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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 2020

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		Percentage change
	2020 RMB'000	2019 RMB'000	
Continuing operations			
Revenue from contracts with customers	420,944	396,554	6.2%
Gross profit	183,755	176,229	4.3%
Profit before taxation	161,526	129,678	24.6%
Profit from continuing operations	128,738	95,212	35.2%
Profit from discontinued operations ⁽¹⁾	–	598	-100%
Profit for the year	128,738	95,810	34.4%
Gross profit margin from continuing operations (%)	43.7%	44.4%	-1.6%
Net profit margin from continuing operations (%)	30.6%	24.0%	27.5%
Earnings per share for profit from continuing operations attributable to owners of the Company (expressed in RMB per share):			
– Basic and diluted earnings per share	0.127	0.094	35.1%
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share):			
– Basic and diluted earnings per share	0.127	0.094	35.1%
Proposed final dividend per ordinary share	<u>HK2.70 cents</u>	<u>HK2.50 cents</u>	<u>8.0%</u>

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 as discontinued operations in the consolidated financial statements during the year 31 December 2019 as explained in Note 12(a).

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 2020 together with the comparative figures for the year ended 31 December 2019:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Continuing operations			
Revenue from contracts with customers	4	420,944	396,554
Cost of sales		<u>(237,189)</u>	<u>(220,325)</u>
Gross profit		183,755	176,229
Other income and gains, net	4	44,816	11,490
Selling and marketing expenses		(32,632)	(23,375)
Administrative expenses		(32,274)	(32,927)
Impairment loss on trade and other receivables		(373)	(148)
Finance costs	5	<u>(1,766)</u>	<u>(1,591)</u>
Profit before taxation		161,526	129,678
Income tax expense	6	<u>(32,788)</u>	<u>(34,466)</u>
Profit from continuing operations		128,738	95,212
Profit from discontinued operations	12	<u>–</u>	<u>598</u>
Profit and total comprehensive income for the year		<u>128,738</u>	<u>95,810</u>
Total comprehensive income for the year attributable to owners of the Company arises from:			
– Continuing operations		128,738	95,212
– Discontinuing operations		<u>–</u>	<u>598</u>
		<u>128,738</u>	<u>95,810</u>

	<i>Notes</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Earnings per share for profit from continuing operations attributable to the owners of the Company (expressed in RMB per share):			
– Basic and diluted	7	<u>0.127</u>	<u>0.094</u>
Earnings per share for profit attributable to the owners of the Company (expressed in RMB per share):			
– Basic and diluted	7	<u>0.127</u>	<u>0.094</u>
Profit for the year		128,738	95,810
Other comprehensive income		<u>–</u>	<u>–</u>
Total comprehensive income for the year attributable to owners of the Company		<u>128,738</u>	<u>95,810</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		17,236	14,350
Investment properties		7,306	8,694
Right-of-use assets		32,199	17,329
Intangible assets		1,917	1,737
Financial assets at fair value through profit or loss		4,181	4,147
Investment in silver bullion		138,290	–
Other receivables	8	3,298	9,916
Deferred tax assets		2,251	2,304
		<u>206,678</u>	<u>58,477</u>
Current assets			
Inventories		14,858	8,777
Trade and other receivables	8	97,846	90,914
Contract assets		15,835	11,557
Term deposits		13,933	30,786
Restricted cash		618	616
Cash and cash equivalents		344,401	364,909
		<u>487,491</u>	<u>507,559</u>
Current liabilities			
Trade and other payables	9	100,434	100,717
Contract liabilities		30,860	23,456
Lease liabilities		9,213	9,839
Tax payables		11,690	12,206
		<u>152,197</u>	<u>146,218</u>
Net current assets		<u>335,294</u>	<u>361,341</u>
Total assets less current liabilities		<u>541,972</u>	<u>419,818</u>
Non-current liabilities			
Lease liabilities		34,919	19,091
Deferred tax liabilities		3,059	2,335
		<u>37,978</u>	<u>21,426</u>
Net assets		<u>503,994</u>	<u>398,392</u>

	<i>Notes</i>	2020 RMB'000	2019 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	<i>10</i>	8,872	8,872
Share premium	<i>10</i>	179,136	179,118
Other reserves		(99,514)	(105,706)
Retained earnings		415,500	316,108
Total equity		<u>503,994</u>	<u>398,392</u>

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

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

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

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

2. BASIS OF PREPARATION

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

The consolidated financial statements have been prepared on the historical cost basis except for the investment in silver bullion and certain financial instruments which have been measured at fair value at the end of the reporting period.

The consolidated financial statements have been prepared on basis consistent with the accounting policies adopted in the consolidated financial statements for the year ended 31 December 2019 except for the adoption of certain revised HKFRSs that are relevant to the Group and effective from the current period as set out in note (a).

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

(a) Amended standards adopted by the Group

In the current year, the Group has adopted, for the first time, the following revised HKFRSs issued by the HKICPA, which are relevant and mandatorily effective for the accounting period beginning on 1 January 2020 for the preparation of the Group's consolidated financial statements:

Amendments to HKFRS 3	Definition of Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform – Phase 1
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

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

(b) New standards and amendments not yet effective for the financial year beginning on 1 January 2020 and not early adopted by the Group

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

		Effective for annual reporting periods beginning on or after
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendment to HKFRS 16	Covid-19-Related Rent Concessions	1 June 2020
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 cycle	1 January 2022
HKFRS 17	Insurance Contracts and the related Amendments	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2023

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

3. SEGMENT INFORMATION

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

The executive directors of the Company assess the performance of the operating segments based on a measure of segment revenue and results and segment assets and liabilities. Segment results excluded other income and other gains, net, finance costs, central administration costs, income tax expense, and segment assets excluded financial assets at fair value through profit or loss, investment in silver bullion, term deposits, restricted cash, cash and cash equivalents and deferred tax assets and segment liabilities excluded deferred tax liabilities as these activities are centrally driven by the Group.

Segment revenue and results

The segment revenue and results and the reconciliation with profit from continuing operations are as follows:

For the year ended 31 December 2020

	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	150,021	95,791	77,480	31,319	22,138	18,928	27,553	423,230
Inter-segment revenue	(133)	(174)	(748)	(114)	-	(1,109)	(8)	(2,286)
Revenue	149,888	95,617	76,732	31,205	22,138	17,819	27,545	420,944
Timing of revenue recognition								
At a point in time	134,684	6,502	-	-	21,889	-	17,184	180,259
Over time	15,204	89,115	76,732	31,205	249	17,819	10,361	240,685
	149,888	95,617	76,732	31,205	22,138	17,819	27,545	420,944
Segment results	21,974	24,718	45,497	11,927	7,488	5,799	9,445	126,848
Other income and gains, net								44,816
Finance costs								(1,766)
Unallocated expenses								(8,372)
Income tax expense								(32,788)
Profit from continuing operations for the year								128,738
Segment results include:								
Depreciation and amortisation	(9,112)	(1,142)	(1,557)	(3,322)	(294)	-	(1,260)	(16,687)
Gain on disposal of property, plant and equipment, net	-	-	1	-	-	-	-	1
(Net impairment losses)/ reversal of impairment loss on trade and other receivables	(236)	(464)	2	-	-	5	320	(373)
Written-off of trade receivables	-	-	-	-	-	-	(218)	(218)
Scrap of property, plant and equipment	(19)	-	-	(648)	-	-	-	(667)

For the year ended 31 December 2019

	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	106,950	87,509	59,517	48,634	42,092	29,897	23,556	398,155
Inter-segment revenue	(98)	(67)	(1,435)	-	-	-	(1)	(1,601)
Revenue	<u>106,852</u>	<u>87,442</u>	<u>58,082</u>	<u>48,634</u>	<u>42,092</u>	<u>29,897</u>	<u>23,555</u>	<u>396,554</u>
Timing of revenue recognition								
At a point in time	84,767	13,704	-	-	41,818	-	17,903	158,192
Over time	<u>22,085</u>	<u>73,738</u>	<u>58,082</u>	<u>48,634</u>	<u>274</u>	<u>29,897</u>	<u>5,652</u>	<u>238,362</u>
	<u>106,852</u>	<u>87,442</u>	<u>58,082</u>	<u>48,634</u>	<u>42,092</u>	<u>29,897</u>	<u>23,555</u>	<u>396,554</u>
Segment results	<u>22,552</u>	<u>23,434</u>	<u>32,675</u>	<u>20,359</u>	<u>9,021</u>	<u>11,189</u>	<u>6,013</u>	125,243
Other income and gains, net								11,490
Finance costs								(1,591)
Unallocated expenses								(5,464)
Income tax expense								<u>(34,466)</u>
Profit from continuing operations for the year								<u>95,212</u>
Segment results include:								
Depreciation and amortisation	(6,022)	(1,785)	(756)	(2,999)	(291)	-	(1,056)	(12,909)
Loss on disposal of property, plant and equipment, net	-	-	-	-	-	-	(195)	(195)
Net impairment losses on trade and other receivables	<u>-</u>	<u>(92)</u>	<u>(39)</u>	<u>-</u>	<u>-</u>	<u>(17)</u>	<u>-</u>	<u>(148)</u>

* Certain comparative figures have been reclassified to conform to the current period's presentation.

The segment assets and liabilities and the reconciliation with total assets and liabilities of the Group as at 31 December 2020 and 2019 are as follows:

Segment assets

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Retail services	60,418	36,215
Information technology services	85,882	69,376
Renovation and fitting-out services	4,511	14,005
Off-campus training services	18,660	18,431
Property management services	7,975	12,555
Property agency services	4,207	1,808
Others	8,844	10,884
	<hr/>	<hr/>
Total segment assets	190,497	163,274
Financial assets at fair value through profit or loss	4,181	4,147
Investment in silver bullion	138,290	–
Term deposits	13,933	30,786
Restricted cash	618	616
Cash and cash equivalents	344,401	364,909
Deferred tax assets	2,249	2,304
	<hr/>	<hr/>
Total assets	694,169	566,036
	<hr/> <hr/>	<hr/> <hr/>

Segment liabilities

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Retail services	66,663	55,476
Information technology services	51,478	41,733
Off-campus training services	28,225	31,945
Renovation and fitting-out services	12,657	17,955
Property management services	15,056	7,446
Property agency services	2,348	5,004
Others	<u>10,689</u>	<u>5,750</u>
Total segment liabilities	<u>187,116</u>	<u>165,309</u>
Deferred tax liabilities	<u>3,059</u>	<u>2,335</u>
Total liabilities	<u><u>190,175</u></u>	<u><u>167,644</u></u>

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 2020, more than 90% (2019: more than 90%) of the Group's non-current assets other than financial assets, investment in silver bullion and deferred tax assets are situated in the PRC Mainland.

During the year ended 31 December 2020, more than 90% (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.

4. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue and other income and gains, net is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<i>Revenue from contracts with customers within the scope of HKFRS 15, analysed by types of goods or services:</i>		
Sales of goods	127,354	91,835
Engineering work income	79,337	62,978
Property management services	57,929	44,947
Off-campus training services	28,065	44,775
Property agency services	20,614	40,606
Renovation works	17,819	30,235
Resident support services income	14,637	7,163
Catering service income	10,370	6,640
Household cleaning income	9,539	10,394
Laundry services	9,229	11,680
Concessionaire services income	8,335	4,461
Employment placement services	7,955	8,269
Engineering maintenance income	6,428	2,677
Telecommunication service income	3,239	4,208
Procurement service fee	3,112	6,636
After-rental service income from property agency services	246	274
Others	1,917	1,752
	<hr/>	<hr/>
<i>Revenue from other sources</i>		
Sub-leasing income	14,819	17,024
	<hr/>	<hr/>
	420,944	396,554
	<hr/> <hr/>	<hr/> <hr/>

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Other income and gains, net		
– Interest income on cash and cash equivalents	1,492	1,705
– Interest income from amounts placed in residents' accounts	734	162
– Interest income on term deposits	722	1,099
– Gain on disposal of right-of-use assets	–	5,916
– Gain on foreign exchanges, net	3,113	1,920
– Fair value gains on financial assets at fair value through profit or loss	357	438
– Government grants (<i>note</i>)	1,842	347
– Gain/(loss) on disposal of property, plant and equipment, net	1	(195)
– Scrap of property, plant and equipment	(667)	–
– Loss on early termination of leases	(379)	–
– Gain on modification of leases	607	–
– Fair value gain on investment in silver bullion	35,801	–
– Compensations from tenants	666	–
– Others	527	98
	<u>44,816</u>	<u>11,490</u>

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

5. FINANCE COSTS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest expenses on lease liabilities	<u>1,766</u>	<u>1,591</u>

6. INCOME TAX EXPENSE

PRC Mainland corporate income tax

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

The general corporate income tax rate applicable to the Group entities located in the PRC Mainland (“**PRC Mainland entities**”) is 25% according to the Corporate Income Tax Law of the PRC Mainland effective on 1 January 2008. During the year ended 31 December 2017, a subsidiary of the Company obtained the Certificate of “High and New Technology Enterprise” (“**the Certificate**”) with valid period from 2017 to 2019 which is extended to 2022 during the year ended 31 December 2020. According to the Corporation Income Tax Law of PRC Mainland, corporations which obtain the Certificate of “High and New Technology Enterprise” are entitled to enjoy a preferential corporate income rate of 15%.

Some of the subsidiaries of the Group are qualified as the qualifying small enterprises according to the relevant tax law and regulation. When their assessable profit falls under RMB1,000,000, they will be qualified for a reduced 5% effective tax rate, whereas when their assessable profit falls under RMB3,000,000 but above RMB1,000,000 will be qualified for a reduced 10% effective tax rate, under the tax reduction measures introduced by the State Council, from 1 January 2018 to 31 December 2020.

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 arrangement between the PRC Mainland and Hong Kong.

During the year ended 31 December 2020, a provision of deferred tax for the distribution of earnings of certain profitable PRC Mainland subsidiaries to other overseas group entities has been made at withholding income tax rate of 5% (2019: 5%).

Hong Kong Profits Tax

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

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% (2019: 16.5%) of the estimated assessable profit for the year.

Overseas Corporate Income Tax

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

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax:		
– PRC Mainland corporate income tax	27,360	30,406
– PRC Mainland withholding income tax	4,300	5,406
– Hong Kong Profits Tax	–	79
– Under-provision in prior year	351	–
	<u>32,011</u>	<u>35,891</u>
Deferred tax:		
– PRC Mainland corporate income tax	(190)	591
– PRC Mainland withholding income tax	967	(1,817)
Total deferred tax	<u>777</u>	<u>(1,226)</u>
Income tax expense	<u>32,788</u>	<u>34,665</u>
Income tax expense is attributable to:		
– Profit from continuing operations	32,788	34,466
– Profit from discontinued operations (<i>Note 12</i>)	–	199
	<u>32,788</u>	<u>34,665</u>

7. 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.

	2020	2019
Profit from continuing operations attributable to the owners of the Company (RMB)	128,738,000	95,212,000
Weighted average number of ordinary shares in issue	<u>1,015,213,935</u>	<u>1,015,200,000</u>
Basic earnings per share for profit from continuing operations attributable to the owners of the Company (expressed in RMB per share)	<u>0.127</u>	<u>0.094</u>
Profit attributable to owners of the Company (RMB)		
– From continuing operations	128,738,000	95,212,000
– From discontinued operations (<i>Note 12</i>)	<u>–</u>	<u>598,000</u>
Weighted average number of ordinary shares in issue	<u>1,015,213,935</u>	<u>1,015,200,000</u>
Basic earnings per share for profit attributable to the owners of the Company (expressed in RMB per share)	<u>0.127</u>	<u>0.094</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 2020 is calculated as below:

	2020	2019
Profit from continuing operations attributable to the owners of the Company (RMB)	<u>128,738,000</u>	<u>95,212,000</u>
Weighted average number of ordinary shares in issue	1,015,213,935	1,015,200,000
Adjustments for:		
– Employees' share options	<u>1,561,421</u>	<u>1,838,518</u>
Weighted average number of ordinary shares for diluted earnings per share	<u>1,016,775,356</u>	<u>1,017,038,518</u>
Diluted earnings per share for profit from continuing operations attributable to the owners of the Company (expressed in RMB per share)	<u><u>0.127</u></u>	<u><u>0.094</u></u>
Profit attributable to the owners of the Company (RMB)		
– From continuing operations	128,738,000	95,212,000
– From discontinued operations (<i>Note 12</i>)	<u>–</u>	<u>598,000</u>
	<u>128,738,000</u>	<u>95,810,000</u>
Weighted average number of ordinary shares in issue	1,015,213,935	1,015,200,000
Adjustments for:		
– Employees' share options	<u>1,561,421</u>	<u>1,838,518</u>
Weighted average number of ordinary shares for diluted earnings per share	<u>1,016,775,356</u>	<u>1,017,038,518</u>
Diluted earnings per share for profit attributable to the owners of the Company (expressed in RMB per share)	<u><u>0.127</u></u>	<u><u>0.094</u></u>

8. TRADE AND OTHER RECEIVABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade receivables (<i>Note</i>):		
– Related parties	36,042	25,531
– Third parties	<u>44,525</u>	<u>48,128</u>
Total trade receivables	80,567	73,659
Less: allowance for impairment of trade receivables	<u>(1,918)</u>	<u>(1,477)</u>
	<u>78,649</u>	<u>72,182</u>
Amounts placed in residents' accounts	<u>5,142</u>	<u>6,246</u>
Other receivables:		
– Related parties	3,220	4,859
– Third parties	<u>7,443</u>	<u>14,035</u>
	<u>10,663</u>	<u>18,994</u>
Less: allowance for impairment of other receivables	<u>–</u>	<u>(68)</u>
	<u>10,663</u>	<u>18,826</u>
Prepayments:		
– Third parties	<u>6,690</u>	<u>3,576</u>
Total trade and other receivables	<u><u>101,144</u></u>	<u><u>100,830</u></u>
Analysed into:		
– Non-current	3,298	9,916
– Current	<u>97,846</u>	<u>90,914</u>
	<u><u>101,144</u></u>	<u><u>100,830</u></u>

Note: Trade receivables due from third parties mainly represented the receivables arising from provision of renovation and fitting-out services, information technology services, the receivables of outstanding property management fee charged on commission basis and receivables of concessionaire services under retail services.

As at 31 December 2020, the credit period granted to trade customers of information technology services and renovation and fitting-out services varies from one month to one year (2019: one month to one year); the trading of retail services, catering services, off-campus training services, employment placement services and laundry services are mainly carried out on cash basis (2019: cash basis).

As at 31 December 2020, the aging analysis of the trade receivables, net of impairment based on invoice date are as follows:

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Up to 1 year	75,265	69,775
1 to 2 years	550	2,051
Over 2 years	<u>2,834</u>	<u>356</u>
	<u>78,649</u>	<u>72,182</u>

9. TRADE AND OTHER PAYABLES

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables (<i>Note</i>):		
– Related parties	829	7
– Third parties	<u>61,318</u>	<u>50,313</u>
	<u>62,147</u>	<u>50,320</u>
Other payables:		
– Related parties	3,646	9,523
– Third parties	<u>21,674</u>	<u>22,626</u>
	<u>25,320</u>	<u>32,149</u>
Accrued payroll	9,516	14,223
Other tax payables	<u>3,451</u>	<u>4,025</u>
	<u>100,434</u>	<u>100,717</u>

Note: As at 31 December 2020 and 2019, the aging analysis of the trade payables (including amounts due to related parties of trading in nature) based on invoice date is as follows:

	2020	2019
	RMB'000	RMB'000
Up to 1 year	56,383	44,399
1 to 2 years	4,991	5,549
2 to 3 years	45	147
Over 3 years	728	225
	<u>62,147</u>	<u>50,320</u>

10. 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
	<i>Shares</i>	<i>HK\$</i>	Translated to <i>RMB'000</i>	<i>RMB'000</i>
Authorised:				
As at 31 December 2019 and 2020	<u>10,000,000,000</u>	<u>100,000,000</u>	<u>87,440</u>	
Issued and fully paid:				
As at 1 January 2019, 31 December 2019 and 1 January 2020	1,015,200,000	10,152,000	8,872	179,118
Employees' Share Option Scheme:				
- Proceeds from shares issued	<u>50,000</u>	<u>500</u>	<u>-</u>	<u>18</u>
As at 31 December 2020	<u>1,015,250,000</u>	<u>10,152,500</u>	<u>8,872</u>	<u>179,136</u>
				<u>188,008</u>

11. DIVIDENDS

Pursuant to the approval at the annual general meeting of shareholders of the Company held on 26 June 2020, a final dividend of HK2.50 cents per share for the year ended 31 December 2019 (2019: a final dividend of HK2.20 cents per share for the year ended 31 December 2018) was approved and to be distributed out of the Company's retained earnings. The final dividend amounting to HK\$25,358,000 (equivalent to RMB23,136,000) (2019: 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 (2019: 1,015,200,000 shares) was paid on 29 July 2020 (2019: 31 July 2019).

A dividend in respect of the year ended 31 December 2020 of HK2.70 cents (2019: HK2.50 cents) per share, amounting to approximately HK\$27,412,000 (equivalent to approximately RMB24,555,000) (2019: HK\$25,380,000 (equivalent to approximately RMB22,735,000)) has been approved by the board of directors on 26 March 2021 (2019: 27 March 2020) is subject to approval at the annual general meeting to be held on 25 June 2021 (2019: 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.

12. ASSETS CLASSIFIED AS HELD FOR SALE

(a) Discontinued operations

In December 2018, the Group terminated operations of all its catering outlets under Guangzhou Clifford Big Brother Congee & Noodles Limited* (廣州市祈福一哥雲吞麵有限公司), Guangzhou Mascot Catering Limited* (廣州市福品餐飲有限公司), Guangzhou Clifford Herbal Cuisine Catering Limited* (廣州市祈福藥膳坊餐飲有限公司) and Guangzhou Clifford Farm Restaurant Catering Limited* (廣州市祈福農家菜館餐飲有限公司) (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 2020, all 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 year ended 31 December 2019.

	2019 <i>RMB'000</i>
Revenue from contracts with customers	–
Cost of sales	–
Gross profit	–
Administrative expenses	(16)
Gains on sale of assets classified as held for sale and liabilities directly associated with assets classified as held for sale	813
Operating profit	797
Finance income	–
Profit before taxation	797
Income tax expense (<i>Note 6</i>)	(199)
Profit from discontinued operations	<u>598</u>

	2019 <i>RMB'000</i>
Net cash outflow from operating activities	(1,153)
Net cash inflow from investing activities	4,826
Net increase in cash generated by discontinued operations	<u>3,673</u>

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

	2019 <i>RMB'000</i>
Consideration received	4,826
Carrying amount of net assets sold	(4,013)
Gains on sale before taxation	813
Income tax expense	(178)
Gains on sale after taxation	<u>635</u>

* The English name of the subsidiaries represents the best effort by the management of the Group in translating their Chinese names as they do not have an official English name.

CHAIRMAN’S STATEMENT

On behalf of the Board, I am pleased to present the audited consolidated financial statements of the Group for the year ended 31 December 2020.

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

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2020, the Group achieved revenue of approximately RMB420.9 million, representing a year-on-year increase of 6.2%. Our profit during the year under review increased to approximately RMB128.7 million, representing a year-on-year increase of approximately RMB33.5 million or 35.2%.

During the year under review, our gross profit margin from continuing operations decreased from 44.4% to 43.7%. Net profit margin from continuing operations increased from 24.0% to 30.6%, representing a year-on-year increase of about 27.5%.

PROPOSED FINAL DIVIDEND

Based on the financial performance in 2020, the Board recommended the payment of a final dividend of HK2.70 cents per ordinary share for the year ended 31 December 2020 (for the year ended 31 December 2019: final dividend of HK2.50 cents per ordinary share).

BUSINESS HIGHLIGHTS

During 2020, the outbreak of Coronavirus Disease 2019 (“**COVID-19 Outbreak**”) put the economy of the PRC Mainland to a halt and caused some operational delays and disruptions to several of our service segments. Nonetheless, while the performances of our property management services, retail services and information technology services remained solid, those of our off-campus training services, renovation and fitting-out services and Ancillary Living Services were adversely affected by the COVID-19 Outbreak.

During the year under review, we made notable progress in expanding our business. Service segments including property management services, retail services and information technology services recorded a steady increase in revenue.

Our expansion in scope of services together with an increase of number of our business partners and property management service contracts we entered into 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 9.3%, from approximately RMB87.4 million for the year ended 31 December 2019 to approximately RMB95.6 million for the year ended 31 December 2020. The increase in revenue was mainly due to the increase in the demand for our telecommunication service for the year ended 31 December 2020.

Our information technology services enable us to provide high-quality and more comprehensive property management services for the residents in the communities under our management and widened our revenue streams.

Network enhancement in retail services

The Group operated a wet market, 2 supermarkets and 15 convenience stores in different locations covering total gross floor area (“GFA”) of approximately 13,151 sq.m. as at 31 December 2020 (as at 31 December 2019: approximately 10,725 sq.m.).

Revenue from retail services increased by 40.3%, from RMB106.9 million for the year ended 31 December 2019 to RMB149.9 million for the year ended 31 December 2020. The increase in revenue was due to i) the increase in demand for our retail services during the COVID-19 Outbreak; and ii) the increase in the number of retail outlets from 15 for the year ended 31 December 2019 to 18 for the year ended 31 December 2020.

Expansion in catering services

Revenue from catering services increased by 192.7%, from approximately RMB3.5 million for the year ended 31 December 2019 to approximately RMB10.4 million for the year ended 31 December 2020, the increase was due to the commencement of catering service in schools in the fourth quarter of 2020. With the steady demand for our catering service in schools, we believe it will serve as a new momentum for our catering services segment.

Investments in unallocated silver bullion

Taking into account the uncertainty of current global economy, the Group has purchased a total of 800,000 ounces of unallocated silver bullion during the year ended 31 December 2020, the aggregate cost of the investment amounted to approximately RMB102.5 million. As at 31 December 2020, the fair value of the investment in silver bullion amounted to approximately RMB138.3 million. The fair value gains on investment in silver bullion amounted to approximately RMB35.8 million for the year ended 31 December 2020. The investment in unallocated silver bullion is considered as the diversification of the Group’s asset structure.

OUTLOOK FOR 2021

Looking forward, the global economic environment is expected to be distressing with the ongoing COVID-19 Outbreak and Sino-US tension. With the effective measures from the PRC Mainland government in curbing the COVID-19 pandemic and stimulating economic development, the Group is confident that the economy of the PRC Mainland can maintain a steady growth amid the global uncertainty. Despite the solid performance in 2020, we will remain prudent in monitoring the Group's expenditures, look for new investment opportunities to cope with the existing market environment and constantly review our business strategy. In the long run, we will continue to implement a diversified business development strategy and focus on the continuous development and expansion of our businesses. With the steady development of our diversified service portfolio, this serves as a new momentum for the Group's future business development.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to extend my sincere gratitude to 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, Chief Executive Officer and Executive Director

Hong Kong, 26 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

1. Property Management Services

The Group provided property management services to 16 (as at 31 December 2019: 15) residential communities and 5 (as at 31 December 2019: 7) pure commercial properties or projects with an aggregate contracted GFA of approximately 9,710,000 sq.m. as at 31 December 2020 (as at 31 December 2019: 9,664,000 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			
	2020		2019	
	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	1,350	8	1,037	7
Zhaoqing city	346	1	346	1
Foshan city	842	2	867	2
Subtotal	6,936	16	6,648	15
<i>Pure commercial properties/projects</i>				
Huadu district	2,659	3	259	3
Maoming city	-	-	129	1
Panyu district	115	2	2,628	3
Subtotal	2,774	5	3,016	7
Total	9,710	21	9,664	22

2. Renovation and Fitting-out Services

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

3. Retail Services

The Group operated 18 retail outlets (two supermarkets, one wet market and 15 convenience stores) of different sizes covering a total GFA of approximately 13,151 sq.m. as at 31 December 2020 (as at 31 December 2019: 15 retail outlets covering a total GFA of approximately 10,725 sq.m.).

The following table sets out the average daily revenue by type of retail outlets in operation during the years ended 31 December 2020 and 2019 respectively:

	For the year ended	
	31 December	
	2020	2019
	(RMB'000)	(RMB'000)
<i>Average daily revenue by type of retail outlet</i> ^(Note)		
Supermarket	261.2	162.9
Wet market	33.0	28.5
Convenience store	<u>122.2</u>	<u>105.4</u>

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

4. Off-campus Training Services

The Group had four learning centres in Panyu district as at 31 December 2020 (as at 31 December 2019: three learning centres). Training programmes mainly include tutoring courses and language learning classes.

5. Information Technology Services

Engineering services

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

Telecommunication services

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

6. Ancillary Living Services

Catering services

The Group provides catering consultancy services and receives a fixed consultancy services fee on a monthly basis. The Group started to provide catering services in schools in the fourth quarter of 2020.

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 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 high-quality laundry 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 increase the demand for 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.

Ancillary Living Services

Expansion in catering services

We started providing catering services in schools in the fourth quarter of 2020. With the steady demand for catering services in schools, we believe it will serve as a new momentum for the catering services segment in the future.

FINANCIAL REVIEW

Revenue

	For the year ended				Percentage of	
	31 December		Variance		total revenue	
	2020	2019			2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	%	%	%
Property management services	76,732	58,082	18,650	32.1	18.3	14.6
Renovation and fitting-out services	17,819	29,897	(12,078)	-40.4	4.2	7.5
Retail services	149,888	106,852	43,036	40.3	35.6	26.9
Off-campus training services	31,205	48,634	(17,429)	-35.8	7.4	12.3
Information technology services	95,617	87,442	8,175	9.3	22.7	22.1
Ancillary Living Services	49,683	65,647	(15,964)	-24.3	11.8	16.6
Total	<u>420,944</u>	<u>396,554</u>	<u>24,390</u>	<u>6.2</u>	<u>100.0</u>	<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 2020, the total revenue was approximately RMB420.9 million, representing an increase of approximately RMB24.4 million or approximately 6.2% as compared to that of approximately RMB396.6 million in the previous year.

Property management services

	For the year ended		Variance	
	31 December			
	2020	2019		
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	%
Residential property management services	34,837	32,780	2,057	6.3
Commercial property management services	22,929	9,825	13,104	133.4
Resident support services	18,966	15,477	3,489	22.5
– Household helper services	18,647	12,770	5,877	46.0
– Household repairs and maintenance services	319	2,707	(2,388)	-88.2
Total	<u>76,732</u>	<u>58,082</u>	<u>18,650</u>	32.1

During the year ended 31 December 2020, the increase of revenue generated from property management services was approximately RMB18.7 million, or approximately 32.1%, of which the increase in revenue generated from commercial property management services was approximately RMB13.1 million or approximately 133.4% and the increase in revenue generated from residential property management services was approximately RMB2.1 million or approximately 6.3%. The increase of revenue generated from property management services was mainly due to the changes in our charging method for one of our commercial projects from commission basis to lump sum basis. 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	
	31 December			
	2020	2019		
	RMB'000	RMB'000	RMB'000	%
Total	<u>17,819</u>	<u>29,897</u>	<u>(12,078)</u>	-40.4

During the year ended 31 December 2020, the decrease of revenue generated from renovation and fitting-out services was approximately RMB12.1 million, or approximately 40.4%. The decrease was mainly due to i) the delayed resumption of normal business operations caused by the COVID-19 Outbreak after the Chinese New Year holidays, and ii) the decrease in number of services contracts entered into by the Group in 2020.

Retail services

	For the year ended		Variance	
	31 December			
	2020	2019		
	RMB'000	RMB'000	RMB'000	%
Revenue by type of retail outlet				
Supermarket	94,024	58,661	35,363	60.3
Wet market	11,872	10,244	1,628	15.9
Convenience store	<u>43,992</u>	<u>37,947</u>	<u>6,045</u>	15.9
Total	<u>149,888</u>	<u>106,852</u>	<u>43,036</u>	40.3

During the year ended 31 December 2020, the increase of revenue generated from retail services was approximately RMB43.0 million, or about 40.3%, of which the increase in revenue generated from supermarkets was approximately RMB35.4 million or approximately 60.3%, the increase in revenue generated from wet market was approximately RMB1.6 million or approximately 15.9% and the increase in revenue generated from convenience stores was approximately RMB6.0 million or approximately 15.9%. The increase of revenue generated from retail services was mainly due to i) the increase in demand for our retail services during the COVID-19 Outbreak, and ii) the increase in the number of retail outlets from 15 for the year ended 31 December 2019 to 18 for the year ended 31 December 2020.

Off-campus training services

	For the year ended		Variance	
	31 December			
	2020	2019		
	RMB'000	RMB'000	RMB'000	%
Off-campus training services				
revenue by category				
Training programmes	4,341	8,925	(4,584)	-51.4
Interest classes	<u>26,864</u>	<u>39,709</u>	<u>(12,845)</u>	-32.3
Total	<u>31,205</u>	<u>48,634</u>	<u>(17,429)</u>	-35.8

During the year ended 31 December 2020, the decrease of revenue generated from off-campus training services was approximately RMB17.4 million, or approximately 35.8%. The decrease was mainly due to the delayed resumption of normal business operations caused by the COVID-19 Outbreak after the Chinese New Year holidays, despite that the revenue generated from this segment has become stable after resumption of business operation in the second quarter of 2020.

Information technology services

	For the year ended		Variance	
	31 December			
	2020	2019		
	RMB'000	RMB'000	RMB'000	%
Information technology services				
revenue by category				
Engineering	83,954	83,972	(18)	0.0
Telecommunication	<u>11,663</u>	<u>3,470</u>	<u>8,193</u>	236.1
Total	<u>95,617</u>	<u>87,442</u>	<u>8,175</u>	9.3

During the year ended 31 December 2020, the increase of revenue generated from information technology services was approximately RMB8.2 million, or approximately 9.3%, of which the revenue generated from engineering services remained stable at RMB84.0 million (for the year ended 31 December 2019: RMB84.0 million), and the increase of revenue generated from telecommunication services was approximately RMB8.2 million or approximately 236.1%. The increase of revenue generated from telecommunication services was mainly due to the increase in demand for our telecommunication services. Engineering services comprise information technology hardware integration and network installation services.

Ancillary Living Services

	For the year ended		Variance	
	31 December			
	2020	2019		
	RMB'000	RMB'000	RMB'000	%
Ancillary Living Services				
revenue by category				
Catering services	10,336	3,543	6,793	191.7
Property agency services	22,138	42,092	(19,954)	-47.4
Employment placement services	7,980	8,332	(352)	-4.2
Laundry services	9,229	11,680	(2,451)	-21.0
Total	49,683	65,647	(15,964)	-24.3

During the year ended 31 December 2020, the decrease of revenue generated from Ancillary Living Services was approximately RMB16.0 million, or approximately 24.3%, of which the increase in revenue generated from catering services was approximately RMB6.8 million or approximately 191.7%, the decrease in revenue generated from property agency services was approximately RMB20.0 million or approximately 47.4%. The increase of revenue generated from catering services was mainly due to commencement of our catering service business in schools in the fourth quarter of 2020. The decrease of revenue generated from property agency services was mainly due to the decrease in commission from sales of new units during year ended 31 December 2020.

Cost of Sales

Cost of sales comprised mainly the cost of goods sold from 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 2020, cost of sales increased by approximately 7.7% from approximately RMB220.3 million for the year ended 31 December 2019 to approximately RMB237.2 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 RMB176.2 million for the year ended 31 December 2019 to approximately RMB183.8 million for the year ended 31 December 2020, representing an increase of approximately RMB7.5 million or approximately 4.3%. Meanwhile, the Group's gross profit margin from continuing operations decreased from approximately 44.4% for the year ended 31 December 2019 to approximately 43.7% for the year ended 31 December 2020.

Other income and gains – net

Other income and gains, net value amounted to approximately RMB44.8 million for the year ended 31 December 2020 as compared to RMB11.5 million for the year ended 31 December 2019. The increase was mainly due to the fair value gain on investment in silver bullion of approximately RMB35.8 million recorded during the year ended 31 December 2020 (year ended 31 December 2019: nil).

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 increased from approximately RMB23.4 million for the year ended 31 December 2019 to approximately RMB32.6 million for the year ended 31 December 2020, representing an increase of approximately RMB9.2 million or approximately 39.6%. As substantial part of selling and marketing expenses was incurred for our retail services, the increase of selling and marketing expenses was mainly due to the increase in revenue from our retail services.

Administrative expenses

Administrative expenses principally comprised employee benefit expenses, professional fees and office related expenses for administrative departments. Administrative expenses remained stable at approximately RMB32.3 million for the year ended 31 December 2020 and approximately RMB32.9 million for the year ended 31 December 2019.

Finance costs

Finance costs amounted to approximately RMB1.8 million and approximately RMB1.6 million for the years ended 31 December 2020 and 2019 respectively, representing the interest expense on lease liabilities.

Income tax expenses

The weighted average applicable tax rate was 19.8% and 23.8% for the years ended 31 December 2020 and 2019 respectively. The decrease in weighted average applicable tax rate for the year ended 31 December 2020 was mainly due to the fact that the fair value gain on silver bullion is not taxable.

Profit for the year

For the year ended 31 December 2020, as a result of the cumulative effect of the above factors, the Group's net profit from continuing operations was approximately RMB128.7 million (for the year ended 31 December 2019: RMB95.8 million) and its net profit margin was approximately 30.6% (for the year ended 31 December 2019: 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 2020 and 2019, the net book values of property, plant and equipment of the Group were approximately RMB17.2 million and approximately RMB14.4 million respectively.

Investment properties

Investment properties amounted to approximately RMB7.3 million and approximately RMB8.7 million as at 31 December 2020 and 2019 respectively, 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 2020 and 2019 respectively, 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.

Investments in silver bullion

The Group, utilizing its internal resources, purchased a total of 800,000 ounces of unallocated silver bullion through Standard Chartered Bank (Hong Kong) Limited, a licensed bank in Hong Kong, during the year ended 31 December 2020 with the total consideration of approximately RMB102.5 million. As at 31 December 2020, the fair value of the investment in silver bullion amounted to approximately RMB138.3 million. Taking into consideration the low interest rate environment and the instability of global economic environment, the investments in unallocated silver bullion will diversify the asset portfolio of the Group, safeguard against currency debasement and inflation in times of uncertainty. For further details, please refer to the announcements of the Company dated 26 February 2020 and 28 February 2020 respectively.

Inventories

As at 31 December 2020, inventories mainly consisted of merchandise goods for retail services and raw materials for information technology services the Group procured from suppliers. Inventories increased from approximately RMB8.8 million as at 31 December 2019 to approximately RMB14.9 million as at 31 December 2020. The increase in inventories was mainly due to the increase in the number of outlets of our retail services segment.

Inventory turnover days was 23 days and 14 days during the years ended 31 December 2020 and 2019 respectively. The Group did not recognise any provision or write-down for inventories for the year ended 31 December 2020.

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 9.0% from approximately RMB72.2 million as at 31 December 2019 to approximately RMB78.6 million as at 31 December 2020.

Other receivables

Other receivables mainly comprised rental deposits and deposits paid to suppliers. Other receivables decreased by 43.4% from approximately RMB18.8 million as at 31 December 2019 to approximately RMB10.7 million as at 31 December 2020.

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 2020, amounts placed in the Residents' Accounts of RMB5.1 million represented the balances of the property management commission fee and resident support services fee entitled by the property management companies (as at 31 December 2019: RMB6.2 million).

Prepayments

Prepayments are mainly related to prepayments made to sub-contractors for renovation and fitting-out services. Prepayments increased by 87.1% from RMB3.6 million as at 31 December 2019 to RMB6.7 million as at 31 December 2020. The increase was mainly due to the expansion of retail 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 23.5% from RMB50.3 million as at 31 December 2019 to RMB62.1 million as at 31 December 2020. 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 of our retail business and amounted to RMB21.7 million and RMB22.6 million as at 31 December 2020 and 2019 respectively.

Accrued payroll

Accrued payroll amounted to RMB9.5 million and RMB14.2 million as at 31 December 2020 and 2019 respectively.

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 2020, the Group mainly financed its cash requirements through cash generated from operating activities.

As at 31 December 2020, the Group's material sources of liquidity were cash and cash equivalents of RMB344.4 million (as at 31 December 2019: RMB364.9 million), with main currencies being Renminbi and Hong Kong dollars. During the year ended 31 December 2020, the Group has not obtained any loans or borrowing (as at 31 December 2019: nil).

Gearing Ratio

Gearing ratio is calculated based on total debts (being loan payables due to related parties) divided by total equity as at the end of each year. Gearing ratio was nil as at 31 December 2020 and 31 December 2019 respectively.

PLEDGE OF ASSETS

The Group had no pledged assets as at 31 December 2020 (as at 31 December 2019: nil).

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2020 (as at 31 December 2019: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, excluding labour costs borne by the property owners of the residential communities that we managed on commission basis, the Group had 608 employees (as at 31 December 2019: 642 employees). Remuneration is determined with reference to the performance, skills, qualifications and experiences of the employee concerned and the prevailing industry practice.

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

In addition, the Company adopted a share option scheme in October 2016 which allows the Directors to grant share options to employees of the Group in order to retain elite personnel within the Group and to provide incentives for their contribution to the Group. Details of the share options are set out in the paragraph headed “Share Option Schemes” in the Report of the Directors section in the annual report of the Company for the year ended 31 December 2020, which will be dispatched to the shareholders of the Company (“**Shareholder(s)**”) in due course.

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

Save as disclosed in paragraphs headed “Financial assets at fair value through profit or loss” and “Investments in unallocated silver bullion” 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 2020.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The Group does not have any material subsequent event after 31 December 2020 and up to the date of this announcement.

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 had been fully utilised according to the allocation set out in the section headed “Future Plans and Use of Proceeds” of the Company’s prospectus dated 27 October 2016. For further details, please refer to the announcement of the Company dated 21 August 2020.

DIVIDENDS DISTRIBUTION

The Board recommended the payment of a final dividend of HK2.70 cents (2019: final dividend HK2.50 cents) per ordinary share in respect of the year ended 31 December 2020, making the total dividend payment of approximately HK\$27.4 million (equivalent to approximately RMB24.6 million), subject to the approval by the Shareholders at the annual general meeting (the “**AGM**”) to be held on Friday, 25 June 2021. The final dividend will be paid in cash on Wednesday, 28 July 2021 to Shareholders whose names appeared on the register of members of the Company on Tuesday, 6 July 2021.

ANNUAL GENERAL MEETING

The AGM of the Company will be held on Friday, 25 June 2021. A notice convening the AGM and all other relevant documents will be published and dispatched to the Shareholders in the manner required by the Listing Rules 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, 25 June 2021) be closed from Monday, 21 June 2021 to Friday, 25 June 2021, 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 Friday, 18 June 2021.

In addition, subject to the approval of the proposed final dividend by the Shareholders at the AGM, the register of members of the Company will be closed from Monday, 5 July 2021 to Tuesday, 6 July 2021 (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, 2 July 2021.

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 2020.

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 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 2020, 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 2020.

AUDIT COMMITTEE AND REVIEW OF CONSOLIDATED FINANCIAL INFORMATION

The Company established audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the CG Code. As at the date of this announcement, the Audit Committee consists of three independent non-executive Directors, namely Ms. LAW Elizabeth (Chairman), Mr. HO Cham and Mr. MAK Ping Leung (with Ms. LAW Elizabeth possessing the appropriate professional qualifications and accounting and related financial management expertise). The 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 with the management of the Company the annual results of the Group for the year ended 31 December 2020, including the accounting principles and practices adopted by the Group.

SCOPE OF WORK OF MOORE STEPHENS CPA LIMITED

The figures in respect of the Group’s consolidated statement of financial position as at 31 December 2020, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group’s auditor, Moore Stephens CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Moore Stephens CPA Limited 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 Moore Stephens CPA Limited 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 2020 containing all the information required by the Listing Rules will be dispatched to the Shareholders and made available on the same websites in due course.

By Order of the Board
Clifford Modern Living Holdings Limited
MAN Lai Hung
*Chairman, Chief Executive Officer and
Executive Director*

Hong Kong, 26 March 2021

As at the date of this announcement, the board of directors of the Company comprises Ms. MAN Lai Hung, Ms. HO Suk Mee and Mr. LIU Xing as executive Directors; Ms. LIANG Yuhua 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*