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

2022
ANNUAL REPORT


CLIFFORD SUPERMARKET
FRUIT
水果


祈福物业管理
PROPERTY


祈福教育城
CLIFFORD
CITY

CONTENTS

Throughout this annual report, the English translations of the official Chinese names marked with "*" are 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. HO Suk Mee
Mr. LIU Xing

Non-executive Director
Ms. LIANG Yuhua

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

Audit committee
Ms. LAW Elizabeth *(Chairman)*
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

Environmental, social and governance committee
Ms. MAN Lai Hung *(Chairman)*
Ms. LAW Elizabeth
Mr. MAK Ping Leung (alias Mr. MAK Wah Cheung)
Ms. HO Suk Mee
Mr. LAU Kwok Chin

Company secretary
Mr. LAU Chun Pong *(Chief Financial Officer)*

Authorised representatives
Ms. MAN Lai Hung
Mr. LAU Chun Pong

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

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
17/F, Far East Finance Centre
16 Harcourt Road
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
Moore Stephens CPA Limited
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		Percentage change
	2022	2021	
	RMB'000	RMB'000	
Revenue from contracts with customers	**382,882**	430,836	-11.1%
Gross profit	**177,838**	189,190	-6.0%
Profit before taxation	**133,427**	111,446	19.7%
Profit for the year	**95,140**	81,124	17.3%
Gross profit margin (%)	**46.4%**	43.9%	5.7%
Net profit margin (%)	**24.8%**	18.8%	31.9%
Earnings per share for profit attributable to the owners of the Company (expressed in RMB per share):			
– Basic and diluted earnings per share	**0.094**	0.080	17.5%
Proposed final dividend per ordinary share	**HK2.50 cents**	HK2.20 cents	13.6%

CHAIRMAN'S STATEMENT

MAN Lai Hung

Chairman,
Chief Executive Officer and
Executive Director

Despite the extraordinary volatility and challenges in 2022, our businesses showed remarkable strength and resilience, enabling us to achieve promising results during the year.

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 2022.

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 offers catering services, property agency services, employment placement services and laundry services, collectively "**Ancillary Living Services**").

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2022, the Group achieved revenue of approximately RMB382.9 million, representing a year-on-year decrease of 11.1%. Profit during the year under review increased to approximately RMB95.1 million, representing a year-on-year increase of approximately RMB14.0 million or 17.3%.

During the year under review, gross profit margin from continuing operations increased from 43.9% to 46.4%. Net profit margin from continuing operations increased from 18.8% to 24.8%, representing a year-on-year increase of about 31.9%.

PROPOSED FINAL DIVIDEND

Based on the financial performance in 2022, the Board recommended the payment of a final dividend of HK2.50 cents per ordinary share for the year ended 31 December 2022 (2021: final dividend of HK2.20 cents per ordinary share).

BUSINESS HIGHLIGHTS

2022 was a challenging year, with regional outbreaks of 2019 Coronavirus Disease ("**COVID-19**") in October and November 2022 which led to stringent prevention measures, and the widespread infections nationwide during the fourth quarter. I am incredibly grateful to our staff and management team for their agility and tenacity to cope with the extraordinary challenges. Our management team took decisive actions to sustain operations, manage cost and drive operational efficiencies, and our business performance remained solid during the year.

During the year under review, most of our service segments were negatively impacted by COVID-19. Nevertheless, service segments including property management services, retail services and Ancillary Living Services recorded a steady increase in revenue.

Our expansion in scope of services, business partners and property management service contracts has laid a solid foundation for the future growth.

Expansion in retail services

The Group operated 16 convenience stores as at 31 December 2022 as compared to 15 convenience stores as at 31 December 2021. Accordingly, revenue from retail services increased by 1.4%, from approximately RMB138.3 million for the year ended 31 December 2021 to approximately RMB140.3 million for the year ended 31 December 2022.

Investments in unallocated silver bullion

Taking into account the uncertainty of the current global economy, the Group purchased a total of 800,000 ounces of unallocated silver bullion through a licensed bank during the year ended 31 December 2020, with the aggregate cost of the investment amounted to approximately RMB102.5 million. On 22 February 2022, 3 March 2022 and 7 March 2022, the Group disposed of 200,000 ounces, 100,000 ounces and 200,000 ounces of unallocated silver bullion with gross proceeds (excluding transaction cost) of approximately RMB30,371,000, RMB15,838,000 and RMB32,842,000 respectively. As at 31 December 2022, the fair value of the investment in unallocated silver bullion amounted to approximately RMB50.1 million. The fair value gains on investment in unallocated silver bullion amounted to approximately RMB12.1 million for the year ended 31 December 2022 (losses for the year ended 31 December 2021: RMB21.2 million). The investment in unallocated silver bullion is considered as the diversification of the Group's asset structure.

OUTLOOK FOR 2023

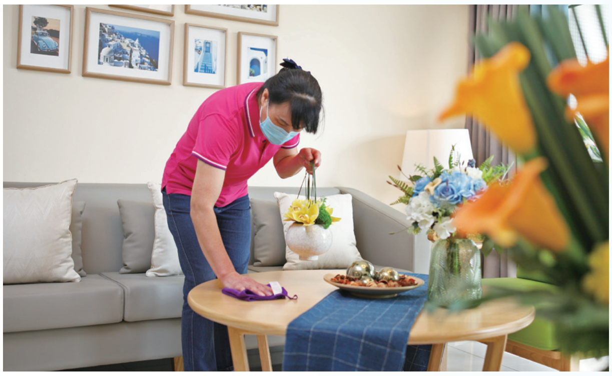
Looking forward, as the People's Republic of China (the "**PRC Mainland**") has relaxed the prevention restrictions in relation to COVID-19, the economy is expected to recover gradually. Nonetheless, the global economy is still facing unprecedented challenges, including geopolitical risks and high inflation rate. The Board is confident that the economy of the PRC Mainland can maintain a steady growth amid global uncertainty in 2023. Notwithstanding the solid performance in 2022, 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 business development strategy and focus on the continuous development and expansion of our businesses. With the steady development of our diversified service portfolio, this serves as a new momentum for the Group's future business development.

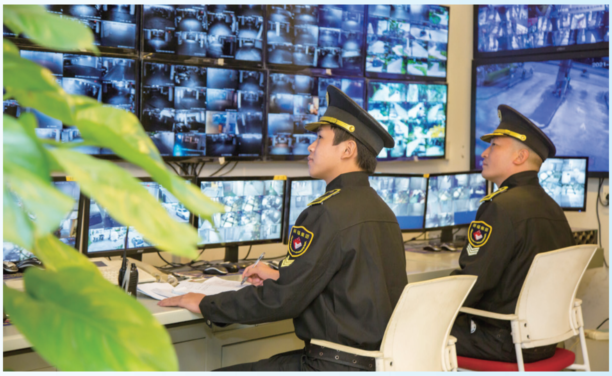
ACKNOWLEDGEMENTS

On behalf of the Board, I would like to extend my sincere gratitude to the shareholders and business partners of the Company 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 services to the residents and customers, and create value for shareholders.

MAN Lai Hung
Chairman, Chief Executive Officer and Executive Director
Hong Kong, 31 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS





MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

1. Property Management Services

The Group provided property management services to 16 (as at 31 December 2021: 16) residential communities and 5 (as at 31 December 2021: 5) pure commercial properties or projects with an aggregate contracted gross floor area ("**GFA**") of approximately 9,859,000 sq.m. as at 31 December 2022 (as at 31 December 2021: 9,647,000 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			
	2022		2021	
	Approximate total contracted GFA ('000 sq.m.)	**Number of communities**	Approximate total contracted GFA ('000 sq.m.)	Number of communities
Residential communities				
Panyu district	**4,658**	**6**	4,405	5
Huadu district	**1,208**	**7**	1,263	8
Zhaoqing city	**346**	**1**	346	1
Foshan city	**857**	**2**	846	2
Subtotal	**7,069**	**16**	6,860	16
Pure commercial properties/projects				
Huadu district	**2,659**	**3**	2,659	3
Panyu district	**131**	**2**	128	2
Subtotal	**2,790**	**5**	2,787	5
Total	**9,859**	**21**	9,647	21

2. Renovation and Fitting-out Services

The Group provides renovation and fitting-out services mainly 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 19 retail outlets (two supermarkets, one wet market and 16 convenience stores) of different sizes covering a total GFA of approximately 13,414 sq.m. as at 31 December 2022 (as at 31 December 2021: 18 retail outlets covering a total GFA of approximately 13,151 sq.m.).

The following table sets out the average daily revenue by type of retail outlets in operation during the years ended 31 December 2022 and 2021 respectively:

	For the year ended 31 December	
	2022 (RMB'000)	2021 (RMB'000)
Average daily revenue by type of retail outlet (Note)		
Supermarket	**230.8**	232.4
Wet market	**37.0**	34.9
Convenience store	**121.8**	116.9

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

4. Off-campus Training Services

The Group had four learning centres in Panyu district as at 31 December 2022 (as at 31 December 2021: four learning centres). Training programmes mainly include interest classes and language 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 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

The Group provides catering services and receives a fixed consultancy service fee on a monthly basis as well as providing catering services to schools.

Property agency services

The property agency industry is linked with 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 service quality of relevant household helpers and dispatched workers.

Laundry services

The Group provides safe and quality services by providing continuous training to its staff.

PROSPECTS AND FUTURE PLANS

Property Management

Further increase in the total contracted GFA and the number of residential and pure commercial units managed by the Group

The Group plans to further expand its business and increase the market share in the industry by expanding the total contracted GFA and the number of residential communities and pure commercial properties managed by the Group.

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

Further expand the property management network through engagements in integrated projects

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

Accelerate business growth through acquisitions of property management companies

The Group intends to accelerate the growth of the property management business by acquiring suitable property management companies to achieve the business strategies of standardisation and centralisation.

Develop online marketing and build online distribution channels

The Group intends to promote various services by reaching customers through different online channels including websites and apps on smartphones. The Group has upgraded the sales and accounting systems so as to enhance the data collection process, which in turn enables the customer service team to respond more quickly to customers' needs.

Further explore new investment opportunities

Notwithstanding the solid performance in 2022, the Group will remain prudent in monitoring its expenditures, look for new investment opportunities to cope with the existing market environment and constantly review our business strategies.

FINANCIAL REVIEW

Revenue

	For the year ended 31 December		Variance		Percentage of total revenue	
	2022	2021			**2022**	2021
	RMB'000	RMB'000	RMB'000	%	**%**	%
Property management services	**82,947**	76,532	6,415	8.4	**21.7**	17.8
Renovation and fitting-out services	**167**	6,504	(6,337)	-97.4	**0.0**	1.5
Retail services	**140,300**	138,299	2,001	1.4	**36.6**	32.1
Off-campus training services	**30,129**	39,239	(9,110)	-23.2	**7.9**	9.1
Information technology services	**39,553**	82,902	(43,349)	-52.3	**10.3**	19.2
Ancillary Living Services	**89,786**	87,360	2,426	2.8	**23.5**	20.3
Total	**382,882**	430,836	(47,954)	-11.1	**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 2022, the total revenue was approximately RMB382.9 million, representing a decrease of approximately RMB48.0 million or approximately 11.1% as compared to that of approximately RMB430.8 million in the previous year.

Property management services

	For the year ended 31 December		Variance	
	2022	2021		
	RMB'000	RMB'000	RMB'000	%
Residential property management services	**35,592**	35,417	175	0.5
Commercial property management services	**25,204**	24,774	430	1.7
Resident support services	**22,151**	16,341	5,810	35.6
Household helper services	**17,974**	14,967	3,007	20.1
Household repairs and maintenance services	**4,177**	1,374	2,803	204.0
Total	**82,947**	76,532	6,415	8.4

During the year ended 31 December 2022, the increase in revenue generated from property management services was approximately RMB6.4 million, or approximately 8.4%, of which the increase in revenue generated from commercial property management services was approximately RMB0.4 million or approximately 1.7%, the increase in revenue generated from resident property management services was approximately RMB0.2 million or approximately 0.5% and the increase in revenue generated from resident support services was approximately RMB5.8 million or approximately 35.6%. 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	
	2022	2021		
	RMB'000	RMB'000	RMB'000	%
Total	**167**	6,504	(6,337)	-97.4

During the year ended 31 December 2022, the decrease in revenue generated from renovation and fitting-out services was approximately RMB6.3 million, or approximately 97.4%. The decrease was mainly due to the decrease in demand for the renovation and fitting-out services during COVID-19.

Retail services

	For the year ended 31 December		Variance	
	2022	2021		
	RMB'000	RMB'000	RMB'000	%
Revenue by type of retail outlet				
Supermarket	**83,102**	83,653	(551)	-0.7
Wet market	**13,337**	12,560	777	6.2
Convenience store	**43,861**	42,086	1,775	4.2
Total	**140,300**	138,299	2,001	1.4

During the year ended 31 December 2022, revenue generated from retail services increased by approximately RMB2.0 million, or about 1.4% to RMB140.3 million, of which the decrease in revenue generated from supermarkets was approximately RMB0.6 million or approximately 0.7%, the increase in revenue generated from convenience stores was approximately RMB1.8 million or approximately 4.2% and the increase in revenue generated from wet market was approximately RMB0.8 million or approximately 6.2%. The increase in revenue generated from retail services was in line with the increase in number of retail outlets during the year ended 31 December 2022.

Off-campus training services

	For the year ended 31 December		Variance	
	2022	2021		
	RMB'000	RMB'000	RMB'000	%
Off-campus training services revenue by category				
Training programmes	**–**	2,637	(2,637)	-100.0
Interest classes	**30,129**	36,602	(6,473)	-17.7
Total	**30,129**	39,239	(9,110)	-23.2

During the year ended 31 December 2022, the decrease in revenue generated from off-campus training services was approximately RMB9.1 million, or approximately 23.2%. The decrease was mainly due to: (1) the fact that the Group has stopped offering academic classes to mitigate the impact of the Regulations for the Implementation of the Private Education Promotion Law of the People's Republic of China《中華人民共和國民辦教育促進法實施條例》which came into effect on 1 September 2021, and (2) the decrease in demand caused by COVID-19 outbreaks during the second half of the year.

Information technology services

	For the year ended 31 December		Variance	
	2022	2021		
	RMB'000	RMB'000	RMB'000	%
Information technology services revenue by category				
Engineering	**31,955**	69,835	(37,880)	-54.2
Telecommunication	**7,598**	13,067	(5,469)	-41.9
Total	**39,553**	82,902	(43,349)	-52.3

During the year ended 31 December 2022, the decrease in revenue generated from information technology services was approximately RMB43.3 million, or approximately 52.3%, of which the decrease in revenue generated from engineering services was approximately RMB37.9 million or approximately 54.2%. The decrease in revenue generated from telecommunication services was approximately RMB5.5 million or approximately 41.9%. As the Group has strengthened its credit control over its trade debtors in response to the delay in settlement of trade and other receivables from certain information technology services customers, it has led to the decrease in revenue generated from information technology services.

Ancillary Living Services

	For the year ended 31 December		Variance	
	2022	2021		
	RMB'000	RMB'000	RMB'000	%
Ancillary Living Services revenue by category				
Catering services	**48,332**	50,884	(2,552)	-5.0
Property agency services	**26,142**	17,016	9,126	53.6
Employment placement services	**12,135**	10,595	1,540	14.5
Laundry services	**3,177**	8,865	(5,688)	-64.2
Total	**89,786**	87,360	2,426	2.8

During the year ended 31 December 2022, the increase in revenue generated from Ancillary Living Services was approximately RMB2.4 million, or approximately 2.8%, of which the increase in revenue generated from property agency services was approximately RMB9.1 million or approximately 53.6%. The increase in revenue generated from property agency services was mainly due to the increase in commission income received from sales of new residential units during the year.

Gross profit and gross profit margin

Gross profit decreased from approximately RMB189.2 million for the year ended 31 December 2021 to approximately RMB177.8 million for the year ended 31 December 2022, representing a decrease of approximately RMB11.4 million or approximately 6.0%. Meanwhile, the Group's gross profit margin increased from approximately 43.9% for the year ended 31 December 2021 to approximately 46.4% for the year ended 31 December 2022. The decrease in gross profit was in line with the decrease in revenue during the year.

Other income and gains/(losses), net

Other income and gains, net value amounted to approximately RMB31.7 million for the year ended 31 December 2022 as compared to the other income and losses, net value amounted to RMB12.9 million for the year ended 31 December 2021. The gains was mainly due to (1) the fair value gain on investment in unallocated silver bullion of approximately RMB12.1 million recorded during the year ended 31 December 2022 (year ended 31 December 2021: fair value loss of RMB21.2 million) and (2) the gain on foreign exchanges, net of RMB9.3 million recorded during the year ended 31 December 2022 (year ended 31 December 2021: RMB0.4 million).

Selling and marketing expenses

Selling and marketing expenses primarily consisted of employee benefit expenses for selling and marketing staff, depreciation and amortisation charges, short term lease expenses and management fees and utility expenses. Selling and marketing expenses increased from approximately RMB32.5 million for the year ended 31 December 2021 to approximately RMB33.9 million for the year ended 31 December 2022, representing an increase of approximately RMB1.4 million or approximately 4.3%. As substantial part of selling and marketing expenses was incurred from our retail services, the increase in selling and marketing expenses was in line with the increase in revenue from our retail services.

Administrative expenses

Administrative expenses principally comprised employee benefit expenses, professional fees and office related expenses for administrative departments. Administrative expenses decreased from RMB30.2 million for the year ended 31 December 2021 to RMB26.0 million for the year ended 31 December 2022, representing a decrease of 13.9%. The decrease was mainly due to the fact that the Group has strengthened its cost control during the year.

Finance costs

Finance costs amounted to approximately RMB2.7 million and approximately RMB2.2 million for the years ended 31 December 2022 and 2021 respectively, representing the interest expenses on lease liabilities.

Income tax expenses

The weighted average applicable tax rate was 28.7% and 27.8% for the years ended 31 December 2022 and 2021 respectively. The increase in weighted average applicable tax rate for the year ended 31 December 2022 was mainly due to the withholding tax in PRC Mainland during this year.

Profit for the year

For the year ended 31 December 2022, as a result of the cumulative effect of the above factors, the Group's net profit for the year was RMB95.1 million and its net profit margin was 24.8%.

Property, plant and equipment

Property, plant and equipment mainly consisted of the machinery, vehicles, office equipment and leasehold improvements. As at 31 December 2022 and 2021, the net book values of property, plant and equipment of the Group were RMB9.6 million and RMB14.3 million respectively.

Investment properties

Investment properties amounted to RMB19.6 million as at 31 December 2022, 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.

Investments in unallocated silver bullion

The Group, utilizing its internal resources, purchased a total of 800,000 ounces of unallocated silver bullion through Standard Chartered Bank (Hong Kong) Limited, a licensed bank in Hong Kong, during the year ended 31 December 2020 with the total consideration of approximately RMB102.5 million. On 22 February, 3 March and 7 March 2022 (up to 4:30 p.m.), the Group disposed of a total of 200,000, 100,000 and 200,000 ounces of unallocated silver bullion respectively through Standard Chartered Bank (Hong Kong) Limited, with gross proceeds (excluding transaction cost) of approximately RMB30,371,000, RMB15,838,000 and RMB32,842,000 respectively. As at 31 December 2022, the remaining unallocated silver bullion held by the Group was 300,000 ounces with estimated fair value of approximately RMB50.1 million, the Group recorded a gain in fair value of approximately RMB12.1 million during the year ended 31 December 2022 (for the year ended 31 December 2021: loss in fair value of approximately RMB21.2 million). For further details, please refer to the announcements of the Company dated 26 February 2020, 28 February 2020, 22 February 2022, 7 March 2022 and 9 March 2022 respectively.

Inventories

As at 31 December 2022, inventories mainly consisted of merchandise goods for retail services and raw materials for information technology services. Inventories decreased from RMB18.2 million as at 31 December 2021 to approximately RMB17.3 million as at 31 December 2022.

Inventory turnover days was 31 days and 28 days during the years ended 31 December 2022 and 2021 respectively.

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 information technology services, receivables of outstanding property management fee charged on commission basis and receivables of concession services under retail services. Trade receivables decreased by approximately 44.3% from approximately RMB91.9 million as at 31 December 2021 to approximately RMB51.1 million as at 31 December 2022. The decrease was mainly due to (1) the Group has strengthened its credit control over the trade debtors and (2) increase in allowance for impairment of trade receivable.

Other receivables

Other receivables mainly comprised rental deposits and deposits paid to suppliers. Other receivables increased by 13.6% from RMB17.6 million as at 31 December 2021 to RMB20.0 million as at 31 December 2022.

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 2022, amounts placed in the Residents' Accounts of RMB0.8 million represented the balances of the property management commission fee and resident support services fee entitled by the property management companies (31 December 2021: RMB1.2 million).

Prepayments

Prepayments are mainly related to prepayments made to sub-contractors. Prepayments decreased by 26.5% from RMB6.8 million as at 31 December 2021 to RMB5.0 million as at 31 December 2022.

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 decreased by 15.3% from RMB55.7 million as at 31 December 2021 to RMB47.2 million as at 31 December 2022. The decrease was mainly due to the decrease in procurement of supplies for information technology services.

Other payables

Other payables primarily comprised amounts due to third parties, which mainly include deposits received from tenants in the retail business and amounted to RMB25.3 million and RMB26.7 million as at 31 December 2022 and 2021 respectively.

Accrued payroll

Accrued payroll remained stable at RMB7.9 million as at 31 December 2022 as compared to RMB8.5 million as at 31 December 2021.

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 2022, the Group mainly financed its cash requirements through cash generated from operating activities.

As at 31 December 2022, the Group's material sources of liquidity were cash and cash equivalents of RMB567.2 million (as at 31 December 2021: RMB351.9 million), with main currencies being Renminbi and Hong Kong dollars. During the year ended 31 December 2022, the Group has not obtained any loans or borrowing (as at 31 December 2021: nil).

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 2022 and 31 December 2021.

PLEDGE OF ASSETS

The Group had no pledged assets as at 31 December 2022 (31 December 2021: nil).

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2022 (31 December 2021: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, excluding labour costs borne by the property owners of the residential communities that we managed on commission basis, the Group had 630 employees (31 December 2021: 664 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 allowed 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.

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

Save for those disclosed in paragraphs headed "Investments in unallocated silver bullion" in this report, the Group had no significant investments held, material acquisitions and disposals of subsidiaries or associated companies during the year ended 31 December 2022.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in the following paragraph, the Group had no other significant events after 31 December 2022 and up to the date of this annual report.

On 24 March 2023, 29 March 2023 and 30 March 2023, the Group placed term deposits with a principal amount of RMB30,000,000, RMB20,000,000 and RMB30,000,000, respectively in two licensed banks in the PRC Mainland. The term deposits are denominated in RMB, which will be matured in 3 years and are interest-bearing at the rate of 3.1% per annum.

DIRECTORS' PROFILE

DIRECTORS

Chairman and Executive Directors

Ms. MAN Lai Hung (孟麗紅), aged 63, has been the chairman of the Group and a Director of the Company since January 2016. Ms. Man was appointed as a chairman of the nomination committee ("**Nomination Committee**") and a member of the remuneration committee ("**Remuneration Committee**") of the Board 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 was appointed as the chairman of the Environmental, Social and Governance Committee ("**ESG Committee**") of the Board on 9 June 2022. 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 fourteenth National Committee of the Chinese People's Political Consultative Conference* (中國人民政治協商會議第十四屆全國政協委員會) in January 2023. 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 Eleventh 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 Sixteenth 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, the honorary chairman of Baise City Education Fund* (百色市教育基金會), the Co-Founder of Hong Kong Coalition (香港再出發大聯盟), a member of The Hong Kong Chinese Importers' & Exporters' Association (香港中華出入口商會), the vice president (advisory council) in the year of 2021–2023 of The Hong Kong Real Property Federation (香港房地產協會), the honorary consultant of Hong Kong CPPCC Youth Association (香港政協青年聯會) and the honorary chairman of the First Executive Committee of the Hong Kong Federation of Guangzhou Women Association (香港廣州婦聯總會). 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, was granted the sixteen batch honorary citizen of Guangzhou in November 2018 and was awarded "Greater Bay Area Outstanding Woman Entrepreneur Awards 2018" in December 2018. She received the honorary title of The National March 8th Red-banner Holder in anti-COVID-19 measure* (抗擊新冠肺炎疫情全國三八紅旗手) in September 2020 and was awarded the Outstanding Businesswomen Award 2021 organised by Hong Kong Commercial Daily in December 2021.

Ms. HO Suk Mee (何淑媚), aged 55, 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 appointed as a member of the ESG Committee on 9 June 2022.

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 has become a marketing manager managing the overall marketing matters since 2000. Ms. Ho was promoted to marketing director in 2006.

Mr. LIU Xing (劉興), aged 59, was re-designated as an executive Director and has ceased to be a member of the Audit Committee ("**Audit Committee**") of the Board with effect from 1 January 2021. He joined the Group in 2016. 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, providing legal advice in relation to business negotiations and drafting of contracts and other relevant legal documents.

Non-executive Director

Ms. LIANG Yuhua (梁玉華), aged 58, is a non-executive Director. 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, 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 was the Chief Operating Officer of the Group from April 2012 to 31 December 2020, responsible for overseeing the overall business operation and management. Ms. Liang was appointed as an executive Director in 2016 and was re-designated as a non-executive Director since January 2021.

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.

Independent Non-executive Directors

Ms. LAW Elizabeth (羅君美), MH JP, aged 68, is an independent non-executive Director, chairwoman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee.

Ms. Law was appointed as a member of the ESG Committee on 9 June 2022. She was appointed as an independent non-executive Director since 2016. Ms. Law graduated from McGill University in Canada with a degree of Bachelor of Commerce (majoring in Accounting) in May 1976. Ms. Law became a chartered accountant in Canada in June 1979, 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 the HKICPA since December 1991, a fellow member of The Taxation Institute of Hong Kong since April 2003 and a chartered professional 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 Taxation Committee. She was the Founding President of the Association of Women Accountants (Hong Kong) Ltd. and has been appointed as its honorary 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), Onewo Inc. (萬物雲空間科技服務股份有限公司) (listed on the Stock Exchange with stock code: 2602) and Starlite Holdings Limited (星光集團有限公司) (listed on the Stock Exchange with stock code: 403).

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 and Sunwah International Limited (listed on Toronto Stock Exchange with stock code: SWH) until 30 June 2021.

Mr. HO Cham (何湛), aged 65, is an independent non-executive Director, a member of the Audit Committee and the Nomination Committee. He was appointed as an independent non-executive Director since 2016. Mr. Ho was awarded a degree of Bachelor of Laws and the Postgraduate Certificate in Laws by the University of Hong Kong in November 1980 and July 1981 respectively. Mr. Ho was admitted as a solicitor of the 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 73, is an independent non-executive Director, chairman of the Remuneration Committee and a member of the Audit Committee. He was appointed as an independent non-executive Director since 2016.

Mr. Mak was appointed as a member of the ESG Committee on 9 June 2022. Mr. Mak obtained a degree in Bachelor of Arts from the University of Hong Kong in November 1973.

Mr. Mak was 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 from 29 April 2005 until 1 May 2020. He is also a founder of HKET. 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 was an honorary 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 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). Mr. Mak was an executive director of HKET (香港經濟日報集團有限公司) (listed on the Stock Exchange with stock code: 423) from 29 April 2005 until 1 May 2020 and an independent non-executive director of Zhong Ji Longevity Science Group Limited (中基長壽科學集團有限公司) (formerly known as Asia Pacific Silk Road Investment Company Limited 亞太絲路投資有限公司) (listed on the Stock Exchange with stock code: 767) form 31 December 2020 until 1 May 2021.

SENIOR MANAGEMENT'S PROFILE

SENIOR MANAGEMENT AND COMPANY SECRETARY

Mr. CAO Jun (曹軍), aged 47, 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 56, 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 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 49, 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 2022.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 29 to the consolidated financial statements.

RESULTS AND BUSINESS REVIEW

The results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of profit or loss and other comprehensive income on page 66 of this report.

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 2022 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, and "Management Discussion and Analysis" on pages 8 to 20 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 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 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 Retail Services

- We may not be able to maintain the balance between the amount of products supplied to satisfy customers and inventory control

(iv) Risks relating to 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 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 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 will be provided in the "Environmental, Social and Governance Report" which will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.cliffordmodernliving.com) and a printed copy of the same will be despatched to the shareholders of the Company (the "**Shareholder(s)**") upon request.

DIVIDENDS DISTRIBUTION

The Board recommended the payment of a final dividend of HK2.50 cents (2021: final dividend HK2.20 cents) per ordinary share in respect of the year ended 31 December 2022, making the total dividend payment of approximately HK$25.4 million (equivalent to approximately RMB21.8 million), subject to the approval by the Shareholders at the annual general meeting (the "**AGM**") to be held on Tuesday, 27 June 2023. The final dividend will be paid in cash on Friday, 28 July 2023 to Shareholders whose names appeared on the register of members of the Company on Wednesday, 5 July 2023.

ANNUAL GENERAL MEETING

The AGM of the Company is currently planned to be held on Tuesday, 27 June 2023. 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 Tuesday, 27 June 2023) be closed from Tuesday, 20 June 2023 to Tuesday, 27 June 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Monday, 19 June 2023.

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 Tuesday, 4 July 2023 to Wednesday, 5 July 2023 (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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Monday, 3 July 2023.

SHARE CAPITAL

Details of change during the year ended 31 December 2022 in the share capital of the Company are set out in note 26 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 2022 are set out in note 14 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

Movements in reserves of the Group during the year ended 31 December 2022 are set out on in the consolidated statement of changes in equity and note 34 to the consolidated financial statements respectively.

Reserves available for distribution to the Shareholders consisted of share premium and retained earnings. Under the Companies Act (As Revised) of the Cayman Islands and subject to compliance with the articles of association of the Company ("**Articles 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 2022, the Company's reserve available for distribution to equity holders amounted to approximately RMB353.6 million.

DIRECTORS

The Directors during the year ended 31 December 2022 and up to the date of this report were:

Executive Directors:

Ms. MAN Lai Hung *(Chairman and Chief Executive Officer)*
Ms. HO Suk Mee
Mr. LIU Xing

Non-executive Director:

Ms. LIANG Yuhua

Independent Non-executive Directors:

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

Pursuant to Articles 107(A) and (B) of the Articles of Association, Ms. LIANG Yuhua, Ms. HO Suk Mee and Mr. HO Cham 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 and Ms. HO Suk Mee have entered into service contracts as an executive Director with the Company for an initial fixed term of three years effective from 1 October 2021 and 1 December 2021 respectively, and Mr. LIU Xing has entered into a service contract as an executive Director with the Company for an initial fixed term of three years effective from 1 November 2022, which may be terminated in accordance with the terms of the service contracts, 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.

Each of the independent non-executive Directors has signed a letter of appointment with the Company for a term of three years commenced from 1 November 2022. Pursuant to the letters of appointment, the 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 or appointment letter 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 2022, 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	72.44%
Ms. MAN Lai Hung	Beneficial owner	5,000,000	0.49%
Mr. HO Cham	Interest of spouse	280,000	0.03%

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) All the shares are held in long position.

Save as disclosed above, as at 31 December 2022, 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 2022, 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	72.44%
Mr. PANG Lun Kee Clifford[1]	Interest of spouse	740,840,000	72.94%

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 2022, 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 adopted 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**") in October 2016, 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 and to encourage continuing development of the eligible employees with a view to promoting the long-term stability and interest of the Group. All of the share options granted under the Pre-IPO Share Option Scheme were expired on 9 May 2022. Under the Pre-IPO Share Option Scheme, no further options can be granted thereunder, and as such, there were no outstanding share options under the Pre-IPO Share Option Scheme as at 31 December 2022. Under the amended Chapter 17 of the Listing Rules, which has come into effect on 1 January 2023, the Company will rely on the transitional arrangements provided for the existing share schemes and will only grant share options in compliance with the amended Chapter 17 of the Listing Rules (to the extent applicable). The following is a summary of the principal terms of the Schemes.

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' separate 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. The vesting period of the share options granted is also determinable by the Directors.

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 2022 were as follows:

Name of category of participant	Balance as at 1 January 2022	Exercised during the year	Lapsed during the year	Balance as at 31 December 2022	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	425,000	–	(425,000)	–	21 October 2016	9 May 2017 to 8 May 2022	0.414	N/A
Total	5,425,000	–	(5,425,000)	–				

(A) Pre-IPO Share Option Scheme

Pursuant to the Pre-IPO Share Option Scheme, the Company 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). All of the share options granted under the Pre-IPO Share Option Scheme were expired on 9 May 2022. No options were exercised and 5,425,000 options were lapsed during the year ended 31 December 2022. As at the date of this report, the Company had no outstanding share options under the Pre-IPO Share Option Scheme.

Further details of the Pre-IPO Share Option Scheme are set out in note 27 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 2022.

BORROWINGS

As at 31 December 2022, 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 2022.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

Save as disclosed under the paragraph headed "Connected Transactions" on pages 34 to 37 of this annual report, no Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which any of the members of the Group 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 2022.

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 2022, the aggregate revenue attributable to the largest customer and the five largest customers of the Group accounted for approximately 8.1% and 21.2% of the Group's total sales in the year respectively.

Guangzhou Clifford Hospital Company Limited* (廣東祈福醫院有限公司) (member of the WM Healthcare Group) 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) (member of the Private Group), which were two of the Group's five largest customers for the year ended 31 December 2022. 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 2022.

During the year ended 31 December 2022, the aggregate purchases attributable to the largest supplier and the five largest suppliers of the Group accounted for approximately 17.2% and 24.0% of the Group's total purchases respectively.

None of our Directors, their close associates or any Shareholders who, to the knowledge of our Directors, owned more than 5% of the Company's share capital, had any interest in any of the Group's five largest suppliers for the year ended 31 December 2022.

SUBSIDIARIES

Details of the subsidiaries of the Company as at 31 December 2022 are set out in note 29 to the consolidated financial statements.

FOREIGN EXCHANGE RISK

Details of the foreign exchange risk are set out in note 33(A)(i) 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 2022. 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 the WM Healthcare Group and the WM Non-HC Group (both as defined below).

3. **WM Healthcare Group**

   WM Healthcare Group comprises such companies which were/are under the control of (or 30% or more of the issued share capital of which are owned by) Ms. MAN Lai Hung, which are principally engaging in the provision hospital/clinical, elderly and postpartum care services, healthcare and related services in the PRC Mainland (some of which are former members of the Private Group and has become members of the WM Healthcare Group upon the completion of the WM Healthcare Group Reorganisation (as defined below) being implemented during 2020 and 2021) (the "**WM Healthcare Group**"). The ultimate controlling shareholder of WM Healthcare Group is Ms. MAN Lai Hung, who is an executive Director, the chairman of the Board and a controlling shareholder of the Company. Being an associate of Ms. MAN Lai Hung, members of the WM Healthcare Group (including Clifford Medical Group Limited (祈福醫療集團有限公司) ("**Clifford Medical**")) are connected persons of the Company under the Listing Rules.

4. WM Non-HC Group

WM Non-HC Group comprises such companies which were or are under the control of (or 30% or more of the issued share capital of which are owned by) Ms. MAN Lai Hung, other than the Group and the WM Healthcare Group (the "**WM Non-HC Group**"). The ultimate controlling shareholder of the WM Non-HC Group (including Foshan City Nanhai Clifford Xianhu Hotel Company Limited* (佛山市南海祈福仙湖酒店有限公司) ("**Clifford Xianhu Hotel**")) is Ms. MAN Lai Hung. As such, members of the WM Non-HC Group (including Clifford Xianhu Hotel) are also associates of Ms. MAN Lai Hung, and hence connected persons of the Company under the Listing Rules.

2021 Master Tenancy Agreements and 2021 Master Composite Services Agreements

2021 Master Tenancy Agreements

2021 MTA No. 1

On 29 October 2021, the Company (for itself and on behalf of its subsidiaries) (as tenant) entered into a master tenancy agreement ("**2021 MTA No. 1**") with Clifford Estates (Panyu) Limited* (廣州市番禺祈福新邨房地產有限公司) ("**Clifford Estates Panyu**") (for itself and on behalf of the other property owners which are members of the Private Group) (as landlord), pursuant to which Clifford Estates Panyu agreed to lease certain properties to the Company for a term of three years commenced from 1 January 2022 to 31 December 2024. The Group set annual caps, which represent the total value of right-of-use assets relating to the leases to be entered into by the Group under the 2021 MTA No. 1, for each of the three financial years ending 31 December 2022, 2023 and 2024 which are RMB57.1 million, RMB13.6 million and RMB19.7 million, respectively. During the year ended 31 December 2022, amounts payable/paid by the Group to the Private Group under the 2021 MTA No. 1 amounted to approximately RMB13.9 million.

2021 MTA No. 2

On 29 October 2021, the Company (for itself and on behalf of its subsidiaries) (as tenant) entered into a master tenancy agreement ("**2021 MTA No. 2**") with Clifford Medical (for itself and on behalf of certain members of the WM Healthcare Group) (as landlord), pursuant to which the Group will only lease one premise from the WM Healthcare Group in the PRC for its operation as a convenience store, for a term of three years commenced from 1 January 2022 to 31 December 2024.

As the 2021 MTA No. 2 and the transactions contemplated thereunder are fully exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules, brief details of 2021 MTA No. 2 and the transactions contemplated thereunder are also included in this report for the Shareholder's information only.

2021 Master Composite Services Agreements

2021 MCSA No. 1

On 29 October 2021, the Company (for itself and on behalf of its subsidiaries) (as service providers) entered into a master composite services agreement ("**2021 MCSA No. 1**") on the one part, and Clifford Estates Panyu (for itself and on behalf of other members of the Private Group) and Clifford Xianhu Hotel (for itself and on behalf of other members of the WM Non-HC Group) (as receiving parties) on the other part, pursuant to which the Company agreed to provide services stated therein to Clifford Estates Panyu and Clifford Xianhu Hotel, for a term of three years from 1 January 2022 to 31 December 2024. The Group set annual caps in respect of the transactions contemplated under the 2021 MCSA No. 1 for each of the three financial years ending 31 December 2022, 2023 and 2024 which are RMB132 million, RMB129 million and RMB139 million, respectively. During the year ended 31 December 2022, amounts receivable/received by the Group under the 2021 MCSA No. 1 amounted to approximately RMB59.3 million.

2021 MCSA No. 2

On 29 October 2021, the Company (for itself and on behalf of its subsidiaries) (as service providers) entered into a master composite services agreement ("**2021 MCSA No. 2**") with Clifford Medical (for itself and on behalf of the other members of the WM Healthcare Group) (as receiving parties), pursuant to which the Group agreed to provide the living services, engineering and maintenance services, telecommunication services, to the respective receiving parties, for a term of three years from 1 January 2022 to 31 December 2024 on and subject to the respective terms and conditions contained therein. The Group set annual caps in respect of the transactions contemplated under the 2021 MCSA No. 2 for each of the three financial years ending 31 December 2022, 2023 and 2024 which are RMB34 million, RMB41 million and RMB44 million, respectively. During the year ended 31 December 2022, amounts receivable/received by the Group under the 2021 MCSA No. 2 amounted to approximately RMB7.6 million.

The 2021 MTA No. 1, 2021 MCSA No. 1 and 2021 MCSA No. 2 and the annual caps contemplated thereunder were unanimously passed as ordinary resolutions of the Company in the extraordinary general meeting held on 30 December 2021. For details, please refer to the Company's announcement dated 30 December 2021.

For details of the 2021 MTA No. 1, 2021 MTA No. 2, 2021 MCSA No. 1 and 2021 MCSA No. 2, please refer to the Company's announcement dated 29 October 2021 and the Company's circular dated 9 December 2021.

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.

Moore Stephens CPA Limited, 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 (Revised) "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, Moore Stephens CPA Limited, 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 2022, 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 52 of the Corporate Governance Report of this annual report for details.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group, such as the Listing Rules and the revised Hong Kong Financial Reporting Standards. The Audit Committee 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 2022, 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 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 2022.

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 RMB75.0 million was charged to the consolidated income statement, representing RMB1.8 million for the Directors' remuneration and RMB73.2 million for other staff's salaries and allowance.

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE

The Directors recognise the importance of good corporate governance in the management of the Group. The Company has adopted the code provisions set out in Part 2 of the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 40 to 60 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 2022 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

In June 2020, PricewaterhouseCoopers has retired and Moore Stephens CPA Limited was appointed as the independent auditor of the Company. The consolidated financial statements for the year ended 31 December 2022 were audited by Moore Stephens CPA Limited. A resolution will be proposed at the forthcoming AGM for the re-appointment of Moore Stephens CPA Limited as the independent auditor of the Company.

On behalf of the Board
MAN Lai Hung
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 31 March 2023

CORPORATE GOVERNANCE REPORT

The Board is pleased to report to the Shareholders on the corporate governance of the Company for the year ended 31 December 2022.

GOVERNANCE CULTURE

The Group is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in achieving of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, the Company believes that the benefits of the Shareholders will be maximised in the long term and that it will benefit the Group's employees, business and the communities in which the Group operates in.

Corporate governance plays an important role in ensuring that the Group is effectively managed with an appropriate system of risk management and internal controls supporting regulatory compliance, good business practices and sustainability. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

- satisfactory and sustainable returns to Shareholders;
- that the interests of those who deal with the Company are safeguarded;
- that overall business risk is understood and managed appropriately;
- the delivery of high-quality products and services to the satisfaction of customers; and
- that high ethical standards are maintained.

The Group will continuously review and adjust, if necessary, its business strategies and keep track of the changing market conditions to ensure prompt and proactive measures will be taken to respond to the changes and meet the market needs to foster the sustainability of the Group.

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 to the Listing Rules on the Stock Exchange.

The Board is of the view that throughout the year ended 31 December 2022, the Company has complied with all the code provisions as set out in Part 2 of the CG Code, except for the deviation from code provision C.2.1 as explained under the paragraph "Chairman and Chief Executive Officer" below.

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.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as the Group's code of conduct regarding Directors' securities transactions.

Specific enquiry has been made by the Company with all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2022.

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 Company is headed by the Board which assumes responsibility for its effective leadership and control and be collectively responsible for promoting the Company's success by directing and supervising the Company's affairs. Directors take decisions objectively in the best interests of the Company and its Shareholders.

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Group's business and regularly reviews the contribution required from a Director to perform his responsibilities to the Company and whether the Director is spending sufficient time performing them that are commensurate with his/her role and the responsibilities of the Board. The Board includes a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on the Board, which enable the Directors to effectively exercise independent judgement.

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 2022 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. HO Suk Mee
Mr. LIU Xing

Non-executive Director

Ms. LIANG Yuhua

Independent Non-executive Directors

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

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 C.5.1 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 2022, 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 2022. 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. The independent non-executive Directors and non-executive Director have attended general meeting of the Company to gain and develop a balanced understanding of the view of the Shareholders.

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 2022 are set out below:

	Number of Attendance in Person/Number of Meeting(s)				
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	General Meeting[1]
Ms. MAN Lai Hung	6/6	N/A	2/2	2/2	1/1
Ms. HO Suk Mee	6/6	N/A	N/A	N/A	1/1
Mr. LIU Xing[3]	6/6	N/A	N/A	N/A	1/1
Ms. LIANG Yuhua	6/6	N/A	N/A	N/A	1/1
Ms. LAW Elizabeth	6/6	3/3	2/2	2/2	1/1
Mr. HO Cham	6/6	3/3	N/A	2/2	1/1
Mr. MAK Ping Leung (alias Mr. MAK Wah Cheung)	6/6	3/3	2/2	N/A	1/1

Note:

(1) The annual general meeting of the Company was held on 24 June 2022.

Chairman and Chief Executive Officer

Code provision C.2.1 of Part 2 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 2022, the Board at all times met the requirements of the Rule 3.10 of the Listing Rules relating to the appointment of at least three independent non-executive directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

Each independent non-executive Director has entered into an appointment letter with the Company for a term of three years commencing from 1 November 2022 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.

Board Independence Evaluation

The Company has established a Board independence evaluation mechanism during the year which sets out the processes and procedures to ensure a strong independent element on the Board, which allows the Board to effectively exercises independent judgment to better safeguard Shareholders' interests.

The objectives of the evaluation mechanism are to improve Board effectiveness, maximise strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

Pursuant to the Board independence evaluation mechanism, the Board will conduct annual review on its independence. A Board Independence Evaluation Report will be prepared and presented to the Board which will then collectively discuss the results and the action plan for improvement, if appropriate.

During the year ended 31 December 2022, all Directors has completed the independence evaluation in form of a questionnaire individually and supplemented by individual interviews. The Board Independence Evaluation Report was presented to the Board and the evaluation results were satisfactory.

During the year ended 31 December 2022, the Board reviewed the implementation and effectiveness of the Board independence evaluation mechanism and the results were satisfactory.

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 Company's Articles of Association provides that all Directors appointed to fill a casual vacancy shall be subject to election by Shareholders at the first general meeting after appointment.

Under the Articles of Association of the Company, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three 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.

During the year ended 31 December 2022, the Company organized a number of training sessions for all Directors. The training sessions covered a wide range of relevant topics, including Directors' duties and responsibilities, corporate governance and regulatory updates. In addition, relevant reading materials including compliance manual, legal and regulatory updates and seminar handouts have been provided to the Directors for their reference and studying.

A summary of trainings received by the Directors during the year ended 31 December 2022 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. HO Suk Mee	A, B
Mr. LIU Xing	A, B
Non-executive Director	
Ms. LIANG Yuhua	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

Note:

(1) Types of Training

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 four committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee, and the ESG 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.

Audit Committee

As at 31 December 2022, the Audit Committee consists of three independent non-executive Directors, namely Ms. LAW Elizabeth (Chairman), Mr. HO Cham and Mr. MAK Ping Leung (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 2022, the Audit Committee held three meetings to review, in respect of the year ended 31 December 2022, 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 and re-appointment of external auditor 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 auditor twice without the presence of the executive Directors.

Remuneration Committee

As at 31 December 2022, 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, 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 and reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules.

During the year ended 31 December 2022, the Remuneration Committee held two meetings 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.

The Company's remuneration policy is to ensure that the remuneration offered to employees, including Directors and senior management, is based on skill, knowledge, responsibilities and involvement in the Company's affairs. The remuneration packages of executive Directors are also determined with reference to the prevailing market conditions and the performance or contribution of each executive Director. The remuneration for the executive Directors comprises basic salary, pensions and fees. Executive Directors may receive share options and awards to be granted under the Company's share option scheme and share award scheme (if any). The remuneration policy for non-executive Directors and independent non-executive Directors is to ensure that non-executive Directors and independent non-executive Directors are adequately compensated for their efforts and time dedicated to the Company's affairs, including their participation in Board committees. The remuneration for the non-executive Directors and independent non-executive Directors mainly comprises Director's fee which is determined with reference to their duties and responsibilities by the Board. Non-executive Directors and independent non-executive Directors shall not receive share options and awards to be granted under the Company's share option scheme and share award scheme (if any). Individual Directors and senior management have not been involved in deciding their own remuneration.

The Remuneration Committee is also responsible for making recommendations to the Board on the terms of service contracts or letters of appointment of newly appointed executive, non-executive and/or independent non-executive Directors.

Nomination Committee

As at 31 December 2022, the Nomination Committee consists of three members, namely, Ms. MAN Lai Hung (Chairman and executive Director), and two independent non-executive Directors, namely Ms. LAW Elizabeth and Mr. HO Cham. Ms. Man is the chairman of the Nomination Committee.

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 2022, the Nomination Committee held two meetings 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.

Environmental, Social and Governance Committee

The ESG Committee of the Company was established in June 2022. The ESG Committee consists of two executive Directors, namely Ms. MAN Lai Hung (Chairman) and Ms. HO Suk Mee, two independent non-executive Directors, namely Ms. LAW Elizabeth and Mr. MAK Ping Leung, and one of the Group's senior staff, Mr. LAU Kwok Chin.

The principal duties of the ESG Committee include, among other things: (i) formulating and reviewing the Group's environmental, social and governance ("**ESG**") liabilities, vision, strategies, framework, principles and policies; (ii) monitoring the channels and means of communication with the Group's stakeholders; (iii) reviewing key ESG trends and related risks and opportunities, and assessing the adequacy and effectiveness of the Group's ESG framework and business model; (iv) overseeing the Group's sustainability performance; (v) overseeing the funding of the initiatives on corporate social responsibilities; and (vi) reviewing the annual sustainability report of the Company and recommending to the Board for approval.

The ESG Committee may seek necessary information from employees within its terms of reference. It is authorised by the Board to obtain external legal or other independent professional advice and to invite outsiders with relevant experience and expertise to attend the meetings if required.

During the year ended 31 December 2022, the ESG Committee held two meetings to review the ESG principles and policies of the Group.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision A.2.1 of Part 2 of the CG Code.

During the year ended 31 December 2022, 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 10 November 2022, the Board ratified and approved the service contract of Mr. LIU Xing, the executive Director, for a fixed term of three years commenced from 1 November 2022 and expiring on 31 October 2025, and to pay Mr. LIU Xing an annual director's fee of HK$216,000 for his role as an executive Director.

On 10 November 2022, the Board ratified and approved the appointment letter of Ms. LIANG Yuhua, the non-executive Director, for a fixed term of three years commenced from 1 November 2022 and expiring on 31 October 2025, and to pay Ms. LIANG Yuhua an annual director's fee of HK$216,000 for her role as an non-executive Director.

On 10 November 2022, the Board ratified and approved the appointment letters of Ms. LAW Elizabeth, Mr. HO Cham, and Mr. MAK Ping Leung, the independent non-executive Directors, for a fixed term of three years commenced from 1 November 2022 and expiring on 31 October 2025, and to pay an annual director's fee of HK$216,000 for their 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 2022 are set out in note 9 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 10 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 (including but not limited to business, operation as well as ESG 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 (including but not limited to business, operation as well as ESG-related risks) 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 an 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 on our internal control policies in relation to compliance with relevant laws and regulations. In addition, during the year ended 31 December 2022, 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 31 March 2023, 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 2022. The Directors are of the view that the risk management and internal control systems are adequate and effective.

At the Board meeting held on 31 March 2023, 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 2022, and considered that such systems are effective and adequate. The annual review also covered the financial reporting, internal audit function, ESG performance and reporting, 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 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.

Anti-Corruption Policy

The Group has also in place an anti-corruption policy to safeguard against corruption and bribery within the Group. The Group has an internal reporting channel that is open and available for employees of the Group to report on any suspected corruption and bribery case. Employees can also make anonymous reports to the internal anti-corruption department or the internal audit function, which is responsible for investigating the reported incidents and taking appropriate measures. The Group continues to carry out anti-corruption and anti-bribery activities to cultivate a culture of integrity, and actively organizes anti-corruption training and inspections to ensure the effectiveness of its anti-corruption and anti-bribery measures.

During the year ended 31 December 2022, the Company held one anti-corruption training and briefing to all employees. There were no non-compliance cases relating to bribery and corruption.

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 2022 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 2022 and up to the date of this annual report.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group for the year ended 31 December 2022.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, announcements relating to disclosure of inside 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 auditors of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditors' Report on pages 61 to 65.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the remuneration of each of the Directors for the year ended 31 December 2022 are set out in note 9 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 2022 is set out below:

	Number of individuals
Nil to HK$1,000,000	4

AUDITOR'S REMUNERATION

During the year ended 31 December 2022, 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	824
Non-audit services – Interim report agreed-upon procedures	446
Total	1,270

COMPANY SECRETARY

Mr. LAU Chun Pong, the company secretary as well as the Chief Financial Officer and one of the Authorised Representatives of the Company, is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. Mr. LAU reports to the Chairman and is responsible for advising the Board on governance matters. The biographical details of Mr. LAU are set out on page 25 of this annual report.

According to Rule 3.29 of the Listing Rules, Mr. LAU Chun Pong has confirmed that he has taken no less than 15 hours of relevant professional trainings during the year ended 31 December 2022.

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
- other 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 basic principles to be followed to ensure that the Board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance.

Board nomination and appointments will continue to be made on merit basis based on its business needs from time to time while taking into account diversity. The Nomination Committee has primary responsibility for identifying individuals suitably qualified to become members of the Board and selecting, or making recommendations to the Board on the selection of, individuals nominated for directorships.

Selection of board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience.

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. All Board appointments will be based on merit and candidates will be considered against appropriate criteria, having due regard for the benefits of diversity on the Board.

The Nomination Committee is responsible for reviewing the policy, developing and reviewing measurable objectives for implementing the policy and monitoring the progress on achieving these measurable objectives.

The Nomination Committee shall review this policy and the measurable objectives, as appropriate, to ensure the continued effectiveness of the Board.

An analysis of the Board's current composition based on the measurable objectives is set out below:

Gender
Male: 3 Directors
Female: 4 Directors

Age Group
51–60: 3 Directors
61–70: 3 Directors
71–80: 1 Director

Designation
Executive Directors: 3 Directors
Non-executive Directors: 1 Director
Independent Non-executive Directors: 3 Directors

Educational Background
Business Administration: 2 Directors
Accounting and Finance: 1 Director
Legal: 2 Directors
Other: 2 Directors

The Nomination Committee and the Board considered that the current composition of Board is sufficiently diverse and the Board has not set any measurable objectives.

The Nomination Committee will review the Board diversity policy as appropriate and recommend revisions, if any, to the Board for consideration and approval.

GENDER DIVERSITY

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in the workforce of the Group, including the Board and senior management as at the date of this annual report:

	Female	Male
Board	57.14% (4)	42.86% (3)
Other employees	66.67% (420)	33.33% (210)

The Board had targeted to achieve and had achieved a Board composition of at least employee composition of 40% of female Directors and employee composition of 40% of female employees of the Group and considers that the above current gender diversity is satisfactory.

DIRECTOR NOMINATION POLICY

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

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;

- recommend candidates to the Board 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 Board.

During the year ended 31 December 2022, the Nomination Committee held two meetings 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 2022, 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 Company's Articles of Association provides that any one or more Shareholders of the Company holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings of the Company. Such requisition shall be made in writing to the Directors or the secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Directors for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Directors fail to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the requisitionist(s) by the Company.

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

Article 112 of the Company's Articles of Association provides that if a Shareholder, who is duly qualified to attend and vote at general meetings of the Company, wishes to propose a person ("**Candidate**") for election as a Director at a general meeting, he/she/it should lodge (i) a written notice ("**Proposal Notice**") of the intention to propose the Candidate for election as a Director; and (ii) a written notice ("**Consent Notice**") by the Candidate of his/her willingness to be elected at either the headquarters and principal place of business of the Company (8 Shiguang Road, Panyu, Guangzhou, Guangdong, the PRC Mainland) or Hong Kong share registrar of the Company (Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong) at least seven clear days before the date of the general meeting and the period for lodgement of such notices shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and shall be at least seven clear days in length.

Procedures for Putting Forward Proposals at General Meetings

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

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

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

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

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

Putting Forward Enquiries to the Board

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

Contact Details

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

Address:	7th Floor, Chai Wan Industrial City, Phase II, 70 Wing Tai Road, Chai Wan, Hong Kong (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.

SHAREHOLDERS' COMMUNICATION POLICY

The Company has in place a Shareholders' communication policy. The policy aims to set out the provisions with the objective of ensuring that Shareholders and, in appropriate circumstances, the investment community at large, are provided with ready, equal and timely access to balanced and understandable information about the Group (including its financial performance, strategic goals and plans, material developments and governance), in order to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders and the investment community to engage actively with the Company. The Board reviewed the implementation and effectiveness of the Shareholders' communication policy and the results were satisfactory.

The Company has established a number of channels for maintaining an on-going dialogue with its Shareholders as follows:

(a) Shareholders' or Investors' Enquiries

Shareholders should direct their questions about their shareholdings to the Company or the Company's share registrar. Shareholders and the investment community may at any time make a request for the Company's information to the extent such information is publicly available. Shareholders and the investment community shall be provided with designated contacts, correspondence addresses, email addresses and enquiry lines in order to enable them to make any query in respect of the Group.

(b) Corporate Communication

"Corporate communication" refers to any document issued or to be issued by the Company for the information or action of holders of any of its securities, including, but not limited to, annual reports, the interim reports, notices of meeting, circulars and proxy forms. They will be provided to Shareholders in plain language and in both English and Chinese versions to facilitate Shareholders' understanding.

(c) Corporate Website

A dedicated investor relations section is available on the Company's website at www.cliffordmodernliving.com. Information on the Company's website is updated on a regular basis. Information released by the Company to the Stock Exchange is also posted on the Company's website simultaneously or immediately thereafter. Such information includes financial statements, results announcements, circulars and notices of general meetings and associated explanatory documents. All press releases issued by the Company will be made available on the Company's website.

(d) Shareholders' Meetings

Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings. Appropriate arrangements for the general meetings shall be in place to encourage Shareholders' participation. The process of the Company's general meetings will be monitored and reviewed on a regular basis, and, if necessary, changes will be made to ensure that Shareholders' needs are best served. Board members, in particular, the chairmen of Board committees or their delegates, appropriate management executives and external auditors will use all reasonable efforts to attend annual general meetings to answer Shareholders' questions.

(e) Investment Market Communications

Investors' and analysts' briefings and one-on-one meetings, media interviews, etc. will be available on a regular basis in order to facilitate communication between the Company, Shareholders and the investment community. The Directors and employees of the Group who have contacts or dialogues with investors, analysts, media or other interested outside parties are required to comply with the disclosure obligations and requirements under the Company's corporate disclosure policy.

MOORE

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大華馬施雲
會計師事務所有限公司

Independent Auditor's Report to the Shareholders of
Clifford Modern Living Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Clifford Modern Living Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 66 to 153, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements, including a summary of significant accounting policies.

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 2022, 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 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 these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the consolidated financial statements of the current period. This matter was 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 this matter.

Incremental borrowing rates ("IBR") adopted for HKFRS 16 (Refer to Notes 4(a) and 16 to the consolidated financial statements).

Key Audit Matter	How our audit addressed the Key Audit Matter
As at 31 December 2022, the Group has right-of-use assets and lease liabilities which amounted to approximately RMB39,072,000 and RMB67,444,000 respectively. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's IBR. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Significant estimations involved when no observable rates are available, especially the Group does not enter into financing transactions. The Group estimates the IBR using observable inputs such as comparable debt financing instruments with similar term, we therefore identified such as a key audit matter.	Our key procedures to address the matter included: – understanding the IBR adopted by the Group's management; – obtaining the valuation report on the IBR assessment and assessing the independent valuer's competence, capabilities, independence and objectivity; – discussing with the Group's management about the other assumptions made in the assessment and challenging the reasonableness of the key inputs including assessing the reasonableness of the reference based on relevant market data of comparable debt instruments, where appropriate; and – evaluating the sensitivity analysis performed by the Group's management on the key assumptions and assessing the potential impacts of a range of possible outcomes.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include 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 of the Company 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are assisted by those charged with governance in discharging their responsibilities 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. Our report is made solely to you, as a body, in accordance with our agreed term of engagement, 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 judgement and maintain professional skepticism 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 of the Company.

- 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, actions taken to eliminate threats or safeguards applied.

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.

Moore Stephens CPA Limited
Certified Public Accountants

Leung Yu Ngong
Practising Certificate Number: P06734

Hong Kong, 31 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Revenue	6	**382,882**	430,836
Cost of sales		**(205,044)**	(241,646)
Gross profit		**177,838**	189,190
Other income and gains/(losses), net	6	**31,721**	(12,903)
Selling and marketing expenses		**(33,906)**	(32,502)
Administrative expenses		**(25,997)**	(30,208)
(Provision for)/reversal of impairment loss on trade and other receivables, net	19	**(13,517)**	57
Finance costs	7	**(2,712)**	(2,188)
Profit before taxation	8	**133,427**	111,446
Income tax expense	11	**(38,287)**	(30,322)
Profit and total comprehensive income for the year attributable to owners of the Company		**95,140**	81,124
Earnings per share for profit attributable to the owners of the Company (expressed in RMB per share):			
– Basic and diluted	13	**0.094**	0.080

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**9,627**	14,309
Investment properties	15	**19,602**	3,692
Right-of-use assets	16	**39,072**	55,336
Intangible assets	17	**1,262**	1,484
Investment in unallocated silver bullion	18	**50,129**	117,046
Other receivables	19	**3,851**	4,222
Deferred tax assets	25(a)	**1,517**	2,496
		125,060	198,585
Current assets			
Inventories	20	**17,257**	18,213
Trade and other receivables	19	**73,222**	113,274
Contract assets	21	**4,767**	16,361
Term deposits	22(a)	**55,000**	64,792
Restricted cash	22(b)	**561**	559
Cash and cash equivalents	22(c)	**567,235**	351,877
		718,042	565,076
Current liabilities			
Trade and other payables	23	**86,557**	98,727
Contract liabilities	24	**32,902**	23,457
Lease liabilities	16	**15,208**	11,825
Tax payables		**9,040**	9,712
		143,707	143,721
Net current assets		**574,335**	421,355
Total assets less current liabilities		**699,395**	619,940
Non-current liabilities			
Lease liabilities	16	**52,236**	54,066
Deferred tax liabilities	25(b)	**8,562**	3,347
		60,798	57,413
Net assets		**638,597**	562,527

	Notes	2022 RMB'000	2021 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	26	**8,876**	8,876
Share premium	26	**179,333**	179,333
Other reserves	27	**(99,151)**	(99,283)
Retained earnings		**549,539**	473,601
Total equity		**638,597**	562,527

The consolidated financial statements on pages 66 to 153 were approved and authorised for issue by the board of directors on 31 March 2023 and are signed on its behalf by:

Ms. MAN Lai Hung
Chairman & Chief Executive Officer & Executive Director

Ms. HO Suk Mee
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

		Attributable to owners of the Company				
	Notes	**Share capital** RMB'000 (Note 26)	**Share premium** RMB'000 (Note 26)	**Other reserves** RMB'000 (Note 27)	**Retained earnings** RMB'000	**Total equity** RMB'000
Balance at 1 January 2021		8,872	179,136	(99,514)	415,500	503,994
Comprehensive income						
Profit and total comprehensive income for the year		–	–	–	81,124	81,124
Transactions with owners of the Company						
Dividends approved and paid to shareholders of the Company	12	–	–	–	(22,764)	(22,764)
Employees' Share Option Scheme:						
– Exercise of share options	27	4	197	(28)	–	173
Appropriation of statutory reserves	27	–	–	259	(259)	–
		4	197	231	(23,023)	(22,591)
Balance at 31 December 2021 and 1 January 2022		8,876	179,333	(99,283)	473,601	562,527
Comprehensive income						
Profit and total comprehensive income for the year		–	–	–	95,140	95,140
Transactions with owners of the Company						
Dividends approved and paid to shareholders of the Company	12	–	–	–	(19,070)	(19,070)
Employees' Share Option Scheme:						
– Lapse of share options	27	–	–	(456)	456	–
Appropriation of statutory reserves	27	–	–	588	(588)	–
		–	–	132	(19,202)	(19,070)
Balance at 31 December 2022		**8,876**	**179,333**	**(99,151)**	**549,539**	**638,597**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Cash flows from operating activities			
Profit before taxation		**133,427**	111,446
Adjustments for:			
– Depreciation of property, plant and equipment	14	**3,635**	3,906
– Depreciation of investment properties	15	**6,302**	6,127
– Depreciation of right-of-use assets	16	**8,239**	7,839
– Amortisation of intangible assets	17	**390**	454
– Loss on disposal of property, plant and equipment, net	6	**1,679**	65
– Gain on derecognition of right-of-use assets and investment properties due to entering into finance lease as lessor	6	**(2,361)**	(2,505)
– Gain on early termination of leases	6	**(23)**	(49)
– Loss/(gain) on modification of leases	6	**106**	(37)
– Interest expenses on lease liabilities	16	**2,712**	2,188
– Gains from financial assets at fair value through profit or loss	6	**–**	(102)
– Fair value (gain)/loss on investment in unallocated silver bullion	18	**(12,134)**	21,244
– Provision for/(reversal of) impairment loss on trade and other receivables, net	19	**13,517**	(57)
– Exchange difference, net	6	**(9,329)**	(364)
– Interest income		**(7,383)**	(4,041)
Operating profit before working capital changes		**138,777**	146,114
(Increase)/decrease in restricted cash		**(2)**	59
Decrease/(increase) in inventories		**956**	(3,355)
Decrease/(increase) in contract assets		**11,594**	(526)
Decrease/(increase) in trade and other receivables		**40,178**	(12,305)
Increase/(decrease) in contract liabilities		**9,445**	(7,403)
Decrease in trade and other payables		**(12,170)**	(1,707)
Cash generated from operations		**188,778**	120,877
Income tax paid		**(32,765)**	(32,257)
Net cash generated from operating activities		**156,013**	88,620

	Notes	2022 RMB'000	2021 RMB'000
Cash flows from investing activities			
Purchases of property, plant and equipment	14	(1,231)	(1,087)
Purchases of intangible assets	17	(168)	(21)
Proceeds from disposal of property, plant and equipment		599	43
Proceeds from sales of unallocated silver bullion	18	79,051	–
Decrease/(increase) in term deposits		9,792	(50,000)
Proceeds from disposal of financial assets at fair value through profit or loss		–	4,283
Interest received		7,383	4,041
Net cash generated from/(used in) investing activities		95,426	(42,741)
Cash flows from financing activities			
Repayment of lease liabilities – principal		(14,299)	(13,652)
Repayment of lease liabilities – interest		(2,712)	(2,188)
Payments of dividends	12(a)	(19,070)	(22,764)
Proceeds from exercise of share options		–	201
Net cash used in financing activities		(36,081)	(38,403)
Net changes in cash and cash equivalents		215,358	7,476
Cash and cash equivalents at beginning of year		351,877	344,401
Cash and cash equivalents at end of year	22(c)	567,235	351,877

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, P.O. Box 2681, Grand Cayman, KY1–1111, Cayman Islands. The principal place of business of the Company is located at 7th Floor, Chai Wan Industrial City, Phase II, 70 Wing Tai Road, Chai Wan, Hong Kong.

The Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 8 November 2016 (the "**Listing**"). In the opinion of the directors of the Company, the ultimate holding company of the Group is Elland Holding Limited, a company incorporated in the British Virgin Islands which is wholly owned by Ms. Man Lai Hung ("**Ms. Man**").

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

The consolidated financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated, which is the same as the functional currencies of the Company and its subsidiaries. All value are rounded to the nearest thousand except when otherwise indicated.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The consolidated financial statements also comply with applicable disclosure requirements of the Hong Kong Companies Ordinance and Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("**Listing Rules**").

The consolidated financial statements have been prepared on the historical cost basis except for the investment in unallocated silver bullion and certain financial instruments which have been measured at fair value at the end of the reporting period, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared on the basis consistent with the accounting policies adopted in the consolidated financial statements for the year ended 31 December 2021 except for the adoption of certain revised HKFRSs that are relevant to the Group and effective from the current period as set out in note (a).

Certain comparative figures have been reclassified to conform with the current year's presentation.

It should be noted that accounting estimates and assumptions have been used in preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are set out in Note 4 "Significant accounting judgements and estimates".

2. BASIS OF PREPARATION (CONTINUED)

(a) Amended standards adopted by the Group

In the current year, the Group has adopted, for the first time, the following revised HKFRSs issued by the HKICPA, which are relevant and mandatorily effective for the accounting period beginning on 1 January 2022 for the preparation of the Group's consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The adoption of revised HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on disclosure set out in the consolidated financial statements.

2. BASIS OF PREPARATION (CONTINUED)

(b) New standards and amendments not yet effective for the financial year beginning on 1 January 2022 and not early adopted by the Group

The Group has not early adopted any of the following new and amendments to HKFRSs, which have been issued but are not yet effective, in these consolidated financial statements:

		Effective for annual reporting periods beginning on or after
HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5	1 January 2024
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

The Group has already commenced an assessment of the related impact of adopting the above new or revised standards, interpretation and amendments to HKFRSs. According to the preliminary assessment made by the directors of the Company, no significant impact on the financial performance and position of the Group is expected when they become effective.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

When the Group losses control of a subsidiary, it (i) derecognises the assets and liabilities of the subsidiary at their carrying amounts at the date when control is lost, and (ii) recognises the aggregate of the fair value of the consideration received, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses, unless the investment is classified as held for sale.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (Continued)

Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. Control is achieved when the Company has power over the investee, that expose or give rights to variable returns from its involvement with the investee, and the Company is able to use its power to affect the amount of returns from the investee. Generally, control is achieved with a shareholding of more than one half of the voting rights over the relevant activities of the investee. The existence and effect of potential voting rights that are exercisable or convertible are considered when assessing whether the Company controls another entity. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Business combinations

The Group applies the acquisition method to account for business combinations not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKFRS 9 Financial Instruments, is measured at fair value with changes in fair value recognised in profit or loss in accordance with HKFRS 9. Other contingent consideration that is not within the scope of HKFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (Continued)

Business combinations (Continued)

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

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

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 dividends 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.

(b) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statement, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

No geographic information is shown as the revenue and profit from operations of the Group are mainly derived from activities in the PRC Mainland.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Translation of foreign currency

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in the consolidated statement of profit or loss and other comprehensive income within "Other income and gains/(losses), net".

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

(d) Property, plant and equipment

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

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the item has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the consolidated income statement in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in future economic benefits expected to be obtained from the use of the item, the expenditure is capitalised as an additional cost of the item. When an item of property, plant and equipment is sold, its cost and accumulated depreciation are removed from the consolidated financial statements and any gain or loss resulting from the disposal, being the difference between the net disposal proceeds and the carrying amount of the asset, is included in the consolidated income statement.

Depreciation is provided on the straight-line method, based on the estimated economic useful life of the individual assets, as follows:

–	Machinery	3–15 years
–	Vehicles	3–15 years
–	Office equipment	3–5 years
–	Leasehold improvements	Over the remaining life of the lease, about 2–10 years
–	Other equipment	3–5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (Continued)

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 3(h)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other income and gains/(losses), net" in the consolidated statement of profit or loss and other comprehensive income.

(e) Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Investment properties also include lease properties which are being recognised as right-of-use assets and subleased by the Group under operating lease. Investment properties are measured initially at cost including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the consolidated income statement in the year in which they arise.

An investment property is derecognised upon disposal or when the investment property permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in consolidated profit or loss in the period of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy "Property, plant and equipment and depreciation" above. For a transfer from inventories to investment properties, any difference between the fair value of the property at the date and its previous carrying amount is recognised in the consolidated income statement.

(f) Intangible assets

The Group's intangible assets represent computer software. Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and accumulated impairment losses, if any. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

a) When the Group is the lessee:

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Except for those that are classified as investment properties, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the Group applied the practical expedient.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Leases (Continued)

a) When the Group is the lessee: (Continued)

Right-of-use assets (Continued)

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the consolidated statement of financial position.

Right-of-use assets which meets the definition of an investment property are presented within "Investment properties" and accounted for in accordance with Note 3(e).

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("**HKFRS 9**") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate ("**IBR**") at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

Lease payments include the following:

- Fixed payment (including in-substance fixed payments), less any lease incentives receivables;
- Variable lease payment that are based on an index or rate, initially measured using the index or rate as at the commencement date;
- Amount expected to be payable under residual value guarantees;
- The exercise price of a purchase option if is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Leases (Continued)

a) When the Group is the lessee: (Continued)

Lease liabilities (Continued)

Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

– There is a change in future lease payments arising from changes in an index or rate;

– There is a change in the Group's assessment of whether it will exercise an extension option; or

– There is a modification in the scope or the consideration of the lease that was not part of the original term.

Lease liability is remeasured with a corresponding adjustment to the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Short term and low value leases

The Group has elected to not recognised right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value leases, except for sublease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

Variable lease payments

Variable lease payments that are not based on an index or a rate are not included as part of the measurement and initial recognition of the lease liability. The Group shall recognise those lease payments in profit or loss in the periods that triggered those lease payments.

b) When the Group is the lessor:

The Group leases equipment under finance leases and office spaces, retail stores and investment properties under operating leases to non-related parties.

Lessor – Finance leases

Leases where the Group has transferred substantially all risks and rewards incidental to ownership of the leased assets to the lessees, are classified as finance leases.

The leased asset is derecognised and the present value of the lease receivable is recognised on the balance sheet and included in "trade and other receivables". The difference between the gross receivable and the present value of the lease receivable is recognised as unearned finance income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Leases (Continued)

b) When the Group is the lessor: (Continued)

Lessor – Finance leases (Continued)

Each lease payment received is applied against the gross investment in the finance lease receivable to reduce both the principal and the unearned finance income. The finance income is recognised in profit or loss on a basis that reflects a constant periodic rate of return on the net investment in the finance lease receivable.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to finance lease receivables and reduce the amount of income recognised over the lease term.

Lessor – Operating leases

Leases where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in profit or loss when earned.

Interest and rental income which are derived from the Group's ordinary course of business are presented as revenue.

Lessor – Subleases

In classifying a sublease, the Group as an intermediate lessor classifies the sublease as a finance or an operating lease with reference to the right-of-use asset arising from the head lease, rather than the underlying asset.

When the sublease is assessed as a finance lease, the Group derecognises the right-of-use asset relating to the head lease that it transfers to the sublessee and recognised the net investment in the sublease within "Trade and other receivables". Any differences between the right-of-use asset derecognised and the net investment in sublease is recognised in profit or loss. Lease liability relating to the head lease is retained in the balance sheet, which represents the lease payments owed to the head lessor.

When the sublease is assessed as an operating lease, the Group recognise lease income from sublease in profit or loss within "Other income". The right-of-use asset relating to the head lease is not derecognised.

For contract which contains lease and non-lease components, the Group allocates the consideration based on a relative stand-alone selling price basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets deferred tax assets and investment property), the recoverable amount of the asset is estimated. An asset's recoverable amount is the higher of the value in use of the asset or cash-generating unit to which it belongs and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the consolidated statement of profit or loss in the period in which it, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

(i) Investments and other financial assets

Initial recognition and measurement

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below. Transaction costs that are directly attributable to the acquisition of financial assets (other than financial assets at fair value through profit or loss) are added to the fair value of the financial assets, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Investments and other financial assets (Continued)

Initial recognition and measurement (Continued)

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Interest/dividend income which are derived from the Group's ordinary course of business are presented as revenue.

Subsequent measurement

Financial assets are classified as measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss. The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Investments and other financial assets (Continued)

Subsequent measurement (Continued)

Financial assets at fair value through profit or loss (Continued)

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognised as revenue in the consolidated statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the consolidated statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) 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 33 for more details.

(k) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables and lease liabilities.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Investment in unallocated silver bullion

As disclosed in Note 18, the investment in unallocated silver bullion was made by the Group through the bank during the year. Given that the underlying asset of the investment contract is a kind of commodity, the settlement of investment contract is either sell their unallocated silver bullion to third parties through the bank at the exit price (i.e. bid price reference to London Silver Spot Price) or collect the unallocated silver bullion in physical form at the Group's sole discretion, and such transaction is not within the normal course of business of the Group but for long term capital appreciation. The management of the Company considered it is appropriate to develop the following accounting policy for the recognition and measurement of the investment in unallocated silver bullion and apply it consistently:

"On initial recognition, the investment of unallocated silver bullion is measured at fair value with the gain or loss arising from subsequent changes in the fair value of the investment to be included in the profit or loss in the period in which they arise.

Expenditures that are directly attributable to the investment in unallocated silver bullion are expensed in the profit or loss."

(m) Inventories

Inventories are assets which are held for sale in the ordinary course of business. Inventories are carried 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 the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(n) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated statement of profit or loss.

(p) Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Income tax (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(q) 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.

(i) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Revenue recognition (Continued)

(ii) Retail services – sales of goods and commission income

The Group operates two supermarkets 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.

(iii) 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.

(iv) Provision of information technology services and renovation and fitting-out services

The Group provides information technology services, which primarily involves provision of information technology services, related engineering services, security system and hardware and software integration, and telecommunication services.

The 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.

A contract with a customer is classified by the Group as a construction contract when the contract relates to work on construction assets under the control of customer and therefore the Group's construction activities create or enhance an asset under our customer's control.

When the outcome of a construction contract can be reasonably measured, revenue from the contract is recognised progressively over time using the cost-to-cost method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs. The directors consider that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under HKFRS 15.

Where the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Revenue recognition (Continued)

(iv) Provision of information technology services and renovation and fitting-out services (Continued)

Costs to fulfil a contract

The Group incurs costs to fulfil a contract in its construction activities. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it would recognise these costs as an asset only if they meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

(b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

(v) Provision of other services

The Group also provides various services, such as laundry services, off-campus training services, catering 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.

(vi) Rental income

The Group's policy for recognition of revenue from operating leases is described in Note 3(g).

(vii) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Revenue recognition (Continued)

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 capitalised 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.

(r) Employee benefits

(i) 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 Hong Kong Dollars ("**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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Employee benefits (Continued)

(ii) 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.

(iii) 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.

(s) 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).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Fair value measurement

The Group measures its equity, fund and debt investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(u) 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(w) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

(x) Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

4. SIGNIFICANT JUDGEMENTS AND ESTIMATES

The preparation of the consolidated financial statements requires the directors of the Company to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The directors of the Company have considered the development, selection and disclosure of the Group's critical accounting judgements and estimates.

Judgements

In the process of applying the Group's accounting policies, the directors of the Company have made the following judgements which have the most significant effect on the amounts recognised in the consolidated financial statements:

(a) Lease – estimation of IBR

The Group cannot readily determine the interest rate implicit in the leases, and therefore, it uses an IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available especially the Group does not enter into financing transactions. The Group estimates the IBR using observable inputs (such as similar debt financing instrument) when available and is required to make certain entity-specific estimates (such as the relevant subsidiary's stand-alone credit rating).

Using inaccurate rate may induce understatement of lease liabilities when a lower IBR was used.

4. SIGNIFICANT JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (Continued)

(b) Impairment of trade and other receivables and contract assets

The Group makes allowances on trade and other receivables and contract assets 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 33(A)(iii).

(c) Revenue from renovation and fitting-out services contracts with customers

Revenue recognition on a project is dependent on management's estimation of the total outcome of the construction contracts and is measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract. 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.

(d) Income taxes

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

4. SIGNIFICANT JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (Continued)

(e) Operating lease – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the contracts as operating leases.

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, catering 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 "Operating 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 and other gains/(losses), net, finance costs, central administration expenses, income tax expense, and segment assets excluded investment in unallocated silver bullion, term deposits, restricted cash, cash and cash equivalents and deferred tax assets and segment liabilities excluded deferred tax liabilities as these activities are centrally driven by the Group.

5. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

The segment revenue and results and the reconciliation with profit for the year are as follows:

For the year ended 31 December 2022

	Retail services RMB'000	Information technology services RMB'000	Property management services RMB'000	Off-campus training services RMB'000	Property agency services RMB'000	Renovation and fitting-out services RMB'000	Catering services RMB'000	Others RMB'000	Total RMB'000
Gross segment revenue	140,673	41,020	86,174	30,276	26,142	167	49,367	15,376	389,195
Inter-segment revenue	(373)	(1,467)	(3,227)	(147)	–	–	(1,035)	(64)	(6,313)
Revenue	140,300	39,553	82,947	30,129	26,142	167	48,332	15,312	382,882
Timing of revenue recognition									
At a point in time	112,797	944	–	–	25,942	–	44,370	15,280	199,333
Over time	27,503	38,609	82,947	30,129	200	167	3,962	32	183,549
	140,300	39,553	82,947	30,129	26,142	167	48,332	15,312	382,882
Segment results	22,400	(2,747)	59,973	14,345	7,147	(793)	9,200	2,424	111,949
Other income and other gains, net									31,721
Finance costs									(2,712)
Unallocated expenses									(7,531)
Income tax expense									(38,287)
Profit for the year									95,140
Segment results include:									
Depreciation and amortisation	(9,779)	(919)	(2,713)	(2,830)	(348)	(17)	(1,103)	(857)	(18,566)
Loss on disposal of property, plant and equipment, net	(54)	–	–	(5)	–	–	–	(1,620)	(1,679)
Net impairment losses of impairment loss on trade and other receivables	(83)	(12,170)	(78)	–	–	(74)	(336)	(776)	(13,517)

5. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

For the year ended 31 December 2021

	Retail services RMB'000	Information technology services RMB'000	Property management services RMB'000	Off-campus training services RMB'000	Property agency services RMB'000	Renovation and fitting-out services RMB'000	Catering services RMB'000	Others RMB'000	Total RMB'000
Gross segment revenue	138,570	83,313	78,983	39,347	17,016	6,504	50,884	19,509	434,126
Inter-segment revenue	(271)	(411)	(2,451)	(108)	–	–	–	(49)	(3,290)
Revenue	138,299	82,902	76,532	39,239	17,016	6,504	50,884	19,460	430,836
Timing of revenue recognition									
At a point in time	111,861	13,567	–	–	16,783	–	50,884	19,455	212,550
Over time	26,438	69,335	76,532	39,239	233	6,504	–	5	218,286
	138,299	82,902	76,532	39,239	17,016	6,504	50,884	19,460	430,836
Segment results	21,509	25,447	49,358	13,505	3,741	4,749	13,864	3,259	135,432
Other income and other losses, net									(12,903)
Finance costs									(2,188)
Unallocated expenses									(8,895)
Income tax expense									(30,322)
Profit for the year									81,124
Segment results include:									
Depreciation and amortisation	(9,235)	(1,024)	(2,626)	(2,934)	(288)	(31)	(1,145)	(1,043)	(18,326)
(Loss)/gain on disposal of property, plant and equipment, net	(69)	–	–	4	–	–	–	–	(65)
(Net impairment losses)/reversal of impairment loss on trade and other receivables	(264)	–	–	–	–	–	–	321	57

5. SEGMENT INFORMATION (CONTINUED)

The segment assets and liabilities and the reconciliation with total assets and liabilities of the Group are as follows:

	2022 RMB'000	2021 RMB'000
Segment assets		
Retail services	60,476	64,494
Information technology services	52,959	109,847
Renovation and fitting-out services	34	14
Off-campus training services	21,401	19,692
Property management services	8,582	3,459
Property agency services	1,521	634
Catering services	21,070	20,332
Others	2,617	8,419
Total segment assets	168,660	226,891
Investment in unallocated silver bullion	50,129	117,046
Term deposits	55,000	64,792
Restricted cash	561	559
Cash and cash equivalents	567,235	351,877
Deferred tax assets	1,517	2,496
Total assets	843,102	763,661
Segment liabilities		
Retail services	84,505	79,651
Information technology services	17,561	39,197
Off-campus training services	29,811	27,895
Renovation and fitting-out services	5,122	6,180
Property management services	22,407	15,421
Property agency services	2,064	1,308
Catering services	29,409	21,845
Others	5,064	6,290
Total segment liabilities	195,943	197,787
Deferred tax liabilities	8,562	3,347
Total liabilities	204,505	201,134

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

5. SEGMENT INFORMATION (CONTINUED)

As at 31 December 2022, more than 90% (2021: more than 90%) of the Group's non-current assets other than financial assets, investment in unallocated silver bullion and deferred tax assets are situated in the PRC Mainland.

During the year ended 31 December 2022, more than 90% (2021: 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.

(a) Assets and liabilities related to contracts with customers

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

	Notes	**2022 RMB'000**	2021 RMB'000
Contract assets	21	**4,767**	16,361
Contract liabilities	24	**32,902**	23,457

(i) Revenue recognised in relation to contract liabilities

The following table shows the revenue recognised that was included in the balance of contract liabilities at the beginning of the year:

	2022 RMB'000	2021 RMB'000
Off-campus training services	**10,993**	12,764
Renovation and fitting-out services	**167**	7,605
Information technology services	**4,874**	4,909
Retail services	**121**	2,851
Property management services	**2,119**	1,877
Catering services	**4,212**	850
Others	**4**	4
	22,490	30,860

(ii) 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 recognised revenue over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the services.

5. SEGMENT INFORMATION (CONTINUED)

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

(ii) Unsatisfied performance obligations (Continued)

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to relevant contracts for information technology services and renovation and fitting-out services such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for information technology services and renovation and fitting-out services that had an original expected duration of one year or less.

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.

(iii) Assets recognised from incremental costs to obtain a contract

There were no significant incremental costs to obtain a contract for the year ended 31 December 2022 (2021: nil).

6. REVENUE, OTHER INCOME AND GAINS/(LOSSES), NET

An analysis of revenue and other income and gains/(losses), net is as follows:

	2022 RMB'000	2021 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15, analysed by types of goods or services:		
Sales of goods	**111,853**	125,667
Engineering work income	**36,146**	63,750
Property management services	**63,883**	58,019
Off-campus training services	**27,285**	36,086
Property agency services	**25,943**	16,797
Renovation works	**167**	6,504
Resident support services income	**14,864**	17,730
Catering service income	**48,332**	50,884
Household cleaning income	**9,917**	7,516
Laundry services	**3,144**	8,839
Concessionaire services income	**8,407**	7,520
Employment placement services	**10,697**	10,616
Engineering maintenance income	**381**	234
Telecommunication service income	**3,011**	3,108
Procurement service fee	**2,527**	2,870
After-rental service income from property agency services	**199**	219
Others	**717**	828
	367,473	417,187
Revenue from other sources:		
Sub-leasing income	**15,409**	13,649
	382,882	430,836

6. REVENUE, OTHER INCOME AND GAINS/(LOSSES), NET (CONTINUED)

An analysis of revenue and other income and gains/(losses), net is as follows: (Continued)

	Notes	2022 RMB'000	2021 RMB'000
Other income and gains/(losses), net			
– Interest income on cash and cash equivalents		**6,065**	1,885
– Interest income on term deposits		**898**	1,768
– Interest income on long term receivables		**420**	388
– Gain on derecognition of right-of-use assets and investment properties upon entering into finance lease as lessor		**2,361**	2,505
– Gain on foreign exchanges, net		**9,329**	364
– Government grants (Note)		**1,083**	676
– Loss on disposal of property, plant and equipment, net		**(1,679)**	(65)
– Gain on early termination of leases	16	**23**	49
– (Loss)/gain on modification of leases	16	**(106)**	37
– Fair value gains on financial assets at fair value through profit or loss		**–**	102
– Fair value gain/(loss) on investment in unallocated silver bullion	18	**12,134**	(21,244)
– Compensations from tenants		**136**	22
– Others		**1,057**	610
		31,721	(12,903)

Note: Government grants represented the subsidies received from the local government in support of the business operation. There was no condition to be fulfilled by the Group in relation to the subsidies.

7. FINANCE COSTS

	Note	2022 RMB'000	2021 RMB'000
Interest expenses on lease liabilities	28(b)	**2,712**	2,188

8. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	Notes	2022 RMB'000	2021 RMB'000
Auditor's remuneration			
– Audit services		**824**	787
– Non-audit services		**446**	426
Depreciation charged on:			
– Property, plant and equipment	14	**3,635**	3,906
– Investment properties	15	**6,302**	6,127
– Right-of-use assets	16	**8,239**	7,839
Amortisation of intangible assets	17	**390**	454
Employee benefits expense (including director's remuneration (Note 9)) (Note)			
– Salaries, allowance and benefits in kind		**64,242**	64,834
– Retirement benefit scheme contributions		**10,804**	9,080
Direct operating expenses arising from investment properties that generated rental income		**2,030**	743
Cost of inventories recognised as expenses		**80,954**	91,707
Minimum lease payments under short-term operating lease		**1,671**	2,693
Provision for/(reversal of) impairment loss on trade and other receivables		**13,517**	(57)

Note:

Total employee benefits expense of approximately RMB42,781,000 (2021: RMB39,269,000), RMB17,754,000 (2021: RMB19,433,000) and RMB14,511,000 (2021: RMB15,212,000) has been charged to cost of sales, selling and marketing expenses and administrative expenses, respectively for the year ended 31 December 2022.

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

During the year 2022, the Group recognised research and development expenditure amounted to RMB1,727,000 (2021: RMB3,111,000), which includes the depreciation charges, amortisations and employee benefits disclosed above.

No forfeited contributions available for offset against existing contributions during the year (2021: nil).

9. DIRECTORS' REMUNERATION

Director's remuneration for the year, disclosed pursuant to the Listing Rules, section 338(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies Regulation, is as follows:

	2022 RMB'000	2021 RMB'000
Fees	1,295	1,253
Salaries, allowances and benefits in kind	447	432
Retirement benefit scheme contributions	33	33
	1,775	1,718

The directors' emoluments paid or payable by the Group are as follows:

	For the year ended 31 December 2022			
	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive directors				
Ms. Man Lai Hung *(Chairman & Chief Executive Officer)*	185	–	9	194
Ms. Ho Suk Mee	185	447	15	647
Mr. Liu Xing	185	–	9	194
Non-executive director				
Ms. Liang Yuhua	185	–	–	185
Independent non-executive directors				
Ms. Law Elizabeth	185	–	–	185
Mr. Ho Cham	185	–	–	185
Mr. Mak Ping Leung	185	–	–	185
Total	1,295	447	33	1,775

9. DIRECTORS' REMUNERATION (CONTINUED)

The directors' emoluments received from the Group are as follows: (Continued)

	For the year ended 31 December 2021			
	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive directors				
Ms. Man Lai Hung *(Chairman & Chief Executive Officer)*	179	–	9	188
Ms. Ho Suk Mee	179	432	15	626
Mr. Liu Xing	179	–	9	188
Non-executive director				
Ms. Liang Yuhua	179	–	–	179
Independent non-executive directors				
Ms. Law Elizabeth	179	–	–	179
Mr. Ho Cham	179	–	–	179
Mr. Mak Ping Leung	179	–	–	179
Total	1,253	432	33	1,718

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2021: nil).

Salaries and other benefits paid to or received by the executive directors were generally emoluments paid or receivable in respect of those person's salaries in connection with the management of the affairs of the Company and its subsidiaries.

The director's fees shown above were for these services as directors of the Company.

10. FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2022 included one director (2021: one). Details of whose remuneration are set out in Note 9. Details of the remuneration for the year of the remaining four (2021: four) highest paid employees who are not a director of the Company are as follows:

	2022 RMB'000	2021 RMB'000
Salaries, allowances and benefits in kind	2,465	2,322
Retirement benefit scheme contributions	238	202
	2,703	2,524

The number of non-director highest paid employees whose remuneration fell within the following bands is as follows:

	2022	2021
Emolument bands		
Nil – HK$1,000,000	4	4

11. INCOME TAX EXPENSE

	2022 RMB'000	2021 RMB'000
Current income tax:		
– PRC Mainland corporate income tax	30,261	29,597
– PRC Mainland withholding income tax	1,800	600
– Hong Kong Profits Tax	–	82
– Under-provision in prior years	32	–
	32,093	30,279
Deferred tax:		
– PRC Mainland corporate income tax (Note 25)	1,044	(245)
– PRC Mainland withholding income tax (Note 25)	5,150	288
Total deferred tax	6,194	43
Income tax expense	38,287	30,322

11. INCOME TAX EXPENSE (CONTINUED)

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 PRC Mainland effective on 1 January 2008. A subsidiary of the Company obtained the Certificate of "High and New Technology Enterprise" (the "**Certificate**") with valid period up to 2022, under which, the subsidiary enjoys a preferential corporate income rate of 15%.

Certain subsidiaries of the Group are qualified as the qualifying small enterprises according to the relevant tax law and regulation in the PRC Mainland effective from 1 January 2018. When their assessable profit falls under RMB1,000,000, they will be qualified for a reduced 2.5% effective tax rate, whereas those assessable profit falls under RMB3,000,000 but above RMB1,000,000, they will be qualified for a reduced 5% effective tax rate.

PRC Mainland withholding income tax

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

During the year, a provision of deferred tax for the earnings of certain profitable PRC Mainland entities which plan to distribute to the respective overseas immediate holding companies has been made at withholding income tax rate of 5% (2021: 5%).

Hong Kong Profits Tax

Under the two-tiered profits tax rates regime in Hong Kong, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% (2021: 16.5%) of the estimated assessable profit for the year.

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. British Virgin Islands subsidiaries were incorporated under the International Business Companies Act of the British Virgin Islands and are exempted from British Virgin Islands income tax.

11. INCOME TAX EXPENSE (CONTINUED)

A reconciliation of the income tax expense applicable to profit before taxation using the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax position at the effective tax rates is as follows:

	2022 RMB'000	2021 RMB'000
Profit before taxation	**133,427**	111,446
Tax calculated at the rates applicable to the tax jurisdiction concerned	**32,136**	30,103
Tax effects of income not taxable for tax purposes	**(4,574)**	(4,859)
Tax effects of extra tax deduction of research and development expenses	**(275)**	(580)
Tax effects of expenses not deductible for tax purposes	**439**	4,055
Tax effect of tax losses and temporary difference not recognised	**3,579**	1,003
Under-provision in prior year	**32**	–
PRC Mainland withholding income tax	**6,950**	600
Income tax expense	**38,287**	30,322

12. DIVIDENDS

		2022 RMB'000	2021 RMB'000
(a)	Dividend attributable to previous financial year approved and paid during the year:		
	Final dividend of HK2.70 cents for the year ended 31 December 2020 per share, equivalent to HK$27,412,000	**–**	22,764
	Final dividend of HK2.20 cents for the year ended 31 December 2021 per share, equivalent to HK$22,347,000	**19,070**	–
		19,070	22,764
(b)	Dividend attributable to the year declared but not yet approved at the reporting date#:		
	Final dividend of HK2.20 cents for the year ended 31 December 2021 per share, equivalent to HK$22,347,000	**–**	18,584
	Final dividend of HK2.50 cents for the year ended 31 December 2022 per share, equivalent to HK$25,394,000	**21,794**	–
		21,794	18,584

The final dividend proposed after the reporting date was not recognised as a liability at the reporting date. In addition, the final dividend is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting. The amount is translated into RMB at average exchange rate for the year ended 31 December 2022.

13. 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.

	2022	2021
Profit attributable to owners of the Company (RMB)	**95,140,000**	81,124,000
Weighted average number of ordinary shares in issue	**1,015,750,000**	1,015,573,973
Basic earnings per share for profit attributable to the owners of the Company (expressed in RMB per share)	**0.094**	0.080

(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 27(c), the Employees' Share Option Scheme (as hereinafter defined) was adopted and effective on 8 November 2016. Diluted earnings per share is calculated as below:

	2022	2021
Profit attributable to the owners of the Company (RMB)	**95,140,000**	81,124,000
Weighted average number of ordinary shares in issue	**1,015,750,000**	1,015,573,973
Adjustments for:		
– Employees' share options	**257,828**	1,397,513
Weighted average number of ordinary shares for diluted earnings per share	**1,016,007,828**	1,016,971,486
Diluted earnings per share for profit attributable to the owners of the Company (expressed in RMB per share)	**0.094**	0.080

14. PROPERTY, PLANT AND EQUIPMENT

	Machinery RMB'000	Vehicles RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Other equipment RMB'000	Total RMB'000
Year ended 31 December 2021						
Opening net book amount	3,430	449	1,410	10,564	1,383	17,236
Additions	69	18	180	709	111	1,087
Disposals	(45)	(1)	(33)	–	(29)	(108)
Depreciation charge (Note 8)	(626)	(52)	(309)	(2,596)	(323)	(3,906)
Closing net book amount	2,828	414	1,248	8,677	1,142	14,309
As at 31 December 2021						
Cost	8,812	1,388	5,043	23,494	1,970	40,707
Accumulated depreciation	(5,984)	(974)	(3,795)	(14,817)	(828)	(26,398)
Net book amount	2,828	414	1,248	8,677	1,142	14,309
Year ended 31 December 2022						
Opening net book amount	**2,828**	**414**	**1,248**	**8,677**	**1,142**	**14,309**
Additions	**290**	**14**	**310**	**593**	**24**	**1,231**
Disposals	**(2,125)**	**–**	**(43)**	**(39)**	**(71)**	**(2,278)**
Depreciation charge (Note 8)	**(394)**	**(52)**	**(297)**	**(2,555)**	**(337)**	**(3,635)**
Closing net book amount	**599**	**376**	**1,218**	**6,676**	**758**	**9,627**
As at 31 December 2022						
Cost	**4,178**	**1,402**	**5,092**	**22,655**	**1,873**	**35,200**
Accumulated depreciation	**(3,579)**	**(1,026)**	**(3,874)**	**(15,979)**	**(1,115)**	**(25,573)**
Net book amount	**599**	**376**	**1,218**	**6,676**	**758**	**9,627**

15. INVESTMENT PROPERTIES

	Leased properties under sub-lease arrangement RMB'000
Cost	
As at 1 January 2021	15,055
Transferred from right-of-use assets (Note 16)	3,634
Derecognised due to entering into finance lease as lessor	(2,004)
Exchange adjustment	(510)
As at 31 December 2021 and 1 January 2022	16,175
Transferred from right-of-use assets (Note 16)	22,204
Derecognised due to entering into finance lease as lessor	(489)
Derecognised due to expiry of lease	(8,506)
Exchange adjustment	393
As at 31 December 2022	**29,777**
Accumulated depreciation	
As at 1 January 2021	7,749
Depreciation charge (Note 8)	6,127
Derecognised due to entering into finance lease as lessor	(914)
Exchange adjustment	(479)
As at 31 December 2021 and 1 January 2022	12,483
Depreciation charge (Note 8)	6,302
Derecognised due to entering into finance lease as lessor	(360)
Derecognised due to expiry of lease	(8,506)
Exchange adjustment	256
As at 31 December 2022	**10,175**
Net book amount	
As at 31 December 2021	3,692
As at 31 December 2022	**19,602**

15. INVESTMENT PROPERTIES (CONTINUED)

Amounts recognised in the profit or loss for investment properties:

	Notes	2022 RMB'000	2021 RMB'000
Sub-leasing income	6	**15,409**	13,649
Depreciation over the term of head lease	8	**(6,302)**	(6,127)

The Group's investment properties are leased properties in relation to operating lease used in sub-leasing business. Certain of the Group's right-of-use assets, which are used in sub-leasing business, meet the definition of investment properties.

Investment properties are carried at cost less accumulated depreciation and accumulated impairment losses. Valuation is made annually for impairment assessment purposes based on each property's highest and best use using the income capitalisation method. Income capitalisation method is based on capitalising the rental income derived from the existing tenancies, if any, with due provision for the reversionary potential of each constituent portion of the property at appropriate capitalisation rates.

The fair value of the investment properties approximately RMB38,404,000 (2021: RMB18,470,000) determined by the independent professional valuer, AVISTA Valuation Advisory Limited ("**AVISTA**").

16. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

A. Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Premises RMB'000
Cost	
As at 1 January 2021	41,281
Additions	37,949
Transfer to investment properties (Note 15)	(3,634)
Derecognised due to entering into finance lease as lessor	(868)
De-recognisation due to expiry of leases	(1,879)
De-recognisation due to early termination	(3,688)
Exchange adjustment	(14)
As at 31 December 2021 and 1 January 2022	69,147
Additions	13,722
Transfer to investment properties (Note 15)	(22,204)
Derecognised due to entering into finance lease as lessor	(1,460)
De-recognisation due to expiry of leases	(3,018)
De-recognisation due to early termination	(1,045)
Modification of leases	2,471
Exchange adjustment	41
As at 31 December 2022	**57,654**
Accumulated depreciation	
As at 1 January 2021	9,082
Depreciation charge (Note 8)	7,839
De-recognisation due to expiry of leases	(1,879)
De-recognisation due to early termination	(1,219)
Exchange adjustment	(12)
As at 31 December 2021 and 1 January 2022	13,811
Depreciation charge (Note 8)	8,239
Derecognised due to entering into finance lease as lessor	(7)
De-recognisation due to expiry of leases	(3,018)
De-recognisation due to early termination	(425)
Modification of leases	(50)
Exchange adjustment	32
As at 31 December 2022	**18,582**
Net book amount	
As at 31 December 2021	55,336
As at 31 December 2022	**39,072**

16. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

A. Right-of-use assets (Continued)

	2022 RMB'000	2021 RMB'000
Expense relating to short-term leases	1,671	2,693
Payment of interest portion of lease liabilities	2,712	2,188
Payment of principal portion of lease liabilities	14,299	13,652
Total cash outflow for leases (Note)	18,682	18,533

Note: These amounts were presented in operating and financing cash flows.

B. Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	Premises RMB'000
Carrying amount at 1 January 2021	44,132
Accretion of interest during the year	2,188
Additions	37,949
De-recognisation due to early termination	(2,518)
Modification of leases	(37)
Payment of lease liabilities	(15,840)
Exchange adjustment	17
Carrying amount at 31 December 2021	65,891
Analysed into:	
Current portion	11,825
Non-current portion	54,066
Carrying amount at 1 January 2022	65,891
Accretion of interest during the year	2,712
Additions	13,722
De-recognisation due to early termination	(643)
Modification of leases	2,627
Payment of lease liabilities	(17,011)
Exchange adjustment	146
Carrying amount at 31 December 2022	67,444
Analysed into:	
Current portion	15,208
Non-current portion	52,236

16. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

B. Lease liabilities (Continued)

The maturity analysis of lease liabilities is as follows:

	2022 RMB'000	2021 RMB'000
Within one year	**15,208**	11,825
Over one year but within two years	**11,474**	11,460
Over two years but within five years	**25,043**	26,800
Over five years	**15,719**	15,806
	67,444	65,891
Analysis into:		
Non-current	**52,236**	54,066
Current	**15,208**	11,825
	67,444	65,891

The future minimum lease payments are as follows:

	2022 RMB'000	2021 RMB'000
Within one year	**17,493**	14,055
Over one year but within two years	**13,297**	13,297
Over two years but within five years	**28,412**	30,310
Over five years	**18,066**	18,640
Total lease payments	**77,268**	76,302
Less: Finance charges	**(9,824)**	(10,411)
	67,444	65,891

17. INTANGIBLE ASSETS

	Software RMB'000
Year ended 31 December 2021	
Opening net book amount	1,917
Additions	21
Amortisation (Note 8)	(454)
Closing net book amount	1,484
As at 31 December 2021	
Cost	3,145
Amortisation	(1,661)
Net book amount	1,484
Year ended 31 December 2022	
Opening net book amount	**1,484**
Additions	**168**
Amortisation (Note 8)	**(390)**
Closing net book amount	**1,262**
As at 31 December 2022	
Cost	**3,313**
Amortisation	**(2,051)**
Net book amount	**1,262**

18. INVESTMENT IN UNALLOCATED SILVER BULLION

	2022 RMB'000	2021 RMB'000
At 1 January, at fair value	**117,046**	138,290
Disposals	**(79,051)**	–
Fair value gain/(loss) for the year recognised in profit or loss (Note 6)	**12,134**	(21,244)
At 31 December, at fair value	**50,129**	117,046

During the year ended 31 December 2020, the Group invested in a total of 800,000 ounces of unallocated silver bullion through a bank in the United Kingdom at a total consideration of approximately RMB102,489,000. The settlement of investment contract is either sell their unallocated silver bullion to third parties through the bank at the exit price or collect the unallocated silver bullion in physical form at the Group's sole discretion.

As at 31 December 2022, the Group held in a total of 300,000 (31 December 2021: 800,000) ounces of unallocated silver bullion. On 22 February 2022, 3 March 2022 and 7 March 2022, the Group disposed of 200,000 ounces, 100,000 ounces and 200,000 ounces of unallocated silver bullion with gross proceeds (excluding transaction cost) of approximately RMB30,371,000, RMB15,838,000 and RMB32,842,000, respectively. Upon completion of the disposal, the remaining unallocated silver bullion held by the Group was 300,000 ounces. For details, please refer to the Company's announcements dated 22 February 2022, 7 March 2022 and 9 March 2022 respectively.

Such investment is held for long-term capital appreciation, and the management of the Company has decided to use the fair value model, with the changes in fair value to be recognised in the profit or loss in the period of changes as explained in Note 3(l).

The fair value of the investment in unallocated silver bullion is measured with reference to their bid price in London Precious Metals Markets (the "**London Bullion Market**"), which is the exit price, at the end of each reporting period. Such investment is subject to financial risk exposure in terms of commodity price risk, to measure the fair value of the investment. The management considers investment in unallocated silver bullion is classified as Level 1 (as defined in Note 33(C)(ii)) under fair value hierarchy which based on the degree to which the fair value is observable.

18. INVESTMENT IN UNALLOCATED SILVER BULLION (CONTINUED)

The following table demonstrates the sensitivity to every 5% change in the fair values of the unallocated silver bullion, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.

	2022 **RMB'000**	2021 RMB'000
Change in the Group's profit before taxation		
5% change in the price of unallocated silver bullion	**2,506**	5,852

If the unit price of unallocated silver bullion increased/decreased by 5%, profit before taxation for the year would have an estimated approximately RMB2,506,000 (2021: RMB5,852,000) increase/decrease.

The Group is exposed to credit risk in relation to investment in unallocated silver bullion that are measured at fair value through profit or loss. Credit risk refers to the risk that the bank fails to deliver unallocated silver bullion or settle in cash resulting in a loss to the Group. The maximum exposure as at 31 December 2022 is the carrying amount of these investments, amounting to approximately RMB50,129,000 (2021: RMB117,046,000).

The Group expects that there is no significant credit risk associated with investment in unallocated silver bullion since the unallocated silver bullion is deposited in a reputable bank incorporated in the United Kingdom. Management believe the bank has high credit quality without significant credit risk.

19. TRADE AND OTHER RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade receivables (Note (a)):		
– Related parties (Notes 31(d))	**34,437**	46,176
– Third parties	**31,551**	47,277
Total trade receivables	**65,988**	93,453
Less: allowance for impairment of trade receivables (Note (d))	**(14,865)**	(1,597)
	51,123	91,856
Amounts placed in Residents' Accounts (Note (b))	**841**	1,177
Other receivables:		
– Related parties (Note 31(d))	**3,333**	2,684
– Third parties (Note (c))	**17,255**	15,194
	20,588	17,878
Less: allowance for impairment of other receivables (Note (d))	**(513)**	(264)
	20,075	17,614
Prepayments:		
– Third parties	**5,034**	6,849
Total trade and other receivables	**77,073**	117,496
Analysed into:		
– Non-current (Note (e))	**3,851**	4,222
– Current	**73,222**	113,274
	77,073	117,496

19. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes:

(a) Trade receivables due from third parties mainly represented the receivables arising from provision of information technology services, the receivables of outstanding property management fee charged on commission basis and receivables of concessionaire services under retail services.

As at 31 December 2022, the credit period granted to trade customers of information technology services and renovation and fitting-out services varies from one month to one year (2021: one month to one year); the trading of retail services, catering services, off-campus training services, employment placement services and laundry services are mainly carried out on cash basis (2021: cash basis).

As at 31 December 2022, the ageing analysis of the trade receivables, net of impairment based on invoice date are as follows:

	2022 **RMB'000**	2021 RMB'000
Up to 1 year	**37,762**	91,243
1 to 2 years	**12,916**	613
Over 2 years	**445**	–
	51,123	91,856

(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 2022, the residents' funds amounted to approximately RMB139,741,000 (2021: RMB107,798,000) which are not included in the Group's consolidated financial statements.

As at 31 December 2022, amounts placed in Residents' Accounts of RMB841,000 (2021: RMB1,177,000) represented the balances of the property management commission fee and resident support service fee entitled by the property management companies of the Group. As at 31 December 2022, amounts placed in Resident's Accounts carried interest at prevailing rates from 0.30% to 2.00% per annum (2021: 0.30% to 2.00% 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.

(c) Other receivables from third parties mainly represents the followings:

	2022 **RMB'000**	2021 RMB'000
Utilities deposits paid	**2,359**	2,062
Management fee deposits paid	**3,190**	2,776
Rental deposits paid	**1,344**	1,053
Finance lease receivables (Note (e))	**7,715**	6,979
Others	**2,647**	2,324
	17,255	15,194

The directors of the Company considered that expected credit loss for other receivables from third parties is immaterial in view of no history of default and good repayment history from counter parties.

(d) The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 December 2022, a provision of RMB15,378,000 (2021: RMB1,861,000) was made against the gross amounts of trade and other receivables.

Details of impairment loss of trade and other receivables are set out in Note 33.

19. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (Continued)

(e) As at 31 December 2022, certain leased properties under subleases were classified as finance leases as the terms of the sub-lease transfer substantially all the risks and rewards incidental to ownership of head lease to the lessee. Amounts due from lessees under finance leases are recognised as finance lease receivables which included in the non-current other receivables and have remaining lease terms ranging from 2 to 7 years (2021: 2 to 5 years).

Finance lease receivables are comprised of the followings:

	2022 RMB'000	2021 RMB'000
Amounts receivables under finance leases		
Within 1 year	4,115	3,052
2 to 5 years	3,286	4,368
Over 5 years	887	–
Undiscounted lease payments	8,288	7,420
Less: unearned finance income	(573)	(441)
Present value of lease payments receivable	7,715	6,979
Analysed into:		
– Non-current	3,851	4,222
– Current	3,864	2,757
	7,715	6,979

The movements in provision for impairment of trade and other receivables are as follows:

	2022		2021	
	Trade receivables RMB'000	Other receivables RMB'000	Trade receivables RMB'000	Other receivables RMB'000
At the beginning of the year	1,597	264	1,918	–
Charge/(reversal) for the year (Note 8)	13,268	249	(321)	264
At the end of the year	14,865	513	1,597	264

20. INVENTORIES

	2022 RMB'000	2021 RMB'000
Merchandise goods	13,528	11,394
Raw materials and consumables	3,729	6,683
Others	–	136
	17,257	18,213

21. CONTRACT ASSETS

	2022 RMB'000	2021 RMB'000
Amounts due from customers for contract works:		
– Related parties (Note 31(d))	**3,578**	7,074
– Third parties	**1,189**	9,287
	4,767	16,361

Contract assets primarily relates to the Group's right to consideration for work completed but not yet billed at reporting date arising from construction contracts. Contract assets are transferred to receivables when the rights become unconditional.

The change during the current year is mainly due to the net effect of balance reduced as a result of the change in the time frame for a right to consideration to become unconditional; and balance increased for the recognition of revenue, as disclosed below.

	2022 RMB'000	2021 RMB'000
At 1 January	**16,361**	15,835
Increase in contract assets as a result of recognising revenue during the year	**41,020**	83,313
Decrease in contract assets as a result of right to consideration became unconditional during the year	**(52,614)**	(82,787)
At 31 December	**4,767**	16,361

The maximum exposure to credit risk at the reporting dates is the carrying value of contract assets. The Group does not hold any collateral as security.

The Group applies the simplified approach for expect credit losses prescribed by HKFRS 9 and there is no impairment allowance for expected credit loss (2021: nil).

Details of impairment loss of contract assets are set out in Note 33(A)(iii).

22. CASH AND BANK BALANCES

(a) Term deposits

As at 31 December 2022, the term deposits matured over 3 months and carried interest at prevailing deposit rates which range from 1.90% to 2.10% (2021: 1.50% to 1.90%) per annum. The fair value of the Group's term deposits approximates 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 according to the relevant regulations in the PRC Mainland.

(c) Cash and cash equivalents

	2022 **RMB'000**	2021 RMB'000
Cash at banks and on hand	**389,662**	351,877
Short-term bank deposits	**177,573**	–
	567,235	351,877

As at 31 December 2022, short-term bank deposits are made for varying periods of not more than three months which carried interest at prevailing deposit rates ranging from 0.60% to 4.30% (2021: nil) per annum.

	2022 **RMB'000**	2021 RMB'000
Cash and cash equivalents denominated in:		
– RMB	**457,637**	340,306
– HK$	**109,587**	11,562
– United State Dollars ("**USD**")	**11**	9
	567,235	351,877

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.

23. TRADE AND OTHER PAYABLES

	2022 RMB'000	2021 RMB'000
Trade payables (Note (a)):		
– Related parties (Note 31(d))	628	3,039
– Third parties	46,594	52,689
	47,222	55,728
Other payables:		
– Related parties (Note 31(d))	4,882	4,972
– Third parties	25,327	26,738
	30,209	31,710
Accrued payroll	7,856	8,457
Other taxes payables	1,270	2,832
	86,557	98,727

(a) As at 31 December 2022 and 2021, the ageing analysis of the trade payables (including amounts due to related parties of trading in nature) based on invoice date is as follows:

	2022 RMB'000	2021 RMB'000
Up to 1 year	37,796	34,496
1 to 2 years	2,837	15,505
2 to 3 years	3,123	5,583
Over 3 years	3,466	144
	47,222	55,728

24. CONTRACT LIABILITIES

	2022 RMB'000	2021 RMB'000
Contract liabilities:		
– Related parties (Note 31(d))	**1,572**	4,423
– Third parties	**31,330**	19,034
	32,902	23,457
Receipt in advance in off-campus training services	**12,818**	10,993
Receipt in advance in relation to construction contracts	**2,618**	6,008
Cash vouchers in relation to retail services	**24**	121
Receipt in advance in relation to property management services	**2,433**	2,119
Catering services	**14,913**	4,212
Others	**96**	4
	32,902	23,457

Contract liabilities, representing customers' deposits and receipt in advance while the underlying services are yet to be provided. Movement of contract liabilities is as follows:

	2022 RMB'000	2021 RMB'000
At 1 January	**23,457**	30,860
Increase in contract liabilities as a result of receiving deposits during the year	**112,912**	92,917
Decrease in contract liabilities as a result of recognising revenue during the year	**(103,467)**	(100,320)
At 31 December	**32,902**	23,457

25. DEFERRED TAX ASSETS AND LIABILITIES

The movements in deferred tax assets and liabilities during the year are as follows:

(a) Deferred tax assets

	Temporary difference relating to leases and rental expenses RMB'000
As at 1 January 2021	2,251
Credited to the consolidated statement of profit and loss	303
Charged to the consolidated statement of profit and loss	(58)
As at 31 December 2021 and 1 January 2022	2,496
Credited to the consolidated statement of profit and loss	425
Charged to the consolidated statement of profit and loss	(1,404)
As at 31 December 2022	**1,517**

(b) Deferred tax liabilities

	Finance lease receivables RMB'000	**Withholding taxes** RMB'000	**Total** RMB'000
As at 1 January 2021	909	2,150	3,059
Credited to the consolidated statement of profit and loss	(234)	–	(234)
Charged to the consolidated statement of profit and loss	522	–	522
As at 31 December 2021 and 1 January 2022	1,197	2,150	3,347
Credited to the consolidated statement of profit and loss	(32)	(1,800)	(1,832)
Charged to the consolidated statement of profit and loss	97	6,950	7,047
As at 31 December 2022	**1,262**	**7,300**	**8,562**

25. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

The movements in deferred tax assets and liabilities during the year are as follows: (Continued)

(b) Deferred tax liabilities (Continued)

As at 31 December 2022, the Group has tax losses arising in Hong Kong of approximately RMB863,000 (2021: RMB1,010,000) that are available for offsetting against future taxable profits of the companies in which the losses arose. Such unused tax losses are subject to the approval of the Hong Kong Inland Revenue Department. No deferred tax asset has been recognised due to unpredictability of future profit streams. Tax losses may be carried forward indefinitely.

As at 31 December 2022, the Group has not recognised deferred tax assets in respect of the tax losses of subsidiaries amounting to RMB4,480,000 (2021: RMB1,533,000) because it is not probable that future taxable profit will be available against which the subsidiary can utilise the benefits therefrom. These unused tax losses were incurred by a subsidiary of the Group in the PRC, which will expire after 5 years from the year in which the losses were incurred. Such unused tax losses are subject to the approval of the relevant local tax authority.

As at 31 December 2022, the Group has not recognised the provision of PRC Mainland withholding income tax of approximately RMB8,318,000 (2021: RMB10,334,000) in relation to the undistributed profits of certain PRC Mainland group entities totalling approximately RMB166,359,000 (2021: RMB206,693,000) as the Group does not have a plan to distribute these profits out of the PRC Mainland in the foreseeable future.

26. 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 2021 and 2022	10,000,000,000	100,000,000	87,440		
Issued and fully paid:					
As at 1 January 2021	1,015,250,000	10,152,500	8,872	179,136	188,008
Employees' Share Option Scheme:					
– Proceeds from shares issued (Note 27(c))	500,000	5,000	4	197	201
As at 31 December 2021 and 31 December 2022	**1,015,750,000**	**10,157,500**	**8,876**	**179,333**	**188,209**

27. OTHER RESERVES

	Statutory reserve (Note (a)) RMB'000	Capital reserve (Note (b)) RMB'000	Share-based compensation reserve (Note (c)) RMB'000	Reserves for transactions with non-controlling interest RMB'000	Total RMB'000
As at 1 January 2021	35,432	(121,099)	484	(14,331)	(99,514)
Employees' Share Option Scheme (Note (c)):					
– Exercise of share options	–	–	(28)	–	(28)
Appropriation of statutory reserves	259	–	–	–	259
As at 31 December 2021 and 1 January 2022	35,691	(121,099)	456	(14,331)	(99,283)
Employees' Share Option Scheme (Note (c)):					
– Lapse of share options	–	–	(456)	–	(456)
Appropriation of statutory reserves	588	–	–	–	588
As at 31 December 2022	**36,279**	**(121,099)**	**–**	**(14,331)**	**(99,151)**

Notes:

(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.

27. OTHER RESERVES (CONTINUED)

Notes: (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.

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

The fair value of share options granted on 21 October 2016 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.

During the year ended 31 December 2021, two senior management personnel have exercised total of 500,000 units at the exercise price of HK$0.414 per share. Accordingly, the Company received total proceeds of approximately HK$207,000, equivalent to RMB201,000.

During the year ended 31 December 2022, no share options have been exercised and all the outstanding share options have expired. As a result, there were no outstanding share options existed as at that date.

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

	2022		2021	
	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	5,425,000	0.414	5,925,000
Exercised	–	–	0.414	(500,000)
Expired	(0.414)	(5,425,000)	–	–
As at 31 December	–	–	0.414	5,425,000

The expiry date of the outstanding share options was 8 May 2022.

28. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

The Group had non-cash additions to right-of-use assets and lease liabilities of approximately RMB13,722,000 (2021: RMB37,949,000) and RMB13,722,000 (2021: RMB37,949,000) during the year ended 31 December 2022 in respect of lease arrangements for the properties (Note 16).

(b) Reconciliation of liabilities arising from financial activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities:

	Lease liabilities RMB'000
At 1 January 2021	44,132
Changes of financing activities:	
– Repayment of lease liabilities – principal	(13,652)
– Repayment of lease liabilities – interest	(2,188)
	(15,840)
Other changes:	
– Interest on lease liabilities (Note 7)	2,188
– Additions of lease liabilities	37,949
– De-recognisation due to early termination	(2,518)
– Exchange adjustment	17
– Lease modification	(37)
	37,599
At 31 December 2021 and 1 January 2022	65,891
Changes of financing activities:	
– Repayment of lease liabilities – principal	(14,299)
– Repayment of lease liabilities – interest	(2,712)
	(17,011)
Other changes:	
– Interest on lease liabilities (Note 7)	2,712
– Additions of lease liabilities	13,722
– De-recognisation due to early termination	(643)
– Exchange adjustment	146
– Lease modification	2,627
	18,564
At 31 December 2022	**67,444**

29. SUBSIDIARIES

The Group's principal subsidiaries at the reporting date 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 2022 (%)	2021 (%)
Directly owned					
Wide Leisure Limited* 廣逸有限公司	BVI, limited liability company	Investment holding in BVI	1 ordinary share USD1	100%	100%
Indirectly owned					
Guangzhou Panyu Clifford Property Management Limited* 廣州市番禺祈福物業管理有限公司	PRC Mainland, limited liability company	Property management services in the PRC Mainland	RMB5,500,000	100%	100%
Foshan Clifford Property Management Limited* 佛山市祈福物業管理有限公司	PRC Mainland, limited liability company	Property management services in the PRC Mainland	HK$8,770,000	100%	100%
Guangzhou Clifford Trading Limited* 廣州市祈福貿易有限公司	PRC Mainland, limited liability company	Retail services in the PRC Mainland	RMB1,000,000	100%	100%
Guangzhou Smart Real Estate Agency Limited* 廣州市睿明房地產中介有限公司	PRC Mainland, limited liability company	Property agency services in the PRC Mainland	RMB300,000	100%	100%
Guangzhou Welcome Employment Limited* 廣州市惠爾家職業介紹有限公司	PRC Mainland, limited liability company	Employment placement services in the PRC Mainland	RMB2,000,000	100%	100%
Guangzhou Goodwash Laundry Limited* 廣州市雪白洗衣有限公司	PRC Mainland, limited liability company	Laundry services in the PRC Mainland	RMB5,000,000	100%	100%
Guangzhou Panyu Clifford Education and Training Center Co., Ltd.* 廣州市番禺區祈福教育培訓中心有限公司	PRC Mainland, limited liability company	Off-campus training services in the PRC Mainland	RMB50,000	100%	100%

29. 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 2022 (%)	2021 (%)
Guangzhou Clifford Educational Technology Services Limited* 廣州市祈福教育科技服務有限公司	PRC Mainland, limited liability company	Off-campus training services in the PRC Mainland	RMB1,000,000	100%	100%
Guangzhou Clifford Elite Education Information Consulting Limited* 廣州市番禺祈福精英教育信息諮詢有限公司	PRC Mainland, limited liability company	Off-campus training services in the PRC Mainland	RMB300,000	100%	100%
Guangzhou Clifford Education Information Consulting Limited* 廣州市祈福教育信息諮詢有限公司	PRC Mainland, limited liability company	Off-campus training services in the PRC Mainland	RMB200,000	100%	100%
Guangzhou Clifford Household Services Limited* 廣州市祈福家居服務有限公司	PRC Mainland, limited liability company	Renovation and fitting-out services in the PRC Mainland	RMB500,000	100%	100%
Guangzhou Clifford Communications Limited* 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* 廣州市膳康餐飲管理有限公司	PRC Mainland, limited liability company	Catering services in the PRC Mainland	RMB1,000,000	100%	100%
Guangzhou Kejian Computer Technology Co., Limited* 廣州市科健計算機技術有限公司	PRC Mainland, limited liability company	Information technology services in the PRC Mainland	RMB8,000,000	100%	100%

* 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.

30. COMMITMENTS

Sub-leasing arrangement – Group as intermediate lessor

The investment properties are leased to tenants under operating leases with rentals payable monthly. For details of the leasing arrangements, refer to Note 16.

Arrangement for sub-leasing to external tenants are negotiated for terms ranging from 1 to 5 years (2021: 1 to 5 years). As at the end of the reporting period the Group had total future minimum sublease payments expected to be received under non-cancellable sub-leasing arrangements with its tenants falling due as follows:

	2022 **RMB'000**	2021 RMB'000
Up to 1 year	**8,802**	7,262
Over 1 year but within 5 years	**9,769**	10,897
	18,571	18,159

31. RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties:

Name	**Relationship**
Ms. Man Lai Hung	Ultimate shareholder of the Company
Mr. Pang Lun Kee	The spouse of Ms. Man
Guangzhou Qifuxin Pharmacy Company Limited* 廣州市祈福新大藥房有限公司	Company under control of Ms. Man
Guangzhou Panyu CZ Clifford Lakeside Kindergarten* 廣州市番禺區鐘村街祈福倚湖灣幼兒園	Company under control of Ms. Man
Guangzhou Clifford Investment Consulting Co., Ltd.* 廣州市祈福投資諮詢有限公司	Company under control of Ms. Man
Guangdong Clifford Preschool Education Group Co., Ltd.* 廣東祈福幼教集團有限公司	Company under control of Ms. Man
Guangdong Clifford Hospital Company Limited* 廣東祈福醫院有限公司	Company under control 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 Ms. Man
Foshan Nanhai Clifford Golden Lake Hotel Limited* 佛山市南海祈福仙湖酒店有限公司	Company under control of the spouse of Ms. Man
Foshan Nanhai Clifford Household Industrial Company Limited* 佛山市南海祈福家居實業有限公司	Company under control of the spouse of Ms. Man
Foshan Nanhai Clifford Property Development Company Limited* 佛山市南海祈福房地產有限公司	Company under control of the spouse of Ms. Man

31. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Name and relationship with related parties: (Continued)

Name	Relationship
Foshan Nanhai Clifford Property Development Limited* 佛山市南海祈福置業有限公司	Company under control of the spouse of Ms. Man
Guangzhou Nanhai Clifford English Experimental Kindergarten* 佛山市南海區祈福英語實驗幼兒園	Company under control of the spouse of Ms. Man
Guangzhou Lakeside Property Company Limited* 廣州市倚湖物業有限公司	Company under control of the spouse of Ms. Man
Guangzhou Guanhuan Property Company Limited* 廣州市冠環物業有限公司	Company under control of the spouse of Ms. Man
Guangzhou Crown Property Company Limited* 廣州市冠都物業有限公司	Company under control of the spouse of Ms. Man
Guangzhou Anhua Property Co., Ltd.* 廣州市安華物業有限公司	Company under control of the spouse of Ms. Man
Guangzhou Zhan Sheng Commercial Property Management Company Limited* 廣州市展盛商業地產經營管理有限公司	Company under control of the spouse of Ms. Man
Guangzhou Guangli Property Company Limited* 廣州市廣利物業有限公司	Company under control of the spouse of Ms. Man
Guangzhou Panyu Clifford Estates Kindergarten* 廣州市番禺區祈福新邨幼兒園	Company under control of the spouse of Ms. Man
Guangzhou Panyu Clifford Property Company Limited* 廣州市番禺祈福房產有限公司	Company under control of the spouse of Ms. Man
Guangzhou Qile Real Estate Co., Ltd.* 廣州市祈樂置業有限公司	Company under control of the spouse of Ms. Man
Guangzhou Qifu Health Consulting Co., Ltd.* 廣州市祈福健康諮詢有限公司	Company under control of the spouse of Ms. Man
Guangzhou Clifford Kaisheng Real Estate Co., Ltd.* 廣州市祈福凱盛地產有限公司	Company under control of the spouse of Ms. Man
Guangzhou Clifford Medical Equipment Limited* 廣州市祈福醫療器械有限公司	Company under control of the spouse of Ms. Man
Guangzhou Qifu Medical Company Limited* 廣州市祈福醫藥有限公司	Company under control of the spouse of Ms. Man
Guangzhou Qifu Dental Clinic Co., Ltd.* 廣州市祈福口腔門診部有限公司	Company under control of the spouse of Ms. Man
Guangzhou Clifford Business Center Co., Ltd.* 廣州市祈福商務中心有限公司	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 Clifford Business Centre Management Company Limited* 廣州市祈福商務中心經營管理有限公司	Company under control of the spouse of Ms. Man
Guangzhou Clifford Real Estate 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
Clifford Aged Home Company Limited* 廣州市祈福護老公寓有限公司	Company under control of the spouse of Ms. Man
Guangzhou Qifu Education Management Company Limited* 廣州市祈福教育管理有限公司	Company under control of the spouse of Ms. Man
Guangzhou Blessing Harbor Hotel Co., Ltd.* 廣州市祈福港灣大酒店有限公司	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 Qifu Biotechnology Co., Ltd.* 廣州市祈福生物科技有限公司	Company under control of the spouse of Ms. Man
Guangzhou Qifu Fuhua Business Hotel Co., Ltd.* 廣州市祈福福華商務酒店有限公司	Company under control of the spouse of Ms. Man
Guangzhou Clifford Wonderland Commercial Property Management Company Limited* 廣州市祈福繽紛世界商業地產經營管理有限公司	Company under control of the spouse of Ms. Man
Guangzhou Clifford Wonderland Service Apartment Company Limited* 廣州市祈福繽紛世界國際公寓有限公司	Company under control of the spouse of Ms. Man
Guangzhou Clifford Wonderland World Real Estate Co., Ltd.* 廣州市祈福繽紛世界地產有限公司	Company under control of the spouse of Ms. Man
Guangzhou Clifford Wonderland World Property Co., Ltd.* 廣州市祈福繽紛世界物業有限公司	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 Julongbao Property Company Limited* 廣州市祈福聚龍堡置業有限公司	Company under control of the spouse of Ms. Man
Guangzhou Fuchang Termite Control Co., Ltd.* 廣州市福昌白蟻防治有限公司	Company under control of the spouse of Ms. Man
Guangzhou Fortune Software Limited* 廣州市科進計算機技術有限公司	Company under control of the spouse of Ms. Man
Guangzhou Huashan Qifu Restaurant Co., Ltd.* 廣州市花山祈福酒店有限公司	Company under control of the spouse of Ms. Man
Guangzhou Huadu Xin Hua Clifford Property Development Company Limited* 廣州市花都新華祈福房地產有限公司	Company under control of the spouse of Ms. Man
Guangzhou Huadu Clifford Mountain Lake Hotel Limited* 廣州市花都祈福山中湖酒店有限公司	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 Huadu Clifford Property Development Company Limited* 廣州市花都祈福房地產有限公司	Company under control of the spouse of Ms. Man
Guangzhou Huadu Clifford Property Company Limited* 廣州市花都祈福置業有限公司	Company under control of the spouse of Ms. Man
Guangzhou Huadu Clifford Estates Property Development Company Limited* 廣州市花都祈福花園房產有限公司	Company under control of the spouse of Ms. Man
Guangzhou 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
Guangzhou Huadu Clifford Commercial Plaza Operation and Investment Company Limited* 廣州花都祈福商業廣場運營投資有限公司	Company under control of the spouse of Ms. Man
Lushan Dingye Development Co., Ltd.* 廬山鼎業發展有限公司	Company under control of the spouse of Ms. Man
Zhaoqing Clifford Coast Property Development Company Limited* 肇慶祈福海岸房地產有限公司	Company under control of the spouse of Ms. Man
Maliton Services Limited	Company under significant influence of the spouse of Ms. Man
Tango Trading Limited	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 Elite Kindergarten* 廣州市番禺區祈福精英幼兒園	Company under significant influence of the spouse of Ms. Man
Guangzhou Panyu Clifford English Experimental School* 廣州市番禺區祈福英語實驗學校	Company under 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 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
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 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

* 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.

31. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	2022 RMB'000	2021 RMB'000
Sales of goods to:		
– Companies under control of the spouse of Ms. Man	**68**	59
– Companies under significant influence of the spouse of Ms. Man	**8**	268
– Companies under control of Ms. Man	**194**	817
	270	1,144
Provision of services to:		
– Companies under significant influence of the spouse of Ms. Man	**37,195**	53,099
– Companies under control of the spouse of Ms. Man	**22,003**	21,740
– Companies under control of Ms. Man	**7,439**	13,540
	66,637	88,379
Short-term lease expenses and management fee paid/payable to:		
– Companies under control of the spouse of Ms. Man	**603**	210
– Companies under significant influence of the spouse of Ms. Man	**1,146**	1,009
	1,749	1,219
Interest expenses for lease liabilities paid/payable to:		
– Companies under control of Ms. Man	**19**	22
– Companies under control of the spouse of Ms. Man	**781**	738
– Companies under significant influence of the spouse of Ms. Man	**777**	650
	1,577	1,410
Payment of lease liabilities to:		
– Companies under control of Ms. Man	**56**	70
– Companies under control of the spouse of Ms. Man	**4,667**	6,162
– Companies under significant influence of the spouse of Ms. Man	**5,883**	4,392
	10,606	10,624

31. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management compensation

Compensation for key management other than those for directors as disclosed in Note 9 is set out below.

	2022 RMB'000	2021 RMB'000
Short-term employee benefits	**3,678**	3,341
Post-employment benefits	**316**	311
Salaries and other employee benefits	**3,994**	3,652

(d) Balances with related parties

	2022 RMB'000	2021 RMB'000
Receivables from related parties:		
Trade receivables (Note 19) (Note (i))		
– Companies under control of the spouse of Ms. Man	**2,949**	14,516
– Companies under significant influence of the spouse of Ms. Man	**30,803**	27,169
– Companies under control of Ms. Man	**685**	4,491
	34,437	46,176
Other receivables (Note 19) (Note (ii))		
– Companies under control of the spouse of Ms. Man	**1,267**	1,022
– Companies under significant influence of the spouse of Ms. Man	**2,041**	1,637
– Companies under control of Ms. Man	**25**	25
	3,333	2,684
Contract assets (Note 21)		
– Companies under significant influence of the spouse of Ms. Man	**2,871**	5,709
– Companies under the control of Ms. Man	**168**	465
– Companies under control of the spouse of Ms. Man	**539**	900
	3,578	7,074
Total receivables from related parties	**41,348**	55,934

31. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Balances with related parties (Continued)

	2022 **RMB'000**	2021 RMB'000
Payables to related parties:		
Trade payables (Note 23) (Note (i))		
– Companies under significant influence of the spouse of Ms. Man	**358**	760
– Companies under control of the spouse of Ms. Man	**40**	22
– Company under control of Ms. Man	**230**	2,257
	628	3,039
Other payables (Note 23) (Note (ii))		
– Companies under significant influence of the spouse of Ms. Man	**1,214**	1,271
– Companies under control of the spouse of Ms. Man	**3,658**	3,606
– Company under control of Ms. Man	**10**	95
	4,882	4,972
Contract liabilities (Note 24)		
– Companies under control of the spouse of Ms. Man	**106**	665
– Companies under significant influence of the spouse of Ms. Man	**1,266**	3,600
– Company under control of Ms. Man	**200**	53
– Companies under joint control of the spouse of Ms. Man and independent third parties	**–**	105
	1,572	4,423
Total payables to related parties	**7,082**	12,434

Notes:

(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.

32. FINANCIAL INSTRUMENTS BY CATEGORY

	2022 RMB'000	2021 RMB'000
Financial assets		
At amortised cost		
– Trade and other receivables excluding prepayments	72,039	110,647
– Term deposits	55,000	64,792
– Restricted cash	561	559
– Cash and cash equivalents	567,235	351,877
	694,835	527,875
Financial liabilities		
At amortised costs		
– Trade and other payables excluding non-financial liabilities	77,431	87,438
Other financial liabilities		
– Lease liabilities	67,444	65,891

33. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

A Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, interest rate risk, credit risk, liquidity risk and price 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.

(i) 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 payment of professional fees and employee benefit expenses and disposal of unallocated silver bullion which are denominated in HK$. 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.

33. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

A Financial risk factors (Continued)

(i) Foreign exchange risk (Continued)

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities as at 31 December 2022 and 2021 are as follows:

	2022 RMB'000	2021 RMB'000
Monetary assets denominated in: – HK$	**110,608**	12,371
Monetary liabilities denominated in: – HK$	**1,365**	1,967

The following table demonstrates the sensitivity at the end of the reporting period to reasonably possible changes in the RMB exchange rates, with all other variables held constant, of the Group's profit before taxation and the Company's equity.

	2022 RMB'000	2021 RMB'000
5% appreciation in RMB against – HK$	**(5,462)**	(520)
5% depreciation in RMB against – HK$	**5,462**	520

(ii) Interest rate risk

The Group's interest rate risk arises from bank balances. Bank balances 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.

The Group expects that there is no significant interest rate risk associated with financial product since the Group furnishes investment mandates to commercial banks. These mandates require them to invest in bank financial product 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.

Management considers that interest rate risk related to bank balances is insignificant.

33. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

A Financial risk factors (Continued)

(iii) Credit risk

Credit risk refers to the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group considers all elements of credit risk exposure such as counterparty default risk and sector risk for risk management purposes.

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of those assets stated in the consolidated statement of financial position.

The Group is exposed to credit risk in relation to its deposit with banks, contractual cash flows of financial assets carried at amortised cost 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.

(a) *Deposits with banks*

As at 31 December 2022 and 2021, substantially all the Group's bank balances are deposited with major financial institutions incorporated in the PRC Mainland and Hong Kong, of which management believes are high credit quality without significant credit risk.

The management considers the credit risk in respect of restricted bank balances and bank balances and cash is minimal because the counterparties are authorised financial institutions with high credit ratings.

33. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

A Financial risk factors (Continued)

(iii) Credit risk (Continued)

(b) Trade and other receivables (excluding prepayments) and contract assets

The Group considers the probability of default upon initial recognition of asset and at the end of the reporting period.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables and contract assets with third parties/ finance lease receivables (included in other receivables)	Trade and other receivables and contract assets with related parties
Low risk	The counterparty has a low risk of default and does not have any past due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

33. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

A Financial risk factors (Continued)

(iii) Credit risk (Continued)

(b) Trade and other receivables (excluding prepayments) and contract assets (Continued)

The tables below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

	Notes	12-month or lifetime ECL	2022 Gross carrying amount RMB'000	2021 Gross carrying amount RMB'000
Financial assets at amortised costs				
Trade receivables with third parties	(i)	Lifetime ECL (not credit impaired)	22,169	47,277
	(ii)	Credit-impaired	9,382	–
Trade receivables with related parties	(iii)	12-month ECL	34,437	46,176
			65,988	93,453
Finance lease receivables (included in other receivables)	(iii)	Lifetime ECL (not credit impaired)	7,715	6,979
Other receivables	(iii)	12-month ECL	12,873	10,899
Other items:				
Contract assets with third parties	(i)	Lifetime ECL (not credit impaired)	1,189	9,287
Contract assets with related parties	(iii)	12-month ECL	3,578	7,074
			91,343	127,692

Notes:

(i) For trade receivables and contract assets with third parties, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix through grouping of various debtors that have similar loss patterns, after considering internal credit ratings of trade debtors, ageing, repayment history and/or past due status of respective trade receivables.

The Group uses debtors' ageing to assess the impairment for its customers in relation to its operation because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

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 recognises lifetime ECL for finance lease receivable that results from transactions that are within the scope of HKFRS 16. To measure the ECL, finance lease receivables have been grouped based on shared credit risk characteristics or are assessed individually for credit-impaired balances.

33. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

A Financial risk factors (Continued)

(iii) Credit risk (Continued)

(b) Trade and other receivables (excluding prepayments) and contract assets (Continued)

Notes: (Continued)

(ii) The management considered that trade receivables are credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the disappearance of an active market for that financial asset because of financial difficulties.

(iii) For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition for its trade and other receivables and contract assets with related parties.

Trade and other receivables and contract assets with related parties are measured on 12-m ECL basis unless there had been significant increase in credit risk since initial recognition.

The Group has assessed that there is no significant increase of credit risk for trade and other receivables and contract assets with related parties. Thus the Group used the 12 months expected credit losses model to assess credit loss of trade and other receivables and contract assets with related parties.

As at 31 December 2022, 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.

As at 31 December 2022, the loss allowance provision for the trade receivables and other receivables due from third parties amounted to approximately RMB14,865,000 (2021: RMB1,597,000) and RMB513,000 (2021: RMB264,000), respectively.

The following tables provide information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets as at 31 December 2022 and 2021:

	Third parties					Related parties	
	Not overdue or within 3 months	3 to 6 months	6 months to 1 year	1 to 2 years	Over 2 years	Not overdue	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2022							
Expected credit loss rate	**0.04%**	**19.4%**	**46.6%**	**73.0%**	**18.5%**	**–**	
Gross carrying amount	**8,432**	**2,266**	**5,172**	**16,324**	**546**	**38,015**	**70,755**
Expected credit losses	**(4)**	**(439)**	**(2,410)**	**(11,911)**	**(101)**	**–**	**(14,865)**
At 31 December 2021							
Expected credit loss rate	0.2%	16.9%	17.7%	30.4%	–	–	
Gross carrying amount	48,612	732	6,344	876	–	53,250	109,814
Expected credit losses	(86)	(124)	(1,121)	(266)	–	–	(1,597)

33. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

A Financial risk factors (Continued)

(iii) Credit risk (Continued)

(b) Trade and other receivables (excluding prepayments) and contract assets (Continued)

As at 31 December 2022 and 2021, the loss allowance provision for trade and other receivables (excluding prepayments) and contract assets reconciles to the opening loss allowance for that provision as follows:

	Trade receivables with third parties RMB'000	Trade and other receivables from related parties RMB'000	Contract assets RMB'000	Other receivables (excluding prepayments and other receivables from related parties) RMB'000	Total RMB'000
As at 1 January 2021	1,918	–	–	–	1,918
Provision for loss allowance recognised in profit or loss	–	–	–	264	264
Reversal of impairment loss	(321)	–	–	–	(321)
As at 31 December 2021 and 1 January 2022	1,597	–	–	264	1,861
Provision for loss allowance recognised in profit or loss	13,268	–	–	249	13,517
As at 31 December 2022	**14,865**	**–**	**–**	**513**	**15,378**

As at 31 December 2022, the gross carrying amount of trade and other receivables (excluding prepayments) was approximately RMB87,417,000 (2021: RMB112,508,000), and the maximum exposure to loss was RMB72,039,000 (2021: RMB110,647,000).

Significant increase in expected credit loss during the year ended 31 December 2022 was mainly due to three trade debtors, with gross carrying amounts of RMB9,382,000, were in financial difficulties. As a result, such balances were fully impaired during the current year.

33. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

A Financial risk factors (Continued)

(iv) 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 RMB'000	1–2 years RMB'000	2–5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2022					
Trade and other payables, excluding non-financial liabilities	77,431	–	–	–	77,431
Lease liabilities	17,493	13,297	28,412	18,066	77,268
	94,924	13,297	28,412	18,066	154,699
As at 31 December 2021					
Trade and other payables, excluding non-financial liabilities	87,438	–	–	–	87,438
Lease liabilities	14,055	13,297	30,310	18,640	76,302
	101,493	13,297	30,310	18,640	163,740

33. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

B 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. The Group's overall strategy remains unchanged from prior year.

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 position. As at 31 December 2022 and 2021, the Group was at net cash position, being calculated as cash and cash equivalents less total borrowings.

No material changes were made in the objectives, policies or processes for managing capital during the years.

C Fair value estimation

(i) Financial instruments not measured at fair value

Except for the below, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate to their fair values.

(ii) Financial instruments measured at fair value

The fair value of financial assets and financial liabilities is determined based on discounted cash flow analysis. The following table presents the carrying value of the Group's financial instruments measured at fair value across the three levels of the fair value hierarchy defined in HKFRS 13 "Fair Value Measurement" with fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

Level 1: fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.

Level 2: fair values measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3: fair values measured using significant unobservable input.

As at 31 December 2022, the management considered investment in unallocated silver bullion was classified as Level 1. There were no transfers between the three levels during the reporting periods.

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

(a) Statement of financial position of the Company

	Notes	2022 RMB'000	2021 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		2	3
Right-of-use assets		223	16
Investment properties		2,950	385
Investments in subsidiaries		105,190	105,190
Investment in unallocated silver bullion		50,129	117,046
Deferred tax assets		5	2
		158,499	222,642
Current assets			
Trade and other receivables		7,465	3,686
Cash and cash equivalents		201,107	102,669
		208,572	106,355
Current liabilities			
Other payables		1,358	1,341
Lease liabilities		2,753	409
		4,111	1,750
Net current assets		204,461	104,605
Total assets less current liabilities		362,960	327,247
Non-current liabilities			
Lease liabilities		447	–
Net assets		362,513	327,247
EQUITY			
Equity attributable to owners of the Company			
Share capital	26	8,876	8,876
Share premium	26	179,333	179,333
Other reserves	(b)	–	548
Retained earnings	(b)	174,304	138,490
Total equity		362,513	327,247

The statement of financial position of the Company was approved and is authorised for issue by the board of directors on 31 March 2023 and is signed on its behalf by:

Ms. MAN Lai Hung
Chairman & Chief Executive Officer & Executive Director

Ms. HO Suk Mee
Executive Director

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

(b) Reserves movement of the Company

	Other reserves RMB'000	Retained earnings RMB'000
As at 1 January 2021	520	168,800
Loss for the year	–	(7,546)
Exercise of share options (Note 27)	28	–
Dividends declared to shareholders of the Company (Note 12)	–	(22,764)
As at 31 December 2021 and 1 January 2022	548	138,490
Profit for the year	–	54,336
Lapse of share options (Note 27)	(548)	548
Dividends declared to shareholders of the Company (Note 12)	–	(19,070)
As at 31 December 2022	**–**	**174,304**

35. EVENT AFTER THE REPORTING PERIOD

Placement of term deposits

On 24 March 2023, 29 March 2023 and 30 March 2023, the Group placed term deposits with a principal amount of RMB30,000,000, RMB20,000,000 and RMB30,000,000, respectively, in two licensed banks in the PRC Mainland. The term deposits are denominated in RMB, which will be matured in 3 years and are interest-bearing at the rate of 3.1% per annum.

FINANCIAL SUMMARY

	For the year ended 31 December				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Continuing operations					
Revenue from contracts with customers	**382,882**	430,836	420,944	396,554	341,627
Gross profit	**177,838**	189,190	183,755	176,229	166,218
Operating profit	**133,427**	111,446	161,526	130,170	102,148
Profit before income tax	**133,427**	111,446	161,526	129,678	103,315
Profit from continuing operations	**95,140**	81,124	128,738	95,212	72,436
Profit from discontinued operations	**–**	–	–	598	244
Profit for the year	**95,140**	81,124	128,738	95,810	72,680
Profit attributable to:					
Owners of the Company	**95,140**	81,124	128,738	95,810	72,680

ASSETS AND LIABILITIES

	For the year ended 31 December				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**843,102**	763,661	694,169	566,036	442,201
Total liabilities	**204,505**	201,134	190,175	167,644	120,050
	638,597	562,527	503,994	398,392	322,151
Equity attributable to owners of the Company	**638,597**	562,527	503,994	398,392	322,151