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祈福生活服務
CLIFFORD MODERN LIVING

CLIFFORD MODERN LIVING HOLDINGS LIMITED

祈福生活服務控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3686)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

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

Notes:

- (1) Adjusted net profit and net profit margin for the year ended 31 December 2016 is derived by adding back listing expenses of RMB22.9 million.
- (2) This non-GAAP financial data is a supplemental financial measure that is not required by, or presented in accordance with, HKFRSs and is therefore referred to as a "non-GAAP" financial measure. It is not a measurement of the Group's financial performance under HKFRSs and should not be considered as an alternative to profit from operations or any other performance measures derived in accordance with HKFRSs.
- (3) 2016 figures are restated for the changes as explained in Note 11.

The board (the “**Board**”) of directors (the “**Directors**”) of Clifford Modern Living Holdings Limited 祈福生活服務控股有限公司 (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2017 together with the comparative figures for the year ended 31 December 2016:

CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	Year ended 31 December	
		2017 <i>RMB'000</i>	2016 <i>RMB'000</i> (Restated)
Revenue	3	365,387	327,196
Cost of sales		(213,787)	(197,745)
Gross profit		151,600	129,451
Selling and marketing expenses		(24,698)	(21,540)
Administrative expenses		(44,909)	(61,329)
Other income	4	1,038	522
Other gains – net		1,185	357
Operating profit		84,216	47,461
Finance income	4	603	380
Finance costs	4	–	(14)
Share of profit of an associate		–	7
Profit before income tax		84,819	47,834
Income tax expenses	5	(27,431)	(20,003)
Profit for the year		57,388	27,831
Profit attributable to:			
– Owners of the Company		56,325	25,024
– Non-controlling interests		1,063	2,807
		57,388	27,831
Earnings per share attributable to the owners of the Company during the year (expressed in RMB per share):			
– Basic earnings per share	6(a)	0.056	0.032
– Diluted earnings per share	6(b)	0.056	0.032

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2017 <i>RMB'000</i>	2016 <i>RMB'000</i> (Restated)
Profit for the year	57,388	27,831
Other comprehensive income	<u>—</u>	<u>—</u>
Total comprehensive income for the year	<u>57,388</u>	<u>27,831</u>
Total comprehensive income attributable to:		
– Owners of the Company	56,325	25,024
– Non-controlling interests	<u>1,063</u>	<u>2,807</u>
	<u>57,388</u>	<u>27,831</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	As at 31 December	
		2017	2016
		RMB'000	RMB'000
			(Restated)
Assets			
Non-current assets			
Property, plant and equipment		18,638	19,743
Intangible assets		590	714
Deferred income tax assets		1,017	333
Long-term receivables		2,106	–
		<u>22,351</u>	<u>20,790</u>
Current assets			
Inventories		13,928	14,547
Amounts due from customers for contract works		7,676	7,068
Trade and other receivables	8	60,346	59,225
Cash and cash equivalents		187,404	187,518
Term deposits		61,869	27,544
Restricted cash		610	608
Other current assets		1,993	–
		<u>333,826</u>	<u>296,510</u>
Total assets		<u>356,177</u>	<u>317,300</u>
Equity			
Equity attributable to owners of the Company			
Share capital	10	8,761	8,744
Share premium	10	184,674	183,824
Other reserves		(117,178)	(97,035)
Retained earnings		179,759	126,108
		<u>256,016</u>	<u>221,641</u>
Non-controlling interests		–	6,381
Total equity		<u>256,016</u>	<u>228,022</u>
Liabilities			
Non-current liabilities			
Deferred income tax liabilities		3,264	1,200
Current liabilities			
Trade and other payables	9	83,369	79,506
Amounts due to customers for contract works		4,792	1,023
Current income tax liabilities		8,736	7,549
		<u>96,897</u>	<u>88,078</u>
Total liabilities		<u>100,161</u>	<u>89,278</u>
Total equity and liabilities		<u>356,177</u>	<u>317,300</u>

NOTES

1 GENERAL INFORMATION

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

The Company’s shares were listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 8 November 2016 (the “**Listing**”). The ultimate controlling shareholder of the Company is Ms. Man Lai Hung (“**Ms. Man**”). The Company is an investment holding company. The Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) are primarily engaged in the provision of services to residents in properties developed under the brand name of Clifford, including retail services, catering services, property management services, laundry services, off-campus training services, property agency services, employment placement services and information technology-related services, etc. in the mainland of the People’s Republic of China (the “**PRC mainland**”).

2 APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (THE “**HKFRSs**”)

(a) New and amended standards adopted by the Group

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

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

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

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

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

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

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

HKFRS 15 Revenue from Contracts with Customers

Nature of change

HKFRS 15 replaces the previous revenue standards: HKAS 18 Revenue and HKAS 11 Construction Contracts, and the related Interpretations on revenue recognition. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) identify the contract(s) with customer; (2) identify separate performance obligations in a contract; (3) determine the transaction price; (4) allocate transaction price to performance obligations and (5) recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an approach of transfer of risk and rewards to an approach based on transfer of control. HKFRS 15 provides specific guidance on capitalisation of contract cost and licence arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Under HKFRS 15, an entity recognises revenue when a performance obligation is satisfied.

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

Impact

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

Date of adoption by group

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

HKFRS 9 Financial Instruments

Nature of change

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

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

Impact

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

Date of adoption by group

Mandatory for financial years commencing on 1 January 2018.

HKFRS 16 Leases

The Group is a lessee of certain offices and buildings, which are currently accounted for as operating leases under HKAS 17 based on the accounting policy. As at 31 December 2017, the Group’s minimum lease payments under non-cancellable operating lease agreements are of RMB47,889,000. Under HKFRS 16, lessees are required to recognise a lease liability reflecting future lease payments and a right-of-use asset for all lease contracts in the statement of financial position. Lessees will also have to present interest expense on the lease liability and depreciation on the right-of-use asset in the income statement. In comparison with operating leases under HKAS 17, this will change not only the allocation of expenses but also the total amount of expenses recognised for each period of the lease term. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term. The new standard has included an optional exemption for certain short-term leases and leases of low-value assets. This exemption can only be applied by lessees. The Group is expected to apply the new standard starting from the financial year beginning on 1 January 2019.

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

3 SEGMENT INFORMATION

Information reported to the executive directors of the Company, who are the chief operating decision makers (“CODM”) of the Group, was specifically focused on the segments of retail services, catering services, property management services, laundry services, off-campus training services, property agency services, employment placement services and information technology services for the purpose of resource allocation and performance assessment. These divisions are the basis on which the Group reports its segment information under HKFRS 8 “Operation Segments”.

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

Segment revenue and results

The segment revenue and results and the reconciliation with profit for the year ended 31 December 2017 are as follows:

	Retail services RMB'000	Catering services RMB'000	Property management services RMB'000	Off-campus training services RMB'000	Property agency services RMB'000	Laundry services RMB'000	Employment placement services RMB'000	Information technology services RMB'000	Total RMB'000
Gross segment revenue	105,280	67,073	80,838	34,158	18,417	10,415	2,578	48,385	367,144
Inter-segment revenue	(210)	(266)	(764)	-	-	(191)	-	(326)	(1,757)
Revenue	105,070	66,807	80,074	34,158	18,417	10,224	2,578	48,059	365,387
Segment results	11,590	3,303	47,345	13,255	12,799	696	1,206	6,288	96,482
Other income									1,038
Other gains – net									1,185
Finance income									603
Unallocated expenses									(14,489)
Income tax expenses									(27,431)
Profit for the year									57,388
Segment results include:									
Depreciation and amortisation	1,860	2,116	93	392	6	515	4	296	5,282

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

	Retail services RMB'000	Catering services RMB'000	Property management services RMB'000	Off-campus training services RMB'000	Property agency services RMB'000	Laundry services RMB'000	Employment placement services RMB'000	Information technology services RMB'000	Total RMB'000 (Restated)
Gross segment revenue	100,971	86,305	52,045	27,056	13,267	9,951	1,500	37,593	328,688
Inter-segment revenue	(306)	(673)	(65)	-	-	(370)	-	(78)	(1,492)
Revenue	<u>100,665</u>	<u>85,632</u>	<u>51,980</u>	<u>27,056</u>	<u>13,267</u>	<u>9,581</u>	<u>1,500</u>	<u>37,515</u>	<u>327,196</u>
Segment results	<u>16,598</u>	<u>3,081</u>	<u>30,225</u>	<u>11,756</u>	<u>5,260</u>	<u>356</u>	<u>864</u>	<u>6,602</u>	<u>74,742</u>
Other income									522
Other gains – net									357
Finance income									380
Finance costs									(14)
Unallocated expenses									(28,153)
Income tax expenses									(20,003)
Profit for the year									<u><u>27,831</u></u>

Segment results include:

Share of profit from investment in an associate	<u>-</u>	<u>7</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7</u>
Depreciation and amortisation	<u>1,843</u>	<u>2,075</u>	<u>83</u>	<u>214</u>	<u>11</u>	<u>521</u>	<u>4</u>	<u>318</u>	<u>5,069</u>

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

Segment assets

	As at 31 December	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i> (Restated)
Retail services	20,026	27,124
Catering services	15,504	13,068
Property management services	22,108	24,542
Off-campus training services	4,239	1,008
Property agency services	321	111
Laundry services	7,463	5,381
Employment placement services	1,497	2,245
Information technology services	34,577	28,274
Total segment assets	105,735	101,753
Deferred income tax assets	1,017	333
Cash and cash equivalents	187,404	187,518
Term deposits	61,869	27,544
Interest receivable from a third party	152	152
Total assets	356,177	317,300

Segment liabilities

	As at 31 December	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i> (Restated)
Retail services	27,949	32,833
Catering services	10,102	12,187
Property management services	19,924	10,056
Off-campus training services	16,298	14,633
Property agency services	3,122	3,912
Laundry services	2,222	1,336
Employment placement services	931	918
Information technology services	16,349	12,203
Total segment liabilities	96,897	88,078
Deferred income tax liabilities	3,264	1,200
Total liabilities	100,161	89,278

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

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

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

4 OTHER INCOME, FINANCE INCOME AND COSTS

	Year ended 31 December	
	2017 <i>RMB'000</i>	2016 <i>RMB'000</i> (Restated)
Other income:		
– Interest income on cash and cash equivalents	934	310
– Interest income from amounts placed in Residents' Accounts	104	212
	<u>1,038</u>	<u>522</u>
Finance income:		
– Interest income on term deposits	603	380
Finance costs:		
– Interest expenses of a bank borrowing	–	(14)
Finance income – net	<u>603</u>	<u>366</u>

5 INCOME TAX EXPENSES

	Year ended 31 December	
	2017 <i>RMB'000</i>	2016 <i>RMB'000</i> (Restated)
Current tax:		
– PRC mainland corporate income tax	24,676	18,678
– Hong Kong profits tax	75	125
– PRC mainland withholding income tax	1,300	857
Total current tax	<u>26,051</u>	<u>19,660</u>
Deferred tax:		
– PRC mainland corporate income tax	(684)	–
– PRC mainland withholding income tax	2,064	343
Total deferred tax	<u>1,380</u>	<u>343</u>
Income tax expenses	<u>27,431</u>	<u>20,003</u>

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

PRC mainland corporate income tax

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

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

PRC mainland withholding income tax

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

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

Hong Kong profits tax

The applicable Hong Kong profits tax rate is 16.5%.

Overseas corporate income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 of Cayman Islands and is exempted from Cayman Islands income tax. BVI subsidiaries were incorporated under the International Business Companies Act of the British Virgin Islands and are exempted from British Virgin Islands income tax.

6 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2017	2016 (Restated)
Profit attributable to equity holders of the Company (RMB)	56,325,000	25,024,000
Weighted average number of ordinary shares in issue	<u>1,000,889,726</u>	<u>786,986,301</u>
Basic earnings per share for profit attributable to the shareholders of the Company during the year (expressed in RMB per share)	<u>0.056</u>	<u>0.032</u>

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

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has dilutive potential ordinary shares arising from the Pre-IPO share options. For the Pre-IPO share options, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

Pre-IPO Share Option Scheme was adopted and effective on 8 November 2016. Diluted earnings per share for the year ended 31 December 2017 was calculated as below:

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

7 DIVIDENDS

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Proposed special dividend of HK1.30 cents per ordinary share (<i>Note (a)</i>)	10,501	–

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

8 TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
		(Restated)
Trade receivables (<i>Note (a)</i>):		
– Related parties	19,903	12,130
– Third parties	22,599	10,626
	<u>42,502</u>	<u>22,756</u>
Amounts placed in Residents' Accounts	<u>2,823</u>	<u>18,005</u>
Other receivables:		
– Related parties	4,211	9,576
– Third parties	7,522	7,565
	<u>11,733</u>	<u>17,141</u>
Interest receivables		
– A third party	<u>152</u>	<u>152</u>
Prepayments:		
– Third parties	<u>3,136</u>	<u>1,171</u>
	<u>60,346</u>	<u>59,225</u>

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

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

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

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
		(Restated)
Up to 1 year	36,456	15,006
1 to 2 years	4,488	7,351
Over 2 years	1,558	399
	<u>42,502</u>	<u>22,756</u>

9 TRADE AND OTHER PAYABLES

	As at 31 December	
	2017	2016
	RMB'000	<i>RMB'000</i>
		(Restated)
Trade payables (<i>Note (a)</i>):		
– Related parties	14	14
– Third parties	<u>28,317</u>	<u>25,087</u>
	<u>28,331</u>	<u>25,101</u>
Other payables:		
– Related parties	7,856	2,471
– Third parties	<u>12,602</u>	<u>13,143</u>
	<u>20,458</u>	<u>15,614</u>
Loan payables:		
– Related parties	<u>–</u>	<u>3,724</u>
Advances from customers:		
– Related parties	1,332	1,332
– Third parties	<u>15,587</u>	<u>13,124</u>
	<u>16,919</u>	<u>14,456</u>
Accrued payroll	14,899	16,754
Other taxes payables	<u>2,762</u>	<u>3,857</u>
	<u>83,369</u>	<u>79,506</u>

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

	As at 31 December	
	2017	2016
	RMB'000	<i>RMB'000</i>
		(Restated)
Up to 1 year	25,613	23,368
1 to 2 years	1,869	1,010
2 to 3 years	126	184
Over 3 years	<u>723</u>	<u>539</u>
	<u>28,331</u>	<u>25,101</u>

10 SHARE CAPITAL AND SHARE PREMIUM

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

	Number of ordinary shares <i>Shares</i>	<i>HK\$</i>	Share capital <i>Translated to RMB'000</i>	Share premium <i>RMB'000</i>	Total <i>RMB'000</i>
Authorised:					
As at 31 December 2016 and 2017	10,000,000,000	100,000,000	87,440		
Issued and fully paid:					
Year ended 31 December 2017					
As at 1 January 2017	1,000,000,000	10,000,000	8,744	183,824	192,568
Pre-IPO Share Option Scheme:					
– Proceeds from shares issued (<i>Note (a)</i>)	1,950,000	19,500	17	850	867
As at 31 December 2017	1,001,950,000	10,019,500	8,761	184,674	193,435
Year ended 31 December 2016					
Issue of shares on 6 January 2016 (date of incorporation)	10,000	–	–	–	–
Effect of the Reorganisation	990,000	10,000	8	105,182	105,190
Issue of ordinary shares (<i>Note (b)</i>)	250,000,000	2,500,000	2,187	98,879	101,066
Share issuance costs (<i>Note (b)</i>)	–	–	–	(13,688)	(13,688)
Capitalisation issue (<i>Note (c)</i>)	749,000,000	7,490,000	6,549	(6,549)	–
As at 31 December 2016	1,000,000,000	10,000,000	8,744	183,824	192,568

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

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

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

- (b) On 8 November 2016, the Company was listed on the Main Board of the Stock Exchange by way of share offering of 250,000,000 new shares with par value of HK\$0.01 per share at offer price of HK\$0.46 per share. The total cash consideration, before issuance costs was approximately HK\$115,582,000 (equivalent to RMB101,066,000). The underwriting commissions and other capitalised issuance costs paid and payable amounting to RMB13,688,000 have been debited to the share premium.
- (c) According to a written resolution dated 21 October 2016, conditional on the share premium account of the Company being credited as a result of the public offering, 749,000,000 shares were allotted and issued to the then sole shareholder of the Company at par value of HK\$0.01 per share by capitalising HK\$7,490,000 (equivalent to RMB6,549,000) standing to the credit of the share premium account as fully paid.

11 RESTATEMENT DUE TO COMMON CONTROL COMBINATION

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

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

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

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

	As at 31 December 2016			
	The Group <i>RMB'000</i> (As previously reported)	Easy South Group <i>RMB'000</i>	Adjustments <i>RMB'000</i>	The Group <i>RMB'000</i> (Restated)
Financial position				
Current assets	263,111	33,421	(22)	296,510
Total assets	283,032	34,290	(22)	317,300
Current liabilities	72,130	15,970	(22)	88,078
Total liabilities	73,330	15,970	(22)	89,278
Equity attributable to the equity holders of the Company	203,321	18,320	–	221,641
For the year ended 31 December 2016				
	The Group <i>RMB'000</i> (As previously reported)	Easy South Group <i>RMB'000</i>	Adjustments <i>RMB'000</i>	The Group <i>RMB'000</i> (Restated)
Results of operations				
Revenue	289,681	37,593	(78)	327,196
Operating profit	41,300	6,161	–	47,461
Profit for the year	23,054	4,777	–	27,831
Profit attributable to owners of the Company	20,247	4,777	–	25,024
Basic earnings per share (expressed in RMB per share)	0.026	0.006	–	0.032
Diluted earnings per share (expressed in RMB per share)	0.026	0.006	–	0.032

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

1. Property management services: We provide property management services to 15 residential communities and three pure commercial properties with an aggregate contracted gross floor area (“GFA”) of approximately 6,806,000 sq.m. as at 31 December 2017 (2016: 5,951,000 sq.m.). The increase in the contracted GFA was mainly due to the management of two new residential communities, namely “Clifford Wonderview (祈福繽紛匯)” and “The Green (果嶺天地)”, and a new pure commercial property which were developed by the companies which are under the control of (or 30% or more of issued share capital of which are owned by) the spouse of Ms. MAN Lai Hung, our executive Director. Property management services primarily include general property management services and resident support services;
2. Retail services: We primarily operate 16 retail outlets (two supermarkets, one wet market, 12 convenience stores and one imported goods specialty store) of different scales mainly located in “Clifford Estates (祈福新邨)” and other areas in proximity, covering a total GFA of approximately 12,000 sq.m. as at 31 December 2017 (2016: 17 retail outlets, covering a total of approximately 10,000 sq.m.);
3. Catering services: We primarily operate 12 catering outlets (six casual dining restaurants, four East Asian and Western restaurants and two cafés) serving different types of cuisines and in different dining styles mainly located in “Clifford Estates (祈福新邨)” and other areas in proximity, covering a total GFA of approximately 2,300 sq.m. as at 31 December 2017 (2016: 17 catering outlets, covering a total GFA of approximately 5,800 sq.m.);
4. Information technology services: We acquired this new business in December 2017, which primarily involves provision of information technology services, related engineering services, security systems and hardware and software integration, and telecommunication services; and
5. Ancillary Living Services: We primarily provide off-campus training services, property agency services, employment placement services and laundry services (collectively, “Ancillary Living Services”).

PROPERTY MANAGEMENT SERVICES

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

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

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

Note:

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

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

On 16 May 2017, we entered into an equity transfer agreement with Guangzhou Huanyu Meishi Canyon Limited* (廣州市寰宇美食餐飲有限公司) for acquisition of 24.5% equity interest in Guangzhou Panyu Clifford Property Management Limited* (廣州市番禺祈福物業管理有限公司), which was an indirect non-wholly owned subsidiary of the Company before such acquisition, with consideration of RMB21.8 million. Following the completion, Guangzhou Panyu Clifford Property Management Limited* (廣州市番禺祈福物業管理有限公司) has become an indirect wholly-owned subsidiary of the Group.

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

Scope of Services in Our Property Management Service Segment

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

(i) *General property management services*

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

(ii) *Resident support services*

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

RETAIL SERVICES

As at 31 December 2017, our retail network consisted of 16 retail outlets (two supermarkets, one wet market, 12 convenience stores and one imported goods specialty store) under the names of “Clifford Supermarket (祈福超市)”, “Ni Wo Ta Convenience Store (你我他便利店)” and “Dailey’s Mart”, respectively, mainly located in three of the residential communities we manage and the surrounding areas in Guangdong Province.

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

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

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

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

Note:

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

Revenue Models for Our Retail Services

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

Direct sales of goods

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

Concessionaire fees

Under concessionaire sales arrangements, we arrange for specific concessionaires to occupy a certain allocated space in our supermarket, for the establishment of their own sales counter for their own branded merchandise. As at 31 December 2017, we had approximately 23 concessionaires (2016: 18 concessionaires).

Rental income from stall tenants

We lease stall space in our wet markets and receive rental income and management fees from stall tenants who are usually fresh food retailers. We generally enter into standard form agreements with our stall tenants for a term of one year. As at 31 December 2017, we had approximately 156 stall tenants (2016: 105 stall tenants).

CATERING SERVICES

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

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

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

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

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

Notes:

- (1) Calculated by dividing total revenue by the total number of days during the year (assuming 360 days in the year).
- (2) Operating data shown above includes our self-operating catering outlets only; the outlets from franchising and catering partnership businesses are excluded.
- (3) Calculated by dividing the total revenue by 240 operating days in 2017. This is because we closed down five Chinese Restaurants in August 2017.

We target to offer our customers good tasting and healthy food at value-oriented price with hospitable yet efficient services, with a positioning of price-for-value dining choices with variety to cater the needs of the residents and customers from surrounding area. With the grand opening of “Clifford Wonderview (祈福繽紛匯)” located in Panyu in August 2017, competition has become intense. However, we have further diversified and expanded our catering services portfolio by entering into franchising and catering partnership businesses in Panyu district with four and ten restaurants respectively as at 31 December 2017. Our franchising business includes our well-known brands, namely “The Owls (貓頭鷹餐廳)”, “Big Brother (老大哥)”, “Yamabuki (山吹日本料理)” and “Bababibi Dessert (巴巴閉閉甜品屋)”.

INFORMATION TECHNOLOGY SERVICES

Engineering services

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

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

	For the year ended	
	31 December	
	2017	2016
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Total contract sum	29,900	45,800

Telecommunication services

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

ANCILLARY LIVING SERVICES

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

Off-campus training services

As at 31 December 2017, we have two training centres within “Clifford Estates (祈福新邨)”. For the year ended 31 December 2017, we have approximately 24,000 (2016: 22,000) students or learners enrolment in our training programmes and interest classes. Our training programmes mainly include (i) elementary, middle and high school tutoring courses; and (ii) language learning classes while our interest classes are divided into four main categories, namely: (i) dance; (ii) martial arts; (iii) sports; and (iv) music. As at 31 December 2017, we operated one licensed centre providing training programmes and another centre providing interest classes; with 66 full-time employees, and 180 part-time teachers (2016: two training centres; with 51 full-time employees, and 182 part-time teachers).

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

Property agency services

As at 31 December 2017, we have one headquarter and four branch offices located in different districts in Guangdong Province (2016: one headquarter and five branch offices). Our property agency services primarily include: (i) sales agency services focused on residential property market; (ii) residential properties rental agency services; and (iii) post-rental services. In January 2017, we closed down two branch offices in Panyu district and Huadu district due to change of local community development plan. In July 2017, we opened one new branch in “Clifford Wonderview (祈福繽紛匯)”.

Employment placement services

As at 31 December 2017, we have one branch office in “Clifford Estates (祈福新邨)”. Our employment placement services primarily include: (i) employment agency services for household helpers, postnatal care helpers and patient care helpers; and (ii) labour dispatch services.

Laundry services

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

PROSPECTS AND FUTURE PLANS

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

Property Management

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

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

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

Further expand our property management network through engagements in integrated projects

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

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

Accelerate our business growth through acquisitions of property management companies

We intend to accelerate the growth of our property management services by acquiring suitable property management companies. We have been looking for potential property companies principally with a focus of business operations in Guangdong Province, covering contracted GFA of over 50,000 sq.m., price of properties being in the mid-to-high-range at its location and that the residential communities or pure commercial properties under their management would be able to implement our business model in achieving our business strategy of standardisation and centralisation.

Retail and Catering

Further expand our retail network and catering network

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

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

Ancillary Living Services

Further expand our ancillary living services

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

Develop Online Marketing and Build Online Distribution Channels

We observe the trend that online sales and services have become more popular in the PRC mainland. We intend to invest in online marketing, such as advertising on third-parties' websites for promoting various of our services and our Group's profile. We also intend to collaborate with other websites or online sales platforms for promoting our services and selling our goods through internet, targeting at residents in the communities we manage as well as those in proximity. We are considering various opportunities to invest in suitable online marketing network and sales platforms. As at 31 December 2017 and up to the date of this announcement, we are still locating suitable online marketing network and sales platforms to invest in.

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

FINANCIAL REVIEW

Revenue

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

Property management services

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

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

(i) Residential and commercial property management services

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

(ii) Household helper services

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

(iii) Renovation and fitting-out services

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

Retail services

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

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

Catering services

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

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

Chinese restaurants

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

Casual dining restaurants

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

East Asian and Western restaurants

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

Cafés

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

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

Information technology services

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

Note: 2016 figures are restated for the changes as explained in Note 11.

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

Ancillary Living Services

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

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

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

Cost of Sales

Our cost of sales comprises mainly the cost of goods sold for our retail service segment, the employee benefit expenses for each of our business segments and the construction cost for our information technology services segment as below:

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

Note: 2016 figures are restated for the changes as explained in Note 11.

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

Gross profit and gross profit margin

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

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

Note: 2016 figures are restated for the changes as explained in Note 11.

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

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

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

Selling and marketing expenses

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

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

Administrative expenses

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

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

Other gains or losses – net

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

Other income

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

Finance income

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

Income tax expenses

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

Net Profit and Adjusted Profit for the Year

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

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

	For the year ended		Variance	
	31 December 2017 RMB'000	2016 2016 RMB'000 (Restated)	RMB'000	%
Profit for the year	57,388	27,831	29,557	106.2%
Add: Listing expenses	—	22,924	(22,924)	N.A.
Adjusted profit for the year	57,388	50,755	6,633	13.1%

Note: 2016 figures are restated for the changes as explained in Note 11.

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

Property, Plant and Equipment

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

Inventories

Our inventories mainly consist of merchandise goods for our retail service segment and raw materials for our catering service segment we procured from suppliers. Our inventories slightly decreased from RMB14.5 million as at 31 December 2016 to RMB13.9 million as at 31 December 2017, primarily due to a slight decrease in inventory level for our retail and renovation and fitting-out services for stock optimization purposes.

Our inventory turnover days was 24 days and 21 days during the years ended 31 December 2017 and 2016. The changes were in line with the fluctuation of our inventory level as explained above. During the year, we did not recognise any provision or write-down for our inventories.

Trade and Other Receivables

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

Trade receivables

Our trade receivables are mainly related to our receivables from outstanding property management and information technology services. Our trade receivables increased by 86.8% from RMB22.8 million as at 31 December 2016 to RMB42.5 million as at 31 December 2017 as a result of revenue increase in our property management and information technology services.

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

Other receivables

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

Amounts placed in Residents' Accounts

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

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

Fund accumulated in the Residents' Accounts include:

- (i) the balance of net Support Services Income which is entitled to but has not yet been withdrawn by us;
- (ii) the balance of Entitled Commission which is entitled to but has not yet been withdrawn by us; and
- (iii) the balance of the gross general property management service fees paid by the residents net of our Entitled Commission and payments of expenses incurred for various services rendered to the residential communities (“**Undeployed Funds**”) which we are not entitled to.

Such “Amounts placed in Residents' Accounts” in our consolidated statement of financial position (which amounted to RMB2.8 million and RMB18.0 million as at 31 December 2017 and 2016 respectively) represented only Entitled Commission and Support Services Income, but did not include the Undeployed Funds.

Trade and Other Payables

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

Trade payables

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

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

Other payables

Our other payables primarily comprise amounts due to third parties, which include deposits received from tenants in our retail business which amounted to RMB12.6 million and RMB13.1 million as at 31 December 2017 and 2016 respectively. The decrease was mainly due to the settlement of deposits to concessionaires and stall tenants in our old supermarket and wet market.

Advances from customers

Advances from customers are primarily related to prepaid course fees received from customers in our off-campus training services, prepaid service fees for our resident support services and the unused value of our consumption cards issued by us in Renminbi which can be used in our outlets to pay our retail, catering and laundry services. Advances from customers increased from RMB14.5 million as at 31 December 2016 to RMB16.9 million as at 31 December 2017, primarily due to the increase of enrolment of our interest classes which led to the increase in advances receipt from customers.

Accrued payroll

Our accrued payroll decreased by 11.1% from RMB16.8 million as at 31 December 2016 to RMB14.9 million as at 31 December 2017. This was primarily due to the decrease in number of employees in relation to the change of business strategy of catering services during the year.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our primary liquidity requirements relate to the funding of required working capital to support an increase in our scale of operations, purchase of property, plant and equipment and payments for leasehold land. To date, we have financed our cash requirements through a consolidation of cash generated from operating activities and the proceeds of capital contributions from our

Shareholders together with the unutilised net proceeds from the issue of new shares under the global offering as set out in the prospectus of the Company dated 27 October 2016 (the “Prospectus”).

As at 31 December 2017, our material sources of liquidity were cash and cash equivalents of RMB187.4 million. During the year ended 31 December 2017, our Group has not obtained any loans or borrowings.

Gearing Ratio

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

PLEDGE OF ASSETS

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

CONTINGENT LIABILITIES

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, excluding labour costs borne by the properties that we manage on commission basis, the Group had approximately 982 employees (31 December 2016: approximately 1,034 employees). Remuneration is determined with reference to the performance, skills, qualifications and experiences of the staff concerned and the prevailing industry practice.

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

In addition, the Company adopted a share option scheme in October 2016 which allows the Directors to grant share options to employees of the Group in order to retain elite personnel to stay with the Group and to provide incentives for their contribution to the Group. Details of the share options are set out in the paragraph headed “Share Option Schemes” in the Report of the Directors in the annual report of the Company for the year ended 31 December 2017, which will be dispatched to the shareholders of the Company in due course.

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

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

- (1) acquisition of additional 24.5% equity interests of Guangzhou Panyu Clifford Property Management Limited* (廣州市番禺祈福物業管理有限公司) (“**Panyu PM Co**”). Such acquisition was approved and completed in June 2017. As a result of the acquisition, Panyu PM Co has become an indirect wholly-owned subsidiary of the Company; and
- (2) acquisition of 100% equity interests of Easy South Limited from Ms. MAN Lai Hung and the interest-free shareholder’s loan of approximately HK\$11.4 million (equivalent to RMB9.6 million) owed by Easy South Group to Ms. MAN Lai Hung. The acquisition cost was HK\$23.0 million. Such acquisition was approved and completed in December 2017. Easy South Limited has become an indirect wholly-owned subsidiary of the Company. Guangzhou Kejian, the subsidiary of Easy South Limited mainly provides information technology services, related engineering services, security systems and hardware and software integration. Acquisition of Easy South Limited constituted a business combination under common control. For details, please refer to the section headed “information technology services – engineering services” in this announcement.

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

DIVIDENDS DISTRIBUTION

The Board recommended the payment of a special dividend of HK1.30 cents (2016: nil) per ordinary share in respect of the year ended 31 December 2017, making the total dividend payment of approximately HK\$13.0 million (equivalent to approximately RMB10.5 million), subject to the approval by the shareholders at the AGM to be held on 22 June 2018. The special dividend will be paid in cash on 31 July 2018 to shareholders whose names appeared on the register of members of the Company on 6 July 2018. The special dividend will be distributed out of the Company’s share premium.

ANNUAL GENERAL MEETING

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

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement to attend and vote at the AGM, the register of members of the Company will (so long as the AGM remains to be Friday, 22 June 2018) be closed from Friday, 15 June 2018 to Friday, 22 June 2018, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all duly completed and signed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 14 June 2018.

In addition, subject to the approval of the proposed special dividend by the shareholders of the Company at the AGM, the register of members of the Company will be closed from Thursday, 5 July 2018 to Friday, 6 July 2018 (both days inclusive) for the purpose of determining the identity of shareholders who qualify for the proposed special dividend. In order to qualify for the proposed special dividend, all duly completed and signed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 4 July 2018.

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.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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

CORPORATE INFORMATION

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

USE OF NET PROCEEDS FROM INITIAL PUBLIC OFFERING

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

There was no purchase, sale or redemption by the Company or any of its subsidiaries, of the Company’s listed securities during the year ended 31 December 2017.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles as set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The Board is of the view that throughout the year ended 31 December 2017, the Company has complied with all the code provisions as set out in the CG Code.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiry has been made by the Company with all Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2017.

AUDIT COMMITTEE AND REVIEW OF CONSOLIDATED FINANCIAL INFORMATION

The audit committee of the Board (the “**Audit Committee**”) consists of three independent non-executive Directors, namely Ms. LAW Elizabeth (Chairman), Mr. HO Cham and Mr. MAK Ping Leung and one non-executive Director, namely Mr. LIU Xing (with Ms. LAW Elizabeth possessing the appropriate professional qualifications and accounting and related financial management expertise). The main duties of the Audit Committee are to assist the Board in 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 operations and internal controls. The Audit Committee has reviewed together with the management and the external auditor the annual results of the Group for the year ended 31 December 2017, including the accounting principles and practices adopted by the Group.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position as at 31 December 2017, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cliffordmodernliving.com). The annual report of the Company for the year ended 31 December 2017 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and made available on the same websites in due course.

By Order of the Board
Clifford Modern Living Holdings Limited
MAN Lai Hung
Chairman

Hong Kong, 23 March 2018

As at the date of this announcement, the board of directors of the Company comprises Ms. MAN Lai Hung, Mr. SUN Derek Wei Kong, Mr. LEONG Chew Kuan and Ms. LIANG Yuhua as executive Directors; Mr. LIU Xing as non-executive Director; and Ms. LAW Elizabeth, Mr. HO Cham and Mr. MAK Ping Leung (alias Mr. MAK Wah Cheung) as independent non-executive Directors.

* *for identification purpose only*