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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 2016

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		Percentage change
	2016 RMB'000	2015 RMB'000	
Revenue	289,681	261,112	+10.9%
Gross profit	120,048	100,458	+19.5%
Operating profit	41,300	56,344	-26.7%
Profit before income tax	41,673	56,786	-26.6%
Profit for the year	23,054	40,094	-42.5%
Profit attributable to:			
Owners of the Company	20,247	34,847	-41.9%
Non-controlling interests	2,807	5,247	-46.5%
Adjusted net profit for the year ^{(1)&(2)}	45,978	45,830	+0.3%
Gross profit margin (%)	41%	38%	+7.9%
Net profit margin (%)	8%	15%	-46.7%
Adjusted net profit margin (%) ^{(1)&(2)}	16%	18%	-11.1%
Earnings per share (“EPS”) attributable to the owners of the Company during the year (expressed in RMB per share):			
– Basic earnings per share	0.026	0.046	-43.5%
– Diluted earnings per share	0.026	0.046	-43.5%

Notes:

- (1) Adjusted net profit for the year is derived by adding back listing expenses of RMB22.9 million (2015: RMB5.7 million) for the year.
- (2) This non-GAAP financial data is a supplemental financial measure that is not required by, or presented in accordance with, HKFRSs and is therefore referred to as a “non-GAAP” financial measure. It is not a measurement of the Group’s financial performance under HKFRSs and should not be considered as an alternative to profit from operations or any other performance measures derived in accordance with HKFRSs.

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 2016 together with the comparative figures for the year ended 31 December 2015:

Consolidated Income Statement

	Note	Year ended 31 December	
		2016 RMB'000	2015 RMB'000
Revenue	3	289,681	261,112
Cost of sales		<u>(169,633)</u>	<u>(160,654)</u>
Gross profit		120,048	100,458
Selling and marketing expenses		(21,540)	(18,263)
Administrative expenses		(58,528)	(26,275)
Other income	4	512	1,018
Other gains/(losses) – net		808	(594)
Operating profit		41,300	56,344
Finance income	4	380	444
Finance cost	4	(14)	–
Share of profit/(loss) from investment in an associate		7	(2)
Profit before income tax		41,673	56,786
Income tax expenses	5	(18,619)	(16,692)
Profit for the year		23,054	40,094
Profit attributable to:			
– Owners of the Company		20,247	34,847
– Non-controlling interests		2,807	5,247
		23,054	40,094
Earnings per share attributable to the owners of the Company during the year (expressed in RMB per share):			
– Basic earnings per share	6	0.026	0.046
– Diluted earnings per share	6	0.026	0.046

Consolidated Statement of Comprehensive Income

	Year ended 31 December	
	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Profit for the year	23,054	40,094
Other comprehensive income	<u>—</u>	<u>—</u>
Total comprehensive income for the year	<u>23,054</u>	<u>40,094</u>
Total comprehensive income attributable to:		
– Owners of the Company	20,247	34,847
– Non-controlling interests	<u>2,807</u>	<u>5,247</u>
	<u>23,054</u>	<u>40,094</u>

Consolidated Balance Sheet

		As at 31 December	
	Note	2016	2015
		RMB'000	RMB'000
Assets			
Non-current assets			
Property, plant and equipment		19,477	10,259
Intangible assets		444	373
Investment in an associate		–	63
		<u>19,921</u>	<u>10,695</u>
Current assets			
Inventories		11,542	8,265
Trade and other receivables	7	41,564	47,200
Term deposits		27,544	7,960
Restricted cash		608	478
Cash and cash equivalents		181,853	93,334
		<u>263,111</u>	<u>157,237</u>
Total assets		<u>283,032</u>	<u>167,932</u>
Equity			
Equity attributable to owners of the Company			
Share capital	9	8,744	–
Share premium	9	183,824	–
Reserves		(98,535)	4,007
Retained earnings		109,288	91,395
		<u>203,321</u>	<u>95,402</u>
Non-controlling interests		<u>6,381</u>	<u>3,574</u>
Total equity		<u>209,702</u>	<u>98,976</u>
Liabilities			
Non-current liabilities			
Deferred income tax liabilities		1,200	857
Current liabilities			
Trade and other payables	8	64,712	60,148
Current income tax liabilities		7,418	7,951
		<u>72,130</u>	<u>68,099</u>
Total liabilities		<u>73,330</u>	<u>68,956</u>
Total equity and liabilities		<u>283,032</u>	<u>167,932</u>

NOTES

1 GENERAL INFORMATION

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

The Company 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, etc. in the People’s Republic of China (the “PRC”).

The Company’s shares were listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 8 November 2016 (the “Listing Date”).

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

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2016:

HKFRS 11 (Amendments)	Accounting for acquisitions of interests in joint operations
HKAS 16 and HKAS 38 (Amendments)	Clarification of acceptable methods of depreciation and amortisation
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment entities: applying the consolidation exception
HKAS 27 (Amendment)	Equity method in separate financial statements
Annual improvements 2014	Annual improvements 2012–2014 cycle
HKAS 1 (Amendment)	Disclosure initiative
HKFRS 14	Regulatory deferral accounts

The adoption of these amendments did not have any significant impact on the current period or any prior period.

(b) New standards and amendments not yet effective for the financial year beginning on 1 January 2016 and not early adopted by the Group

		Effective for annual years beginning on or after
HKAS 7 (Amendment)	Statement of cash flows	1 January 2017
HKAS 12 (Amendment)	Income taxes	1 January 2017
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
HKFRS 16	Leases	1 January 2019
HKFRS 2 (Amendment)	Classification and measurement of share-based payment transactions	1 January 2018

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

The Group is a lessee of certain offices and buildings, which are currently accounted for as operating leases under HKAS 17 based on the accounting policy. As of 31 December 2016, the Group's minimum lease payments under non-cancellable operating lease agreements are of RMB61,575,000. Under HKFRS 16, lessees are required to recognise a lease liability reflecting future lease payments and a right-of-use asset for all lease contracts in the balance sheet. Lessees will also have to present interest expense on the lease liability and depreciation on the right-of-use asset in the income statement. In comparison with operating leases under HKAS 17, this will change not only the allocation of expenses but also the total amount of expenses recognised for each period of the lease term. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term. The new standard has included an optional exemption for certain short-term leases and leases of low-value assets. This exemption can only be applied by lessees. The Group is expected to apply the new standard starting from the financial year beginning on or after 1 January 2019.

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

3 SEGMENT INFORMATION

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

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

Segment revenue and results

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

	Retail services <i>RMB'000</i>	Catering 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>	Laundry services <i>RMB'000</i>	Employment placement services <i>RMB'000</i>	Total <i>RMB'000</i>
Gross segment revenue	100,971	86,305	52,045	27,056	13,267	9,951	1,500	291,095
Inter-segment revenue	(304)	(666)	(74)	-	-	(370)	-	(1,414)
Revenue	100,667	85,639	51,971	27,056	13,267	9,581	1,500	289,681
Segment results	16,598	3,081	30,225	11,756	5,260	356	864	68,140
Other income								512
Other gains – net								808
Finance income								380
Finance costs								(14)
Unallocated expenses								(28,153)
Income tax expenses								(18,619)
Profit for the year								23,054
Segment results include:								
Share of profit from investment in an associate	-	7	-	-	-	-	-	7
Depreciation and amortisation	1,843	2,157	83	214	11	521	4	4,833

The segment revenue and results and the reconciliation with profit for the year ended 31 December 2015 are as follows:

	Retail services RMB'000	Catering services RMB'000	Property management services RMB'000	Off-campus training services RMB'000	Property agency services RMB'000	Laundry services RMB'000	Employment placement services RMB'000	Total RMB'000
Gross segment revenue	98,881	76,280	50,672	20,651	4,496	9,316	1,467	261,763
Inter-segment revenue	(213)	(5)	–	–	–	(433)	–	(651)
Revenue	<u>98,668</u>	<u>76,275</u>	<u>50,672</u>	<u>20,651</u>	<u>4,496</u>	<u>8,883</u>	<u>1,467</u>	<u>261,112</u>
Segment results	<u>16,598</u>	<u>7,828</u>	<u>25,795</u>	<u>8,656</u>	<u>1,402</u>	<u>670</u>	<u>705</u>	<u>61,654</u>
Other income								1,018
Other losses – net								(594)
Finance income								444
Unallocated expenses								(5,736)
Income tax expenses								(16,692)
Profit for the year								<u>40,094</u>
Segment results include:								
Share of loss from investment in an associate	<u>–</u>	<u>(2)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(2)</u>
Depreciation and amortisation	<u>815</u>	<u>833</u>	<u>92</u>	<u>131</u>	<u>26</u>	<u>523</u>	<u>4</u>	<u>2,424</u>

The segment assets and the reconciliation with total assets of the Group as at 31 December 2016 and 2015 are as follows:

Segment assets

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Retail services	27,127	18,101
Catering services	13,068	6,331
Property management services	24,543	35,626
Off-campus training services	1,008	518
Property agency services	111	83
Laundry services	5,381	5,295
Employment placement services	2,245	475
Total segment assets	<u>73,483</u>	<u>66,429</u>
Cash and cash equivalents	181,853	93,334
Term deposits	27,544	7,960
Interest receivable from related parties and a third party	152	209
Total assets	<u>283,032</u>	<u>167,932</u>

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

As at 31 December 2016, certain proceeds from the IPO of HK\$80.7 million (equivalent to RMB72.4 million) were temporarily deposited in our bank accounts in Hong Kong and will be remitted to our PRC companies for intended use. Except for this, more than 90% of the carrying values of the Group's assets are situated in the PRC and all of the Group's revenue are derived from activities in, and from customers located in the PRC and no geographical segment analysis is shown.

There is no single customer contributes more than 10% of the Group's revenue for each of the years ended 31 December 2016 and 2015.

4 OTHER INCOME, FINANCE INCOME AND COST

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Other income:		
– Interest income on cash and cash equivalents	300	778
– Interest income from amounts placed in Residents' Accounts	212	240
	<u>512</u>	<u>1,018</u>
Finance income:		
– Interest income from loans to related parties	–	301
– Interest income on term deposits	380	143
	<u>380</u>	<u>444</u>
Finance cost:		
– Interest expenses of a bank borrowing	(14)	–
	<u>(14)</u>	<u>–</u>
Finance income – net	<u>366</u>	<u>444</u>

5 INCOME TAX EXPENSES

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Current tax:		
– PRC corporate income tax	17,294	15,733
– Hong Kong profits tax	125	102
– PRC withholding income tax	857	5,546
	<u>18,276</u>	<u>21,381</u>
Total current tax	18,276	21,381
Deferred tax:		
– PRC withholding income tax	343	(4,689)
	<u>343</u>	<u>(4,689)</u>
Income tax expenses	<u>18,619</u>	<u>16,692</u>

The weighted average applicable tax rate was 42% (2015: 28%). The increase in weighted average applicable tax rate for the year ended 31 December 2016 is mainly due to non-deductible listing expenses incurred by the Company.

PRC corporate income tax

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

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

PRC withholding income tax

PRC withholding income tax of 10% shall be levied on the dividends declared by PRC 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 subsidiaries are incorporated or operated in Hong Kong and fulfil the requirement to the tax treaty arrangement between the PRC and Hong Kong.

During the year ended 31 December 2016, provision of deferred income tax for the earnings of the PRC subsidiaries planned to be distributed to overseas has been made at withholding income tax rate of 10%.

Hong Kong profits tax

The applicable Hong Kong profits tax rate is 16.5%.

Overseas corporate income tax

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

6 EARNINGS PER SHARE

(a) Basic

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

	Year ended 31 December	
	2016	2015
Profit attributable to equity holders of the Company (<i>RMB</i>)	20,247,000	34,847,000
Weighted average number of ordinary shares in issue	786,986,301	750,000,000
Basic earnings per share for profit attributable to the shareholders of the Company during the year (expressed in RMB per share)	0.026	0.046

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

(b) Diluted

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

For the year ended 31 December 2015, diluted earnings per share is equal to the basic earnings per share, as there were no dilutive shares. Pre-IPO Share Option Scheme was adopted and effective on 8 November 2016. Diluted earnings per share for the year ended 31 December 2016 was calculated as below.

	Year ended 31 December	
	2016	2015
Profit attributable to equity holders of the Company (<i>RMB</i>)	<u>20,247,000</u>	<u>34,847,000</u>
Weighted average number of ordinary shares in issue	786,986,301	750,000,000
Adjustments for:		
– Pre-IPO share options	<u>1,040,878</u>	<u>–</u>
Weighted average number of ordinary shares for diluted earnings per share	<u>788,027,179</u>	<u>750,000,000</u>
Diluted earnings per share for profit attributable to the shareholders of the Company during the year (expressed in RMB per share)	<u>0.026</u>	<u>0.046</u>

7 TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables (<i>Note (a)</i>)		
– Related parties	1,507	4,297
– Third parties	3,956	3,655
	<u>5,463</u>	<u>7,952</u>
Amounts placed in Residents' Accounts	<u>18,005</u>	24,010
Other receivables		
– Related parties	9,530	5,954
– Third parties	7,414	4,948
	<u>16,944</u>	<u>10,902</u>
Interest receivables		
– Related parties	–	57
– A third party	152	152
	<u>152</u>	<u>209</u>
Prepayments		
– Third parties	1,000	4,127
	<u>41,564</u>	<u>47,200</u>

- (a) Trade receivables due from third parties mainly represented the receivables of outstanding property management fee charged on commission basis and the receivables of laundry service income.

During the years ended 31 December 2016 and 2015, the Group's trading terms are mainly on a cash basis, except for certain corporate customers of laundry services and household services, as well as property management fee receivable from residents, which is generally with one month credit period.

As at 31 December 2016 and 2015, the ageing analysis of the trade receivables based on invoice date were as follows:

	As at 31 December	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Up to 1 year	4,773	7,591
1 to 2 years	433	266
Over 2 years	257	95
	<u>5,463</u>	<u>7,952</u>

8 TRADE AND OTHER PAYABLES

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Trade payables (<i>Note (a)</i>)		
– Related parties	16	3
– Third parties	19,823	12,444
	<u>19,839</u>	<u>12,447</u>
Other payables		
– Related parties	2,466	15,157
– Third parties	13,062	11,585
	<u>15,528</u>	<u>26,742</u>
Advances from customers		
– Third parties	13,124	6,565
Accrued payroll	14,547	13,780
Other taxes payables	1,674	614
	<u>64,712</u>	<u>60,148</u>

- (a) As at 31 December 2016 and 2015, 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 31 December	
	2016	2015
	RMB'000	RMB'000
Up to 1 year	18,140	11,639
1 to 2 years	1,009	214
2 to 3 years	152	499
Over 3 years	538	95
	<u>19,839</u>	<u>12,447</u>

9 SHARE CAPITAL AND SHARE PREMIUM

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

	Number of ordinary shares <i>Shares</i>	<i>HK\$</i>	Share capital <i>Translated to RMB'000</i>	Share premium <i>RMB'000</i>	Total <i>RMB'000</i>
Authorised:					
At the date of incorporation and as at 31 December 2016	10,000,000,000	100,000,000	87,440		
Issued and fully paid:					
Issue of shares on 6 January 2016 (date of incorporation) <i>(Note (a))</i>	10,000	–	–	–	–
Effect of the Reorganisation	990,000	10,000	8	105,182	105,190
Issue of ordinary shares <i>(Note (b))</i>	250,000,000	2,500,000	2,187	98,879	101,066
Share issuance costs <i>(Note (b))</i>	–	–	–	(13,688)	(13,688)
Capitalisation issue <i>(Note (c))</i>	749,000,000	7,490,000	6,549	(6,549)	–
As at 31 December 2016	1,000,000,000	10,000,000	8,744	183,824	192,568

- (a) On 6 January 2016, the Company was incorporated in Cayman Islands with 10,000 nil-paid shares issued to the then shareholder.
- (b) On 8 November 2016, the Company was listed on the Main Board of the Stock Exchange by way of share offering of 250,000,000 new shares with par value of HKD0.01 per share at offer price of HKD0.46 per share. The total cash consideration, before issuance costs was approximately HKD115,582,000 (equivalent to RMB101,066,000). The underwriting commissions and other capitalised issuance costs paid and payable amounting to RMB13,688,000 have been debited to the share premium.
- (c) According to a written resolution dated 21 October 2016, conditional on the share premium account of the Company being credited as a result of the public offering, 749,000,000 shares were allotted and issued to the then sole shareholder of the Company at par value of HKD0.01 per share by capitalising HKD7,490,000 (equivalent to RMB6,549,000) standing to the credit of the share premium account as fully paid.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

We are a service provider with a diversified service portfolio comprising four main service segments: property management services, retail services, catering services and ancillary living services.

1. Property management services: We provide property management services to 13 residential communities and two pure commercial properties, with an aggregate contracted gross floor area (“GFA”) of approximately 5,951,000 sq.m. as of 31 December 2016 (2015: 5,706,000 sq.m.). Property management services primarily include general property management services and resident support services;
2. Retail services: We primarily operate 17 retail outlets (one supermarket, one wet market, 14 convenience stores and one imported goods specialty store) of different scales mainly located in Clifford Estates and other areas in proximity, covering a total GFA of approximately 10,193 sq.m. as of 31 December 2016 (2015: 17 retail outlets, covering a total of approximately 9,689 sq.m.);
3. Catering services: We primarily operate 17 catering outlets (five Chinese restaurants, six casual dining restaurants, four East Asian and Western restaurants and two cafés) serving different types of cuisines and in different dining styles mainly located in Clifford Estates and other areas in proximity, covering a total GFA of approximately 5,821 sq.m. as of 31 December 2016 (2015: 11 catering outlets, covering a total GFA of approximately 5,536 sq.m.); and
4. Ancillary living services: We primarily provide off-campus training services, property agency services, employment placement services and laundry services (collectively, “Ancillary Living Services”).

PROPERTY MANAGEMENT SERVICES

As of 31 December 2016, our total contracted GFA under management had grown to 5,951,000 sq.m. which was mainly due to a new residential community located in Panyu district during December 2016, known as “Clifford Dynamic Garden II (祈福活力花園II)”, and increase in GFA in a residential community in Huadu district, known as “Clifford Brilliant Terrace (祈福輝煌台)”. The table below sets forth the total contracted GFA and the number of residential communities and pure commercial properties we managed in different regions in the PRC as of the dates indicated:

	As at 31 December			
	2016		2015	
	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	3,797	4	3,705	3
Huadu district	848	7	698	7
Zhaoqing city	346	1	346	1
Foshan city	794	1	794	1
Subtotal	5,785	13	5,543	12
<i>Pure commercial properties</i>				
Huadu district	166	2	163	2
Total	5,951	15	5,706	14

In the second-half of year 2017, it is expected that there will be additional GFA of approximately 73,000 sq.m. in Clifford Bayview (南灣半島) (in connection with an additional residential community) to be launched by the companies which are under the control of (or 30% of more of the issued share capital of which are owned by) the spouse of Ms. MAN Lai Hung (the “**Private Group**”). As of 31 December 2016, the said additional residential community was still in its development stage. Its estimated completion and delivery dates will be around the second half of 2017. Following completion and delivery, general property management services will be provided by us to such additional residential community, and the related property management service fees will be charged on a commission basis. The Group expects the total general property management service fees income to be approximately RMB2.4 million per year, after delivery of all the units. The average property management service fees income is approximately RMB2.75 per sq.m. per month. As the completion date and the time of delivery of such units to the new owners is not expected to be long, we expect a small amount of service fees to be received from the Private Group for pre-delivery property services in connection with such additional residential community.

“Clifford Wonderview (祈福繽紛匯)” is located adjacent to Clifford Estates in Panyu district. Its development was completed by the end of 2016. We will provide some pre-delivery property management services to the community, and we will charge our general property management service fees on a commission basis. We expect the units at “Clifford Wonderview (祈福繽紛匯)” sold will be gradually delivered to the relevant property owners during the second-half of 2017.

By second half of 2017, the number of residential communities under our management is expected to increase from 13 communities to 15 communities. The increase in the total contracted GFA of our property management services (including “Clifford Wonderview (祈福繽紛匯)”) is expected to be about 683,000 sq.m.

Scope of Services in Our Property Management Service Segment

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

(i) *General property management services*

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

(ii) *Resident support services*

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

RETAIL SERVICES

As of 31 December 2016, our retail network consisted of 17 retail outlets (one supermarket, one wet market, 14 convenience stores and one imported goods specialty store) under the names of “Clifford Supermarket (祈福超市)”, “Ni Wo Ta Convenience Store (你我他便利店)” and “Dailey’s Mart”, respectively, mainly located in three of the residential communities we manage and the surrounding areas in the Guangdong Province.

Our Retail Outlets

The following table sets out certain key performance indicators of our current retail outlets in operation during the year ended 31 December 2016:

	For the year ended	
	31 December	
	2016	2015
Average daily revenue by type of retail outlet		
(in RMB thousands)^(Note)		
Supermarket	151.48	151.30
Wet market	27.19	18.61
Convenience store	98.46	100.58
Imported goods specialty store	2.50	3.59

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

Revenue Models for Our Retail Services

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

Direct sales of goods

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

During the year and up to 31 December 2016, we have only entered into contracts with local entities and therefore we do not have any overseas direct supplier.

Concessionaire fees

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

Rental income from stall tenants

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

CATERING SERVICES

As of 31 December 2016, we operated 17 catering outlets in different categories (five Chinese restaurants, six casual dining restaurants, four East Asian and Western restaurants and two cafés) in Guangdong Province. In November 2016, we closed down “Herbal Cuisine (Shawan Branch) (藥膳坊 (沙灣分店))” due to change of local community development plan causing unsatisfactory customer traffic in the neighbourhood and decrease in sales.

We target to offer our customers good tasting and healthy food at value-oriented price with hospitable yet efficient services, with a positioning of price-for-value dining choices with variety to cater the needs of the residents and customers from surrounding area.

Our Catering Outlets

We endeavour to offer an outstanding dining experience, including food, service and dining atmosphere, at our catering outlets which are positioned to provide different dining style to suit different needs of the customers.

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

	Year ended 31 December	
	2016	2015
Average number of customer per day per catering outlet⁽¹⁾⁽⁷⁾		
Chinese restaurants ⁽⁵⁾	347	599
Casual dining restaurants	368	631
East Asian and Western restaurants ⁽⁶⁾	228	369
Cafés	98	91
Average spending per customer per meal (RMB)⁽²⁾⁽⁷⁾		
Chinese restaurants	50	49
Casual dining restaurants	25	34
East Asian and Western restaurants ⁽⁶⁾	60	65
Cafés	23	37
Average seat turnover rate (X)⁽³⁾		
Chinese restaurants	1.6	2.1
Casual dining restaurants	3.2	3.7
East Asian and Western restaurants ⁽⁶⁾	1.8	2.1
Cafés	1.1	1.1
Average daily catering outlet sales by category (RMB)⁽⁴⁾		
Chinese restaurants	103,092	116,725
Casual dining restaurants	73,319	64,279
East Asian and Western restaurants ⁽⁶⁾	54,656	24,114
Cafés	6,819	6,757
Number of catering outlets	17	11

Notes:

- (1) Calculated by dividing total customer traffic (assuming 360 days in the year) by number of restaurants during the year. For outlets newly opened in 2016, the number of days since commencement of business is taken into account for the calculation.
- (2) Calculated by dividing average daily revenue (assuming 360 days in the year) by the average number of customer per day per catering outlet for the year. For outlets newly opened in 2016, the number of days since commencement of business is taken into account for the calculation.
- (3) Calculated by dividing the average number of customer per day per catering outlet for the year by the total number of seats at the catering outlet.
- (4) Calculated by dividing total revenue by the total number of days during the year (assuming 360 days in the year).
- (5) “Herbal Cuisine Soup Shop (藥膳湯館)” was not included until 2016 as it only offered take-away services with no seating area inside the catering outlet.
- (6) From May 2013 to January 2016, we only operated one East Asian and Western restaurant, being “Beehive Bar & Kitchen (相見好餐廳)”. In February 2016, we have opened three new East Asian and Western restaurants, being “La TaveRona (達維納意大利餐廳)”, “Yamabuki (山吹日本料理)” and “Best Thai (泰出色)”.
- (7) For casual dining restaurants and cafés, catering outlets closed due to relocation and the relocated ones are counted as one outlet in calculation.

For the year ended 31 December 2016, there was a significant decrease in the average number of customers per day in our catering outlets (except cafés) as compared to the corresponding year in 2015. This was mainly due to our expanded catering service network in Panyu district where we opened a total of eight new catering outlets (namely, one Chinese restaurant, four casual dining restaurants and three East Asian and Western restaurants) at Clifford Landmark (祈福名都花園). Due to the introduction of new kind of food products (such as desserts and drinks) offered by our new casual dining restaurants, namely “Bababibi Dessert (巴巴閉閉甜品店)” and “Cha Cha Drinks Shop (Cha Cha 奶茶店)”, which generally have a lower unit price, the average spending per customer per meal for our casual dining restaurants for the year ended 31 December 2016 showed a downward trend as compared with 2015. Prior to January 2016, we only operated one East Asian and Western restaurant, being “Beehive Bar & Kitchen (相見好餐廳)”. In February 2016, we opened three new East Asian and Western restaurants at Clifford Landmark (祈福名都花園) offering different cuisines and styles of catering service which additionally brought up the related average daily restaurants sales for the year ended 31 December 2016.

ANCILLARY LIVING SERVICES

During the year and up to 31 December 2016, we provided off-campus training services, property agency services, employment placement services, and laundry services.

Off-campus Training Services

As of 31 December 2016, we had two learning centres within Clifford Estates. For the year ended 31 December 2016, we had approximately 22,000 (2015: 19,000) students or learners enrolment in our training programmes and interest classes. Our training programmes mainly include: (i) elementary, middle and high school tutoring courses; and (ii) language learning classes; while our interest classes are divided into four main categories, namely: (i) dance; (ii) martial arts; (iii) sports; and (iv) music. As of 31 December 2016, we operated one licenced centre providing training programmes and one centre providing interest classes, 51 full-time employees, including 13 licenced teachers and 31 teaching assistants, and 182 were part-time teachers.

As social competition became more intense, we believe that parents were more willing to spend on education or training for their children and as a result, the demand for both training programmes and interest classes increased, driving the significant growth in the number of students enrolled and revenue from off-campus training services during the year ended 31 December 2016.

Property Agency Services

As of 31 December 2016, we had one headquarter and five branch offices located in different districts in Guangdong Province. Our property agency services primarily include: (i) sales agency services focused on residential property market; (ii) residential properties rental agency services; and (iii) post-rental services. In January 2017, we closed down two branch offices in Panyu district and Huadu district due to change of local community development plan causing unsatisfactory customer traffic in the neighbourhood and decrease in sales.

Portfolio of property agency services

By way of serving as an agent, we provide our property agency services principally to the residents and property owners of residential communities we manage with an aim to facilitate the property sales and leasing for such residents and property owners among these residential communities and to diversify our income sources. Our property agency services can be grouped into sales agency services, rental agency services and post-rental services.

Employment Placement Services

As of 31 December 2016, we had one branch office in Clifford Estates. Our employment placement services primarily include: (i) employment agency services for household helpers, postnatal care helpers and patient care helpers; and (ii) labour dispatch services.

Portfolio of our employment placement services

We act as an agent in providing employment placement services principally to residents of Clifford Estates and other residential communities within the neighbourhood, with the aim of supplying quality helpers to our clients as well as maintaining or enhancing the quality of our helpers. Our employment placement services include employment agency services and labour dispatch services.

Laundry Services

As of 31 December 2016, we operated four laundry shops and one laundry facility located in Clifford Estates. We target (i) the corporate customers in proximity such as hospitals, hotels and schools; and (ii) individual customers who are mainly the residents of Clifford Estates, with an aim to provide reliable, convenient and quality laundry and dry cleaning services.

Portfolio of our laundry services

We generate most of our revenue from laundry services for corporate customers, including the Private Group, hospitals, hotels and schools; and individual landing services.

PROSPECTS AND FUTURE PLANS

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

Property Management

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

We plan to further expand our business and increase our market share in the industry by expanding the total GFA and the number of residential communities we manage. We plan to selectively evaluate opportunities in areas around the existing locations where we have a presence with a view to maximising our economies of scale.

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

Accelerate our business growth through acquisitions of property management companies

We intend to accelerate the growth of our property management services by acquiring suitable property management companies. As the property management market is highly fragmented and there is a trend of consolidation in the industry, we can strengthen our business presence and expand into new geographies through acquisition. We have been seeking for potential property companies principally with a focus of business operations in Guangdong Province, covering contracted GFA of over 50,000 sq.m., price of properties being in the mid-to-high-range at its location and that the residential communities or pure commercial properties under their management would be able to implement our business model in achieving our business strategy of standardisation and centralization. We intend to continue to apply our operating model and our standardisation and centralisation strategies to our acquired targets. We believe that this strategy would allow us to efficiently manage an expanding business with increasing complexity.

The holder of the 24.5% equity interest in PM Panyu PRC Co recently indicated its wishes to dispose of such equity interest, and the Group is currently considering whether or not to acquire such equity interest. If there is any material progress on this matter, the Company will make further announcement in compliance with the applicable laws and rules.

Retail and Catering

Further expand our retail network and catering network

During the year ended 31 December 2016, we opened a total of eight catering outlets (being one Chinese restaurant, four casual dining restaurants and three East Asian and Western restaurants).

To ride on our past experience in retail and catering service segments, we intend further expand our retail service and catering service network for our business growth. We plan to explore suitable locations for expanding our retail and catering outlet network both in the residential communities we manage and areas in the proximity. By acting as the property manager of these residential communities, we believe we have a better understanding on the needs of the existing residents and the customer traffic within the communities and the neighbourhood.

With the aim to solidify our presence across Guangdong Province, we intend to expand our retail network by opening new outlets in different residential communities, with similar customer profile and traffic of Clifford Estates, in various locations within Guangdong Province.

Leveraging on the popularity of our catering outlets, within communities we provide living services, we plan to continue expanding our catering network by solidifying our presence in Guangdong Province and branching out catering outlets into surrounding area outside the residential communities we manage.

We operate a standardised business model, and we believe that we will be able to replicate our established operational and managerial procedures as we continue to expand our catering network services. Our standardised operations enhance scalability by allowing us to efficiently transfer knowledge and adopt best practises when opening new catering outlets. In addition, we believe that since all of our catering outlets are self-operated, we could easily implement our comprehensive set of standards and specifications to maintain standardisation.

To Develop Online Marketing and Build Online Distribution Channels

We observe the trend that online sales and services have become more popular in the PRC. We intend to invest in online marketing, such as advertising on third-parties' websites for promoting various of our services and our Group's profile. We also intend to collaborate with other websites or online sales platforms for promoting our services and selling our goods through internet, targeting at residents in the communities we manage as well as those in proximity.

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

FINANCIAL REVIEW

Revenue

Our revenue increased from RMB261.1 million for the year ended 31 December 2015 to RMB289.7 million for the year ended 31 December 2016, representing an increase of RMB28.6 million or 10.9%. The growth in our revenue was mainly attributable to increase in revenue from our catering services and Ancillary Living Services segments.

Property management services

	For the year ended 31 December	
	2016 RMB'000	2015 RMB'000
General property management services	29,654	27,929
Resident support services	22,317	22,743
Total	51,971	50,672

Revenue in the property management services slightly increased by 2.6% to RMB52.0 million for the year ended 31 December 2016 from RMB50.7 million for the year ended 31 December 2015. Such increase was mainly attributable to the increase in revenue of our general property management services. The increase in revenue of our general property management services from RMB27.9 million for the year ended 31 December 2015 to RMB29.7 million for the year ended 31 December 2016 was primarily due to the increase in GFA that we manage.

Retail services

	For the year ended 31 December	
	2016 RMB'000	2015 RMB'000
Revenue by type of retail outlet		
Supermarket	54,532	54,468
Wet market	9,787	6,699
Convenience store	35,447	36,207
Imported goods specialty store	901	1,294
Total	100,667	98,668

Revenue in the retail services slightly increased by 2.0% to RMB100.7 million for the year ended 31 December 2016 from RMB98.7 million for the year ended 31 December 2015. The relative stability was primarily attributable to the increase in revenue of wet market, being partially offset by the decrease in revenue of convenience stores and imported goods specialty store. The increase in revenue of wet market from RMB6.7 million for the year ended 31 December 2015 to RMB9.8 million for the year ended 31 December 2016 was primarily due to opening of a new wet market “Clifford Market (Clifford Landmark)” in March 2016 while the Clifford Market (Clifford Estates) was still in operation until August 2016. The decrease in revenue of convenience stores and imported goods specialty store from RMB37.5 million for the year ended 31 December 2015 to RMB36.3 million for the year ended 31 December 2016 was primarily due to the continuing effect of relocation of the central bus terminal which affected the pedestrian flow during the year.

Catering services

	Year ended 31 December	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Catering outlet revenue by category		
Chinese restaurants	37,113	42,021
Casual dining restaurants	26,395	23,141
East Asian and Western restaurants	19,676	8,681
Cafés	2,455	2,432
	<hr/>	<hr/>
Total	85,639	76,275
	<hr/>	<hr/>

Revenue in the catering services increased by 12.2% to RMB85.6 million for the year ended 31 December 2016 from RMB76.3 million for the year ended 31 December 2015. Such increase was primarily due to increase in revenue of casual dining restaurants and East Asian and Western restaurants. The increase in revenue of casual dining restaurants from RMB23.1 million for the year ended 31 December 2015 to RMB26.4 million for the year ended 31 December 2016 and the increase in revenue of East Asian and Western restaurants from RMB8.7 million to RMB19.7 million for the same period were primarily due to opening of new restaurants in 2016.

Ancillary Living Services

	Year ended 31 December	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Ancillary Living Services revenue by category		
Off-campus training services	27,056	20,651
Property agency services	13,267	4,496
Employment placement services	1,500	1,467
Laundry services	9,581	8,883
	<hr/>	<hr/>
	51,404	35,497
	<hr/>	<hr/>

Revenue in the Ancillary Living Services increased by 44.8% to RMB51.4 million for the year ended 31 December 2016 from RMB35.5 million for the year ended 31 December 2015. Such increase was primarily due to the increase in revenue of our off-campus training services and property agency services. The increase in revenue of our off-campus training services from RMB20.7 million for the year ended 31 December 2015 to RMB27.1 million for the year ended 31 December 2016 was mainly brought by the increase in class enrolments. The increase in revenue of property agency services from RMB4.5 million for the year ended 31 December 2015 to RMB13.3 million for the year ended 31 December 2016 was mainly due to the increase in sales in the residential property market.

Cost of Sales

Our cost of sales comprises mainly the cost of goods sold for our retail service segment, the employee benefit expenses for each of our business segments and the cost of raw materials and consumables for our catering service segment.

Our cost of sales increased from RMB160.7 million for the year ended 31 December 2015 to RMB169.6 million for the year ended 31 December 2016, representing an increase of RMB8.9 million or 5.5%. The growth in our cost of sales was largely in line with our increase in revenue. In particular, we incurred more cost of raw materials and consumables for the year ended 31 December 2016, which is in line with the growth of our catering business segment.

Gross profit and gross profit margin

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

	Year ended 31 December			
	2016		2015	
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %
Property management services	32,488	63%	27,950	55%
Retail services	42,490	42%	38,189	39%
Catering services	18,418	22%	16,173	21%
Ancillary Living Services	26,652	52%	18,146	51%
Laundry services	2,896	30%	2,787	31%
Off-campus training services	16,254	60%	12,001	58%
Property Agency services	6,237	47%	2,278	51%
Employment placement services	1,265	84%	1,080	74%
Overall	120,048	41%	100,458	38%

Our gross profit increased from RMB100.5 million for the year ended 31 December 2015 to RMB120.0 million for the year ended 31 December 2016, representing an increase of RMB19.5 million or 19.4%. Meanwhile, our gross profit margin improved from 38% for the year ended 31 December 2015 to 41% for the year ended 31 December 2016. The increase in gross profit was mainly due to the contribution of our property management services, retail

services and Ancillary Living Services segments. The increase in gross profit margin was mainly attributable to increase in gross profit margin of our property management services and retail services segment. The increase in gross profit margin of our property management service segment from 55% for the year ended 31 December 2015 to 63% for the year ended 31 December 2016 was mainly attributable to the decrease in the number of small scale renovation and fitting-out projects which have lower profit margin. There were more small-scale renovation and fitting-out services to residents for the year ended 31 December 2015 as compared to the same period in 2016 because of the delivery of new residential units of Clifford Landmark (祈福名都花園) in around late 2014. Gross profit in the retail services increased by 11.3% to RMB42.5 million for the year ended 31 December 2016 from RMB38.2 million for the year ended 31 December 2015. Gross profit margin of retail services increased to 42% from 39% for the same period, mainly because of increased rental income, and the rental income generated from leasing space on outdoor glass windows of supermarket and convenience stores for advertising since May 2015 without incurrance of corresponding direct cost.

Selling and marketing expenses

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

Our selling and marketing expenses increased from RMB18.3 million for the year ended 31 December 2015 to RMB21.5 million for the year ended 31 December 2016, representing an increase of 17.5%, which was primarily due to the increase in number of employees and expenses in relation to opening and relocation of new retail and catering outlets in 2016. A substantial portion of selling and marketing expenses was relating to retail service segment and catering service segment. Other expenses increased from RMB1.7 million for the year ended 31 December 2015 to RMB2.1 million for the year ended 31 December 2016 mainly due to the purchase of consumables for setting up new outlets in 2016.

Administrative expenses

Our administrative expenses principally comprised listing expenses, staff benefit expenses and office related expenses for administrative departments.

Our administrative expenses increased from RMB26.3 million for the year ended 31 December 2015 to RMB58.5 million for the year ended 31 December 2016, representing a growth of 122.4%, primarily due to the incurrance of listing expenses and increase in employee benefit expense due to the increase in headcount. The Group's listing expenses charged to consolidated income statement for the year ended 31 December 2016 amounted to RMB22.9 million (2015: RMB5.7 million), which primarily consisted of the service fees the Group paid to professional parties in connection with its preparation for the Global Offering. Other expenses increased from RMB0.7 million for the year ended 31 December 2015 to RMB2.6 million for the year ended 31 December 2016 mainly due to the incurrance of cost for setting up new outlets in 2016.

Other gains or losses — net

We incurred other losses of RMB0.6 million for the year ended 31 December 2015 and other gains of RMB0.8 million for the year ended 31 December 2016. The change from net loss to net gain was primarily arisen from the fluctuation of exchange rate of Renminbi against HK dollars.

Other income

Our other income decreased from RMB1.0 million for the year ended 31 December 2015 to RMB0.5 million for the year ended 31 December 2016, representing a decrease of RMB0.5 million or 50%. The decrease was attributable to the decrease in interest income.

Finance income

Our finance income is RMB380,000 for the year ended 31 December 2016, which is comparable to the year ended 31 December 2015.

Income tax expenses

The weighted average applicable tax rate was 28% and 42% for the years ended 31 December 2015 and 2016 respectively. The increase in weighted average applicable tax rate for the years ended 31 December 2015 and 2016 was mainly due to non-deductible listing expenses incurred by the Company.

Net Profit and Adjusted Profit for the Year

For the year ended 31 December 2016, as a result of the cumulative effect of the above factors, the Group's net profit was RMB23.1 million and its net profit margin was 8%.

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

	For the year ended		Variance	
	31 December 2016	2015		
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>%</i>
Profit for the year	23,054	40,094	-17,040	-42.5%
Add:				
Listing expenses	<u>22,924</u>	<u>5,736</u>	<u>17,188</u>	<u>299.7%</u>
Adjusted profit for the year	<u>45,978</u>	<u>45,830</u>	<u>148</u>	<u>0.3%</u>

Adjusted net profit for the year increased from RMB45.8 million in the corresponding period of 2015 to RMB46.0 million in 2016, representing an increase of 0.3%.

Property, Plant and Equipment

Our property, plant and equipment mainly consist of machinery, vehicles, office equipment, and leasehold improvements. As at 31 December 2015 and 2016, the net book values of our Group's property, plant and equipment were RMB10.3 million and RMB19.5 million, respectively. The increase was mainly due to addition of machinery and leasehold improvements for the replacement and addition of equipment for our newly opened catering outlets and retail outlets.

Inventories

Our inventories mainly consist of merchandise goods for our retail service segment and raw materials for our catering service segment we procured from suppliers.

Our inventories increased from RMB8.3 million as of 31 December 2015 to RMB11.5 million as of 31 December 2016, primarily due to increase in inventory level as a result of increase in stock for our opening of new retail and catering outlets.

Our inventory turnover days was 18 days and 21 days during the years ended 31 December 2015 and 2016. The changes were in line with the fluctuation of our stock level as explained above.

During the year, we did not recognise any provision or write-down for our inventories.

Trade and Other Receivables

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

Trade receivables

Our trade receivables are mainly related to our receivable of outstanding property management fee and the receivables arisen from laundry services.

Our trade receivables decreased by 31.3% from RMB8.0 million as of 31 December 2015 to RMB5.5 million as of 31 December 2016 as a result of settlement of property management service fee due from developers in respect of vacant units on a lump sum basis.

Amounts placed in Residents’ Accounts

Under the property management service contracts on a commission basis, we essentially act as an agent of the property owners. We are principally engaged in (a) provision of property management services to the residential communities under commission basis and are entitled to commission income at a pre-determined portion of the general property management service

fees (the “**Entitled Commission**”); and (b) provision of resident support services under the residents’ request and charge residents of fees at the rates accepted by residents (the “**Support Services Income**”).

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

Fund accumulated in the Residents’ Accounts include:

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

Such “Amounts placed in Residents’ Accounts” in our consolidated balance sheet (which amounted to RMB24.0 million and RMB18.0 million as at 31 December 2015 and 2016 respectively) represented only Entitled Commission and Support Services Income, but did not include the Undeployed Funds.

Trade and Other Payables

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

Trade payables

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

Our trade payables increased by 59.7% from RMB12.4 million as of 31 December 2015 to RMB19.8 million as of 31 December 2016, primarily because of increase in procurement from third-parties for our newly-opened catering outlets and increase in stock for the newly opened Clifford Supermarket.

Other payables

Our other payables primarily comprise amounts due to third parties included deposits received from tenants in our retail business which amounted to RMB6.2 million and RMB3.9 million as at 31 December 2015 and 2016 respectively. The decrease was mainly due to the settlement of deposits to concessionaires and stall tenants in our old supermarket and wet market.

Advances from customers

Advances from customers are primarily related to prepaid course fees received from customers in our off-campus training services, prepaid service fees for our resident support services and the unused value of our consumption cards issued by us in Renminbi which can be used in our outlets to pay our retail, catering and laundry services. Advances from customers increased from RMB6.6 million as of 31 December 2015 to RMB13.1 million as of 31 December 2016, primarily due to the increase of enrolment of our interest classes which led to increase in advances receipt from customers.

Accrued payroll

Our accrued payroll increased by 5.1% from RMB13.8 million to RMB14.5 million as at 31 December 2015 and 31 December 2016, respectively. This was primarily due to the increase in number of employees in relation to opening of catering outlets during the year.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our primary liquidity requirements relate to the funding of required working capital to support an increase in our scale of operations, purchase of property, plant and equipment and payments for leasehold land. To date, we have financed our cash requirements through a consolidation of cash generated from operating activities and the proceeds of capital contributions from our Shareholders together with the unutilised net proceeds from the issue of new shares under the global offering as set out in the prospectus of the Company dated 27 October 2016 (the “**Prospectus**”).

As at 31 December 2016, our material sources of liquidity were cash and cash equivalents of RMB181.9 million.

In September 2016, our Group entered into a banking facility letter, pursuant to which we were granted a banking facility for a short-term unsecured revolving loan of up to HKD10 million, our Group drew down a loan of HKD5 million under the banking facility in September 2016 and repaid it in November 2016.

Gearing Ratio

Gearing ratio is calculated based on our total debts (being cash advances due to related parties) divided by our total equity as of the end of each year.

Our gearing ratio decreased from 13.5% as at 31 December 2015 to nil as at 31 December 2016, which was primarily due to the settlement of cash advances due to related parties.

PLEDGE OF ASSETS

The Group had no pledged assets as of 31 December 2016 (31 December 2015: Nil).

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as of 31 December 2016.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2016, excluding labour costs borne by the properties that we manage on commission basis, the Group had approximately 1,034 employees (31 December 2015: approximately 1,001 employees). Remuneration is determined with reference to the performance, skills, qualifications and experiences of the staff concerned and the prevailing industry practice.

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

In addition, the Company adopted a share option scheme in October 2016 which allows the Directors to grant share options to employees of the Group in order to retain elite personnel to stay with the Group and to provide incentives for their contribution to the Group.

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

The Group had no material acquisition or disposal of subsidiaries or associated companies during the year ended 31 December 2016. In addition, the Group had no significant investments held during the year ended 31 December 2016.

Save for the expansion plans as disclosed in the sections headed “Business” and “Future Plans and Use of Proceeds” in the Prospectus, the Group has no specific plan for major investment or acquisition for major capital assets or other businesses. However, the Group will continue to identify new opportunities for business development.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: nil).

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the “AGM”) is currently planned to be held on Friday, 23 June 2017. A notice convening the AGM and all other relevant documents will be published and dispatched to the shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

For 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, 23 June 2017) be closed from Monday, 19 June 2017 to Friday, 23 June 2017, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all duly completed and signed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 16 June 2017.

PRE-EMPTIVE RIGHTS

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

SIGNIFICANT EVENTS AFTER REPORTING PERIOD

The Group does not have any material subsequent event after 31 December 2016 and up to the date of this announcement.

CORPORATE INFORMATION

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

USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

On 8 November 2016, the Company issued 250,000,000 new shares of nominal value of HK\$0.01 each in connection with the listing of its shares on the Stock Exchange (the "**Listing**"). The net proceeds after deducting the underwriting commission and issuing expenses arising from the Listing amounted to RMB54,666,000.

Up to 31 December 2016, none of the net proceeds had been utilised. All of the net proceeds were deposited with certain licensed financial institutions in Hong Kong. As of this date of this announcement, the Company does not anticipate any change to its plan on the use of net proceeds as stated in the Prospectus.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities since the Listing Date and up to 31 December 2016.

CORPORATE GOVERNANCE PRACTICES

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

The Board is of the view that since the Listing Date and up to 31 December 2016, the Company has complied with all the code provisions as set out in the CG Code, except for code provision A.1.1 due to the short period of time since the Listing Date.

Under code provision A.1.1, the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. Since the Listing Date to 31 December 2016, the Company has not held any Board meeting. The Board intends to meet at least four times per year in the future.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the Group’s code of conduct regarding Directors’ securities transactions. Specific enquiry has been made by the Company with all Directors and the Directors have confirmed that they have complied with the Model Code throughout the period from the Listing Date up to 31 December 2016.

AUDIT COMMITTEE AND REVIEW OF CONSOLIDATED FINANCIAL INFORMATION

The audit committee of the Board (“**Audit Committee**”) consists of three independent non-executive Directors, namely Ms. LAW Elizabeth (Chairman), Mr. HO Cham and Mr. MAK Ping Leung and one non-executive Director, namely Mr. LIU Xing. 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 the annual results of the Group for the year ended 31 December 2016, including the accounting principles and practices adopted by the Group.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group’s consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF 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 2016 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and made available on the same websites in due course.

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

Hong Kong, 23 March 2017

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