Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

CLIFFORD MODERN LIVING

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 2018

FINANCIAL HIGHLIGHTS

	For the year ended 31 December 2018 *RMB'000*	2017 *RMB'000*	Percentage change
Continuing operations			
Revenue from contracts with customers	**341,627**	365,387	**-6.5%**
Gross profit	**166,218**	151,600	**+9.6%**
Operating profit	**102,148**	84,216	**+21.3%**
Profit before income tax	**103,315**	84,819	**+21.8%**
Profit from continuing operations	**72,436**	57,388	**+26.2%**
Profit from discontinued operation[1]	**244**	–	**N.A.**
Profit for the year	**72,680**	57,388	**+26.6%**
Profit attributable to:			
Owners of the Company	**72,680**	56,325	**+29.0%**
Non-controlling interests	**–**	1,063	**N.A.**
Gross profit margin (%)	**48.7%**	41.5%	**+17.3%**
Net profit margin (%)	**21.2%**	15.7%	**+35.0%**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company during the year (expressed in RMB per share):			
– Basic earnings per share	**0.072**	0.056	**+28.6%**
– Diluted earnings per share	**0.071**	0.056	**+26.8%**
Earnings per share attributable to the ordinary equity holders of the Company during the year (expressed in RMB per share):			
– Basic earnings per share	**0.072**	0.056	**+28.6%**
– Diluted earnings per share	**0.071**	0.056	**+26.8%**
Proposed final/special dividend per ordinary share	**HK2.20 cents**	HK1.30 cents	**+69.2%**

Note:

(1) The Group ceased operation of all its catering outlets and franchising businesses under four catering companies in December 2018, leaving one catering company continue with its operation of catering partnership businesses where the Group provides catering consultancy service to its partners. The four catering companies were presented in the current year as a discontinued operation in the consolidated financial statements as explained in Note 8(c).

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 2018 together with the comparative figures for the year ended 31 December 2017:

CONSOLIDATED INCOME STATEMENT

Continuing operations

		Year ended 31 December	
		2018	2017
	Note	***RMB'000***	*RMB'000*
Revenue from contracts with customers	3	**341,627**	365,387
Cost of sales		**(175,409)**	(213,787)
Gross profit		**166,218**	151,600
Selling and marketing expenses		**(23,763)**	(24,698)
Administrative expenses		**(42,196)**	(44,909)
Net impairment losses on financial assets		**(1,397)**	–
Other income	4	**1,074**	1,038
Other gains – net		**2,212**	1,185
Operating profit		**102,148**	84,216
Finance income	4	**1,167**	603
Profit before income tax		**103,315**	84,819
Income tax expenses	5	**(30,879)**	(27,431)
Profit from continuing operations		**72,436**	57,388
Profit from discontinued operation	8	**244**	–
Profit for the year		**72,680**	57,388
Profit attributable to:			
– Owners of the Company		**72,680**	56,325
– Non-controlling interests		**–**	1,063
		72,680	57,388

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2018	2017
	Note	***RMB'000***	*RMB'000*
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company during the year (expressed in RMB per share):			
– Basic earnings per share	6	**0.072**	0.056
– Diluted earnings per share	6	**0.071**	0.056
Earnings per share attributable to the ordinary equity holders of the Company during the year (expressed in RMB per share):			
– Basic earnings per share	6	**0.072**	0.056
– Diluted earnings per share	6	**0.071**	0.056

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Profit for the year	**72,680**	57,388
Other comprehensive income	**–**	–
Total comprehensive income for the year	**72,680**	57,388
Total comprehensive income attributable to:		
– Owners of the Company	**72,680**	56,325
– Non-controlling interests	**–**	1,063
	72,680	57,388
Total comprehensive income for the year attributable to owners of the Company arises from:		
– Continuing operations	**72,436**	57,388
– Discontinued operation	**244**	–
	72,680	57,388

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2018 RMB'000	2017 RMB'000
Assets			
Non-current assets			
Property, plant and equipment		**14,860**	18,638
Intangible assets		**669**	590
Deferred income tax assets		**1,743**	1,017
Long-term receivables		**–**	2,106
		17,272	22,351
Current assets			
Financial assets at fair value through profit or loss		**40,448**	–
Inventories		**8,723**	13,928
Amounts due from customers for contract works		**–**	7,676
Contract assets		**12,429**	–
Trade and other receivables and prepayments	7	**55,690**	60,346
Term deposits		**86,857**	61,869
Restricted cash		**613**	610
Cash and cash equivalents		**209,362**	187,404
Other current assets		**–**	1,993
		414,122	333,826
Assets classified as held for sale	8	**10,807**	–
Total current assets		**424,929**	333,826
Total assets		**442,201**	356,177
Equity			
Equity attributable to owners of the Company			
Share capital	9	**8,872**	8,761
Share premium	9	**179,118**	184,674
Other reserves		**(111,497)**	(117,178)
Retained earnings		**245,658**	179,759
		322,151	256,016
Non-controlling interests		**–**	–
Total equity		**322,151**	256,016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2018	2017
	Note	***RMB'000***	*RMB'000*
Liabilities			
Non-current liabilities			
Deferred income tax liabilities		**3,000**	3,264
Current liabilities			
Trade and other payables	10	**80,409**	83,369
Amounts due to customers for contract works		**–**	4,792
Contract liabilities		**19,256**	–
Current income tax liabilities		**10,591**	8,736
		110,256	96,897
Liabilities directly associated with assets classified as held for sale	8	**6,794**	–
Total current liabilities		**117,050**	96,897
Total liabilities		**120,050**	100,161
Total equity and liabilities		**442,201**	356,177

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

(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 2018:

HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
HKFRS 2 (Amendment)	Classification and measurement of share-based payment transactions
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKAS 40 (Amendment)	Transfers of investment property
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration; and
Annual Improvements to HKFRSs 2014–2016 cycle	Retirement of short-term exemptions in HKFRS 1 Clarifying measurement of investments under HKAS 28

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

(b) ***New standards and amendments not yet effective for the financial year beginning on 1 January 2018 and not early adopted by the Group***

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

		Effective for annual years beginning on or after
HKFRS 16	Leases	1 January 2019
HK (IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
HKAS 28 (Amendment)	Long-term Interests in Associates and Joint Ventures	1 January 2019
HKFRS 9 (Amendment)	Prepayment features with negative compensation	1 January 2019
HKAS 19 (Amendment)	Plan amendment, curtailment or settlement	1 January 2019
Annual Improvements to HKFRSs 2015–2017 cycle	Clarifying previously held interest in a joint operation under HKFRS3 Business Combinations and HKFRS 11 Joint Arrangements Clarifying income tax consequences of payments on financial instruments classified as equity under HKAS 12 Income Taxes Clarifying borrowing costs eligible for capitalisation under HKAS 23 Borrowing Costs	1 January 2019
HKFRS 3 (Amendment)	Definition of Business	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021
HKFRS 10 and HKAS 28 (Amendment)	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 16 Leases

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

Impact

The Group has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB44,044,000. Of these commitments, approximately RMB142,000 related to short-term leases will be recognised on a straight-line basis as expense in profit or loss. The Group expects to recognise right-of-use assets and lease liabilities of approximately RMB34,313,000 (after adjustments for prepayments and accrued lease payments recognised as at 31 December 2018) on 1 January 2019.

The Group expects that net profit after tax will decrease by approximately RMB1,160,000 for 2019 as a result of adopting the new rules.

Operating cash flows and financing cash flows will increase and decrease respectively by approximately RMB9,386,000 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

Date of adoption by group

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. All right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's financial statements.

(i) Impact on the financial statements

The directors of the Company consider that the changes in the Group's accounting policies do not have any material impacts on prior year financial statements.

(ii) HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 only resulted in changes in accounting policies. No adjustments were made to the amounts recognised in the financial statements.

The changes on the classification and measurement models introduced by HKFRS 9 do not have material impact on the Group's existing financial assets and liabilities, as they are mainly comprised of loans and receivables and financial liabilities at amortised costs as determined under HKAS 39, which are similar to the financial assets and liabilities measured at amortised cost under HKFRS 9, and are expected to continuously be initially recognised at fair value and subsequently measured at amortised cost.

The Group's trade and other receivables (excluding prepayments) and contract assets are subject to new expected credit loss model under HKFRS 9. The Group was required to revise its impairment methodology under HKFRS 9 for trade and other receivables (excluding prepayments) and contract assets.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables. The Group has assessed that there is no significant increase of credit risk for other receivables (excluding prepayments) and contract assets, thus the impairment provision is determined as 12 months expected credit losses. The Directors of the Group consider that there is no material impact of the change in impairment methodology on the Group's retained earnings and equity.

(iii) HKFRS 15 Revenue from Contracts with Customers – Impact of adoption

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies.

The Group elected to use a modified retrospective approach for transition which allows the Group to recognise the cumulative effects of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings in the 2018 financial year. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 January 2018, thus the comparative figures have not been restated.

In summary, the following adjustments were made to the amounts recognised in the balance sheet at the date of initial application (1 January 2018) and the end of last reporting period presented (31 December 2017):

	HKAS 18 carrying amount 31 December 2017	**Reclassification**	**HKFRS 15 carrying amount 1 January 2018**
	RMB'000	*RMB'000*	*RMB'000*
Trade and other receivables and prepayments	60,346	–	60,346
Amounts due from customers for contract works	7,676	(7,676)	–
Contract assets	–	7,676	7,676
Amounts due to customers for contract works	4,792	(4,792)	–
Trade and other payables	83,369	(15,411)	67,958
Contract liabilities	–	20,203	20,203

The directors of the Company consider the changes on the Group's revenue recognition do not have material impact on the amounts recognised in the financial statements.

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 assess 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, and income tax expenses, and segment assets excluded the deferred income tax assets, financial assets at fair value through profit or loss, interest receivable from a third party, term deposits, cash and cash equivalents and assets classified as held for sale, and segment liabilities excluded the deferred income tax liabilities and liabilities directly associated with assets classified as held for sale as these activities are centrally driven by the Group.

Segment revenue and results

The segment revenue and results and the reconciliation with profit from continuing operations for the year ended 31 December 2018 are as follows:

	Retail services *RMB'000*	Property management services *RMB'000*	Off-campus training services *RMB'000*	Renovation and fitting-out services *RMB'000*	Information technology services *RMB'000*	Others *RMB'000*	Total *RMB'000*
Gross segment revenue	112,559	53,351	40,421	33,627	73,894	29,099	342,951
Inter-segment revenue	(172)	(1,056)	–	–	(70)	(26)	(1,324)
Revenue	112,387	52,295	40,421	33,627	73,824	29,073	341,627
Timing of revenue recognition							
At a point in time	100,047	–	–	–	–	–	100,047
Over time	12,340	52,295	40,421	33,627	73,824	29,073	241,580
	112,387	52,295	40,421	33,627	73,824	29,073	341,627
Segment results	19,880	32,514	15,379	12,161	15,450	12,592	107,976
Other income							1,074
Other gains – net							2,212
Finance income							1,167
Unallocated expenses							(9,114)
Income tax expenses							(30,879)
Profit from continuing operations for the year							72,436
Segment results include:							
Depreciation and amortisation	2,070	143	1,412	–	539	653	4,817

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*	Renovation and fitting-out services *RMB'000*	Information technology services *RMB'000*	Others *RMB'000*	Total *RMB'000*
Gross segment revenue	105,280	67,073	56,502	34,158	24,336	48,385	31,410	367,144
Inter-segment revenue	(210)	(266)	(764)	–	–	(326)	(191)	(1,757)
Revenue	105,070	66,807	55,738	34,158	24,336	48,059	31,219	365,387
Segment results	11,590	3,303	41,973	13,255	5,372	6,288	14,701	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	–	296	525	5,282

The segment assets and liabilities and the reconciliation with total assets and liabilities of the Group as at 31 December 2018 and 2017 respectively are as follows:

Segment assets

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Retail services	**21,013**	19,474
Catering services	**–**	15,504
Property management services	**5,862**	10,993
Off-campus training services	**8,345**	4,181
Renovation and fitting-out services	**9,295**	11,115
Information technology services	**33,818**	34,577
Others	**14,038**	9,281
Total segment assets	**92,371**	105,125
Assets classified as held for sale	**10,807**	–
Deferred income tax assets	**1,743**	1,017
Financial assets at fair value through profit or loss	**40,448**	–
Interest receivable from a third party	**–**	152
Term deposits	**86,857**	61,869
Restricted cash	**613**	610
Cash and cash equivalents	**209,362**	187,404
Total assets	**442,201**	356,177

Segment liabilities

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Retail services	**34,096**	27,949
Catering services	**–**	10,102
Property management services	**11,727**	10,540
Off-campus training services	**20,846**	16,298
Renovation and fitting-out services	**12,910**	9,384
Information technology services	**22,099**	16,349
Others	**8,578**	6,275
Total segment liabilities	**110,256**	96,897
Liabilities directly associated with assets classified as held for sale	**6,794**	–
Deferred income tax liabilities	**3,000**	3,264
Total liabilities	**120,050**	100,161

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 2018, the balance of certain proceeds from the initial public offering of HK$13.9 million, equivalent to RMB12.2 million (31 December 2017: HK$25.5 million, equivalent to RMB21.3 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 Group's assets are situated in the PRC Mainland. During the year ended 31 December 2018, more than 90% of the Group's revenue were derived from activities carried out and from customers located in the PRC Mainland and no geographical segment analysis is prepared.

Clifford Estates (Panyu) Limited* (廣州市番禺祈福新邨房地產有限公司), a company under significant influence of the spouse of Ms. Man Lai Hung ("**Ms. Man**"), contributes more than 16% of the Group's revenue for the year ended 31 December 2018 (the year ended 31 December 2017: 7%).

4 OTHER INCOME AND FINANCE INCOME

Continuing operations

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Other income:		
– Interest income on cash and cash equivalents	**1,002**	934
– Interest income from amounts placed in Residents' Accounts	**72**	104
	1,074	1,038
Finance income:		
– Interest income on term deposits	**1,167**	603

5 INCOME TAX EXPENSES

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Current tax:		
– PRC Mainland corporate income tax	**27,111**	24,676
– PRC Mainland withholding income tax	**4,764**	1,300
– Hong Kong profits tax	**76**	75
Total current tax	**31,951**	26,051
Deferred tax:		
– PRC Mainland corporate income tax	**(726)**	(684)
– PRC Mainland withholding income tax	**(264)**	2,064
Total deferred tax	**(990)**	1,380
Income tax expenses	**30,961**	27,431
Income tax expense is attributable to:		
– Profit from continuing operations	**30,879**	27,431
– Profit from discontinued operation	**82**	–
	30,961	27,431

The weighted average applicable tax rate was 25% (2017: 28%). The decrease in weighted average applicable tax rate for the year ended 31 December 2018 is mainly due to a subsidiary of the Company obtained the certificate of "High and New Technology Enterprise" and is entitled to a preferential PRC Mainland income tax rate of 15% for 2018, 2019 and 2020.

PRC Mainland corporate income tax

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

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

PRC Mainland withholding income tax

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

During the year ended 31 December 2018, provision of deferred income tax for the earnings of the PRC Mainland subsidiaries planned to be distributed to overseas has been made at withholding income tax rate of 5%.

Hong Kong profits tax

The applicable Hong Kong profits tax rate is 16.5%.

Overseas corporate income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 of Cayman Islands and is exempted from Cayman Islands income tax. BVI subsidiaries were incorporated under the International Business Companies Act of the British Virgin Islands and are exempted from 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	
	2018	2017
Profit from continuing operations attributable to equity holders of the Company (RMB)	**72,436,000**	56,325,000
Weighted average number of ordinary shares in issue	**1,008,947,260**	1,000,889,726
Basic earnings per share for profit from continuing operations attributable to the shareholders of the Company during the year (expressed in RMB per share)	**0.072**	0.056

	Year ended 31 December	
	2018	2017
Profit attributable to equity holders of the Company (RMB)		
– From continuing operations	**72,436,000**	56,325,000
– From discontinued operation	**244,000**	–
	72,680,000	56,325,000
Weighted average number of ordinary shares in issue	**1,008,947,260**	1,000,889,726
Basic earnings per share for profit attributable to the shareholders of the Company during the year (expressed in RMB per share)	**0.072**	0.056

(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.

The Pre-IPO Share Option Scheme was adopted and effective on 8 November 2016. Diluted earnings per share for the year ended 31 December 2018 was calculated as below:

	Year ended 31 December	
	2018	2017
Profit from continuing operations attributable to equity holders of the Company (RMB)	**72,436,000**	56,325,000
Weighted average number of ordinary shares in issue	**1,008,947,260**	1,000,889,726
Adjustments for:		
– Pre-IPO Share Options	**8,334,770**	7,629,605
Weighted average number of ordinary shares for diluted earnings per share	**1,017,282,030**	1,008,519,331
Diluted earnings per share for profit from continuing operations attributable to the shareholders of the Company during the year (expressed in RMB per share)	**0.071**	0.056

	Year ended 31 December	
	2018	2017
Profit attributable to equity holders of the Company (RMB)		
– From continuing operations	**72,436,000**	56,325,000
– From discontinued operation	**244,000**	–
	72,680,000	56,325,000
Weighted average number of ordinary shares in issue	**1,008,947,260**	1,000,889,726
Adjustments for:		
– Pre-IPO Share Options	**8,334,770**	7,629,605
Weighted average number of ordinary shares for diluted earnings per share	**1,017,282,030**	1,008,519,331
Diluted earnings per share for profit attributable to the shareholders of the Company during the year (expressed in RMB per share)	**0.071**	0.056

7 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Trade receivables *(Note (a))*:		
– Related parties	**21,265**	19,903
– Third parties	**12,942**	22,599
Total trade receivables	**34,207**	42,502
Less: allowance for impairment of trade receivables	**(1,367)**	–
	32,840	42,502
Amounts placed in Residents' Accounts	**3,123**	2,823
Other receivables:		
– Related parties	**4,116**	4,211
– Third parties	**9,773**	7,522
Total other receivables	**13,889**	11,733
Less: allowance for impairment of other receivables	**(30)**	–
	13,859	11,733
Interest receivables:		
– A third party	**–**	152
Prepayments:		
– Third parties	**5,868**	3,136
	55,690	60,346

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

During the years ended 31 December 2018 and 2017, the credit period granted to trade customers of information technology services and renovation and fitting-out services varies from one to three months; the trading of retail services, catering services, off-campus training services, property agency services, employment placement services and laundry services are mainly carried out on cash basis.

As at 31 December 2018 and 2017, the aging analysis of the trade receivables based on invoice date is as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Up to 1 year	**29,800**	36,456
1 to 2 years	**2,242**	4,488
Over 2 years	**2,165**	1,558
	34,207	42,502

8 ASSETS CLASSIFIED AS HELD FOR SALE

(a) Assets classified as held for sale

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Property, plant and equipment	**4,868**	–
Intangible assets	**53**	–
Trade and other receivables	**5,886**	–
	10,807	–

(b) Liabilities directly associated with assets classified as held for sale

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Trade and other payables	**6,794**	–

(c) Discontinued operation

In December 2018, the Group terminated operation of all its catering outlets under Guangzhou Clifford Farm Restaurant Catering Limited* 廣州市祈福農家菜館餐飲有限公司, Guangzhou Clifford Big Brother Congee & Noodles Limited* 廣州市祈福一哥雲吞麵有限公司, Guangzhou Clifford Herbal Cuisine Catering Limited* 廣州市祈福藥膳坊餐飲有限公司 and Guangzhou Mascot Catering Limited* 廣州市福品餐飲有限公司 (together, the "**Catering Companies**"). According to the agreement dated 1 January 2019, major assets and liabilities of the outlets of the Catering Companies were sold to a third party. Subsequently, the Group has planned for deregistration of the Catering Companies.

Financial information of the Catering Companies is presented in the current year as a discontinued operation in the consolidated financial statements, which is set out below.

	Year ended 31 December 2018 *RMB'000*
Revenue from contracts with customers	**22,471**
Cost of sales	**(17,152)**
Gross profit	**5,319**
Selling and marketing expenses	**(605)**
Administrative expenses	**(4,335)**
Other gain/(losses) – net	**(74)**
Operating profit	**305**
Finance income	**21**
Profit before income tax	**326**
Income tax expense	**(82)**
Profit from discontinued operation	**244**

	Year ended 31 December 2018 *RMB'000*
Net cash inflow from operating activities	**2,336**
Net cash outflow from investing activities	**(316)**
Net cash inflow from financing activities	**–**
Net increase in cash generated by the Discontinued Operation	**2,020**

9 SHARE CAPITAL AND SHARE PREMIUM

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

	Number of ordinary shares	**Share capital**		**Share premium**	**Total**
			Translated to		
	Shares	***HK$***	***RMB'000***	***RMB'000***	***RMB'000***
Authorised:					
As at 31 December 2017 and 2018	**10,000,000,000**	**100,000,000**	**87,440**		
Issued and fully paid:					
Year ended 31 December 2018					
As at 1 January 2018	**1,001,950,000**	**10,019,500**	**8,761**	**184,674**	**193,435**
Pre-IPO Share Option Scheme:					
– Proceeds from shares issued	**13,250,000**	**132,500**	**111**	**5,600**	**5,711**
Special dividends declared to shareholders of the Company *(Note 11)*	**–**	**–**	**–**	**(11,156)**	**(11,156)**
As at 31 December 2018	**1,015,200,000**	**10,152,000**	**8,872**	**179,118**	**187,990**

	Number of ordinary shares	Share capital		Share premium	Total
			Translated to		
	Shares	*HK$*	*RMB'000*	*RMB'000*	*RMB'000*
Authorised:					
As at 31 December 2016 and 2017	10,000,000,000	100,000,000	87,440		
Issued and fully paid:					
Year ended 31 December 2017					
As at 1 January 2017	1,000,000,000	10,000,000	8,744	183,824	192,568
Pre-IPO Share Option Scheme:					
– Proceeds from shares issued	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

10 TRADE AND OTHER PAYABLES

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Trade payables *(Note (a))*:		
– Related parties	**–**	14
– Third parties	**37,036**	28,317
	37,036	28,331
Other payables:		
– Related parties	**5,187**	7,856
– Third parties	**18,617**	12,602
	23,804	20,458
Advances from customers:		
– Related parties	**–**	1,332
– Third parties	**–**	15,587
	–	16,919
Accrued payroll	**15,130**	14,899
Other taxes payables	**4,439**	2,762
	80,409	83,369

(a) As at 31 December 2018 and 2017, the aging analysis of the trade payables (including amounts due to related parties of trading in nature) based on invoice date is as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Up to 1 year	**34,524**	25,613
1 to 2 years	**765**	1,869
2 to 3 years	**937**	126
Over 3 years	**810**	723
	37,036	28,331

11 DIVIDENDS

Pursuant to the approval at the annual general meeting of shareholders of the Company on 22 June 2018, a special cash dividend of HK1.30 cents per share was declared out of the Company's share premium. The special dividend amounting to HK$13,198,000 (equivalent to RMB11,156,000) based on the total number of issued shares of the Company of 1,015,200,000 shares as at 6 July 2018 was paid in July 2018.

A final dividend in respect of the year ended 31 December 2018 of HK2.20 cents per share, amounting to approximately HK$22,334,000 (equivalent to RMB19,569,000) has been approved by the Board of Directors on 22 March 2019 and are subject to approval of the annual general meeting to be held on 28 June 2019. The final dividend will be distributed out from the Company's retained earnings. These consolidated financial statements have not reflected this dividend payable.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

1. Property Management Services

The Group provided property management services to 15 residential communities and seven pure commercial properties or projects with an aggregate contracted gross floor area ("**GFA**") of approximately 9,620,000 sq.m. as at 31 December 2018 (2017: 6,806,000 sq.m.). The increase in the contracted GFA was mainly contributed by the management of four new pure commercial projects, which were developed by the PRC Mainland government and developers who are independent third parties.

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

	As at 31 December			
	2018		2017	
	Approximate total contracted GFA ***('000 sq.m.)***	**Number of communities**	Approximate total contracted GFA *('000 sq.m.)*	Number of communities
Residential communities				
Panyu district	**4,398**	**5**	4,392	5
Huadu district	**1,037**	**7**	983	7
Zhaoqing city	**346**	**1**	346	1
Foshan city	**867**	**2**	867	2
Subtotal	**6,648**	**15**	6,588	15
Pure commercial properties/ projects				
Huadu district	**259**	**3**	193	2
Maoming city	**129**	**1**	–	–
Panyu district	**2,584**	**3**	25	1
Subtotal	**2,972**	**7**	218	3
Total	**9,620**	**22**	6,806	18

2. Renovation and Fitting-out Services

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

3. Retail Services

The Group operated 15 retail outlets (two supermarkets, one wet market and 12 convenience stores) of different scales covering a total GFA of approximately 12,000 sq.m. as at 31 December 2018 (2017: 16 retail outlets covering a total GFA of approximately 12,000 sq.m.).

The following table sets out the average daily revenue by type of retail outlets in operation during the years ended 31 December 2017 and 2018 respectively:

	For the year ended 31 December	
	2018	2017
Average daily revenue by type of retail outlet (RMB'000)[1]		
Supermarket	**187.3**	172.6
Wet market	**29.5**	27.5
Convenience store	**95.3**	91.8

Note:

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

4. Catering Services

The Group has entered into catering partnership businesses in Panyu district with 11 restaurants as at 31 December 2018 and ceased operation of all its catering outlets and franchising businesses in December 2018 to enhance profitability of catering services. The Group provides catering consultancy service to its partners under catering partnership businesses where the Group charges its partners a fixed consultancy service fee on monthly basis.

5. Information Technology Services

Engineering services

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

Telecommunication services

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

6. Ancillary Living Services

The Group provides off-campus training services, property agency services, employment placement services and laundry services (collectively, "**Ancillary Living Services**").

For off-campus training services, the Group had two learning centres in Panyu district as at 31 December 2018 (2017: two learning centres) with 26,000 (2017: 24,000) students or learners enrolled in its training programmes and interest classes. Training programmes mainly include tutoring courses and language learning classes.

For property agency services, the property agency industry is tied up with the property market. Although more stringent regulations have been introduced by the PRC Mainland government, the Group believes that the demand for property agency services will increase in the long term. For employment placement services, the Group constantly monitors the performance and service quality of the relevant household helpers and dispatched workers. For laundry services, the Group maintains both safety and quality services by providing continuous training to its staff.

PROSPECTS AND FUTURE PLANS

Property Management Services

Further increase the total contracted GFA and the number of residential and pure commercial units managed 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 contracted GFA and the number of residential communities, and pure commercial properties we managed.

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

Further expand our property management network through engagements in integrated projects

We plan to expand our business by managing integrated projects which include apartments, shopping malls and office buildings developed by third parties in Guangdong Province. The services we will be providing include property management, 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 in Guangdong Province which would be able to implement our business model in achieving our business strategy of standardisation and centralisation.

Further develop our information technology services

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

Ancillary Living Services

Further expand our Ancillary Living Services

For our off-campus training services, we plan to set up more training centres in 2019 to further expand our business.

Develop online marketing and build online distribution channels

We intend to promote various services through different online channels including websites and apps on smartphones to reach our customers. In addition, we are considering to upgrade our sales and accounting systems which we believe would enhance our data collection process and enable us to respond more quickly to our customers' needs.

FINANCIAL REVIEW

Revenue

Revenue from contracts with customers decreased from RMB365.4 million for the year ended 31 December 2017 to RMB341.6 million for the year ended 31 December 2018, representing a decrease of RMB23.8 million or 6.5%. The decline in our revenue was mainly attributable to the decrease in revenue from property management services and catering services, and was offset by the increase in revenue from renovation and fitting-out services, retail services, information technology services and Ancillary Living Services.

Property management services

	For the year ended 31 December		Variance	
	2018	2017		
	RMB'000	*RMB'000*	*RMB'000*	*%*
Residential property management services	**32,737**	29,978	2,759	9.2
Commercial property management services	**6,245**	5,051	1,194	23.6
Resident support services	**13,313**	20,709	(7,396)	-35.7
Household helper services	**11,571**	19,175	(7,604)	-39.7
Household repairs and maintenance services	**1,742**	1,534	208	13.6
Total	**52,295**	55,738	(3,443)	-6.2

Revenue from property management services decreased by 6.2%, from RMB55.7 million for the year ended 31 December 2017 to RMB52.3 million for the year ended 31 December 2018. Such decrease was mainly attributable to the following factors:

(i) *Household helper services*

Revenue from household helper services decreased from RMB19.2 million for the year ended 31 December 2017 to RMB11.6 million for the year ended 31 December 2018. This was mainly due to the lack of large-scale cleaning services provided to property owners with the expansion of other living services near a residential community, namely the "Clifford Wonderview (祈福繽紛匯)" and a pure commercial property located in Panyu district that the Group managed for the year ended 31 December 2018 compared to the year ended 31 December 2017; and

(ii) *Residential and commercial property management services*

Revenue from residential and commercial property management services increased from RMB35.0 million for the year ended 31 December 2017 to RMB39.0 million for the year ended 31 December 2018. This was primarily because the Group has increased the number of pure commercial properties or projects it managed from three to seven, and the total contracted GFA under the Group's management for residential and pure commercial properties increased significantly from approximately 6,806,000 sq.m. to 9,620,000 sq.m..

Renovation and fitting-out services

	For the year ended 31 December		Variance	
	2018	2017		
	RMB'000	*RMB'000*	*RMB'000*	*%*
Total revenue	**33,627**	24,336	9,291	38.2

Revenue from renovation and fitting-out services increased from RMB24.3 million for the year ended 31 December 2017 to RMB33.6 million for the year ended 31 December 2018. This was mainly due to the expansion of living services in Panyu district, namely "Clifford Wonderview (祈福繽紛匯)" and pure commercial properties we managed. For the year ended 31 December 2018, the Group has entered into approximately 45 contracts for provision of renovation and fitting-out services by the Group with a total contract sum amounting to approximately RMB35.1 million.

Retail services

	For the year ended 31 December		Variance	
	2018	2017		
	RMB'000	*RMB'000*	*RMB'000*	*%*
Revenue by type of retail outlet				
Supermarket	**67,440**	62,128	5,312	8.6
Wet market	**10,622**	9,897	725	7.3
Convenience store	**34,325**	33,045	1,280	3.9
Total	**112,387**	105,070	7,317	7.0

Revenue from the retail services increased by 7.0%, from RMB105.1 million for the year ended 31 December 2017 to RMB112.4 million for the year ended 31 December 2018. The increase was mainly attributable to the increase in revenue in supermarket from RMB62.1 million for the year ended 31 December 2017 to RMB67.4 million for the year ended 31 December 2018 due to increase in the number of procurement services contracts entered into by the Group. The increase in revenue in wet market and convenience store from RMB9.9 million and RMB33.0 million respectively for the year ended 31 December 2017 to RMB10.6 million and RMB34.3 million respectively for the year ended 31 December 2018 was mainly due to the increase in rental rate charged to stall tenants of wet market, and the increase in retail price of goods for convenience store.

Catering services

	For the year ended 31 December		Variance	
	2018	2017		
	RMB'000	*RMB'000*	*RMB'000*	*%*
Catering outlet revenue by category				
Chinese restaurants	**–**	23,023	(23,023)	N.A.
Casual dining restaurants	**–**	23,667	(23,667)	N.A.
East Asian and Western restaurants	**–**	16,281	(16,281)	N.A.
Cafés	**–**	2,332	(2,332)	N.A.
Franchising	**–**	531	(531)	N.A.
Catering partnership	**3,089**	973	2,116	217.5
Total	**3,089**	66,807	(63,718)	-95.4

Revenue from catering services decreased by 95.4%, from RMB66.8 million for the year ended 31 December 2017 to RMB3.1 million for the year ended 31 December 2018. Such decrease was mainly due to the cessation of operation of all catering outlets and franchising businesses in December 2018 to enhance profitability of catering services. The Group ceased operation of all its catering outlets and franchising businesses under four catering companies in December 2018, leaving one catering company continued with its operation of catering partnership businesses where the Group provides catering consultancy service to its partners. The four catering companies were presented in the current year as a discontinued operation in the consolidated financial statements as explained in Note 8(c).

Information technology services

	For the year ended 31 December		Variance	
	2018	2017		
	RMB'000	*RMB'000*	*RMB'000*	*%*
Information technology services revenue by category				
Engineering	**71,891**	47,813	24,078	50.4
Telecommunication	**1,933**	246	1,747	710.2
Total	**73,824**	48,059	25,765	53.6

Revenue from information technology services increased by 53.6%, from RMB48.1 million for the year ended 31 December 2017 to RMB73.8 million for the year ended 31 December 2018. Such increase was mainly due to the increase in average contract sum which led to the increase in revenue of engineering services from RMB47.8 million for the year ended 31 December 2017 to RMB71.9 million for the year ended 31 December 2018.

Ancillary Living Services

	For the year ended 31 December		Variance	
	2018	2017		
	RMB'000	*RMB'000*	*RMB'000*	*%*
Ancillary Living Services revenue by category				
Off-campus training services	**40,421**	34,158	6,263	18.3
Property agency services	**13,838**	18,417	(4,579)	-24.9
Employment placement services	**2,370**	2,578	(208)	-8.1
Laundry services	**9,776**	10,224	(448)	-4.4
Total	**66,405**	65,377	1,028	1.6

Revenue from the Ancillary Living Services increased by 1.6% to RMB66.4 million for the year ended 31 December 2018 from RMB65.4 million for the year ended 31 December 2017. Such increase was primarily due to the increase in revenue from our off-campus training services. The increase in revenue of our off-campus training services from RMB34.2 million for the year ended 31 December 2017 to RMB40.4 million for the year ended 31 December 2018 was mainly brought by the increase in class enrolments.

The increase in revenue was mainly offset by the decrease in revenue from property agency services from RMB18.4 million for the year ended 31 December 2017 to RMB13.8 million for the year ended 31 December 2018. This was mainly due to the decrease in commission income from sales of properties as the PRC Mainland government set limits on property selling prices.

Cost of Sales

Cost of sales comprises mainly the cost of goods sold for retail services segment, the employee benefit expenses for each business segment and the project cost for renovation and fitting-out services and information technology services as below:

	For the year ended 31 December		Variance	
	2018	2017		
	RMB'000	*RMB'000*	*RMB'000*	*%*
Property management services	**13,520**	11,208	2,312	20.6
Renovation and fitting-out services	**20,650**	23,518	(2,868)	-12.2
Retail services	**63,069**	63,005	64	0.1
Catering services	**12**	50,848	(50,836)	-100.0
Information technology services	**50,875**	37,573	13,302	35.4
Ancillary Living Services	**27,283**	27,635	(352)	-1.3
Off-campus training services	**15,762**	14,952	810	5.4
Property agency services	**4,212**	4,723	(511)	-10.8
Employment placement services	**393**	847	(454)	-53.6
Laundry services	**6,916**	7,113	(197)	-2.8
Total	**175,409**	213,787	(38,378)	-18.0

Cost of sales decreased from RMB213.8 million for the year ended 31 December 2017 to RMB175.4 million for the year ended 31 December 2018, representing a decrease of RMB38.4 million or 18.0%. The decline in our cost of sales was mainly attributable to the decrease in cost of sales in catering services of RMB50.8 million as the Group ceased operation of all its catering outlets and franchising businesses under four catering companies in December 2018, leaving one catering company continued with its operation of catering partnership businesses where the Group provides catering consultancy service to its partners. The four catering companies were presented in the current year as a discontinued operation in the consolidated financial statements as explained in Note 8(c).

The decrease in cost of sales was mainly offset by the increase in cost of sales in property management services of RMB2.3 million due to the engagement of new commercial properties management contracts, and the increase in cost of sales in information technology services of RMB13.3 million due to the increase in engineering project scale.

Gross profit and gross profit margin

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

	For the year ended 31 December			
	2018		2017	
	Gross profit *RMB'000*	**Gross profit margin** %	Gross profit *RMB'000*	Gross profit margin %
Property management services	**38,774**	**74.1%**	44,530	79.9%
Renovation and fitting-out services	**12,977**	**38.6%**	818	3.4%
Retail services	**49,318**	**43.9%**	42,065	40.0%
Catering services	**3,077**	**99.6%**	15,959	23.9%
Information technology services	**22,949**	**31.1%**	10,486	21.8%
Ancillary Living Services	**39,123**	**58.9%**	37,742	57.7%
Off-campus training services	**24,660**	**61.0%**	19,206	56.2%
Property agency services	**9,627**	**69.6%**	13,694	74.4%
Employment placement services	**1,977**	**83.4%**	1,731	67.1%
Laundry services	**2,859**	**29.2%**	3,111	30.4%
Overall	**166,218**	**48.7%**	151,600	41.5%

Gross profit increased from RMB151.6 million for the year ended 31 December 2017 to RMB166.2 million for the year ended 31 December 2018, representing an increase of RMB14.6 million or 9.6%. Meanwhile, our gross profit margin increased from 41.5% for the year ended 31 December 2017 to 48.7% for the year ended 31 December 2018. The increase in gross profit was mainly due to the increase in gross profit for renovation and fitting-out services, retail services, information technology services and off-campus training services under Ancillary Living Services, which was mainly offset by the decrease in gross profit in property management services and catering services. The increase in gross profit margin was mainly due to the increase in gross profit margin in renovation and fitting-out services, retail services, catering services, information technology services and off-campus training services under Ancillary Living Services.

For retail services, gross profit increased by 17.2% to RMB49.3 million for the year ended 31 December 2018 from RMB42.1 million for the year ended 31 December 2017, while gross profit margin increased to 43.9% from 40.0% for the same periods. This was mainly due to the increase in revenue from procurement services which generated higher gross profit margin.

For renovation and fitting-out services and information technology services, gross profit increased by 1,486.4% to RMB13.0 million and 118.9% to RMB22.9 million respectively, for the year ended 31 December 2018 from RMB0.8 million and RMB10.5 million respectively, for the year ended 31 December 2017. Meanwhile, gross profit margin for renovation and fitting-out services and information technology services increased to 38.6% and 31.1% respectively, from 3.4% and 21.8% respectively for the same periods. This was mainly due to the increase in number of projects with higher profit margin for these two business segments.

For Ancillary Living Services, off-campus training services recorded an increase in gross profit by 28.4% to RMB24.7 million for the year ended 31 December 2018 from RMB19.2 million for the year ended 31 December 2017, while gross profit margin increased to 61.0% from 56.2% for the same periods. This was mainly due to the increase in class enrolments.

For property management services, gross profit decreased by 12.9% to RMB38.8 million for the year ended 31 December 2018 from RMB44.5 million for the year ended 31 December 2017, while gross profit margin decreased to 74.1% from 79.9% for the same periods. This was mainly due to the decrease in revenue from household helper services and increase in engagement of new commercial properties management contracts with relatively lower profit margins.

For catering services, gross profit decreased by 80.7% to RMB3.1 million for the year ended 31 December 2018 from RMB16.0 million for the year ended 31 December 2017. However, gross profit margin increased to 99.6% from 23.9% for the same periods. This was mainly due to the cessation of operation of all catering outlets and franchising business with low profit margin in December 2018 to enhance profitability. The Group ceased operation of all its catering outlets and franchising businesses under four catering companies in December 2018, leaving one catering company continued with its operation of catering partnership businesses where the Group provides catering consultancy service to its partners. The four catering companies were presented in the current year as a discontinued operation in the consolidated financial statements as explained in Note 8(c).

Selling and marketing expenses

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

Selling and marketing expenses remained stable at RMB23.8 million for the year ended 31 December 2018 and RMB24.7 million for the year ended 31 December 2017. A substantial portion of selling and marketing expenses was related to retail services segment.

Administrative expenses

Administrative expenses principally comprised employee benefit expenses, professional fees and office related expenses for administrative departments.

Administrative expenses decreased from RMB44.9 million for the year ended 31 December 2017 to RMB42.2 million for the year ended 31 December 2018, representing a decrease of 6.0%. This is primarily due to the decrease in employee benefit expenses as the number of employee decreased.

Net impairment losses on financial assets

The Group incurred net impairment losses on financial assets of RMB1.4 million and nil for the year ended 31 December 2018 and 2017 respectively. Such amount represents provision for loss allowance recognised in profit or loss of trade receivables and other receivables.

Other income

Other income remained stable and amounted to RMB1.1 million for the year ended 31 December 2018 as compared to RMB1.0 million for the year ended 31 December 2017, mainly representing interest income on cash and cash equivalents.

Other gains – net

The Group incurred other gains of RMB2.2 million and RMB1.2 million for the year ended 31 December 2018 and 2017 respectively. The increase in other gain was primarily arisen from the currency exchange difference between Hong Kong dollars and Renminbi which was partially offset by the decrease in government grant received.

Finance income

Finance income is derived from term deposits and increased by 93.5% from RMB0.6 million for the year ended 31 December 2017 to RMB1.2 million for the year ended 31 December 2018 which was mainly due to the increase in term deposits amount.

Income tax expenses

The weighted average applicable tax rate was 25.2% and 28.3% for the years ended 31 December 2018 and 2017 respectively. The decrease in weighted average applicable tax rate for the year ended 31 December 2018 was mainly due to a subsidiary of the Company obtained the certificate of "High and New Technology Enterprise" and was entitled to a preferential PRC Mainland income tax rate of 15% for 2018, 2019 and 2020.

Profit for the year

For the year ended 31 December 2018, as a result of the cumulative effect of the above factors, the Group's net profit from continuing operations was RMB72.4 million and its net profit margin was 21.2%.

Property, Plant and Equipment

Property, plant and equipment mainly consisted of machinery, vehicles, office equipment, and leasehold improvements. As at 31 December 2018 and 2017, the net book values of the Group's property, plant and equipment were RMB14.9 million and RMB18.6 million, respectively. The decrease was mainly due to the fact that 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 2018.

Financial assets at fair value through profit or loss

As at 31 December 2018, financial assets at fair value through profit or loss represented unlisted financial products purchased from commercial banks with high market credit rating, liquidity and stable return.

Inventories

As at 31 December 2018, inventories mainly consisted of merchandise goods for retail services segment and raw materials for information technology services segment the Group procured from suppliers. Inventories decreased from RMB13.9 million as at 31 December 2017 to RMB8.7 million as at 31 December 2018, primarily due to cessation of operation of all catering outlets.

Inventory turnover days was 21 days and 24 days during the years ended 31 December 2018 and 2017 respectively. The changes were in line with the fluctuation of inventory level as explained above. For the year ended 31 December 2018, the Group did not recognise any provision or write-down for inventories.

Trade and other receivables and prepayments

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

Trade receivables

Trade receivables are mainly related to receivables from outstanding renovation and fitting-out and information technology services. Trade receivables decreased by 22.8% from RMB42.5 million as at 31 December 2017 to RMB32.8 million as at 31 December 2018 as a result of increase in collection effect.

Other receivables

Other receivables are mainly rental deposits, and deposits paid to suppliers. Other receivables increased by 18.8% from RMB11.7 million as at 31 December 2017 to RMB13.9 million as at 31 December 2018. This was mainly due to the increase in rental deposits paid for the expansion of off-campus training services, and the increase in receivables from the Catering Companies which have ceased operation in December 2018. As at 31 December 2018, the other receivables from related parties remained stable and amounted to RMB4.1 million, as compared to RMB4.2 million as at 31 December 2017.

Amounts placed in Residents' Accounts

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

As at 31 December 2018, amounts placed in the Residents' Accounts of RMB3.1 million represented the balances of the property management commission fee and resident support service fee entitled by the property management companies (31 December 2017: RMB2.8 million).

Prepayments

Prepayments are mainly related to prepayments made to sub-contractors for renovation and fitting-out services. Prepayments increased by 87.1% from RMB3.1 million as at 31 December 2017 to RMB5.9 million as at 31 December 2018. This was mainly due to expansion of renovation and fitting-out services.

Trade and other payables

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

Trade payables

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

Trade payables increased by 30.7% from RMB28.3 million as at 31 December 2017 to RMB37.0 million as at 31 December 2018. The increase was mainly due to increase in revenue from renovation and fitting-out services and engineering services where trade payables due to suppliers and sub-contractors increased accordingly.

Other payables

Other payables primarily comprised amounts due to third parties, which mainly include deposits received from stall tenants in our retail business and amounted to RMB18.6 million and RMB12.6 million as at 31 December 2018 and 2017 respectively. The increase was mainly due to increase in deposits from the expansion of off-campus training services.

Accrued payroll

Accrued payroll remained stable at RMB15.1 million as at 31 December 2018 as compared to RMB14.9 million as at 31 December 2017.

LIQUIDITY AND CAPITAL RESOURCES

Overview

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

As at 31 December 2018, the Group's material sources of liquidity were cash and cash equivalents of RMB209.4 million, with main currencies being Renminbi and Hong Kong dollars. During the year ended 31 December 2018, the Group has not obtained any loans or borrowings.

Gearing Ratio

Gearing ratio is calculated based on total debts (being loan payables due to related parties) divided by total equity as at the end of each year. Gearing ratio was nil as at 31 December 2018 and 31 December 2017.

PLEDGE OF ASSETS

The Group had no pledged assets as at 31 December 2018 (31 December 2017: nil).

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2018.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, excluding labour costs borne by the property owners of the residential communities that were managed on commission basis, the Group had approximately 638 employees (31 December 2017: approximately 982 employees). Remuneration is determined with reference to the performance, skills, qualifications and experiences of the employee concerned and the prevailing industry practice.

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

In addition, the Company adopted a share option scheme in October 2016 which allows the Directors to grant share options to employees of the Group in order to retain elite personnel of 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 2018, 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 had no significant investments held, material acquisitions and disposals of subsidiaries or associated companies during the year ended 31 December 2018.

DIVIDENDS DISTRIBUTION

The Board recommended the payment of a final dividend of HK2.20 cents (2017: special dividend HK1.30 cents) per ordinary share in respect of the year ended 31 December 2018, making the total dividend payment of approximately HK$22.3 million (equivalent to approximately RMB19.6 million), subject to the approval by the shareholders at the annual general meeting (the "**AGM**") to be held on Friday, 28 June 2019. The final dividend will be paid in cash on Wednesday, 31 July 2019 to shareholders whose names appeared on the register of members of the Company on Monday, 8 July 2019.

ANNUAL GENERAL MEETING

The AGM of the Company is currently planned to be held on Friday, 28 June 2019. 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, 28 June 2019) be closed from Friday, 21 June 2019 to Friday, 28 June 2019, 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, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 20 June 2019.

In addition, subject to the approval of the proposed final dividend by the shareholders of the Company at the AGM, the register of members of the Company will be closed from Friday, 5 July 2019 to Monday, 8 July 2019 (both days inclusive) for the purpose of determining the identity of shareholders who qualify for the proposed final dividend. In order to qualify for the proposed final dividend, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 4 July 2019.

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 2018 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 2018, approximately RMB34.2 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 2018.

CORPORATE GOVERNANCE PRACTICES

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

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.

The Board is of the view that throughout the year ended 31 December 2018, save for the following deviation, the Company has complied with all the code provisions as set out in the CG Code.

Under code provision A.2.1 of the CG Code as set out in Appendix 14 to the Listing Rules, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. However, the Board considers that Ms. MAN Lai Hung has in-depth knowledge and experience in the Group's businesses in the PRC Mainland and therefore it is the best interests of the Group for her to take up the dual roles of the chairman and chief executive officer. The Board believes that the combined roles of Ms. MAN Lai Hung can provide the Company with strong and consistent leadership that facilitates effective and efficient planning and implementation of business decisions and strategies, and should be overall beneficial to the management and development of the Group's business. The structure is supported by the Company's well established corporate governance structure and internal control policies.

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.

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 2018.

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 2018, 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 2018, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2018 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 2018 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, 22 March 2019

As at the date of this announcement, the board of directors of the Company comprises Ms. MAN Lai Hung, Ms. HO Suk Mee 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*