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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 2019

#### FINANCIAL HIGHLIGHTS

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

Note:

- (1) The Group ceased operations of all its catering outlets and franchising businesses under four catering companies in December 2018, leaving one catering company continue with its operation of catering partnership businesses where the Group provides catering consultancy services to its partners. The four catering companies were presented in the current year as discontinued operations in the consolidated financial statements as explained in Note 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 2019 together with the comparative figures for the year ended 31 December 2018:

## CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
	Note	2019	2018
		RMB'000	RMB'000
<b>Continuing operations</b>			
<b>Revenue from contracts with customers</b>	3	<b>396,554</b>	341,627
Cost of sales		<u>(220,325)</u>	<u>(175,409)</u>
<b>Gross profit</b>		<b>176,229</b>	166,218
Selling and marketing expenses		(23,375)	(23,763)
Administrative expenses		(32,927)	(42,196)
Net impairment losses on financial assets		(148)	(1,397)
Other income	4	<b>1,867</b>	1,074
Other gains – net		<u>8,524</u>	<u>2,212</u>
<b>Operating profit</b>		<b>130,170</b>	102,148
Finance income	4	<b>1,099</b>	1,167
Finance costs	4	<u>(1,591)</u>	<u>–</u>
Finance (costs)/income – net	4	<u>(492)</u>	<u>1,167</u>
<b>Profit before income tax</b>		<b>129,678</b>	103,315
Income tax expenses	5	<u>(34,466)</u>	<u>(30,879)</u>
<b>Profit from continuing operations</b>		<b>95,212</b>	72,436
Profit from discontinued operations	8	<u>598</u>	<u>244</u>
<b>Profit for the year attributable to owners of the Company</b>		<u><b>95,810</b></u>	<u>72,680</u>

## CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
	<i>Note</i>	2019	2018
		<i>RMB'000</i>	<i>RMB'000</i>
<b>Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company</b>			
(expressed in RMB per share):			
– Basic earnings per share	6	<b>0.094</b>	0.072
– Diluted earnings per share	6	<b>0.094</b>	0.071
<b>Earnings per share for profit attributable to the ordinary equity holders of the Company</b>			
(expressed in RMB per share):			
– Basic earnings per share	6	<b>0.094</b>	0.072
– Diluted earnings per share	6	<b>0.094</b>	0.071

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Profit for the year</b>	<b>95,810</b>	72,680
<b>Other comprehensive income</b>	<b>–</b>	–
	<hr/>	<hr/>
<b>Total comprehensive income for the year attributable to owners of the Company</b>	<b>95,810</b>	72,680
	<hr/>	<hr/>
<b>Total comprehensive income for the year attributable to owners of the Company arises from:</b>		
– Continuing operations	<b>95,212</b>	72,436
– Discontinued operations	<b>598</b>	244
	<hr/>	<hr/>
	<b>95,810</b>	72,680
	<hr/>	<hr/>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		<b>As at 31 December</b>	
	<i>Note</i>	<b>2019</b>	2018
		<b>RMB'000</b>	<b>RMB'000</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		14,350	14,860
Right-of-use assets		17,329	–
Investment properties		8,694	–
Intangible assets		1,737	669
Deferred income tax assets		2,304	1,743
Financial assets at fair value through profit or loss		4,147	–
Trade and other receivables		9,916	–
		<u>58,477</u>	<u>17,272</u>
<b>Current assets</b>			
Inventories		8,777	8,723
Contract assets		11,557	12,429
Trade and other receivables	7	90,914	55,690
Financial assets at fair value through profit or loss		–	40,448
Term deposits		30,786	86,857
Restricted cash		616	613
Cash and cash equivalents		364,909	209,362
		<u>507,559</u>	<u>414,122</u>
Assets classified as held for sale	8	–	10,807
Total current assets		<u>507,559</u>	<u>424,929</u>
<b>Total assets</b>		<u><b>566,036</b></u>	<u><b>442,201</b></u>
<b>Equity</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	9	8,872	8,872
Share premium	9	179,118	179,118
Other reserves		(105,706)	(111,497)
Retained earnings		316,108	245,658
<b>Total equity</b>		<u><b>398,392</b></u>	<u><b>322,151</b></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	<b>As at 31 December</b>	
		<b>2019</b>	2018
		<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Lease liabilities		<b>19,091</b>	–
Deferred income tax liabilities		<b>2,335</b>	3,000
		<hr/>	<hr/>
<b>Current liabilities</b>			
Trade and other payables	<i>10</i>	<b>100,717</b>	80,409
Contract liabilities		<b>23,456</b>	19,256
Lease liabilities		<b>9,839</b>	–
Current income tax liabilities		<b>12,206</b>	10,591
		<hr/>	<hr/>
		<b>146,218</b>	110,256
		<hr/>	<hr/>
Liabilities directly associated with assets classified as held for sale	<i>8</i>	–	6,794
		<hr/>	<hr/>
Total current liabilities		<b>146,218</b>	117,050
		<hr/>	<hr/>
<b>Total liabilities</b>		<b>167,644</b>	120,050
		<hr/>	<hr/>
<b>Total equity and liabilities</b>		<b>566,036</b>	442,201
		<hr/> <hr/>	<hr/> <hr/>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

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 Company is an investment holding company. The Group is 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 2019:

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

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

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

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

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

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

## **2.2 Changes in accounting policies**

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

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

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

**(a) Practical expedients applied**

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

- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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

**(b) Measurement of lease liabilities**

	<b>2019</b> <b>RMB'000</b>
Operating lease commitments disclosed as at 31 December 2018	<b>44,044</b>
Discounted using the lessee’s incremental borrowing rate of at the date of initial application	<b>40,612</b>
(Less): short-term leases recognised on a straight-line basis as expense	<b>(139)</b>
(Less): service component included in commitment	<b>(6,160)</b>
	<hr/>
<b>Lease liabilities recognised as at 1 January 2019</b>	<b>34,313</b>
	<hr/>
Of which are:	
Current lease liabilities	<b>9,145</b>
Non-current lease liabilities	<b>25,168</b>
	<hr/>
	<b>34,313</b>
	<hr/>
<b>Lease liabilities recognised as at 31 December 2019</b>	
Of which are:	
Current lease liabilities	<b>9,839</b>
Non-current lease liabilities	<b>19,091</b>
	<hr/>
	<b>28,930</b>
	<hr/> <hr/>

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

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

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

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

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

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

**(e) Lessor accounting**

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

### **3 SEGMENT INFORMATION**

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

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

## Segment revenue and results

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

	Retail services RMB'000	Information technology services RMB'000	Property management services RMB'000	Off-campus training services RMB'000	Property agency services RMB'000	Renovation and fitting-out services RMB'000	Others RMB'000	Total RMB'000
Gross segment revenue	106,950	87,509	59,517	48,634	42,092	29,897	23,556	398,155
Inter-segment revenue	(98)	(67)	(1,435)	-	-	-	(1)	(1,601)
<b>Revenue</b>	<b>106,852</b>	<b>87,442</b>	<b>58,082</b>	<b>48,634</b>	<b>42,092</b>	<b>29,897</b>	<b>23,555</b>	<b>396,554</b>
Timing of revenue recognition								
At a point in time	84,767	-	-	-	-	-	-	84,767
Over time	22,085	87,442	58,082	48,634	42,092	29,897	23,555	311,787
	106,852	87,442	58,082	48,634	42,092	29,897	23,555	396,554
<b>Segment results</b>	<b>22,552</b>	<b>23,434</b>	<b>32,675</b>	<b>20,359</b>	<b>9,021</b>	<b>11,189</b>	<b>6,013</b>	<b>125,243</b>
Other income								1,867
Other gains – net								8,524
Finance costs – net								(492)
Unallocated expenses								(5,464)
Income tax expenses								(34,466)
<b>Profit from continuing operations for the year</b>								<b>95,212</b>
<b>Segment results include:</b>								
Depreciation and amortisation	6,022	1,785	756	2,999	291	-	1,056	12,909

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

	Retail services <i>RMB'000</i>	Information technology services <i>RMB'000</i>	Property management services <i>RMB'000</i>	Off-campus training services <i>RMB'000</i>	Property agency services <i>RMB'000</i>	Renovation and fitting-out services <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Gross segment revenue	112,559	73,894	53,351	40,421	13,838	33,627	15,261	342,951
Inter-segment revenue	(172)	(70)	(1,056)	–	–	–	(26)	(1,324)
<b>Revenue</b>	<b>112,387</b>	<b>73,824</b>	<b>52,295</b>	<b>40,421</b>	<b>13,838</b>	<b>33,627</b>	<b>15,235</b>	<b>341,627</b>
Timing of revenue recognition								
At a point in time	100,047	–	–	–	–	–	–	100,047
Over time	12,340	73,824	52,295	40,421	13,838	33,627	15,235	241,580
	112,387	73,824	52,295	40,421	13,838	33,627	15,235	341,627
<b>Segment results</b>	<b>19,880</b>	<b>15,450</b>	<b>32,514</b>	<b>15,379</b>	<b>8,839</b>	<b>12,161</b>	<b>3,753</b>	<b>107,976</b>
Other income								1,074
Other gains – net								2,212
Finance income								1,167
Unallocated expenses								(9,114)
Income tax expenses								(30,879)
<b>Profit from continuing operations for the year</b>								<b>72,436</b>
<b>Segment results include:</b>								
Depreciation and amortisation	2,070	539	143	1,412	4	–	649	4,817

The segment assets and liabilities and the reconciliation with total assets and liabilities of the Group as at 31 December 2019 and 2018 are as follows:

### Segment assets

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Retail services	36,215	21,013
Information technology services	69,376	33,818
Renovation and fitting-out services	14,005	9,295
Off-campus training services	18,431	8,345
Property management services	12,555	5,862
Property agency services	1,808	1,385
Others	10,884	12,653
<b>Total segment assets</b>	<b>163,274</b>	<b>92,371</b>
Assets classified as held for sale	–	10,807
Deferred income tax assets	2,304	1,743
Financial assets at fair value through profit or loss	4,147	40,448
Term deposits	30,786	86,857
Restricted cash	616	613
Cash and cash equivalents	364,909	209,362
<b>Total assets</b>	<b>566,036</b>	<b>442,201</b>

### Segment liabilities

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

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

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

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

#### 4 OTHER INCOME, FINANCE INCOME

##### Continuing operations

	<b>Year ended 31 December</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
<b>Other income:</b>		
– Interest income on cash and cash equivalents	<b>1,705</b>	1,002
– Interest income from amounts placed in Residents' Accounts	<b>162</b>	72
	<b>1,867</b>	1,074
<b>Finance income:</b>		
– Interest income on term deposits	<b>1,099</b>	1,167
<b>Finance cost:</b>		
– Interest paid/payable for lease liabilities not at fair value through profit or loss	<b>(1,591)</b>	–
<b>Finance (costs)/income – net</b>	<b>(492)</b>	1,167

## 5 INCOME TAX EXPENSES

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Current income tax:		
– PRC Mainland corporate income tax	30,406	27,111
– PRC Mainland withholding income tax	5,406	4,764
– Hong Kong profits tax	79	76
	<hr/>	<hr/>
Total current tax	35,891	31,951
	<hr/>	<hr/>
Deferred income tax:		
– PRC Mainland corporate income tax	591	(726)
– PRC Mainland withholding income tax	(1,817)	(264)
	<hr/>	<hr/>
Total deferred tax	(1,226)	(990)
	<hr/>	<hr/>
Income tax expenses	34,665	30,961
	<hr/>	<hr/>
Income tax expense is attributable to:		
– Profit from continuing operations	34,466	30,879
– Profit from discontinued operations	199	82
	<hr/>	<hr/>
	34,665	30,961
	<hr/>	<hr/>

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

### PRC Mainland corporate income tax

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

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

## PRC Mainland withholding income tax

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

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

## Hong Kong profits tax

The applicable Hong Kong profits tax rate is 16.5%.

## Overseas corporate income tax

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

## 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	
	2019	2018
Profit from continuing operations attributable to the ordinary equity holders of the Company (RMB)	95,212,000	72,436,000
Weighted average number of ordinary shares in issue	<u>1,015,200,000</u>	<u>1,008,947,260</u>
Basic earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company (expressed in RMB per share)	<u>0.094</u>	<u>0.072</u>
	Year ended 31 December	
	2019	2018
Profit attributable to ordinary equity holders of the Company (RMB)		
– From continuing operations	95,212,000	72,436,000
– From discontinued operations	598,000	244,000
	<u>95,810,000</u>	<u>72,680,000</u>
Weighted average number of ordinary shares in issue	<u>1,015,200,000</u>	<u>1,008,947,260</u>
Basic earnings per share for profit attributable to the ordinary equity holders of the Company (expressed in RMB per share)	<u>0.094</u>	<u>0.072</u>

(b) **Diluted**

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

The employees' share option scheme was adopted and effective on 8 November 2016. Diluted earnings per share for the year ended 31 December 2019 is calculated as below:

	<b>Year ended 31 December</b>	
	<b>2019</b>	<b>2018</b>
Profit from continuing operations attributable to equity holders of the Company (RMB)	<u>95,212,000</u>	72,436,000
Weighted average number of ordinary shares in issue	<b>1,015,200,000</b>	1,008,947,260
Adjustments for:		
– Employees' share options	<u>1,838,518</u>	8,334,770
Weighted average number of ordinary shares for diluted earnings per share	<u>1,017,038,518</u>	1,017,282,030
Diluted earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company (expressed in RMB per share)	<u><b>0.094</b></u>	<u>0.071</u>
	<b>Year ended 31 December</b>	
	<b>2019</b>	<b>2018</b>
Profit attributable to the ordinary equity holders of the Company (RMB)		
– From continuing operations	<b>95,212,000</b>	72,436,000
– From discontinued operations	<u>598,000</u>	244,000
	<u>95,810,000</u>	72,680,000
Weighted average number of ordinary shares in issue	<b>1,015,200,000</b>	1,008,947,260
Adjustments for:		
– Employees' share options	<u>1,838,518</u>	8,334,770
Weighted average number of ordinary shares for diluted earnings per share	<u>1,017,038,518</u>	1,017,282,030
Diluted earnings per share for profit attributable to the ordinary equity holders of the Company (expressed in RMB per share)	<u><b>0.094</b></u>	<u>0.071</u>

**7 TRADE AND OTHER RECEIVABLES**

	<b>As at 31 December</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	<b>RMB'000</b>
Trade receivables ( <i>Note (a)</i> ):		
– Related parties	<b>25,531</b>	21,265
– Third parties	<b>48,128</b>	12,942
	<hr/>	<hr/>
Total trade receivables	<b>73,659</b>	34,207
Less: allowance for impairment of trade receivables	<b>(1,477)</b>	(1,367)
	<hr/>	<hr/>
	<b>72,182</b>	32,840
	<hr/>	<hr/>
Amounts placed in Residents' Accounts	<b>6,246</b>	3,123
	<hr/>	<hr/>
Other receivables:		
– Related parties	<b>4,859</b>	4,116
– Third parties	<b>14,035</b>	9,773
	<hr/>	<hr/>
Total other receivables	<b>18,894</b>	13,889
Less: allowance for impairment of other receivables	<b>(68)</b>	(30)
	<hr/>	<hr/>
	<b>18,826</b>	13,859
	<hr/>	<hr/>
Prepayments:		
– Third parties	<b>3,576</b>	5,868
	<hr/>	<hr/>
Less:		
– trade receivables included in non-current assets	<b>(3,865)</b>	–
– other receivables included in non-current assets	<b>(6,051)</b>	–
	<hr/>	<hr/>
	<b>(9,916)</b>	–
	<hr/>	<hr/>
	<b>90,914</b>	55,690
	<hr/>	<hr/>

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

During the years ended 31 December 2019 and 2018, the credit period granted to trade customers of information technology services and renovation and fitting-out services varies from one month to one year; the trading of retail services, catering services, off-campus training services, property agency services, employment placement services and laundry services are mainly carried out on cash basis.

As at 31 December 2019 and 2018, the aging analysis of the trade receivables based on invoice date are as follows:

	<b>As at 31 December</b>	
	<b>2019</b>	2018
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Up to 1 year	<b>69,799</b>	29,800
1 to 2 years	<b>2,055</b>	2,242
Over 2 years	<b>1,805</b>	2,165
	<b><u>73,659</u></b>	<u>34,207</u>

## 8 ASSETS CLASSIFIED AS HELD FOR SALE

- (a) Assets classified as held for sale

	<b>As at 31 December</b>	
	<b>2019</b>	2018
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Property, plant and equipment	–	4,868
Intangible assets	–	53
Trade and other receivables	–	5,886
	<b><u>–</u></b>	<u>10,807</u>

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

	<b>As at 31 December</b>	
	<b>2019</b>	2018
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Trade and other payables	<b><u>–</u></b>	<u>6,794</u>

(c) **Discontinued operations**

In December 2018, the Group terminated operations of all its catering outlets under Guangzhou Clifford Farm Restaurant Catering Limited\* 廣州市祈福農家菜館餐飲有限公司, Guangzhou Clifford Big Brother Congee & Noodles Limited\* 廣州市祈福一哥雲吞麵有限公司, Guangzhou Clifford Herbal Cuisine Catering Limited\* 廣州市祈福藥膳坊餐飲有限公司 and Guangzhou Mascot Catering Limited\* 廣州市福品餐飲有限公司 (together, the “**Catering Companies**”). According to the agreement dated 1 January 2019, major assets and liabilities of the outlets of the Catering Companies were sold to a third party. As at 31 December 2019, 11 out of 15 outlets of the Catering Companies were deregistered.

Financial information of the Catering Companies is presented as discontinued operations in the consolidated financial statements for the years ended 31 December 2019 and 2018, which is set out as below.

	<b>As at 31 December</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
Revenue from contracts with customers	–	22,471
Cost of sales	–	(17,152)
<b>Gross profit</b>	–	5,319
Selling and marketing expenses	–	(605)
Administrative expenses	(16)	(4,335)
Other losses – net	–	(74)
Gains on sale of assets classified as held for sale and liabilities directly associated with assets classified as held for sale	<b>813</b>	–
<b>Operating profit</b>	<b>797</b>	305
Finance income	–	21
<b>Profit before income tax</b>	<b>797</b>	326
Income tax expense	(199)	(82)
<b>Profit from discontinued operations</b>	<b>598</b>	244
	<b>As at 31 December</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
Net cash (outflow)/inflow from operating activities	(1,153)	2,336
Net cash inflow/(outflow) from investing activities	4,826	(316)
<b>Net increase in cash generated by the discontinued operations</b>	<b>3,673</b>	2,020

(d) Details of the sale of assets and liabilities of the Catering Companies

	As at 31 December 2019	2018
Consideration received	4,826	–
Carrying amount of net assets sold	(4,013)	–
<b>Gains on sale before income tax</b>	<b>813</b>	–
Income tax expense	(178)	–
<b>Gains on sale after income tax</b>	<b>635</b>	–

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
	Shares	HK\$	Translated to RMB'000	RMB'000	RMB'000
<b>Authorised:</b>					
As at 31 December 2018 and 2019	10,000,000,000	100,000,000	87,440		
<b>Issued and fully paid:</b>					
<b>Year ended 31 December 2019</b>					
As at 1 January and 31 December 2019	1,015,200,000	10,152,000	8,872	179,118	187,990
<b>Year ended 31 December 2018</b>					
As at 1 January 2018	1,001,950,000	10,019,500	8,761	184,674	193,435
Employees' share option scheme: – Proceeds from shares issued	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

## 10 TRADE AND OTHER PAYABLES

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Trade payables ( <i>Note (a)</i> ):		
– Related parties	7	–
– Third parties	50,313	37,036
	<u>50,320</u>	<u>37,036</u>
Other payables:		
– Related parties	9,523	5,187
– Third parties	22,626	18,617
	<u>32,149</u>	<u>23,804</u>
Accrued payroll	14,223	15,130
Other taxes payables	4,025	4,439
	<u>100,717</u>	<u>80,409</u>

- (a) As at 31 December 2019 and 2018, the aging analysis of the trade payables (including amounts due to related parties of trading in nature) based on invoice date is as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Up to 1 year	44,399	34,524
1 to 2 years	5,549	765
2 to 3 years	147	937
Over 3 years	225	810
	<u>50,320</u>	<u>37,036</u>

## 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.

Pursuant to the approval at the annual general meeting of shareholders of the Company on 28 June 2019, a dividend of HK2.20 cents per share was declared out of the Company's retained earnings. The dividend amounting to HK\$22,334,000 (equivalent to RMB19,569,000) based on the total number of issued shares of the Company of 1,015,200,000 shares was paid on 31 July 2019.

A dividend in respect of the year ended 31 December 2019 of HK2.50 cents per share, amounting to approximately HK\$25,380,000 (equivalent to RMB22,735,000) has been approved by the Board of Directors on 27 March 2020 are subject to approval of the annual general meeting to be held on 26 June 2020. The final dividend will be distributed out from the Company's retained earnings. These consolidated financial statements have not reflected this dividend payable.

## **CHAIRMAN'S STATEMENT**

On behalf of the Board, I am pleased to announce the audited consolidated financial statements of the Group for the year ended 31 December 2019.

We are a renowned service provider with a diversified service portfolio comprising six main service segments: property management services, renovation and fitting-out services, retail services, off-campus training services, information technology services and Ancillary Living Services (as hereinafter defined) in Guangdong Province.

### **Financial Highlights**

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

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

### **Proposed Final Dividend**

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

### **Business Highlights**

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

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

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

#### ***Stable revenue growth in information technology services***

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

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

### ***Improved cost efficiencies in retail services***

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

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

### ***Steady growth in off-campus training services***

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

### **Outlook for 2020**

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

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

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

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

### **Acknowledgements**

On behalf of the Board, I would like to extend my sincere gratitude to our shareholders and business partners for their constant support for the Group. Going forward, the Group will continue to actively expand its business and upgrade its services. We will strive to bring superior and diversified living services to the residents and customers, and create value for shareholders.

**MAN Lai Hung**

*Chairman*

Hong Kong, 27 March 2020

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

#### 1. Property Management Services

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

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

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

#### 2. Renovation and Fitting-out Services

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

### 3. Retail Services

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

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

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
<b>Average daily revenue by type of retail outlet<sup>(Note)</sup></b>		
Supermarket	162.9	187.3
Wet market	28.5	29.5
Convenience store	105.4	95.3

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

### 4. Off-campus Training Services

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

### 5. Information Technology Services

#### *Engineering services*

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

#### *Telecommunication services*

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

## **6. Ancillary Living Services**

The Group provides catering services, property agency services, employment placement services and laundry services (collectively as “**Ancillary Living Services**”).

### ***Catering services***

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

### ***Property agency services***

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

### ***Employment placement services***

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

### ***Laundry services***

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

## **PROSPECTS AND FUTURE PLANS**

### **Property Management**

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

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

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

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

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

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

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

**Retail**

***Further expand our retail network***

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

**Information technology**

***Further develop our information technology services***

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

**Off-campus training**

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

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

**Develop online marketing and build online distribution channels**

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

## Further explore new investment opportunities

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

## FINANCIAL REVIEW

### Revenue

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

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

### *Property management services*

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

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

### *Renovation and fitting-out services*

	For the year ended		Variance	
	2019	2018		
	RMB'000	RMB'000	RMB'000	%
Total revenue	<b>29,897</b>	33,627	(3,730)	-11.1

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

### *Retail services*

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

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

### *Off-campus training services*

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

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

### Information technology services

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

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

### Ancillary Living Services

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

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

## **Cost of Sales**

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

## **Gross profit and gross profit margin**

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

## **Selling and marketing expenses**

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

## **Administrative expenses**

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

## **Net impairment losses on financial assets**

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

## **Other income**

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

## **Other gains — net**

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

## **Finance income**

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

## **Finance costs**

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

## **Income tax expenses**

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

## **Profit for the year**

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

## **Property, Plant and Equipment**

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

## **Investment Properties**

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

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

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

## **Inventories**

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

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

## **Trade and other receivables and prepayments**

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

### ***Trade receivables***

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

### ***Other receivables***

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

### ***Amounts placed in Residents’ Accounts***

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

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

### ***Prepayments***

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

### **Trade and other payables**

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

#### ***Trade payables***

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

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

#### ***Other payables***

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

#### ***Accrued payroll***

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

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Overview**

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

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

## **Gearing Ratio**

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

## **PLEDGE OF ASSETS**

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

## **CONTINGENT LIABILITIES**

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

## **EMPLOYEES AND REMUNERATION POLICIES**

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

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

In addition, the Company adopted a share option scheme in October 2016 which allows the Directors to grant share options to employees of the Group in order to retain elite personnel within the Group and to provide incentives for their contribution to the Group. Details of the share options will be set out in the paragraph headed “Share Option Schemes” in the Report of the Directors section in the annual report of the Company for the year ended 31 December 2019, which will be dispatched to the shareholders of the Company in due course.

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

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

## **SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD**

### **(a) Investments in unallocated silver bullion**

On 25 February, 26 February, 27 February and 28 February 2020, the Group utilising its internal resources, purchased a total of 650,000 ounces of unallocated silver bullion through Standard Chartered Bank (Hong Kong) Ltd., a licensed bank in Hong Kong, with the total consideration of approximately RMB82.7 million.

### **(b) Disclosure of COVID-19 Outbreak impact**

After the COVID-19 Outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country. The Group will pay close attention to the development of the COVID-19 Outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date of this announcement, the Group was not aware of any material adverse impact on the financial performance of the Group as a result of the COVID-19 Outbreak.

## **USE OF NET PROCEEDS FROM INITIAL PUBLIC OFFERING**

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

## **DIVIDENDS DISTRIBUTION**

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

## **ANNUAL GENERAL MEETING**

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

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

## **PRE-EMPTIVE RIGHTS**

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

## **CORPORATE 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.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

There was no purchase, sale or redemption by the Company or any of its subsidiaries, of the Company's listed securities during the year ended 31 December 2019.

## **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 growth of its business and to reviewing such practices from time to time to ensure that they comply with statutory and professional standards and align with the latest development.

The Board is of the view that throughout the year ended 31 December 2019, 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 in the best interests of the Group for her to take up the dual roles of the chairman and chief executive officer of the Company. 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 2019.

## **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 2019, 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 2019, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2019 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](http://www.hkexnews.hk)) and the Company ([www.cliffordmodernliving.com](http://www.cliffordmodernliving.com)). The annual report of the Company for the year ended 31 December 2019 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, 27 March 2020

*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*