pure commercial properties 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 at 31 December 2017, our retail network consisted of 16 retail outlets (two supermarkets, one wet market, 12 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 Guangdong Province.

In January 2017, we relocated and upgraded one of our convenience stores to a supermarket in Panyu district. The size of such convenience store was upgraded from approximately 100 sq.m. to approximately 1,600 sq.m. Apart from dry goods and daily supplies, we have also started selling fresh food, which altogether make us an integrated store with a greater variety of commodities.

In August 2017, we closed down one of the convenience stores in Huadu district. In December 2017, we have renovated one of our convenience stores in Panyu district to attract more customers and maintain competitiveness.

The following table sets out certain key performance indicators of our current retail outlets in operation during the year ended 31 December 2017:

	For the year ended 31 December	
	2017	2016
Average daily revenue by type of retail outlet (RMB'000)[1]		
Supermarket	**172.58**	151.47
Wet market	**27.49**	27.19
Convenience store	**88.98**	98.46
Imported goods specialty store	**2.82**	2.50

Note:

(1) 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.

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 at 31 December 2017, we had approximately 23 concessionaires (2016: 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 agreements with our stall tenants for a term of one year. As at 31 December 2017, we had approximately 156 stall tenants (2016: 105 stall tenants).

CATERING SERVICES

As at 31 December 2017, we operated 12 catering outlets in different categories (six casual dining restaurants, four East Asian and Western restaurants and two cafés) in Guangdong Province (31 December 2016: 17 catering outlets).

In April and August 2017, we closed down one café and one casual dining restaurant respectively. The closures have been offset by the opening of one new café and one new casual dining restaurant in November 2017.

In August 2017, we further closed down five Chinese restaurants, as to concentrate our catering services expansion through franchising and catering partnership businesses.

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

	Year ended 31 December	
	2017	2016
Average daily catering outlet sales by category (RMB)[(1)&(2)]		
Chinese restaurants[(3)]	**95,929**	103,072
Casual dining restaurants	**65,742**	73,319
East Asian and Western restaurants	**45,225**	54,656
Cafés	**6,478**	6,819
Number of catering outlets	**12**	17

Notes:

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

(2) Operating data shown above includes our self-operating catering outlets only; the outlets from franchising and catering partnership businesses are excluded.

(3) Calculated by dividing the total revenue by 240 operating days in 2017. This is because we closed down five Chinese Restaurants in August 2017.

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. With the grand opening of "Clifford Wonderview (祈福繽紛匯)" located in Panyu in August 2017, competition has become intense. However, we have further diversified and expanded our catering services portfolio by entering into franchising and catering partnership businesses in Panyu district with four and ten restaurants respectively as at 31 December 2017. Our franchising business includes our well-known brands, namely "The Owls (貓頭鷹餐廳)", "Big Brother (老大哥)", "Yamabuki (山吹日本料理)" and "Bababibi Dessert (巴巴閉閉甜品屋)".

INFORMATION TECHNOLOGY SERVICES

Engineering services

On 16 October 2017, a sale and purchase agreement was entered into between Ms. MAN Lai Hung as vendor ("**Vendor**") and Green Charm Enterprises Limited (青美企業有限公司) as purchaser ("**Purchaser**") in connection with the acquisition ("**Acquisition**") of the entire issued shares in, and shareholder's loans to Easy South Limited (怡南有限公司) by the Purchaser from the Vendor. On the same date, a master engineering service agreement was entered into between (i) Guangzhou Kejian Computer Technology Co., Limited* (廣州市科健計算機技術有限公司, "**Guangzhou Kejian**") as provider on the one part, and (ii) 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 such companies which are under the control of (or 30% or more of the issued share capital of which are owned by) Mr. PANG Lun Kee Clifford, the spouse of Ms. MAN Lai Hung, and (iii) Clifford Aged Home Company Limited* (廣州市祈福護老公寓有限公司), for itself and on behalf of other members of such 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 (other than the Group) as receiving parties on the other part, in relation to the provision of engineering and maintenance services (relating to information technology, security systems and hardware and software integration). For details, please refer to the Company's announcement dated 16 October 2017, 29 November 2017 and 21 December 2017 and the Company's circular dated 29 November 2017. Both agreements were approved unanimously as ordinary resolutions by shareholders of the Company in the extraordinary general meeting held on 18 December 2017, and the Acquisition was completed on 21 December 2017. Upon completion of the Acquisition, Guangzhou Kejian became an indirect wholly-owned subsidiary of the Company.

We principally engaged in the businesses of providing information technology services, related engineering services, security systems and hardware and software integration, most of which are delivered on project basis. The following table sets out contract sum of engineering services and maintenance contracts entered into during the years ended 31 December 2017 and 2016:

	For the year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Total contract sum	**29,900**	45,800

Telecommunication services

In August 2017, we have established a telecommunication sales outlet in "Clifford Wonderview (祈福繽紛匯)" and entered into a contract with China Telecommunications Corporation (Guangzhou branch) ("**China Telecom GZ**") under which we act as agent and promote the products and services of China Telecom GZ. We receive commission as revenue for every successful sales.

ANCILLARY LIVING SERVICES

For the year ended 31 December 2017, we provided off-campus training services, property agency services, employment placement services, and laundry services.

Off-campus training services

As at 31 December 2017, we have two training centres within "Clifford Estates (祈福新邨)". For the year ended 31 December 2017, we have approximately 24,000 (2016: 22,000) 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 at 31 December 2017, we operated one licensed centre providing training programmes and another centre providing interest classes; with 66 full-time employees, and 180 part-time teachers (2016: two training centres; with 51 full-time employees, and 182 part-time teachers).

In August 2017, we have upgraded one of our training centres in Panyu district to approximately 3,000 sq.m. (December 2016: 2,000 sq.m.).

Property agency services

As at 31 December 2017, we have one headquarter and four branch offices located in different districts in Guangdong Province (2016: one headquarter and five branch offices). 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. In July 2017, we opened one new branch in "Clifford Wonderview (祈福繽紛匯)".

Employment placement services

As at 31 December 2017, we have one branch office in "Clifford Estates (祈福新邨)". 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.

Laundry services

As at 31 December 2017, we operated five laundry shops and one laundry facility located in "Clifford Estates (祈福新邨)" (2016: four laundry shops and one laundry facility). In July 2017, we expanded our laundry facility to approximately 4,400 sq.m. and established a new laundry shop in Panyu district, to meet the increasing demand of our customers. We target at (i) corporate customers in proximity such as hospitals, hotels and schools; and (ii) individual customers who are mainly the residents of "Clifford Estates (祈福新邨)", with an aim to provide reliable, convenient and quality laundry and dry cleaning 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 and pure commercial units 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, and pure commercial properties.

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.

Further expand our property management network through engagements in integrated projects

In March 2018, we won five services contracts with three independent third parties. The contract sums are approximately RMB15.5 million for a period of one to eight years; and we will be providing consultancy and feasibility services to these three independent third parties with our expertise and know-how for residential and commercial property management and property agency services in Guangdong Province.

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

Accelerate our business growth through acquisitions of property management companies

We intend to accelerate the growth of our property management services by acquiring suitable property management companies. We have been looking 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 centralisation.

Retail and Catering

Further expand our retail network and catering network

In the first quarter of 2018, we closed down two East Asian and Western restaurants and one imported goods specialty store, respectively. In such connection, we plan to open approximately three retail or catering outlets by the end of 2018. This is to streamline our operating locations towards retail and catering customer flows.

Also, we will continue to expand our catering services by entering into franchising and catering partnership businesses in Guangdong Province. In March 2018, we entered into two new catering partnerships; and we estimate that there will be further franchisees and catering partners joining us in 2018. Moving forward, we plan to change our business strategy from self-operating catering outlets to branding focus. We intend to manage selected catering outlets in good locations and engage in new franchising and catering partnership businesses.

Ancillary Living Services

Further expand our ancillary living services

For our off-campus training services, we plan to set-up a training centre in 2018 with approximately 2,400 sq.m. to further expand our business.

Develop Online Marketing and Build Online Distribution Channels

We observe the trend that online sales and services have become more popular in the PRC mainland. 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. We are considering various opportunities to invest in suitable online marketing network and sales platforms. As at 31 December 2017 and up to the date of this report, we are still locating suitable online marketing network and sales platforms to invest in.

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 RMB327.2 million for the year ended 31 December 2016 to RMB365.4 million for the year ended 31 December 2017, representing an increase of RMB38.2 million or 11.7%. The growth in our revenue was mainly attributable to increase in revenue from our property management services, information technology services and Ancillary Living Services, and was offset by a decrease in revenue from catering services.

Property management services

	For the year ended 31 December		Variance	
	2017	2016		
	RMB'000	RMB'000	RMB'000	%
Residential property management services	**29,978**	25,780	4,198	16.3%
Commercial property management services	**5,051**	3,874	1,177	30.4%
Resident support services	**45,045**	22,326	22,719	101.8%
Household helper services	**19,175**	10,771	8,404	78.0%
Renovation and fitting-out services	**24,336**	10,073	14,263	141.6%
Household repairs and maintenance services	**1,534**	1,482	52	3.5%
Total	**80,074**	51,980	28,094	54.0%

Revenue from property management services increased by 54.0%, from RMB52.0 million for the year ended 31 December 2016 to RMB80.1 million for the year ended 31 December 2017. Such increase was mainly attributable to the following factors:

(i) Residential and commercial property management services

Revenue for residential and commercial property management services increased from RMB29.7 million for the year ended 31 December 2016 to RMB35.0 million for the year ended 31 December 2017. This is because we have increased the number of residential communities and pure commercial properties from 13 to 15, and from 2 to 3 respectively. The total contracted GFA under our management for residential communities increased from approximately 5,785,000 sq.m. to 6,588,000 sq.m., while our pure commercial properties increased from approximately 166,000 sq.m. to 218,000 sq.m.

(ii) Household helper services

Revenue for household helper services increased from RMB10.8 million for the year ended 31 December 2016 to RMB19.2 million for the year ended 31 December 2017. This is due to additional cleaning services provided to properties owners with the expansion of other living services near our managed residential community, namely the "Clifford Wonderview (祈福繽紛匯)" and a pure commercial property located in Panyu district.

(iii) Renovation and fitting-out services

Revenue for renovation and fitting-out services increased from RMB10.1 million for the year ended 31 December 2016 to RMB24.3 million for the year ended 31 December 2017. This is due to the expansion of living services in Panyu district, namely "Clifford Wonderview (祈福繽紛匯)" and a pure commercial property. For the year ended 31 December 2017, we have entered into approximately 30 contracts that provide renovation and fitting-out services with contract sums amounting to approximately RMB22.2 million.

Retail services

	For the year ended 31 December		Variance	
	2017	2016		
	RMB'000	RMB'000	RMB'000	%
Revenue by type of retail outlet				
Supermarket	**62,128**	54,530	7,598	13.9%
Wet market	**9,897**	9,787	110	1.1%
Convenience store	**32,031**	35,447	(3,416)	-9.6%
Imported goods specialty store	**1,014**	901	113	12.5%
Total	**105,070**	100,665	4,405	4.4%

Revenue in the retail services increased by 4.4%, from RMB100.7 million for the year ended 31 December 2016 to RMB105.1 million for the year ended 31 December 2017. The increase was mainly attributable to the increase in revenue of supermarket, being partially offset by the decrease in the revenue of convenience stores. The increase in revenue of supermarket from RMB54.5 million for the year ended 31 December 2016 to RMB62.1 million for the year ended 31 December 2017 was primarily due to the increase in sales of our supermarket through promotion, relocation and upgrading one of our convenience stores to a supermarket. The decrease in revenue of convenience stores from RMB35.4 million for the year ended 31 December 2016 to RMB32.0 million for the year ended 31 December 2017 was due to the closure of one of the convenience stores in Huadu district in August 2017. The relocation and upgrading one of our convenience stores to supermarket also led to a decrease in revenue of our convenience stores.

Catering services

	For the year ended 31 December		Variance	
	2017	2016		
	RMB'000	RMB'000	RMB'000	%
Catering outlet revenue by category				
Chinese restaurants	**23,023**	37,106	(14,083)	-38.0%
Casual dining restaurants	**23,667**	26,395	(2,728)	-10.3%
East Asian and Western restaurants	**16,281**	19,676	(3,395)	-17.3%
Cafés	**2,332**	2,455	(123)	-5.0%
Franchising	**531**	–	531	N.A.
Catering partnership	**973**	–	973	N.A.
Total	**66,807**	85,632	(18,825)	-22.0%

Revenue for catering services decreased by 22.0%, from RMB85.6 million for the year ended 31 December 2016 to RMB66.8 million for the year ended 31 December 2017. Such decrease was mainly due to the following factors:

Chinese restaurants

The decrease in revenue of Chinese restaurants from RMB37.1 million for the year ended 31 December 2016 to RMB23.0 million for the year ended 31 December 2017 was due to the closure of five Chinese restaurants in mid-August 2017. This means these restaurants were only operating with approximately 7.5 months capacity. The reason for the closure was to concentrate our catering services expansion through franchising and catering partnership businesses.

Casual dining restaurants

The revenue for casual dining restaurant decreased from RMB26.4 million for the year ended 31 December 2016 to RMB23.7 million for the year ended 31 December 2017. This was due to a closure of a restaurant in mid-August 2017, which has been partially off-set by the re-opening of a new restaurant in November 2017.

East Asian and Western restaurants

The revenue for East Asian and Western restaurants decreased from RMB19.7 million for the year ended 31 December 2016 to RMB16.3 million for the year ended 31 December 2017. This was due to the grand opening of "Clifford Wonderview (祈福繽紛匯)" with approximately 110 catering outlets, which increased level of competition.

Cafés

We have closed one of our cafés in April 2017 and re-opened another one in a separate location in November 2017. Hence, the eight months lapses in business operations have led to a decrease in cafés revenue of 5.0%.

As at December 2017, we have 14 franchising and catering partnership businesses. We have franchised several of our well-known brands, namely "The Owls (貓頭鷹餐廳)", "Big Brother (老大哥)", "Yamabuki (山吹日本料理)" and "Babابibi Dessert (巴巴閉閉甜品屋)".

Information technology services

	For the year ended 31 December		Variance	
	2017	2016		
	RMB'000	RMB'000 (Restated)	RMB'000	%
Information technology services revenue by category				
Engineering	**47,813**	37,515	10,298	27.5%
Telecommunication	**246**	–	246	N.A.
Total	**48,059**	37,515	10,544	28.1%

Note: 2016 figures are restated for the changes as explained in note 26 to the consolidated financial statements.

Revenue in information technology services, which were provided by the newly acquired business, increased by 28.1%, from RMB37.5 million for the year ended 31 December 2016 to RMB48.1 million for the year ended 31 December 2017. Such increase was mainly due to increase of engineering services by RMB10.3 million to RMB47.8 million for the year ended 31 December 2017, which comprises of information technology hardware integration and network installation.

Ancillary Living Services

	For the year ended 31 December		Variance	
	2017	2016		
	RMB'000	RMB'000	RMB'000	%
Ancillary Living Services revenue by category				
Off-campus training services	**34,158**	27,056	7,102	26.2%
Property agency services	**18,417**	13,267	5,150	38.8%
Employment placement services	**2,578**	1,500	1,078	71.9%
Laundry services	**10,224**	9,581	643	6.7%
Total	**65,377**	51,404	13,973	27.2%

Revenue in the Ancillary Living Services increased by 27.2% to RMB65.4 million for the year ended 31 December 2017 from RMB51.4 million for the year ended 31 December 2016. Such increase was primarily due to the increase in revenue of our off-campus training services, property agency services and employment placement services. The increase in revenue of our off-campus training services from RMB27.1 million for the year ended 31 December 2016 to RMB34.2 million for the year ended 31 December 2017 was mainly brought by the increase in class enrolments.

The increase in revenue of property agency services from RMB13.3 million for the year ended 31 December 2016 to RMB18.4 million for the year ended 31 December 2017 was mainly due to the increase in sales of residential properties, namely "Clifford Wonderview (祈福繽紛匯)". The increase in revenue of our employment placement services from RMB1.5 million for the year ended 31 December 2016 to RMB2.6 million for the year ended 31 December 2017 was due to the increase in cleaning services that we provided.

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 construction cost for our information technology services segment as below:

	For the year ended 31 December		Variance	
	2017	2016		
	RMB'000	RMB'000 (Restated)	RMB'000	%
Property management services	**34,726**	19,483	15,243	78.2%
Retail services	**63,005**	58,177	4,828	8.3%
Catering services	**50,848**	67,221	(16,373)	-24.4%
Information technology services	**37,573**	28,112	9,461	33.7%
Ancillary Living Services	**27,635**	24,752	2,883	11.6%
Off-campus training services	**14,952**	10,802	4,150	38.4%
Property agency services	**4,723**	7,030	(2,307)	-32.8%
Employment placement services	**847**	235	612	260.4%
Laundry services	**7,113**	6,685	428	6.4%
Total	**213,787**	197,745	16,042	8.1%

Note: 2016 figures are restated for the changes as explained in note 26 to the consolidated financial statements.

Our cost of sales increased from RMB197.7 million for the year ended 31 December 2016 to RMB213.8 million for the year ended 31 December 2017, representing an increase of RMB16.0 million or 8.1%. The growth in our cost of sales was mainly contributed from property management services, retail services, information technology services and off-campus training services in our Ancillary Living Services by RMB15.2 million, RMB4.8 million, RMB9.5 million and RMB4.2 million respectively. Such increase was partially offset by the decrease in cost of sales in our catering services of RMB16.4 million. In particular, we experienced decrease in cost of raw materials and consumables for the year ended 31 December 2017 of our catering business segment due to the closure of five Chinese restaurants and the change in business strategy from self-operating to franchising and catering partnership businesses.

Gross profit and gross profit margin

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

	For the year ended 31 December			
	2017		2016	
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000 (Restated)	Gross profit margin % (Restated)
Property management services	**45,348**	**56.6%**	32,497	62.5%
Retail services	**42,065**	**40.0%**	42,488	42.2%
Catering services	**15,959**	**23.9%**	18,411	21.5%
Information technology services	**10,486**	**21.8%**	9,403	25.1%
Ancillary Living Services	**37,742**	**57.7%**	26,652	51.8%
Off-campus training services	**19,206**	**56.2%**	16,254	60.1%
Property agency services	**13,694**	**74.4%**	6,237	47.0%
Employment placement services	**1,731**	**67.1%**	1,265	84.3%
Laundry services	**3,111**	**30.4%**	2,896	30.2%
Overall	**151,600**	**41.5%**	129,451	39.6%

Note: 2016 figures are restated for the changes as explained in note 26 to the consolidated financial statements.

Our gross profit increased from RMB129.5 million for the year ended 31 December 2016 to RMB151.6 million for the year ended 31 December 2017, representing an increase of RMB22.1 million or 17.1%. Meanwhile, our gross profit margin remained stable at 39.6% for the year ended 31 December 2016 and 41.5% for the year ended 31 December 2017. The increase in gross profit was mainly due to the increase in revenue for our property management, information technology and Ancillary Living Services. The stable gross profit margin was mainly due to the increase in cost of sales, which was in-line with revenue growth.

Gross profit in property agency services increased by 119.6% to RMB13.7 million for the year ended 31 December 2017 from RMB6.2 million for the year ended 31 December 2016. Gross profit margin of property agency services increased to 74.4% from 47.0%, mainly due to the increase in sales of properties, namely "Clifford Wonderview (祈福繽紛匯)" to our repeated neighbourhood customers, which lower our costs.

Gross profit in off-campus training services increased by 18.2% to RMB19.2 million for the year ended 31 December 2017. However, gross profit margin of off-campus training services decreased to 56.2% from 60.1% for the same period. This is because we have recruited more teachers for our business expansion. In addition, there was a decrease in enrollments for some classes with fixed costs and we have increased the salaries and benefits to our teachers.

Selling and marketing expenses

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

Our selling and marketing expenses increased from RMB21.5 million for the year ended 31 December 2016 to RMB24.7 million for the year ended 31 December 2017, representing an increase of 14.7%, which was primarily due to the increase in employees benefit expenses together with operating lease payments in relation to opening and relocation of new retail outlet in 2017. A substantial portion of selling and marketing expenses was related to retail service segment. Other expenses remained stable at RMB2.1 million for the year ended 31 December 2017.

Administrative expenses

Our administrative expenses principally comprised employee benefit expenses, listing expenses (for the year ended 31 December 2016 only), professional fees and office related expenses for administrative departments.

Our administrative expenses decreased from RMB61.3 million for the year ended 31 December 2016 to RMB44.9 million for the year ended 31 December 2017, representing a decrease of 26.8%. This is primarily due to no incurrence of listing expense in 2017, and such effect was partially off-set by the increase in employee benefit expenses, operating lease payments, office related expenses and professional fees. The Group incurred listing expenses of RMB22.9 million in 2016.

Other gains or losses – net

We incurred other gains of RMB1.2 million for the year ended 31 December 2017 and other gains of RMB0.4 million for the year ended 31 December 2016. The increase of net gain was primarily arisen from receiving subsidy from the PRC mainland government.

Other income

Our other income increased from RMB0.5 million for the year ended 31 December 2016 to RMB1.0 million for the year ended 31 December 2017, representing an increase of RMB0.5 million. The increase was attributable to the increase in interest income on cash and cash equivalents.

Finance income

Our finance income is derived from term deposits, and increased by 58.7% from RMB0.4 million for the year ended 31 December 2016 to RMB0.6 million for the year ended 31 December 2017.

Income tax expenses

The weighted average applicable tax rate was 29.8% and 39.0% for the years ended 31 December 2017 and 2016 respectively. The decrease in weighted average applicable tax rate for the year ended 31 December 2017 was mainly due to non-deductible listing expenses incurred by the Company in the year ended 31 December 2016.

Net Profit and Adjusted Profit for the Year

For the year ended 31 December 2017, as a result of the cumulative effect of the above factors, the Group's net profit was RMB57.4 million and its net profit margin was 15.7%.

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 shareholders and 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	
	2017	2016		
	RMB'000	RMB'000 (Restated)	RMB'000	%
Profit for the year	**57,388**	27,831	29,557	106.2%
Add: Listing expenses	**–**	22,924	(22,924)	N.A.
Adjusted profit for the year	**57,388**	50,755	6,633	13.1%

Note: 2016 figures are restated for the changes as explained in note 26 to the consolidated financial statements.

Adjusted net profit for the year increased from RMB50.8 million in the corresponding period of 2016 to RMB57.4 million in 2017, representing an increase of 13.1%.

Property, Plant and Equipment

Our property, plant and equipment mainly consist of machinery, vehicles, office equipment, and leasehold improvements. As at 31 December 2017 and 2016, the net book values of our Group's property, plant and equipment were RMB18.6 million and RMB19.7 million, respectively. The decrease was mainly due to the total amount of disposals, transfer to other current assets, or depreciation charge was larger than the total amount of additions for the year ended 31 December 2017.

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 slightly decreased from RMB14.5 million as at 31 December 2016 to RMB13.9 million as at 31 December 2017, primarily due to a slight decrease in inventory level for our retail and renovation and fitting-out services for stock optimization purposes.

Our inventory turnover days was 24 days and 21 days during the years ended 31 December 2017 and 2016. The changes were in line with the fluctuation of our inventory 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 receivables from outstanding property management and information technology services. Our trade receivables increased by 86.8% from RMB22.8 million as at 31 December 2016 to RMB42.5 million as at 31 December 2017 as a result of revenue increase in our property management and information technology services.

As at 12 March 2018, approximately RMB22.4 million (of which approximately RMB10.7 million and RMB11.7 million are attributable to property management and engineering services) or 52.7%, of the trade receivables balance as at 31 December 2017 has been subsequently settled.

Other receivables

Our other receivables are mainly rental deposits, and deposits paid to our suppliers. Our other receivables decreased by 31.6% from RMB17.1 million as at 31 December 2016 to RMB11.7 million as at 31 December 2017. This is due to increased collections from related parties' receivables. As at 31 December 2017, the other receivables from related parties amounted to RMB4.2 million, as compared to RMB9.6 million as at 31 December 2016.

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 us;

(ii) the balance of Entitled Commission which is entitled to but has not yet been withdrawn by us; 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 we are not entitled to.

Such "Amounts placed in Residents' Accounts" in our consolidated statement of financial position (which amounted to RMB2.8 million and RMB18.0 million as at 31 December 2017 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 services and information technology services. We generally enjoy credit terms of approximately 45 days from the suppliers.

Our trade payables increased by 12.9% from RMB25.1 million as at 31 December 2016 to RMB28.3 million as at 31 December 2017, respectively. The increase was mainly due to increase in revenue in our engineering services where larger amount of trade payables was due to our suppliers and sub-contractors.

Other payables

Our other payables primarily comprise amounts due to third parties, which include deposits received from tenants in our retail business which amounted to RMB12.6 million and RMB13.1 million as at 31 December 2017 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 RMB14.5 million as at 31 December 2016 to RMB16.9 million as at 31 December 2017, primarily due to the increase of enrolment of our interest classes which led to the increase in advances receipt from customers.

Accrued payroll

Our accrued payroll decreased by 11.1% from RMB16.8 million as at 31 December 2016 to RMB14.9 million as at 31 December 2017. This was primarily due to the decrease in number of employees in relation to the change of business strategy of catering services 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 2017, our material sources of liquidity were cash and cash equivalents of RMB187.4 million, with main currencies being RMB and Hong Kong dollars. During the year ended 31 December 2017, our Group has not obtained any loans or borrowings.

Gearing Ratio

Gearing ratio is calculated based on our total debts (being loan payables due to related parties) divided by our total equity as at the end of each year. As at 31 December 2017 and 2016, the Group is at net cash position, which is calculated as cash and cash equivalents less total borrowings. Our gearing ratio was -73.2% and -80.6% as at 31 December 2017 and 31 December 2016 respectively.

PLEDGE OF ASSETS

The Group had no pledged assets as at 31 December 2017 (31 December 2016: nil).

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2017.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, excluding labour costs borne by the properties that we manage on commission basis, the Group had approximately 982 employees (31 December 2016: approximately 1,034 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 mainland) and a discretionary bonus program.

In addition, the Company adopted a share option scheme in October 2016 which allows the Directors to grant share options to employees of the Group in order to retain elite personnel 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.

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

The Group has completed the following acquisitions during the year ended 31 December 2017:

(1) acquisition of additional 24.5% equity interests of Panyu PM Co. Such acquisition was approved and completed in June 2017. As a result of the acquisition, Panyu PM Co has become an indirect wholly-owned subsidiary of the Company; and

(2) acquisition of 100% equity interests of Easy South Limited from Ms. MAN Lai Hung and the interest-free shareholder's loan of approximately HK$11.4 million (equivalent to RMB9.6 million) owed by Easy South Group to Ms. MAN Lai Hung. The acquisition cost was HK$23.0 million. Such acquisition was approved and completed in December 2017. Easy South Limited has become an indirect wholly-owned subsidiary of the Company. Guangzhou Kejian, the subsidiary of Easy South Limited mainly provides information technology services, related engineering services, security systems and hardware and software integration. Acquisition of Easy South Limited constituted a connected transaction under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") because the vendor, Ms. MAN Lai Hung is a connected person of the Company by virtue of her being a Director and a substantial shareholder of the Company. For details, please refer to the section headed "information technology services – engineering services" in this report.

Other than the above, the Group had no significant investments held, material acquisitions and disposals of subsidiaries or associated companies during the year ended 31 December 2017.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The Group does not have any material subsequent event after 31 December 2017 and up to the date of this report.

USE OF NET PROCEEDS FROM INITIAL PUBLIC OFFERING

Based on the offer price of HK$0.46 per share and 250,000,000 shares offered by the Company, the Company raised net proceeds of approximately RMB54.7 million (after deducting underwriting fee and commissions and other relevant expenses, equivalent to approximately RMB46.4 million). The proceeds are intended to be applied in the manner consistent with that set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus. Up to 31 December 2017, approximately RMB12.8 million of the net proceeds had been utilised accordingly. The remaining net proceeds were deposited with certain licensed financial institutions in Hong Kong.

DIRECTORS

Chairman and Executive Director

Ms. MAN Lai Hung (**孟麗紅**), aged 58, is the chairman of the Group and an Executive Director of the Company. Ms. Man is the founder of the Group and has since been in charge of the strategic development, management, operations as well as the overall performance of the Group. According to the Company's announcement dated 16 April 2018, Ms. Man would act as a non-executive Director of the Company with effect from 18 April 2018. She would be primarily responsible for advising on the formulation of the Group's general business models and development strategies as well as resolution of major issues.

Ms. Man was appointed as a member of the Thirteenth National Committee of the Chinese People's Political Consultative Conference* (中國人民政治協商會議第十三屆全國政協委員會) in January 2018. She also takes part in other social public services including: being a member of the standing committee of the Thirteenth Beijing Women's Federation* (北京市婦女聯合會), the chairman of the Tenth Council of the Chamber of Commerce of Guangzhou Foreign Investment Enterprises* (廣州外商投資企業商會), the vice president of the Fifteenth Executive Committee of the Guangzhou Chamber of Commerce* (廣州市工商業聯合會（總商會）), the vice president of New Home Association (香港新家園協會*), the founding member of the "Business for Social Good Platform" (商社聚賢平台) organised by Our Hong Kong Foundation (團結香港基金), a fellow member of Hong Kong Institute of Directors, and the honorary chairman of Baise City Education Fund* (百色市教育基金會). Ms. Man was one of the winners of the Fourth Outstanding Entrepreneur Social Responsibility Award* (第四屆傑出企業家社會責任獎) organised by The Mirror (鏡報) in Hong Kong in March 2015. Ms. Man obtained a degree of Bachelor of Business Administration from The Chinese University of Hong Kong in December 1982.

Executive Directors

Mr. SUN Derek Wei Kong (孫偉剛), aged 40, 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 41, 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. Mr. Leong is currently an independent non-executive director of Transtech Optelecom Science Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8465).

Ms. LIANG Yuhua (梁玉華), aged 53, 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 54, 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 63, is an independent non-executive Director of the Company. Ms. Law graduated from McGill University in Canada with a degree of Bachelor of Commerce (majoring in Accounting) in May 1976. Ms. Law became a chartered accountant in Canada in June 1979, 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.

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

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

Mr. HO Cham (何湛), aged 60, is an independent non-executive Director of the Company. Mr. Ho was awarded a degree of Bachelor of Laws and the Postgraduate Certificate in Laws by the University of Hong Kong in November 1980 and July 1981 respectively. Mr. Ho was admitted as a solicitor of the 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 68, is an independent non-executive Director of the Company. Mr. Mak obtained a degree in Bachelor of Arts from the University of Hong Kong in November 1973.

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

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

SENIOR MANAGEMENT AND COMPANY SECRETARY

Mr. CAO Jun (曹軍), aged 42, joined Guangzhou Kejian as a general manager in October 2012. He is responsible for managing and supervising the information technology and telecommunication businesses of the Group.

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

Mr. CEN Jiayin (岑家殷), aged 36, 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 51, joined the Group in April 2004 and is currently the chief operating officer of Guangzhou Panyu Clifford Property Management Limited* (廣州市番禺祈福物業管理有限公司), responsible for managing and overseeing the operation of the property management services business of the Group. He obtained a degree of Bachelor of Engineering from the Guangdong Mechanical Engineering Institution* (廣東機械學院) (currently known as Guangdong University of Technology (廣東工業大學)) in June 1988. Mr. Chen is a Certified Property Manager* (物業管理師) of the PRC and he was appointed as Property Management Expert of Guangzhou* (廣州市物業管理專家) by Guangzhou Housing and Urban-Rural Construction Committee (廣州市住房和城鄉建設委員會) in August 2017.

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

Mr. CHEN Zhezhen (陳哲臻), aged 48, 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. MAI Weisheng (麥偉生), aged 49, joined the Group in April 2005. He currently serves as the general manager of Guangzhou Clifford Trading Co., Ltd.* (廣州市祈福貿易有限公司) and is responsible for managing and supervising the operation of the Group's retail business. Prior to joining the Group, Mr. Mai served as a manager of each of the United States Wal-Mart Kunming Shopping Mall* (美國沃爾瑪昆明購物廣場), Guangzhou Sunshine Chain Store Co., Ltd. Community Supermarket* (廣州市陽光連鎖店有限公司社區超市), and Guangdong Lianyi Industrial Company Panyu Branch* (廣東省聯誼實業公司番禺分公司).

Mr. YU Ding Him Anthony (余定謙), aged 33, is the company secretary of the Company since 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.

The Directors have pleasure in presenting their report and the audited consolidated financial statements of the Group for the year ended 31 December 2017.

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 2017 are set out in the consolidated income statement on page 81.

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 2017 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 7, the "Management Discussion and Analysis" on pages 9 to 28 and the "Environmental, Social and Governance Report" on pages 59 to 76 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 information technology services

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

(vi) Risks relating to our Ancillary Living Services

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

ENVIRONMENTAL POLICY AND PERFORMANCE

The Group considers environmental protection as its corporate responsibility and recognizes 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 59 to 76 of this annual report.

DIVIDENDS DISTRIBUTION

The Board recommended the payment of a special dividend of HK1.30 cents (2016: nil) per ordinary share in respect of the year ended 31 December 2017, making the total dividend payment of approximately HK$13.0 million (equivalent to approximately RMB10.5 million), subject to the approval by the shareholders at the annual general meeting (the "**AGM**") to be held on 22 June 2018. The special dividend will be paid in cash on 31 July 2018 to shareholders whose names appeared on the register of members of the Company on 6 July 2018. Other than this special dividend, the Board has resolved not to recommend the payment of a final dividend for the year ended 31 December 2017.

ANNUAL GENERAL MEETING

The AGM of the Company is currently planned to be held on Friday, 22 June 2018. A notice convening the AGM and all other relevant documents will be published and dispatched to the shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement to attend and vote at the AGM, the register of members of the Company will (so long as the AGM remains to be Friday, 22 June 2018) be closed from Friday, 15 June 2018 to Friday, 22 June 2018, 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 Thursday, 14 June 2018.

In addition, subject to the approval of the proposed special dividend by the shareholders of the Company at the AGM, the register of members of the Company will be closed from Thursday, 5 July 2018 to Friday, 6 July 2018 (both days inclusive) for the purpose of determining the identity of shareholders who qualify for the proposed special dividend. In order to qualify for the proposed special dividend, 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 Wednesday, 4 July 2018.

SHARE CAPITAL

Details of change during the year in the share capital of the Company are set out in note 18 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 2017 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 2017 are set out on page 85 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 at 31 December 2017, the Company's reserve available for distribution to equity holders amounted to approximately RMB364.4 million.

DIRECTORS

The Directors during the year ended 31 December 2017 and up to the date of this report were:

Executive Directors:

Ms. MAN Lai Hung (Chairman, appointed on 6 January 2016 and re-designated from executive Director to non-executive Director on 18 April 2018)
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. MAN Lai Hung, Mr. SUN Derek Wei Kong and Mr. LEONG Chew Kuan, shall retire at the AGM.

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

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

DIRECTORS' SERVICE CONTRACTS AND LETTER OF APPOINTMENT

Each of the executive Directors has entered into a service contract with the Company for an initial fixed term of three years effective from 1 November 2016, 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 (Ms. MAN Lai Hung's letter of appointment commences from 18 April 2018) 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 2017, 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 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	74.85%
Ms. MAN Lai Hung	Beneficial owner	5,000,000[2]	0.50%
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 of the Company. By virtue of the SFO, Ms. MAN Lai Hung is deemed or taken to be interested in all the shares which are beneficially owned by Elland Holdings Limited.

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

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

Save as disclosed above, as at 31 December 2017, 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 2017, 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)]	74.85%
Mr. PANG Lun Kee Clifford[(1)]	Interest of spouse	755,000,000[(2)]	75.35%

Notes:

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

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

Save as disclosed above, as at 31 December 2017, 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 2017 were as follows:

Name of category of participant	Balance as at 31 December 2016	Exercised during the year	Lapsed or cancelled during the year	Balance as at 31 December 2017	Date of grant	Exercise period	Exercise price per share (HK$)	Closing price of the shares on the trading day immediately before the date of grant (HK$)
Directors								
MAN Lai Hung	5,000,000	–	–	5,000,000	21 October 2016	9 May 2017 to 8 May 2022	0.414	N/A
SUN Derek Wei Kong	2,500,000	–	–	2,500,000	21 October 2016	9 May 2017 to 8 May 2022	0.414	N/A
LEONG Chew Kuan	2,500,000	–	–	2,500,000	21 October 2016	9 May 2017 to 8 May 2022	0.414	N/A
LIANG Yuhua	2,500,000	–	–	2,500,000	21 October 2016	9 May 2017 to 8 May 2022	0.414	N/A
LIU Xing	2,500,000	–	–	2,500,000	21 October 2016	9 May 2017 to 8 May 2022	0.414	N/A
Senior Management								
YU Ding Him Anthony	1,500,000	–	–	1,500,000	21 October 2016	9 May 2017 to 8 May 2022	0.414	N/A
CHEN Yuxiong	1,250,000	–	–	1,250,000	21 October 2016	9 May 2017 to 8 May 2022	0.414	N/A
DENG Zhengchuan (resigned in May 2017)	500,000	500,000	–	–	21 October 2016	9 May 2017 to 8 May 2022	0.414	N/A
CEN Jiayin	500,000	–	–	500,000	21 October 2016	9 May 2017 to 8 May 2022	0.414	N/A
CHEN Zhezhen	250,000	250,000	–	–	21 October 2016	9 May 2017 to 8 May 2022	0.414	N/A
Employees of the Group	2,175,000	1,200,000	–	975,000	21 October 2016	9 May 2017 to 8 May 2022	0.414	N/A
Total	21,175,000	1,950,000	–	19,225,000				

(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). 1,950,000 options were exercised and no options were lapsed or cancelled during the year ended 31 December 2017. As at the date of this report, the Company had 19,225,000 share options under the Pre-IPO Share Option Scheme, representing approximately 1.9% 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 19(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 2017.

BORROWINGS

As at 31 December 2017, 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 2017.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

Save as disclosed under the sections headed "Connected Transactions" and "Continuing Connected Transactions" on pages 43 to 45 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 2017.

CONTRACTS OF SIGNIFICANCE

During the year under review, save as disclosed in the paragraphs headed "Connected Transactions" and "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 2017, the aggregate revenue attributable to the largest customer and the five largest customers of the Group accounted for approximately 8% and 20% of the Group's total sales in the year respectively.

Guangzhou Huadu Clifford Property Development Company Limited* (廣州市花都祈福房地產有限公司), Guangdong Clifford Hospital Company Limited* (廣東祈福醫院有限公司), Guangzhou Clifford Wonderworld Commerical Property Management Limited* (廣州市祈福繽紛世界商業地產經營管理有限公司) 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 four of the Group's five largest customers for the year ended 31 December 2017, 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 2017.

During the year ended 31 December 2017, the aggregate purchases attributable to the largest supplier and the five largest suppliers of the Group accounted for approximately 2% and 8% of the Group's total purchases respectively.

None of our Directors, their close associates or any shareholders who, to the knowledge of our Directors, owned more than 5% of the Company's share capital, had any interest in any of the Group's five largest suppliers for the year ended 31 December 2017.

SUBSIDIARIES

Details of the subsidiaries of the Company as at 31 December 2017 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.

CONNECTED TRANSACTIONS

The Company has entered into the following connected transactions during the year ended 31 December 2017. Details of the transactions are set out below:

Acquisition of 24.5% equity interest in Guangzhou Panyu Clifford Property Management Limited

On 16 May 2017, the Company entered into an equity transfer agreement with Guangzhou Huanyu for acquisition of 24.5% equity interest in Panyu PM Co, which was an indirect non-wholly owned subsidiary of the Company before such acquisition, with consideration of RMB21.8 million. Following the completion, Panyu PM Co has become an indirect wholly-owned subsidiary of the Group.

Before entering into of the equity transfer agreement, Guangzhou Huanyu being the vendor owned 24.5% equity interest in Panyu PM Co, an indirect non-wholly owned subsidiary of the Company. Accordingly, Guangzhou Huanyu was a connected person of the Company at the subsidiary level, and the acquisition constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. For details, please refer to the announcement of the Company dated 16 May 2017.

Acquisition of entire issued shares in, and shareholder's loans to Easy South Limited

On 16 October 2017, a sale and purchase agreement was entered into between Ms. MAN Lai Hung as Vendor and Green Charm Enterprises Limited (青美企業有限公司) as Purchaser in connection with the Acquisition of the entire issued shares in, and shareholder's loans to Easy South Limited (怡南有限公司) by the Purchaser from the Vendor. The sale and purchase agreement was approved unanimously as ordinary resolutions by shareholders of the Company in the extraordinary general meeting held on 18 December 2017, and the Acquisition was completed on 21 December 2017. Upon completion of the Acquisition, Guangzhou Kejian became an indirect wholly-owned subsidiary of the Company. The Acquisition constituted a connected transaction of the Company under Chapter 14A of the Listing Rules because the Vendor was a connected person of the Company by virtue of her being a Director and a substantial shareholder of the Company. For details, please refer to the Company's announcement dated 16 October 2017, 29 November 2017 and 21 December 2017 and the Company's circular dated 29 November 2017.

CONTINUING CONNECTED TRANSACTIONS

The Company has entered into the following continuing connected transactions during the year ended 31 December 2017. 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 Lai Hung is Mr. PANG Lun Kee Clifford. He is a close associate of Ms. MAN Lai Hung. He is also the ultimate controlling shareholder of the companies which are under the control of (or 30% or more of the issued share capital of which are owned by) the spouse of Ms. MAN Lai Hung (the "**Private Group**") Being an associate of Ms. MAN Lai Hung, members of the Private Group are connected persons of the Company under Rule 14A.12 of the Listing Rules following the listing.

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

   Ms. MAN Lai Hung'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 ("**Ms. MAN Lai Hung's Group**"), 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 Lai Hung's Group are connected persons of the Company under Rule 14A.12 of the Listing Rules following the listing.

Master Composite Services Agreement

As disclosed in the Prospectus, the Company (for itself and on behalf of its subsidiaries, as service providers) and Clifford Estates (Panyu) Limited* (廣州市番禺祈福新邨房地產有限公司) (for itself and on behalf of other members of the Private Group) and Clifford Aged Home Company Limited* (廣州市祈福護老公寓有限公司) (for itself and on behalf of Ms. MAN Lai Hung's Group) (as receiving parties) entered into a master composite services agreement ("**Master Composite Services Agreement**") dated 21 October 2016. Pursuant to such agreement, the Group has agreed to provide certain services to members of both the Private Group and Ms. MAN Lai Hung's Group for a term of three years 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.

Master Tenancy Agreement

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

Revision of Annual Cap for Continuing Connected Transactions

On 28 April 2017, we entered into a supplemental master composite services agreement ("**Supplemental Master Composite Services Agreement**") and supplemental master tenancy agreement ("**Supplemental Master Tenancy Agreement**"). Annual caps are revised to RMB37.0 million and RMB41.0 million for the financial years ended 31 December 2017 and 2018 respectively under supplemental master composite services agreement, and annual caps are revised to RMB16.0 million and RMB20.0 million for the financial years ended 31 December 2017 and 2018 respectively under supplemental master tenancy agreement. For details, please refer to the Company's announcement dated 28 April 2017 and the Company's circular dated 7 June 2017. Both supplemental agreements were unanimously passed as ordinary resolutions of the Company in the extraordinary general meeting held on 23 June 2017. During the year under review, amounts payable/paid by the Group to the Private Group under the Supplemental Master Tenancy Agreement amounted to approximately RMB14,337,000 while amounts receivable/received by the Group under the Supplemental Master Composite Services Agreement from Private Group and Ms. MAN Lai Hung's Group amounted to approximately RMB22,995,000.

Master Engineering Service Agreement

On 16 October 2017, we, on the one part, entered into a master engineering service agreement ("**MES Agreement**") with Clifford Estates (Panyu) Limited* (廣州市番禺祈福新邨房地產有限公司) (for itself and on behalf of other members of the Private Group) and Clifford Aged Home Company Limited* (廣州市祈福護老公寓有限公司) (for itself and on behalf of other members of Ms. MAN Lai Hung's Group) on the other part. Pursuant to such agreement, the Group has agreed to provide certain engineering and maintenance services to the Private Group and Ms. MAN Lai Hung's Group for an initial term from 21 December 2017 to 31 December 2018 with an option for extension by mutual consent, subject to compliance with the then applicable provisions of the Listing Rules. The Group has set annual caps for the maximum aggregate income from the provision of the services under the MES Agreement for financial year ended 31 December 2018 to be RMB75.0 million. The transactions contemplated under the MES Agreement constituted continuing connected transactions on the part of the Company under Chapter 14A of the Listing Rules. For details, please refer to the Company's announcement dated 16 October 2017. The MES Agreement was unanimously passed as ordinary resolutions of the Company in the extraordinary general meeting held on 18 December 2017.

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

In connection with the significant related party transactions set out in note 28 to the consolidated financial statements, save for the transactions set out in sections headed "Connected Transactions" and "Continuing Connected Transactions" in this Report of the Directors, these related party transactions do not constitute connected transactions or continuing connected transactions within the meaning of Chapter 14A of the Listing Rules. For the year ended 31 December 2017, the Company has complied with the disclosure requirements of Chapter 14A of Listing Rules.

COMPLIANCE WITH THE DEED OF NON-COMPETITION

Please refer to page 55 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 2017, 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 at 31 December 2017.

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 RMB92.4 million was charged to the consolidated income statement, representing RMB3.8 million for the Directors' remuneration and RMB88.6 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 2017, the Board is of the view that the Company has complied with all code provisions set out in the CG Code.

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 2017 and up to the date of this annual report.

USE OF NET PROCEEDS FROM INITIAL PUBLIC OFFERING

Based on the offer price of HK$0.46 per share and 250,000,000 shares offered by the Company, the Company raised net proceeds of approximately RMB54.7 million (after deducting underwriting fee and commissions and other relevant expenses, equivalent to approximately RMB46.4 million). The proceeds are intended to be applied in the manner consistent with that set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus. Up to 31 December 2017, approximately RMB12.8 million of the net proceeds had been utilised accordingly. The remaining net proceeds were deposited with certain licensed financial institutions in Hong Kong.

TAX RELIEF AND EXEMPTION

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

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The Group does not have any material subsequent event after 31 December 2017 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 2018

*　Re-designated from Executive Director to Non-executive Director with effect from 18 April 2018

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 throughout the year ended 31 December 2017, the Company has complied with all the code provisions as set out in the CG Code.

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 year ended 31 December 2017.

BOARD OF DIRECTORS

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

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

Board Composition

As at 31 December 2017, the Board comprises eight Directors, consisting of four executive Directors, one non-executive Director and three independent non-executive Directors.

During the year ended 31 December 2017 and up to the date of this annual report, the Board comprises the following Directors:

Executive Directors

Ms. MAN Lai Hung *(Chairman)* (re-designated from Executive Director to Non-executive Director with effect from 18 April 2018)
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.

Directors' Attendance Records

The Board held nine meetings during the year ended 31 December 2017. The attendance records of each Director at Board meetings, Board committee meetings and the general meetings of the Company held during the year ended 31 December 2017 are set out below:

	Number of Attendance in Person/Number of Meeting(s)					
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting(1)	Extraordinary General Meeting(2)
Ms. MAN Lai Hung	9/9	–	1/1	1/1	1/1	2/2
Mr. SUN Derek Wei Kong	9/9	–	–	–	1/1	2/2
Mr. LEONG Chew Kuan	9/9	–	–	–	1/1	2/2
Ms. LIANG Yuhua	9/9	–	–	–	1/1	2/2
Mr. LIU Xing	8/9	2/2	–	–	1/1	2/2
Ms. LAW Elizabeth	8/9	2/2	1/1	1/1	1/1	2/2
Mr. HO Cham	8/9	2/2	–	1/1	1/1	2/2
Mr. MAK Ping Leung (alias Mr. MAK Wah Cheung)	8/9	2/2	1/1	–	1/1	2/2

Notes:

(1) The annual general meeting of the Company was held on 23 June 2017.

(2) The extraordinary general meetings of the Company were held on 23 June 2017 and 18 December 2017.

Apart from regular Board meetings, the Chairman also held a meeting with the non-executive Directors (including independent non-executive Directors) without the presence of the executive Directors 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 Directors' 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

During the year ended 31 December 2017, 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 will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Such induction shall be supplemented by visits to the Company's key plant sites and meetings with senior management of the Company.

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

A summary of trainings received by the Directors during the year ended 31 December 2017 according to the records provided by the Directors is as follows:

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

Notes:

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

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

(2) Re-designated from Executive Director to Non-executive Director with effect from 18 April 2018.

BOARD COMMITTEES

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

Audit Committee

As at 31 December 2017, 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 (with Ms. LAW Elizabeth possessing the appropriate professional qualifications and accounting and 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.

During the year ended 31 December 2017, the Audit Committee held two meetings and reviewed the Group's interim and annual financial results and reports, significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, re-appointment of external auditors and relevant scope of works, and connected transactions and arrangements for employees to raise concerns about possible improprieties.

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

Remuneration Committee

As at 31 December 2017, 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.

The Remuneration Committee held one meeting during the year ended 31 December 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 56.

Nomination Committee

As at 31 December 2017, the Nomination Committee consists of one executive Director, Ms. MAN Lai Hung (Chairman), and two independent non-executive Directors, namely Ms. LAW Elizabeth and Mr. HO Cham.

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

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

The Nomination Committee held one meeting during the year ended 31 December 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.

During the year ended 31 December 2017, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and written employee guidelines, and the Company's compliance with the CG Code and disclosure in this corporate governance report.

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

Director's Position Held

Ms. MAN Lai Hung was re-designated from an executive Director to a non-executive Director for a term of three years from 18 April 2018. Ms. MAN remains as the chairman of the Board and a director of most of the Company's principal subsidiaries with being re-designated to have a non-executive nature to the extent permitted under the applicable laws and regulations.

Appointment Letter and Director's Fee

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

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 2017 are set out in note 29 to the consolidated financial statements.

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

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

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

- we have appointed a compliance adviser 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, during the year ended 31 December 2017, training has also been provided to our Directors and senior management in relation to compliance with the Listing Rules. Also, we expect to provide continuous and regular training when necessary;

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

On 23 March 2018, the management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2017. 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 2018, 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 2017, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

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

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

PERFORMANCE OF THE DEED OF NON-COMPETITION AND OTHER UNDERTAKINGS

The independent non-executive Directors were delegated with the authority to review, on an annual basis, the compliance with the deed of non-competition and other undertakings (the "**Deed of Undertakings**") executed by Ms. MAN Lai Hung and Elland Holdings Limited (the "**Controlling Shareholders**") on 21 October 2016, in favour of the Company. Pursuant to the Deed of Undertakings, each of the Controlling Shareholders has, amongst other matters, irrevocably undertaken to the Company on a joint and several basis that at any time during the Relevant Period (as defined therein), each of them will not, directly or indirectly, compete or may compete with the Company's business. A summary of the principal terms of the Deed of Undertakings is set out in the section headed "Relationship with Controlling Shareholders" of the Prospectus. Each of the Controlling Shareholders and her/its close associates has confirmed that she/it had complied with the Deed of Undertakings during the year ended 31 December 2017 and up to the date of this annual report. The independent non-executive Directors were not aware of any non-compliance of the Deed of Undertakings given by the Controlling Shareholders during the year ended 31 December 2017 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 2017.

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 79 to 80.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the remuneration of each of the Directors for the year ended 31 December 2017 are set out in note 29(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 2017 is set out below:

	Number of individuals
Nil to HK$1,000,000	7

One of the senior management members resigned in May 2017.

AUDITORS' REMUNERATION

During the year ended 31 December 2017, 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	1,650
Non-audit services	
– Interim review services	650
– Other non-audit services	229
Total	2,529

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 2017. The biographical details of Mr. YU are set out on page 34 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 2017. 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 REPORT

The Group is pleased to present our second Environmental, Social and Governance ("**ESG**") report (hereinafter referred to as the "**ESG Report 2017**" or "**this Report**") to show our stakeholders the Group's system establishment and performance in environmental, social and governance aspects in 2017.

- ### Scope of Report

  The ESG Report 2017 discloses the Group's practice and performance in environmental, social and governance aspects between 1 January 2017 and 31 December 2017. Unless otherwise stated, this Report covers four business segments of the Group, including property management services, retail services, catering services and ancillary living services.

- ### Reporting Standards

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

  According to the requirements of the ESG Guide, the Group has launched stakeholder engagement activities which invited internal and external stakeholders to take part in assessment of material issues in relation to environmental, social and governance reporting, and determined the scope of disclosure to be covered by this Report in response to their concerns.

CONCEPT OF ESG

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.

ACHIEVEMENTS AND AWARDS

In 2017, the Group obtained achievements and awards as follows:

I. The Group was honorably awarded "Outstanding Listed Company Award 2017" by The Hong Kong Institute of Financial Analysis and Professional Commentators Limited.

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

III. The catering company was honorably accredited as "Model Enterprise for Social Responsibilities" ("社會責任典範企業") by the catering industry in Guangdong province between 2016 and 2017.

IV. The food business license of certain restaurants under the catering company was upgraded.

V. The property management company was honorably awarded "Nanhai Outstanding Contribution Award in Property Management Industry" ("南海區物管行業突出貢獻獎") by Nanhai Property Management Industry Association ("南海區物業管理行業協會").

VI. The property management company retained the highest award, Security Precaution Five-star Community ("治安防範五星級小區"), under Panyu Community Security Precaution Star Rating (小區治安防範星級評定).

VII. The property management company was honorably award the highest award, 3-star rating, in Panyu Star-rating Community Health Competition (番禺星級衛生社區評比活動).

II

商界展關懷
caringcompany 2017/18
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

STAKEHOLDERS ENGAGEMENT AND MATERIALITY ASSESSMENT

1. Stakeholders Communication Mechanism

The Group values the stakeholders relations management and adopts various channels to maintain full communication with stakeholders. Our major related parties include: employees, customers, government and regulatory organizations, investors and shareholders, suppliers and cooperative partners, communities, and etc. The Group believes that stakeholders relationship management is a sustainable deepening process. We will also continue to maintain and optimize the stakeholders communication mechanism in order to enhance our cooperative relations and achieve joint development hand in hand.

Customers

Expectations and demands:

– High-quality products and services
– Customer information protection
– Commercial credibility
– Compliance operations

Communication and response:

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

Investors and shareholders

Expectations and demands:

– Financial performance
– Corporate sustainable profitability
– Protection of Interests
– Corporate transparency

Communication and response:

* To raise profitability
* To promote corporate value
* To convene general meetings
* To disclose daily information

Employees

Expectations and demands:

– Protection of legal interests
– Good career development channels
– Salaries and welfare
– Healthy and safe work environment

Communication and response:

* To establish the union of the Group
* To enhance promotion mechanism
* Competitive market salaries
* To strengthen safety management mechanism

Government and regulatory organizations

Expectations and demands:

– To respond to national policy
– To comply with laws and regulatory rules
– To fulfill with legal and tax obligation
– To facilitate employment

Communication and response:

* To adjust development strategy
* To accept investigation and research as well as supervision
* To strengthen anti-corruption and integrity in operation
* To participate in regional development enthusiastically

Suppliers and cooperative partners

Expectations and demands:

– Win-win cooperation
– Openness and fairness
– To achieve mutual growth

Communication and response:

* To optimize the project management
* To enhance the mechanism of supplier selection
* To build a supplier communication platform

Community

Expectations and demands:

– To protect the community environment
– To devote to social welfare
– To promote harmonious community atmosphere
– To facilitate community development

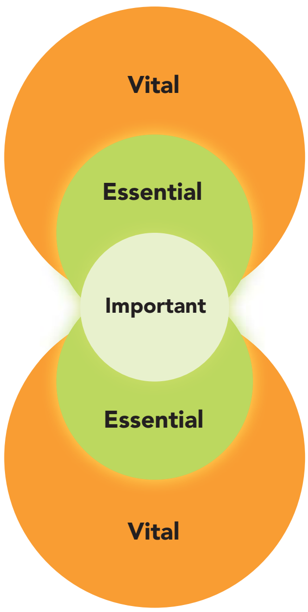
Communication and response:

* To take full practice of green operations
* To launch charity projects
* To participate in community co-construction enthusiastically
* To provide excellent cultural resources

2. Assessment of Material Issues in 2017

During the preparation of Annual Report 2017, the Group collected the opinions from groups of stakeholders through various channels enthusiastically and invited an external professional consultancy company to assist to launch material assessment of related issues. By integrating the concerns of stakeholders and ESG Guide, we selected related issues to carry out investigation and research as well as result analysis in regard to internal and external stakeholders, in order to ensure the critical issues of various aspects and facilitate the future work of ESG of the Group.

External assessment
(The impact on stakeholders)



Internal assessment
(The impact on business)

- Health and safety of products and services
- Customer service and satisfaction
- Staff recruitment and team building
- Product quality and recycling
- Anti-corruption policies, measures and reporting mechanism
- Customer privacy and information safety
- Participation in social welfare

- Sewage treatment
- Prohibition of child labor and forced labor
- Supplier procurement and regular assessment
- Exhaust gas and greenhouse gas emissions
- Maintenance and safeguard of intellectual property
- Staff training and career advancement
- Staff health and safety
- Usage of water resources
- Prevention from bribery, extortion, fraud and money laundering
- Performance appraisal and salary management

- Reasonable marketing and promotion
- Waste treatment
- Usage of Energy (such as electricity, gas or oil)
- Land use, pollution and rehabilitation
- Usage of other raw materials (such as finished packaging materials)
- Geographic distribution of suppliers

EMISSIONS

The Group complies with the requirements of the laws, regulations and emission standards of the state environmental management. During 2017, the Group did not violate any material non-compliance with the relevant laws and regulations, and there was no significant accident record related to environmental pollution.

Emission types	Emissions
nitrogen oxides	approximately 1 kg
sulphur oxides	approximately 357 kg
particulate matter	approximately 28 kg
Greenhouse gas emissions in total	approximately 8,839 tones
Intensity of greenhouse gas emissions	approximately 24 kg per thousands of operating revenue in RMB

Scope of statistical data: Town gas fuel used by the catering company, corporate vehicles driven by the Group and companies of each segment, electricity consumed by the Group and each segment (except for the property management company), office electricity consumption of the property management company, business travel incurred by the Group and companies of each segment

Emissions of nitrogen oxides, sulphur oxides, particulate matter and greenhouse gas emissions other than electricity consumption refer to the relevant emission coefficients in "Appendix 2: Reporting Guidance on Environmental KPIs" of ESG Guide, to estimate the greenhouse gas emissions from power consumption with reference to the emission factors of the Central South Regional Grid in "2015 Baseline Emission Factors for Regional Power Grids in China".

Sewage Treatment

- ✓ Laundry sewage is discharged after the proper treatment in the sewage treatment plants according to the indicators requirements of Environmental Protection Bureau;
- ✓ In addition to the 24-hour monitoring of the sewage from the laundry plant in compliance with the requirements of Environmental Protection Bureau, an external professional environmental protection company is hired to carry out sampling before the discharge of sewage during this year to find out the indicators of the sewage;
- ✓ Sewage generated from catering services is discharged after oil and grease separation treatment to meet the discharge standards.

Exhaust Gas and Greenhouse Gas Emissions

✓ Fume purification devices are installed in the kitchen while boiler exhaust equipment as well as dust filter bags and desulfurization device are installed in the laundry plant;

✓ Online monitoring equipment is installed on the oil fume processor to detect the operation condition, cleanliness and emission rate of the oil fume processor in real time;

✓ Exhaust emission devices are maintained by companies with professional qualifications regularly;

✓ Natural gas and power devices are mainly used for energy facilities, while energy-efficient air-conditioners are used for air-conditioning;

✓ In 2017, during the NPC AND CPPCC (National People's Congress and Chinese People's Political Consultative Conference) and Guangzhou Pazhou Summit, the laundry plant boiler was suspended twice in accordance with the government's order to reduce emission;

✓ Since October 2017, the laundry plant has integrated the routes of collecting and delivering clothes to customers to reduce the repeated distance incurred by the round trip between the laundry plant and the customers' premises, in order to weaken the impacts on air caused by transport vehicle exhaust.

Solid Waste

✓ The following wastes are professionally and properly disposed by recycling companies with professional qualifications including:

- kitchen waste and waste cooking oil and grease from the restaurants;
- used batteries, used lights and used tires, and etc.

✓ Companies with professional qualifications are hired to clean up the grease trap pool in the wet market on a monthly basis.

Noise

✓ It is clearly stipulated that noise-producing works should not be conducted on public holidays or festive holidays and at night;

✓ Noise-reduction cover is installed on the mainframes of the cooling equipment in supermarket to reduce the noise pollution.

USE OF RESOURCES

Electricity consumption: approximately 8,813,322 kilowatt hour Intensity of electricity consumption: approximately 24 kilowatt hour per thousands of operating revenue in RMB	✓ 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; ✓ Since its establishment, our laundry plant has adopted high-power electrical machines equipped with variable frequency technology; ✓ The high-power electrical machines used for the ventilation system at our laundry plant are equipped with time monitors, which are set to switch off the power automatically during non-working hours, to avoid wastage of electricity due to staff's negligence in switching off the power; ✓ LED lights are installed at supermarket, wet market and current year's newly renovated convenience stores, to reduce energy consumption and existing convenience stores will also gradually replace their lighting with LED lights; ✓ Provide fully enclosed glass near the escalators located at supermarket exits and extend the air curtain above such escalators depending on the geographical locations of the supermarket, 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; ✓ 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.
Water consumption: approximately 300,123 m^3 Intensity of water consumption: approximately 0.8 m^3 per thousand of operating revenue in RMB	✓ The maintenance staff shall check whether any water taps are turned on when water supply resumes after a long period of water stoppage and close them in advance before water supply resumes, in a bid to prevent excessive water loss; ✓ 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.
Office paper : approximately 6.1 tonnes	✓ We encourage double-sided printing and copying, and reuse the clean side of used papers;
Disposable plastic bags provided for consumers at their expense at convenience stores/supermarket: approximately 3.6 tonnes Plastic packaging bags used at our laundry plant: approximately 1 tonne	✓ In the Group's restaurants, we adopt eco-friendly tableware for our package tableware, which is provided for consumers at their expense; ✓ In the Group's retail stores, we provide plastic bags for consumers at their expense.

The scope of statistics includes:
The electricity consumption, water resources consumption and paper consumption of the Group and companies of each segment (excluding property management companies), the electricity consumption, water resources consumption and paper consumption at the offices of the property management companies; the amount of plastic bags provided at our restaurants for consumers at their expense; the amount of plastic packaging bags used at our laundry plant.

ENVIRONMENT AND NATURAL RESOURCES

The Group's property management companies actively incorporate management and awareness of environmental protection into their work and pay more attention to the environment during their course of daily operation and management, which include:

- ✓ We seldom use pesticides to protect green plants, in order to reduce the environmental pollution of pesticides;
- ✓ We introduce beneficial insects in the community to eat pests in order 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;
- ✓ When providing services for proprietors, the Group tries its best to use environmentally friendly and energy-saving facilities, and monitors the exhaust emission of all the shuttle buses based on government monitoring standards on a regular basis. The vehicles found to be not in compliance with the emission standards would be immediately sent to repair shops for maintenance;
- ✓ The Group explicitly states in the Proprietor's Manual that no proprietor shall randomly dump sewage or garbage in public areas.

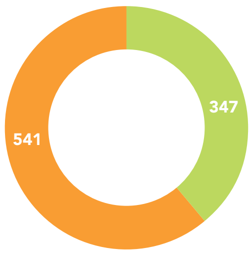
In addition, the Group was actively involved in the "Earth Hour" global environmental protection activity launched by the World Wide Fund for Nature (WWF). From 20:30 to 21:30 on 25 March 2017, the Group's stores and office areas turned off all unnecessary lights, electricity equipment and products. 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 and raise their awareness on the problem of global climatic change.

EMPLOYMENT AND STAFF CARE

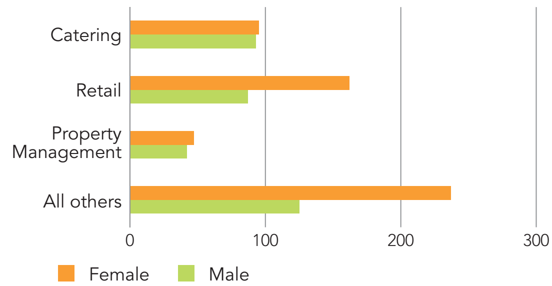
The Group has formulated the Code of Operation for the Human Resources and Administration Department (《人事行政部運營守則》) to standardize staff recruitment and dismissal, promotion, remuneration, working hours, holidays, equal opportunities and other day-to-day matters. The Group is also committed to providing 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. We are in strict compliance with relevant national and local law and regulations in relation to employment. In 2017, the Group did not have any material non-compliance with employment-related laws and regulations.

As at 31 December 2017, the Group had 888 staff in total. Their details are stated as follows:

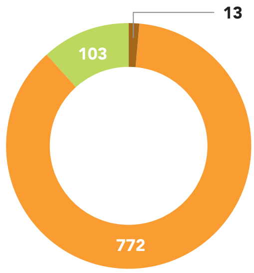
Overall Gender Composition



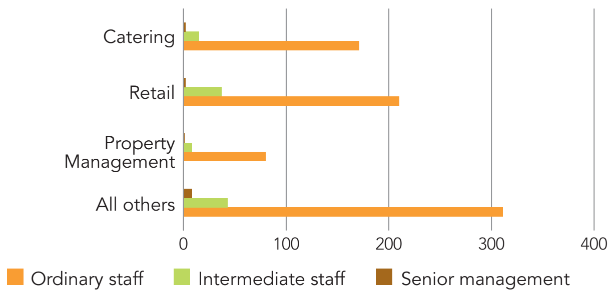
Gender Composition in Different Businesses



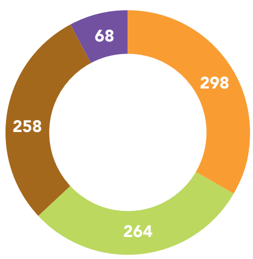
Overall Rank Composition



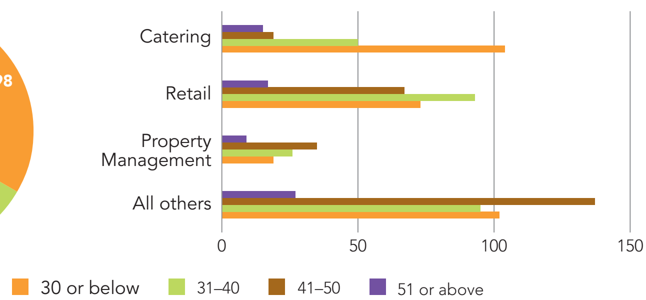
Rank Composition in Different Businesses



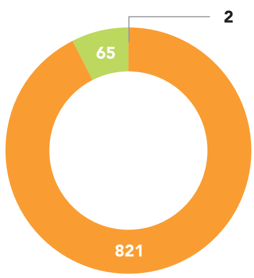
Overall Age Composition



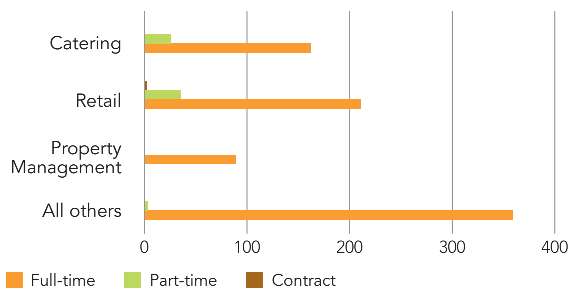
Age Composition in Different Businesses



Overall Employment Type



Employment Type Composition in Different Businesses



The Group conducts regular performance appraisals for its staff according to the skills required at different management levels. The department heads appraise the job performance of their subordinates in respect of their quality, ability and achievements, and advise on salary adjustment or promotion according to organisational structure, positions setting, work requirements and manpower budgets.

OCCUPATIONAL HEALTH AND SAFETY

The Group is in strict compliance with the provisions on occupational health and safety provided in the PRC labour law and local labour regulations. In 2017, the Group did not have any material non-compliance with relevant laws and regulations.

Tidbits on staff sports meets:

Staff participating in table tennis match

Staff participating in tug-of-war

Staff participating in basketball match

Staff participating in badminton match

Staff participating in marathon

Staff Care

The Group provides various benefits and welfare to employees based on particular needs of employees in addition to the requirements of relevant laws and regulations, including:

- ✓ 5 days or more paid annual leave, maternity leave, paid sick leave, hospitalisation leave, marriage leave, etc;
- ✓ Cancer fund available to employees who suffered from cancer;
- ✓ Personal accident insurance for staff;
- ✓ Meals or meal allowance for junior staff;
- ✓ Regular birthday celebrations for staff;
- ✓ Departmental annual gala at year end;
- ✓ 10% discount or more for dining in Group's restaurants and 12% discount for ordering birthday cake in supermarket.

Training and Development

In order to improve the overall quality and professional techniques of our staff, the Group formulates 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 of 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.

Key training performance data of 2017 is set out in the table below:

Courses organised by human resources department/business segments	Number of trainings	Total training hours	Total number of participants
Organised by human resources department	87	248	906
Organised by property management services	192	612	748
Organised by catering services	40	92	750
Organised by retail services	60	195	1234
Organised by ancillary living services	25	189	374
Total	**404**	**1336**	**/**

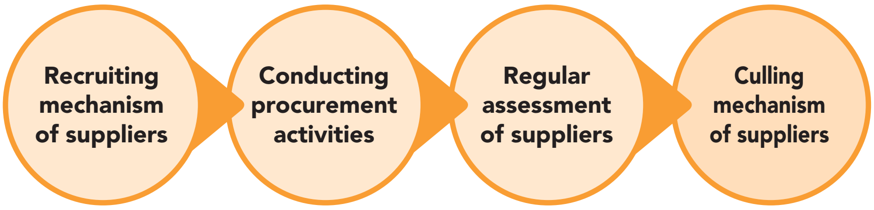
Compliance with Labour Standards

The Group recruits staff in accordance with national and local laws and regulations relating to labour 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 labour and forced labour, and ensures staff rights and interests. In 2017, the Group did not have any material non-compliance with relevant laws and regulations.

The Employee Handbook of the Group clarifies the regulations 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.

SUPPLY CHAIN MANAGEMENT

In order to regulate the procurement activities of the Group, we have formulated such systems as the Purchasing Management System and the Product Selection Management System for Suppliers and conducted procurement activities according to such systems.



- ✓ **Recruiting suppliers**: We select cooperative suppliers by way of site inspection, appraisals from market participants and assessment of qualifications of suppliers. We then build the supplier archives by such technological approaches as scanning, taking photographs, data exchange, and preparing spreadsheets, for future reference.
- ✓ **Conducting procurement activities**: We require cooperative suppliers should have legal documents as recognised by the government and relevant departments and to sell the goods that are sourced from proper channels with relevant supporting documents. Food suppliers shall provide their goods in compliance with the current regulations on food labelling and related sanitation regulations. Such suppliers shall also submit relevant food permits, QS certification, trademark certification, purchase invoices and other supporting documents if necessary.
- ✓ **Regular assessment of suppliers**: Our restaurants check the supply quality of suppliers on receiving goods to evaluate the performance of suppliers. Our retail stores conduct regular comprehensive evaluation of suppliers in terms of service quality, qualification, as well as quality and sales of goods.
- ✓ **Culling mechanism of suppliers**: For suppliers or goods assessed to be substandard, we will revoke their eligibility as qualified suppliers and lock their data in the Company's supplier management system. Procurement staff cannot conduct procurement activities with suppliers or goods the data of which are locked.

PRODUCT RESPONSIBILITY

Quality of products and services

The Group is in strict compliance with the laws and regulations relating to product health and safety for daily operation and management, and takes various measures to ensure the quality and safety of products, including:

- ✓ Food Safety Management System is formulated to regulate the health and safety of food. Fresh ingredients from suppliers are required to provide food qualification certificate for the day while other ingredients are also checked for relevant certificates to ensure the quality of ingredients before storage. Shelf life and quality of inventories are checked regularly to ensure the quality of all products sold;
- ✓ "5S Management Method", i.e. "Structurise, Systematise, Sanitise, Standardise and Self-discipline", is implemented in restaurants to enhance and maintain the hygiene of restaurant environment as well as the health and safety of food;
- ✓ See-through kitchens are installed in restaurants to offer full view of key places, key procedures and every step involved in each dish so that consumers can be reassured about food safety;
- ✓ Separate storage rooms are set up in restaurants to conserve food. Raw and cooked ingredients are stored separately in a strict manner, and different ingredients are washed in different flush tanks to ensure no cross-contamination of food and hence food quality;
- ✓ 5 different brands of rice in supermarket are selected to conduct quality check at Panyu Inspection Centre every month, with the inspection of all rice brands completed in approximately 3 months. Suppliers are required to provide rice inspection report for rice that is yet to be inspected;
- ✓ Regular check of quality and validity of goods is conducted in retail stores. Abnormal products are removed off shelf in time.

The Group upholds the service philosophy of "people-centred and service-oriented". Property management companies have established grid service management, which divided the service zone of Clifford's property management into 14 districts to conduct grid service and management based on actual situation including number of households and geographical location of each group. Customer service centre is set up in each grid (district) to offer more meticulous, effective and genuine butler-type property management service to proprietors and residents.

We have collaborated with various cooperative organisations to organise a number of interactive activities with customers. These activities aim at enhancing consumers' understanding of the Group through interaction and improving consumers' satisfaction.

Clifford beer festival

Easter egg hunt

Food safety inspection activity

Communication or Complaint Channel

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.

- ✓ Customer opinion collection boxes have been placed in retail stores and restaurants. Any opinion from customers will be handled and followed duly;
- ✓ Restaurants collect complaint messages from online mobile application software regularly and provide online reply, subsequent follow-up and handling;
- ✓ Responsible staff of the customer service department of property management companies collect opinions and requests from proprietors via telephone and regular home visits. Service specialists pay visits to proprietors in a timely manner to check on the handling of the complaints;
- ✓ Property management companies organise proprietor forums in each service district at the end of each year. This enables the proprietors to have better understanding of the working condition of the property management companies in the previous year, while allowing us to listen to the thoughts of the proprietors more thoroughly and collect valuable advice. With unceasing effort to improve on all fronts, we continue to enhance the standard and qualify of property management service.

Tidbits on Clifford's proprietor forum

Protection on Customer Information Privacy

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.

✓ A system has been set up to control the enquiry authority to access proprietors' information, which only allows staff to access proprietors' information within their authority. No staff (even director) has the authority to bulk export proprietors' personal information from the system;

✓ All the system users have their own passwords, which ensures all enquiries have log record and can be traced.

ANTI-CORRUPTION

The Group and its employees strictly comply with relevant laws, regulations and code of ethics in relation to anti-corruption. In 2017, the Group did not have any litigation cases involving the corruption of the Group or its staff.

✓ **Anti-bribery and anti-corruption measures**:
- Employee Handbook is distributed to all the staff. By reading the Employee Handbook, staff can understand the scope and channels of reporting corrupt behaviour, and their obligation to cooperate with investigation, and monitor the behaviour of other staff.
- All new staff members are required to receive the pre-service vocational education on clean conduct, to guide their conduct and behaviour during daily operation.
- Specialised trainings and education on clean conduct are organised for relevant staff and employees responsible for the procurement business of the Group. Such trainings focus mainly on the analysis of typical bribery and corruption cases, prevention of corruption risks, strengthening on-job training and enhancement of awareness of responsibility, so as to consolidate the idea of anti-corruption of staff.

✓ **Reporting channels**: Reporting channels, such as telephone, WeChat and mailboxes, are disclosed through media to collect the public's view on the staff behaviour of the Group. All such reporting will be processed in a prudent and confidential manner.

✓ **Processing flow**: 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.

COMMUNITY INVESTMENT

The Group maintains good relationship with the community and takes community interest into account during the management of daily operation. This year, the Group has organised and participated in numerous community activities to establish a harmonious relationship between the Company and communities through joint efforts.

Major community activities organised and participated by the Group in 2017

Blessings with New Year Couplets

The Group organised the activity "Blessings with New Year Couplets (春聯送祝福)" in Clifford Estates to facilitate the establishment of a civilised community where people love and care for each other.

Charity Bazzar

The Group participated and assisted in organising the Charity Bazzar of "Clifford Student Financial Aid (祈福愛心助學會)" at the commercial street of Clifford Landmark.

"I Love My Mom" Reusable Bag Design Contest

The Group organised a Mother's Day activity themed "I Love My Mom (我愛媽媽)", a contest to design reusable bags in Clifford Estates Resort Centre. The activity aims to advocate a green life and parent-child activities.

Donating Books with Compassion

The Group participated and assisted in organising the campaign "Donating Books with Compassion (愛心捐書)". A team of volunteers helped categorise and pack donated books and delivered them to poor mountainous areas. After the activity, we received the donation certificate from the Maitian Project (麥田計劃) of Maitian Education Foundation (廣東省麥田教育基金會).

Donating Computers

The Group donated 48 computers to Guangdong Provincial Education Foundation (廣東省教育基金會) to contribute to the education and improve school conditions in old revolutionary base areas and poor remote mountainous areas in the province. After the activity, we received the honour certificate and thank-you letter from Guangdong Provincial Education Foundation.

Donating Warmth to the Mountainous Areas

The Group actively participated in the activity "donating warmth to the mountainous areas (捐衣送暖到山區)" in the hope of helping the needy in the mountainous areas. After the activity, we received the thank-you letter 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) for our donation and support for the activity.

New Year Warmth Project – Visit to Nursing Home in Shatou Street

The Group organised the activity "New Year Warmth Project – Visit to Nursing Home in Shatou Street (新年送溫暖-沙頭街敬老院慰問)". In this activity, nearly 20 volunteers gave away fruits and presents to 70 elders in Shatou Street and accompanied them. These volunteers consisted of staff of the Group and also family members of the staff, making the activity not only a charity event, but also a family activity. This enabled the children of the staff to enjoy the pleasure of charity work, fostering them to be a loving generation.

Clifford Marathon

The Group held the Clifford Marathon in Clifford Estates, with an aim to promote the idea of fitness for all and healthy lifestyle.

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 81 to 143, which comprise:

- the consolidated income statement for the year ended 31 December 2017;
- the consolidated statement of comprehensive income for the year ended 31 December 2017;
- the consolidated statement of financial position as at 31 December 2017;
- the consolidated statement of changes in equity for the year ended 31 December 2017;
- the consolidated statement of cash flows for the year ended 31 December 2017; 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 2017, and of its consolidated financial performance and its consolidated cash flows for the year ended 31 December 2017 in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (CONTINUED)

Key audit matter identified in our audit is the recoverability of trade receivables, which is summarized as follows:

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of Trade Receivables	
Refer to notes 4(a) and 16(a) to the consolidated financial statements. As at 31 December 2017, the trade receivables of the Group amounted to RMB42,502,000, representing 12% of the total assets. The trade receivables comprised mainly the receivables from corporate customers of renovation and fitting-out services and information technology services of which certain credit terms are granted by the Group. Impairment provision of trade receivables is made based on an assessment of their recoverability. In performing the assessment, management considered 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 trade receivables and follow up the disputes or amounts overdue, if any. As at 31 December 2017, there is no impairment provision made for the trade receivables after management's assessment. We focused on this area due to the magnitude of trade receivables and the significance of management judgements in analyzing the recoverability of the trade receivables.	We have performed the following procedures to address this key audit matter: 1) We understood, evaluated and validated the key controls relating to management assessment performed on the recoverability of the trade receivables, including aging analysis review and regular assessment performed on collectability of the receivable balances; 2) We sent and obtained audit confirmation on major outstanding balances as at 31 December 2017. 3) We tested, on sample basis, the accuracy of aging analysis of trade receivables prepared by management. 4) We obtained management's assessment on the recoverability of trade receivables, assessed its reasonableness with reference to the reasons behind the outstanding settlement, aging profile and historical settlement patterns, and corroborated management's explanation to underlying documentation and correspondences with the counter parties; 5) We also tested, on a sample basis, the subsequent settlement of trade receivables to cash receipts and the related supporting documentation. We found the judgements made by the Group were supported by the evidences we gathered.

OTHER INFORMATION

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

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

OTHER INFORMATION (CONTINUED)

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

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

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

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

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

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

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

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

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

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

- 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.

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Chu Wang Hay.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2018

CONSOLIDATED INCOME STATEMENT

(All amounts in RMB thousands unless otherwise stated)

	Note	Year ended 31 December 2017	2016 (Restated)
Revenue	5	**365,387**	327,196
Cost of sales	6	**(213,787)**	(197,745)
Gross profit		**151,600**	129,451
Selling and marketing expenses	6	**(24,698)**	(21,540)
Administrative expenses	6	**(44,909)**	(61,329)
Other income	8	**1,038**	522
Other gains – net		**1,185**	357
Operating profit		**84,216**	47,461
Finance income	8	**603**	380
Finance costs	8	**–**	(14)
Share of profit of an associate		**–**	7
Profit before income tax		**84,819**	47,834
Income tax expenses	9	**(27,431)**	(20,003)
Profit for the year		**57,388**	27,831
Profit attributable to:			
– Owners of the Company		**56,325**	25,024
– Non-controlling interests		**1,063**	2,807
		57,388	27,831
Earnings per share attributable to the owners of the Company during the year (expressed in RMB per share):			
– Basic earnings per share	10	**0.056**	0.032
– Diluted earnings per share	10	**0.056**	0.032

The notes on pages 87 to 143 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	
	2017	2016 (Restated)
Profit for the year	**57,388**	27,831
Other comprehensive income	**–**	–
Total comprehensive income for the year	**57,388**	27,831
Total comprehensive income attributable to:		
– Owners of the Company	**56,325**	25,024
– Non-controlling interests	**1,063**	2,807
	57,388	27,831

The notes on pages 87 to 143 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(All amounts in RMB thousands unless otherwise stated)

	Note	As at 31 December 2017	2016 (Restated)
Assets			
Non-current assets			
Property, plant and equipment	12	**18,638**	19,743
Intangible assets		**590**	714
Deferred income tax assets	20	**1,017**	333
Long-term receivables		**2,106**	–
		22,351	20,790
Current assets			
Inventories	14	**13,928**	14,547
Amounts due from customers for contract works	15	**7,676**	7,068
Trade and other receivables	16	**60,346**	59,225
Cash and cash equivalents	17(a)	**187,404**	187,518
Term deposits	17(b)	**61,869**	27,544
Restricted cash	17(c)	**610**	608
Other current assets		**1,993**	–
		333,826	296,510
Total assets		**356,177**	317,300
Equity			
Equity attributable to owners of the Company			
Share capital	18	**8,761**	8,744
Share premium	18	**184,674**	183,824
Other reserves	19	**(117,178)**	(97,035)
Retained earnings		**179,759**	126,108
		256,016	221,641
Non-controlling interests		**–**	6,381
Total equity		**256,016**	228,022

The notes on pages 87 to 143 are an integral part of these consolidated financial statements.

(All amounts in RMB thousands unless otherwise stated)

	Note	As at 31 December 2017	2016 (Restated)
Liabilities			
Non-current liabilities			
Deferred income tax liabilities	20	**3,264**	1,200
Current liabilities			
Trade and other payables	21	**83,369**	79,506
Amounts due to customers for contract works	15	**4,792**	1,023
Current income tax liabilities		**8,736**	7,549
		96,897	88,078
Total liabilities		**100,161**	89,278
Total equity and liabilities		**356,177**	317,300

The notes on pages 87 to 143 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 81 to 143 were approved by the Board of Directors on 23 March 2018 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)

		Attributable to owners of the Company						
	Note	Share capital (Note 18)	Share premium (Note 18)	Other reserves (Note 19)	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2016 (as previously reported)		–	–	4,007	91,395	95,402	3,574	98,976
Business combination under common control	26	–	–	1,497	12,046	13,543	–	13,543
Balance at 1 January 2016 (Restated)		–	–	5,504	103,441	108,945	3,574	112,519
Comprehensive income								
Profit for the year		–	–	–	25,024	25,024	2,807	27,831
Other comprehensive income		–	–	–	–	–	–	–
		–	–	–	25,024	25,024	2,807	27,831
Transactions with owners of the Company								
Effect of the Reorganisation	19(b)	8	105,182	(105,190)	–	–	–	–
Employees' share option scheme	19(c)	–	–	294	–	294	–	294
Issue of shares in connection with the Company's listing	18	8,736	92,330	–	–	101,066	–	101,066
Share issuance costs	18	–	(13,688)	–	–	(13,688)	–	(13,688)
Appropriation of statutory reserves	19(a)	–	–	2,357	(2,357)	–	–	–
		8,744	183,824	(102,539)	(2,357)	87,672	–	87,672
Balance at 31 December 2016 (Restated)		8,744	183,824	(97,035)	126,108	221,641	6,381	228,022
Balance at 1 January 2017		**8,744**	**183,824**	**(97,035)**	**126,108**	**221,641**	**6,381**	**228,022**
Comprehensive income								
Profit for the year		**–**	**–**	**–**	**56,325**	**56,325**	**1,063**	**57,388**
Other comprehensive income		**–**	**–**	**–**	**–**	**–**	**–**	**–**
		–	**–**	**–**	**56,325**	**56,325**	**1,063**	**57,388**
Transactions with owners of the Company								
Changes in ownership interests in a subsidiary without change of control	25	**–**	**–**	**(14,331)**	**–**	**(14,331)**	**(7,444)**	**(21,775)**
Effect of business combination under common control	19(b), 26	**–**	**–**	**(9,794)**	**–**	**(9,794)**	**–**	**(9,794)**
Employees' share option scheme:								
– Value of employee services	19(c)	**–**	**–**	**1,471**	**–**	**1,471**	**–**	**1,471**
– Proceeds from shares issued	18, 19(c)	**17**	**850**	**(163)**	**–**	**704**	**–**	**704**
Appropriation of statutory reserves	19(a)	**–**	**–**	**2,674**	**(2,674)**	**–**	**–**	**–**
		17	**850**	**(20,143)**	**(2,674)**	**(21,950)**	**(7,444)**	**(29,394)**
Balance at 31 December 2017		**8,761**	**184,674**	**(117,178)**	**179,759**	**256,016**	**–**	**256,016**

The notes on pages 87 to 143 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in RMB thousands unless otherwise stated)

	Note	Year ended 31 December 2017	2016 (Restated)
Cash flows from operating activities			
Cash generated from operations	23(a)	91,409	87,807
Income tax paid		(16,676)	(15,167)
Net cash generated from operating activities		74,733	72,640
Cash flows from investing activities			
Purchases of property, plant and equipment		(7,079)	(14,584)
Proceeds from disposal of property, plant and equipment		133	396
Purchases of intangible assets		(95)	(142)
Increase in term deposits		(34,325)	(19,584)
Increase in loans and receivables		(12,500)	–
Repayments of loans and receivables		12,500	–
Interest received		603	437
Net cash used in investing activities		(40,763)	(33,477)
Cash flows from financing activities			
Proceeds from a bank loan		–	4,473
Repayments of the bank loan		–	(4,473)
Interest paid to a bank		–	(14)
Proceeds from issue of ordinary shares		–	101,066
Proceeds from exercise of share options	19(c)	704	–
Listing expenses paid		(206)	(36,564)
Loans from related parties	23(b)	6,243	3,313
Loans repaid to related parties	23(b), 26	(9,967)	(16,398)
Consideration paid to acquire additional interest in a subsidiary	25	(21,775)	–
Consideration paid for business combination under common control	26	(5,588)	–
Net cash (used in)/generated from financing activities		(30,589)	51,403
Net increase in cash and cash equivalents		3,381	90,566
Cash and cash equivalents at beginning of year	17(a)	187,518	96,952
Exchange losses on cash and cash equivalents		(3,495)	–
Cash and cash equivalents at end of year	17(a)	187,404	187,518

The notes on pages 87 to 143 are an integral part of these consolidated financial statements.

(All amounts in RMB thousands unless otherwise stated)

1. GENERAL INFORMATION

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

The Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 8 November 2016 (the "Listing"). The ultimate controlling shareholder of the Company is Ms. Man Lai Hung ("Ms. Man"). 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 and information technology-related services, etc. in the mainland of People's Republic of China (the "PRC mainland").

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors (the "Board") on 23 March 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements have been prepared under the historical cost convention.

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.

In 2017, the Group completed a business combination under common control. Accordingly, the Group has applied merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combination" issued by the HKICPA. Results of operations for the year ended 31 December 2016 and the financial position as at 31 December 2016 of the Group were restated (Note 26).

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2017:

HKAS 12 (Amendment)	Income taxes
HKAS 7 (Amendment)	Statement of cash flows
HKFRS 12 (Amendment)	Disclosure of interest in other entities

The adoption of these amendments did not have any significant impact on the financial performance and position for the current year or any prior year.

(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 2017 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
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 2 (Amendment)	Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018
HKFRS 1 (Amendment)	First time adoption of HKFRS	1 January 2018
HKAS 28 (Amendment)	Investments in associates and joint ventures	1 January 2018
HKAS 40 (Amendment)	Transfers of investment property	1 January 2018
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HKFRS 16	Leases	1 January 2019
HK (IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(b) New standards and amendments not yet effective for the financial year beginning on 1 January 2017 and not early adopted by the Group (Continued)

HKFRS 15 Revenue from Contracts with Customers

Nature of change

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

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

Management has assessed the impact of applying the new standard on the Group's financial statements and considered that the impact may not be material.

Date of adoption by group

Mandatory for financial years commencing on 1 January 2018. The Group intends to adopt HKFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as at 1 January 2018 and that comparatives will not be restated.

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 2017 and not early adopted by the Group (Continued)

HKFRS 9 Financial Instruments

Nature of change

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.

Impact

The Group has reviewed its financial assets and liabilities and is not expecting material impact from the adoption of HKFRS 9 on 1 January 2018 as the Group held no financial instruments as at 31 December 2017.

Date of adoption by group

Mandatory for financial years commencing on 1 January 2018.

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 2017 and not early adopted by the Group (Continued)

HKFRS 16 Leases

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 at 31 December 2017, the Group's minimum lease payments under non-cancellable operating lease agreements are of RMB47,889,000. 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 statement of financial position. 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 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.

2.2 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) Business combinations (Continued)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(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.

2.2.2 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Associates (Continued)

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 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.

2.4 Segment reporting

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

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency translation (Continued)

(c) Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,

- income and expenses for each statement of profit or loss are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions), and

- all resulting currency translation differences are recognised in other comprehensive income.

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

2.6 Property, plant and equipment

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

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains – 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 2.13), "term deposits", "restricted cash" and "cash and cash equivalents" (Note 2.14) in the consolidated statement of financial position.

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 Construction contracts

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Construction contracts (Continued)

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

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

2.13 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.

2.14 Cash and cash equivalents, restricted cash and term deposits

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

2.15 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.

2.16 Trade and other payables

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Current and deferred income tax (Continued)

(c) Offsetting

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

2.18 Employee benefits

(a) Pension obligations

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

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

Contributions to these defined contributions plans are expensed as incurred.

(b) Housing benefits

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

(c) Employee leave entitlements

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Share-based payments

Equity-settled share-based payment transactions

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

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

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

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

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

2.20 Provisions

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 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 services

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

(e) Provision of information technology services

The Group provides information technology services, which primarily involves provision of information technology services, related engineering services, security system and hardware and software integration, and telecommunication services. The revenue of information technology-related services is recognised on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" in Note 2.12.

(f) Provision of renovation and fitting-out services

The Group provides renovation and fitting-out services principally for residents, tenants or owners or their principal contractors of residential communities in proximity to their residential units, offices, shops and other properties. The revenue of renovation and fitting-out services is recognised on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" in Note 2.12.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Revenue recognition (Continued)

(g) Provision of the other services

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

(h) Rental income

The Group's policy for recognition of revenue from operating leases is described in Note 2.22(b).

(i) Interest income

Interest income is recognised using the effective interest method.

2.22 Leases

(a) The Group is the lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

(b) The Group is the lessor

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

The method for allocating gross earnings to accounting periods is referred to a as the "actuarial method". The actuarial method allocates rentals between finance income and repayment of capital in each accounting period in such a way that finance income will emerge as a constant rate of return on the lessor's net investment in the lease.

When assets are leased out under operating lease, the assets are included in the statement of financial position based on the nature of the assets. Rental income is recognised in the consolidated income statement on a straight-line basis over the term of the lease.

2.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

(All amounts in RMB thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Group's principal activities are conducted in RMB. The directors are of the opinion that the Group's activities do not expose it to any significant foreign exchange risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

3.1.1 Foreign exchange risk

The Group operates in the PRC mainland with most transactions being settled in RMB, which is the functional currency of the group companies. Foreign currency transactions included mainly receipt of listing proceeds, payments of consideration of business acquisition of Easy South Group, professional fees and employee benefit expenses which are denominated in Hong Kong Dollar. The Group currently does not have a foreign currency hedging policy, and manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities as at 31 December 2017 and 2016 are as follows:

	As at 31 December	
	2017	2016 (Restated)
Monetary assets denominated in:		
– Hong Kong Dollars (HK$)	**27,553**	76,625
Monetary liabilities denominated in:		
– HK$	**6,612**	4,157

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	
	2017	2016 (Restated)
5% appreciation in RMB against:		
– HK$	**(1,025)**	(3,611)
5% depreciation in RMB against:		
– HK$	**1,025**	3,611

(All amounts in RMB thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.2 Interest rate risk

The Group's interest rate risk arises from bank balances and amounts placed in bank accounts opened on behalf of the residents ("Amounts placed in Residents' Accounts"). Bank balances and Amounts placed in Residents' Accounts carried at prevailing market interest rate expose the Group to cash flow interest rate risk. The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

Management considers that interest rate risk related to bank balances and Amounts placed in Residents' Accounts is insignificant.

3.1.3 Credit risk

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 statement of financial position.

As at 31 December 2017, substantially all the Group's bank balances are deposited with major financial institutions incorporated in the PRC mainland and Hong Kong, which management believes are of high credit quality without significant credit risk (31 December 2016: same).

The table below shows the bank balances of the major counterparties with external credit ratings as at 31 December 2017 and 2016 are as follows:

	As at 31 December	
	2017	2016 (Restated)
Counterparties with external credit ratings (Note):		
– Aa1	**23,837**	47,608
– A1	**225,854**	167,827
	249,691	215,435

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.

(All amounts in RMB thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

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 2017	**48,789**
As at 31 December 2016 (Restated)	44,439

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the owner and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Total capital comprises "equity" as shown in the consolidated statement of financial positions. During the years ended 31 December 2017 and 2016, 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) Impairment of trade receivables

The management of the Group assesses whether the trade receivables should be impaired at each reporting date based on the accounting policies stated in Note 2.10. The assessment will be made considering the credibility and financial conditions of the customers, as well as the market situations, including but not limited to the debtors' financial positions, collection history, the probability that they will enter bankruptcy and ageing analysis. The assessment requires the use of judgements and estimates.

(b) Income taxes

The Group is subject to corporate income taxes in the PRC mainland and profits tax in Hong Kong. Judgement is required in determining the amount of the provision for taxation and timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made.

(c) Construction contracts

The Group uses the percentage-of-completion method to determine the appropriate amount to be recognised during the contract period. The stage of completion is measured by reference to the contract costs incurred up to the end of the accounting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed sometimes fall into different accounting periods. The Group regularly reviews the progress of the contracts and the corresponding budgeted costs incurred for the contract and revises the estimates of contract revenue and contract costs for each construction contract when necessary.

The Group reviews and revises the estimates of contract costs, variation orders and contract claims prepared for each construction contract. Budgeted contract costs are prepared by the management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved, professional estimation on costs of materials, labor costs and etc. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. Such significant estimate may have impact on the profit recognised in each period.

In addition, significant judgement is required to assess the recoverability of contract costs when difference between the estimated costs and the actual costs incurs.

(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, employment placement services and information technology services for the purpose of resource allocation and performance assessment. These divisions are the basis on which the Group reports its segment information under HKFRS 8 "Operation Segments".

The executive directors of the Company assesses the performance of the operating segments based on a measure of segment revenue and results and segment assets and liabilities. Segment results excluded central administration costs, other income, other gains-net, finance income, finance costs and income tax expenses, and segment assets excluded the deferred income tax assets, cash and cash equivalents, term deposits and interest receivable from a third party, and segment liabilities excluded the deferred income tax liabilities 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 2017 are as follows:

	Retail services	Catering services	Property management services	Off-campus training services	Property agency services	Laundry services	Employment placement services	Information technology services	Total
Gross segment revenue	105,280	67,073	80,838	34,158	18,417	10,415	2,578	48,385	367,144
Inter-segment revenue	(210)	(266)	(764)	–	–	(191)	–	(326)	(1,757)
Revenue	105,070	66,807	80,074	34,158	18,417	10,224	2,578	48,059	365,387
Segment results	11,590	3,303	47,345	13,255	12,799	696	1,206	6,288	96,482
Other income									1,038
Other gains – net									1,185
Finance income									603
Unallocated expenses									(14,489)
Income tax expenses									(27,431)
Profit for the year									57,388
Segment results include:									
Depreciation and amortisation	1,860	2,116	93	392	6	515	4	296	5,282

(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 2016 are as follows:

	Retail services	Catering services	Property management services	Off-campus training services	Property agency services	Laundry services	Employment placement services	Information technology services	Total (Restated)
Gross segment revenue	100,971	86,305	52,045	27,056	13,267	9,951	1,500	37,593	328,688
Inter-segment revenue	(306)	(673)	(65)	–	–	(370)	–	(78)	(1,492)
Revenue	100,665	85,632	51,980	27,056	13,267	9,581	1,500	37,515	327,196
Segment results	16,598	3,081	30,225	11,756	5,260	356	864	6,602	74,742
Other income									522
Other gains – net									357
Finance income									380
Finance costs									(14)
Unallocated expenses									(28,153)
Income tax expenses									(20,003)
Profit for the year									27,831
Segment results include:									
Share of profit from investment in an associate	–	7	–	–	–	–	–	–	7
Depreciation and amortisation	1,843	2,075	83	214	11	521	4	318	5,069

(All amounts in RMB thousands unless otherwise stated)

5. SEGMENT INFORMATION (CONTINUED)

The segment assets and liabilities and the reconciliation with total assets and liabilities of the Group as at 31 December 2017 and 2016 are as follows:

Segment assets

	As at 31 December	
	2017	2016 (Restated)
Retail services	20,026	27,124
Catering services	15,504	13,068
Property management services	22,108	24,542
Off-campus training services	4,239	1,008
Property agency services	321	111
Laundry services	7,463	5,381
Employment placement services	1,497	2,245
Information technology services	34,577	28,274
Total segment assets	105,735	101,753
Deferred income tax assets	1,017	333
Cash and cash equivalents	187,404	187,518
Term deposits	61,869	27,544
Interest receivable from a third party	152	152
Total assets	356,177	317,300

Segment liabilities

	As at 31 December	
	2017	2016 (Restated)
Retail services	27,949	32,833
Catering services	10,102	12,187
Property management services	19,924	10,056
Off-campus training services	16,298	14,633
Property agency services	3,122	3,912
Laundry services	2,222	1,336
Employment placement services	931	918
Information technology services	16,349	12,203
Total segment liabilities	96,897	88,078
Deferred income tax liabilities	3,264	1,200
Total liabilities	100,161	89,278

(All amounts in RMB thousands unless otherwise stated)

5. SEGMENT INFORMATION (CONTINUED)

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

As at 31 December 2017, the balance of certain proceeds from the initial public offering of HK$25.5 million, equivalent to RMB21.3 million (31 December 2016: HK$80.7 million, equivalent to RMB72.4 million) were temporarily deposited in the Group's bank accounts in Hong Kong and will be remitted to the Group's PRC mainland companies for intended use. Except for this, more than 90% of the carrying values of the Group's assets are situated in the PRC mainland. During the year ended 31 December 2017, rental and other sundry income of HK$2.5 million (equivalent to RMB2.1 million) are derived from activities in Hong Kong (2016: nil). Except for these, all of the Group's revenue are derived from activities in, and from customers located in the PRC mainland and no geographical segment analysis is prepared.

There is no single customer contributes more than 10% of the Group's revenue for each of the years ended 31 December 2017 and 2016.

6. EXPENSES BY NATURE

	Year ended 31 December	
	2017	2016 (Restated)
Employee benefit expenses (Note 7)	**92,399**	91,036
Cost of goods sold for retail business	**59,168**	56,237
Construction cost for information technology services	**29,524**	22,322
Cost of raw materials and consumables	**28,032**	34,041
Sub-contracting costs for renovation and fitting-out services	**23,518**	7,835
Operating lease payments	**16,521**	9,301
Utilities – electricity, water and gas, etc.	**9,608**	10,431
Depreciation and amortisation	**5,282**	5,069
Office expenses	**5,044**	4,365
Professional fee	**4,245**	–
Auditors' remuneration		
– Audit services	**2,300**	1,947
– Non-audit services	**229**	153
Business tax and other levies	**1,359**	4,288
Advertising expenses	**590**	834
Listing expenses	**–**	22,924
Others	**5,575**	9,831
	283,394	280,614

(All amounts in RMB thousands unless otherwise stated)

7. EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December 2017	2016 (Restated)
Wages and salaries	**76,842**	73,930
Staff welfare expenses (Note (a))	**14,086**	16,812
Pre-IPO Share Options granted to directors, senior management and employees (Note 19(c))	**1,471**	294
	92,399	91,036

(a) Employees in the Group's PRC mainland subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC mainland subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2017 included four directors (2016: two). The emoluments of directors are disclosed in Note 29, the emoluments payable to the remaining highest paid individuals during the years ended 31 December 2017 and 2016 are as follows:

	Year ended 31 December 2017	2016
Basic salaries, housing allowances, other allowances and benefits in kind	**649**	1,963

The emoluments fell within the following bands:

	Number of individuals Year ended 31 December 2017	2016
Emolument bands (in HK$)		
Nil – HK$1,000,000	**1**	3

(All amounts in RMB thousands unless otherwise stated)

8. OTHER INCOME, FINANCE INCOME AND COSTS

	Year ended 31 December	
	2017	2016 (Restated)
Other income:		
– Interest income on cash and cash equivalents	**934**	310
– Interest income from amounts placed in Residents' Accounts (Note 16(b))	**104**	212
	1,038	522
Finance income:		
– Interest income on term deposits	**603**	380
Finance costs:		
– Interest expenses of a bank borrowing	**–**	(14)
Finance income – net	**603**	366

9. INCOME TAX EXPENSES

	Year ended 31 December	
	2017	2016 (Restated)
Current tax:		
– PRC mainland corporate income tax	**24,676**	18,678
– Hong Kong profits tax	**75**	125
– PRC mainland withholding income tax	**1,300**	857
Total current tax	**26,051**	19,660
Deferred tax:		
– PRC mainland corporate income tax	**(684)**	–
– PRC mainland withholding income tax	**2,064**	343
Total deferred tax	**1,380**	343
Income tax expenses	**27,431**	20,003

(All amounts in RMB thousands unless otherwise stated)

9. INCOME TAX EXPENSES (CONTINUED)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the group entities as follows:

	Year ended 31 December	
	2017	2016 (Restated)
Profit before tax	84,819	47,834
Tax charge at effective rate applicable to profits in the respective group entities	25,797	19,183
Tax effects of:		
– An associate's result reported net of tax	–	2
– Income not subject to tax	(675)	(544)
– Additional tax deduction of research and development expenses	(439)	(276)
– Expenses not deductible for tax purposes	620	304
– Tax losses for which no deferred income tax asset was recognised	64	134
	25,367	18,803
PRC mainland withholding income tax	2,064	1,200
Tax charge	27,431	20,003

The weighted average applicable tax rate was 30% (2016: 39%). A relatively higher weighted average applicable tax rate for the year ended 31 December 2016 is mainly due to non-deductible listing expenses incurred by the Company during the year ended 31 December 2016.

PRC mainland corporate income tax

The income tax provision of the Group in respect of operations in the PRC mainland has been calculated at the applicable tax rate on the estimated assessable profits for the years, based on the existing legislation, interpretations and practices in respect thereof.

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

PRC mainland withholding income tax

PRC mainland withholding income tax of 10% shall be levied on the dividends declared by PRC mainland entities to their foreign investors out of their profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC mainland subsidiaries are incorporated or operated in Hong Kong and fulfil the requirement to the tax treaty arrangement between the PRC mainland and Hong Kong.

During the year ended 31 December 2017, provision of deferred income tax for the earnings of the PRC mainland subsidiaries planned to be distributed to overseas has been made at withholding income tax rate of 10%.

(All amounts in RMB thousands unless otherwise stated)

9. INCOME TAX EXPENSES (CONTINUED)

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	
	2017	2016 (Restated)
Profit attributable to equity holders of the Company (RMB)	**56,325,000**	25,024,000
Weighted average number of ordinary shares in issue	**1,000,889,726**	786,986,301
Basic earnings per share for profit attributable to the shareholders of the Company during the year (expressed in RMB per share)	**0.056**	0.032

The weighted average number of ordinary shares in issue for the purpose of calculating basic and diluted earnings per share for the year ended 31 December 2016 has been adjusted for the effect of capitalisation issue of 749,000,000 shares pursuant to the resolution dated 21 October 2016 (Note 18(b)) and subsequently became effective on 8 November 2016.

(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.

(All amounts in RMB thousands unless otherwise stated)

10. EARNINGS PER SHARE (CONTINUED)

(b) Diluted (Continued)

As stated in Note 19(c), the Pre-IPO Share Option Scheme was adopted and effective on 8 November 2016. Diluted earnings per share for the year ended 31 December 2017 was calculated as below:

	Year ended 31 December 2017	2016 (Restated)
Profit attributable to equity holders of the Company (RMB)	**56,325,000**	25,024,000
Weighted average number of ordinary shares in issue	**1,000,889,726**	786,986,301
Adjustments for:		
– Pre-IPO Share Options	**7,629,605**	1,040,878
Weighted average number of ordinary shares for diluted earnings per share	**1,008,519,331**	788,027,179
Diluted earnings per share for profit attributable to the shareholders of the Company during the year (expressed in RMB per share)	**0.056**	0.032

11. SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2017 and 2016 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities 2017	Ownership interest held by the Group (%) 2017	Particulars of issued share capital and debt securities 2016	Ownership interest held by the Group (%) 2016
Directly owned						
Wide Leisure Limited 廣逸有限公司	BVI, limited liability company	Investment holding in BVI	1 ordinary share USD1	100%	1 ordinary share USD1	100%
Indirectly owned						
Guangzhou Panyu Clifford Property Management Limited* 廣州市番禺祈福物業管理有限公司	PRC mainland, limited liability company	Property management services in the PRC mainland	RMB5,500,000	100%	RMB5,500,000	75.5%
Foshan Clifford Property Management Limited* 佛山市祈福物業管理有限公司	PRC mainland, limited liability company	Property management services in the PRC mainland	HK$8,770,000	100%	HK$8,770,000	100%

(All amounts in RMB thousands unless otherwise stated)

11 SUBSIDIARIES (CONTINUED)

Name of entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities 2017	Ownership interest held by the Group (%) 2017	Particulars of issued share capital and debt securities 2016	Ownership interest held by the Group (%) 2016
Indirectly owned (Continued)						
Guangzhou Clifford Trading Limited* 廣州市祈福貿易有限公司	PRC mainland, limited liability company	Retail services in the PRC mainland	RMB1,000,000	100%	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 mainland, limited liability company	Property agency services in the PRC mainland	RMB300,000	100%	RMB300,000	100%
Guangzhou Welcome Employment Limited* 廣州市惠爾家職業介紹有限公司	PRC mainland, limited liability company	Employment placement services in the PRC mainland	RMB2,000,000	100%	RMB2,000,000	100%
Guangzhou Goodwash Laundry Limited* 廣州市雪白洗衣有限公司	PRC mainland, limited liability company	Laundry services in the PRC mainland	RMB5,000,000	100%	RMB5,000,000	100%
Guangzhou Clifford Herbal Cuisine Catering Limited* 廣州市祈福藥膳坊餐飲有限公司	PRC mainland, limited liability company	Catering services in the PRC mainland	RMB1,000,000	100%	RMB1,000,000	100%
Guangzhou Mascot Catering Limited* 廣州市福品餐飲有限公司	PRC mainland, limited liability company	Catering services in the PRC mainland	RMB1,000,000	100%	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 mainland, limited liability company	Off-campus training services in the PRC mainland	RMB50,000	100%	RMB50,000	100%
Guangzhou Clifford Household Services Limited* 廣州市祈福家居服務有限公司	PRC mainland, limited liability company	Construction and household services in the PRC mainland	RMB500,000	100%	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 mainland, limited liability company	Catering services in the PRC mainland	RMB1,000,000	100%	RMB1,000,000	100%
Guangzhou Clifford Big Brother Congee & Noodles Limited* 廣州市祈福一哥雲吞麵有限公司	PRC mainland, limited liability company	Catering services in the PRC mainland	RMB1,000,000	100%	RMB1,000,000	100%

(All amounts in RMB thousands unless otherwise stated)

11 SUBSIDIARIES (CONTINUED)

Name of entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities 2017	Ownership interest held by the Group (%) 2017	Particulars of issued share capital and debt securities 2016	Ownership interest held by the Group (%) 2016
Indirectly owned (Continued)						
Guangzhou Clifford Communications Limited* 廣州市祈福通訊有限公司	PRC mainland, limited liability company	Communication services in the PRC mainland	RMB1,000,000	100%	–	–
Guangzhou Clifford Catering Management Limited* 廣州市祈福餐飲管理有限公司	PRC mainland, limited liability company	Catering services in the PRC mainland	RMB1,000,000	100%	–	–
Guangzhou Kejian Computer Technology Co., Limited* 廣州市科健計算機技術有限公司	PRC mainland, limited liability company	Information technology services in the PRC mainland	RMB8,000,000	100%	RMB8,000,000	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 2016						
Opening net book amount	7,914	203	473	1,289	380	10,259
Common control combination	16	150	29	68	–	263
Opening net book amount (Restated)	7,930	353	502	1,357	380	10,522
Additions	1,399	103	1,715	9,764	1,603	14,584
Disposals	(33)	–	(156)	–	(263)	(452)
Depreciation charge	(891)	(125)	(1,129)	(2,558)	(208)	(4,911)
Closing net book amount	8,405	331	932	8,563	1,512	19,743
As at 31 December 2016 (Restated)						
Cost	12,053	1,130	3,882	13,386	1,805	32,256
Accumulated depreciation	(3,648)	(799)	(2,950)	(4,823)	(293)	(12,513)
Net book amount	8,405	331	932	8,563	1,512	19,743
Year ended 31 December 2017						
Opening net book amount	8,405	331	932	8,563	1,512	19,743
Additions	1,092	3	791	5,109	84	7,079
Disposals	(260)	(4)	(49)	(372)	(441)	(1,126)
Transferred to other current assets	(359)	–	(294)	(947)	(340)	(1,940)
Depreciation charge	(918)	(42)	(1,268)	(2,700)	(190)	(5,118)
Closing net book amount	7,960	288	112	9,653	625	18,638
As at 31 December 2017						
Cost	11,694	1,087	3,553	15,158	979	32,471
Accumulated depreciation	(3,734)	(799)	(3,441)	(5,505)	(354)	(13,833)
Net book amount	7,960	288	112	9,653	625	18,638

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

	Year ended 31 December 2017	2016 (Restated)
Cost of sales	2,261	1,968
Selling and marketing expenses	2,095	2,006
Administrative expenses	762	937
	5,118	4,911

(All amounts in RMB thousands unless otherwise stated)

13. FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December	
	2017	2016 (Restated)
Financial asset		
Loans and receivables:		
– Trade and other receivables excluding prepayments	**57,210**	58,054
– Cash and cash equivalents	**187,404**	187,518
– Term deposits	**61,869**	27,544
– Restricted cash	**610**	608
	307,093	273,724
Financial liabilities at amortised costs		
Trade and other payables excluding non-financial liabilities	**48,789**	44,439

14. INVENTORIES

	As at 31 December	
	2017	2016 (Restated)
Merchandise goods	**9,161**	9,491
Raw materials and consumables	**4,593**	4,661
Others	**174**	395
	13,928	14,547

15. CONSTRUCTION CONTRACTS

	As at 31 December	
	2017	2016 (Restated)
Amounts due from customers for contract works	**7,676**	7,068
Amounts due to customers for contract works	**(4,792)**	(1,023)
	2,884	6,045
Contract costs incurred plus recognised profits less recognised losses to date	**36,888**	17,083
Less: Progress billings received and receivable	**(34,004)**	(11,038)
	2,884	6,045

(All amounts in RMB thousands unless otherwise stated)

16. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2017	2016 (Restated)
Trade receivables (Note (a)):		
– Related parties (Note 28(d))	**19,903**	12,130
– Third parties	**22,599**	10,626
	42,502	22,756
Amounts placed in Residents' Accounts (Note (b))	**2,823**	18,005
Other receivables:		
– Related parties (Note 28(d))	**4,211**	9,576
– Third parties	**7,522**	7,565
	11,733	17,141
Interest receivables (Note(c))		
– A third party	**152**	152
Prepayments:		
– Third parties	**3,136**	1,171
	60,346	59,225

(a) Trade receivables due from third parties mainly represented the receivables of outstanding property management fee charged on commission basis, receivables arising from provision of renovation and fitting-out services and information technology services and receivables of laundry service income.

During the year ended 31 December 2017, the Group's trading terms are mainly on a cash basis except for certain corporate customers of renovation and fitting-out services, information technology services and laundry services, which is generally with credit period varying from one to three months.

As at 31 December 2017 and 2016, the aging analysis of the trade receivables based on invoice date is as follows:

	As at 31 December	
	2017	2016 (Restated)
Up to 1 year	**36,456**	15,006
1 to 2 years	**4,488**	7,351
Over 2 years	**1,558**	399
	42,502	22,756

(All amounts in RMB thousands unless otherwise stated)

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) (Continued)

As at 31 December 2017, trade receivables of RMB42,502,000 were fully performing (31 December 2016: RMB22,756,000).

As at 31 December 2017, trade receivables of RMB19,953,000 were past due but not impaired (31 December 2016: RMB13,948,000). 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 aging analysis of these trade receivable is as follows:

	As at 31 December	
	2017	2016 (Restated)
0 to 180 days	**13,866**	5,086
181 to 365 days	**1,481**	1,908
1 to 2 years	**3,414**	6,597
Over 2 years	**1,192**	357
	19,953	13,948

(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 2017, amounts placed in Residents' Accounts of RMB2,823,000 represented the balances of the property management commission fee and resident support service fee entitled by the property management companies (31 December 2016: RMB18,005,000). As at 31 December 2017, amounts placed in Residents' Accounts carry interest at prevailing rates from 0.35% to 2.10% per annum (31 December 2016: 0.35% to 1.75% per annum). The fair value of these balances approximates their carrying amounts.

(c) Interest receivable from loan 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.

(All amounts in RMB thousands unless otherwise stated)

17. CASH AND BANK BALANCES

(a) Cash and cash equivalents

	As at 31 December 2017	2016 (Restated)
Cash at bank and on hand	**140,144**	176,244
Short-term bank deposits	**47,260**	11,274
	187,404	187,518

As at 31 December 2017, short-term bank deposits carry interest at prevailing deposit rates which range from 0.50% to 1.35% per annum (31 December 2016: 1.35% to 1.60%).

	As at 31 December 2017	2016 (Restated)
Cash and cash equivalents denominated in (Note):		
– RMB	**160,042**	110,893
– HK$	**27,362**	76,625
	187,404	187,518

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

(b) Term deposits

	As at 31 December 2017	2016 (Restated)
Matured within:		
– 6 months	**1,490**	490
– 6 months to 1 year	**60,379**	27,054
	61,869	27,544

As at 31 December 2017, the term deposits carry interest at prevailing deposit rates which range from 1.55% to 2.10% per annum (31 December 2016: 1.55% to 3.00%). 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 mainland.

18. SHARE CAPITAL AND SHARE PREMIUM

Details of the share capital of the Company are as follows:

	Number of ordinary shares	Share capital		Share premium	Total
			Translated to		
	Shares	HK$	RMB'000	RMB'000	RMB'000
Authorised:					
As at 31 December 2016 and 2017	10,000,000,000	100,000,000	87,440		
Issued and fully paid:					
Year ended 31 December 2017					
As at 1 January 2017	1,000,000,000	10,000,000	8,744	183,824	192,568
Pre-IPO Share Option Scheme:					
– Proceeds from shares issued (Note 19(c))	1,950,000	19,500	17	850	867
As at 31 December 2017	1,001,950,000	10,019,500	8,761	184,674	193,435
Year ended 31 December 2016					
Issue of shares on 6 January 2016					
(date of incorporation)	10,000	–	–	–	–
Effect of the Reorganisation (Note 19(b)(ii))	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 HK$0.01 per share at offer price of HK$0.46 per share. The total cash consideration, before issuance costs was approximately HK$115,582,000 (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 HK$0.01 per share by capitalising HK$7,490,000 (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)

19. OTHER RESERVES

	Statutory reserve (Note (a))	Capital reserve (Note (b))	Share-based compensation reserve (Note (c))	Reserves for transactions with non-controlling interest	Total
As at 1 January 2017	13,976	(111,305)	294	–	(97,035)
Changes in ownership interests in a subsidiary without change of control (Note 25)	–	–	–	(14,331)	(14,331)
Effect of business combination under common control(Note (b)(i), 26)	–	(9,794)	–	–	(9,794)
Employees' share option scheme (Note (c)):					
– Value of employee services	–	–	1,471	–	1,471
– Proceeds from shares issued	–	–	(163)	–	(163)
Appropriation of statutory reserves	2,674	–	–	–	2,674
As at 31 December 2017	16,650	(121,099)	1,602	(14,331)	(117,178)
As at 1 January 2016	11,619	(7,612)	–	–	4,007
Business combination under common control	–	1,497	–	–	1,497
As at 1 January 2016 (Restated)	11,619	(6,115)	–	–	5,504
Effect of Reorganisation (Note (b)(ii))	–	(105,190)	–	–	(105,190)
Employees' share option scheme (Note (c))	–	–	294	–	294
Appropriation of statutory reserves	2,357	–	–	–	2,357
As at 31 December 2016 (Restated)	13,976	(111,305)	294	–	(97,035)

19. OTHER RESERVES (CONTINUED)

(a) Statutory reserve

In accordance with relevant rules and regulations in the PRC mainland, except for sino-foreign equity joint venture enterprises, all PRC mainland companies are required to transfer 10% of their profit after taxation calculated under PRC mainland accounting rules and regulations to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund can only be used upon approval by the relevant authority, to offset losses carried forward from previous years or to increase capital of the respective companies.

(b) Capital reserve

(i) In December 2017, Green Charm Enterprises Limited, a wholly-owned subsidiary of the Company, acquired 100% of the equity interest in Easy South Limited, Diamond Ray Limited and Guangzhou Kejian Computer Technology Co., Limited (together "Easy South Group") and the loans payable by Easy South Group to Ms. Man from Ms. Man, at cash consideration HK$23,000,000 (equivalent to RMB19,348,000), included in which RMB9,554,000 is for the settlement of the loans payable to Ms. Man and RMB9,794,000 is for acquiring the 100% equity interest in the Easy South Group (Note 26).

(ii) During the reorganisation for the Listing, the Company issued shares to acquire the businesses held by Ms. Man. Under merger accounting, the consideration of issued shares represented the carrying value of the businesses acquired by the Company and the equal amount is debited to capital reserve.

(c) Pre-IPO Share Option Scheme

On 21 October 2016, the Company granted share options to certain directors, senior management and employees of the Group (the "Recipients") under a share option scheme (the "Pre-IPO Share Option Scheme"), under which the option holders are entitled to acquire an aggregate of 21,175,000 shares of the Company at 10% discount to the offer price of HK$0.46 per share upon the listing date on 8 November 2016 ("Listing Date").

The Pre-IPO Share Option shall be exercisable at any time during the period (i) commencing on the business day immediately after the expiry of the six-month period after the Listing Date and (ii) ending on the date falling in five years and six months of the Listing Date.

Up to 31 December 2017, certain Recipients have exercised 1,950,000 units of share options at the exercise price of HK$0.414 per share. Cash proceeds received by the Company amounted to HK$807,300 (equivalent to RMB704,000).

(All amounts in RMB thousands unless otherwise stated)

19. OTHER 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 2017	0.414	21,175,000
Exercised	0.414	(1,950,000)
As at 31 December 2017	0.414	19,225,000

The expiry date of the share options outstanding as at 31 December 2017 is 8 May 2022.

The Group has no legal or constructive obligation to repurchase or settle the share options in cash.

The fair value of share options granted is HK$0.10 per option, which was determined using the Binomial Model based on specific unobservable inputs. These input include:

Description	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of Unobservable inputs to fair value
Pre-IPO Share Options	Binomial Model	suboptimal exercise factor	2.5–3.5 times	The higher the suboptimal exercise factor, the higher the fair value
		volatility	20%–30%	The higher the volatility, The higher the fair value
		interest rate	0.8%–1.2%	The higher the interest rate, the higher the fair value

There were no significant inter-relationships between unobservable inputs that materially affect fair values.

(All amounts in RMB thousands unless otherwise stated)

20. DEFERRED INCOME TAX

The analysis of deferred income tax is as follows:

	As at 31 December	
	2017	2016 (Restated)
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	**1,017**	333
Deferred income tax liabilities:		
– Deferred income tax liability to be recovered within 12 months	**(3,264)**	(1,200)
Deferred income tax liabilities – net	**(2,247)**	(867)

The movement in deferred income tax assets during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Temporary difference relating to accrual of expenses	
	2017	2016 (Restated)
Deferred tax assets		
Opening balance	**333**	–
Credited to consolidated income statement	**684**	333
Closing balance	**1,017**	333

(All amounts in RMB thousands unless otherwise stated)

20. DEFERRED INCOME TAX (CONTINUED)

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	
	2017	2016 (Restated)
Deferred tax liabilities		
Opening balance	**(1,200)**	(857)
Charged to consolidated income statement	**(2,064)**	(343)
Closing balance	**(3,264)**	(1,200)

As at 31 December 2017, the Group did not recognise deferred income tax assets of RMB1,362,000 (31 December 2016: RMB1,298,000) in respect of tax losses of RMB6,328,000 (31 December 2016: RMB6,018,000). Tax losses of group entities operated in the PRC mainland could be carried forward for a maximum of five years.

As at 31 December 2017, the Group has not recognised the provision of PRC mainland withholding income tax of RMB7,448,000 (31 December 2016: RMB9,513,000) in relation to the undistributed profits of certain PRC mainland group entities totalling RMB74,480,000 (31 December 2016: RMB95,130,000) as the Group does not have a plan to distribute these profits out of the PRC mainland in the foreseeable future.

(All amounts in RMB thousands unless otherwise stated)

21. TRADE AND OTHER PAYABLES

	As at 31 December	
	2017	2016 (Restated)
Trade payables (Note (a)):		
– Related parties (Note 28(d))	**14**	14
– Third parties	**28,317**	25,087
	28,331	25,101
Other payables:		
– Related parties (Note 28(d))	**7,856**	2,471
– Third parties	**12,602**	13,143
	20,458	15,614
Loan payables:		
– Related parties (Note 28(d))	**–**	3,724
Advances from customers:		
– Related parties (Note 28(d))	**1,332**	1,332
– Third parties	**15,587**	13,124
	16,919	14,456
Accrued payroll	**14,899**	16,754
Other taxes payables	**2,762**	3,857
	83,369	79,506

(a) As at 31 December 2017 and 2016, the aging analysis of the trade payables (including amounts due to related parties of trading in nature) based on invoice date is as follows:

	As at 31 December	
	2017	2016 (Restated)
Up to 1 year	**25,613**	23,368
1 to 2 years	**1,869**	1,010
2 to 3 years	**126**	184
Over 3 years	**723**	539
	28,331	25,101

(All amounts in RMB thousands unless otherwise stated)

22. DIVIDENDS

	Year ended 31 December 2017	2016
Proposed special dividend of HK1.30 cents per ordinary share (Note (a))	**10,501**	–

(a) Pursuant to a resolution passed at the meeting of board of directors of the Company held on 23 March 2018, the Company proposed to pay 2017 special cash dividends of HK1.30 cents per share (tax inclusive) out of the Company's share premium. The amount of special dividends will be HK$13,025,350 (equivalent to RMB10,501,037) based on the total number of issued shares of the Company of 1,001,950,000 shares as at 31 December 2017, without taking into account any increase in number of shares after exercise of the Pre-IPO Share Option Scheme. This proposal for special dividend distribution is subject to the approval at the upcoming annual general meeting. These consolidated financial statements have not reflected the special dividend.

23. CASH FLOW INFORMATION

(a) Cash generated from operations

	Year ended 31 December 2017	2016 (Restated)
Profit before income tax	**84,819**	47,834
Adjustments for:		
– Depreciation of property, plant and equipment (Note 12)	**5,118**	4,911
– Amortisation of intangible assets	**164**	158
– (Gains)/losses on disposal of property, plant and equipment	**(1,113)**	56
– Finance income (Note 8)	**(603)**	(380)
– Finance costs (Note 8)	**–**	14
– Share based compensation (Note 7)	**1,471**	294
Changes in working capital:		
– Restricted cash	**(2)**	(130)
– Inventories	**619**	(5,241)
– Amounts due from customers for contract works	**(608)**	(2,819)
– Trade and other receivables	**(9,873)**	(8,396)
– Long-term receivables	**(2,106)**	–
– Amounts due to customers for contract works	**3,769**	(2,070)
– Trade and other payables	**9,754**	53,576
Cash generated from operations	**91,409**	87,807

(All amounts in RMB thousands unless otherwise stated)

23. CASH FLOW INFORMATION (CONTINUED)

(b) Net debt reconciliation

This section sets out an analysis of net debt for each of the periods presented and the movements in net debt for the year ended 31 December 2017.

Net debt

	As at 31 December	
	2017	2016 (Restated)
Cash and cash equivalents	**187,404**	187,518
Loan payables – related parties	**–**	(3,724)
Net cash	**187,404**	183,794

	Loan payables – related parties
As at 1 January 2017	**3,724**
Cash flows	
– Inflow from financing activities	**6,243**
– Outflow from financing activities	**(9,967)**
As at 31 December 2017	**–**

24. 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	
	2017	2016 (Restated)
Up to 1 year	**11,994**	13,784
1 to 5 years	**35,895**	49,329
Over 5 years	**–**	270
	47,889	63,383

(All amounts in RMB thousands unless otherwise stated)

25. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

Acquisition of additional interest in a subsidiary

On 16 May 2017, the Group acquired 24.5% equity interests of Panyu PM Co at a consideration of RMB21,774,800. The effect of changes in equity of the Group is summarised as follows:

	As at 16 May 2017
Carrying amount of non-controlling interests acquired	7,444
Consideration payable to non-controlling interests	(21,775)
Excess of consideration payable debited to other reserves	(14,331)

26. RESTATEMENT DUE TO COMMON CONTROL COMBINATION

Pursuant to the sales and purchase agreement entered into between a subsidiary of the Company and Ms. Man on 16 October 2017, the Group acquired (1) 100% equity interest in Easy South Group from Ms. Man; and (2) the interest-free shareholder's loan of approximately HK$11,357,000 (equivalent to RMB9,554,000) owed by Easy South Group to Ms. Man. The total consideration of the transaction amounted to HK$23,000,000 (equivalent to RMB19,348,000), of which HK$11,357,000 (equivalent to RMB9,554,000) is to settle the loans owed to Ms. Man and the remaining HK$11,643,000 (equivalent to RMB9,794,000) is to acquire the 100% equity interest in the Easy South Group. The acquisition was completed on 21 December 2017. As at 31 December 2017, consideration of HK$18,000,000 (equivalent to RMB15,142,000) has been settled, while the remaining consideration of HK$5,000,000 (equivalent to RMB4,206,000) is to be settled after the tax treatment of this transaction will have been cleared with the PRC mainland tax authorities.

Since the Group and Easy South Group are ultimately controlled by Ms. Man both before and after the above-mentioned acquisition, the acquisition is regarded as a business combination under common control. Accordingly, the Group has applied merger accounting to account for the acquisition of Easy South Group in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combination" issued by the HKICPA.

Assets and liabilities of the Easy South Group as at 1 January 2016 were consolidated by the Group at net book value. Accordingly, the Group credited the reserve and retained earnings as at 1 January 2016 of RMB1,497,000 and RMB12,046,000, respectively.

(All amounts in RMB thousands unless otherwise stated)

26. RESTATEMENT DUE TO COMMON CONTROL COMBINATION (CONTINUED)

Reconciliation of the results of operations for the year ended 31 December 2016 and the financial position as at 31 December 2016 previously reported by the Group and the restated amounts presented in the consolidated financial statements are set out below:

	As at 31 December 2016			
	The Group (As previously reported)	Easy South Group	Adjustments	The Group (Restated)
Financial position				
Current assets	263,111	33,421	(22)	296,510
Total assets	283,032	34,290	(22)	317,300
Current liabilities	72,130	15,970	(22)	88,078
Total liabilities	73,330	15,970	(22)	89,278
Equity attributable to the equity holders of the Company	203,321	18,320	–	221,641

	For the year ended 31 December 2016			
	The Group (As previously reported)	Easy South Group	Adjustments	The Group (Restated)
Results of operations				
Revenue	289,681	37,593	(78)	327,196
Operating profit	41,300	6,161	–	47,461
Profit for the year	23,054	4,777	–	27,831
Profit attributable to owners of the Company	20,247	4,777	–	25,024
Basic earnings per share (expressed in RMB per share)	0.026	0.006	–	0.032
Diluted earnings per share expressed in RMB per share)	0.026	0.006	–	0.032

(All amounts in RMB thousands unless otherwise stated)

27. FUTURE MINIMUM RENTAL PAYMENT RECEIVABLE

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

	As at 31 December	
	2017	2016
Up to 1 year	**13,674**	8,170
1 to 5 years	**7,460**	7,414
	21,134	15,584

28. RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties:

Name	Relationship
Ms. Man	Ultimate shareholder of the Company
廣州市番禺區鐘村街祈福倚湖灣幼兒園	Company under control of Ms. Man
廣州市祈福口腔門診部有限公司	Company under control of Ms. Man
廣州市科進計算機技術有限公司	Company under control of the 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
廣州市花都祈福置業有限公司	Company under control 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 control 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
廣州市倚湖物業有限公司	Company under control 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
廣州市展盛商業地產經營管理有限公司	Company under control of the spouse of Ms. Man
廣州市祈福繽紛世界商業地產經營管理有限公司	Company under control of the spouse of Ms. Man
廣州市祈福繽紛樂園有限公司	Company under control of the spouse of Ms. Man
廣州市祈福繽紛世界酒店有限公司	Company under control of the spouse of Ms. Man
廣州市祈福地產經營管理有限公司	Company under control of the spouse of Ms. Man
廣州祈福物業管理有限公司	Company under control of the spouse of Ms. Man
Maliton Services Limited	Company under control of the spouse of Ms. Man
Tango Trading Limited	Company under control of the spouse of Ms. Man
宇宙發展有限公司	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 independent third parties
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
廣州市番禺祈福新邨房地產有限公司	Company under significant influence 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
廣州市番禺區祈福英語實驗幼兒園	Company under significant influence of the spouse of Ms. Man

(All amounts in RMB thousands unless otherwise stated)

28. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Year ended 31 December	
	2017	2016 (Restated)
Sales of goods to:		
Company under control of the spouse of Ms. Man	**666**	787
Company under significant influence of the spouse of Ms. Man	**312**	329
Company under joint control of the spouse of Ms. Man and independent third parties	**105**	28
Company under control of Ms. Man	**10**	20
	1,093	1,164
Provision of services to:		
Company under significant influence of the spouse of Ms. Man	**31,458**	28,756
Company under control of the spouse of Ms. Man	**30,725**	25,864
Company under joint control of the spouse of Ms. Man and independent third parties	**1,096**	944
Company under control of Ms. Man	**109**	100
	63,388	55,664
Rental expenses charged by:		
Company under control of the spouse of Ms. Man	**8,536**	2,970
Company under significant influence of the spouse of Ms. Man	**5,801**	4,587
	14,337	7,557
Purchase of property, plant and equipment from:		
Company under control of the spouse of Ms. Man	**–**	8,093

(All amounts in RMB thousands unless otherwise stated)

28. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management compensation

Compensations for key management other than those for directors as disclosed in Note 29 is set out below.

	Year ended 31 December	
	2017	2016
Salaries and other employee benefits	**2,596**	1,666

(d) Balances with related parties

	As at 31 December	
	2017	2016 (Restated)
Receivables from related parties (Note 16):		
– Trade receivables (Note (i))		
Company under control of the spouse of Ms. Man	**12,699**	5,661
Company under significant influence of the spouse of Ms. Man	**6,374**	6,300
Company under joint control of the spouse of Ms. Man and independent third parties	**772**	164
Company under control of Ms. Man	**58**	5
	19,903	12,130
– Other receivables		
Company under control of the spouse of Ms. Man	**3,063**	5,393
Company under significant influence of the spouse of Ms. Man	**1,146**	4,173
Company under control of Ms. Man	**2**	10
	4,211	9,576
Total receivables from related parties	**24,114**	21,706

(All amounts in RMB thousands unless otherwise stated)

28. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Balances with related parties (Continued)

	As at 31 December	
	2017	2016 (Restated)
Payables to related parties (Note 21):		
– Trade payables (Note (i))		
Company under control of the spouse of Ms. Man	**14**	14
– Other payables		
Ultimate shareholder of the Company	**4,206**	–
Company under control of the spouse of Ms. Man	**2,284**	832
Company under significant influence of the spouse of Ms. Man	**1,359**	1,639
Company under joint control of the spouse of Ms. Man and independent third parties	**7**	–
	7,856	2,471
– Loan payables		
Ultimate shareholder of the Company	**–**	3,724
– Advances from customers		
Company under control of the spouse of Ms. Man	**1,332**	1,332
Total payables to related parties	**9,202**	7,541

Note:

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

29. BENEFITS AND INTERESTS OF DIRECTORS

During the year ended 31 December 2017, directors of the Company were as below:

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

Executive directors
Mr. Sun Derek 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)

29. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' emoluments

For the year ended 31 December 2017

The directors' emoluments received from the Group for the year ended 31 December 2017 are as follows:

	Year ended 31 December 2017					
	Fee	Salary (Note (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	–	347	8	–	511
Executive directors						
Mr. Sun Derek Wei Kong	156	518	174	16	–	864
Mr. Leong Chew Kuan	156	385	174	16	–	731
Ms. Liang Yuhua	156	549	174	8	–	887
Non-executive director						
Mr. Liu Xing	156	–	174	–	–	330
Independent non-executive directors						
Ms. Law Elizabeth	156	–	–	–	–	156
Mr. Ho Cham	156	–	–	–	–	156
Mr. Mak Ping Leung	156	–	–	–	–	156
Total	1,248	1,452	1,043	48	–	3,791

(All amounts in RMB thousands unless otherwise stated)

29. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (Continued)

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 Derek 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.

29. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(b) Directors' retirement benefits

During the year ended 31 December 2017, 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 (2016: same).

(c) Directors' termination benefits

During the year ended 31 December 2017, there were no termination benefits received by the directors (2016: same).

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

During the year ended 31 December 2017, no consideration was paid to third parties for making available the services of the directors of the Company (2016: 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 2017, 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 (2016: 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 2017 (2016: same).

(g) During the year ended 31 December 2017, there were no amounts paid or payable by the Company to the directors or any of the five highest paid individuals set out in the 7(b) above as an inducement to join or upon joining the Group or as compensation for loss of office.

(All amounts in RMB thousands unless otherwise stated)

30. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

	As at 31 December	
	2017	2016
Assets		
Non-current assets		
Property, plant and equipment	**22**	–
Investments in subsidiaries	**105,190**	105,190
	105,212	105,190
Current assets		
Trade and other receivables	**17,722**	748
Cash and cash equivalents	**21,294**	72,204
	39,016	72,952
Total assets	**144,228**	178,142
Equity and liabilities		
Equity attributable to owners of the Company		
Share capital	**8,761**	8,744
Share premium	**184,674**	183,824
Other reserves (Note (a))	**1,602**	294
Accumulated losses (Note (a))	**(52,691)**	(38,928)
Total equity	**142,346**	153,934
Liabilities		
Current liabilities		
Other payables	**1,882**	24,208
Total equity and liabilities	**144,228**	178,142

The statement of financial position of the Company was approved by the Board of Directors on 23 March 2018 and was signed on its behalf:

Ms. MAN Lai Hung
Chairman & Executive Director

Mr. LEONG Chew Kuan
Chief Financial Officer & Executive Director

(All amounts in RMB thousands unless otherwise stated)

30. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Statement of financial position of the Company (Continued)

Note (a) Other reserve movement of the Company

	Accumulated losses	Other reserves
At 6 January 2016	–	–
Loss for the year	(38,928)	–
Pre-IPO Share Option Scheme (Note 19(c))	–	294
At 1 January 2017	(38,928)	294
Loss for the year	(13,763)	–
Pre-IPO Share Option Scheme (Note 19(c))	–	1,308
At 31 December 2017	(52,691)	1,602

FINANCIAL SUMMARY

	For the year ended 31 December				
	2017	2016	2015	2014	2013
		(Restated)			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**365,387**	327,196	261,112	236,844	227,130
Gross profit	**151,600**	129,451	100,458	85,810	75,521
Operating profit	**84,216**	47,461	56,344	46,424	42,070
Profit before income tax	**84,819**	47,834	56,786	49,682	46,413
Profit for the year	**57,388**	27,831	40,094	34,257	32,742
Profit attributable to:					
Owners of the Company	**56,325**	25,024	34,847	29,588	27,885
Non-controlling interests	**1,063**	2,807	5,247	4,669	4,857

ASSETS AND LIABILITIES

	As at 31 December				
	2017	2016	2015	2014	2013
		(Restated)			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**356,177**	317,300	167,932	194,182	179,247
Total liabilities	**100,161**	89,278	68,956	114,108	121,326
	256,016	228,022	98,976	80,074	57,921
Equity attributable to owners of the Company	**256,016**	221,641	95,402	78,171	56,085
Non-controlling interests	**–**	6,381	3,574	1,903	1,836
	256,016	228,022	98,976	80,074	57,921

Note: 2016 figures are restated for the changes as explained in Note 26 to the consolidated financial statements.