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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

FINANCIAL HIGHLIGHTS

	For the six months ended		Percentage change
	2019 RMB'000	30 June 2018 RMB'000 (Restated)	
Continuing operations			
Revenue	178,248	173,696	+2.6%
Gross profit	77,681	82,885	-6.3%
Operating profit	57,378	52,518	+9.3%
Profit before income tax	57,162	52,924	+8.0%
Profit from continuing operations	42,724	39,020	+9.5%
Profit/(Loss) from discontinued operation ⁽¹⁾	635	(968)	-165.6%
Profit for the period	43,359	38,052	+13.9%
Gross profit margin (%)	44%	48%	-8.3%
Net profit margin (%)	24%	22%	+9.1%
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company during the period (expressed in RMB per share):			
– Basic earnings per share	0.042	0.039	+7.7%
– Diluted earnings per share	0.042	0.039	+7.7%
Earnings per share attributable to the ordinary equity holders of the Company during the period (expressed in RMB per share):			
– Basic earnings per share	0.043	0.038	+13.2%
– Diluted earnings per share	0.043	0.038	+13.2%

Note:

(1) The Group ceased operation of all its catering outlets and franchising businesses under four catering companies in December 2018, leaving one company continue its catering consultancy service. The four catering companies were presented in the current period and re-presented in prior period as a discontinued operation in the interim condensed consolidated financial information as explained in Note 9(a).

The board of directors (individually, a “**Director**”, or collectively, the “**Board**”) of Clifford Modern Living Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated results (the “**Interim Results**”) of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2019. The Interim Results have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
	<i>Note</i>	2019	2018
		<i>RMB'000</i>	<i>RMB'000</i>
			(Restated)
Continuing operations			
Revenue	5	178,248	173,696
Cost of sales		(100,567)	(90,811)
		77,681	82,885
Gross profit			
Selling and marketing expenses		(12,811)	(13,820)
Administrative expenses		(15,265)	(18,065)
Net impairment losses on financial assets		(200)	–
Other income		647	509
Other gains – net		7,326	1,009
		57,378	52,518
Operating profit			
Finance income		678	406
Finance costs		(894)	–
Finance (costs)/income – net		(216)	406
		57,162	52,924
Profit before income tax			
Income tax expenses	6	(14,438)	(13,904)
		42,724	39,020
Profit from continuing operations			
Profit/(Loss) from discontinued operation		635	(968)
		43,359	38,052
Profit for the period			
Profit attributable to:			
– Owners of the Company		43,359	38,052
– Non-controlling interests		–	–
		43,359	38,052

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
<i>Note</i>	2019	2018	
	<i>RMB'000</i>	<i>RMB'000</i>	(Restated)
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company during the period			
(expressed in RMB per share):			
– Basic earnings per share	7(a)	0.042	0.039
– Diluted earnings per share	7(b)	0.042	0.039
		0.042	0.039
Earnings per share for profit attributable to the ordinary equity holders of the Company during the period			
(expressed in RMB per share):			
– Basic earnings per share	7(a)	0.043	0.038
– Diluted earnings per share	7(b)	0.043	0.038
		0.043	0.038

The above condensed consolidated income statement should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
		(Restated)
Profit for the period	43,359	38,052
Other comprehensive income	<u>—</u>	<u>—</u>
Total comprehensive income for the period	<u>43,359</u>	<u>38,052</u>
Total comprehensive income for the period attributable to:		
– Owners of the Company	43,359	38,052
– Non-controlling interests	<u>—</u>	<u>—</u>
	<u>43,359</u>	<u>38,052</u>
Total comprehensive income for the period attributable to owners of the Company arises from:		
– Continuing operations	42,724	39,020
– Discontinued operation	635	(968)
	<u>43,359</u>	<u>38,052</u>

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Assets			
Non-current assets			
Property, plant and equipment		15,061	14,860
Right-of-use assets	4	21,082	–
Investment properties		9,402	–
Intangible assets		1,142	669
Deferred income tax assets		2,154	1,743
Trade and other receivables	8	11,655	–
		60,496	17,272
Current assets			
Financial assets at fair value through profit or loss		11,214	40,448
Inventories		8,211	8,723
Trade and other receivables	8	79,052	55,690
Contract assets		9,331	12,429
Deferred income tax assets		8	–
Term deposits		66,552	86,857
Restricted cash		615	613
Cash and cash equivalents		302,521	209,362
		477,504	414,122
Assets classified as held for sale	9	–	10,807
		477,504	424,929
Total assets		538,000	442,201
Equity			
Equity attributable to owners of the Company			
Share capital	10	8,872	8,872
Share premium	10	179,118	179,118
Other reserves		(110,768)	(111,497)
Retained earnings		268,719	245,658
		345,941	322,151
Non-controlling interests		–	–
Total equity		345,941	322,151

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Liabilities			
Non-current liabilities			
Lease liabilities	4	27,569	–
Deferred income tax liabilities		<u>1,024</u>	<u>3,000</u>
		28,593	3,000
Current liabilities			
Trade and other payables	11	116,238	80,409
Contract liabilities		26,919	19,256
Lease liabilities	4	6,049	–
Deferred income tax liabilities		3,840	–
Current income tax liabilities		<u>10,420</u>	<u>10,591</u>
		163,466	110,256
Liabilities directly associated with assets classified as held for sale	9	<u>–</u>	<u>6,794</u>
Total current liabilities		<u>163,466</u>	<u>117,050</u>
Total liabilities		<u>192,059</u>	<u>120,050</u>
Total equity and liabilities		<u>538,000</u>	<u>442,201</u>

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

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

This condensed consolidated interim financial information is presented in Renminbi (“**RMB**”), unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the board of directors (the “**Board**”) on 23 August 2019.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2019 has been prepared in accordance with HKAS 34 “Interim Financial Reporting”.

The condensed consolidated interim financial information does not include all the notes of the type normally included in an annual financial statements. Accordingly, this information is to be read in conjunction with the annual report for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), and any public announcement made by the Company during the interim reporting period.

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2018, as described in those annual financial statements, except for the adoption of new and amended HKFRSs effective for the financial period beginning on 1 January 2019 (Note (4)) and the first adoption of accounting policy for investment property (Note (c)).

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the financial period 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 4 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 period beginning on 1 January 2019 and not early adopted by the Group

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

		Effective for annual years beginning on or after
HKFRS 3 (Amendment)	Definition of Business	1 January 2020
HKAS 1 and HKAS 8 (Amendment)	Definition of material	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021
HKFRS 10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards, interpretation and amendments. 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.

(c) Investment properties

Investment properties, principally right-of-use assets, are held for long-term rental yields and are not occupied by the Group. Investment properties is initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequently, they are carried at historical cost less depreciation.

Depreciation is calculated using the straight-line method from one to ten years over the expected life of the right-of-use assets, and charged to profit or loss.

4 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 16 “Leases” on the Group’s financial statements and discloses the new accounting policies that have been applied from 1 January 2019.

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 reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 January 2019.

(a) Adjustments recognised on adoption of HKFRS 16

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%.

	2019 RMB’000
Operating lease commitments disclosed as at 31 December 2018	44,044
Discounted using the lessee’s incremental borrowing rate of at the date of initial application	40,612
(Less): short-term leases recognised on a straight-line basis as expense	(139)
(Less): service component included in commitment	<u>(6,160)</u>
Lease liability recognised as at 1 January 2019	<u>34,313</u>
Of which are:	
Current lease liabilities	9,145
Non-current lease liabilities	<u>25,168</u>
	<u>34,313</u>
Lease liability recognised as at 30 June 2019	
Of which are:	
Current lease liabilities	6,049
Non-current lease liabilities	<u>27,569</u>
	<u>33,618</u>

All the right-of-use assets were measured at the amount equal to the lease liability, 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.

The recognised right-of-use assets are all relate to properties:

	30 June 2019 RMB’000	1 January 2019 RMB’000
Properties	<u>21,082</u>	<u>34,313</u>

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.

(1) *Impact on segment disclosures and earnings per share*

Adjusted profit before tax (the “**PBT**”), segment assets and segment liabilities for June 2019 all increased as a result of the change in accounting policy. Lease liabilities are now included in segment liabilities. The following segments were affected by the change in policy:

	Adjusted PBT	Segment assets	Segment liabilities
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Off-campus training services	4,761	1,242	6,544
Property agency services	(8)	779	797
Information technology services	(64)	2,472	2,482
Property management services	(125)	225	1,265
Retail services	(174)	15,830	21,985
Others	(15)	534	545
	<u>4,375</u>	<u>21,082</u>	<u>33,618</u>

Earnings per share increased by RMB0.0032 per share for the six months to 30 June 2019 as a result of the adoption of HKFRS 16 as a lessee.

(2) *Practical expedients applied*

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

- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of 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) The Group's leasing activities and how these are accounted for

The Group leases various properties. Rental contracts are typically made for fixed periods of 1 to 10 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the year ended 31 December 2018, leases of properties were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from leases are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

5 SEGMENT INFORMATION

Information reported to the executive directors of the Company, who are the chief operating decision makers of the Group, was specifically focused on the segments of retail services, catering services, property management services, off-campus training services, renovation and fitting-out services, information technology 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 “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, deferred income tax liabilities and dividend payables 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 period ended 30 June 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	50,982	33,152	28,010	22,287	21,980	11,219	11,055	178,785
Inter-segment revenue	(9)	-	(428)	-	-	-	-	(537)
Revenue	50,973	33,152	27,582	22,287	21,980	11,219	11,055	178,248
Timing of revenue recognition								
At a point in time	43,424	-	-	-	-	-	-	43,424
Over time	7,549	33,152	27,582	22,287	21,980	11,219	11,055	134,824
	50,973	33,152	27,582	22,287	21,980	11,219	11,055	178,248
Segment results	8,548	7,312	18,275	8,486	4,443	4,342	2,696	54,102
Other income								647
Other gains – net								7,326
Finance costs – net								(216)
Unallocated expenses								(4,697)
Income tax expenses								(14,438)
Profit from continuing operations for the period								42,724
Segment results include:								
Depreciation and amortisation	3,351	834	391	1,399	146	-	526	6,647

The segment revenue and results and the reconciliation with profit from continuing operations for the period ended 30 June 2018 are as follows (Restated):

	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> (Restated)
Gross segment revenue	54,006	46,985	26,693	18,366	4,127	16,358	7,651	174,186
Inter-segment revenue	(89)	(17)	(368)	–	–	–	(16)	(490)
Revenue	<u>53,917</u>	<u>46,968</u>	<u>26,325</u>	<u>18,366</u>	<u>4,127</u>	<u>16,358</u>	<u>7,635</u>	<u>173,696</u>
Timing of revenue recognition								
At a point in time	40,195	–	–	–	–	–	–	40,195
Over time	13,722	46,968	26,325	18,366	4,127	16,358	7,635	133,501
	<u>53,917</u>	<u>46,968</u>	<u>26,325</u>	<u>18,366</u>	<u>4,127</u>	<u>16,358</u>	<u>7,635</u>	<u>173,696</u>
Segment results	<u>9,210</u>	<u>11,683</u>	<u>16,835</u>	<u>6,585</u>	<u>2,171</u>	<u>6,382</u>	<u>1,934</u>	<u>54,800</u>
Other income								509
Other gains – net								1,009
Finance income – net								406
Unallocated expenses								(3,800)
Income tax expenses								(13,904)
Profit from continuing operations for the period								<u>39,020</u>
Segment results include:								
Depreciation and amortisation	<u>1,012</u>	<u>266</u>	<u>48</u>	<u>250</u>	<u>2</u>	<u>–</u>	<u>343</u>	<u>1,921</u>

The segment assets and liabilities and the reconciliation with total assets and liabilities of the Group as at 30 June 2019 and 31 December 2018 are as follows:

Segment assets

	As at	
	30 June 2019 <i>RMB'000</i>	31 December 2018 <i>RMB'000</i>
Retail services	39,110	21,013
Information technology services	61,672	33,818
Property management services	11,359	5,862
Off-campus training services	19,641	8,345
Property agency services	3,469	1,385
Renovation and fitting-out services	5,498	9,295
Others	14,187	12,653
Total segment assets	154,936	92,371
Assets classified as held for sale	–	10,807
Deferred income tax assets	2,162	1,743
Financial assets at fair value through profit or loss	11,214	40,448
Term deposits	66,552	86,857
Restricted cash	615	613
Cash and cash equivalents	302,521	209,362
Total assets	538,000	442,201

Segment liabilities

	As at	
	30 June 2019 <i>RMB'000</i>	31 December 2018 <i>RMB'000</i>
Retail services	61,404	34,096
Information technology services	41,314	22,099
Property management services	7,607	11,727
Off-campus training services	32,513	20,846
Property agency services	7,185	3,495
Renovation and fitting-out services	10,384	12,910
Others	7,219	5,083
Total segment liabilities	167,626	110,256
Liabilities directly associated with assets classified as held for sale	–	6,794
Deferred income tax liabilities	4,864	3,000
Dividend payables	19,569	–
Total liabilities	192,059	120,050

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

As at 30 June 2019, the balance of certain proceeds from the initial public offering of HK\$3.9 million, equivalent to RMB3.4 million (31 December 2018: of HK\$13.9 million, equivalent to RMB12.2 million) were temporarily deposited in the Group's bank accounts in Hong Kong and will be remitted to the Group's PRC Mainland companies for intended use. Except for this, more than 90% of the Group's assets are situated in the PRC mainland. During six months ended 30 June 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.

Clifford Estates (Panyu) Limited* (廣州市番禺祈福新邨房地產有限公司), a company under significant influence of the spouse of Ms. Man Lai Hung ("Ms. Man"), contributes more than 6% of the Group's revenue for the six months ended 30 June 2019 (the six months ended 30 June 2018: 10%).

6 INCOME TAX EXPENSES

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
		(Restated)
Current income tax:		
– PRC Mainland corporate income tax	13,128	12,981
– Hong Kong profits tax	43	39
– PRC Mainland withholding income tax	–	3,264
	<hr/>	<hr/>
Total current income tax	13,171	16,284
	<hr/>	<hr/>
Deferred income tax:		
– PRC Mainland corporate income tax	895	(116)
– PRC Mainland withholding income tax	550	(2,264)
	<hr/>	<hr/>
Total deferred income tax	1,445	(2,380)
	<hr/>	<hr/>
Income tax expenses	14,616	13,904
	<hr/>	<hr/>
Income tax expenses is attributable to:		
– Profit from continuing operations	14,438	13,904
– Profit from discontinued operation	178	–
	<hr/>	<hr/>
	14,616	13,904
	<hr/>	<hr/>

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Group entities as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
		(Restated)
Profit from continuing operations before income tax expense	57,162	52,924
Profit/(Loss) from discontinued operation before income tax expense	813	(968)
	<hr/>	<hr/>
Profit before tax	57,975	51,956
	<hr/>	<hr/>
Tax charge at effective rate applicable to profits in the respective group entities	14,015	12,596
Tax effects of:		
– Income not subject to tax	(44)	(58)
– Expenses not deductible for tax purposes	46	84
– Tax losses for which no deferred income tax asset was recognised	49	282
	<hr/>	<hr/>
	14,066	12,904
PRC Mainland withholding income tax	550	1,000
	<hr/>	<hr/>
Tax charge	14,616	13,904
	<hr/>	<hr/>

The weighted average applicable tax rate was 24% for the six months ended 30 June 2019 (six months ended 30 June 2018: 25%).

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 period, based on the existing legislation, interpretations and practices in respect thereof.

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

PRC Mainland withholding income tax

PRC Mainland withholding income tax of 10% shall be levied on the dividends declared by PRC Mainland entities to their foreign investors out of their profits earned after 1 January 2008. A lower 5% withholding tax rate was 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 six months ended 30 June 2019, a 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. 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.

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 period.

	Six months ended 30 June	
	2019	2018 (Restated)
Profit from continuing operations attributable to the ordinary equity holders of the Company (<i>RMB</i>)	42,724,000	39,020,000
Weighted average number of ordinary shares in issue	<u>1,015,200,000</u>	<u>1,002,698,619</u>
Basic earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company during the period (expressed in RMB per share)	<u>0.042</u>	<u>0.039</u>
	Six months ended 30 June	
	2019	2018 (Restated)
Profit/(Loss) attributable to the ordinary equity holders of the Company (<i>RMB</i>)		
– From continuing operations	42,724,000	39,020,000
– From discontinued operation	635,000	(968,000)
	43,359,000	38,052,000
Weighted average number of ordinary shares in issue	<u>1,015,200,000</u>	<u>1,002,698,619</u>
Basic earnings per share for profit attributable to the ordinary equity holders of the Company during the period (expressed in RMB per share)	<u>0.043</u>	<u>0.038</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.

Employees' Share Option Scheme was adopted on 8 November 2016 and became effective on the same day. Diluted earnings per share for the six months ended 30 June 2019 was calculated as below:

	Six months ended 30 June 2019	2018 (Restated)
Profit from continuing operations attributable to the ordinary equity holders of the Company (<i>RMB</i>)	<u>42,724,000</u>	<u>39,020,000</u>
Weighted average number of ordinary shares in issue	1,015,200,000	1,002,698,619
Adjustment for:		
– Employees' share options	<u>1,819,072</u>	<u>10,733,757</u>
Weighted average number of ordinary shares for diluted earnings per share	1,017,019,072	<u>1,013,432,376</u>
Diluted earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company during the period (expressed in RMB per share)	<u>0.042</u>	<u>0.039</u>
	Six months ended 30 June 2019	2018 (Restated)
Profit/(Loss) attributable to the ordinary equity holders of the Company (<i>RMB</i>)		
– From continuing operations	42,724,000	39,020,000
– From discontinued operation	635,000	(968,000)
	<u>43,359,000</u>	<u>38,052,000</u>
Weighted average number of ordinary shares in issue	1,015,200,000	1,002,698,619
Adjustment for:		
– Employees' share options	<u>1,819,072</u>	<u>10,733,757</u>
Weighted average number of ordinary shares for diluted earnings per share	1,017,019,072	<u>1,013,432,376</u>
Diluted earnings per share for profit attributable to the ordinary equity holders of the Company during the period (expressed in RMB per share)	<u>0.043</u>	<u>0.038</u>

8 TRADE AND OTHER RECEIVABLES

	As at	
	30 June 2019 RMB'000	31 December 2018 RMB'000
Trade receivables (<i>Note (a)</i>):		
– Related parties	29,302	21,265
– Third parties	<u>34,652</u>	<u>12,942</u>
Total trade receivables	63,954	34,207
Less: allowance for impairment of trade receivables	<u>(1,433)</u>	<u>(1,367)</u>
	<u>62,521</u>	<u>32,840</u>
Amounts placed in Residents' Accounts	<u>3,147</u>	<u>3,123</u>
Other receivables:		
– Related parties	4,896	4,116
– Third parties	<u>16,910</u>	<u>9,773</u>
Total other receivables	<u>21,806</u>	<u>13,889</u>
Less: allowance for impairment of other receivables	<u>(165)</u>	<u>(30)</u>
	<u>21,641</u>	<u>13,859</u>
Prepayments:		
– Third parties	<u>3,398</u>	<u>5,868</u>
Less:		
– trade receivables included in non-current assets	(3,865)	–
– other receivables included in non-current assets	<u>(7,790)</u>	<u>–</u>
	<u>(11,655)</u>	<u>–</u>
	<u>79,052</u>	<u>55,690</u>

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

During the six months ended 30 June 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 a cash basis.

As at 30 June 2019 and 31 December 2018, the ageing analysis of the trade receivables based on invoice date were as follows:

	As at	
	30 June 2019 RMB'000	31 December 2018 RMB'000
Up to 1 year	59,057	29,800
1 to 2 years	2,917	2,242
Over 2 years	1,980	2,165
	63,954	34,207

9 ASSETS CLASSIFIED AS HELD FOR SALE

(a) Description

In December 2018, the Group terminated operation of all its catering outlets under Guangzhou Clifford Farm Restaurant Catering Limited* (廣州市祈福農家菜館餐飲有限公司), Guangzhou Clifford Big Brother Congee & Noodles Limited* (廣州市祈福一哥雲吞麵有限公司), Guangzhou Clifford Herbal Cuisine Catering Limited* (廣州市祈福藥膳坊餐飲有限公司) and Guangzhou Mascot Catering Limited* (廣州市福品餐飲有限公司) (together, the “**Catering Companies**”). According to the agreement dated 1 January 2019, major assets and liabilities of the outlets of the Catering Companies were sold to a third party. As at 30 June 2019, 6 of 15 outlets of the Catering Companies were deregistered.

Financial information of the Catering Companies is presented as a discontinued operation in the consolidated financial statements for the year ended 31 December 2018 and in the condensed consolidated financial information for the six months ended 30 June 2019. Financial information of the Catering Companies is re-presented as a discontinued operation in the condensed consolidated financial information for the six months ended 30 June 2018. For further information about the discontinued operation, please refer to note 19 in the Group’s annual report for the year ended 31 December 2018.

(b) Financial performance and cash flow information

The financial performance and cash flow information presented reflects the operation for the six months ended 30 June 2019 and 2018.

	Six months ended 30 June	
	2019	2018
Revenue from contracts with customers	–	12,442
Cost of sales	–	(10,244)
	Gross profit	2,198
Selling and marketing expenses	–	(166)
Administrative expenses	(16)	(3,043)
Other income	–	11
Other gains – net	–	32
Gain on sale of assets classified as held for sale and liabilities directly associated with assets classified as held for sale	829	–
	Profit/(Loss) before income tax	(968)
Income tax expense	(178)	–
	Profit/(Loss) from discontinued operation	(968)

	Six months ended 30 June	
	2019	2018
Net cash outflow from operating activities	(16)	(1,444)
Net cash inflow/(outflow) from investing activities	4,780	(25)
Net cash inflow from financing activities	–	–
	<u>–</u>	<u>–</u>
Net increase in cash generated/(used) by the Discontinued Operation	<u>4,764</u>	<u>(1,469)</u>

(c) **Details of the sale of assets and liabilities of the Catering Companies**

	Six months ended 30 June	
	2019	2018
Consideration received	4,826	–
Carrying amount of net assets sold	(4,013)	–
Gain on sale before income tax	813	–
Income tax expense on gain	(178)	–
	<u>635</u>	<u>–</u>
Gain on sale after income tax	<u>635</u>	<u>–</u>

10 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares		Share capital <i>Translated to</i> RMB'000	Share premium RMB'000	Total RMB'000
	Shares	HK\$			
Authorised:					
At 30 June 2018 and 2019	10,000,000,000	100,000,000	87,440		
	<u>10,000,000,000</u>	<u>100,000,000</u>	<u>87,440</u>		
Issued and fully paid:					
Six months ended 30 June 2019					
As at 1 January 2019 and as at 30 June 2019	1,015,200,000	10,152,000	8,872	179,118	187,990
	<u>1,015,200,000</u>	<u>10,152,000</u>	<u>8,872</u>	<u>179,118</u>	<u>187,990</u>
Six months ended 30 June 2018					
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	6,750,000	67,500	56	2,832	2,888
Special dividends declared by the Company	–	–	–	(11,156)	(11,156)
As at 30 June 2018	1,008,700,000	10,087,000	8,817	176,350	185,167
	<u>1,008,700,000</u>	<u>10,087,000</u>	<u>8,817</u>	<u>176,350</u>	<u>185,167</u>

11 TRADE AND OTHER PAYABLES

	As at	
	30 June 2019 RMB'000	31 December 2018 RMB'000
Trade payables (Note (a)):		
– Related parties	7	–
– Third parties	45,187	37,036
	<u>45,194</u>	<u>37,036</u>
Other payables:		
– Related parties	8,138	5,187
– Third parties	22,326	18,617
	<u>30,464</u>	<u>23,804</u>
Accrued payroll	15,514	15,130
Dividend payables (Note 12)	19,569	–
Other taxes payables	5,497	4,439
	<u>116,238</u>	<u>80,409</u>

- (a) As at 30 June 2019 and 31 December 2018, the ageing analysis of the trade payables (including amounts due to related parties of trading in nature) based on invoice date were as follows:

	As at	
	30 June 2019 RMB'000	31 December 2018 RMB'000
Up to 1 year	40,211	34,524
1 to 2 years	3,935	765
Over 2 years	1,048	1,747
	<u>45,194</u>	<u>37,036</u>

12 DIVIDEND

Pursuant to the approval at the annual general meeting of shareholders of the Company on 28 June 2019, a dividend of HK\$2.20 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 recognised as a liability in the interim condensed consolidated statement of financial position.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a service provider with a diversified service portfolio comprising six main service segments: (i) the property management services, (ii) the renovation and fitting-out services, (iii) the retail services, (iv) the off-campus training services, (v) the information technology services and (vi) the Ancillary Living Services (as hereinafter defined).

1 Property Management Services

The Group provided property management services to 15 residential communities and seven pure commercial properties or projects with an aggregate contracted gross floor area (“GFA”) of approximately 9,620,000 sq.m. as at 30 June 2019. The table below sets forth the total contracted GFA and the number of residential communities and pure commercial properties or projects the Group managed in different regions in the PRC mainland as at the dates indicated:

	As at 30 June 2019		As at 31 December 2018	
	Approximate total contracted GFA (’000 sq.m.)	Number of communities	Approximate total contracted GFA (’000 sq.m.)	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
Sub-total	6,648	15	6,648	15
<i>Pure commercial properties/ projects</i>				
Huadu district	259	3	259	3
Maoming city	129	1	129	1
Panyu district	2,584	3	2,584	3
Sub-total	2,972	7	2,972	7
Total	9,620	22	9,620	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. To utilize our workforce more efficiently, we delegate 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 of different scales covering a total GFA of approximately 12,000 sq.m. as at 30 June 2019. These 15 retail outlets consist of a wet market, several supermarkets and convenience stores.

The following table sets out the Group's average daily revenue by type of the retail outlets in operation during the six months ended 30 June 2018 and 2019 respectively:

	For the six months ended 30 June	
	2019	2018
<i>Average daily revenue by type of retail outlet (in RMB thousands) (Note)</i>		
Supermarket	168.74	188.37
Wet market	32.37	29.86
Convenience store	82.07	80.77

Note: Calculated by dividing revenue for six months by 180 days.

4 Off-campus Training Services

The Group had three learning centres in Panyu district as at 30 June 2019 (31 December 2018: two learning centres). A new learning centre was set up in March 2019 with the view to increase student enrollment 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 entered into contracts with some major telecommunication service providers under which the Group acts as agent and promotes their products and services. The Group receives commission as revenue for every successful sales.

6 Ancillary Living Services

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

For the catering services, after cessation of the operation of all its catering outlets and franchising businesses in December 2018, the Group continues to provides the catering consultancy service and receives a fixed consultancy service fee on monthly basis.

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

PROSPECTS AND FUTURE PLANS

Further expansion of the property management network through engagements in integrated projects

The Group plans to further expand property management and related integrated services business. Under the integrated projects the Group invests in, the Group will provide the property management, property agency and marketing consultancy services for the apartments, shopping malls and office buildings developed by third parties in Guangdong Province.

Further expansion of the off-campus training services

For the off-campus training services, the Group plans to increase the variety of classes provided by the Group in order to further expand its business.

Further development of the online marketing and setting up of online distribution channels

The Group intends to promote various services through different online channels including websites and apps on smartphones to reach its customers. Currently, the Group is upgrading its sales and accounting systems which aim at enhancing its data collection process and enabling it to respond more efficiently to its customers' needs.

FINANCIAL REVIEW

Revenue

Revenue increased from RMB173.7 million for the six months ended 30 June 2018 to RMB178.2 million for the six months ended 30 June 2019, representing an increase of RMB4.5 million or 2.6%. Growth in revenue was mainly caused by increase in revenue from property agency services, off-campus training services, employment placement services, property management services and catering services, and was offset by the decline in revenue from the Group's information technology services, renovation and fitting-out services and retail services.

Property management services

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
General property management services	20,997	18,651
Resident support services	6,585	7,674
Total	27,582	26,325

Revenue from the property management services was increased by 4.8% to RMB27.6 million for the six months ended 30 June 2019 from RMB26.3 million for the six months ended 30 June 2018. The increase in revenue of the general property management services from RMB18.7 million for the six months ended 30 June 2018 to RMB21.0 million for the six months ended 30 June 2019 was primarily due to the increase in total GFA under the Group's management. The decrease in revenue of the resident support services from RMB7.7 million for the six months ended 30 June 2018 to RMB6.6 million for the six months ended 30 June 2019 was due to the decrease in demand for our household helper services.

Renovation and Fitting-out Services

	For the six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Total revenue	11,219	16,358

Revenue from the renovation and fitting-out services was decreased by 31.4%, from RMB16.4 million for the six months ended 30 June 2018 to RMB11.2 million for the six months ended 30 June 2019. Such decrease was mainly due to the decrease in the number of services contracts entered into by the Group.

Retail Services

	For the six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue by type of retail outlet		
Supermarkets	30,374	33,907
Wet market	5,827	5,374
Convenience stores	14,772	14,539
Imported goods specialty store	–	97
Total	<u>50,973</u>	<u>53,917</u>

Revenue from the retail services was decreased by 5.5% to RMB51.0 million for the six months ended 30 June 2019 from RMB53.9 million for the six months ended 30 June 2018. The decline was primarily caused by the decrease in revenue from supermarkets and was offset by the increase in revenue from wet market and convenience stores. The decrease in revenue from supermarkets from RMB33.9 million for the six months ended 30 June 2018 to RMB30.4 million for the six months ended 30 June 2019 was primarily due to the decrease in the procurement services provided by the Group. The increase in revenue from wet market from RMB5.4 million for the six months ended 30 June 2018 to RMB5.8 million for the six months ended 30 June 2019 was primarily due to the increase in the Group's rental rate charged to its stall tenants. The increase in revenue from convenience stores from RMB14.5 million for the six months ended 30 June 2018 to RMB14.8 million for the six months ended 30 June 2019 was primarily due to the increase in the retail price of goods for convenience stores during the six months ended 30 June 2019 as compared to the six months ended 30 June 2018.

Off-campus Training Services

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Off-campus training revenue by category		
Training programmes	3,946	3,723
Interest classes	18,341	14,643
Total	22,287	18,366

Revenue from the off-campus training services was increased by 21.3% to RMB22.3 million for the six months ended 30 June 2019 from RMB18.4 million for the six months ended 30 June 2018. Such increase was primarily due to the increase in variety of classes provided by the Group.

Information Technology Services

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Information technology services revenue by category		
Engineering	31,486	45,861
Telecommunication	1,666	1,107
Total	33,152	46,968

Revenue from the information technology services was decreased by 29.4% from RMB47.0 million for the six months ended 30 June 2018 to RMB33.2 million for the six months ended 30 June 2019. Such decline was mainly due to the decrease in number of projects which led to the decrease in revenue from the engineering services from RMB45.9 million for the six months ended 30 June 2018 to RMB31.5 million for the six months ended 30 June 2019. Engineering services comprises information technology hardware integration and network installation.

Ancillary Living Services

	For the six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Ancillary Living Services revenue by category		
Catering services	1,771	1,514
Property agency services	21,980	4,127
Employment placement services	3,577	1,171
Laundry services	5,707	4,950
Total	33,035	11,762

Revenue from the Ancillary Living Services was increased by RMB21.2 million to RMB33.0 million for the six months ended 30 June 2019 from RMB11.8 million for the six months ended 30 June 2018. Such increase was primarily due to the increase in revenue of property agency services and employment placement services. The increase in revenue of the property agency services from RMB4.1 million for the six months ended 30 June 2018 to RMB22.0 million for the six months ended 30 June 2019 was mainly brought by the increase in commission from sales of properties. The increase in revenue of the employment placement services from RMB1.2 million for the six months ended 30 June 2018 to RMB3.6 million for the six months ended 30 June 2019 was mainly due to the increase in both quantity and unit price of labour dispatch services. For the catering services, the Group ceased the operation of all its catering outlets and franchising businesses in December 2018. The related operation was presented in the current and prior period as a discontinued operation as explained in Note 9 to the condensed consolidated interim financial information of this announcement.

Cost of Sales

Cost of sales comprises mainly the construction cost for the Group's information technology services segment, the cost of goods sold for the Group's retail services segment and the employee benefit expenses for each of business segments as shown below:

	For the six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Property management services	8,772	7,063
Renovation and fitting-out services	6,870	9,909
Retail services	28,051	28,714
Off-campus training services	9,867	7,550
Information technology services	22,688	32,319
Ancillary Living Services	24,319	5,256
Laundry services	4,576	3,457
Catering services	6	6
Property agency services	17,232	1,574
Employment placement services	2,505	219
Total	<u>100,567</u>	<u>90,811</u>

Cost of sales increased from RMB90.8 million for the six months ended 30 June 2018 to RMB100.6 million for the six months ended 30 June 2019, representing an increase of RMB9.8 million or 10.7%. The increase in the cost of sales was mainly caused by the increase in revenue from the property agency services, off-campus training services, employment placement services, property management services and laundry services by RMB15.7 million, RMB2.3 million, RMB2.3 million, RMB1.7 million and RMB1.1 million respectively. Such increase was partially offset by the decline in cost of sales in the information technology services, renovation and fitting-out services, and retail services by RMB9.6 million, RMB3.0 million and RMB0.7 million respectively.

Gross Profit and Gross Profit Margin

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

	For the six months ended 30 June			
	2019		2018	
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %
Property management services	18,810	68%	19,262	73%
Renovation and fitting-out services	4,349	39%	6,449	39%
Retail services	22,922	45%	25,203	47%
Off-campus training services	12,420	56%	10,816	59%
Information technology services	10,464	32%	14,649	31%
Ancillary Living Services	8,716	26%	6,506	36%
Laundry services	1,131	20%	1,493	30%
Catering services	1,765	100%	1,508	100%
Property agency services	4,748	22%	2,553	62%
Employment placement services	1,072	30%	952	81%
Overall	77,681	44%	82,885	48%

Gross profit decreased from RMB82.9 million for the six months ended 30 June 2018 to RMB77.7 million for the six months ended 30 June 2019, representing a decrease of RMB5.2 million or 6.3%. Meanwhile, the Group's gross profit margin decreased from 48% for the six months ended 30 June 2018 to 44% for the six months ended 30 June 2019. The decrease in gross profit was mainly caused by the Group's property management services, renovation and fitting-out services, retail services, information technology services, and laundry services segments, which was partially off-set by the increase in gross profit in off-campus training services, property agency services, employment placement services and catering services segments. The decrease in gross profit margin was mainly due to the decrease in gross profit margin in property management services, laundry services, property agency services and employment placement services segments.

For the property management services, the gross profit and gross profit margin were decreased by RMB0.5 million and 5%, from RMB19.3 million and 73% for the six months ended 30 June 2018 to RMB18.8 million and 68% for the six months ended 30 June 2019 respectively. This was due to the decrease in demand for the Group's household services and the Group entered into household services projects with lower gross profit margin for the six months ended 30 June 2019.

For the off-campus training services, the gross profit was increased by RMB1.6 million from RMB10.8 million for the six months ended 30 June 2018 to RMB12.4 million for the six months ended 30 June 2019. However, the gross profit margin was decreased by 3% from 59% for the six months ended 30 June 2018 to 56% for the six months ended 30 June 2019. This was mainly due to the increase in costs for opening a new learning centre in March 2019.

For Ancillary Living Services, the laundry services' gross profit and gross profit margin were decreased by RMB0.4 million and 10%, from RMB1.5 million and 30% for the six months ended 30 June 2018 to RMB1.1 million and 20% for the six months ended 30 June 2019 respectively. This was due to the increase in the related laundry costs.

For the property agency services, the gross profit was increased by RMB2.1 million from RMB2.6 million for the six months ended 30 June 2018 to RMB4.7 million for the six months ended 30 June 2019. However, the gross profit margin was decreased by 40% from 62% for the six months ended 30 June 2018 to 22% for the six months ended 30 June 2019. This was mainly due to the increase in the commission from the first-hand property trading which generated lower gross profit margin than the second-hand property trading and property leasing.

For the employment placement services, the gross profit was increased by RMB0.1 million from RMB1.0 million for the six months ended 30 June 2018 to RMB1.1 million for the six months ended 30 June 2019. However, the gross profit margin was decreased by 51% from 81% for the six months ended 30 June 2018 to 30% for the six months ended 30 June 2019. This was mainly due to the increase in the labour costs for the labour dispatch services.

For the catering services, the gross profit was increased by RMB0.3 million from RMB1.5 million for the six months ended 30 June 2018 to RMB1.8 million for the six months ended 30 June 2019.

Selling and Marketing Expenses

Selling and marketing expenses primarily consist of the employee benefit expenses for sales and marketing staff, operating lease payments, depreciation and amortisation charges and utility expenses.

Selling and marketing expenses decreased from RMB13.8 million for the six months ended 30 June 2018 to RMB12.8 million for the six months ended 30 June 2019, representing a decrease of 7.2%, which was primarily due to the decrease in the employee benefit expenses, operating lease payments and other expenses, which was partially offset by the increase in depreciation and amortisation charges. A substantial portion of the selling and marketing expenses was related to the retail services segment.

Administrative Expenses

Administrative expenses primarily consist of the employee benefit expenses, operating lease payments, depreciation and amortisation charges, professional fees and office expenses for the administrative departments.

Administrative expenses decreased from RMB18.1 million for the six months ended 30 June 2018 to RMB15.3 million for the six months ended 30 June 2019, representing a decrease of 15.5%. This was primarily due to the decrease in the employee benefit expenses caused by the decrease in the headcount.

Other Income

Other income remained stable and amounted to RMB0.5 million for the six months ended 30 June 2018 and RMB0.6 million for the six months ended 30 June 2019, mainly representing interest income on cash and cash equivalents.

Other Gains – Net

The Group incurred other gain of RMB1.0 million for the six months ended 30 June 2018 and RMB7.3 million for the six months ended 30 June 2019. The change was primarily caused by finance leases of right-of-use assets and the fluctuation in exchange rate of Renminbi against Hong Kong dollars.

Finance Income

Finance income increased from RMB0.4 million for the six months ended 30 June 2018 to RMB0.7 million for the six months ended 30 June 2019. Finance income was derived from the term deposits and subscription of wealth management products from banks.

Finance Costs

Finance costs amounted to RM0.9 million for the six months ended 30 June 2019 represents the interest expense on lease liabilities.

Income Tax Expenses

The weighted average applicable tax rate was 25% and 24% for the six months ended 30 June 2018 and 2019 respectively.

Net Profit for the Period

For the six months ended 30 June 2019, as a result of the foregoing, the Group's net profit from continuing operations was RMB42.7 million and its net profit margin was 24%.

Property, Plant and Equipment

Property, plant and equipment mainly consist of the machinery, vehicles, office equipment and leasehold improvements. As at 31 December 2018 and 30 June 2019, the net book values of the property, plant and equipment of the Group were RMB14.9 million and RMB15.1 million respectively.

Investment Properties

Investment properties amounted to RMB9.4 million as at 30 June 2019 represent 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. More details are set out in note 3(c) to the condensed consolidated interim financial information of this announcement.

Financial assets at fair value through profit or loss

As at 30 June 2019, financial assets at fair value through profit or loss represented unlisted financial products purchased from commercial banks with high market credit rating, liquidity and stable return as below:

No.	Bank	Product name	Product type	Principle business of the underlying assets	Investment cost RMB'000	Change in fair value (Recognised as gains in P/L) RMB'000	Gain/loss on disposal RMB'000	Dividend received RMB'000	Fair value as at 30/06/2019 RMB'000	Size relative to the Group's total assets
1	Agricultural Bank of China	Benlifeng Bubugao Open-ended RMB Wealth Management Products* (“本利豐步步高”開放式人民幣理財產品)	Unlisted financial products purchased from commercial banks	Underlying assets include national bonds, corporate bonds, central bank bills, repurchase, higher credit rating debt (including but not limited to, corporate bonds, short-term financing bonds), exchange bonds, privately raised company bonds, money market funds, bond funds, other low-risk funds or assets, targeted asset management plans, trust plans and other investment products that meet regulatory requirements.	5,000	72	-	-	5,099	0.95%
2	Bank of China	Bank of China Capital-protected RMB Open-ended Wealth Management Products* (中銀保本理財—人民幣按期開放理財產品)	Unlisted financial products purchased from commercial banks	Underlying assets include national bonds, corporate bonds, NCD, bank deposits, bond repurchase, high-quality corporate bonds (including short-term corporate bonds of securities companies), short-term financing bonds, ultra-short-term financing bonds, medium-term notes, privately raised company bonds, and other low-risk and high-liquidity financial assets within the scope permitted by laws and regulations.	6,000	101	-	-	6,115	1.14%

Inventories

Inventories mainly consist of the merchandise goods for the retail service segment and raw materials for the Group's information technology services segment the Group procured from suppliers.

Inventories decreased from RMB8.7 million as at 31 December 2018 to RMB8.2 million as at 30 June 2019, was primarily due to adjustment of stock level according to the trading volume.

During the six months ended 30 June 2019, the Group did not recognise any provision or write-down for our inventories.

Trade and Other Receivables

Trade and other receivables mainly consist of the trade receivables, the 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 the Group's receivables from the outstanding property management fee, information technology services and renovation and fitting-out services.

Trade receivables were increased by 90.4% from RMB32.8 million as at 31 December 2018 to RMB62.5 million as at 30 June 2019 as a result of the increased number of business contracts entered into by the Group with independent third parties in relation to the provision of information technology services.

Other receivables

Other receivables are mainly rental deposits, deposits paid to the Group's suppliers and fixed return and capital preservation wealth management product.

Other receivables were increased by 56.2% from RMB13.9 million as at 31 December 2018 to RMB21.6 million as at 30 June 2019 due to finance leases of right-of-use assets.

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 bank accounts on behalf of the residents (“**Residents’ Accounts**”). These Residents’ Accounts are used to collect the property management fee and resident support services fee from the residents. The property management companies have undertaken the treasury function for these bank accounts on behalf of the residents pursuant to the property management contracts. As at 30 June 2019, amounts included in Residents’ Accounts of RMB3.1 million represented the balances of the property management commission fee and resident support service fee entitled by the property management companies (31 December 2018: RMB3.1 million).

Trade and Other Payables

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

Trade payables

Trade payables primarily comprise fees due to the suppliers for the procurement of the raw materials for the Group's renovation and fitting-out services segment and the information technology services segment, and the products for the provision of the retail services segment of the Group, and the fees due to the sub-contractors for the provision of the resident support services and information technology services.

Trade payables were increased by 22.0% from RMB37.0 million as at 31 December 2018 to RMB45.2 million as at 30 June 2019 as a result of increase in the procurement of the raw materials for the information technology services segment.

Other payables

Other payables primarily comprise amounts due to the third parties amounting to RMB18.6 million and RMB22.3 million as at 31 December 2018 and 30 June 2019 respectively, which mainly included the deposits received from the stall tenants in the retail business. The increase was mainly due to the increase in the rental rate and the related deposit.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2019 (for the six months ended 30 June 2018: Nil).

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2019, the Group's material sources of liquidity were cash and cash equivalents of RMB302.5 million.

During the six months ended 30 June 2019, the Group has not obtained any loans or borrowings.

PLEDGE OF ASSETS

The Group had no pledged assets as at 30 June 2019 (31 December 2018: Nil).

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2019.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2019, excluding the labour costs borne by the properties that were managed on commission basis, the Group had approximately 627 employees (31 December 2018: approximately 638 employees). Remuneration is determined with reference to the performance, skills, qualifications and experiences of the staff concerned and the prevailing industry practice.

The Company operates a pre-initial public offering share option scheme (the “**Pre-IPO Share Option Scheme**”) and a share option scheme (the “**Share Option Scheme**”) (collectively, the “**Schemes**”) for the purpose of recognising and rewarding the contribution of certain eligible participants to the growth and development of the Group and its listing, to strengthen the corporate governance mechanism, to improve the employee incentive system, to align the interest of the Company, its shareholders and its management, and to encourage continuing development of the eligible employees with a view to promoting the long-term stability and interest of the Group.

Eligible participants of the Schemes include the Directors, employees of the Group and other selected groups of participants. The Pre-IPO Share Option Scheme and the Share Option Scheme were adopted by the Company on 21 October 2016 and became effective on the same day. Unless otherwise cancelled or amended, the Pre-IPO Share Option Scheme will remain in force for 5 years and six months from the listing date on 8 November 2016, and the Share Option Scheme will remain in force for 10 years from the adoption date.

Pursuant to the Pre-IPO Share Option Scheme, the Company has granted 21,175,000 options to eligible Directors, senior management and employees of the Group to subscribe for ordinary shares in the Company subject to the terms stipulated under the Pre-IPO Share Option Scheme. The exercise price is 90% of the final offer price of the shares issued in connection with the listing (HK\$0.414). 6,750,000 options were exercised, and no options were lapsed or cancelled during the six months ended 30 June 2018. Further 6,500,000 options were exercised in July 2018 and as at the date of this announcement, the Company had 5,975,000 share options under the Pre-IPO Share Option Scheme, representing approximately 0.59% of the issued share capital of the Company as at that date.

As at the date of this announcement, no options have been granted or agreed to be granted pursuant to the Share Option Scheme.

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

Save as disclosed in paragraph headed “Financial assets at fair value through profit or loss” in this announcement, the Group had no significant investment held, material acquisition or disposal of subsidiaries or associated companies during the six months ended 30 June 2019.

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 the underwriting fee and the commissions and other relevant expenses, equivalent to approximately RMB46.4 million). The proceeds are intended to be applied in the manner consistent with that set out in the section headed “Future Plans and Use of Proceeds” of the prospectus of the Company dated 27 October 2016. Up to 30 June 2019, approximately RMB43.0 million of the net proceeds had been utilised accordingly. The remaining net proceeds were deposited with certain licensed financial institutions in Hong Kong.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The Group does not have any material subsequent event after 30 June 2019 and up to the date of this announcement.

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 six months ended 30 June 2019.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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 Board is of the view that throughout the six months ended 30 June 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 the best interests of the Group for her to take up the dual roles of the chairman and chief executive officer. The Board believes that the combined roles of Ms. MAN Lai Hung can provide the Company with strong and consistent leadership that facilitates effective and efficient planning and implementation of business decisions and strategies, and should be overall beneficial to the management and development of the Group’s business. The structure is supported by the Company’s well established corporate governance structure and internal control policies.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiry has been made by the Company with all Directors and the Directors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2019.

AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive Directors, namely Ms. LAW Elizabeth (Chairman), Mr. HO Cham and Mr. MAK Ping Leung (alias Mr. MAK Wah Cheung) 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 unaudited interim financial information for the six months ended 30 June 2019 has been reviewed with no disagreement by the Audit Committee of the Company. In addition, the independent auditor of the Company, PricewaterhouseCoopers, has reviewed the unaudited interim results for the six months ended 30 June 2019 in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cliffordmodernliving.com). The 2019 interim report of the Company for the six months ended 30 June 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, 23 August 2019

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