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

# ANNUAL REPORT 2019

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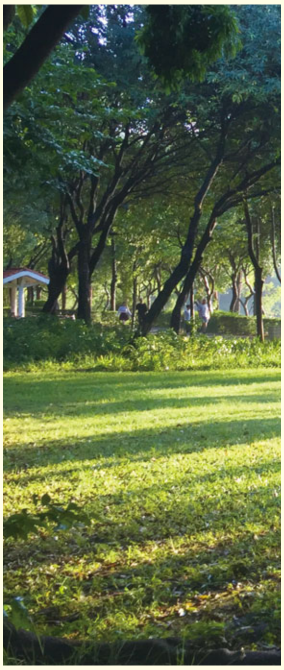
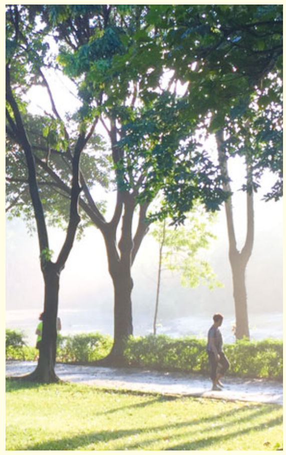
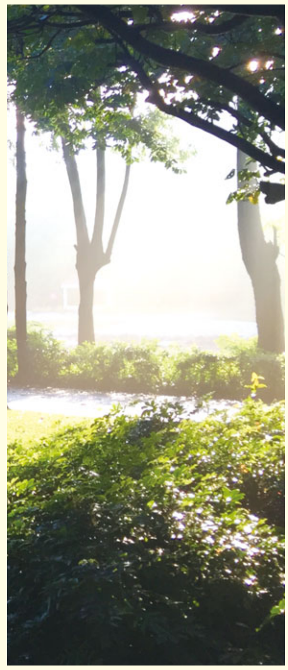








*English translation for reference only. Should there be any inconsistency between the Chinese and English version, the Chinese version should prevail.

# CORPORATE INFORMATION

**Executive Directors**
Ms. MAN Lai Hung
*(Chairman and Chief Executive Officer)*
Ms. LIANG Yuhua *(Chief Operating Officer)*
Ms. HO Suk Mee

**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 *(resigned on 20 December 2019)*
Mr. LAU Chun Pong# *(Chief Financial Officer)*

**Authorised representatives**
Ms. MAN Lai Hung
Mr. YU Ding Him Anthony *(resigned on 20 December 2019)*
Mr. LAU Chun Pong#

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

# Appointed as the Company Secretary, Chief Financial Officer and Authorised representative with effect from 20 December 2019.

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

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

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

**Hong Kong branch share registrar**
Tricor Investor Services Limited
Level 54, 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

**Auditor**
PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

**Stock Code**
3686

**Company's website**
www.cliffordmodernliving.com

**Investor enquiry hotline**
Tel: (852) 2889 0183

**Investor enquiry email address**
pr@cliffordmodernliving.com.hk

# FINANCIAL HIGHLIGHTS

| | For the year ended 31 December 2019 RMB'000 | 2018 RMB'000 | Percentage change |
|---|---|---|---|
| **Continuing operations** | | | |
| **Revenue from contracts with customers** | **396,554** | 341,627 | **16.1%** |
| **Gross profit** | **176,229** | 166,218 | **6.0%** |
| **Operating profit** | **130,170** | 102,148 | **27.4%** |
| **Profit before income tax** | **129,678** | 103,315 | **25.5%** |
| **Profit from continuing operations** | **95,212** | 72,436 | **31.4%** |
| **Profit from discontinued operations**(1) | **598** | 244 | **145.1%** |
| **Profit for the year** | **95,810** | 72,680 | **31.8%** |
| Gross profit margin from continuing operations (%) | **44.4%** | 48.7% | **-8.8%** |
| Net profit margin from continuing operations (%) | **24.0%** | 21.2% | **13.2%** |
| | | | |
| **Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company** (expressed in RMB per share): | | | |
| – Basic earnings per share | **0.094** | 0.072 | **30.6%** |
| – Diluted earnings per share | **0.094** | 0.071 | **32.4%** |
| | | | |
| **Earnings per share for profit attributable to the ordinary equity holders of the Company** (expressed in RMB per share): | | | |
| – Basic earnings per share | **0.094** | 0.072 | **30.6%** |
| – Diluted earnings per share | **0.094** | 0.071 | **32.4%** |
| | | | |
| **Proposed final dividend per ordinary share** | **HK2.50 cents** | HK2.20 cents | **13.6%** |

Note:

(1) The Group ceased operations of all its catering outlets and franchising businesses under four catering companies in December 2018, leaving one catering company continue with its operation of catering partnership businesses where the Group provides catering consultancy services to its partners. The four catering companies were presented in the current year as discontinued operations in the consolidated financial statements as explained in Note 22(c).

# CHAIRMAN'S STATEMENT


2019 was another flourishing year, with our solid track record and improved operational efficiency, both of our revenue and profit hit another record high.

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 (collectively the "**Group**") for the year ended 31 December 2019.

We are a renowned service provider with a diversified service portfolio comprising six main service segments: property management services, renovation and fitting-out services, retail services, off-campus training services, information technology services and Ancillary Living Services in Guangdong Province. (the Group provides catering services, property agency services, employment placement services and laundry services, collectively "**Ancillary Living Services**")

## FINANCIAL HIGHLIGHTS

For the year ended 31 December 2019, the Group achieved revenue of approximately RMB396.6 million, representing a year-on-year increase of 16.1%. Our profit during the year under review increased to approximately RMB95.8 million, representing a year-on-year increase of approximately RMB23.1 million or 31.8%.

During the year under review, our gross profit margin from continuing operations decreased from 48.7% to 44.4%. Net profit margin from continuing operations increased from 21.2% to 24.0%, representing a year-on-year increase of about 13.2%.

## PROPOSED FINAL DIVIDEND

Based on the financial performance in 2019, the Board recommended the payment of a final dividend of HK2.50 cents per ordinary share for the year ended 31 December 2019 (2018: final dividend of HK2.20 cents per ordinary share).

## BUSINESS HIGHLIGHTS

In 2019, with our solid track record, substantial experience and good quality services, our business maintained a stable growth.

During the year under review, we made notable progress in expanding our business. Service segments including property management services, off-campus training services, information technology services and Ancillary Living Services recorded a steady increase in revenue.

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

### Stable revenue growth in information technology services

Revenue from information technology services increased by 18.4%, from approximately RMB73.8 million for the year ended 31 December 2018 to approximately RMB87.4 million for the year ended 31 December 2019. The Group has successfully completed a number of projects, which included a smart school environment project. The increase in revenue was mainly due to the increase in average contract sum and the number of projects completed for the year ended 31 December 2019.

Our information technology services have facilitated provision of better and more comprehensive property management services for the residents in the communities under our management and widened our revenue streams.

### Improved cost efficiencies in retail services

The Group operated two supermarkets, one wet market and 12 convenience stores in different locations covering total gross floor area ("**GFA**") of approximately 10,725 sq.m. as at 31 December 2019 (2018: approximately 12,000 sq.m.).

Revenue from retail services decreased by 4.9%, from RMB112.4 million for the year ended 31 December 2018 to RMB106.9 million for the year ended 31 December 2019. The gross profit margin increased to 47.3% for the year ended 31 December 2019 as compared to 43.9% for the year ended 31 December 2018. The decrease in revenue was due to the implementation of our enhanced centralized procurement system in 2019 and our product variety was temporarily decreased during the adjustment period. The increase in gross profit margin was due to the improved cost efficiencies during the period under review. The Group made good progress with consolidating its procurement operations to unlock cost efficiencies at scale.

### Steady growth in off-campus training services

Revenue from off-campus training services increased by 20.3%, from approximately RMB40.4 million for the year ended 31 December 2018 to approximately RMB48.6 million for the year ended 31 December 2019. The increase was in line with the increased variety of our interest classes and a newly opened learning centre during the year under review.

## OUTLOOK FOR 2020

While we are pleased with our achievements in the year ended 31 December 2019, the start of 2020 has proven to be challenging as a result of the outbreak of coronavirus disease (the "**COVID-19 Outbreak**"). Our thoughts remain with the services people of Wuhan, the frontline medics and the rest of the PRC Mainland. The COVID-19 Outbreak has delayed the resumption of normal business operations of our off-campus training services and Ancillary Living Services after the Chinese New Year holidays.

In contrast, our retail services experienced a surge, the unaudited revenue for January and February 2020 increased as compared to January and February 2019 respectively. Taking into consideration the above-mentioned offsetting factors, we have come to the view that the COVID-19 Outbreak has not caused any material impact on the Group's performance so far. As the situation is still evolving, the ultimate financial impact on 2020 will depend on future developments.

Taking into account the uncertainty of current global economy, the Group has purchased a total of 650,000 ounces of unallocated silver bullion in February 2020, the aggregate cost of the investment amounted to approximately RMB82.7 million. The investment in unallocated silver bullion is considered as the diversification of the Group's asset structure.

Facing the challenges of possible slowdown in the economic growth in the PRC Mainland, we will remain prudent in monitoring the Group's expenditures, look for new investment opportunities to cope with the existing market environment and constantly review our business strategy. In the long run, we will continue to implement a diversified development strategy, focus on the development and expansion of our businesses in property management, information technology, retail, off-campus training, online marketing and distribution channels and other Ancillary Living Services. With the steady development of our diversified service portfolio, this serves as a new momentum for the Group's future business development.

## 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 services. 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, 27 March 2020

# MANAGEMENT DISCUSSION AND ANALYSIS


智慧家居
e键掌控
智能家居
Smart home

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

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

### 1. Property Management Services

The Group provided property management services to 15 residential communities and 7 pure commercial properties or projects with an aggregate contracted GFA of approximately 9,664,000 sq.m. as at 31 December 2019 (as at 31 December 2018: 9,620,000 sq.m.).

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

| | As at 31 December | | | |
|---|---|---|---|---|
| | **2019** | | 2018 | |
| | **Approximate total contracted GFA ('000 sq.m.)** | **Number of communities** | Approximate total contracted GFA ('000 sq.m.) | Number of communities |
| ***Residential communities*** | | | | |
| Panyu district | **4,398** | **5** | 4,398 | 5 |
| Huadu district | **1,037** | **7** | 1,037 | 7 |
| Zhaoqing city | **346** | **1** | 346 | 1 |
| Foshan city | **867** | **2** | 867 | 2 |
| **Subtotal** | **6,648** | **15** | 6,648 | 15 |
| ***Pure commercial properties/ projects*** | | | | |
| Huadu district | **259** | **3** | 259 | 3 |
| Maoming city | **129** | **1** | 129 | 1 |
| Panyu district | **2,628** | **3** | 2,584 | 3 |
| **Subtotal** | **3,016** | **7** | 2,972 | 7 |
| **Total** | **9,664** | **22** | 9,620 | 22 |

## 2. Renovation and Fitting-out Services

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

## 3. Retail Services

The Group operated 15 retail outlets (two supermarkets, one wet market and 12 convenience stores) of different sizes covering a total GFA of approximately 10,725 sq.m. as at 31 December 2019 (as at 31 December 2018: 15 retail outlets covering a total GFA of approximately 12,000 sq.m.).

The following table sets out the average daily revenue by type of retail outlets in operation during the years ended 31 December 2019 and 2018 respectively:

| | For the year ended 31 December | |
|---|---|---|
| | **2019 (RMB'000)** | 2018 (RMB'000) |
| ***Average daily revenue by type of retail outlet*** [Note] | | |
| Supermarket | **162.9** | 187.3 |
| Wet market | **28.5** | 29.5 |
| Convenience store | **105.4** | 95.3 |

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

## 4. Off-campus Training Services

The Group had three learning centres in Panyu district as at 31 December 2019 (as at 31 December 2018: two learning centres). A new learning centre was set up in March 2019 to fulfill customers' demands in training programmes and interest classes. Training programmes mainly include tutoring courses and language learning classes.

## 5. Information Technology Services

### Engineering services

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

### Telecommunication services

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

### 6. Ancillary Living Services

**Catering services**

After cessation of the operation of all its catering outlets and franchising businesses in December 2018, the Group continues to provide catering consultancy services and receive a fixed consultancy services fee on a monthly basis.

**Property agency services**

The property agency industry is tied to the property market. Although more stringent regulations have been introduced by the government of the PRC Mainland, the Group believes that demand for property agency services will still increase in the long term.

**Employment placement services**

The Group constantly monitors the performance and services quality of relevant household helpers and dispatched workers.

**Laundry services**

The Group maintains both safety and quality services by providing continuous training to its staff.

## PROSPECTS AND FUTURE PLANS

### Property Management

**Further increase the total contracted GFA and the number of residential and pure commercial units we manage**

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

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

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

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

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

We intend to accelerate the growth of our property management business by acquiring suitable property management companies to help us to achieve our business strategies of standardisation and centralisation.

## Retail

**Further expand our retail network**

To cope with our expansion strategy of our retail services, two convenience stores and one supermarket with total area of approximately 2,303 sq.m. were opened in the first quarter of 2020. We will continue to identify suitable locations for further expansion.

## Information technology

**Further develop our information technology services**

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

## Off-campus training

**Further expand our off-campus training services**

We plan to increase the variety of interest classes provided by the Group in order to further expand our business.

## Develop online marketing and build online distribution channels

We intend to promote various services by reaching our customers through different online channels including websites and apps on smartphones. Currently, we are upgrading our sales and accounting systems so as to further enhance our data collection process, which in turn enables us to respond more quickly to our customers' needs.

## Further explore new investment opportunities

Facing the challenges of possible slowdown of the economic growth of the PRC Mainland, we will remain prudent in monitoring the Group's expenditures, look for new investment opportunities to cope with existing market environment and constantly review our business strategies.

## FINANCIAL REVIEW

### Revenue

| | For the year ended 31 December | | Variance | | Percentage of total revenue | |
|---|---|---|---|---|---|---|
| | **2019** | 2018 | | | **2019** | 2018 |
| | **RMB'000** | RMB'000 | RMB'000 | % | **%** | % |
| Property management services | **58,082** | 52,295 | 5,787 | 11.1 | **14.6** | 15.3 |
| Renovation and fitting-out services | **29,897** | 33,627 | (3,730) | -11.1 | **7.5** | 9.8 |
| Retail services | **106,852** | 112,387 | (5,535) | -4.9 | **26.9** | 32.9 |
| Off-campus training services | **48,634** | 40,421 | 8,213 | 20.3 | **12.3** | 11.8 |
| Information technology services | **87,442** | 73,824 | 13,618 | 18.5 | **22.1** | 21.6 |
| Ancillary Living Services | **65,647** | 29,073 | 36,574 | 125.8 | **16.6** | 8.6 |
| Total | **396,554** | 341,627 | 54,927 | 16.1 | **100.0** | 100.0 |

Revenue from contracts with customers was derived from property management services, renovation and fitting-out services, retail services, off-campus training services, information technology services and Ancillary Living Services. For the year ended 31 December 2019, the total revenue was approximately RMB396.6 million, representing an increase of approximately RMB54.9 million or approximately 16.1% as compared to that of approximately RMB341.6 million in the previous year.

#### Property management services

| | For the year ended 31 December | | Variance | |
|---|---|---|---|---|
| | **2019** | 2018 | | |
| | **RMB'000** | RMB'000 | RMB'000 | % |
| **Residential property management services** | **32,780** | 32,737 | 43 | 0.1 |
| **Commercial property management services** | **9,825** | 6,245 | 3,580 | 57.3 |
| **Resident support services** | **15,477** | 13,313 | 2,164 | 16.3 |
| Household helper services | **12,770** | 11,571 | 1,199 | 10.4 |
| Household repairs and maintenance services | **2,707** | 1,742 | 965 | 55.4 |
| **Total** | **58,082** | 52,295 | 5,787 | 11.1 |

During the year ended 31 December 2019, the increase of revenue generated from property management services was approximately RMB5.8 million, or approximately 11.1%, of which the increase in revenue generated from commercial property management services was approximately RMB3.6 million or approximately 57.3% and the increase in revenue generated from resident support services was approximately RMB2.2 million or approximately 16.3%. The increase of revenue generated from property management services was mainly due to the increase in the contracted GFA managed by the Group in 2018 from 6.8 million sq.m. to 9.6 million sq.m. which has been fully reflected in the revenue for the year ended 31 December 2019. The increase of revenue generated from resident support services was mainly due to the increase in demand for our resident support services.

**Renovation and fitting-out services**

| | For the year ended 31 December | | Variance | |
|---|---|---|---|---|
| | **2019** | 2018 | | |
| | **RMB'000** | RMB'000 | RMB'000 | % |
| Total revenue | **29,897** | 33,627 | (3,730) | -11.1 |

During the year ended 31 December 2019, the decrease of revenue generated from renovation and fitting-out services was approximately RMB3.7 million, or approximately 11.1%. The decrease was mainly due to the decrease in number of services contracts entered into by the Group in 2019.

**Retail services**

| | For the year ended 31 December | | Variance | |
|---|---|---|---|---|
| | **2019** | 2018 | | |
| | **RMB'000** | RMB'000 | RMB'000 | % |
| **Revenue by type of retail outlet** | | | | |
| Supermarket | **58,661** | 67,440 | (8,779) | -13.0 |
| Wet market | **10,244** | 10,622 | (378) | -3.6 |
| Convenience store | **37,947** | 34,325 | 3,622 | 10.6 |
| **Total** | **106,852** | 112,387 | (5,535) | -4.9 |

During the year ended 31 December 2019, the decrease of revenue generated from retail services was approximately RMB5.5 million, or about 4.9%, of which the decrease in revenue generated from supermarkets was approximately RMB8.8 million or approximately 13.0%, the decrease in revenue generated from wet market was approximately RMB0.4 million or approximately 3.6% and the increase in revenue generated from convenience stores was approximately RMB3.6 million or approximately 10.6%. The decrease of revenue generated from supermarkets was mainly due to the decrease in product variety during the adjustment period for our enhanced centralized procurement system adopted in 2019. The increase of revenue generated from convenience stores was primarily due to the adjustment of retail price during the year ended 31 December 2019.

### Off-campus training services

| | For the year ended 31 December | | Variance | |
|---|---|---|---|---|
| | **2019** | 2018 | | |
| | **RMB'000** | RMB'000 | RMB'000 | % |
| **Off-campus training services revenue by category** | | | | |
| Training programmes | **8,925** | 8,094 | 831 | 10.3 |
| Interest classes | **39,709** | 32,327 | 7,382 | 22.8 |
| **Total** | **48,634** | 40,421 | 8,213 | 20.3 |

During the year ended 31 December 2019, the increase of revenue generated from off-campus training services was approximately RMB8.2 million, or approximately 20.3%. The increase was mainly due to the increase in variety of interest classes provided by the Group and the newly opened learning centre during this period.

### Information technology services

| | For the year ended 31 December | | Variance | |
|---|---|---|---|---|
| | **2019** | 2018 | | |
| | **RMB'000** | RMB'000 | RMB'000 | % |
| **Information technology services revenue by category** | | | | |
| Engineering | **83,972** | 71,891 | 12,081 | 16.8 |
| Telecommunication | **3,470** | 1,933 | 1,537 | 79.5 |
| **Total** | **87,442** | 73,824 | 13,618 | 18.5 |

During the year ended 31 December 2019, the increase of revenue generated from information technology services was approximately RMB13.6 million, or approximately 18.5%, of which the increase in revenue generated from engineering services was approximately RMB12.1 million or approximately 16.8%. The increase of revenue generated from engineering services was mainly due to the increase in number of projects entered into by the Group during the year ended 31 December 2019. Engineering services comprise information technology hardware integration and network installation services.

**Ancillary Living Services**

| | For the year ended 31 December | | Variance | |
|---|---|---|---|---|
| | **2019** | 2018 | | |
| | **RMB'000** | RMB'000 | RMB'000 | % |
| **Ancillary Living Services revenue by category** | | | | |
| Catering services | **3,543** | 3,089 | 454 | 14.7 |
| Property agency services | **42,092** | 13,838 | 28,254 | 204.2 |
| Employment placement services | **8,332** | 2,370 | 5,962 | 251.6 |
| Laundry services | **11,680** | 9,776 | 1,904 | 19.5 |
| **Total** | **65,647** | 29,073 | 36,574 | 125.8 |

During the year ended 31 December 2019, the increase of revenue generated from Ancillary Living Services was approximately RMB36.6 million, or approximately 125.8%, of which the increase in revenue generated from property agency services was approximately RMB28.3 million or approximately 204.2% and the increase in revenue generated from employment placement services was approximately RMB6.0 million or approximately 251.6%. The increase of revenue generated from property agency services was mainly due to the increase in commission from sales of new units during the year. The increase of revenue generated from employment placement services was mainly due to the increase in both demand for and unit price of our labour dispatch services.

## Cost of Sales

Cost of sales comprised mainly the cost of goods sold for retail services, the employee benefit expenses for each business segment and the project cost for renovation and fitting-out services and information technology services. For the year ended 31 December 2019, cost of sales increased by approximately 25.6% from approximately RMB175.4 million for the year ended 31 December 2018 to approximately RMB220.3 million. The overall increase was in line with the increase in the Group's total revenue during this period.

## Gross profit and gross profit margin

Gross profit increased from approximately RMB166.2 million for the year ended 31 December 2018 to approximately RMB176.2 million for the year ended 31 December 2019, representing an increase of approximately RMB10.0 million or approximately 6.0%. Meanwhile, the Group's gross profit margin from continuing operations decreased from approximately 48.7% for the year ended 31 December 2018 to approximately 44.4% for the year ended 31 December 2019.

## Selling and marketing expenses

Selling and marketing expenses primarily consisted of employee benefit expenses for our selling and marketing staff, depreciation and amortisation charges, short term lease expenses and management fees and utility expenses. Selling and marketing expenses remained stable at RMB23.4 million for the year ended 31 December 2019 and RMB23.8 million for the year ended 31 December 2018. A substantial portion of selling and marketing expenses was related to retail services.

### Administrative expenses

Administrative expenses principally comprised employee benefit expenses, professional fees and office related expenses for administrative departments. Administrative expenses decreased from RMB42.2 million for the year ended 31 December 2018 to RMB32.9 million for the year ended 31 December 2019, representing a decrease of 22.0%. The decrease was mainly due to the decrease in both administrative employee benefit expenses and professional fee.

### Net impairment losses on financial assets

The Group incurred net impairment losses on financial assets of RMB0.1 million and RMB1.4 million for the years ended 31 December 2019 and 2018 respectively. Such amount represents provision for loss allowance recognised in profit or loss of trade receivables and other receivables.

### Other income

Other income amounted to RMB1.9 million for the year ended 31 December 2019 as compared to RMB1.1 million for the year ended 31 December 2018, mainly representing interest income on cash and cash equivalents.

### Other gains – net

The Group incurred other gains of RMB8.5 million and RMB2.2 million for the years ended 31 December 2019 and 2018 respectively. The increase in other gains was primarily arisen from the gains on disposal of right-of-use assets and the currency exchange difference between Hong Kong dollars and Renminbi.

### Finance income

Finance income decreased from RMB1.2 million for the year ended 31 December 2018 to RMB1.1 million for the year ended 31 December 2019. Finance income was derived from the term deposits and subscription of wealth management products from banks.

### Finance costs

Finance costs amounted to RMB1.6 million for the year ended 31 December 2019, representing the interest expense on lease liabilities.

### Income tax expenses

The weighted average applicable tax rate was 23.8% and 25.5% for the years ended 31 December 2019 and 2018 respectively. The decrease in weighted average applicable tax rate for the year ended 31 December 2019 was mainly due to the decrease in the loss of BVI companies which are exempted from BVI income tax.

### Profit for the year

For the year ended 31 December 2019, as a result of the cumulative effect of the above factors, the Group's net profit from continuing operations was RMB95.2 million and its net profit margin was 24.0%.

### Property, Plant and Equipment

Property, plant and equipment mainly consisted of the machinery, vehicles, office equipment and leasehold improvements. As at 31 December 2019 and 2018, the net book values of property, plant and equipment of the Group were RMB14.4 million and RMB14.9 million respectively.

### Investment Properties

Investment properties amounted to RMB8.7 million as at 31 December 2019, which comprised principally right-of-use assets, which are held for long-term rental yields and are not occupied by the Group and are recognised due to operating leases.

### Financial assets at fair value through profit or loss

As at 31 December 2019, financial assets at fair value through profit or loss represented unlisted financial product purchased from commercial banks with high market credit rating, liquidity and stable return as below:

| Bank | Product name | Product type | Principle business of the underlying assets | Investment cost RMB'000 | Change in fair value (Recognised as gains in P/L) RMB'000 | Gain/ loss on disposal RMB'000 | Dividend received RMB'000 | Fair value as at 31/12/ 2019 RMB'000 | Size relative to the Group's total assets |
|---|---|---|---|---|---|---|---|---|---|
| Agricultural Bank of China | Benlifeng Bubugao Open-ended RMB Wealth Management Products* ("本利豐步步高" 開放式人民幣理財產品) | Unlisted financial products purchased from commercial banks | Underlying assets include national bonds, corporate bonds, central bank bills, repurchase, higher credit rating debt (including but not limited to, corporate bonds, short-term financing bonds), exchange bonds, privately raised company bonds, money market funds, bond funds, other low-risk funds or assets, targeted asset management plans, trust plans and other investment products that meet regulatory requirements. | 4,000 | 147 | – | – | 4,147 | 0.7% |

### Inventories

As at 31 December 2019, inventories mainly consisted of merchandise goods for retail services and raw materials for information technology services the Group procured from suppliers. Inventories slightly increased from approximately RMB8.7 million as at 31 December 2018 to approximately RMB8.8 million as at 31 December 2019.

Inventory turnover days was 14 days and 21 days during the years ended 31 December 2019 and 2018 respectively. The Group did not recognise any provision or write-down for inventories for the year ended 31 December 2019.

### Trade and other receivables and prepayments

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

#### Trade receivables

Trade receivables are mainly related to receivables from outstanding renovation and fitting-out and information technology services, receivables of outstanding property management fee charged on commission basis and rental receivables from sublease of right-of-use assets. Trade receivables increased by approximately 120.1% from approximately RMB32.8 million as at 31 December 2018 to approximately RMB72.2 million as at 31 December 2019. The increase was mainly due to the increase in both rental receivables from sublease of right-of-use assets and project income receivables from information technology services.

**Other receivables**

Other receivables mainly comprised rental deposits and deposits paid to suppliers. Other receivables increased by 35.3% from RMB13.9 million as at 31 December 2018 to RMB18.8 million as at 31 December 2019. This was mainly due to the increase in rental deposits paid for the expansion of off-campus training services. As at 31 December 2019, other receivables from related parties remained stable and amounted to RMB4.9 million, as compared to RMB4.1 million as at 31 December 2018.

**Amounts placed in Residents' Accounts**

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

As at 31 December 2019, amounts placed in the Residents' Accounts of RMB6.2 million represented the balances of the property management commission fee and resident support services fee entitled by the property management companies (31 December 2018: RMB3.1 million).

**Prepayments**

Prepayments are mainly related to prepayments made to sub-contractors for renovation and fitting-out services. Prepayments decreased by 39.0% from RMB5.9 million as at 31 December 2018 to RMB3.6 million as at 31 December 2019. This was mainly due to expansion of renovation and fitting-out services.

## Trade and other payables

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

**Trade payables**

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

Trade payables increased by 36.0% from RMB37.0 million as at 31 December 2018 to RMB50.3 million as at 31 December 2019. The increase was mainly due to the increase in procurement of the raw materials for information technology services.

**Other payables**

Other payables primarily comprised amounts due to third parties, which mainly include deposits received from stall tenants in our retail business and amounted to RMB22.6 million and RMB18.6 million as at 31 December 2019 and 2018 respectively.

**Accrued payroll**

Accrued payroll remained stable at RMB14.2 million as at 31 December 2019 as compared to RMB15.1 million as at 31 December 2018.

## LIQUIDITY AND CAPITAL RESOURCES

### Overview

The Group's primary liquidity requirements relate to the funding of required working capital to support an increase in its scale of operations, purchase of property, plant and equipment and payments for leasehold land. As at 31 December 2019, the Group mainly financed its cash requirements through cash generated from operating activities.

As at 31 December 2019, the Group's material sources of liquidity were cash and cash equivalents of RMB364.9 million, with main currencies being Renminbi and Hong Kong dollars. During the year ended 31 December 2019, the Group has not obtained any loans or borrowings.

### Gearing Ratio

Gearing ratio is calculated based on total debts (being loan payables due to related parties) divided by total equity as at the end of each year. Gearing ratio was nil as at 31 December 2019 and 31 December 2018.

## PLEDGE OF ASSETS

The Group had no pledged assets as at 31 December 2019 (31 December 2018: nil).

## CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2019.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, excluding labour costs borne by the property owners of the residential communities that we managed on commission basis, the Group had approximately 642 employees (31 December 2018: approximately 638 employees). Remuneration is determined with reference to the performance, skills, qualifications and experiences of the employee concerned and the prevailing industry practice.

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

In addition, the Company adopted a share option scheme in October 2016 which allows the Directors to grant share options to employees of the Group in order to retain elite personnel within 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 section in the annual report of the Company for the year ended 31 December 2019, which will be dispatched to the shareholders of the Company ("**Shareholder(s)**") in due course.

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

Save for those disclosed in this annual report, the Group had no significant investments held, material acquisitions and disposals of subsidiaries or associated companies during the year ended 31 December 2019.

## SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Details on significant events after the reporting period are set out in note 34 to the consolidated financial statements of this report.

## USE OF NET PROCEEDS FROM INITIAL PUBLIC OFFERING

Based on the offer price of HK$0.46 per share and 250,000,000 shares offered by the Company, the Company raised net proceeds of approximately RMB54.7 million (after deducting underwriting fee and commissions and other relevant expenses, equivalent to approximately RMB46.4 million). The proceeds are intended to be applied in the manner consistent with that set out in the section headed "Future Plans and Use of Proceeds" of the Company's prospectus dated 27 October 2016 ("**Prospectus**"). Up to 31 December 2019, all of the net proceeds had been utilised accordingly.

# DIRECTORS' PROFILE

## DIRECTORS

### Chairman and Executive Directors

**Ms. MAN Lai Hung (孟麗紅)**, aged 60, has been the chairman of the Group and a Director of the Company since January 2016. Ms. Man was appointed as a chairman of Nomination Committee and a member of Remuneration Committee on 7 November 2016. Following the re-designation from a non-executive Director to an executive Director of the Company on 1 October 2018, Ms. Man has been appointed as the Chief Executive Officer of the Company. Ms. Man is the founder of the Group and has since been in charge of the strategic development, management, operations as well as the overall performance of the Group. Ms. Man obtained a degree of Bachelor of Business Administration from The Chinese University of Hong Kong in December 1982.

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

**Ms. LIANG Yuhua (梁玉華)**, aged 55, 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 general manager of the retail department of Guangzhou Clifford Trading Limited* (廣州市祈福貿易有限公司) and was in charge of managing the overall business operation. She has since April 2012 become the Chief Operating Officer of the Group responsible for overseeing the overall business operation and management.

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

**Ms. HO Suk Mee (何淑媚)**, aged 52, is an executive Director of the Group and also the marketing director of the Group. She is primarily responsible for business development and marketing matters of the Group. Ms. Ho was awarded a Diploma in Design (Packaging & Advertising) by the Sha Tin Technical Institute in 1988 and a Higher Certificate in Marketing & Sales Management by the Hong Kong Polytechnic University in 1993.

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

## Non-executive Director

**Mr. LIU Xing (劉興)**, aged 56, is a non-executive Director and a member of Audit Committee of the Company. He is primarily responsible for advising on legal issues and matters of the Group and overseeing general compliance of rules and regulations of the Group's operation. Mr. Liu was awarded a degree of Bachelor of Law by the then Zhongnan Institute of Politics and Law (中南政法學院) (currently known as Zhongnan University of Economics and Law (中南財經政法大學)) in July 1986. Mr. Liu was issued with a qualification certificate as an accredited lawyer in the PRC Mainland by the Administrative Department of Hubei Province Xianning City* (湖北省咸寧地區行政公署) in April 1991. He is currently a non-practising lawyer.

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

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

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

## Independent Non-executive Directors

**Ms. LAW Elizabeth (羅君美)**, MH JP, aged 65, is an independent non-executive director, chairwoman of Audit Committee and a member of Remuneration Committee and Nomination Committee of the Company. Ms. Law graduated from McGill University in Canada with a degree of Bachelor of Commerce (majoring in Accounting) in May 1976. Ms. Law became a chartered accountant in Canada in June 1979, a member of Hong Kong Institute of Certified Public Accountants ("**HKICPA**") in May 1982, a fellow of the Institute of Chartered Accountant in England and Wales in August 2019 and a fellow member of CPA Australia in November 2009. She is a fellow member of HKICPA since December 1991, a fellow member of The Taxation Institute of Hong Kong since April 2003 and a chartered professional accountant, chartered accountant of Canada since November 2012.

Ms. Law was the President of The Society of Chinese Accountants and Auditors in 1993 and is presently their Council Member and the Chairman of its Tax Committee. 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 (新華匯富金融控股有限公司) (listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") with stock code: 188),The Wharf (Holdings) Limited (九龍倉集團有限公司) (listed on the Stock Exchange with stock code: 4) and Sunwah International Limited (listed on Toronto Stock Exchange with stock code: SWH). Ms. Law was an independent non-executive director of China Vanke Co., Ltd. (萬科企業股份有限公司) (listed on the Stock Exchange with stock code: 2202 for H shares and listed on Shenzhen Stock Exchange with stock code: 000002 for A shares) until 30 June 2017.

**Mr. HO Cham (何湛)**, aged 62, is an independent non-executive Director, a member of Audit Committee and Nomination Committee of the Company. Mr. Ho was awarded a degree of Bachelor of Laws and the Postgraduate Certificate in Laws by the University of Hong Kong in November 1980 and July 1981 respectively. Mr. Ho was admitted as a solicitor of the Supreme Court of Hong Kong (currently known as the High Court of Hong Kong) in March 1983 and as a solicitor of the Supreme Court of England in January 1990. Mr. Ho is currently a practising solicitor in Hong Kong.

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

**Mr. MAK Ping Leung (alias Mr. MAK Wah Cheung) (麥炳良，又名麥華章)**, aged 70, is an independent non-executive Director, chairman of Remuneration Committee and a member of Audit Committee 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 (listed on the Stock Exchange with stock code: 423) and an independent non-executive director of Tai Hing Group Holdings Limited (太興集團控股有限公司) (listed on the Stock Exchange with stock code: 6811).

# SENIOR MANAGEMENT'S PROFILE

## SENIOR MANAGEMENT AND COMPANY SECRETARY

**Mr. CAO Jun (曹軍)**, aged 44, joined Guangzhou Kejian as a general manager in October 2012. He is responsible for managing and supervising the information technology and telecommunication businesses of the Group.

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

**Mr. CHEN Yuxiong (陳宇雄)**, aged 53, joined the Group in April 2004 and is currently the chief operating officer of Guangzhou Panyu Clifford Property Management Limited* (廣州市番禺祈福物業管理有限公司), responsible for managing and overseeing the operation of the property management services business of the Group. He obtained a degree of Bachelor of Engineering from the Guangdong Mechanical Engineering Institution* (廣東機械學院) (currently known as Guangdong University of Technology (廣東工業大學)) in June 1988. Mr. Chen is a Certified Property Manager* (物業管理師) of the PRC Mainland and he was appointed as Property Management Expert of Guangzhou* (廣州市物業管理專家) by Guangzhou Housing and Urban-Rural Construction Committee (廣州市住房和城鄉建設委員會) in August 2017.

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

**Mr. LAU Chun Pong (劉振邦),** aged 46, joined as the Company Secretary and Chief Financial Officer of the Group since December 2019. He is primarily responsible for financial reporting, business planning and company secretarial matters of the Group. Mr. Lau was awarded a degree of Bachelor of Business Economics by the University of California, Los Angeles in September 1997. Mr. Lau has been a member of HKICPA and the American Institute of Certified Public Accountants since 2002.

Mr Lau has extensive experience in accounting, auditing and corporate finance. He was (i) the qualified accountant and company secretary of Shenzhen Mingwah Aohan High Technology Corporation Limited (深圳市明華澳漢科技股份有限公司) (listed on the GEM of the Stock Exchange with stock code: 8301) from April 2005 to May 2006; (ii) the financial controller and company secretary of We Solutions Limited (former names: Ming Fung Jewellery Group Limited and O Luxe Holdings Limited) (listed on the Main Board of the Stock Exchange with stock code: 860) from June 2008 and November 2008 respectively to November 2017; (iii) the group financial controller and company secretary of AV Promotions Holdings Limited (listed on the GEM of the Stock Exchange with stock code: 8419) from June 2018 to June 2019; and (iv) the company secretary of Grand T G Gold Holdings Ltd (大唐潼金控股有限公司) (listed on the GEM of the Stock Exchange with stock code: 8299) from January 2019 to February 2020. Mr. Lau is currently the independent non-executive director of China Longevity Group Company Limited (中國龍天集團有限公司) (listed on the Main Board of the Stock Exchange with stock code: 1863), and China CBM Group Company Limited (中國煤層氣集團有限公司) (listed on the GEM of the Stock Exchange with stock code: 8270).

# REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their report and the audited consolidated financial statements of the Group for the year ended 31 December 2019.

## PRINCIPAL ACTIVITIES

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

## RESULTS AND BUSINESS REVIEW

The results of the Group for the year ended 31 December 2019 are set out in the consolidated income statement on page 106.

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 2019 and an analysis of the Group's performance during the year using key financial performance indicators, and relationships with stakeholders as required under Schedule 5 of the Companies Ordinance (Cap. 622 of the laws of Hong Kong) are set out in "Chairman's Statement" on pages 4 to 7, the "Management Discussion and Analysis" on pages 8 to 21 and the "Environmental, Social and Governance Report" on pages 53 to 100 of this annual report which constitute part of this report of the Directors.

## PRINCIPAL RISKS AND UNCERTAINTIES

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

### (i) Risks Relating to Our General Operations

- We rely substantially on key residential communities for a significant portion of our revenue
- Our corporate structure, which consists of multiple service segments, exposes us to challenges not found in companies with a single service segment
- We may not be able to implement our business strategies and our future plans

### (ii) Risks Relating to Our Property Management Services

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

### (iii) Risks Relating to Our Retail Services

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

### (iv) Risks Relating to Our Off-campus Training 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

### (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

- Intense market competition in the Ancillary Living Services sector could prevent us from increasing or sustaining our revenue and profitability

## ENVIRONMENTAL POLICY AND PERFORMANCE

The Group considers environmental protection as its corporate responsibility and recognizes that the sustainable development of the environment is important to the sustainable daily operation of the Group's business, the Group has adopted various green measures to reduce any adverse impact that the Group's business may bring to the environment. More details on the Group's environmental policies and performance are set out in the "Environmental, Social and Governance Report" on pages 53 to 100 of this annual report.

## DIVIDENDS DISTRIBUTION

The Board recommended the payment of a final dividend of HK2.50 cents (2018: final dividend HK2.20 cents) per ordinary share in respect of the year ended 31 December 2019, making the total dividend payment of approximately HK$25.4 million (equivalent to approximately RMB22.7 million), subject to the approval by the Shareholders at the annual general meeting (the "**AGM**") to be held on Friday, 26 June 2020. The final dividend will be paid in cash on Wednesday, 29 July 2020 to Shareholders whose names appeared on the register of members of the Company on Friday, 3 July 2020.

## ANNUAL GENERAL MEETING

The AGM of the Company is currently planned to be held on Friday, 26 June 2020. A notice convening the AGM and all other relevant documents will be published and dispatched to the Shareholders 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, 26 June 2020) be closed from Friday, 19 June 2020 to Friday, 26 June 2020, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 18 June 2020.

In addition, subject to the approval of the proposed final dividend by the Shareholders at the AGM, the register of members of the Company will be closed from Monday, 6 July 2020 to Tuesday, 7 July 2020 (both dates inclusive) for the purpose of determining the identity of shareholders who qualify for the proposed final dividend. In order to qualify for the proposed final dividend, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 3 July 2020.

## SHARE CAPITAL

Details of change during the year ended 31 December 2019 in the share capital of the Company are set out in note 23 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 2019 are set out in note 13 to the consolidated financial statements.

## DISTRIBUTABLE RESERVES OF THE COMPANY

Movements in reserves of the Group during the year ended 31 December 2019 are set out on page 110 in the consolidated statement of changes in equity.

Our reserves available for distribution to the Shareholders consisted of share premium and retained earnings. Under the Companies Law, Cap. 22 (Law 3 of 1963, as consolidated and revised) of the Cayman Islands and subject to compliance with the articles of association of the Company ("**Article of Association**"), the share premium account may be applied by the Company for paying distributions or dividends to the Shareholders 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 2019, the Company's reserve available for distribution to equity holders amounted to approximately RMB495.2 million.

## DIRECTORS

The Directors during the year ended 31 December 2019 and up to the date of this report were:

### Executive Directors:

Ms. MAN Lai Hung (Chairman and Chief Executive Officer)
Ms. LIANG Yuhua (Chief Operating Officer)
Ms. HO Suk Mee

### 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)

Pursuant to Articles 107(A) and (B) of the Articles of Association, Ms. MAN Lai Hung, Ms. LIANG Yuhua and Mr. LIU Xing, 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 LETTERS OF APPOINTMENT

Ms. MAN Lai Hung, Ms. HO Suk Mee and Ms. LIANG Yuhua have entered into service contracts with the Company for an initial fixed term of three years effective from 1 October 2018, 1 December 2018 and 1 November 2019 respectively which may be terminated in accordance with the terms of the service contract, including not less than three months' notice in writing served by either party, and renewable subject to terms and conditions to be agreed between the parties.

Non-executive Director and independent non-executive Directors have been appointed to the Board pursuant to their respective letters of appointment, for an initial term of three years commencing from 1 November 2019 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 2019, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or of any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) of the Company, as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") were as follows:

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

Notes:

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

(2) These represent the maximum number of shares of the Company which may be allotted and issued to such Directors upon the exercise of the pre-IPO share options granted to each of them under the Pre-IPO Share Option Scheme. In respect of these two Directors, these 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 2019, 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 2019, so far as the Directors are aware, the following substantial Shareholders (other than the Directors and the chief executives of the Company) or institutions have interests or short positions of 5% or more in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

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

Notes:

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

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

Save as disclosed above, as at 31 December 2019, 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 2019 were as follows:

| Name of category of participant | Balance as at 31 December 2018 | Exercised during the year | Lapsed or cancelled during the year | Balance as at 31 December 2019 | 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** | | | | | | | | |
| 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 |
| **Employees of the Group** | 975,000 | – | – | 975,000 | 21 October 2016 | 9 May 2017 to 8 May 2022 | 0.414 | N/A |
| Total | 5,975,000 | – | – | 5,975,000 | | | | |

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

Pursuant to the Pre-IPO Share Option Scheme, the Company has granted 21,175,000 options to eligible Directors, senior management and employees of the Group to subscribe for ordinary shares in the Company subject to the terms stipulated under the Pre-IPO Share Option Scheme. The exercise price is 90% of the final offer price of the Shares issued in connection with the listing (HK$0.414). No options were exercised and no options were lapsed or cancelled during the year ended 31 December 2019. As at the date of this report, the Company had 5,975,000 share options under the Pre-IPO Share Option Scheme, representing approximately 0.6% of the issued share capital of the Company as at that date.

Further details of the Pre-IPO Share Option Scheme are set out in Note 24(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 2019.

## BORROWINGS

As at 31 December 2019, the Group had no borrowings.

## EQUITY-LINKED AGREEMENTS

Save for the Schemes as set out above, no equity-linked agreements were entered into by the Company, during or subsisted at the end of the year 2019.

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

Save as disclosed under the paragraph headed "Connected Transactions" on pages 33 to 36 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 2019.

## CONTRACTS OF SIGNIFICANCE

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

## INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

## MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2019, the aggregate revenue attributable to the largest customer and the five largest customers of the Group accounted for approximately 7.9% and 27.1% of the Group's total sales in the year respectively.

Guangzhou Huadu Clifford Property Development Company Limited* (廣州市花都祈福房地產有限公司) and Guangzhou Panyu Clifford Estates Property Development Company Limited* (廣州市番禺祈福新邨房地產有限公司), which were two of the Group's five largest customers for the year ended 31 December 2019, 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 2019.

During the year ended 31 December 2019, the aggregate purchases attributable to the largest supplier and the five largest suppliers of the Group accounted for approximately 6.8% and 21.9% 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 2019.

## SUBSIDIARIES

Details of the subsidiaries of the Company as at 31 December 2019 are set out in note 12 to the consolidated financial statements.

## FOREIGN EXCHANGE RISK

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

## DISCLOSURE UNDER RULE 13.20 OF THE LISTING RULES

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

## CONNECTED TRANSACTIONS

The Company has entered into the following continuing connected transactions during the year ended 31 December 2019. Details of the transactions are set out below:

### Connected Persons

1. **Private Group**

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

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

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

**Master Composite Services Agreement**

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

**Master Tenancy Agreement**

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

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

On 28 April 2017, a supplemental master composite services agreement ("**Supplemental Master Composite Services Agreement**") and supplemental master tenancy agreement ("**Supplemental Master Tenancy Agreement**") were entered between the same parties to revise certain terms of the Master Composite Services Agreement and the Master Tenancy Agreement. Annual caps were revised to RMB37.0 million and RMB41.0 million for the financial years ended 31 December 2017 and 2018 respectively under the Master Composite Services Agreement (as supplemented by the Supplemental Master Composite Services Agreement), and annual caps were revised to RMB16.0 million and RMB20.0 million for the financial years ended 31 December 2017 and 2018 respectively under the Master Tenancy Agreement (as supplemented by the Supplemental Master Tenancy Agreement). For details, please refer to the Company's announcement dated 28 April 2017 and the Company's circular dated 7 June 2017. Both supplemental agreements (including the revised annual caps) were unanimously passed as ordinary resolutions of the Company in the extraordinary general meeting held on 23 June 2017. For details, please refer to the Company's announcement dated 23 June 2017.

**Master Engineering Service Agreement**

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

**2018 Master Composite Services Agreement**

On 18 October 2018, the Company (for itself and on behalf of its subsidiaries) (as service providers) on one part, entered into a master composite services agreement ("**2018 Master Composite Services Agreement**" or "**2018 MCSA**") with Clifford Estates (Panyu) Limited* (廣州市番禺祈福新邨房地產有限公司) (for itself and on behalf of other members of the Private Group) and Clifford Aged Home Company Limited* (廣州市祈福護老公寓有限公司) (for itself and on behalf of Ms. MAN Lai Hung's Group) (as receiving parties) on the other part, to continue the provision of procurement, property management, laundry, resident support and maintenance, employment placement, property agency services and expansion of engineering and maintenance services and telecommunication services to the receiving parties for the three years ending 31 December 2021. Upon the expiry of the term of the MES Agreement, the engineering and maintenance services are provided under the 2018 MCSA with effect from 1 January 2019. The Group has set annual caps for the maximum aggregate income from the provision of the services under the 2018 MCSA for each of the financial years ending 2019, 2020 and 2021 which are RMB126.0 million, RMB129.0 million and RMB138.0 million, respectively. During the year under review, amounts receivable/received by the Group under the 2018 Master Composite Services Agreement from the Private Group and Ms. MAN Lai Hung's Group amounted to approximately RMB70.3 million.

**2018 Supplemental Master Tenancy Agreement**

On 18 October 2018, the Company (for itself and on behalf of its subsidiaries) (as tenant) entered into a supplemental master tenancy agreement ("**2018 Supplemental Master Tenancy Agreement**" or "**2018 Supplemental MTA**") with Clifford Estates (Panyu) Limited* (廣州市番禺祈福新邨房地產有限公司) (for itself and on behalf of the other property owners which are members of the Private Group) (as landlord), to revise certain terms of the Master Tenancy Agreement (as supplemented by the Supplemental Master Tenancy Agreement). The Group has set annual caps for the maximum aggregate rental amount payable to the Private Group under the Master Tenancy Agreement (as supplemented by the Supplemental Master Tenancy Agreement and the 2018 Supplemental MTA) for each of the financial years ending 2019, 2020 and 2021 which are RMB19.0 million, RMB20.0 million and RMB21.0 million, respectively. During the year under review, amounts payable/paid by the Group to the Private Group under the 2018 Supplemental Master Tenancy Agreement amounted to approximately RMB12.7 million.

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

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

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

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

(iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders 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 31 to the consolidated financial statements, save for the transactions set out in paragraph headed "Connected Transactions" in this Report of the Directors, these related party transactions do not constitute connected transactions or continuing connected transactions within the meaning of Chapter 14A of the Listing Rules. For the year ended 31 December 2019, 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 47 of the Corporate Governance Report of this annual report for details.

## COMPLIANCE WITH LAWS AND REGULATIONS

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

## INTERESTS OF DIRECTORS IN COMPETING BUSINESS

Save as disclosed in the section headed "Relationship with the Controlling Shareholders" of the Prospectus, during the year ended 31 December 2019, none of the Directors or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or have any other conflict of interests with the Group.

## EMOLUMENT POLICY

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

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

The Group operates a Mandatory Provident Fund Scheme ("**MPF Scheme**") under rules and regulations of Mandatory Provident Fund Schemes Ordinance of Hong Kong for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. Contributions are made based on a percentage of the employees' salaries and are charged to consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. No forfeited contribution is available to reduce the contribution payable in the future years as at 31 December 2019.

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

During the period under review, total emolument of RMB78.7 million was charged to the consolidated income statement, representing RMB2.4 million for the Directors' remuneration and RMB76.3 million for other staff's salaries and allowance.

## PRE-EMPTIVE RIGHTS

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

## CORPORATE GOVERNANCE

The Directors recognise the importance of good corporate governance in the management of the Group. The Company has adopted the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 39 to 52 of this annual report.

## SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its Directors, it is confirmed that the Company has maintained a sufficient public float throughout the year ended 31 December 2019 and up to the date of this annual report.

## 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.

## PERMITTED INDEMNITY PROVISION

The Articles of Association 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, 27 March 2020

# CORPORATE GOVERNANCE REPORT

The Board of Directors of the Company is pleased to report to the Shareholders on the corporate governance of the Company for the year ended 31 December 2019.

## CORPORATE GOVERNANCE PRACTICES

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

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

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

The Board is of the view that throughout the year ended 31 December 2019, the Company has complied with all the code provisions as set out in the CG Code, except for the deviation from code provision A.2.1 as explained under the paragraph "Chairman and Chief Executive Officer" below.

### Model Code for Securities Transactions

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

Specific enquiry has been made by the Company with all Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2019.

The Company has also established written guidelines (the "**Employees Written Guidelines**") no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

## BOARD OF DIRECTORS

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

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

### Board Composition

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

During the year ended 31 December 2019 and up to the date of this annual report, the Board comprises the following Directors:

**Executive Directors**
Ms. MAN Lai Hung *(Chairman and Chief Executive Officer)*
Ms. LIANG Yuhua *(Chief Operating Officer)*
Ms. HO Suk Mee

**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 including the relationships among the members of the Board are set out in the section headed "Directors' Profile" of this annual report.

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

## BOARD MEETINGS AND DIRECTORS' ATTENDANCE RECORDS

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

During the year ended 31 December 2019, the Company adopted the practice of holding Board meetings regularly for at least four times a year at approximately quarterly intervals to discuss overall strategy as well as operations and financial performance of the Group. The Board held six meetings during the year ended 31 December 2019. Apart from regular Board meetings, the Chairman also held one meeting with independent non-executive Directors only without the presence of other Directors during the year.

### 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 Board 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 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 version are open for Director's inspection.

### Attendance Records of Directors

The attendance records of each Director at the Board, Board committee meetings and the general meetings of the Company held during the year ended 31 December 2019 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 | 5/6 | N/A | 1/1 | 1/1 | 1/1 | 1/1 |
| Ms. HO Suk Mee | 6/6 | N/A | N/A | N/A | 1/1 | 1/1 |
| Ms. LIANG Yuhua | 6/6 | N/A | N/A | N/A | 1/1 | 1/1 |
| Mr. LIU Xing | 6/6 | 2/2 | N/A | N/A | 1/1 | 1/1 |
| Ms. LAW Elizabeth | 6/6 | 2/2 | 1/1 | 1/1 | 0/1 | 1/1 |
| Mr. HO Cham | 6/6 | 2/2 | N/A | 1/1 | 1/1 | 1/1 |
| Mr. MAK Ping Leung (alias Mr. MAK Wah Cheung) | 6/6 | 2/2 | 1/1 | N/A | 1/1 | 1/1 |

Notes:

(1) The annual general meeting of the Company was held on 28 June 2019.

(2) The extraordinary general meeting of the Company was held on 28 January 2019.

### Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code as set out in Appendix 14 to the Listing Rules stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

The Chairman and Chief Executive Officer of the Company are held by Ms. Man Lai Hung. However, the Board considers that Ms. MAN Lai Hung has in-depth knowledge and experience in the Group's businesses in the PRC Mainland and therefore it is the best interests of the Group for her to take up the dual roles of the Chairman and Chief Executive Officer. The Board believes that the combined roles of Ms. MAN Lai Hung can provide the Company with strong and consistent leadership that facilitates effective and efficient planning and implementation of business decisions and strategies, and should be overall beneficial to the management and development of the Group's business. The structure is supported by the Company's well established corporate governance structure and internal control policies.

### Independent Non-executive Directors

During the year ended 31 December 2019, the Board at all times met the requirements of the Rules 3.10 of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

On 23 August 2019, each independent non-executive Director has entered into a letter of appointment with the Company for a term of three years commencing from 1 November 2019 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) of the Company are appointed for a specific term of three years, subject to renewal after the expiry of the current term.

The 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 appointment.

Under the Articles of Association, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three or 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 shall 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 Board has clearly set out the circumstances under which the management should report to and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company. The Board regularly reviews the above said circumstances and ensures they remain appropriate.

If any substantial Shareholder or Director has a potential conflict of interest in a matter to be considered by a general meeting or the Board, the relevant Directors shall abstain from voting and a Board meeting attended by independent non-executive Directors who have no material interest in the matter shall be held to discuss and vote on the same. Save as disclosed above, there are no relationships (including financial, business, family or other material/relevant relationship(s)) among the Board members.

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

## Continuous Professional Development of Directors

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

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

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

A summary of trainings received by the Directors during the year ended 31 December 2019 according to the records provided by the Directors is as follows:

| Directors | Types of trainings[(1)] |
|---|---|
| **Executive Directors** | |
| Ms. MAN Lai Hung | A, B |
| Ms. LIANG Yuhua | A, B |
| Ms. HO Suk Mee | 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 training sessions, including but not limited to, briefings, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

## BOARD COMMITTEES

The Board has established three committees, namely the Audit Committee, the Remuneration Committee and the 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 respective 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 websites of Company and the Stock Exchange and are available to Shareholders upon request.

### Audit Committee

As at 31 December 2019, the Audit Committee of the Board 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 terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board in providing an independent review of the completeness, accuracy and fairness of the financial information of the Group, as well as the efficiency and effectiveness of the Group's operation and internal control system.

During the year ended 31 December 2019, the Audit Committee held two meetings to review, in respect of the year ended 31 December 2019, the interim and annual financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, re-appointment of external auditors and engagement of non-audit services and relevant scope of works, and connected transactions and arrangements for employees to raise concerns about possible improprieties. The Audit Committee has been provided with sufficient resources to discharge its duties.

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

### Remuneration Committee

As at 31 December 2019, 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.

During the year ended 31 December 2019, the Remuneration Committee held one meeting to review and make recommendations to the Board on the remuneration policy and structure of the Company and the remuneration packages of the executive, non-executive and independent non-executive Directors and the senior management and other related matters.

Details of the remuneration of the senior management by band are set out in this report on page 48.

### Nomination Committee

As at 31 December 2019, 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 Board composition, structure and size, 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 gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience etc. 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.

During the year ended 31 December 2019, the Nomination Committee held one meeting to review the structure, size and composition of the Board and the independence of the independent non-executive Directors, to consider the qualifications of the retiring Directors standing for re-election at the annual general meeting and to consider and recommend to the Board on the appointment of non-executive Directors. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

## 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 2019, 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 RULE 13.51B(1) OF THE LISTING RULES

### Directors' Service Contracts and Director's Fee

On 23 August 2019, the Board approved the letter of appointment of Ms. LIANG Yuhua as an executive Director for a term of three years commencing on 1 November 2019 and to pay Ms. LIANG an annual director's fee of HK$216,000 for her role as an executive Director.

On 23 August 2019, the Board approved the letter of appointment of Mr. LIU Xing as a non-executive Director for a term of three years commencing on 1 November 2019 and to pay Mr. LIU an annual director's fee of HK$216,000 for his role as a non-executive Director.

On 23 August 2019, the Board approved the letter of appointment of each of the independent non-executive Directors, namely, Ms. LAW Elizabeth, Mr. HO Cham and Mr. MAK Ping Leung, for a term of three years commencing on 1 November 2019 and to pay each of them an annual director's fee of HK$216,000 for his/her role as an independent non-executive Director.

## REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies on remuneration of Directors and senior management of the Group.

Details of the remuneration of each of the Directors for the year ended 31 December 2019 are set out in note 32(a) to the consolidated financial statements.

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

## RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

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

- for the purpose of enhancing compliance awareness and knowledge, we have arranged compliance training for our management. The trainings provide information with respect to our internal control policies in relation to compliance with relevant laws and regulations. In addition, during the year ended 31 December 2019, 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 27 March 2020, 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 2019. The Directors are of the view that the risk management and internal control systems are adequate and effective.

At the Board meeting held on 27 March 2020, 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 2019, 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, 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.

### Whistleblowing Policy for Employees to raise Concerns about Possible Improprieties

The Company is committed to achieving and maintaining the highest standards of openness, probity and accountability. The Company's employees at all levels should conduct themselves with integrity, impartiality and honesty.

The Board has adopted a whistleblowing policy to govern and deal with fairly and properly concerns raised by the Company's employees about any suspected misconduct or malpractice regarding financial reporting, internal control or other matters within the Company.

The Audit Committee of the Company shall review regularly the policy and ensure that arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

## 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 2019 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 2019 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 2019.

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 its reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 101 to 105.

## REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the remuneration of each of the Directors for the year ended 31 December 2019 are set out in note 32(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 2019 is set out below:

| | **Number of individuals** |
|---|---|
| Nil to HK$1,000,000 | 3 |

## AUDITOR'S REMUNERATION

During the year ended 31 December 2019, the total fee paid/payable in respect of audit and non-audit services provided by the Group's external auditor, is set out below:

| **Category of services** | **Fee paid/ payable** RMB'000 |
|---|---|
| Audit services | 1,800 |
| Non-audit services | |
| – Interim review services | 750 |
| – Other non-audit services | 249 |
| Total | 2,799 |

## COMPANY SECRETARY

On 20 December 2019, Mr. YU Ding Him Anthony has resigned and Mr. LAU Chun Pong was appointed in place of Mr. YU as the company secretary of the Company, and is responsible for reporting to the Chairman and advising the Board on governance matters. Mr. LAU is also the Chief Financial Officer and Authorised Representatives of the Company. Pursuant to Rule 3.29 of the Listing Rules, both Mr. YU and Mr. LAU have confirmed that each of them has taken no less than 15 hours of relevant professional trainings during the year ended 31 December 2019. The biographical details of Mr. LAU are set out on page 25 of this annual report.

## DIVIDEND POLICY

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

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

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

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

## BOARD DIVERSITY POLICY

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

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

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

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

## DIRECTOR NOMINATION POLICY

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

The Company has adopted a Director Nomination Policy on 21 October 2016 which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of knowledge, skills, experience, capability and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

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

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

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

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- Requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive Directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

During the year ended 31 December 2019, the Nomination Committee held one meeting to review the structure, size and composition of the Board and the independence of the independent non-executive Directors and consider the qualifications of the retiring Directors standing for re-election at the annual general meeting.

## COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable Shareholders and investors to make the best investment decisions.

The Company endeavors 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. A notice to Shareholders is sent by the Company at least 20 clear business days before the annual general meeting and at least 10 clear business days in all other general meetings.

During the year ended 31 December 2019, the Company has not made any changes to its Memorandum and Articles of Association. 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, biographical information of the Board 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 Shareholders' 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 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 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 54, 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 Shareholders should lodge a written notice of his/her/its proposal ("**Proposal**") with his/her/its detailed contact information at the Company's headquarters and principal place of business of the Company in the PRC Mainland, with a copy of the Proposal served to the Company's Hong Kong share registrar at their respective address and contact details set out on page 2 of this annual report.

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

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

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

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

### Putting Forward Enquiries to the Board

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

### Contact Details

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

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

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

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## I. ABOUT THE REPORT

### 1. Introduction

The Group is pleased to present 2019 Environmental, Social and Governance ("**ESG**") report (hereinafter referred to as the "**ESG Report 2019**" or this "**Report**") to our stakeholders and the general public in respect of our system establishment and performance in environmental, social and governance aspects in 2019.

### 2. Scope of Report

This Report covers the period between 1 January 2019 and 31 December 2019, with partial content referring to the previous years. It comprises six main service segments of the Group, namely, property management services, renovation and fitting-out services, retail services, off-campus training services, information technology ("**IT**") services and ancillary living services.

### 3. Reporting Standards

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

### 4. Information Sources of Report

The information and data in this Report are derived from official internal documents, internal statistics of the Group, and relevant public information.

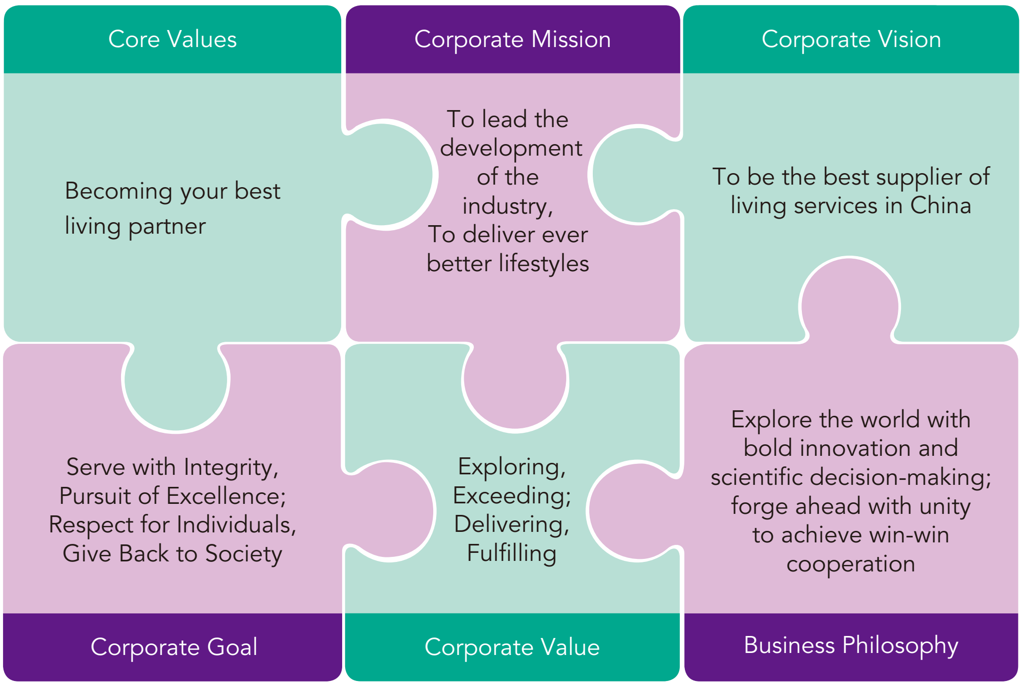
## II. SUSTAINABLE DEVELOPMENT MANAGEMENT

Since its establishment, the Group has been striving to provide customers with a better lifestyle, and is committed to becoming the best comprehensive living ancillary services provider. As our businesses grow, we explore ways to fulfil our social responsibilities with own features and to achieve sustainable development. Engaging in public welfare affairs is part of the Group's "Four-in-one" social responsibility system, with the other parts being the enhancement of service standards, creating a better life and facilitating quality improvement. Of which, the Group raises its service standards by introducing new ideas for the provision of living services continuously based on the industry characteristics and promoting the industry service standards. Moreover, we account for creating a better lifestyle and strive to meet the different needs of various residents as first priority. Furthermore, the Group fully utilizes its expertise in community management and providing off-campus training to improve customers' standard of living both culturally and physically. Engaging in various forms of public welfare affairs allows the Group to fulfill its social obligations.

In order to comply with regulatory requirements of the Stock Exchange, respond to public expectations and enhance the management level of the Group's sustainable development, we actively incorporate sustainable development into the considerations of daily business operation decisions. The Board of the Group carries out overall management of its sustainable development, leads the preparation of the annual ESG report and relevant information disclosure, and remains responsible for the Group's ESG strategies and reporting. In addition, we have established an internal control system and conducted risk management evaluation in relation to environmental, social and governance aspects on a regular basis so as to ensure its adequacy and effectiveness.

The Group upholds its core philosophy of "becoming your best living partner" and its core value of being "responsible, honest, ready to share, and innovative" in its daily operation and management. In the course of providing services, we are always mindful of our corporate social responsibility and seek to give back to the society. We insist on providing services with integrity and protecting the interests of our stakeholders. We endeavor to add value for different stakeholder groups and believe that this is the cornerstone of the sustainable and long-term development of the Group.

The Group's corporate culture is set out as follows:



## III. ACHIEVEMENTS AND AWARDS

In 2019, the Group achieved the followings and obtained the below awards:

| No. | Awardee unit | Name of award | Presenting unit |
|---|---|---|---|
| I | Clifford Modern Living Holdings Ltd | "Caring Company" logo (in succession) | The Hong Kong Council of Social Service |
| II | Panyu property management company | 2018 Outstanding Member Unit | Guangdong Property Management Industry Institute |
| III | Panyu property management company | 2018 Panyu Property Service 'Creditworthy Enterprise' (in succession) | Guangzhou Panyu Municipal Housing and Urban-Rural Development Bureau; Guangzhou Panyu Property Management Institute |
| IV | Panyu property management company | 2019 TOP100 Property Management Companies in Terms of Comprehensive Strengths in Guangdong | Guangdong Property Management Industry Institute |
| V | Panyu property management company | Security Precaution Five-star Community (in succession) | Guangzhou Panyu Social Security Management Committee Office; Panyu District Bureau of Guangzhou Municipal Public Security Bureau |
| VI | Panyu property management company | 2019 Outstanding Member Unit | Guangzhou Panyu Property Management Institute |
| VII | Panyu property management company | 2018 "Five-star Community" (in succession) | Guangzhou Panyu Municipal Housing and Urban-Rural Development Bureau; Panyu Daily; Guangzhou Panyu Property Management Institute |

I

VII

III

VI

II

IV

| No. | Awardee unit | Name of award | Presenting unit |
|---|---|---|---|
| VIII | Foshan property management company | 2019 Guangdong Water-saving Community | Department of Housing and Urban-Rural Development of Guangdong Province; Guangzhou Municipal Water Affairs Bureau |
| IX | Foshan property management company | 2018 "Five-star Community" | Guangzhou Panyu Municipal Housing and Urban-Rural Development Bureau; Panyu Daily; Guangzhou Panyu Property Management Institute |
| X | Foshan property management company | 2018 Panyu Property Service 'Creditworthy Enterprise' | Guangzhou Panyu Municipal Housing and Urban-Rural Development Bureau; Guangzhou Panyu Property Management Institute |
| XI | Foshan property management company | "Security Precaution Five-star Community" (in succession) | Political and Legal Affairs Committee of Panyu District of Guangzhou City under the Communist Party of China; Panyu District Bureau of Guangzhou Municipal Public Security Bureau |
| XII | Retail service company | 2017-2018 Guangzhou Civilized Creditworthy Market | Guangzhou Administration for Market Regulation; Guangzhou Committee Office for Promotion of Spiritual Civilisation; Leadership Office for Social Credit System Construction of Guangzhou Municipal |
| XIII | IT service company | Guangzhou Advanced Collective | Guangzhou Municipal Committee of the Communist Party of China; Guangzhou Municipal People's Government |
| XIV | IT service company | Honorary Title of "Guangzhou Model" | Guangzhou Model Release Office |
| XV | Household services company | National Credit Demonstration Unit | National Comprehensive Credit Information Service Platform |

# IV. ENGAGEMENT WITH STAKEHOLDERS AND MATERIALITY ASSESSMENT

## 1. Stakeholders Communication Mechanism

The Group attaches great importance to the management of relationship with stakeholders, and is fully aware that timely understanding of the stakeholders' opinions is crucial to the sustainable development of the Group's business. We have established various communication channels in our daily operations to ensure the voices of stakeholders are fully heard. We understand that the management of relationship with stakeholders is a process of continuous deepening and improvement, and will continue to optimize the communication mechanism with stakeholders and maintain the openness and transparency of the Group's information, thereby striving to work with all stakeholders for mutual improvement and development.

### Customers/owners

**Expectations and demands**
- High-quality products and services
- Protection of customer information
- Commercial credibility
- Compliance in operations

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

### Employees

**Expectations and demands**
- Protection of legal interests
- Good career development channels
- Remuneration and benefits
- Healthy and safe working environment

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

### Government and regulatory authorities

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

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

### Investors/shareholders/stock commentators

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

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

**Suppliers and business partners**

| Expectations and demands | Communication and response |
|---|---|
| • Win-win cooperation<br>• Openness and fairness<br>• Mutual growth | • To optimise the project management<br>• To enhance the mechanism of supplier selection<br>• To build a supplier communication platform |

**Community**

| Expectations and demands | Communication and response |
|---|---|
| • Protection of the community environment<br>• Commitment to social welfare<br>• Fostering of social harmony<br>• Promotion of community development | • To implement green operations in a comprehensive manner<br>• To launch charity projects<br>• To participate in community co-development initiatives<br>• To provide premium cultural resources |

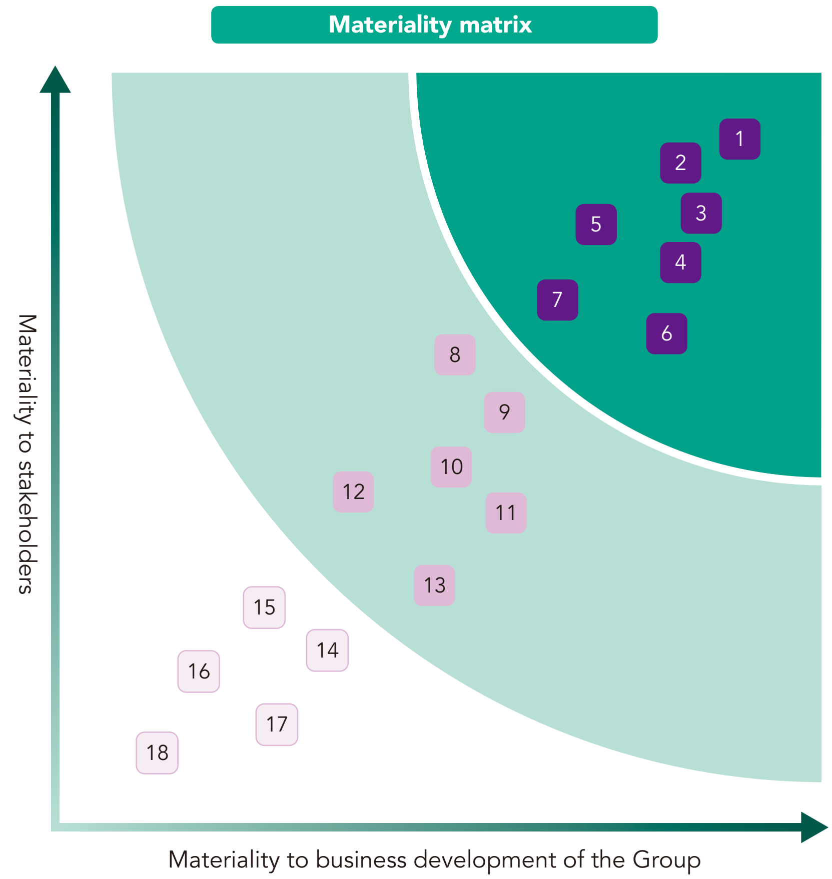
**Industry association**

| Expectations and demands | Communication and response |
|---|---|
| • Promotion of industry progress<br>• Fair competition | • To conduct industry experience exchange<br>• To participate in industry activities |

## 2. Materiality assessment for 2019

In preparing for this Report, we strictly abide by the analysis and evaluation process on ESG issues, and have taken into account the expectations of stakeholders in the context of the Group's own development, characteristics of the industry and the national policy environment. On the basis of close communications with and feedback from the stakeholders as well as industry analysis, material issues for the year have been confirmed and prioritised through overall assessment.

| Step 1: Identifying material issues | Step 2: Communicating with stakeholders | Step 3: Materiality assessment | Step 4: Response to material issues |
|---|---|---|---|
| In accordance with the ESG Reporting Guide issued by the Stock Exchange and taking into account the Group's business developments, dominant trends in the market and the policy environment, 18 material issues have been identified | Communication with stakeholders via various channels and collection of feedback and expectations on the Group's ESG performance in 2019 | The Group's management conducted evaluation on the findings of the analysis, prioritised the material issues accordingly and formulated a materiality matrix for ESG issues | The Group's management identified the key material disclosures in this Report based on the analysis of stakeholders' opinions and materiality issues and responded in the Report |




| | | |
|---|---|---|
| **Vital** | 1 | Service and product quality |
| | 2 | Customer satisfaction and complaint handling |
| | 3 | Health and safety of customers |
| | 4 | Staff recruitment and team building |
| | 5 | Compliance management and integrity building |
| | 6 | Energy consumption and resources utilization |
| | 7 | Engagement in social welfare |

| | | |
|---|---|---|
| **Essential** | 8 | Customer privacy and information security |
| | 9 | Management of supply chain sustainable development |
| | 10 | Staff health and safety |
| | 11 | Staff training and career development |
| | 12 | Protection of labour rights |
| | 13 | Sewage and waste treatment |

| | | |
|---|---|---|
| **Important** | 14 | Green operation and environmental protection promotion |
| | 15 | Maintenance and protection of intellectual property rights |
| | 16 | Exhaust gas and greenhouse gas emission |
| | 17 | Performance appraisal and remuneration management |
| | 18 | Reasonable marketing and promotion |

According to the prioritisation of material issues for 2019, our stakeholders are most concerned with service and product quality management, customer satisfaction and complaint handling, health and safety of customers, staff recruitment and team building, compliance management and corruption-free practices, consumption of energy and utilization of resources, and engagement in community welfare initiatives. In this Report, we will accordingly provide more detailed disclosures of the Group's work and performance in these areas and base our sustainable development planning for next year on these results as important references.

## V. ENVIRONMENTAL PROTECTION

Integrating the philosophy of green development into its day-to-day management and in stringent compliance with pertinent laws and regulations, including the "Environmental Protection Law of the People's Republic of China", "Environmental Protection Tax Law of the People's Republic of China" and "Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution", the Group actively takes measures to reduce its impact on the environment and thus fulfilling its responsibility of environmental protection.

### 1. Gas emission

- Exhaust gas emission is mainly derived from the consumption of vehicular fuel by the Group and its various business segments, and the energy utilization of the laundry plant boiler. During the year, we have adopted a range of measures to reduce the emission of nitrogen oxides, sulphur oxides and particulate matter, etc. and thus protecting our environment.

- The property management companies have gradually reformed the energy structure of transport coaches, and continuously replaced the Company's transport coaches using traditional fuel with hybrid power driven vehicles or pure electric vehicles, resulting in a significant reduction of gasoline consumption and exhaust gas emission;

- The laundry plants have conducted reforms on the boiler fume exhaust equipment to avoid the possibility of environmental pollution caused by leakage of emissions;

- The boilers of the laundry plants comprehensively applied natural gas as clean energy, which greatly reduced the emission of pollutants and particulate matters;

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

### 2. Sewage treatment

The laundry plants of the Group produce sewage in daily operations and we have set up professional sewage treatment equipment in the laundry plants which were operated and maintained by professional personnel from engineering department to ensure the sewage is properly treated and discharged after complying with relevant standards stipulated by the environmental protection departments. The laundry plants cooperated with external professional environmental service provider to implement 24-hour online real-time monitoring of various indicators relating to wastewater to ensure that the treated water quality can achieve the standards and any discharge is in compliance with pertinent regulations. During the year, the laundry plant used phosphate-free detergent in washing to help reduce the phosphorus contents in sewage for the protection of water bodies.

Sewage generated from floor cleaning at the supermarkets, convenience stores and wet market under the Group's retail companies is only discharged via sewage pipes and must not be discharged directly to rainwater well. The retail company has carried out sewage engineering reform for its stores selling cooked food and meat products, discharged the sewage generated after oil and grease separation treatment to protect the drainage system and prevent pollution.

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

During the year, the property management service companies of the Group complied with the guidance of the Guangzhou Municipal People's Government and Panyu District Government, and actively carried out relevant work of the waste separation pilot units in accordance with the "Guiding Requirements for the Classification of Domestic Waste in Guangzhou".

- The property management service companies have placed trash bins at designated place in the communities to help property owners on regular waste disposal and collection, thereby improving the hygienic environment in the communities, encouraging the sorting and collection of hazardous waste, non-hazardous waste and recyclables, and improving the resource utilization and minimizing the environmental pollution caused by hazardous substances;

- The property management service companies have set up an internal waste classification team to strengthen the training of the staff from cleaning department, continuously enhance their understanding of waste classification and their business level, and thus avoiding the disordered collection and transportation of waste.


Recycling Bins

At the same time, the retail company of the Group has also actively carried out waste separation in its wet market, supermarkets and convenience stores, placed corresponding waste separation bins, and conducted intensive training for staff from all stores so as to ensure the effective waste classification. Moreover, the retail company maintains the cleanliness and hygiene of the wet market by hiring well-qualified professional service providers to clean up the grease trap pool in the wet market each month.

## 4. Use of energy and resources

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

### 1) Power usage

- Currently, the property management service companies have upgraded substantially all road lamps and staircase lights to LED energy-saving lights. At the same time, during the year, the lighting of underground carparks were upgraded from original energy-saving lighting tubes to LED radar sensor lights which can automatically adjust the brightness according to the movement of human being or vehicles. It is expected that such transformation could save electricity consumption of approximately 72,000 kWh annually;

- By ensuring the stable water pressure of water supply pipe network, the property management service company adjusted the number of living water pump rooms in operation, the number of water pump units in operation and relevant parameters, the operation of communication value of pipe network in a timely manner according to the number of occupants in the community so as to reasonably control the energy consumption;

- The property management service company carried out real-time monitoring on equipment such as fire-fighting fans, generator sets, pumps for water collection wells through monitoring network platform to identify and control the electricity consumption and loss of the equipment caused by malfunction in a timely manner;

- The property management service companies also analyzed the hydropower data report of each area on a regular basis, and arranged timely inspection and maintenance in case of any data abnormalities of various areas;

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

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

2) **Use of water resources**

- The Group conducts regular surveying and quantitative analysis on water usage and arranges recording of water meter readings by designated staff on a regular basis to analyse and compare data on water usage. When irregularities are identified, immediate actions are taken to inspect the pipes and networks and adopt effective measures to prevent dripping and seepage. In addition, in 2019, the professional personnel from engineering department of the property management service company conducted inspections on the water supply pipes and networks, and the Group engaged an external professional leakage inspection company to carry out repair and maintenance for the water supply equipment. A total of 5 seepage points have been identified and fixed, expecting an annual reduction of approximately 82,125 cubic metres of water consumption;

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

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

- During the year under review, the Group did not experience any issue in sourcing water that is fit for purpose, water initiatives and results achieved.

3) **Use of other resources**

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

- The Group's laundry plants and detergent suppliers conduct regular inspection on the amount of detergent used to ensure the current amount is reasonable and thus avoiding waste of materials.

### 5. Noise

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

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

### 6. Protection of the environment and natural resources

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

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

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

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

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

- In addition, the laundry plants and retail service company of the Group actively cooperate with the government departments on environmental assessment to ensure all working procedures comply with national environmental pollutants discharge control requirements, thereby protecting our environment.

## 7. Green promotion

- During the year under review, the Group actively promoted waste classification, and organized a number of large-scale publicity campaigns under the theme of "waste classification" in the community in cooperation with resident committees, sub-district offices and other units. The Group conducted door-to-door distribution of brochures regarding waste classification, waste classification bags and offered explanation to the property owners so as to raise their understanding and recognition of waste classification.


Waste Separation and Pollution Prevention Campaign in Clifford Community

- On 30 March 2019, the Group and all its business segments supported the "Earth Hour" global energy conservation initiative in active response to the call of World Wide Fund for Nature (WWF). From 20:30 to 21:30 on that day, all unnecessary lights and electrical equipment and products were turned off at our office areas and stores. The activity has enhanced the environmental awareness of our staff and sent a message to the residents of our communities as well as the public calling for concern for global warming and practical actions in response to climate change.


"Earth Hour" promotion

- In addition, the Group promotes energy conservation in its day-to-day operation and water conservation through measures such as posting reminders in toilets and other areas where water is consumed.

### 8. Green technology output

The Group's IT service company focuses on the aspects of building intelligent engineering, information system integration and security systems, and exports the green energy-saving and environmental protection technologies externally through leading intelligent system solutions.

The building intelligent system project of "Clifford Group Center" tower was implemented by our IT service company and put into use in 2019. Such system includes three major parts, namely building automatic control, intelligent lighting system and electricity monitoring system:

**Building Automatic Control**

Such system mainly conducts efficient management and control of various equipment within the building through operating status monitoring and malfunction monitoring, and greatly reduces the energy consumption while providing the most comfortable working environment with modern management mode.

**Intelligent Lighting System**

Intelligent lighting system applies automatic monitoring to the lighting system of the public areas such as public walkways, elevator halls, conference rooms (halls), etc. in order to achieve energy saving, extend the service life of lighting, beautify the environment and facilitate the management and maintenance.

**Electricity Monitoring System**

Leveraging the latest modern data processing and communication technology, the Group compiles and integrates the collection, analysis and management modules of energy consumption such as water and electricity within the building, establishes an objective energy consumption evaluation system based on the actual energy consumption in time so as to facilitate the management to develop energy use models and thus achieving energy conservation and consumption reduction.

By exporting its green technologies on environmental protection and energy conservation externally, the IT service company helps customers to control the operating costs while greatly reducing energy consumption, thereby reducing emissions and facilitating enterprises to achieve green operations.

**Key Environmental Performance Indicators of 2019**

| Key Performance Indicator | Description | Data for 2019 |
|---|---|---|
| **Pollutant** | The numerical values of pollutants disclosed are derived from the consumption of gasoline, diesel and natural gas by the Group and its business segments. During the year under review, we calculated the environmental data according to the latest national standards issued in 2019. Among them, the relevant emission coefficient is adopted by reference to the "Reporting Guidance on Environmental KPIs" published by the Stock Exchange; the emission coefficient for natural gas is adopted by reference to the "Calculation Methods for Coefficient and Material Balance for Industries not Subject to Pollutant Discharge Permission Administration", the "Technical guidelines of accounting method for pollution source intensity – boiler" published by the Ministry of Ecology and Environment as well as the "Mandatory National Standard GB17820-2018 – Natural Gas" of the People's Republic of China. | Sulphur oxides: 26.32 kg<br>Nitrogen oxides: 892.21 kg<br>Particulate matter: 24.99 kg |
| **Greenhouse Gas Emission** | The numerical values of greenhouse gas emission disclosed are derived from the consumption of gasoline, diesel and natural gas and of externally purchased electricity as well as staff travel. The relevant emission coefficient is adopted by reference to the "Reporting Guidance on Environmental KPIs" published by the Stock Exchange; the greenhouse gas emission coefficient for externally purchased electricity is adopted by reference to the "2017 China Regional Grid Emission Factors for Emission Reduction Projects" published by the Ministry of Ecology and Environment; the greenhouse gas emission coefficient for natural gas is adopted by reference to the "2006 IPCC Guidelines for National Greenhouse Gas Inventories"; the volume of greenhouse gas emission derived from staff travel is measured using the "ICAO Carbon Emissions Calculator" of the international Civil Aviation Organization. | Total greenhouse gas emission: 6,936.20 tonnes<br>Intensity of total greenhouse gas emission: 0.02 tonnes/RMB'000 in revenue |

| Key Performance Indicator | Description | Data for 2019 |
|---|---|---|
| **Hazardous Waste** | In view of the business characteristics of the Group, we basically do not discharge toxic waste. During the year under review, we have recorded a minimum amount of replacement of used batteries or ink cartridge/toner cartridge. Hence we have not collected or disclosed discharge data specific to the above. Hazardous wastes described in the above have been collected and properly processed by qualified professional service provider to prevent pollution of the environment. | N/A |
| **Non-hazardous Waste** | The Group's non-hazardous waste is mainly general wastes including office waste from our office operation and kitchen waste. | Total volume of non-hazardous wastes: 28.55 tonnes |
| **Energy consumption** | The numerical value of energy consumption in 2019 disclosed is derived from the consumption of gasoline, diesel, natural gas and externally purchased electricity. The energy consumption factor is accounted for with reference to the national "General Principles for Calculation of the Comprehensive Energy Consumption GB2589-2008T". | Total energy consumption: 48,155.95 GJ<br>Intensity of energy consumption: 0.12 GJ/RMB'000 in revenue |
| **Water consumption** | Water consumption is mainly for the Group's business segments and office operations. | Total water consumption: 170,984.8 cubic metres<br>Intensity of water consumption: 0.43 cubic metres/RMB'000 in revenue |
| **Plastic bags usage** | The Group's plastic bags usage mainly comes from the provision of paid plastics shopping bags for customers at the supermarkets of our retail segment and consumption of plastic packaging of the laundry service companies. | Total plastic bag consumption: 6.19 tonnes |

Notes: The environmental data was collected during the period from 1 January 2019 to 31 December 2019. The scope of collection covers:

- Energy consumption at the office areas of the Group headquarters and the business segments, its supermarkets, wet market, convenience stores and laundry plant;
- Energy consumption by the business vehicles and transport vehicles of the Group headquarters and the business segments;
- Staff travel for the Group headquarters and the business segments

## VI. EMPLOYMENT AND STAFF CARE

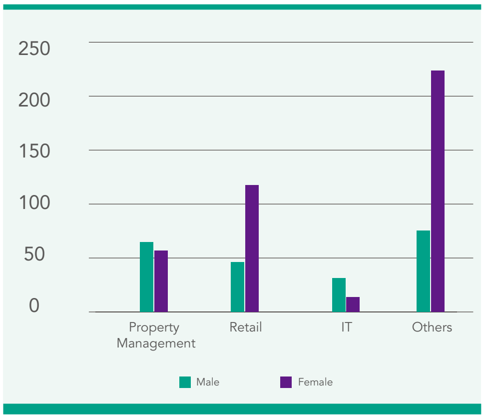
In addition to stringent compliance with pertinent laws and regulations, including "Labour Law of the People's Republic of China", "Labour Contract Law of the People's Republic of China" and "Law on the Prevention and Control of Occupational Diseases of the People's Republic of China", the Group also implements internally formulated regulations such as the "Code of Operation for the Human Resources and Administration Department", protecting the legitimate rights and interests of employees, attaching importance to employees' development and cultivation, and caring for the physical and mental health of employees as it endeavours to achieve a mutual development of both employees and the Group.

### 1. Recruitment

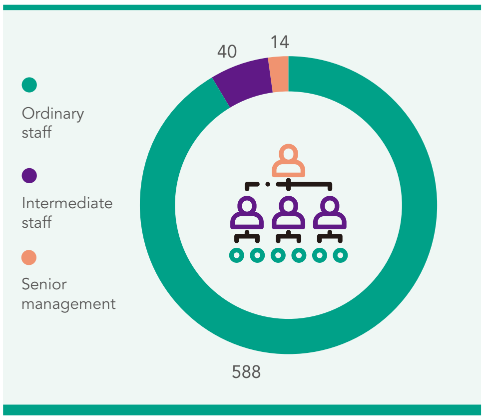
The Group has formulated the internal systems such as "Rules for the Recruitment System of Clifford Modern Living Holdings Limited" and "Staff Manual", developed a recruitment regime that is "fair, just and open" and standardized the procedures in staff recruitment so as to achieve reasonable realisation of human resources. The Group conducts staff recruitment through open recruitment, campus recruitment and internal referrals. Appointments are based on meritocracy regardless of nationality, ethnic origin, age, gender, marital status or religion. As at 31 December 2019, the Group had a total of 642 full-time employees. Details of our employees are as follows:

OVERALL GENDER COMPOSITION


GENDER COMPOSITION IN DIFFERENT BUSINESSES

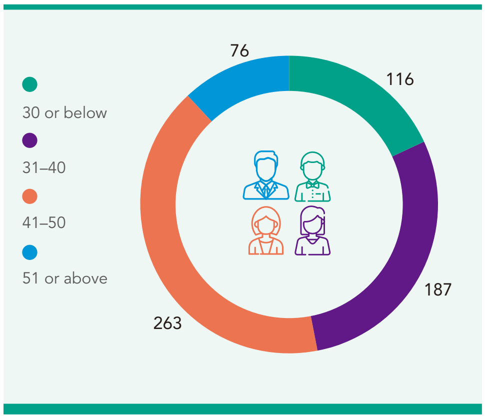



OVERALL RANK COMPOSITION

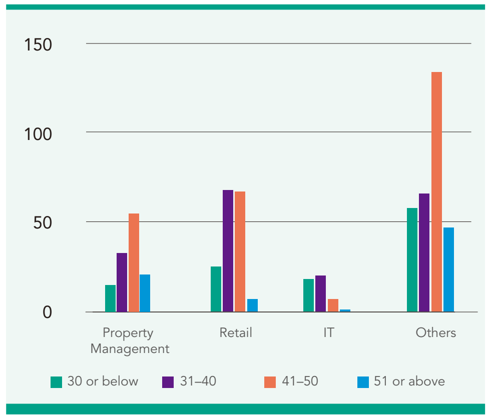



RANK COMPOSITION IN DIFFERENT BUSINESSES

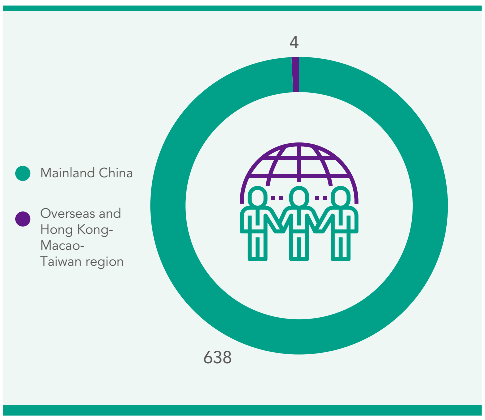
**OVERALL AGE COMPOSITION**



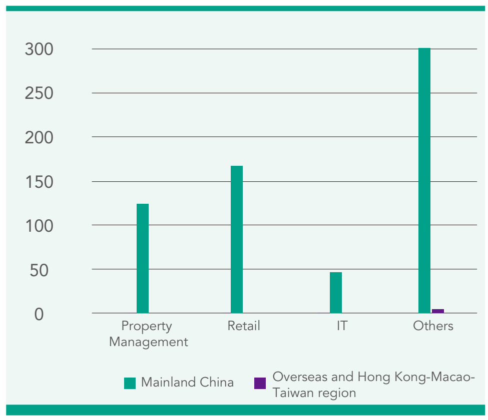

**AGE COMPOSITION IN DIFFERENT BUSINESSES**




**OVERALL GEOGRAPHY COMPOSITION**




**GEOGRAPHY COMPOSITION IN DIFFERENT BUSINESSES**




## 2. Remuneration and benefits

The Group offers competitive remuneration to staff and determines their salaries at the start of their employment based on their academic qualifications, work experience and job position. Such salaries are subsequently adjusted according to the results of performance appraisals. At the same time, the Group conducts market research on a regular basis to understand and analyse market levels for remuneration and benefits in a timely manner, increase salary for outstanding employees to reward and retain high-calibre talents.

The Group provides a comprehensive regime of staff benefits to its employees. On the basis of pension insurance, medical insurance, unemployment insurance, employment injury insurance, maternity insurance, housing provident fund, statutory holidays, paid annual leaves and other statutory benefits, the Group offers additional internal transportation services, meal subsidy, year-end double pay, anti-cancer funds, study subsidy to offspring of employees with financial difficulties as well as festival celebrations, in an effort to care for the personal interests of its staff.

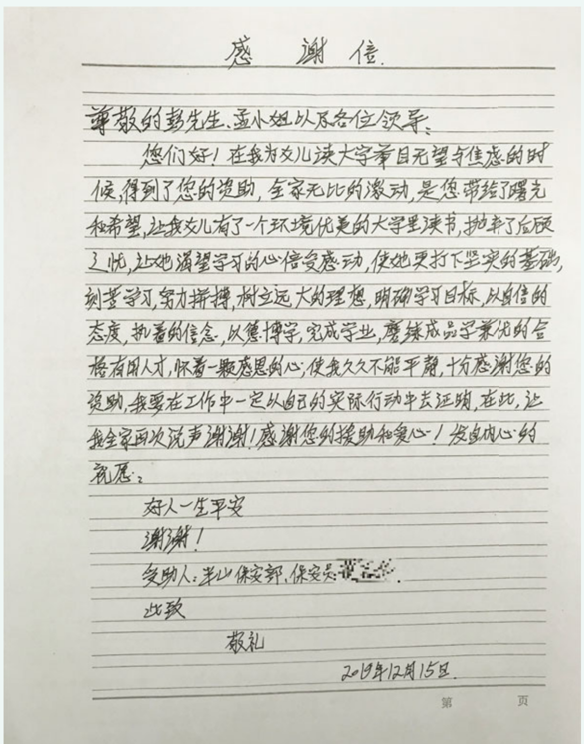
**Case sharing: Employee Assistance Campaigns**

**(1) Application for Cancer Funds**

In March 2019, an employee named Zhang, from the security department of the Group, was diagnosed with "multiple myeloma" which required expensive surgical treatment fees. Zhang has been responsible and dedicated for many years in his position. Considering the treatment costs far exceed his personal financial ability, the Group took the initiative to bear 50% of the total treatment costs in favour of Zhang in accordance with the relevant provisions of the Employee Cancer Fund Document, offering warm assistance to the employee in need.

**(2) Application for study subsidy for offspring of employees with financial difficulties**

In July 2019, an employee named Huang, from the security department of the Group, had her daughter got admitted to Nanchang Hangkong University. Considering the family was listed by the government as impoverished with difficulties in financial sources, the Group granted RMB6,000 as study subsidy in accordance with the Administrative Measures on Study Subsidy for Offspring of Employees with Financial Difficulties, which showed cares to employees with concrete actions.



感谢信

尊敬的彭先生、孟小姐以及各位领导：

您们好！在我为女儿读大学前目无望与焦虑的时候，得到了您的资助，全家无比的激动，是您带给了曙光和希望，让我女儿有了一个环境优美的大学里读书，排除了后顾之忧，让她渴望学习的心倍受感动，使她更打下坚实的基础，刻苦学习，努力拼搏，树立远大的理想，明确学习目标，以自信的态度，执着的信念，以德博学，完成学业，磨练成品学兼优的合格有用人才，怀着一颗感恩的心，使我久久不能平静，十分感谢您的资助，我要在工作中一定从自己的实际行动中去证明，在此，让我全家再次说声谢谢！感谢您的援助和爱心！发自内心的祝愿：

好人一生平安

谢谢！

受助人：半山保安部，保安员[redacted].

此致

敬礼

2019年12月15日

第 页

A letter of appreciation from Mr. Huang, an employee of security department

## 3. Training and development

With a strong emphasis on staff training, the Group has formulated and implemented the "Regulations for the Administration of Training" to specifically provide for the structure, types, breakdown of tasks and duties regarding training, in an effort to provide employees a platform for sustainable learning and improvement.

### 1) Structure and types of training

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

**Induction Training for new employee**

Targeting new employees, training covers the aspects of company systems, work ethic, work standards, operation of office equipment and facilities, which helps new employees get familiar with own job position and establish corporate values.

**Business Expertise Training**

Each business department develops its own annual training plan and internal trainer from department is responsible for organizing training. Training mainly focuses on expertise of respective business department which aims to enhance employees' work efficiency and performance.

**Professional Qualification Training**

Training aims to help employees to obtain relevant professional qualification certificates. For any certification application, the Group will subsidize employees to participate in training organized by professional training institutions or relevant national departments so as to further enhance employees' personal values.

**System and Procedure Training**

Training is conducted online. Employees can obtain learning courseware relating to the Group's systems and management procedures through internal office sharing platform and implement self-learning anytime anywhere.

2) **Internal trainer system**

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

In addition, the human resources department of the Group conducts regular training on the teaching abilities for internal trainers, including lectures on curriculum design skills and classroom teaching skills, which effectively enhance the work capabilities of internal trainers' team to further optimize the performance of training courses for various business departments.

3) **Supervision and evaluation**

To ensure the effectiveness of training, the Group has adopted a dual supervision mechanism by the human resources and administration department and the business departments to facilitate appraisal of attendance at training, the teaching standards of trainers and training outcomes. Based on the appraisal results, award of "Outstanding Trainers" is granted to encourage employees' ongoing development.

**Case Study: 2019 Employee Training Activities**

**(1) Monthly Military Training of Security Department**

On the 15th day of each month, the Group's property management service companies conduct military training for its security department, which includes basic gesture exercise for queue alignment, traffic command training and traffic safety knowledge training. During the training, all employees from the security department take every detail seriously with an aim to enhance personal quality and business capabilities. Through monthly military training, the Group strives to cultivate a detail-minded security team with discipline and civilization, which allows the property owners to enjoy comprehensive property services.

Monthly military training of security department

**(2) Skill Enhancement Training for Internal Trainers**

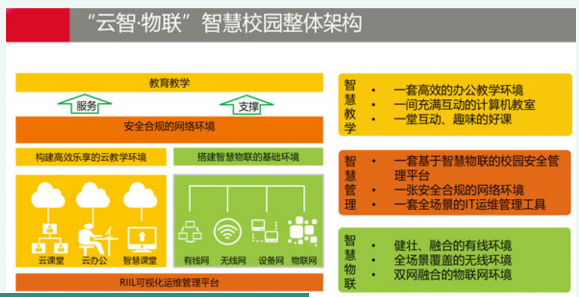
On 10 October 2019, the Group's property management service companies organized a training with the theme of "TTT Series Course: Practice of Training Techniques" for trainers from various business units. Course includes lectures on training theoretical foundation, course design and teaching skills while trainees can apply theoretical knowledge to practical training through group discussions and simulated course design which effectively improved the teaching abilities of the internal trainer team.



Skill enhancement training for internal trainers

**(3) Business Expertise Training**

On 31 October 2019, the IT service company of the Group held a professional expertise training campaign with the theme of "Smart Campus". Instructor gave lecture on various functions and application scenarios of the "Smart Campus" system through video demonstration so as to facilitate employees' familiarity with product functions, thereby enhancing actual work efficiency and better serving customers in the future.




"Smart Campus" system training

Key performance data relating to the Group's training for 2019 is set out as follows:

| Training organised by segment | Number of training | Training hours | Total number of participants |
|---|---|---|---|
| Property Management Segment | 48 | 74.5 | 124 |
| Retail Segment | 57 | 126 | 215 |
| IT Segment | 28 | 94 | 64 |
| Others | 75 | 224 | 297 |
| **Total** | **208** | **518.5** | **700** |

## 4. Performance appraisal and promotion

During the year, the Group optimized its performance appraisal solution to ensure a comprehensive appraisal of employees' performance. The Group conducts evaluation for its employees based on indicators such as techniques, business capabilities and performance on a regular basis; the Group also requires the core management personnel to sign the Responsibility Statement of Corporate Business Objective in every year and evaluates their capabilities in aspects of operation, communication, system establishment, innovation and risk control. The Group conducts interviews with employees on the evaluation results and regards the results as an important basis for reviewing remuneration in order to motivate employees in continuous enhancement of their personal capabilities. On the other hand, employees who have violated relevant procedures or given rise to negative impact to the Group shall be punished in accordance with pertinent provisions, or removed from their jobs in case of serious violations.

At the same time, the Group provides promotion or internal referral for outstanding talents according to business needs and employee performance. Employees can get access to the Group's vacancy information on the internal office platform, and participate in presentations and debates for relevant positions by self-recommendation. Selection results will be publicized on the internal office platform for a period of 15 days to ensure the openness and transparency of the recruitment process. After qualifying the internship assessment, the selected employees can formally engage in new position and be subject to salary adjustments which has greatly stimulated their employees.

## 5. Occupational health and safety

Staff occupational health and safety represents a high priority to the Group, which has complied with relevant laws and regulations and has formulated and diligently implemented internal rules and regulations such as the "Work Safety Regulations and Procedures", "Operational Safety Management" and "Administrative Regulations for Safe and Proper Work Construction", setting out specific provisions in relation to production safety, fire prevention, labour protection and procedures for handling accidents and injuries, etc to ensure the work safety of employees.

### 1) Sound fire safety/production safety management structure

The property management company has established a sound fire safety/production safety management structure with specified appointments of responsible parties for fire safety and production safety at various levels, including the primary, secondary and tertiary responsible party for fire safety/production safety and a fire safety/production safety manager. The responsibilities system, meeting system, training system and inspection system for each level have also been specified as follows:

**Production/ Fire Safety System**

**Responsibilities System**

"Duties of responsible party for fire safety"
"Duties of responsible party for production safety"
"Duties of fire safety manager"

**Meeting System**

"System of routine meetings for fire safety/ production safety"

**Training System**

"Fire safety/production safety education and training system"

**Inspection System**

"Inspection system for fire safety/production safety"

In addition, the Group has set up a safety quality team for business operations and conducts regular inspections on the Company's operational safety issues to ensure the effective implementation of various safety management measures.

2) **Comprehensive protection measures for occupational safety**

The Group has formulated a series of measures to protect the occupational health and safety of its employees. Details are as follows:

**Provision of labour protection gears**

The Group provides labour protection supplies to employees according to the business types they are involved in, such as protective jackets, protect vests, protect gloves and protective waist belts for supermarket staff; non-slip boots, washing gloves, waterproof aprons and goggles for staff handling washing operations; insulation shoes and gloves and helmets for maintenance staff. All these supplies will be replaced regularly.

**Maintain insurance for work-related injuries**

In addition to the insurance for work-related injuries as required by the government, the Group also maintains supplementary commercial insurances such as employers' liability insurance and health insurance for its employees with a view to actively preventing risks of accidents resulting from work-related injuries of employees.

**Formulate operating procedures for work safety**

The property management service companies of the Group have formulated relevant operating procedures for work safety for all frontline operation departments, including the gardening department, customer service department, engineering department, fire brigade and environmental hygiene department to provide staff with instructions on operation safety. Meanwhile, the laundry plant is required to conduct annual inspection on the boilers and obtain qualification certificates to ensure the safety of employees at work.

Moreover, the Group organizes diversified trainings on production safety and seminars on occupational health on a regular basis, which effectively enhanced the employees' self-protection skills and awareness of personal health.

**Case sharing: Seminar on medical science**

From June to October 2019, the Group cooperated with Clifford Hospital to organize a total of three seminars on medical science, during which we shared with the employees the types and symptoms of occupational disease, and the first aid treatment for illness such as cerebral hemorrhage, myocardial infarction, foreign body of airway, heat stroke, drowning and wound from dog-bites, thereby enhancing the employees' first aid skills in daily lives and help fostering their healthy personal lifestyles.

Seminar on medical science

## 6. Protection of employee rights

In stringent compliance with laws and regulations, including the "Labour Law of the People's Republic of China", "Labour Contract Law of the People's Republic of China" and "Law of the People's Republic of China on the Protection of Minors", the Group duly implements the requirements under regulations such as the "Staff Manual" and "Code of Operation for the Human Resources and Administration Department". By establishing diversified channels for communication and complaint, the Group would be able to understand the needs of the employees in time and strive to foster a fair and harmonious workplace for its employees.

### 1) Communications channels with staff

The Group encourages its employees to give suggestions and feedbacks, and listens to the opinions of the employees by establishing diversified communication channels. We collect and listen to the opinions of our employees mainly through the following channels:

- Interviews with new staff: The Group conducts interviews with new staff every month so as to timely identify the problems encountered by them at work and in daily lives.

- Interviews with resigned staff: The Group would strive to understand the actual reasons for their resignation and explore rooms for improvement of its human resources management.

- Staff seminars: The Group organizes staff seminars regularly to encourage our employees to express their opinions freely, understand the problems they encountered at work, and solve and respond to these problems.

- General Manager's Mailbox and complaint hotlines: The Group has set up General Manager's Mailbox and complaint hotlines for employees to give comments and feedbacks at any time.

2) **Prohibition of employment of child labour and forced labour**

The Group strictly prohibits any employment of child labour and forced labour. During the recruitment process, the Group will verify the age of the candidates through documents such as ID cards to prevent the employment of child labour. Meanwhile, specific matters such as staff working hours and attendance evaluation system are specifically provided for in the Group's "Staff Manual" and the "Code of Operation for the Human Resources and Administration Department". While overtime work is necessary, employees should seek for approval in advance. Upon approval, they shall be granted time-off afterwards or overtime wages in accordance with the laws. In 2019, no instances of child labour or forced labour employment was reported in the Group.

3) **Diversity and anti-discrimination**

The Group strives to provide its employees with a fair and healthy workplace and ensures that the employees would not be discriminated by reasons of sex, age, nationality, religious belief, family and health condition, and stands against any form of discrimination and harassment. At the same time, in response to the government's call, the Group provides job opportunities for the disabled and makes contribution for the employment security fund of the disabled, aiming to fulfill its corporate social responsibilities by facilitating the employment of the disabled. In 2019, the Group did not receive any complaints about infringement of employee's rights.

## 7. Staff care

The Group actively advocates the work-life balance of its employees. By organizing diversified activities, the Group has enriched the leisure time of its employees, enhanced the quality of their daily lives and improved their vitality and happiness.

**Case sharing: Examples of cultural and entertainment activities of staff in 2019**

(1) **Strengthen team-building of staff**

From July to November 2019, the property management service companies of the Group provided travel fund for their employees so that they may form groups and organize short trips of 1 to 2 days. The destination of these trips may include places with historical and cultural characteristics (such as Lingnan Garden (嶺南風情園) and Huangpu Military Academy), beautiful natural scenery (such as Dongchong Green Passage (東涌綠道)), and hot spots due to current events (such as Hong Kong-Zhuhai-Macao Bridge). These short trips not only helped to alleviate physical fatigue of the employees from daily work, but also helped to strengthen the bonding among the employees.



Photo taken during the short trips of the employees

**(2) Staff Sports Day**

On 14 December 2019, the property management service companies of the Group organized a sports day for staff. The sports day features two competitions, namely the "six people seven feet" race and the "kangaroo jump" relay, with staff competing for their departments in men or women categories. The activity has received overwhelming response from different departments, which not only demonstrated the positive spirit of the employees, but also enhanced the cohesiveness and sense of collective honour of various departments through the intensive competition.

"Six people seven feet" race

"Kangaroo jump" race

## VII. SUPPLY CHAIN MANAGEMENT

In strict compliance with the laws and regulations such as the "Tender and Bidding Law of the People's Republic of China", the Group has formulated and implemented internal regulations such as the "Regulations for Supplier Management", the "Regulations for Procurement Management" and "Requirements for Supplier Qualification". Adhering to the principle of fairness and justice, it has also laid down specific requirements for the admission, evaluation and management of suppliers in order to prevent and control procurement risks and duly fulfill its commitment to the customers and the society.

### 1. Admission of suppliers

The Group has established a logistic center and procurement center to implement standardized management over the procurement demands from various business segments. We organize the requesting department, the logistic center, the finance department and the legal department to jointly form a supplier evaluation team. The team will give scores to the potential supply partners from aspects such as business qualification, financial condition, past performance, product quality and pricings, based on which we will conduct horizontal comparison between various suppliers to ultimately select suppliers that can meet the requirements and admit them into the supplier list of the Group.

In addition, the Group pays close attention to the performance of the suppliers in terms of environmental and social responsibilities. During the selection of suppliers, the Group also concerns about the performance of their products in aspects such as environmental protection, quality and safety and grading. Priorities will be given to suppliers with environmental qualification for cooperation.

### 2. Evaluation and appraisal of suppliers

The Group organizes the requesting department, the logistic center, the finance department and the legal department to jointly form a supplier evaluation team. The team will give consolidated scores to the supply partners at the beginning of every year based on their performance in aspects such as product quality, delivery capability, pricing level and services quality in the previous year. Suppliers will be then divided into A, B, C and D grade according to the scoring results. Among which, Grade A suppliers will be the most preferred suppliers that we will prioritize the cooperation with them in future procurement transactions, while for suppliers classified as Grade D for three consecutive years, we will cancel our cooperation with them and remove them from the Group's supplier list.

### 3. Communications with and management of suppliers

The Group attaches great importance to continuous liaison and exchange with the suppliers and organises suppliers' forums, business meetings and new product presentations on a regular basis. In the meantime, we also actively listen to the views and comments of suppliers to ensure timely response to their demands, in a bid to foster win-win relationships with mutual benefits and trust.

**Case sharing: Suppliers sharing session**

On 14 November 2019, the IT service company of the Group jointly hosted a sharing session with Guangzhou Basic Intelligent Technology Co., Ltd. ("**Basic Intelligent**"), a supply partner of the Group. During the event, the technical staff of Basic Intelligent showcased its latest intelligent products and explained and demonstrated in details for the staff of the IT service company. The activity has deepened the recognition of the corporate cultures and products of both companies and hence helped to add values to the supply chain.

Illustration on new intelligent products


Sharing session of suppliers

## VIII. PRODUCT RESPONSIBILITY

The Group conducts its day-to-day operations and management in strict accordance with the requirements of pertinent laws and regulations, including the "Product Quality Law of the People's Republic of China", the "Advertising Law of the People's Republic of China" and the "Copyright Law of the People's Republic of China", and adopts multiple measures to ensure the quality and safety of its products and services. We consolidated the professional services within the Group by adhering to the core principle of "becoming your best living partner", with an aim to assist the owners and customers to solve their difficulties and enjoy better lives through quality services.

### 1. Quality assurance for products and services

During the year under review, each of our business segments implemented a series of measures to ensure the quality and safety of the services and products provided by the Group, optimize the service process and hence enhance customers' experience.

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

The Group's property management service companies implement internal system such as "Operation Manual for Engineering Department" which divides the service zone of Clifford Estates' property management into 14 districts to conduct grid service and management based on actual situations, such as the number of households and the geographical location of each group. A customer service centre is set up in each grid (district) to offer personalised butler-type property management service to owners and residents in a more meticulous and efficient manner.

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

The property management service companies formulated the morning meeting system. Every morning, the staff on duty will gather at a specific time to report on the work completed on the previous day. The person-in-charge will draw conclusion on the progress and make plans for work on that date. Emphasis will be placed on key tasks and experience gained will be summarized to ensure continuous enhancement of work quality. In addition, the property management services companies also organized the "Service Star" contest for departments such as the Customer Service Department, Security Department, Environmental Hygiene Department and Transport Department to give scores based on their service images. Prizes will be given to outstanding staff selected to motive the staff to further improve their work quality.

**Case sharing: Manners and etiquette training activity by Panyu Property Management Company**

In May and November 2019, Panyu property management service company of the Group conducted two training sessions on manners and etiquette for its employees. Topics covered in the training sessions include maintaining decent appearance and use of warm and formal service greetings. Simulation training were also conducted in an effort to enhance the overall service image of all frontline staff on a continuous basis. The training activity has enhanced the service awareness of our staff and improved their quality of service, which obtained high recognition and appreciation from our customers.


Manners and etiquette simulation training

**Case sharing: Housekeeper of Foshan Property Management Company offered timely assistance to the owner of properties under our management**

At around 8:15 am on 16 July 2019, Ms. Peng, the housekeeper of Foshan Property Management Company, received a call from the owner of one of the units that she was extremely sick and suffering from stomachache, vomit, dizziness and fatigue. As her family members are not around, she could ask for help from Ms. Peng only. After received a phone call, Ms. Peng rushed to the unit of the owner immediately and found her look pale and in pain with hands on her stomachache. She helped to get the owner to Clifford Hospital for treatment immediately.

At the hospital, Ms. Peng proactively took care of the owner and promptly contacted her family members, at the same time comforting her emotions. The owner soundly recovered within one week and bore in mind the assistance from Ms. Peng. In the morning on 25 July 2019, the owner and her son visited Clifford Wonderland Property Service Center and presented a banner of merits embroidered with "Wonderland with Love and Care for Owners, Clifford put Services as its Foremost Consideration (心懷業主 溫暖繽紛 服務至上 和諧祈福)" to Ms. Peng to express her sincere gratitude.

Ms. Peng, the housekeeper, taking care of the owner

The owner presenting Ms. Peng, the housekeeper, with a banner of merit

2) **Quality assurance for retail goods**

The Group's retail service company formulated internal regulations such as "Implementation Rules of Work Quality Standards and Punishments", the "Overview of Standards for Routine Work of Salespersons and Store Keeper of Clifford Supermarkets" and "Procedures for Product Management" for regulating the operation procedures of employees. Moreover, we conduct monthly inspection on the supermarkets, convenience stores and wet market of the Company on an irregular basis. In the event that any incompliance was identified, notice of rectification will be issued immediately. All these measures have promoted and strengthened the implementation of standards by the employees and the quality of their work significantly.

The retail service company has to evaluate the qualification and certification, certificate of authorization/entrustment, operation conditions and staff competence of the suppliers in the procurement stage, so as to ensure the quality of product at source.

The retail service company conducts various inspections for pesticide residues of products from wet market operated by each of its stores on a daily basis and the inspection results will be posted in the stores. During the outbreak of African swine fever in the market, we required tenants selling pork to provide quarantine certificates for African swine fever before they were allowed to sell pork in our stores. In addition, we sterilized all pork stalls every day to ensure the safety and hygiene of both the sales venues and the products.

Food quality inspection site

We have formulated stringent management system for valid period of products to ensure product quality and safety. Our various shops have to carry out daily inspection on goods with short warranty periods such as wet food stored in low temperature and monthly regular inspection on goods with longer warranty periods, i.e. more than half a year. Goods that are closed to the expiry date, and those deteriorated or damaged goods will be removed immediately. In case of return request from customers, we shall verify the goods quality and will swap or refund in case of quality deficiencies and demolish the returned goods. During the year under review, we had no cases of goods return due to safety and health reasons.

In addition, we launched the system for the tracking of edible agricultural produces jointly developed and operated by the Food & Drug Administration of Guangzhou Municipality and the Software Application Technology Institute of the Chinese Academy of Sciences (Guangzhou Branch) for Clifford's wet markets. Through the QR code information at each counter on this platform, consumers are able to obtain product information (such as the place of origin, product type and whether it has been tested, etc), such that the origins and whereabouts of meat and vegetable products are now trackable, providing basis for supervision and evidence for tracing accountability.

**Case sharing: Selection of "Service Star" of the retail company**

In 2019, the retail company held a selection of "Service star" where leaders of various departments recommended staff candidates with outstanding performance. By voting on WeChat and providing scores in terms of dress code, appearance, work ethics and service attitude, internal staff from various entities selected the winners of "Service star" and presented them with prizes as incentives. This selection activity served as a recognition of staff with outstanding service quality and has enhanced their initiatives and passion of rendering service, strengthened their service awareness and therefore conducive to improving service quality.


2019 "Service star" selection by the retail company

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

IT service company strictly complies with laws and regulations such as "Product Quality Law of the People's Republic of China" and "Regulation on the Quality Management of Construction Projects" and has formulated and implemented internal systems such as "Work Procedures for Project Assessment Mechanism", "Management and Control Mechanism on Project Quality", "Rules of the Operation of the Work Management Centre" and "Management System for After-sales Service Department" to strictly carry out quality management and ensure that quality, healthy and safe products and projects are provided.

IT service company has formulated stringent project management mechanism to implement all-process project quality control covering three stages, namely product design, project construction and after-sales management. During the year under review, IT service company has passed ISO9001 quality management system, ISO14001 environment management system and ISO45001 occupational health and safety management system certifications.

**Product design stage**

Design personnel shall comply with design standards for products and take into account various factors such as user demand, investment budget and outcome of intelligent system to ensure standardized, practical and feasible product design;

**Project construction stage**

The person-in-charge of the project shall give priority to work with large construction teams and confirm the operation method and quality standards during construction. Quality control shall be imposed on materials on site through the establishment of material management system. In the acceptance and inspection stage, the project supervisor and internal responsible person of the Company shall together monitor project quality and take remedial measures on defective parts.

**After-sales management stage**

A dedicated 24-hour after-sales service hotline is available in the Company to efficiently solve after-sales deficiencies and promptly conduct inventory check for after-sales spare parts to ensure timeliness of after-sales repair.

To ensure construction quality and achieve project objectives, the IT service company has established an inspection group for engineering projects to carry out inspections on, among others, the quotation of the project, procurement cost of project equipment, project construction quality, project progress and acceptance and receipt of payment through a combination of monthly inspection and occasional surprise checks and report inspection results to the management of the Company to impose corresponding punishments depending on the severity of the issue so as to guarantee the healthy development of the engineering projects.

In addition, in order to further enhance the quality of after-sales services provided, IT service company has developed its proprietary software for after-sales management, standardizing repair processes and achieving intelligent management of the after-sales stage through the five major functions of the software.

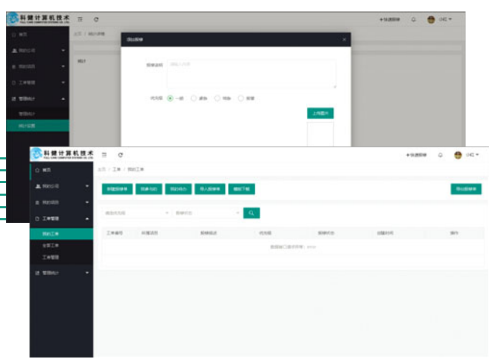
**Innovative repair reporting method**
Users can report the failures of engineering projects via mobile app and computer-side program for repair;

**Recording repair work**
The repairing engineer can view the real-time repair task lists and make reasonable work arrangements in accordance with the time and location of the repair work;

**Team management standardization**
Through task distribution and support functions on the platform, management personnel can carry out flexible distribution of repair work among team members;

**Record keeping of repair invoice**
Through the function of exporting repair invoice on the platform, eye-catching charts for each repair can be formed to facilitate printing and signing;

**Generating statistical reports**
Monthly, quarterly and annual repair statistics are generated via the platform so as to provide analysis basis for future project improvement.



Snapshot of software system for after-sales management

4) **Quality assurance in laundry services**

Laundry supplies used by the Group's laundry plant are products with quality assurance selected through a stringent process. Suitable detergents are selected for the washing of different clothes to avoid damage to the clothes while assuring the quality of washing. We have established dual disinfection mechanism in our laundry workshops to carry out dual disinfection in both physical and chemical aspects using disinfectant for laundry use and ultraviolet lighting, thereby ensuring cleanliness and sterilization of clothes. In 2019, we adopted the following additional measures to enhance the quality of laundry services:

- Adopting new laundry management system: Processing stages of each clothes can be timely tracked via the new laundry management system, including different procedures and stages such as pre-washing checks by category, washing, ironing, verifying and wrapping so as to effectively prevent issues such as loss of clothes and improve customer service experience;

- Placing of smart wardrobes: Two sets of smart wardrobes are placed in densely-populated communities to solve the difficulty of customers not able to deliver clothes to wash within business hours of laundry shops, achieving the extension of laundry services after the shops are closed. After washing is finished, the back-office system will automatically send a reminder to the customer's mobile phone, which has significantly facilitated daily lives of customers.


Illustration of smart wardrobes

## 2. Customer health and safety

The Group attaches great importance to health and safety of customers and has adopted a series of measures to enhance community safety with an effort to build a harmonious and safe community environment. These measures mainly include:

- Launching license plate identification system to identify and manage vehicles in the communities to facilitate owners to travel safely;
- Adding security positions in the communities; expand the scope and increase the frequency of patrol inspection by security personnel;
- Installing all-covering surveillance cameras at underground parking lots in the communities to prevent the risk of accident;
- Organizing promotional activities on fire safety and fire drills on a regular basis, promote fire safety knowledge to owners and improve the ability of property management companies to respond to fire safety incidents. Meanwhile, Panyu Property Management Company has established a dedicated fire-fighting team equipped with two fire engines which provides professional fire safety protection for owners.

**Case sharing: 2019 fire safety activity demonstrations**

**(1) Fire safety promotion activity of Panyu Property Management Company**

From August to December 2019, Panyu Property Management Company and fire rescue team co-organized seven parent-child activities themed "Close Meeting with Fire-fighting Heroes" where a total of over 500 households participated. The activities included briefings on fire safety equipment, fire safety seminars, interactive experience and visiting firefighter's dormitory. Through close meetings with firefighting heroes, household residents in the community have practically enhanced their own awareness of fire safety.

Firefighters demonstrating fire safety equipment to parents and children


Photo taken during the "Close Meeting with Fire-fighting Heroes"activity

**(2) Fire drill of Foshan Property Management Company**

In order to raise the fire prevention awareness of owners of properties under our management and staff, we regularly inspect the operation of fire safety equipment and organize fire drills in each year. On 7 December 2019, Foshan property management company arranged a total of 200-plus community staff and households to participate in fire drills to simulate emergency evacuation mechanism in case of fire and operational methods of fire safety equipment was taught and illustrated, which has effectively enhanced the self-rescue ability of owners and staff within the community.

Assembly of personnel for fire drill

Firefighters demonstrating how to extinguish fire with extinguishers

### 3. Community environment enhancement

The Group is committed to providing a warm and comfortable living environment for customers. During the year under review, the Group took the following measures to increase the happiness of owners of properties under our management:

- Adding fences to queuing points in major waiting stations in the communities to lead passengers to board in an orderly manner;
- Relocating excessively tall and dense trees in the communities to improve lighting and ventilation of residential units in the communities;
- transforming parking spaces in the communities by adding more than 100 parking spaces to solve parking difficulties of owners;
- installing charging pillars for high-speed electric vehicles in the communities to facilitate owners to charge their electric vehicles;
- Developing an application named "Clifford respond" with suppliers to provide owners with convenient online services such as management fee payments, bus tickets purchase and bus location search.

## 4. Channels for customer communication and complaints

The Group values customers' feedback on its products and services. By establishing multi-party feedback channels such as comment collection boxes, dedicated complaint hotline and complaint via mobile phone, the Group diligently listened to customers' demands so as to consistently improve the quality of products and services.

### 1) Property management services

Through house visits and regular seminars held for property owners, property management service companies voluntarily collected feedbacks on property services from owners and conducted regular satisfaction surveys via follow-up calls and other means to promptly identify problems in property management services and take remedial measures so as to enhance the satisfaction of the owners.

Furthermore, owners can send feedbacks to customer service departments under the property management service companies via letters, fax, emails, telephone calls and WeChat messages as well as visiting the front office of customer service departments in person for onsite complaint. Regarding issues raised by owners, customer service staff will handle them in priority depending on the severity of the issue and will take follow up actions in 48 hours to make sure that the problems are effectively solved.

**Case sharing: 2019 owners' satisfaction survey**

**(1) House visit to owners by Foshan Property Management Company**

In 2019, customer service staff of Foshan property management company proactively carried out house visits to owners. Through interviews with owners of the community, the staff could timely understand their feedbacks on cleanliness and hygiene, green conservation, equipment maintenance and vehicle management, which has not only enabled closer meetings with owners but also allowed the company to identify the weaknesses in property management services for subsequent improvement. During the year under review, Foshan Property Management Company visited a total of 2,592 households in the community, covering 70% of the residential population of the community.

House visit to the owner

**(2) Owners' seminar by Panyu Property Management Company**

In 2019, Panyu Property Management Company convened a total of over 100 Owners' forum. Owners actively participated and offered suggestions on management services in the community. The Owners' forum not only enabled valuable suggestions of the owners to be collected, but also allowed owners to truly feel the honesty and timeliness of property services staff in handling problems, thereby conveying diligent care and warmth of property management staff to owners.

Discussion at Owners' forum

Photo taken during the Owners' forum

**(3) "Property Visit Day" by property management companies**

In 2019, Foshan property management company and Panyu Property Management Company both launched the activity of "Property Visit Day" with an aim to enable closer meetings with owners and receive various comments, suggestions, demands and feedbacks from them and to practically listen to owners' concerns. We seriously treated all feedbacks collected from owners on Property Visit Day and identify responsible departments, measures and time of solving such problems as soon as possible so as to further push forward the effective solution of hot issues and difficult issues in property management as well as duly carrying out relevant reporting and summarizing work to comprehensively enhance management service quality.


Heated communication among owners and staff on Property Visit Day

2) **Retail services**

The retail company actively collected suggestions and requests from customers by distributing questionnaires on a regular basis to improve the quality of our customer service. In addition, our shops have customer service counter and suggestion box in place for customers to give onsite feedbacks. Customers can also call complaint hotline for lodging complaints. Regarding issues raised at service counters of our shops or via complaint hotline, we will follow up immediately; and for feedbacks collected in the suggestion box and otherwise, our professional customer service team will handle and follow up within 48 hours.

3) **IT services**

IT service company proactively conducted research on user requests, voluntarily gained access to user demand information through online survey and visits to industrial customers and issued industry research reports on a regular basis so as to continuously improve its own service capability. In addition, customers can complain to dedicated customer service personnel of after-sales department by calling customer service hotline. Upon receipt of comments from customers, the dedicated customer service personnel shall put forward solutions within a required timeframe. For equipment failures, the dedicated customer service personnel will handle the situation depending on the degree of failure based on a three-level response mechanism and should arrange repairing staff to carry out repair work on site within a required responding timeframe and make follow-up calls to users within a required timeframe upon completion of handling to make sure that after-sales problems have been duly solved. In addition, the after-sales service department will carry out statistics on times of service by dedicated customer service personnel and information on user satisfaction annually and regularly, which serves as an important basis for year-end bonus, salary increment and promotion of dedicated customer service personnel and an incentive for dedicated customer service personnel to constantly improve their own service levels.

4) **Laundry service**

Laundry service companies have prepared feedback forms and placed them at each outlet to obtain feedbacks of customers on laundry services and quality. Such companies also continuously collect expectations and demands of customers on laundry services and quality through ordinary business communications during the process of delivering and sending washing clothes, so as to constantly optimize laundry service quality.

## 5. Reasonable promotion and marketing

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

### 6. Protection of customer information and privacy

The Group has formulated and implemented the "Regulations on Confidentiality of Owners' Information" to standardize the management of the collection and storage of customer information. Moreover, staff of the customer service department with regular access to owners' information are required to sign a "staff confidentiality agreement", ensuring that all personal information of owners is handled in a confidential manner and used for designated purposes only. At the same time, the property management service companies exercise control over access to owners' information through our internal system. A staff may only access owners' information corresponding to his or her level of delegation. No staff (including Directors) shall have the rights to retrieve owners' personal information from the system in large volumes. Staff using such system is provided with individual account and passwords to ensure that all browsing records of owners' information by our staff can be recorded and tracked.

### 7. Protection of intellectual property rights

Strictly adhering to the laws and regulations such as the Patent Law of the People's Republic of China, Trademark Law of the People's Republic of China and Copyright Law of the People's Republic of China, the Group protects intellectual property rights according to relevant laws. The Group's IT service company conducts active investigation and research in new technologies, formulates and implements the internal systems such as the scientific research project management system, management mechanisms for intellectual property rights and regulates the declaration of the intellectual property rights. In addition, IT service company has actively commenced training on intellectual property rights for employees, which cover, among others, the types, declaration, assessment and management of intellectual property rights to continuously enhance their awareness for intellectual property rights protection in daily operation and safeguard the Group's intangible assets against infringement.

As of 31 December 2019, IT service company owned a total of 27 intellectual property rights, including 12 utility models and 15 software copyrights.

**Case sharing: Training campaign on intellectual property rights in 2019**

In July 2019, the Group's IT service company organized a training campaign with the theme of "Basic knowledge of intellectual property rights", which covered the basic knowledge such as the types, declaration and assessment of intellectual property rights. By providing the staff with knowledge on the working procedure and significance of intellectual property rights systematically, it aimed to lay the foundation for the successful implementation of the Group's intellectual property rights protection.


Training campaign on intellectual property rights

## IX. INTEGRITY PRACTICES AND ANTI-CORRUPTION

The Group and its employees strictly comply with relevant laws and regulations, including the "Anti-Money Laundering Law of the People's Republic of China" and the "Interim Provisions on Banning Commercial Bribery". In 2019, the Group was not subject to any litigation cases related to corruption, bribery, fraud and money laundering.

### 1. Anti-corruption preventive measures

The development of business integrity is a matter of high priority for the Group. We actively seek to prevent corruption through practical measures and staff training.

#### 1) Practical measures: Anti-fraud mechanism

The Group requires all subsidiaries to have all of their collaborating suppliers and partners sign a pledge for integrity, and take the following measures in order to actively prevent the risks of fraud:

- To establish a staff rotation mechanism: prevent the risk of fraud which may arise when a staff holds the same position for a long time;
- To analyse and compare with the market prices: set up data base of prices and conduct analysis on the price of commodity to be procured as to its reasonableness;
- To specify the review and approval procedure of contracts: regulate the delegation on personnel of various levels and the review and approval procedure when signing business contracts;
- To exercise audit on the account ledgers of key positions: perform regular financial audit on the account ledgers involving those positions where corruption is relatively frequent;
- To launch award and punishment measures for reporting: encourage internal staff to report fraudulent behavior, offer awards to the staff from whom the reporting was made is verified true, while applying harsh punishment to those who have committed fraud.

2) **Staff training and preventive measures: Promotion and guidance on integrity practices**
The Group organises integrity training and promotion for staff on a regular basis to encourage staff participation in anti-corruption campaign, and consolidate our staff's knowledge in 5 aspects, namely thoughts and ethics, role duties, business processes, systems and mechanisms and externalities. In addition, details of the scope and method of reporting corruption, staff obligation to support anti-corruption and the corresponding reward system are specified in the Employee Handbook issued to all employees, with a view to enhancing staff awareness for anti-corruption.

## 2. Reporting channels

The Group has established various reporting channels, including online means such as email, telephone hotline, official website and WeChat public account, as well as complaint letter boxes placed in the Group's offices, business venues, canteens and bus stops of various subsidiaries in order to provide convenient reporting channels for staff, tenants and residents.

## 3. Handling processes

Upon receipt of reports on corruption and fraud practices, the Group will organise the information received in a timely manner and commence the process of preliminary examination, re-examination and submission for decision. The Group will launch official investigations on cases that fulfil relevant criteria. Reports will be furnished to the Board and relevant departments after the close of investigations.

**Case sharing: "Do not test your limits; Remain true to your original aspiration; Have your career accomplishments" – Integrity training program in 2019**

On 29 May 2019, the Group organized a training campaign on integrity practices with the special topic of "Do not test your limits; Remain true to your original aspiration; Have your career accomplishments" for its mid- to high- level management personnel. The training was commenced with the present situation of anti-corruption and promoting integrity in Mainland China and the Group's culture of integrity practices, and followed with an in-depth study on the practical examples of the risks involving integrity and the preventive and control measures with real case sharing regarding business crimes. It aims to raise the attending staff's awareness of the importance of individual integrity in own career path and encourage them to adhere to his/her original aspiration and acting honestly in the office.


Training seminar on integrity

## X. CONTRIBUTION TO THE COMMUNITY

Apart from focusing our efforts on delivering high quality products and services, the Group endeavors to participate in social welfare and community events, striving to fulfill its corporate social responsibilities. With our internal professional volunteer teams, the Group brings together a range of talents involving various aspects of living such as education, retail, catering, property management and home services with a view to making contributions for the development of the society. Meanwhile, the Group's property management service companies have established the Communist Party Branch in communities and actively took part in the joint development of the community during the year so as to enrich the cultural and leisure life of a vast number of residents.

In 2019, the Group continued to organise longstanding community welfare campaigns such as book donations, clothing donations, blood donations and "blessings through Spring couplets", while adding a number of new initiatives for the benefit of the public and residents of the community.

### 1. Social welfare activities

**Highlight activity 1: Caring for teens and launching the mobile library**

In 2019, partnering with Guangzhou Juvenile Library, the Group arranged the service of its mobile library at Clifford community. The mobile library was equipped with 4,500 new paper pictorial books, electronic resources of 21TB and installed with self-service book lending and returning machines featured with identity card and face recognition functions to provide children with a reading environment of high technology and sense of experience to satisfy their diverse needs on reading.

Parents went to the mobile library for lending and reading books together with their juvenile kids

**Highlight activity 2: Sharing a touch of warmth – visit of the elderly home on Shatou Street**

In February 2019, the Group's volunteer team visited the elderly home on Shatou Street, Guangzhou and offered seasonal fruits to the elderly. Members of our volunteer team carefully listened to the stories of the elderly and timely kept abreast of their living and good health conditions, consolidating the sense of well-being of the elderly as a humble contribution to the social welfare commitment.

The elderly waved farewell to the members of volunteer team and felt a touch of nostalgia

**Highlight activity 3: Book donation with love – caring for children's growth**

In July 2019, the Group participated in the "Book Donation with Love" campaign of Clifford Group and the working team assisted in the compilation, classification, counting and registration of books on site. They delivered the books collected to the poverty-stricken mountain region to allow more poor local kids to sense the power of knowledge as a contribution to their healthy growth.


A group photo of the working team taken on site of Book Donation with Love campaign

**Highlight activity 4: Cross-regional internship – promoting regional interflow**

In July 2019, the Group was involved in the "Clifford Group Innovation and Intelligence Development Programme for New-generation Youth – Interflow of Undergraduates from Beijing, Guangzhou, Hong Kong and Taiwan", providing opportunities for regional internships for university students from Beijing, Guangzhou, Hong Kong and Taiwan to enhance their knowledge and cognition of the Mainland China and Taiwan's culture and nurture the ethnic and national identity of them.

Group photo of interns for interflow from Hong Kong and Taiwan with members of the working team

**Highlight activity 5: Blood donation for giving love to the community**

In July 2019, the Group organized a blood donation initiative for the active participation of employees from various departments. Volunteer blood donors included interns, formal staff and the management of the Group. Through the blood donation, they did help those in need by sharing tenderness with the community at the same time.

Employees from various departments participated actively in the blood donation initiative

**Highlight activity 6: Share common interest – developing the treasury of knowledge jointly**

In August 2019, the Group hosted the "Community Library Lounge" programme in Clifford community to encourage the community residents to share books, knowledge and interests. Apart from enriching their cultural lives, the sharing also promoted their good reading habit and positively made contribution to the development of a reading- and learning-oriented community.


Promotional poster and on-site setting of the Library Lounge in Clifford community

**Highlight activity 7: Donation of clothes and warmth – providing relief to poor mountainous regions**

In November 2019, the Group was involved in the "Donation of Clothes and Warmth to Mountain Region" programme of the Clifford Group and encouraged employees, enthusiastic owners and citizens to donate old clothes and cotton quilts duly tidied up and cleaned to the poor mountain region as necessary wintry materials, allowing the poverty-stricken people there to have a warm winter.


A group shot in the "Donation of Clothes and Warmth to Mountainous Regions" programme

## 2. Community activities

### Highlight activity 1: Parenting walk – Easter Egg Hunt Activity

In April 2019, the Group organized "Easter Egg Hunt Family Activity" involving a total of 70 family groups. Parents and kids worked together in an outdoor adventure to find scattered colorful Easter eggs, creating a festive mood in the community joyfully. An impressed family good-time of parenting ever remains in the complexes.


On-site group photo of "Easter Egg Hunt Family Activity"

### Highlight activity 2: Skillful floral arrangement event on Mother's Day

In May 2019, "Skillfully Arranged Flowers for Mothers' Love Filled the Early Summer", a floral arrangement event for Mother's Day, was held by the Group and received overwhelming responses of 30 family groups for registration. With their own careful design and parents' help, the kids arranged exquisite floral baskets as presentations to their mothers, promoting the communication and interaction between kids and parents as well as the affinity among various owners and residents.

Kids were carefully arranging exquisite floral baskets for their mothers

**Highlight activity 3: Raising puppies responsibly with care – Love-your-pet class activity**

In September 2019, Clifford's love-your-pet class activity was co-organized by the Group, the veterinary clinic and an animal pet hospital. The activity covered a class for the basic knowledge on raising dogs, free dog vaccination and make-up, a fun training camp and others. Community residents brought their own pets to take part in the game one after another, upgrading the sense of responsible dog raising with care, which contributed to the maintaining of public order, safety and health.

Staff member performed a free make-up for pets

**Highlight activity 4: Community mutual aid – Clifford Convenient Service Day**

In October 2019, the Group launched the Convenient Service Day in Clifford Estates complexes to provide convenient services such as charity clinic, free haircut, key dubbing and property maintenance and inspection and promotion and coaching for waste separation. By taking these practical actions to improve the community environment, the Group aims to provide thoughtful and meticulous services to the owners.

Medical experts conducted a free health check-up for owners

**Highlight activity 5: Kick start with passion in Clifford Marathon**

"Clifford Marathon" which was held by the Group in December 2019 as the annual race attracted nearly one thousand runners. They headed hard for the finishing point throughout the sweaty race, gaining the benefits from physical exercise as well as the pleasure arising from challenging themselves. The annual race helps promote healthy life-style among the community residents.


Photo of Clifford Marathon

# INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

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

## OPINION

### What we have audited

The consolidated financial statements of Clifford Modern Living Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 106 to 185, which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; 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 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended 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 judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is related to the impairment of trade receivables and contract assets.

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| **Impairment of Trade Receivables and Contract Assets** | |
| Refer to notes 3.1.3, 19 and 20(a) to the consolidated financial statements.<br><br>As at 31 December 2019, the gross amount of trade receivables of the Group amounted to RMB73,659,000 and contract assets of the Group amounted to RMB11,557,000, representing 15.05% of the total assets in total. The trade receivables comprised mainly the receivables from corporate customers of information technology services, and renovation and fitting-out services, of which certain credit terms were granted by the Group. The contract assets mainly represented the Group's right to receipt of proceeds for information technology services and renovation and fitting-out services that the Group has provided to the customers.<br><br>Impairment provision of trade receivables and contract assets was made based on an assessment of the lifetime expected credit losses to be incurred, including an assessment of the risk of default and the expected loss rate. In performing the assessment, management considered the credit quality of the counter parties by taking into account of their financial position, credit history and other factors, as well as the prevailing market conditions. Both current and future general economic conditions were also taken into consideration by management in the estimation. Management also regularly reviewed the recoverability of trade receivables and billing of contract assets and followed up the disputes or amounts overdue, if any. As at 31 December 2019, impairment provision made for the trade receivables amounted to RMB1,477,000 and no impairment provision was made for the contract assets.<br><br>We focused on this area due to the magnitude of trade receivables and contract assets and the significance of management judgments in analysing the expected credit loss of the trade receivables and contract assets. | We have performed the following procedures to address this key audit matter:<br><br>1) We understood, evaluated and validated the key controls relating to management's assessment performed on the expected credit losses of the trade receivables and contract assets, including aging analysis review and regular assessment performed on collectability of the receivable balances and billing arrangements of the contract assets;<br><br>2) We sent and obtained audit confirmations on major outstanding trade receivable balances as at 31 December 2019;<br><br>3) We tested, on sample basis, the progress of provision of services and compared the actual billing schedules with the contract terms;<br><br>4) We tested, on sample basis, the accuracy of aging analysis of trade receivables prepared by management;<br><br>5) We obtained management's assessment on the expected credit losses of trade receivables and contract assets, assessed its reasonableness with reference to the reasons behind the outstanding settlement, aging profile, historical settlement patterns, evaluated adjustment made to the historical loss rates based on current economic conditions and forward-looking information by checking to the published macroeconomics factors, and examining the actual losses recorded during the current financial year, and corroborated management's explanation to underlying documentation and correspondences with the counter parties;<br><br>6) We tested, on a sample basis, the subsequent settlement of trade receivables to cash receipts and the related supporting documentation;<br><br>7) We also tested, on a sample basis, the subsequent billings and settlements of contract assets to bills, cash receipt and related supporting documents.<br><br>We found the judgments 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 of 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 express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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, 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

**PricewaterhouseCoopers**
Certified Public Accountants

Hong Kong, 27 March 2020

# CONSOLIDATED INCOME STATEMENT

(All amounts in RMB thousands unless otherwise stated)

| | Note | Year ended 31 December 2019 | 2018 |
|---|---|---|---|
| **Continuing operations** | | | |
| **Revenue from contracts with customers** | 5 | **396,554** | 341,627 |
| Cost of sales | 6 | **(220,325)** | (175,409) |
| **Gross profit** | | **176,229** | 166,218 |
| Selling and marketing expenses | 6 | **(23,375)** | (23,763) |
| Administrative expenses | 6 | **(32,927)** | (42,196) |
| Net impairment losses on financial assets | 3.1.3 | **(148)** | (1,397) |
| Other income | 8 | **1,867** | 1,074 |
| Other gains – net | 9 | **8,524** | 2,212 |
| **Operating profit** | | **130,170** | 102,148 |
| Finance income | | **1,099** | 1,167 |
| Finance costs | | **(1,591)** | – |
| Finance (costs)/income – net | 8 | **(492)** | 1,167 |
| **Profit before income tax** | | **129,678** | 103,315 |
| Income tax expenses | 10 | **(34,466)** | (30,879) |
| **Profit from continuing operations** | | **95,212** | 72,436 |
| Profit from discontinued operations | 22(c) | **598** | 244 |
| **Profit for the year attributable to owners of the Company** | | **95,810** | 72,680 |
| **Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company** (expressed in RMB per share): | | | |
| – Basic earnings per share | 11 | **0.094** | 0.072 |
| – Diluted earnings per share | 11 | **0.094** | 0.071 |
| **Earnings per share for profit attributable to the ordinary equity holders of the Company** (expressed in RMB per share): | | | |
| – Basic earnings per share | 11 | **0.094** | 0.072 |
| – Diluted earnings per share | 11 | **0.094** | 0.071 |

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in RMB thousands unless otherwise stated)

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| **Profit for the year** | **95,810** | 72,680 |
| **Other comprehensive income** | **–** | – |
| **Total comprehensive income for the year attributable to owners of the Company** | **95,810** | 72,680 |
| **Total comprehensive income for the year attributable to owners of the Company arises from:** | | |
| – Continuing operations | **95,212** | 72,436 |
| – Discontinued operations | **598** | 244 |
| | **95,810** | 72,680 |

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(All amounts in RMB thousands unless otherwise stated)

| | Note | As at 31 December 2019 | 2018 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 13 | **14,350** | 14,860 |
| Right-of-use assets | 14 | **17,329** | – |
| Investment properties | 15 | **8,694** | – |
| Intangible assets | 16 | **1,737** | 669 |
| Deferred income tax assets | 25 | **2,304** | 1,743 |
| Financial assets at fair value through profit or loss | 3.3 | **4,147** | – |
| Trade and other receivables | 20 | **9,916** | – |
| | | **58,477** | 17,272 |
| **Current assets** | | | |
| Inventories | 18 | **8,777** | 8,723 |
| Contract assets | 19 | **11,557** | 12,429 |
| Trade and other receivables | 20 | **90,914** | 55,690 |
| Financial assets at fair value through profit or loss | 3.3 | **–** | 40,448 |
| Term deposits | 21(a) | **30,786** | 86,857 |
| Restricted cash | 21(b) | **616** | 613 |
| Cash and cash equivalents | 21(c) | **364,909** | 209,362 |
| | | **507,559** | 414,122 |
| Assets classified as held for sale | 22 | **–** | 10,807 |
| Total current assets | | **507,559** | 424,929 |
| **Total assets** | | **566,036** | 442,201 |
| **Equity** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | 23 | **8,872** | 8,872 |
| Share premium | 23 | **179,118** | 179,118 |
| Other reserves | 24 | **(105,706)** | (111,497) |
| Retained earnings | | **316,108** | 245,658 |
| **Total equity** | | **398,392** | 322,151 |

(All amounts in RMB thousands unless otherwise stated)

| | Note | As at 31 December 2019 | 2018 |
|---|---|---|---|
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Lease liabilities | 14 | **19,091** | – |
| Deferred income tax liabilities | 25 | **2,335** | 3,000 |
| **Current liabilities** | | | |
| Trade and other payables | 26 | **100,717** | 80,409 |
| Contract liabilities | 27 | **23,456** | 19,256 |
| Lease liabilities | 14 | **9,839** | – |
| Current income tax liabilities | | **12,206** | 10,591 |
| | | **146,218** | 110,256 |
| Liabilities directly associated with assets classified as held for sale | 22 | **–** | 6,794 |
| Total current liabilities | | **146,218** | 117,050 |
| **Total liabilities** | | **167,644** | 120,050 |
| **Total equity and liabilities** | | **566,036** | 442,201 |

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

The consolidated financial statements on pages 106 to 185 were approved by the Board of Directors on 27 March 2020 and were signed on its behalf by:

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

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in RMB thousands unless otherwise stated)

| | | Attributable to owners of the Company | | | | |
|---|---|---|---|---|---|---|
| | Note | Share capital (Note 23) | Share premium (Note 23) | Other reserves (Note 24) | Retained earnings | Total equity |
| **Balance at 1 January 2018** | | 8,761 | 184,674 | (117,178) | 179,759 | 256,016 |
| **Comprehensive income** | | | | | | |
| Profit for the year | | – | – | – | 72,680 | 72,680 |
| Other comprehensive income | | – | – | – | – | – |
| | | – | – | – | 72,680 | 72,680 |
| **Transactions with owners of the Company** | | | | | | |
| Special dividends declared to shareholders of the Company | 28 | – | (11,156) | – | – | (11,156) |
| Employees' Share Option Scheme: | | | | | | |
| – Proceeds from shares issued | 24 | 111 | 5,600 | (1,100) | – | 4,611 |
| Appropriation of statutory reserves | 24 | – | – | 6,781 | (6,781) | – |
| | | 111 | (5,556) | 5,681 | (6,781) | (6,545) |
| **Balance at 31 December 2018** | | 8,872 | 179,118 | (111,497) | 245,658 | 322,151 |
| **Balance at 1 January 2019** | | **8,872** | **179,118** | **(111,497)** | **245,658** | **322,151** |
| **Comprehensive income** | | | | | | |
| Profit for the year | | **–** | **–** | **–** | **95,810** | **95,810** |
| Other comprehensive income | | **–** | **–** | **–** | **–** | **–** |
| | | **–** | **–** | **–** | **95,810** | **95,810** |
| **Transactions with owners of the Company** | | | | | | |
| Dividends declared to shareholders of the Company | **28** | **–** | **–** | **–** | **(19,569)** | **(19,569)** |
| Appropriation of statutory reserves | **24** | **–** | **–** | **5,791** | **(5,791)** | **–** |
| | | **–** | **–** | **5,791** | **(25,360)** | **(19,569)** |
| **Balance at 31 December 2019** | | **8,872** | **179,118** | **(105,706)** | **316,108** | **398,392** |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in RMB thousands unless otherwise stated)

| | Note | Year ended 31 December 2019 | 2018 (Restated) |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 29(a) | **110,361** | 118,666 |
| Income tax paid | | **(24,282)** | (22,756) |
| Net cash generated from operating activities | | **86,079** | 95,910 |
| **Cash flows from investing activities** | | | |
| Purchases of property, plant and equipment | | **(3,382)** | (7,541) |
| Purchases of intangible assets | | **(1,193)** | (337) |
| Proceeds from disposal of property, plant and equipment | | **187** | 3,127 |
| Proceeds from disposal of assets classified as held for sale and liabilities directly associated with assets classified as held for sale | | **4,826** | – |
| Proceeds from disposal of right-of-use assets | | **2,968** | – |
| Decrease/(increase) in term deposits | | **56,071** | (24,988) |
| Purchase of financial assets at fair value through profit or loss | | **(1,000)** | (51,400) |
| Proceeds from disposal of financial assets at fair value through profit or loss | | **37,739** | 11,869 |
| Interest received | | **1,099** | 1,167 |
| Net cash generated from/(used in) investing activities | | **97,315** | (68,103) |
| **Cash flows from financing activities** | | | |
| Principal and interest elements of lease payment | | **(10,198)** | – |
| Proceeds from exercise of share options | 24(c) | **–** | 4,611 |
| Payments of dividends | 28 | **(19,569)** | (11,156) |
| Net cash used in financing activities | | **(29,767)** | (6,545) |
| **Net increase in cash and cash equivalents** | | **153,627** | 21,262 |
| Cash and cash equivalents at beginning of year | 21(c) | **209,362** | 187,404 |
| Exchange gains on cash and cash equivalents | | **1,920** | 696 |
| **Cash and cash equivalents at end of year** | 21(c) | **364,909** | 209,362 |

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

# NOTES TO THE 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 Company is an investment holding company. The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are primarily engaged in the provision of services to residents in properties developed under the brand name of Clifford, including retail services, catering services, property management services, laundry services, off-campus training services, property agency services, employment placement services, information technology services, renovation and fitting-out services, etc, in the mainland of People's Republic of China (the "PRC Mainland").

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors (the "Board") on 27 March 2020.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 2.1 Basis of preparation

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

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

(All amounts in RMB thousands unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of preparation (Continued)

**(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 2019:

| | |
|---|---|
| HKFRS 16 | Leases |
| HK(IFRIC) 23 | Uncertainty over Income Tax Treatments |
| HKAS 28 (Amendment) | Long-term Interests in Associates and Joint Ventures |
| HKFRS 9 (Amendment) | Prepayment Features with Negative Compensation |
| HKAS 19 (Amendment) | Plan Amendment, Curtailment or Settlement |
| Annual Improvements to HKFRSs 2015-2017 cycle | Clarifying previously held interest in a joint operation under HKFRS 3 Business Combinations and HKFRS 11 Joint Arrangements |
| | Clarifying income tax consequences of payments on financial instruments classified as equity under HKAS 12 Income Taxes |
| | Clarifying borrowing costs eligible for capitalisation under HKAS 23 Borrowing Costs |

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

**(b) New standards and amendments not yet effective for the financial year beginning on 1 January 2019 and not early adopted by the Group**

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

| | | Effective for annual years beginning on or after |
|---|---|---|
| HKFRS 3 (Amendment) | Definition of Business | 1 January 2020 |
| HKAS 1 and HKAS 8 (Amendment) | Definition of Material | 1 January 2020 |
| HKFRS 9, HKFRS 39 and HKFRS 7 (Amendment) | IBOR Reform and Effects (phase 1) | 1 January 2020 |
| | Revised Conceptual Framework for Financial Reporting | 1 January 2020 |
| HKFRS 17 | Insurance Contracts | 1 January 2021 (likely to be extended to 1 January 2022) |

The Group has already commenced an assessment of the impact of these new or revised standards, interpretation and amendments. 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements.

As indicated in note 2.1, the Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The adjustments arising from the new leasing rules are therefore not reflected in the consolidated statement of financial position as at 31 December 2018 but recognised in the opening consolidated statement of financial position on 1 January 2019. The new accounting policies are disclosed in note 2.22.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rates applied to the lease liabilities on 1 January 2019 range from 4.75% to 4.90%.

**(a) Practical expedients applied**

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019,

- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases,

- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and

- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC) 4 "Determining whether an Arrangement contains a Lease".

(All amounts in RMB thousands unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Changes in accounting policies (Continued)

#### (b) Measurement of lease liabilities

| | 2019 |
|---|---|
| Operating lease commitments disclosed as at 31 December 2018 | 44,044 |
| Discounted using the lessee's incremental borrowing rate of at the date of initial application | 40,612 |
| (Less): short-term leases recognised on a straight-line basis as expense | (139) |
| (Less): service component included in commitment | (6,160) |
| **Lease liabilities recognised as at 1 January 2019** | 34,313 |
| Of which are: | |
| Current lease liabilities | 9,145 |
| Non-current lease liabilities | 25,168 |
| | 34,313 |
| **Lease liabilities recognised as at 31 December 2019** | |
| Of which are: | |
| Current lease liabilities | 9,839 |
| Non-current lease liabilities | 19,091 |
| | 28,930 |

#### (c) Measurement of right-of-use assets

All the right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

#### (d) Adjustments recognised in the consolidated statement of financial position on 1 January 2019

The change in accounting policy affected the following items in the consolidated statement of financial position on 1 January 2019:

- right-of-use assets – increase by RMB34,313,000
- lease liabilities – increase by RMB34,313,000.

There is no impact on retained earnings on 1 January 2019.

#### (e) Lessor accounting

The Group does not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Subsidiaries

#### 2.3.1 Consolidation

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

*(a) Business combinations*

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

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

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

Acquisition-related costs are expensed as incurred.

The excess of the

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Subsidiaries (Continued)

#### 2.3.1 Consolidation (Continued)

*(a)* *Business combinations (Continued)*

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

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

*(b)* *Business combinations under common control*

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

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

The consolidated income statement and the consolidated statement of comprehensive income include 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)

### 2.3 Subsidiaries (Continued)

#### 2.3.1 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.

#### 2.3.2 Separate financial statements

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

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

### 2.4 Segment reporting

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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 of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the consolidated income statement.

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

#### (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 statement of financial position presented are translated at the closing rate at the date of that statement of financial position,

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

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.6 Property, plant and equipment

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

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

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

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

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

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

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

### 2.7 Investment properties

Investment properties, principally freehold office buildings, are held for long-term rental yields and are not occupied by the Group. Investment properties are initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequently, they are carried at fair value. Changes in fair values are presented in profit or loss as part of other income.

Depreciation is calculated using the straight-line method from one to ten years over the expected life of the right-of-use assets, and charged to profit or loss.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.8 Intangible assets

**Computer software**

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

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

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

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

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

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

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.10 Investments and other financial assets

**Classification**

The Group classifies its financial assets in the following measurement categories:

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

- those to be measured at amortised cost.

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

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

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

**Recognition and derecognition**

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

**Measurement**

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

**Debt instruments**

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

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

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

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

**Impairment of financial assets**

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

For trade and other receivables (excluding prepayments) and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 20 for more details.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

**Reclassification**

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

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

### 2.11 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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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 2.2 for further information about the Group's accounting for trade receivables and 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 balance sheet date in the countries where the Company's subsidiaries and associate operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

**(b) Deferred income tax**

*Inside basis differences*

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

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

*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 employee benefit 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-market 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

The Group establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) identify the contract(s) with customer; (2) identify separate performance obligations in a contract; (3) determine the transaction price; (4) allocate transaction price to performance obligations and (5) recognise revenue when performance obligation is satisfied. The Group recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services based on transfer of control. The Group recognises revenue when a performance obligation is satisfied. The Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

**(a) Property management fee**

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

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

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

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

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

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.21 Revenue recognition (Continued)

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

The Group provides information technology services, which primarily involves provision of information technology services, related engineering services, security system and hardware and software integration, and telecommunication services. When providing information technology services, the Group's performance creates or enhances an assets (for example, work-in-progress), that the customer controls as the assets is created or enhanced, and the Group does not have an alternative use with. The revenue of information technology-related services is recognised over time on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" in note 2.12.

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

The Group provides renovation and fitting-out services principally for residents, tenants or owners or their principal contractors of residential communities in proximity to their residential units, offices, shops and other properties. When providing renovation and fitting-out services, the Group's performance creates or enhances an assets (for example, work-in-progress), that the customer controls as the assets is created or enhanced, and the Group does not have an alternative use with. The revenue of renovation and fitting-out services is recognised over time on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" in note 2.12.

**(f) Provision of other services**

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

**(g) Rental income**

The Group's policy for recognition of revenue from operating leases is described in note 2.22.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.21 Revenue recognition (Continued)

#### (h) Interest income

Interest income is recognised using the effective interest method.

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

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

A contract asset is the Group's right to consideration in exchange for services that the Group has transferred to a customer.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers services to the customer, the Group presents the contract as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Incremental costs incurred to obtain a contact, if recoverable, are capitalized and presented as assets and subsequently amortised when the related revenue is recognised. The Group applied the practical expedient to recognise the incremental costs of obtaining a contract as an expense immediately if the amortisation period is less than 12 months.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.22 Leases

As explained in note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in note 2.2.

Until the year ended 31 December 2018, leases in which a significant portion of risk and reward of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets and liabilities arising from leases are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate,
- amounts expected to be payable by the lessee under residual value guarantees,
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.22 Leases (Continued)

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its properties that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use properties held by the Group.

Payments associated with short-term leases of properties are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (note 14). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

(All amounts in RMB thousands unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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.

## 3 FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

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

#### 3.1.1 Foreign exchange risk

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

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities as at 31 December 2019 and 2018 are as follows:

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| Monetary assets denominated in: | | |
| – Hong Kong Dollars (HK$) | **38,209** | 22,370 |
| Monetary liabilities denominated in: | | |
| – HK$ | **1,300** | 4,211 |

(All amounts in RMB thousands unless otherwise stated)

# 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

## 3.1 Financial risk factors (Continued)

### 3.1.1 Foreign exchange risk (Continued)

The following table shows the sensitivity analysis of 2% and 5% changes in RMB against the relevant foreign currencies as at 31 December 2019 and 2018:

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| 2% appreciation in RMB against (2018: 5%): | | |
| – HK$ | **(681)** | (842) |
| – US$ | **–** | – |
| | **(681)** | (842) |
| 2% depreciation in RMB against (2018: 5%): | | |
| – HK$ | **681** | 842 |
| – US$ | **–** | – |
| | **681** | 842 |

### 3.1.2 Interest rate risk

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

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

(All amounts in RMB thousands unless otherwise stated)

# 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

## 3.1 Financial risk factors (Continued)

### 3.1.3 Credit risk

Credit risk arises from deposit with banks, contractual cash flows of financial assets carried at amortised cost and at fair value through profit or loss ("FVPL"), and trade and other receivables (excluding prepayments) and contract assets.

The Group has two types of financial assets that are subject to the expected credit loss model:

- trade and other receivables (excluding prepayments)
- contract assets

While deposits with banks are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

*(i)* *Deposits with banks*

As at 31 December 2019, 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 2018: same).

The table below shows the bank balances of the major counterparties with external credit ratings as at 31 December 2019 and 2018 are as follows:

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| Counterparties with external credit ratings (Note): | | |
| – Aa1 | **120,408** | 93,726 |
| – A1 | **211,116** | 202,937 |
| | **331,524** | 296,663 |

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

*(ii)* *Financial products measured at fair value through profit or loss*

The Group is exposed to credit risk in relation to financial products that are measured at fair value through profit or loss. The maximum exposure as at 31 December 2019 is the carrying amount of these investments, amounting to RMB4,147,000 (31 December 2018: RMB40,448,000).

The Group expects that there is no significant credit risk associated with financial products measured at fair value through profit or loss since the Group furnishes investment mandates to commercial banks. These mandates require them to invest in bank financial products with high market credit rating, liquidity and stable return. Management does not expect that there will be any significant losses from non-performance by these counterparties.

# 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

## 3.1 Financial risk factors (Continued)

### 3.1.3 Credit risk (Continued)

*(iii) Trade and other receivables (excluding prepayments) and contract assets*

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- internal credit rating,
- external credit rating,
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations,
- actual or expected significant changes in the operating results of individual property owner or the debtor,
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors in the Group and changes in the operating results of the debtor.

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The Group uses the expected credit loss model to determine the expected loss provision for other receivables (excluding prepayments). The Group has assessed that there is no significant increase of credit risk for other receivables. Thus the Group used the 12 months expected credit losses model to assess credit loss of other receivables.

As at 31 December 2019, the Group has assessed that the expected loss rate for trade and other receivables and contract assets from related parties was immaterial considering the good finance position and credit history of the related parties. Thus no loss allowance provision for trade and other receivables and contract assets from related parties was recognised in 2019.

As at 31 December 2019, the loss allowance provision for the trade receivables and other receivables due from third parties amounted to RMB1,477,000 and RMB68,000, respectively (31 December 2018: RMB1,367,000 and RMB30,000, respectively).

(All amounts in RMB thousands unless otherwise stated)

# 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

## 3.1 Financial risk factors (Continued)

### 3.1.3 Credit risk (Continued)

*(iii) Trade and other receivables (excluding prepayments) and contract assets (Continued)*

(a) As at 31 December 2018 and 2019, the loss allowance provision for trade and other receivables (excluding prepayments) reconciles to the opening loss allowance for that provision as follows:

| | Trade receivables (excluding trade receivables from related parties) | Contract assets | Other receivables (excluding prepayments and other receivables from related parties) | Total |
|---|---|---|---|---|
| As at 1 January 2018 | – | – | – | – |
| Provision for loss allowance recognised in profit or loss | 1,367 | – | 30 | 1,397 |
| **As at 31 December 2018** | 1,367 | – | 30 | 1,397 |
| As at 1 January 2019 | **1,367** | **–** | **30** | **1,397** |
| Provision for loss allowance recognised in profit or loss | **110** | **–** | **38** | **148** |
| **As at 31 December 2019** | **1,477** | **–** | **68** | **1,545** |

As at 31 December 2018 and 2019, the gross carrying amount of trade and other receivables (excluding prepayments) was RMB51,219,000 and RMB98,799,000, and the maximum exposure to loss was RMB49,822,000 and RMB97,254,000.

(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 | 1-2 year | 2-5 year | Over 5 year | Total |
|---|---|---|---|---|---|
| As at 31 December 2019 | | | | | |
| Trade and other payables, excluding non-financial liabilities | 82,469 | – | – | – | 82,469 |
| Lease liabilities | 9,839 | 5,551 | 10,942 | 7,622 | 33,954 |
| | 92,308 | 5,551 | 10,942 | 7,622 | 116,423 |
| As at 31 December 2018 | | | | | |
| Trade and other payables, excluding non-financial liabilities | 60,840 | – | – | – | 60,840 |

## 3.2 Capital management

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

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

Total capital comprises "equity" as shown in the consolidated statement of financial positions. As at 31 December 2019 and 2018, the Group was at net cash position, being calculated as cash and cash equivalents less total borrowings.

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.3 Fair value estimation

#### (a) Fair value hierarchy

The Group's financial instruments recognised in the consolidated statement of financial position are mainly trade and other receivables, contract assets, financial assets at fair value through profit or loss, cash and cash equivalents, term deposits, restricted cash, and other financial liabilities carried at amortised cost. The carrying value less impairment provision of trade and other receivables, contract assets, lease liabilities and trade and others payables are a reasonable approximation of their fair values. Financial assets at fair value through profit or loss was mainly comprised of financial products with variable returns. The fair value of financial liabilities was estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **Level 3** | Level 3 |
| **Financial assets** | | |
| Financial assets at fair value through profit or loss ("FVPL") | | |
| – Financial products with variable returns | **4,147** | 40,448 |

**Level 1:** The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

**Level 2:** The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.3 Fair value estimation (Continued)

**(b) Fair value measurements using significant unobservable inputs (level 3)**

The following table presents the changes in level 3 instruments during the year ended 31 December 2019:

| | FVPL |
|---|---|
| **Opening balance as at 1 January 2019** | 40,448 |
| Acquisitions | 1,000 |
| Gains for the year recognised in profit or loss | 438 |
| Disposals | (37,739) |
| **Closing balance as at 31 December 2019** | 4,147 |
| including unrealised gains recognised in profit or loss attributable to balances held at the end of the year | 120 |

**(c) Valuation inputs and relationships to fair value**

The following table presents the Group's financial assets measured and recognised at fair value at 31 December 2019 on a recurring basis:

| Financial assets at fair value through profit or loss | Fair value at 31 December 2019 (RMB'000) | Valuation technique | Unobservable inputs* | Range of inputs (probability-weighted average) | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|
| Financial products | 4,147 | Discounted cash flow | Expected interest rate per annum | 3.00% | A change expected interest rate per annum 100 basic points results in a change in FV by RMB40,000 |

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

As at 31 December 2019, financial assets at fair value through profit or loss represented unlisted financial products purchased from commercial banks.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

### (a) Impairment of trade receivables

The Group makes allowances on trade receivables based on assumptions about risk of default and expected loss rates. The Group used judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade receivables and doubtful debt expenses in the periods in which such estimate has been changed. For details of the key assumptions and inputs used, see note 3.1.3 above.

### (b) Estimation of the fair value of financial assets at fair value through profit or loss

Fair value of financial assets at fair value through profit or loss that are not traded in an active market is estimated by using appropriate valuation techniques. Such valuations were based on certain assumptions about credit risk, volatility and liquidity risks associated with the investments, which are subject to uncertainty and might materially differ from the actual results. Further details are included in note 3.1.3.

### (c) Income taxes

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

### (d) Construction contracts

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

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

### (d) Construction contracts (Continued)

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

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

## 5 SEGMENT INFORMATION

Information reported to the executive directors of the Company, who are the chief operating decision makers of the Group, was specifically focused on the segments of retail services, information technology services, property management services, off-campus training services, property agency services, renovation and fitting-out services and other services for the purpose of resource allocation and performance assessment. These divisions are the basis on which the Group reports its segment information under HKFRS 8 "Operation Segments".

The executive directors of the Company assess the performance of the operating segments based on a measure of segment revenue and results and segment assets and liabilities. Segment results excluded other income, other gains – net, finance income – net, central administration costs, income tax expenses, and segment assets excluded assets classified as held for sale, deferred income tax assets, financial assets at fair value through profit or loss, term deposits, restricted cash and cash and cash equivalents, and segment liabilities excluded liabilities directly associated with assets classified as held for sale and deferred income tax liabilities as these activities are centrally driven by the Group.

(All amounts in RMB thousands unless otherwise stated)

## 5 SEGMENT INFORMATION (CONTINUED)

### Segment revenue and results

The segment revenue and results and the reconciliation with profit from continuing operations for the year ended 31 December 2019 are as follows:

| | Retail services | Information technology services | Property management services | Off-campus training services | Property agency services | Renovation and fitting-out services | Others | Total |
|---|---|---|---|---|---|---|---|---|
| Gross segment revenue | 106,950 | 87,509 | 59,517 | 48,634 | 42,092 | 29,897 | 23,556 | 398,155 |
| Inter-segment revenue | (98) | (67) | (1,435) | – | – | – | (1) | (1,601) |
| **Revenue** | 106,852 | 87,442 | 58,082 | 48,634 | 42,092 | 29,897 | 23,555 | 396,554 |
| Timing of revenue recognition | | | | | | | | |
| At a point in time | 84,767 | – | – | – | – | – | – | 84,767 |
| Over time | 22,085 | 87,442 | 58,082 | 48,634 | 42,092 | 29,897 | 23,555 | 311,787 |
| | 106,852 | 87,442 | 58,082 | 48,634 | 42,092 | 29,897 | 23,555 | 396,554 |
| **Segment results** | 22,552 | 23,434 | 32,675 | 20,359 | 9,021 | 11,189 | 6,013 | 125,243 |
| Other income | | | | | | | | 1,867 |
| Other gains – net | | | | | | | | 8,524 |
| Finance costs – net | | | | | | | | (492) |
| Unallocated expenses | | | | | | | | (5,464) |
| Income tax expenses | | | | | | | | (34,466) |
| **Profit from continuing operations for the year** | | | | | | | | 95,212 |
| **Segment results include:** | | | | | | | | |
| Depreciation and amortisation | 6,022 | 1,785 | 756 | 2,999 | 291 | – | 1,056 | 12,909 |

(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 2018 are as follows:

| | Retail services | Information technology services | Property management services | Off-campus training services | Property agency services | Renovation and fitting-out services | Others | Total |
|---|---|---|---|---|---|---|---|---|
| Gross segment revenue | 112,559 | 73,894 | 53,351 | 40,421 | 13,838 | 33,627 | 15,261 | 342,951 |
| Inter-segment revenue | (172) | (70) | (1,056) | – | – | – | (26) | (1,324) |
| **Revenue** | 112,387 | 73,824 | 52,295 | 40,421 | 13,838 | 33,627 | 15,235 | 341,627 |
| Timing of revenue recognition | | | | | | | | |
| At a point in time | 100,047 | – | – | – | – | – | – | 100,047 |
| Over time | 12,340 | 73,824 | 52,295 | 40,421 | 13,838 | 33,627 | 15,235 | 241,580 |
| | 112,387 | 73,824 | 52,295 | 40,421 | 13,838 | 33,627 | 15,235 | 341,627 |
| **Segment results** | 19,880 | 15,450 | 32,514 | 15,379 | 8,839 | 12,161 | 3,753 | 107,976 |
| Other income | | | | | | | | 1,074 |
| Other gains – net | | | | | | | | 2,212 |
| Finance income | | | | | | | | 1,167 |
| Unallocated expenses | | | | | | | | (9,114) |
| Income tax expenses | | | | | | | | (30,879) |
| **Profit from continuing operations for the year** | | | | | | | | 72,436 |
| **Segment results include:** | | | | | | | | |
| Depreciation and amortisation | 2,070 | 539 | 143 | 1,412 | 4 | – | 649 | 4,817 |

(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 2019 and 2018 are as follows:

### Segment assets

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| Retail services | **36,215** | 21,013 |
| Information technology services | **69,376** | 33,818 |
| Renovation and fitting-out services | **14,005** | 9,295 |
| Off-campus training services | **18,431** | 8,345 |
| Property management services | **12,555** | 5,862 |
| Property agency services | **1,808** | 1,385 |
| Others | **10,884** | 12,653 |
| **Total segment assets** | **163,274** | 92,371 |
| Assets classified as held for sale | **–** | 10,807 |
| Deferred income tax assets | **2,304** | 1,743 |
| Financial assets at fair value through profit or loss | **4,147** | 40,448 |
| Term deposits | **30,786** | 86,857 |
| Restricted cash | **616** | 613 |
| Cash and cash equivalents | **364,909** | 209,362 |
| **Total assets** | **566,036** | 442,201 |

### Segment liabilities

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| Retail services | **55,476** | 34,096 |
| Information technology services | **41,733** | 22,099 |
| Off-campus training services | **31,945** | 20,846 |
| Renovation and fitting-out services | **17,955** | 12,910 |
| Property management services | **7,446** | 11,727 |
| Property agency services | **5,004** | 3,495 |
| Others | **5,750** | 5,083 |
| **Total segment liabilities** | **165,309** | 110,256 |
| Liabilities directly associated with assets classified as held for sale | **–** | 6,794 |
| Deferred income tax liabilities | **2,335** | 3,000 |
| **Total liabilities** | **167,644** | 120,050 |

(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 2019, there is no balance of certain proceeds from the initial public offering (31 December 2018: HK$13.9 million, equivalent to RMB12.2 million) were temporarily deposited in the Group's bank accounts in Hong Kong. Except for this, more than 90% of the Group's assets are situated in the PRC Mainland. During the year ended 31 December 2019, more than 90% of the Group's revenue were derived from activities carried out and from customers located in the PRC Mainland and no geographical segment analysis is prepared.

No company contributes more than 10% of the Group's revenue for the year ended 31 December 2019 (31 December 2018: Clifford Estates (Panyu) Limited* 廣州市番禺祈福新邨房地產有限公司, a company under significant influence of the spouse of Ms. Man Lai Hung ("Ms. Man"), contributed more than 16% of the Group's revenue).

### (a) Assets and liabilities related to contracts with customers

The Group has recognised the following contract assets and liabilities related to contracts with customers:

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| Contract assets | **11,557** | 12,429 |
| Contract liabilities | **23,456** | 19,256 |

#### (i) Significant changes in contract assets and liabilities

Contract assets have increased as the Group has provided more services ahead of the agreed payment schedules for fixed-price contracts.

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying services are yet to be provided. The slight increase in contract liabilities was mainly due to the increase quantity of the information technology and renovation and fitting-out service projects.

#### (ii) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the year ended 31 December 2019 relates to carried-forward contract liabilities.

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| **Revenue recognised that was included in the balance of contract liabilities at the beginning of the year** | | |
| Off-campus training services | **13,948** | 12,083 |
| Renovation and fitting-out services | **1,527** | 1,965 |
| Information technology services | **1,495** | 3,709 |
| Retail services | **1,496** | 1,330 |
| Property management services | **781** | 880 |
| Others | **9** | 236 |
| | **19,256** | 20,203 |

(All amounts in RMB thousands unless otherwise stated)

## 5 SEGMENT INFORMATION (CONTINUED)

### (a) Assets and liabilities related to contracts with customers (Continued)

**(iii) Unsatisfied performance obligations**

For property management services, the Group recognises revenue in the amount that equals to the right to invoice, and for information technology services and renovation and fitting-out services, the Group recognises revenue on the percentage of completion basis, which corresponds directly with the value to the customer of the Group's performance to date, on a monthly basis. The Group has elected the practical expedient for not disclosing the remaining performance obligations for these type of contracts. The majority of the property management services contracts do not have a fixed term. The term of the contracts for consultancy services is generally set to expire when the counterparties notify the Group that the services are no longer required.

For other services, they are rendered in short period of time, which is generally less than a year, and the Group has elected the practical expedient for not disclosing the remaining performance obligations for these type of contracts.

**(iv) Assets recognised from incremental costs to obtain a contract**

There was no significant incremental costs to obtain a contract for the year ended 31 December 2019.

## 6 EXPENSES BY NATURE

### Continuing operations

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| Employee benefit expenses (Note 7) | **78,718** | 72,929 |
| Cost of goods sold for retail business | **53,569** | 57,251 |
| Construction cost for information technology services | **36,216** | 42,279 |
| Agency cost | **26,252** | 1,115 |
| Cost of raw materials and consumables | **21,557** | 3,653 |
| Sub-contracting costs for renovation and fitting-out services | **19,278** | 20,650 |
| Depreciation and amortisation | **12,909** | 4,817 |
| Utilities – electricity, water and gas, etc. | **6,032** | 5,701 |
| Short-term lease expenses and management fees | **5,744** | – |
| Office expenses | **5,641** | 5,232 |
| Auditor's remuneration | | |
| – Audit services | **1,800** | 1,800 |
| – Non-audit services | **999** | 974 |
| Professional fee | **1,620** | 3,663 |
| Taxes and other levies | **1,492** | 1,702 |
| Advertising expenses | **905** | 764 |
| Operating lease payments | **–** | 14,196 |
| Others | **3,895** | 4,642 |
| | **276,627** | 241,368 |

(All amounts in RMB thousands unless otherwise stated)

## 7 EMPLOYEE BENEFIT EXPENSES

### Continuing operations

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| Wages and salaries | **67,127** | 62,138 |
| Staff welfare expenses (Note (a)) | **11,591** | 10,791 |
| | **78,718** | 72,929 |

(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 2019 included two directors (2018: three). The emoluments of directors are disclosed in note 32, the emoluments payable to the remaining highest paid individuals during the years ended 31 December 2019 and 2018 are as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| Wages and salaries | **1,660** | 1,365 |
| Staff welfare expenses (Note (a)) | **337** | 103 |
| | **1,997** | 1,468 |

The emoluments fell within the following bands:

| | Number of individuals Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| Emolument bands (in HK$) | | |
| Nil – HK$1,000,000 | **3** | 2 |

(All amounts in RMB thousands unless otherwise stated)

## 8 OTHER INCOME, FINANCE INCOME

### Continuing operations

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| **Other income:** | | |
| – Interest income on cash and cash equivalents | **1,705** | 1,002 |
| – Interest income from amounts placed in Residents' Accounts (Note 20(b)) | **162** | 72 |
| | **1,867** | 1,074 |
| **Finance income:** | | |
| – Interest income on term deposits | **1,099** | 1,167 |
| **Finance costs:** | | |
| – Interest paid/payable for lease liabilities | **(1,591)** | – |
| **Finance (costs)/income – net** | **(492)** | 1,167 |

## 9 OTHER GAINS – NET

### Continuing operations

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| Gains on disposal of right-of-use assets | **5,916** | – |
| Gains on foreign exchanges – net | **1,920** | 696 |
| Fair value gains on financial assets at fair value through profit or loss | **438** | 794 |
| Government grant | **347** | 671 |
| Losses on disposal of property, plant and equipment and intangible assets | **(195)** | (177) |
| Others | **98** | 228 |
| | **8,524** | 2,212 |

(All amounts in RMB thousands unless otherwise stated)

## 10 INCOME TAX EXPENSES

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| Current income tax: | | |
| – PRC Mainland corporate income tax | **30,406** | 27,111 |
| – PRC Mainland withholding income tax | **5,406** | 4,764 |
| – Hong Kong profits tax | **79** | 76 |
| Total current tax | **35,891** | 31,951 |
| Deferred income tax: | | |
| – PRC Mainland corporate income tax | **591** | (726) |
| – PRC Mainland withholding income tax | **(1,817)** | (264) |
| Total deferred tax | **(1,226)** | (990) |
| Income tax expenses | **34,665** | 30,961 |
| Income tax expense is attributable to: | | |
| – Profit from continuing operations | **34,466** | 30,879 |
| – Profit from discontinued operations | **199** | 82 |
| | **34,665** | 30,961 |

(All amounts in RMB thousands unless otherwise stated)

## 10 INCOME TAX EXPENSES (CONTINUED)

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

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| Profit from continuing operations before income tax expense | **129,678** | 103,315 |
| Profit from discontinued operations before income tax expense | **797** | 326 |
| Profit before income tax | **130,475** | 103,641 |
| Tax charge at effective rate applicable to profits in the respective group entities | **30,838** | 26,456 |
| Tax effects of: | | |
| – Income not subject to tax | **(295)** | (670) |
| – Extra tax deduction of research and development expenses | **(361)** | (298) |
| – Expenses not deductible for tax purposes | **739** | 628 |
| – Tax losses for which no deferred income tax asset was recognised | **155** | 345 |
| | **31,076** | 26,461 |
| PRC Mainland withholding income tax | **3,589** | 4,500 |
| Tax charge | **34,665** | 30,961 |

The weighted average applicable tax rate was 24% (2018: 25%). The decrease in weighted average applicable tax rate for the year ended 31 December 2019 is mainly due to the decrease in the loss of British Virgin Islands ("BVI") companies which are exempted from BVI income tax.

### PRC Mainland corporate income tax

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

The general corporate income tax rate applicable to the Group entities located in the PRC Mainland ("PRC Mainland entities") is 25% according to the Corporate Income Tax Law of the People's Republic of China ("PRC") effective on 1 January 2008. During the year ended 31 December 2017, a subsidiary of the Company obtained the Certificate of "High and New Technology Enterprise" with valid period from 2018 to 2020. According to the Corporation Income Tax Law of PRC, corporations which obtain the Certificate of "High and New Technology Enterprise" are entitled to enjoy a preferential corporate income rate of 15%.

### 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.

(All amounts in RMB thousands unless otherwise stated)

## 10 INCOME TAX EXPENSES (CONTINUED)

### PRC Mainland withholding income tax (Continued)

During the year ended 31 December 2019, provision of deferred income tax for the earnings of the PRC Mainland subsidiaries planned to be distributed to overseas has been made at withholding income tax rate of 5%.

### Hong Kong profits tax

The applicable Hong Kong profits tax rate is 16.5%.

### Overseas corporate income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 of Cayman Islands and is exempted from Cayman Islands income tax. BVI subsidiaries were incorporated under the International Business Companies Act of the British Virgin Islands and are exempted from BVI income tax.

## 11 EARNINGS PER SHARE

### (a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| Profit from continuing operations attributable to the ordinary equity holders of the Company (RMB) | **95,212,000** | 72,436,000 |
| Weighted average number of ordinary shares in issue | **1,015,200,000** | 1,008,947,260 |
| Basic earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company (expressed in RMB per share) | **0.094** | 0.072 |

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| Profit attributable to ordinary equity holders of the Company (RMB) | | |
| – From continuing operations | **95,212,000** | 72,436,000 |
| – From discontinued operations | **598,000** | 244,000 |
| | **95,810,000** | 72,680,000 |
| Weighted average number of ordinary shares in issue | **1,015,200,000** | 1,008,947,260 |
| Basic earnings per share for profit attributable to the ordinary equity holders of the Company (expressed in RMB per share) | **0.094** | 0.072 |

(All amounts in RMB thousands unless otherwise stated)

## 11 EARNINGS PER SHARE (CONTINUED)

### (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has dilutive potential ordinary shares arising from the employees' share options. For the employees' share options, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

As stated in note 24(c), the Employees' Share Option Scheme (as hereinafter defined) was adopted and effective on 8 November 2016. Diluted earnings per share for the year ended 31 December 2019 is calculated as below:

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| Profit from continuing operations attributable to equity holders of the Company (RMB) | **95,212,000** | 72,436,000 |
| Weighted average number of ordinary shares in issue | **1,015,200,000** | 1,008,947,260 |
| Adjustments for: | | |
| – Employees' share options | **1,838,518** | 8,334,770 |
| Weighted average number of ordinary shares for diluted earnings per share | **1,017,038,518** | 1,017,282,030 |
| Diluted earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company (expressed in RMB per share) | **0.094** | 0.071 |

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| Profit attributable to the ordinary equity holders of the Company (RMB) | | |
| – From continuing operations | **95,212,000** | 72,436,000 |
| – From discontinued operations | **598,000** | 244,000 |
| | **95,810,000** | 72,680,000 |
| Weighted average number of ordinary shares in issue | **1,015,200,000** | 1,008,947,260 |
| Adjustments for: | | |
| – Employees' share options | **1,838,518** | 8,334,770 |
| Weighted average number of ordinary shares for diluted earnings per share | **1,017,038,518** | 1,017,282,030 |
| Diluted earnings per share for profit attributable to the ordinary equity holders of the Company (expressed in RMB per share) | **0.094** | 0.071 |

(All amounts in RMB thousands unless otherwise stated)

## 12 SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2019 and 2018 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 operations | Particulars of issued share capital and debt securities | Ownership interest held by the Group 2019 (%) | 2018 (%) |
|---|---|---|---|---|---|
| **Directly owned** | | | | | |
| Wide Leisure Limited*<br>廣逸有限公司 | BVI, limited liability company | Investment holding in BVI | 1 ordinary share USD1 | **100%** | 100% |
| **Indirectly owned** | | | | | |
| Guangzhou Panyu Clifford Property Management Limited*<br>廣州市番禺祈福物業管理有限公司 | PRC Mainland, limited liability company | Property management services in the PRC Mainland | RMB5,500,000 | **100%** | 100% |
| Foshan Clifford Property Management Limited*<br>佛山市祈福物業管理有限公司 | PRC Mainland, limited liability company | Property management services in the PRC Mainland | HK$8,770,000 | **100%** | 100% |
| Guangzhou Clifford Trading Limited*<br>廣州市祈福貿易有限公司 | PRC Mainland, limited liability company | Retail services in the PRC Mainland | RMB1,000,000 | **100%** | 100% |
| Guangzhou Smart Real Estate Agency Limited*<br>廣州市睿明房地產中介有限公司 | PRC Mainland, limited liability company | Property agency services in the PRC Mainland | RMB300,000 | **100%** | 100% |
| Guangzhou Welcome Employment Limited*<br>廣州市惠爾家職業介紹有限公司 | PRC Mainland, limited liability company | Employment placement services in the PRC Mainland | RMB2,000,000 | **100%** | 100% |
| Guangzhou Goodwash Laundry Limited*<br>廣州市雪白洗衣有限公司 | PRC Mainland, limited liability company | Laundry services in the PRC Mainland | RMB5,000,000 | **100%** | 100% |
| Guangzhou Clifford Herbal Cuisine Catering Limited* (the "Clifford Herbal Cuisine") (Note 22)<br>廣州市祈福藥膳坊餐飲有限公司 | PRC Mainland, limited liability company | Catering services in the PRC Mainland | RMB1,000,000 | **100%** | 100% |
| Guangzhou Mascot Catering Limited* (the "Mascot Catering") (Note 22)<br>廣州市福品餐飲有限公司 | PRC Mainland, limited liability company | Catering services in the PRC Mainland | RMB1,000,000 | **100%** | 100% |

(All amounts in RMB thousands unless otherwise stated)

## 12 SUBSIDIARIES (CONTINUED)

| Name of entity | Place of incorporation and kind of legal entity | Principal activities and place of operations | Particulars of issued share capital and debt securities | Ownership interest held by the Group 2019 (%) | 2018 (%) |
|---|---|---|---|---|---|
| **Indirectly owned (Continued)** | | | | | |
| Guangzhou Panyu Clifford Education Training Centre*<br>廣州市番禺區祈福教育培訓中心 | PRC Mainland, limited liability company | Off-campus training services in the PRC Mainland | RMB50,000 | **100%** | 100% |
| Guangzhou Clifford Household Services Limited*<br>廣州市祈福家居服務有限公司 | PRC Mainland, limited liability company | Renovation and fitting-out services in the PRC Mainland | RMB500,000 | **100%** | 100% |
| Guangzhou Clifford Farm Restaurant Catering Limited* (the "Clifford Farm Restaurant") (Note 22)<br>廣州市祈福農家菜館餐飲有限公司 | PRC Mainland, limited liability company | Catering services in the PRC Mainland | RMB1,000,000 | **100%** | 100% |
| Guangzhou Clifford Big Brother Congee & Noodles Limited* (the "Clifford Big Brother") (Note 22)<br>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%** | 100% |
| Guangzhou Clifford Communications Limited*<br>廣州市祈福通訊有限公司 | PRC Mainland, limited liability company | Information technology services in the PRC Mainland | RMB1,000,000 | **100%** | 100% |
| Guangzhou Clifford Catering Management Limited*<br>廣州市祈福餐飲管理有限公司 | PRC Mainland, limited liability company | Catering services in the PRC Mainland | RMB1,000,000 | **100%** | 100% |
| Guangzhou Kejian Computer Technology Co., Limited*<br>廣州市科健計算機技術有限公司 | PRC Mainland, limited liability company | Information technology services in the PRC Mainland | RMB8,000,000 | **100%** | 100% |
| Foshan Clifford Overseas Education Consulting Services Limited *<br>佛山市祈福留學諮詢有限公司 | PRC Mainland, limited liability company | Off-campus training services in the PRC Mainland | RMB500,000 | **100%** | 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)

## 13 PROPERTY, PLANT AND EQUIPMENT

| | Machinery | Vehicles | Office equipment | Leasehold improvements | Other equipment | Total |
|---|---|---|---|---|---|---|
| **Year ended 31 December 2018** | | | | | | |
| Opening net book amount | 7,960 | 288 | 112 | 9,653 | 625 | 18,638 |
| Additions | 256 | 385 | 1,924 | 5,315 | 139 | 8,019 |
| Transferred from other current assets | 359 | – | 294 | 947 | 340 | 1,940 |
| Disposals | (1,850) | (16) | (263) | (218) | (26) | (2,373) |
| Transferred to assets classified as held for sale (Note 22) | (653) | (4) | (819) | (3,028) | (364) | (4,868) |
| Depreciation charge | (1,185) | (84) | (563) | (4,492) | (172) | (6,496) |
| **Closing net book amount** | 4,887 | 569 | 685 | 8,177 | 542 | 14,860 |
| **As at 31 December 2018** | | | | | | |
| Cost | 9,300 | 1,448 | 3,807 | 15,689 | 620 | 30,864 |
| Accumulated depreciation | (4,413) | (879) | (3,122) | (7,512) | (78) | (16,004) |
| **Net book amount** | 4,887 | 569 | 685 | 8,177 | 542 | 14,860 |
| **Year ended 31 December 2019** | | | | | | |
| Opening net book amount | **4,887** | **569** | **685** | **8,177** | **542** | **14,860** |
| Additions | **91** | **4** | **410** | **2,455** | **1,094** | **4,054** |
| Disposals | **(189)** | **(6)** | **(154)** | **(33)** | **–** | **(382)** |
| Depreciation charge | **(544)** | **(69)** | **(564)** | **(2,881)** | **(124)** | **(4,182)** |
| **Closing net book amount** | **4,245** | **498** | **377** | **7,718** | **1,512** | **14,350** |
| **As at 31 December 2019** | | | | | | |
| Cost | **8,991** | **1,373** | **3,872** | **17,117** | **1,714** | **33,067** |
| Accumulated depreciation | **(4,746)** | **(875)** | **(3,495)** | **(9,399)** | **(202)** | **(18,717)** |
| **Net book amount** | **4,245** | **498** | **377** | **7,718** | **1,512** | **14,350** |

Depreciation of the property, plant and equipment has been charged to consolidated income statement as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| Cost of sales | **770** | 3,728 |
| Selling and marketing expenses | **1,848** | 2,094 |
| Administrative expenses | **1,564** | 674 |
| | **4,182** | 6,496 |

(All amounts in RMB thousands unless otherwise stated)

## 14 LEASES

### (a) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

| | 31 December 2019 | 1 January 2019 |
|---|---|---|
| **Right-of-use assets** | | |
| Properties | 17,329 | 34,313 |
| **Lease liabilities** | | |
| Current | 9,839 | 9,145 |
| Non-current | 19,091 | 25,168 |
| | 28,930 | 34,313 |

Additions to the right-of-use assets during 2019 were RMB3,224,000, right-of-use assets that transfer to investment properties during 2019 were RMB12,058,000.

### (b) Amounts recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

| | 2019 | 2018 |
|---|---|---|
| **Depreciation charge of right-of-use assets** | | |
| Properties | 5,112 | – |
| Interest expense (included in finance cost) (Note 8) | 1,591 | – |
| Expense relating to short-term leases (included in cost of sales and administrative expenses) (Note 6) | 5,744 | – |

The total cash outflow for leases in 2019 was RMB15,942,000.

(c) The Group leases various properties. Rental contracts are typically made for fixed periods of 1 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

(All amounts in RMB thousands unless otherwise stated)

## 15 INVESTMENT PROPERTIES

| | 2019 |
|---|---|
| **Non-current assets – at cost** | |
| Opening balance at 1 January | – |
| Transfer from right-of-use assets | 12,058 |
| Depreciation and amortisation charge | (3,364) |
| **Closing balance at 31 December** | 8,694 |
| **As at 31 December 2019** | |
| Cost | 12,058 |
| Accumulated depreciation | (3,364) |
| **Net book amount** | 8,694 |

### (a) Amounts recognised in profit or loss for investment properties

| | 2019 |
|---|---|
| Rental income from operating leases | 16,572 |

## 16 INTANGIBLE ASSETS

| | Software |
|---|---|
| **Year ended 31 December 2018** | |
| Opening net book amount | 590 |
| Additions | 337 |
| Disposals | (105) |
| Amortisation charge | (153) |
| **Closing net book amount** | 669 |
| **As at 31 December 2018** | |
| Cost | 1,098 |
| Accumulated amortisation | (429) |
| **Net book amount** | 669 |
| **Year ended 31 December 2019** | |
| Opening net book amount | 669 |
| Additions | 1,319 |
| Amortisation charge | (251) |
| **Closing net book amount** | 1,737 |
| **As at 31 December 2019** | |
| Cost | 2,417 |
| Amortisation | (680) |
| **Net book amount** | 1,737 |

(All amounts in RMB thousands unless otherwise stated)

## 17 FINANCIAL INSTRUMENTS BY CATEGORY

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| **Financial assets** | | |
| Financial assets at amortised cost | | |
| – Contract assets (Note 19) | **11,557** | 12,429 |
| – Trade and other receivables excluding prepayments (Note 20) | **97,254** | 49,822 |
| – Term deposits (Note 21(a)) | **30,786** | 86,857 |
| – Restricted cash (Note 21(b)) | **616** | 613 |
| – Cash and cash equivalents (Note 21(c)) | **364,909** | 209,362 |
| Financial assets at fair value through profit or loss (Note 3.3) | **4,147** | 40,448 |
| | **509,269** | 399,531 |
| **Financial liabilities at amortised costs** | | |
| Trade and other payables excluding non-financial liabilities (Note 26) | **82,469** | 60,840 |
| Contract liabilities (Note 27) | **23,456** | 19,256 |
| Lease liabilities (Note 14) | **28,930** | – |
| | **134,855** | 80,096 |

## 18 INVENTORIES

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| Merchandise goods | **7,295** | 6,991 |
| Raw materials and consumables | **1,480** | 1,514 |
| Others | **2** | 218 |
| | **8,777** | 8,723 |

## 19 CONTRACT ASSETS

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| Amounts due from customers for contract works | | |
| – Related parties (Note 31(d)) | **5,264** | 738 |
| – Third parties | **6,293** | 11,691 |
| | **11,557** | 12,429 |

(All amounts in RMB thousands unless otherwise stated)

## 20 TRADE AND OTHER RECEIVABLES

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| Trade receivables (Note (a)): | | |
| – Related parties (Note 31(d)) | **25,531** | 21,265 |
| – Third parties | **48,128** | 12,942 |
| Total trade receivables | **73,659** | 34,207 |
| Less: allowance for impairment of trade receivables | **(1,477)** | (1,367) |
| | **72,182** | 32,840 |
| Amounts placed in Residents' Accounts (Note (b)) | **6,246** | 3,123 |
| Other receivables: | | |
| – Related parties (Note 31(d)) | **4,859** | 4,116 |
| – Third parties | **14,035** | 9,773 |
| Total other receivables | **18,894** | 13,889 |
| Less: allowance for impairment of other receivables | **(68)** | (30) |
| | **18,826** | 13,859 |
| Prepayments: | | |
| – Third parties | **3,576** | 5,868 |
| Less: | | |
| – trade receivables included in non-current assets | **(3,865)** | – |
| – other receivables included in non-current assets | **(6,051)** | – |
| | **(9,916)** | – |
| | **90,914** | 55,690 |

(All amounts in RMB thousands unless otherwise stated)

## 20 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

During the years ended 31 December 2019 and 2018, the credit period granted to trade customers of information technology services and renovation and fitting-out services varies from one month to one year; the trading of retail services, catering services, off-campus training services, property agency services, employment placement services and laundry services are mainly carried out on cash basis.

As at 31 December 2019 and 2018, the aging analysis of the trade receivables based on invoice date are as follows:

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| Up to 1 year | **69,799** | 29,800 |
| 1 to 2 years | **2,055** | 2,242 |
| Over 2 years | **1,805** | 2,165 |
| | **73,659** | 34,207 |

(b) Certain property management companies of the Group have engaged in the provision of property management services for residential communities on commission basis and opened bank accounts on behalf of the residents ("Residents' Accounts"). These Residents' Accounts are used to collect the property management fee and resident support services fee from the residents. The property management companies have undertaken the treasury function for these bank accounts on behalf of the residents pursuant to the property management contracts. As at 31 December 2019, amounts placed in Residents' Accounts of RMB6,246,000 represented the balances of the property management commission fee and resident support service fee entitled by the property management companies (31 December 2018: RMB3,123,000). As at 31 December 2019, amounts placed in Resident's Accounts carried interest at prevailing rates from 0.30% to 2.10% per annum (31 December 2018: 0.50% to 2.10% per annum). The fair value of these balances approximates their carrying amounts.

The maximum exposure to credit risk at the reporting dates is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

The Company applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 December 2019, a provision of RMB1,545,000 was made against the gross amounts of trade and other receivables (31 December 2018: RMB1,397,000) (note 3.1.3).

(All amounts in RMB thousands unless otherwise stated)

## 21 CASH AND BANK BALANCES

### (a) Term deposits

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| Matured over 3 months | **30,786** | 86,857 |

As at 31 December 2019, the term deposits carried interest at prevailing deposit rates which range from 1.75% to 2.10% per annum (31 December 2018: 1.55% to 2.10%). The fair value of the Group's term deposits approximate their carrying amounts. The term deposits are denominated in RMB.

### (b) Restricted cash

Restricted cash represents cash deposits in the banks as security for issuance of cash cards and carrying out training services according to the relevant regulations in the PRC Mainland.

### (c) Cash and cash equivalents

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| Cash at bank and on hand | **274,301** | 188,994 |
| Short-term bank deposits | **90,608** | 20,368 |
| | **364,909** | 209,362 |

As at 31 December 2019, short-term bank deposits carried interest at prevailing deposit rates which range is from 0.50% to 1.50% per annum (31 December 2018: 0.50% to 1.50% per annum).

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| Cash and cash equivalents denominated in: | | |
| – RMB | **327,814** | 188,153 |
| – HK$ | **37,088** | 21,202 |
| – US$ | **7** | 7 |
| | **364,909** | 209,362 |

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

(All amounts in RMB thousands unless otherwise stated)

## 22 ASSETS CLASSIFIED AS HELD FOR SALE

### (a) Assets classified as held for sale

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| Property, plant and equipment | – | 4,868 |
| Intangible assets | – | 53 |
| Trade and other receivables | – | 5,886 |
| | – | 10,807 |

### (b) Liabilities directly associated with assets classified as held for sale

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| Trade and other payables | – | 6,794 |

### (c) Discontinued operations

In December 2018, the Group terminated operations of all its catering outlets under Guangzhou Clifford Farm Restaurant Catering Limited* 廣州市祈福農家菜館餐飲有限公司, Guangzhou Clifford Big Brother Congee & Noodles Limited* 廣州市祈福一哥雲吞麵有限公司, Guangzhou Clifford Herbal Cuisine Catering Limited* 廣州市祈福藥膳坊餐飲有限公司 and Guangzhou Mascot Catering Limited* 廣州市福品餐飲有限公司 (together, the "Catering Companies"). According to the agreement dated 1 January 2019, major assets and liabilities of the outlets of the Catering Companies were sold to a third party. As at 31 December 2019, 11 out of 15 outlets of the Catering Companies were deregistered.

(All amounts in RMB thousands unless otherwise stated)

## 22 ASSETS CLASSIFIED AS HELD FOR SALE (CONTINUED)

### (c) Discontinued operations (Continued)

Financial information of the Catering Companies is presented as discontinued operations in the consolidated financial statements for the year ended 31 December 2019 and 2018, which is set out as below.

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| Revenue from contracts with customers | – | 22,471 |
| Cost of sales | – | (17,152) |
| **Gross profit** | – | 5,319 |
| Selling and marketing expenses | – | (605) |
| Administrative expenses | **(16)** | (4,335) |
| Other income | – | – |
| Other losses – net | – | (74) |
| Gains on sale of assets classified as held for sale and liabilities directly associated with assets classified as held for sale | **813** | – |
| **Operating profit** | **797** | 305 |
| Finance income | – | 21 |
| **Profit before income tax** | **797** | 326 |
| Income tax expense | **(199)** | (82) |
| **Profit from discontinued operations** | **598** | 244 |

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| Net cash (outflow)/inflow from operating activities | **(1,153)** | 2,336 |
| Net cash inflow/(outflow) from investing activities | **4,826** | (316) |
| **Net increase in cash generated by discontinued operations** | **3,673** | 2,020 |

### (d) Details of the sale of assets and liabilities of the Catering Companies

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| Consideration received | **4,826** | – |
| Carrying amount of net assets sold | **(4,013)** | – |
| **Gains on sale before income tax** | **813** | – |
| Income tax expense | **(178)** | – |
| **Gains on sale after income tax** | **635** | – |

## 23 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 2018 and 2019 | 10,000,000,000 | 100,000,000 | 87,440 | | |
| **Issued and fully paid:** | | | | | |
| Year ended 31 December 2019 | | | | | |
| As at 1 January and 31 December 2019 | 1,015,200,000 | 10,152,000 | 8,872 | 179,118 | 187,990 |
| **Year ended 31 December 2018** | | | | | |
| As at 1 January 2018 | 1,001,950,000 | 10,019,500 | 8,761 | 184,674 | 193,435 |
| Employees' Share Option Scheme: | | | | | |
| – Proceeds from shares issued (Note 24(c)) | 13,250,000 | 132,500 | 111 | 5,600 | 5,711 |
| Special dividends declared to shareholders of the Company (Note 28) | – | – | – | (11,156) | (11,156) |
| As at 31 December 2018 | 1,015,200,000 | 10,152,000 | 8,872 | 179,118 | 187,990 |

(All amounts in RMB thousands unless otherwise stated)

## 24 OTHER RESERVES

| | Statutory reserve (Note (a)) | Capital reserve (Note (b)) | Share – based compensation reserve (Note (c)) | Reserves for transactions with non-controlling interest | Total |
|---|---|---|---|---|---|
| **As at 1 January 2018** | 16,650 | (121,099) | 1,602 | (14,331) | (117,178) |
| Employees' Share Option Scheme (Note (c)): | | | | | |
| – Proceeds from shares issued | – | – | (1,100) | – | (1,100) |
| Appropriation of statutory reserves | 6,781 | – | – | – | 6,781 |
| **As at 31 December 2018** | 23,431 | (121,099) | 502 | (14,331) | (111,497) |

| | **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 2019** | 23,431 | (121,099) | 502 | (14,331) | (111,497) |
| Appropriation of statutory reserves | 5,791 | – | – | – | 5,791 |
| **As at 31 December 2019** | 29,222 | (121,099) | 502 | (14,331) | (105,706) |

### (a) Statutory reserve

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

### (b) Capital reserve

The amount of RMB111,305,000 represented the difference between the carrying value of the listing business and the par value of shares issued by the Company to the shareholders of the Group in exchange of the Listing Business during the Reorganisation for the Listing. The remaining balance of RMB9,794,000 represented paid-in capital of the acquired subsidiary in a business combination under common control in 2017.

(All amounts in RMB thousands unless otherwise stated)

## 24 OTHER RESERVES (CONTINUED)

### (c) Employees' 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 "Employees' 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 employees' share option shall be exercisable at any time during the period (i) commencing on the business day immediately after the expiry of the six-month period after the Listing Date and (ii) ending on the date falling in five years and six months of the Listing Date.

During the year ended 31 December 2019, no Recipient has exercised share options (2018: certain Recipients have exercised 13,250,000 units at the exercise price of HK$0.414 per share), no cash proceeds received by the Company (2018: amounted to HK$5,486,000, equivalent to RMB4,611,000).

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

| | **2019** | | 2018 | |
|---|---|---|---|---|
| | **Average exercise price in HK$ per share option** | **Number of share options** | Average exercise price in HK$ per share option | Number of share options |
| As at 1 January | 0.414 | 5,975,000 | 0.414 | 19,225,000 |
| Exercised | – | – | 0.414 | (13,250,000) |
| As at 31 December | 0.414 | 5,975,000 | 0.414 | 5,975,000 |

The expiry date of the outstanding share options is 8 May 2022.

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

(All amounts in RMB thousands unless otherwise stated)

## 24 OTHER RESERVES (CONTINUED)

### (c) Employees' Share Option Scheme (Continued)

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 |
|---|---|---|---|---|
| Employees' 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 are no significant inter-relationships between unobservable inputs that materially affect fair values.

## 25 DEFERRED INCOME TAX

The analysis of deferred income tax is as follows:

| | As at 31 December 2019 | 2018 |
|---|---|---|
| Deferred income tax assets | **2,304** | 1,743 |
| Deferred income tax liabilities | **(2,335)** | (3,000) |
| Deferred income tax liabilities – net | **(31)** | (1,257) |

(All amounts in RMB thousands unless otherwise stated)

## 25 DEFERRED INCOME TAX (CONTINUED)

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

| | Temporary difference relating to accrual of rental expenses | |
|---|---|---|
| | **2019** | 2018 |
| **Deferred tax assets** | | |
| Opening balance | **1,743** | 1,017 |
| Credited to consolidated income statement | **561** | 726 |
| Closing balance | **2,304** | 1,743 |

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 | |
|---|---|---|
| | **2019** | 2018 |
| **Deferred tax liabilities** | | |
| Opening balance | **(3,000)** | (3,264) |
| Debited to consolidated income statement | **(2,335)** | – |
| Credited to consolidated income statement | **3,000** | 264 |
| Closing balance | **(2,335)** | (3,000) |

As at 31 December 2019, the Group did not recognise deferred income tax assets of RMB939,000 (31 December 2018: RMB1,041,000) in respect of tax losses of RMB4,849,000 (31 December 2018: RMB5,089,000). Tax losses of group entities operated in the PRC Mainland could be carried forward for a maximum of five years.

As at 31 December 2019, the Group has not recognised the provision of PRC Mainland withholding income tax of RMB5,203,000 (31 December 2018: RMB4,119,000) in relation to the undistributed profits of certain PRC Mainland group entities totalling RMB104,061,000 (2018: RMB82,380,000) 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)

## 26 TRADE AND OTHER PAYABLES

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| Trade payables (Note (a)): | | |
| – Related parties (Note 31(d)) | **7** | – |
| – Third parties | **50,313** | 37,036 |
| | **50,320** | 37,036 |
| Other payables: | | |
| – Related parties (Note 31(d)) | **9,523** | 5,187 |
| – Third parties | **22,626** | 18,617 |
| | **32,149** | 23,804 |
| Accrued payroll | **14,223** | 15,130 |
| Other taxes payables | **4,025** | 4,439 |
| | **100,717** | 80,409 |

(a) As at 31 December 2019 and 2018, 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 | |
|---|---|---|
| | **2019** | 2018 |
| Up to 1 year | **44,399** | 34,524 |
| 1 to 2 years | **5,549** | 765 |
| 2 to 3 years | **147** | 937 |
| Over 3 years | **225** | 810 |
| | **50,320** | 37,036 |

(All amounts in RMB thousands unless otherwise stated)

## 27 CONTRACT LIABILITIES

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| Advances from customers | | |
| – Related parties (Note 31(d)) | **2,657** | 1,434 |
| – Third parties | **17,416** | 16,338 |
| Amounts due to customers for contract works | | |
| – Related parties (Note 31(d)) | **936** | 1,046 |
| – Third parties | **2,447** | 438 |
| | **23,456** | 19,256 |

## 28 DIVIDENDS

Pursuant to the approval at the annual general meeting of shareholders of the Company on 22 June 2018, a special cash dividend of HK1.30 cents per share was declared out of the Company's share premium. The special dividend amounting to HK$13,198,000 (equivalent to RMB11,156,000) based on the total number of issued shares of the Company of 1,015,200,000 shares as at 6 July 2018 was paid in July 2018.

Pursuant to the approval at the annual general meeting of shareholders of the Company on 28 June 2019, a dividend of HK2.20 cents per share was declared out of the Company's retained earnings. The dividend amounting to HK$22,334,000 (equivalent to RMB19,569,000) based on the total number of issued shares of the Company of 1,015,200,000 shares was paid on 31 July 2019.

A dividend in respect of the year ended 31 December 2019 of HK2.50 cents per share, amounting to approximately HK$25,380,000 (equivalent to RMB22,735,000) has been approved by the Board of Directors on 27 March 2020 are subject to approval of the annual general meeting to be held on 26 June 2020. The final dividend will be distributed out from the Company's retained earnings. These consolidated financial statements have not reflected this dividend payable.

(All amounts in RMB thousands unless otherwise stated)

## 29 CASH FLOW INFORMATION

### (a) Cash generated from operations

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| Profit before income tax from | | |
| – Continuing operations | **129,678** | 103,315 |
| – Discontinued operations | **797** | 326 |
| **Profit before income tax including discontinued operations** | **130,475** | 103,641 |
| Adjustments for: | | |
| – Depreciation of property, plant and equipment (Note 13) | **4,182** | 6,496 |
| – Amortisation of intangible assets | **251** | 153 |
| – Depreciation of right-of-use assets (Note 14(b)) | **5,112** | – |
| – Depreciation of investment properties (Note 15) | **3,364** | – |
| – Losses on disposal of property, plant and equipment | **195** | 121 |
| – Losses on disposal of intangible assets | **–** | 24 |
| – Gains on disposal of held-for-sale assets (Note 22) | **(813)** | – |
| – Gains on disposal of right-of-use assets (Note 9) | **(5,916)** | – |
| – Exchange gains on cash and cash equivalents | **(1,920)** | (696) |
| – Finance cost/(income) | **330** | (1,167) |
| – Gains from financial assets at fair value through profit or loss (Note 3.3) | **(438)** | (917) |
| Changes in working capital: | | |
| – Restricted cash | **(3)** | (3) |
| – Inventories | **(54)** | 5,205 |
| – Contract assets | **872** | (4,753) |
| – Trade and other receivables | **(48,985)** | (7,258) |
| – Contract liabilities | **4,200** | 14,464 |
| – Trade and other payables | **19,509** | 3,356 |
| **Cash generated from operations** | **110,361** | 118,666 |

(All amounts in RMB thousands unless otherwise stated)

## 30 COMMITMENTS

### Non-cancellable operating leases

The investment properties are leased to tenants under operating leases with rentals payable monthly. For details of the leasing arrangements, refer to note 15.

As at 31 December 2019, the investment properties are recognised from sublease of operating leases.

Minimum lease payments receivable on leases of investment properties are as follows:

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| Up to 1 year | **1,774** | – |

The Group leases various properties for retail outlets, offices and warehouses under non-cancellable operating lease agreements. The lease terms are between 1 and 10 years, and the majority of lease agreements are signed with the related parties.

From 1 January 2019, the Group has recognised right-of-use assets and investment properties for these leases, except for short-term and low-value leases, see note 14 and 15 for further information.

Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| Up to 1 year | **–** | 14,998 |
| 1 to 5 years | **–** | 11,115 |
| | **–** | 26,113 |

## 31 RELATED PARTY TRANSACTIONS

### (a) Name and relationship with related parties:

| Name | Relationship |
|---|---|
| Ms. Man Lai Hung | Ultimate shareholder of the Company |
| Guangzhou Clifford Wonderland Service Apartment Company Limited*<br>廣州市祈福繽紛世界國際公寓有限公司 | Company under control of Ms. Man |
| Guangzhou Panyu CZ Clifford Lakeside Kindergarten*<br>廣州市番禺區鍾村街祈福倚湖灣幼兒園 | Company under control of Ms. Man |
| Guangzhou Fortune Software Limited *<br>廣州市科進計算機技術有限公司 | Company under control of the spouse of Ms. Man |
| Guangdong Clifford Hospital Company Limited*<br>廣東祈福醫院有限公司 | Company under control of the spouse of Ms. Man |
| Guangzhou Huadu Clifford Property Development Company Limited*<br>廣州市花都祈福房地產有限公司 | Company under control of the spouse of Ms. Man |
| Guangzhou Huadu Clifford Estates Property Development Company Limited*<br>廣州市花都祈福花園房產有限公司 | Company under control of the spouse of Ms. Man |
| Guangzhou Crown Property Company Limited*<br>廣州市冠都物業有限公司 | Company under control of the spouse of Ms. Man |
| Foshan Nanhai Clifford Golden Lake Hotel Limited*<br>佛山市南海祈福仙湖酒店有限公司 | Company under control of the spouse of Ms. Man |
| Guangzhou Huadu Xin Hua Clifford Property Development Company Limited*<br>廣州市花都新華祈福房地產有限公司 | Company under control of the spouse of Ms. Man |
| Guangzhou Panyu Clifford English Experimental School*<br>廣州市番禺區祈福英語實驗學校 | Company under control of the spouse of Ms. Man |
| Zhaoqing Clifford Coast Property Development Company Limited*<br>肇慶祈福海岸房地產有限公司 | Company under control of the spouse of Ms. Man |
| Foshan Nanhai Clifford Property Development Limited*<br>佛山市南海祈福置業有限公司 | Company under control of the spouse of Ms. Man |
| Guangzhou Lakeside Property Company Limited*<br>廣州市倚湖物業有限公司 | Company under control of the spouse of Ms. Man |
| Foshan Nanhai Clifford Household Industrial Company Limited*<br>佛山市南海祈福家居實業有限公司 | Company under control of the spouse of Ms. Man |
| Foshan Nanhai Clifford Property Development Company Limited*<br>佛山市南海祈福房地產有限公司 | Company under control of the spouse of Ms. Man |
| Guangzhou Clifford Business Center Management Company Limited*<br>廣州市祈福商務中心經營管理有限公司 | Company under control of the spouse of Ms. Man |
| China Venture Limited | Company under control of the spouse of Ms. Man |

## 31 RELATED PARTY TRANSACTIONS (CONTINUED)

### (a) Name and relationship with related parties: (Continued)

| Name | Relationship |
|---|---|
| Guangzhou Zhan Sheng Commercial Property Management Company Limited* 廣州市展盛商業地產經營管理有限公司 | Company under control of the spouse of Ms. Man |
| Guangzhou Clifford Wonderland Commercial Property Management Company Limited* 廣州市祈福繽紛世界商業地產經營管理有限公司 | Company under control of the spouse of Ms. Man |
| Guangzhou Clifford Property Management Company Limited* 廣州市祈福地產經營管理有限公司 | Company under control of the spouse of Ms. Man |
| Guangzhou Clifford Property Management Limited* 廣州祈福物業管理有限公司 | Company under control of the spouse of Ms. Man |
| Maliton Services Limited | Company under control of the spouse of Ms. Man |
| Tango Trading Limited | Company under control of the spouse of Ms. Man |
| Guangzhou Clifford Wonderland Company Limited* 廣州市祈福繽紛樂園有限公司 | Company under control of the spouse of Ms. Man |
| Guangzhou Clifford Postnatal Care Company Limited* 廣州市祈福母嬰護理服務有限公司 | Company under control of the spouse of Ms. Man |
| Guangzhou Clifford Property Limited* 廣州市祈福物業有限公司 | Company under control of the spouse of Ms. Man |
| Guangzhou Panyu Clifford Estates Resort Club Company Limited* 廣州市番禺祈福新邨渡假俱樂部有限公司 | Company under significant influence of the spouse of Ms. Man |
| Clifford Estates (Panyu) Limited* 廣州市番禺祈福新邨房地產有限公司 | Company under significant influence of the spouse of Ms. Man |
| Guangzhou Clifford Estates School* 廣州市番禺區祈福新邨學校 | Company under significant influence of the spouse of Ms. Man |
| Guangzhou Panyu Clifford English Experimental Kindergarten* 廣州市番禺區祈福英語實驗幼兒園 | Company under significant influence of the spouse of Ms. Man |
| Guangzhou Panyu Clifford English Experimental Primary School* 廣州市番禺區祈福英語實驗小學 | Company under joint control of the spouse of Ms. Man and independent third parties |

* The English name of the related parties 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)

## 31 RELATED PARTY TRANSACTIONS (CONTINUED)

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

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| Sales of goods to: | | |
| – Companies under control of the spouse of Ms. Man | **768** | 988 |
| – Companies under significant influence of the spouse of Ms. Man | **222** | 356 |
| – Companies under control of Ms. Man | **161** | 104 |
| – A company under joint control of the spouse of Ms. Man and independent third parties | **114** | 140 |
| | **1,265** | 1,588 |
| Provision of services to: | | |
| – Companies under significant influence of the spouse of Ms. Man | **27,863** | 61,248 |
| – Companies under control of the spouse of Ms. Man | **40,045** | 21,550 |
| – A company under joint control of the spouse of Ms. Man and independent third parties | **1,043** | 749 |
| – Companies under control of Ms. Man | **108** | 49 |
| | **69,059** | 83,596 |

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| Rental expenses charged by: | | |
| – Companies under control of the spouse of Ms. Man | **–** | 8,830 |
| – Companies under significant influence of the spouse of Ms. Man | **–** | 4,897 |
| | **–** | 13,727 |

(All amounts in RMB thousands unless otherwise stated)

## 31 RELATED PARTY TRANSACTIONS (CONTINUED)

### (b) The following transactions are carried out with related parties: (Continued)

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| Short-term lease expenses and management fee | | |
| – Companies under control of the spouse of Ms. Man | **443** | – |
| – Companies under significant influence of the spouse of Ms. Man | **1,587** | – |
| | **2,030** | – |

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| Interest expenses for lease liabilities | | |
| – Companies under control of the spouse of Ms. Man | **442** | – |
| – Companies under significant influence of the spouse of Ms. Man | **1,103** | – |
| | **1,545** | – |

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| Payment of lease liabilities | | |
| – Companies under control of the spouse of Ms. Man | **5,227** | – |
| – Companies under significant influence of the spouse of Ms. Man | **3,998** | – |
| | **9,225** | – |

### (c) Key management compensation

Compensation for key management other than those for directors as disclosed in note 32 is set out below.

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| Salaries and other employee benefits | **3,817** | 2,923 |

(All amounts in RMB thousands unless otherwise stated)

## 31 RELATED PARTY TRANSACTIONS (CONTINUED)

### (d) Balances with related parties

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| Receivables from related parties: | | |
| Trade receivables (Note 20) (Note (i)) | | |
| – Companies under control of the spouse of Ms. Man | **18,623** | 9,498 |
| – Companies under significant influence of the spouse of Ms. Man | **6,399** | 11,672 |
| – A company under joint control of the spouse of Ms. Man and independent third parties | **503** | 88 |
| – Companies under control of Ms. Man | **6** | 7 |
| | **25,531** | 21,265 |
| Other receivables (Note 20) (Note (ii)) | | |
| – Companies under control of the spouse of Ms. Man | **3,569** | 3,244 |
| – Companies under significant influence of the spouse of Ms. Man | **1,245** | 725 |
| – Companies under control of Ms. Man | **45** | 67 |
| – A company under joint control of the spouse of Ms. Man and independent third parties | **–** | 80 |
| | **4,859** | 4,116 |
| Contract assets (Note 19) | | |
| – Companies under significant influence of the spouse of Ms. Man | **3,519** | 712 |
| – Companies under control of the spouse of Ms. Man | **1,740** | 26 |
| – A company under joint control of the spouse of Ms. Man and independent third parties | **5** | – |
| | **5,264** | 738 |
| Total receivables from related parties | **35,654** | 26,119 |

(All amounts in RMB thousands unless otherwise stated)

## 31 RELATED PARTY TRANSACTIONS (CONTINUED)

### (d) Balances with related parties (Continued)

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| Payables to related parties: | | |
| Trade payables (Note 26) (Note (i)) | | |
| – Companies under control of the spouse of Ms. Man | **7** | – |
| Other payables (Note 26) (Note (ii)) | | |
| – Companies under significant influence of the spouse of Ms. Man | **5,869** | 1,534 |
| – Companies under control of the spouse of Ms. Man | **3,628** | 3,639 |
| – A company under joint control of the spouse of Ms. Man and independent third parties | **26** | 14 |
| | **9,523** | 5,187 |
| Contract liabilities (Note 27) | | |
| – Companies under control of the spouse of Ms. Man | **2,253** | 1,809 |
| – Companies under significant influence of the spouse of Ms. Man | **1,321** | 535 |
| – A company under joint control of the spouse of Ms. Man and independent third parties | **19** | 136 |
| | **3,593** | 2,480 |
| Total payables to related parties | **13,123** | 7,667 |

**(i)** Trade receivables and payables with related parties are unsecured and interest-free. These balances are with credit period varying from one to three months.

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

(All amounts in RMB thousands unless otherwise stated)

## 32 BENEFITS AND INTERESTS OF DIRECTORS

During the year ended 31 December 2019, directors of the Company are as below:

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

*Executive directors*
Ms. Liang Yuhua (appointed on 6 January 2016)
Ms. Ho Suk Mee (appointed on 1 December 2018)

*Non-executive director*
Mr. Liu Xing (appointed on 6 January 2016)

*Independent non-executive directors*
Ms. Law Elizabeth (appointed on 21 October 2016)
Mr. Ho Cham (appointed on 21 October 2016)
Mr. Mak Ping Leung (alias Mr. MAK Wah Cheung) (appointed on 21 October 2016)

### (a) Directors' emoluments

*For the year ended 31 December 2019*

The directors' emoluments received from the Group for the year ended 31 December 2019 are as follows:

| | Year ended 31 December 2019 | | | |
|---|---|---|---|---|
| | Fee | Salary (Note (iii)) | Employer's contribution to a retirement benefit scheme | Total |
| *Chairman* | | | | |
| Ms. Man Lai Hung | 191 | – | 10 | 201 |
| *Executive directors* | | | | |
| Ms. Ho Suk Mee (Note (ii)) | 191 | 461 | 16 | 668 |
| Ms. Liang Yuhua | 191 | 487 | 53 | 731 |
| *Non-executive director* | | | | |
| Mr. Liu Xing | 191 | – | – | 191 |
| *Independent non-executive directors* | | | | |
| Ms. Law Elizabeth | 191 | – | – | 191 |
| Mr. Ho Cham | 191 | – | – | 191 |
| Mr. Mak Ping Leung | 191 | – | – | 191 |
| Total | 1,337 | 948 | 79 | 2,364 |

(All amounts in RMB thousands unless otherwise stated)

## 32 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

### (a) Directors' emoluments (Continued)

*For the year ended 31 December 2018*

The directors' emoluments received from the Group for the year ended 31 December 2018 are as follows:

| | Year ended 31 December 2018 | | | |
|---|---|---|---|---|
| | Fee | Salary (Note (iii)) | Employer's contribution to a retirement benefit scheme | Total |
| *Chairman* | | | | |
| Ms. Man Lai Hung | 177 | - | 9 | 186 |
| *Executive directors* | | | | |
| Mr. Sun Derek Wei Kong (Note (i)) | 131 | 375 | 12 | 518 |
| Mr. Leong Chew Kuan (Note (i)) | 163 | 324 | 14 | 501 |
| Ms. Ho Suk Mee (Note (ii)) | 15 | 37 | 1 | 53 |
| Ms. Liang Yuhua | 177 | 568 | 9 | 754 |
| *Non-executive director* | | | | |
| Mr. Liu Xing | 177 | - | - | 177 |
| *Independent non-executive directors* | | | | |
| Ms. Law Elizabeth | 177 | - | - | 177 |
| Mr. Ho Cham | 177 | - | - | 177 |
| Mr. Mak Ping Leung | 177 | - | - | 177 |
| Total | 1,371 | 1,304 | 45 | 2,720 |

Notes:

(i) In 2018, Mr. Sun Derek Wei Kong and Mr. Leong Chew Kuan resigned from their positions as directors. They were paid with remuneration in their director terms.

(ii) In 2018, Ms. Ho Suk Mee was appointed as executive director, and was paid with remuneration in her director terms.

(iii) Salary paid to a director is generally an emolument paid or receivable in respect of that person's services in connection with the management of the affairs of the Company or its subsidiary undertakings.

## 32 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

### (b) Directors' retirement benefits

During the year ended 31 December 2019, there were no additional retirement benefit received by the directors except for a retirement benefit scheme as disclosed in note (a) above (2018: same).

### (c) Directors' termination benefits

During the year ended 31 December 2019, there were no termination benefits received by the directors (2018: same).

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

During the year ended 31 December 2019, no consideration was paid to third parties for making available the services of the directors of the Company (2018: 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 2019, 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 (2018: 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 2019 (2018: same).

(g) During the year ended 31 December 2019, there was no amount paid or payable by the Company to the directors or any of the five highest paid individuals set out in the note 7(b) above as an inducement to join or upon joining the Group or as compensation for loss of office (2018: same).

(All amounts in RMB thousands unless otherwise stated)

## 33 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

### Statement of financial position of the Company

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| **Assets** | | |
| **Non-current assets** | | |
| Property, plant and equipment | **14** | 18 |
| Right-of-use assets | **13** | – |
| Investment properties | **58** | – |
| Deferred income tax assets | **2** | – |
| Investments in subsidiaries | **105,190** | 105,190 |
| Trade and other receivables | **320** | – |
| | **105,597** | 105,208 |
| **Current assets** | | |
| Trade and other receivables | **73,381** | 54,955 |
| Cash and cash equivalents | **106,024** | 82,389 |
| | **179,405** | 137,344 |
| **Total assets** | **285,002** | 242,552 |
| **Equity and liabilities** | | |
| **Equity attributable to owners of the Company** | | |
| Share capital (Note 23) | **8,872** | 8,872 |
| Share premium (Note 23) | **179,118** | 179,118 |
| Other reserves (Note (a)) | **502** | 502 |
| Retained earnings (Note (a)) | **79,491** | 33,778 |
| **Total equity** | **267,983** | 222,270 |
| **Liabilities** | | |
| **Non-current liabilities** | | |
| Deferred income tax liabilities | **22** | – |
| **Current liabilities** | | |
| Other payables | **16,722** | 20,282 |
| Lease liabilities | **275** | – |
| | **16,997** | 20,282 |
| **Total liabilities** | **17,019** | 20,282 |
| **Total equity and liabilities** | **285,002** | 242,552 |

The statement of financial position of the Company was approved by the Board of Directors on 27 March 2020 and was signed on its behalf:

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

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

(All amounts in RMB thousands unless otherwise stated)

# 33 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

## Statement of financial position of the Company (Continued)

Note (a) Other reserve movement of the Company

| | (Accumulated losses)/ retained earnings | Other reserves |
|---|---|---|
| **As at 1 January 2018** | (52,691) | 1,602 |
| Profit for the year | 86,469 | – |
| Employees' Share Option Scheme (Note 24(c)) | – | (1,100) |
| **As at 1 January 2019** | 33,778 | 502 |
| Profit for the year | 65,282 | – |
| Dividends declared to shareholders of the Company | (19,569) | – |
| **At 31 December 2019** | 79,491 | 502 |

# 34 EVENTS AFTER THE REPORTING PERIOD

## (a) Investments in unallocated silver bullion

On 25 February, 26 February, 27 February and 28 February 2020, the Group utilising its internal resources, purchased a total of 650,000 ounces of unallocated silver bullion through Standard Chartered Bank (Hong Kong) Ltd., a licensed bank in Hong Kong, with the total consideration of approximately RMB82.7 million.

## (b) Disclosure of COVID-19 virus impact

After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date on which this set of financial statements were authorised for issue, the Group was not aware of any material adverse effects on the financial statements as a result of the COVID-19 outbreak.

# FINANCIAL SUMMARY

| | For the year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2019** | 2018 | 2017 | 2016 (Restated) | 2015 |
| | **RMB'000** | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Continuing operations** | | | | | |
| **Revenue from contracts with customers** | **396,554** | 341,627 | 365,387 | 327,196 | 261,112 |
| **Gross profit** | **176,229** | 166,218 | 151,600 | 129,451 | 100,458 |
| **Operating profit** | **130,170** | 102,148 | 84,216 | 47,461 | 56,344 |
| **Profit before income tax** | **129,678** | 103,315 | 84,819 | 47,834 | 56,786 |
| **Profit from continuing operations** | **95,212** | 72,436 | 57,388 | 27,831 | 40,094 |
| **Profit from discontinued operations** | **598** | 244 | – | – | – |
| **Profit for the year** | **95,810** | 72,680 | 57,388 | 27,831 | 40,094 |
| **Profit attributable to:** | | | | | |
| Owners of the Company | **95,810** | 72,680 | 56,325 | 25,024 | 34,847 |
| Non-controlling interests | **–** | – | 1,063 | 2,807 | 5,247 |

## ASSETS AND LIABILITIES

| | As at 31 December | | | | |
|---|---|---|---|---|---|
| | **2019** | 2018 | 2017 | 2016 (Restated) | 2015 |
| | **RMB'000** | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Total assets | **566,036** | 442,201 | 356,177 | 317,300 | 167,932 |
| Total liabilities | **167,644** | 120,050 | 100,161 | 89,278 | 68,956 |
| | **398,392** | 322,151 | 256,016 | 228,022 | 98,976 |
| Equity attributable to owners of the Company | **398,392** | 322,151 | 256,016 | 221,641 | 95,402 |
| Non-controlling interests | **–** | – | – | 6,381 | 3,574 |
| | **398,392** | 322,151 | 256,016 | 228,022 | 98,976 |