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 2018

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		Percentage
	2018	2017	**change**
	RMB'000	*RMB'000* (Restated)	
Revenue	**186,138**	172,918	**7.6%**
Gross profit	**85,083**	72,076	**18.0%**
Operating profit	**51,550**	33,697	**53.0%**
Profit before income tax	**51,956**	33,979	**52.9%**
Profit for the period	**38,052**	22,991	**65.5%**
Profit attributable to:			
Owners of the Company	**38,052**	21,928	**73.5%**
Non-controlling interests	**–**	1,063	**-100.0%**
Gross profit margin (%)	**46%**	42%	**9.5%**
Net profit margin (%)	**20%**	13%	**53.8%**
Earnings per share attributable to the owners of the Company during the period (expressed in RMB per share):			
– Basic earnings per share	**0.038**	0.022	**72.7%**
– Diluted earnings per share	**0.038**	0.022	**72.7%**

Note: Financial information for the six months ended 30 June 2017 is restated due to common control combination.

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 2018 (the "**Reporting Period**"). 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	
		2018	2017
	Note	***RMB'000***	*RMB'000*
			(Restated)
Revenue	5	**186,138**	172,918
Cost of sales		**(101,055)**	(100,842)
Gross profit		**85,083**	72,076
Selling and marketing expenses		**(13,986)**	(13,367)
Administrative expenses		**(21,108)**	(23,614)
Other income		**520**	362
Other gains/(losses) – net		**1,041**	(1,760)
Operating profit		**51,550**	33,697
Finance income		**406**	282
Profit before income tax		**51,956**	33,979
Income tax expenses	6	**(13,904)**	(10,988)
Profit for the period		**38,052**	22,991
Profit attributable to:			
– Owners of the Company		**38,052**	21,928
– Non-controlling interests		**–**	1,063
		38,052	22,991
Earnings per share attributable to the owners of the Company during the period (expressed in RMB per share):			
– Basic earnings per share	7(a)	**0.038**	0.022
– Diluted earnings per share	7(b)	**0.038**	0.022

Note: Financial information for the six months ended 30 June 2017 is restated due to common control combination.

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	
	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Profit for the period	**38,052**	22,991
Other comprehensive income	**–**	–
Total comprehensive income for the period	**38,052**	22,991
Total comprehensive income attributable to:		
– Owners of the Company	**38,052**	21,928
– Non-controlling interests	**–**	1,063
	38,052	22,991

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	(Unaudited) 30 June 2018 RMB'000	(Audited) 31 December 2017 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**18,720**	18,638
Intangible assets		**607**	590
Deferred income tax assets		**1,133**	1,017
Long-term receivables		**2,886**	2,106
		23,346	22,351
Current assets			
Financial assets at fair value through profit or loss		**27,012**	–
Financial assets at amortised cost		**6,071**	–
Inventories		**10,896**	13,928
Trade and other receivables	8	**88,045**	60,346
Amounts due from customers for contract works		**–**	7,676
Contract assets		**7,111**	–
Term deposits		**42,971**	61,869
Restricted cash		**612**	610
Cash and cash equivalents		**208,812**	187,404
Other current assets		**1,002**	1,993
		392,532	333,826
Total assets		**415,878**	356,177
EQUITY			
Equity attributable to owners of the Company			
Share capital	9	**8,817**	8,761
Share premium	9	**176,350**	184,674
Reserves		**(114,215)**	(117,178)
Retained earnings		**214,285**	179,759
Total equity		**285,237**	256,016
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**1,000**	3,264
Current liabilities			
Trade and other payables	10	**96,673**	83,369
Amounts due to customers for contract works		**–**	4,792
Contract liabilities		**21,871**	–
Current income tax liabilities		**11,097**	8,736
		129,641	96,897
Total liabilities		**130,641**	100,161
Total equity and liabilities		**415,878**	356,177

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

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'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-related 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 21 August 2018.

The 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 2018 has been prepared in accordance with HKAS 34 "Interim Financial Reporting". This condensed consolidated interim financial information should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2017, 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 2017, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of new and amended HKFRSs effective for the financial year beginning on 1 January 2018.

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the financial year beginning on 1 January 2018:

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

Save for the impact of the adoption of these standards and the new accounting policies disclosed in note 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 year beginning on 1 January 2018 and not early adopted by the Group

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

		Effective for annual years beginning on or after
HKFRS 16	Leases	1 January 2019
HK(IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
HKAS 28 (Amendment)	Long-term interests in associates and joint ventures	1 January 2019
HKFRS 9 (Amendment)	Prepayment features with negative compensation	1 January 2019
HKAS 19 (Amendment)	Plan amendment, curtailment or settlement	1 January 2019
HKAS 10 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
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	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021

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 leasee of certain offices and buildings, which are currently accounted for as operating leases under HKAS 17. As at 30 June 2018, the Group's minimum lease payments under non-cancellable operating lease agreements are of RMB54,118,000. Under HKFRS 16, leasees are required to recognise a lease liability reflecting future lease payments and a right-of-use asset for all lease contracts in the statement of financial position. Leasees will also have to present interest expense on the lease liability and depreciation on the right-of-use asset in the statement of profit or loss. 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 leasees. The Group is expected to apply the new standard starting from the financial year beginning on 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.

4 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

(i) Impact on the financial statements

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

(ii) HKFRS 9 Financial Instruments – Impact of adoption

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

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

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

The Group's trade and other receivables (excluding prepayments) and contract assets are subject to new expected credit loss model of HKFRS 9. The Group was required to revise its impairment methodology according to HKFRS 9. The directors of the Company consider that there is no material impact of the change in impairment methodology on the Group's retained earnings and equity.

(iii) HKFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018

(a) Investments and other financial assets

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("**OCI**") or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("**FVOCI**").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("**FVPL**"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Impairment of financial assets

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade and other receivables (excluding prepayments) and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

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

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

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

The Group establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) identify the contract(s) with customer; (2) identify separate performance obligations in a contract; (3) determine the transaction price; (4) allocate transaction price to performance obligations and (5) recognise revenue when performance obligation is satisfied. The Group recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services based on transfer of control. The Group recognises revenue when a performance obligation is satisfied.

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

(v) HKFRS 15 Revenue from Contracts with Customers – Accounting policies

The directors of the Company consider that there is no significant change to the Group's existing revenue recognition policy.

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. Segment results excluded central administration costs, other income, other gains/(losses) – net, finance income, income tax expenses, and segment assets excluded the deferred income tax assets, financial assets at fair value through profit or loss, financial assets at amortised cost, interest receivables from a third party, term deposits and cash and cash equivalents and segment liabilities excluded the 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 for the period ended 30 June 2018 are as follows:

	Retail services *RMB'000*	Catering services *RMB'000*	Property management services *RMB'000*	Off-campus training services *RMB'000*	Renovation and fitting-out services *RMB'000*	Information technology services *RMB'000*	Others *RMB'000*	Total *RMB'000*
Gross segment revenue	**54,006**	**13,956**	**26,693**	**18,366**	**16,358**	**46,985**	**10,264**	**186,628**
Inter-segment revenue	**(89)**	**–**	**(368)**	**–**	**–**	**(17)**	**(16)**	**(490)**
Revenue	**53,917**	**13,956**	**26,325**	**18,366**	**16,358**	**46,968**	**10,248**	**186,138**
Timing of revenue recognition								
At a point in time	**40,195**	**10,286**	**–**	**–**	**–**	**–**	**–**	**50,481**
Over time	**13,722**	**3,670**	**26,325**	**18,366**	**16,358**	**46,968**	**10,428**	**135,657**
	53,917	**13,956**	**26,325**	**18,366**	**16,358**	**46,968**	**10,248**	**186,138**
Segment results	**9,210**	**68**	**16,835**	**6,585**	**6,382**	**11,683**	**3,026**	**53,789**
Other income								**520**
Other gains – net								**1,041**
Finance income								**406**
Unallocated expenses								**(3,800)**
Income tax expenses								**(13,904)**
Profit for the period								**38,052**
Segment results include:								
Depreciation and amortisation	**1,012**	**745**	**48**	**250**	**–**	**266**	**345**	**2,666**

The segment revenue and results and the reconciliation with profit for the period ended 30 June 2017 are as follows:

	Retail services *RMB'000*	Catering services *RMB'000*	Property management services *RMB'000*	Off-campus training services *RMB'000*	Renovation and fitting-out services *RMB'000*	Information technology services *RMB'000*	Others *RMB'000*	Total *RMB'000* (Restated)
Gross segment revenue	52,564	39,400	23,168	15,044	8,779	20,113	14,654	173,722
Inter-segment revenue	(109)	(100)	(390)	–	–	(79)	(126)	(804)
Revenue	52,455	39,300	22,778	15,044	8,779	20,034	14,528	172,918
Segment results	6,132	1,288	16,766	6,447	2,799	1,882	6,914	42,228
Other income								362
Other gains/(losses) – net								(1,760)
Finance income								282
Unallocated expenses								(7,133)
Income tax expenses								(10,988)
Profit for the period								22,991
Segment results include:								
Depreciation and amortisation	965	1,246	52	132	–	113	226	2,734

The segment assets and liabilities and the reconciliation with total assets of the Group as at 30 June 2018 and 31 December 2017 are as follows:

Segment assets

	As at	
	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
Retail services	**21,087**	20,026
Catering services	**16,363**	15,504
Property management services	**9,029**	10,993
Off-campus training services	**4,339**	4,239
Renovation and fitting-out services	**17,588**	11,115
Information technology services	**51,354**	34,577
Others	**9,967**	9,281
Total segment assets	**129,727**	105,735
Deferred income tax assets	**1,133**	1,017
Financial assets at fair value through profit or loss	**27,012**	–
Financial assets at amortised cost	**6,071**	–
Interest receivables from a third party	**152**	152
Term deposits	**42,971**	61,869
Cash and cash equivalents	**208,812**	187,404
Total assets	**415,878**	356,177

Segment liabilities

	As at	
	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
Retail services	**31,289**	27,949
Catering services	**8,252**	10,102
Property management services	**9,316**	10,540
Off-campus training services	**19,103**	16,298
Renovation and fitting-out services	**12,319**	9,384
Information technology services	**32,122**	16,349
Others	**6,084**	6,275
Total segment liabilities	**118,485**	96,897
Deferred income tax liabilities	**1,000**	3,264
Dividend payables	**11,156**	-
Total liabilities	**130,641**	100,161

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

As at 30 June 2018, the balance of certain proceeds from the initial public offering of HK$22.8 million, equivalent to RMB19.3 million (31 December 2017: HK$25.5 million, equivalent to RMB21.3 million) were temporarily deposited in the Group's bank accounts in Hong Kong and will be remitted to the Group's PRC mainland companies for intended use. Except for this, more than 90% of the Group's assets are situated in the PRC mainland. During the six months ended 30 June 2018, more than 90% of the Group's revenue were derived from activities carried out and from customers located in the PRC mainland and no geographical segment analysis is prepared.

Clifford Estates (Panyu) Limited* (廣州市番禺祈福新邨房地產有限公司), a company under significant influence of the spouse of Ms. Man Lai Hung ("**Ms. Man**"), contributes more than 10% of the Group's revenue for the six months ended 30 June 2018 (the six months ended 30 June 2017: 7%).

6 INCOME TAX EXPENSES

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Current tax:		
– PRC mainland corporate income tax	**12,981**	10,632
– Hong Kong profits tax	**39**	33
– PRC mainland withholding income tax	**3,264**	–
Total current tax	**16,284**	10,665
Deferred tax:		
– PRC mainland corporate income tax	**(116)**	(327)
– PRC mainland withholding income tax	**(2,264)**	650
Total deferred tax	**(2,380)**	323
Income tax expenses	**13,904**	10,988

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	
	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Profit before tax	**51,956**	33,979
Tax charge at effective rate applicable to profits in the respective group entities	**12,596**	10,128
Tax effects of:		
– Income not subject to tax	**(58)**	(192)
– Expenses not deductible for tax purposes	**84**	255
– Tax losses for which no deferred income tax asset was recognised	**282**	147
	12,904	10,338
PRC mainland withholding income tax	**1,000**	650
Tax charge	**13,904**	10,988

The weighted average applicable tax rate was 25% for the six months ended 30 June 2018 (six months ended 30 June 2017: 30%). The decrease in weighted average applicable tax rate for the six months ended 30 June 2018 was mainly due to a subsidiary of the Company being awarded the certificate of "High and New Technology Enterprise" and entitled to a preferential PRC mainland income tax rate of 15% for each of the years ending 31 December 2018, 2019 and 2020.

PRC mainland corporate income tax

The income tax provision of the Group in respect of operations in the PRC mainland has been calculated at the applicable tax rate on the estimated assessable profits for the 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. A subsidiary of the Company is subject to a preferential income tax rate of 15% for each of the years ending 31 December 2018, 2019 and 2020 as it is qualified as "High and New Technology Enterprise".

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 2018, 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	
	2018	2017 (Restated)
Profit attributable to equity holders of the Company *(RMB)*	**38,052,000**	21,928,000
Weighted average number of ordinary shares in issue	**1,002,698,619**	1,000,207,182
Basic earnings per share for profit attributable to the shareholders of the Company during the period (expressed in RMB per share)	**0.038**	0.022

(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.

Pre-IPO Share Option Scheme was adopted on 8 November 2016 and became effective on the same day and 6,750,000 share options were exercised during the six months ended 30 June 2018. Diluted earnings per share for the six months ended 30 June 2018 was calculated as below:

	Six months ended 30 June	
	2018	2017 (Restated)
Profit attributable to equity holders of the Company *(RMB)*	**38,052,000**	21,928,000
Weighted average number of ordinary shares in issue	**1,002,698,619**	1,000,207,182
Adjustment for:		
– Pre-IPO share options	**10,733,757**	7,930,926
Weighted average number of ordinary shares for diluted earnings per share	**1,013,432,376**	1,008,138,108
Diluted earnings per share for profit attributable to the shareholders of the Company during the period (expressed in RMB per share)	**0.038**	0.022

8 TRADE AND OTHER RECEIVABLES

	As at 30 June 2018 RMB'000	31 December 2017 RMB'000
Trade receivables *(Note (a))*:		
– Related parties	**39,578**	19,903
– Third parties	**25,192**	22,599
	64,770	42,502
Amounts placed in Residents' Accounts	**5,835**	2,823
Other receivables:		
– Related parties	**4,341**	4,211
– Third parties	**10,767**	7,522
	15,108	11,733
Interest receivables:		
– A third party	**152**	152
Prepayments:		
– Third parties	**2,180**	3,136
	88,045	60,346

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

During the six months ended 30 June 2018 and 2017, the credit period granted to trade customers other than for retention receivables varies from one to three months except for certain customers of retail services, catering services, off-campus training services, property agency services, employment placement services and laundry services, which are mainly on a cash basis.

As at 30 June 2018 and 31 December 2017, the ageing analysis of the trade receivables based on invoice date were as follows:

	As at 30 June 2018 RMB'000	31 December 2017 RMB'000
Up to 1 year	**59,061**	36,456
1 to 2 years	**3,722**	4,488
Over 2 years	**1,987**	1,558
	64,770	42,502

As at 30 June 2018, trade receivables of RMB64,770,000 were fully performing (31 December 2017: RMB42,502,000).

9 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares		Share capital	Share premium	Total
	Shares	*HK$*	*Translated to RMB'000*	*RMB'000*	*RMB'000*
Authorised:					
At 30 June 2017 and 2018	10,000,000,000	100,000,000	87,440		
Issued and fully paid:					
Six months ended 30 June 2018					
As at 1 January 2018	**1,001,950,000**	**10,019,500**	**8,761**	**184,674**	**193,435**
Pre-IPO share option scheme:					
– Proceeds from shares issued	**6,750,000**	**67,500**	**56**	**2,832**	**2,888**
Special dividends declared by the Company *(Note 11)*	**–**	**–**	**–**	**(11,156)**	**(11,156)**
As at 30 June 2018	**1,008,700,000**	**10,087,000**	**8,817**	**176,350**	**185,167**
Six months ended 30 June 2017					
As at 1 January 2017	1,000,000,000	10,000,000	8,744	183,824	192,568
Pre-IPO share option scheme:					
– Proceeds from shares issued	1,500,000	15,000	13	659	672
As at 30 June 2017	1,001,500,000	10,015,000	8,757	184,483	193,240

10 TRADE AND OTHER PAYABLES

	As at **30 June 2018** *RMB'000*	31 December 2017 *RMB'000*
Trade payables *(Note (a))*:		
– Related parties	**7**	14
– Third parties	**45,097**	28,317
	45,104	28,331
Other payables:		
– Related parties	**8,138**	7,856
– Third parties	**12,962**	12,602
	21,100	20,458
Advance from customers:		
– Related parties	**–**	1,332
– Third parties	**–**	15,587
	–	16,919
Accrued payroll	**14,010**	14,899
Dividend payables *(Note 11)*	**11,156**	–
Other taxes payables	**5,303**	2,762
	96,673	83,369

(a) As at 30 June 2018 and 31 December 2017, 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 2018** *RMB'000*	31 December 2017 *RMB'000*
Up to 1 year	**43,443**	25,613
1 to 2 years	**437**	1,869
2 to 3 years	**486**	126
Over 3 years	**738**	723
	45,104	28,331

11 DIVIDEND

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

12 RESTATEMENT DUE TO COMMON CONTROL COMBINATION

Pursuant to the sales and purchase agreement entered into between a subsidiary of the Company and Ms. Man on 16 October 2017, the Group acquired the 100% equity interest in the Easy South Group, which mainly provides information technology-related services. The acquisition was completed on 21 December 2017.

Since the Group and Easy South Group are ultimately controlled by Ms. Man both before and after the above-mentioned acquisition, the acquisition is regarded as a business combination under common control. Accordingly, the Group has applied merger accounting to account for the acquisition of Easy South Group in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combination" issued by the HKICPA.

Assets and liabilities of the Easy South Group as at 1 January 2017 were consolidated by the Group at net book value, the Group's other reserves and retained earnings as at 1 January 2017 were credited by RMB1,500,000 and RMB16,820,000, respectively.

Reconciliation of the results of operations for the six months ended 30 June 2017 previously reported by the Group and the restated amounts presented in the condensed consolidated interim financial information are set out below:

	For the six months ended 30 June 2017			
	The Group (As previously reported) *RMB'000*	Easy South Group *RMB'000*	Adjustments *RMB'000*	The Group *RMB'000* (Restated)
Results of operations				
Revenue	152,890	20,113	(85)	172,918
Operating profit	31,777	1,920	–	33,697
Profit for the period	21,545	1,446	–	22,991
Profit attributable to owners of the Company	20,482	1,446	–	21,928
Basic earnings per share (expressed in RMB per share)	0.020	0.022		0.022
Diluted earnings per share (expressed in RMB per share)	0.020	0.022		0.022

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

1 Property Management Services

The Group provided property management services to 15 residential communities and three pure commercial properties with an aggregate contracted gross floor area ("**GFA**") of approximately 6,870,000 sq.m. as at 30 June 2018. The table below sets forth the total contracted GFA and the number of residential communities and pure commercial properties the Group managed in different regions of Guangdong Province, the PRC mainland as of the dates indicated:

	As at 30 June 2018		As at 31 December 2017	
	Approximate total contracted GFA *('000 sq.m.)*	**Number of communities**	Approximate total contracted GFA *('000 sq.m.)*	Number of communities
Residential communities				
Panyu district	**4,398**	**5**	4,392	5
Huadu district	**1,036**	**7**	983	7
Zhaoqing city	**346**	**1**	346	1
Foshan city	**867**	**2**	867	2
Sub-total	**6,647**	**15**	6,588	15
Pure commercial properties				
Huadu district	**193**	**2**	193	2
Panyu district	**30**	**1**	25	1
Sub-total	**223**	**3**	218	3
Total	**6,870**	**18**	6,806	18

2 Renovation and Fitting-out Services

The Group provide 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 2018. These 15 retail outlets consist of supermarkets, wet markets and convenience stores.

The following table sets out certain key performance indicators of our retail outlets in operation during the six months ended 30 June 2018:

	For the six months ended 30 June	
	2018	2017
Average daily revenue by type of retail outlet (in RMB thousands) *(Note)*		
Supermarket	**188.37**	172.41
Wet market	**29.86**	26.38
Convenience store	**80.77**	89.73

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

4 Catering Services

The Group operated eight catering outlets serving different types of cuisines and providing different dining styles in Guangdong Province covering a total GFA of approximately 1,300 sq.m. as at 30 June 2018.

The Group endeavor to offer an outstanding dining experience, including food, service and dining atmosphere, at our catering outlets which are positioned to provide different dining styles to suit different needs of our customers. As at 30 June 2018, the Group has entered into franchising and catering partnership businesses in Panyu district with three and 15 restaurants respectively. Franchising business includes our well-known brands, namely “The Owls (貓頭鷹餐廳)”, “Big Brother (老大哥)” and “Bababibi Dessert (巴巴閉閉甜品屋)”.

5 Information Technology Services

Engineering services

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

Telecommunication services

The Group established a telecommunication sales outlet in "Clifford Wonderview (祈福繽紛匯)" in August 2017, and entered into contracts with some major telecommunication service providers under which the Group act as agent and promote their products and services. The Group receive commission as revenue for every successful sales.

6 Ancillary Living Services

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

For off-campus training services, the Group had two learning centres within Clifford Estates as at 30 June 2018. Training programmes mainly include tutoring courses, language learning classes and interest classes.

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

PROSPECTS AND FUTURE PLANS

Further expand property management network through engagements in integrated projects

For the six months ended 30 June 2018, the Group has entered into six property management and related integrated services contracts with a total contract sum amounting to approximately RMB60.2 million.

In August 2018, the Group was awarded two property management services contracts by a company owned by the PRC mainland government. The total contract sum for these two contracts is approximately RMB5.3 million and each of these contracts has a term of two years. The Group expect to win more property management and related services contracts in the near future.

The Group plan to continue to further expand our business by managing integrated projects which include apartments, shopping malls and office buildings developed by third parties in the Guangdong Province. The services to be provided by us under these integrated projects will include property management, property agency and marketing consultancy services.

Further expand off-campus training services

For off-campus training services, the Group plan to set up another training center by the end of the second half of 2018 to further expand our business.

Develop online marketing and build online distribution channels

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

FINANCIAL REVIEW

Revenue

Revenue increased from RMB172.9 million for the six months ended 30 June 2017 to RMB186.1 million for the six months ended 30 June 2018, representing an increase of RMB13.2 million or 7.6%. The growth in our revenue was mainly attributable to increase in revenue from our information technology services, renovation and fitting-out services, property management services and retail services, and was offset by decrease in revenue from catering services.

Property management services

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
General property management services	**18,651**	16,906
Resident support services	**7,674**	5,872
Total	**26,325**	22,778

Revenue in the property management services increased by 15.6% to RMB26.3 million for the six months ended 30 June 2018 from RMB22.8 million for the six months ended 30 June 2017. The increase in revenue of our general property management services from RMB16.9 million for the six months ended 30 June 2017 to RMB18.7 million for the six months ended 30 June 2018 was primarily due to the increase in total GFA under our management. The increase in revenue of our resident support services from RMB5.9 million for the six months ended 30 June 2017 to RMB7.7 million for the six months ended 30 June 2018 was due to increase in demand for our household helper services.

Renovation and Fitting-out Services

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Total revenue	**16,358**	8,779

Revenue in the renovation and fitting-out services increased by 86.3%, from RMB8.8 million for the six months ended 30 June 2017 to RMB16.4 million for the six months ended 30 June 2018. Such increase was mainly due to increase in the number of services contracts entered into by the Group.

Retail services

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Revenue by type of retail outlet		
Supermarket	**33,907**	31,032
Wet market	**5,374**	4,748
Convenience stores	**14,539**	16,151
Imported goods specialty store	**97**	524
Total	**53,917**	52,455

Revenue in the retail services increased by 2.8% to RMB53.9 million for the six months ended 30 June 2018 from RMB52.5 million for the six months ended 30 June 2017. The increase was primarily attributable to the increase in revenue of supermarket and wet market, and was offset by the decrease in revenue of convenience stores and imported goods specialty store. The increase in revenue of supermarket from RMB31.0 million for the six months ended 30 June 2017 to RMB33.9 million for the six months ended 30 June 2018 was primarily due to the increase in the number of procurement services contracts entered into by the Group. The increase in revenue of wet market from RMB4.7 million for the six months ended 30 June 2017 to RMB5.4 million for the six months ended 30 June 2018 was primarily due to increase in our rental rate on our stall tenants. The decrease in revenue of convenience stores and imported goods specialty store from RMB16.7 million for the six months ended 30 June 2017 to RMB14.6 million for the six months ended 30 June 2018 was primarily due to decrease in number of stores operated by the Group during the six months ended 30 June 2018 as compared to the six months ended 30 June 2017.

Catering services

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Catering outlet revenue by category		
Chinese restaurants	**1,254**	14,992
Casual dining restaurants	**7,482**	13,075
East Asian and Western restaurants	**1,874**	9,872
Cafés	**965**	1,361
Franchising	**867**	–
Catering partnership	**1,514**	–
Total	**13,956**	39,300

Revenue in the catering services decreased by 64.5% to RMB14.0 million for the six months ended 30 June 2018 from RMB39.3 million for the six months ended 30 June 2017. Such decrease was primarily due to strategic shifting from self-operating restaurants to franchising and partnership business.

Information technology services

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Information technology services revenue by category		
Engineering	**45,861**	20,034
Telecommunication	**1,107**	–
Total	**46,968**	20,034

Note: Financial information for the six months ended 30 June 2017 is restated due to common control combination.

Revenue in information technology services increased by 134.4% from RMB20.0 million for the six months ended 30 June 2017 to RMB47.0 million for the six months ended 30 June 2018. Such increase was mainly due to increase in revenue of engineering services from RMB20.0 million to RMB45.9 million for the six months ended 30 June 2018, which comprises information technology hardware integration and network installation.

Ancillary Living Services

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Ancillary Living Services revenue by category		
Off-campus training services	**18,366**	15,044
Property agency services	**4,127**	8,609
Employment placement services	**1,171**	988
Laundry services	**4,950**	4,931
Total	**28,614**	29,572

Revenue in the Ancillary Living Services decreased by RMB1.0 million to RMB28.6 million for the six months ended 30 June 2018 from RMB29.6 million for the six months ended 30 June 2017. Such decrease was primarily due to the decrease in revenue of property agency services. The decrease in revenue of our property agency services from RMB8.6 million for the six months ended 30 June 2017 to RMB4.1 million for the six months ended 30 June 2018 was mainly brought by the decrease in commission from sales of properties. This was mainly offset by the increase in revenue of off-campus training services from RMB15.0 million for the six months ended 30 June 2017 to RMB18.4 million for the six months ended 30 June 2018 which was mainly due to increase in class enrolment.

Cost of Sales

Cost of sales comprises mainly the construction cost for our information technology services segment, the cost of goods sold for our retail services segment, the employee benefit expenses for each of business segments and the cost of raw materials and consumables for catering services segment as shown below:

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Property management services	**7,063**	6,090
Renovation and fitting-out services	**9,909**	5,979
Retail services	**28,714**	30,175
Catering services	**10,250**	30,833
Information technology services	**32,319**	15,969
Ancillary Living Services	**12,800**	11,796
Laundry services	**3,457**	3,429
Off-campus training services	**7,550**	6,042
Property agency services	**1,574**	2,188
Employment placement services	**219**	137
Total	**101,055**	100,842

Note: Financial information for the six months ended 30 June 2017 is restated due to common control combination.

Cost of sales increased slightly from RMB100.8 million for the six months ended 30 June 2017 to RMB101.1 million for the six months ended 30 June 2018, representing an increase of RMB0.3 million or 0.3%. The growth in our cost of sales was mainly contributed by property management services, renovation and fitting-out services, information technology services and off-campus training services in our Ancillary Living Services by RMB1.0 million, RMB3.9 million, RMB16.4 million and RMB1.5 million respectively. Such increase was partially offset by decrease in cost of sales in our retail services, catering services and property agency services in our Ancillary Living Services by RMB1.5 million, RMB20.6 million and RMB0.6 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			
	2018		2017	
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*
			(Restated)	(Restated)
Property management services	**19,262**	**73%**	16,688	73%
Renovation and fitting-out services	**6,449**	**39%**	2,800	32%
Retail services	**25,203**	**47%**	22,280	42%
Catering services	**3,706**	**27%**	8,467	22%
Information technology services	**14,649**	**31%**	4,065	20%
Ancillary Living Services	**15,814**	**55%**	17,776	60%
Laundry services	**1,493**	**30%**	1,502	30%
Off-campus training services	**10,816**	**59%**	9,002	60%
Property agency services	**2,553**	**62%**	6,421	75%
Employment placement services	**952**	**81%**	851	86%
Overall	**85,083**	**46%**	72,076	42%

Note: Financial information for the six months ended 30 June 2017 is restated due to common control combination.

Gross profit increased from RMB72.1 million for the six months ended 30 June 2017 to RMB85.1 million for the six months ended 30 June 2018, representing an increase of RMB13.0 million or 18.0%. Meanwhile, our gross profit margin increased from 42% for the six months ended 30 June 2017 to 46% for the six months ended 30 June 2018. The increase in gross profit was mainly contributed by our property management services, renovation and fitting-out services, retail services and information technology services segments. The increase in gross profit margin was mainly attributable to increase in revenue of our property management services, renovation and fitting-out services, retail services and information technology services. In addition, the increase in gross profit margin of our renovation and fitting-out services segment and information technology services segment from 32% and 20% respectively for the six months ended 30 June 2017 to 39% and 31% respectively for the six months ended 30 June 2018 was mainly attributable to increase in number of large-scale projects which have higher profit margin.

Selling and Marketing Expenses

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

Selling and marketing expenses increased from RMB13.4 million for the six months ended 30 June 2017 to RMB14.0 million for the six months ended 30 June 2018, representing an increase of 4.6%, which was primarily due to increase in employee benefit expenses. A substantial portion of selling and marketing expenses was related to the retail services segment. Other expenses increased from RMB0.7 million for the six months ended 30 June 2017 to RMB1.2 million for the six months ended 30 June 2018 mainly due to decrease in purchase of consumables for the six months ended 30 June 2018.

Administrative Expenses

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

Administrative expenses decreased from RMB23.6 million for the six months ended 30 June 2017 to RMB21.1 million for the six months ended 30 June 2018, representing a decrease of 10.6%. This was primarily due to decrease in employee benefit expenses caused by decrease in headcount. Other expenses decreased from RMB0.7 million for the six months ended 30 June 2017 to RMB0.2 million for the six months ended 30 June 2018 mainly due to the incurrence of cost for setting up new outlets in the first half of 2017.

Other Gains or Losses – Net

The Group incurred other losses of RMB1.8 million for the six months ended 30 June 2017 and other gain of RMB1.0 million for the six months ended 30 June 2018. The change was primarily caused by the fluctuation in exchange rate of Renminbi against Hong Kong dollars.

Other Income

Other income increased from RMB0.4 million for the six months ended 30 June 2017 to RMB0.5 million for the six months ended 30 June 2018, representing an increase of RMB0.1 million or 43.6%. The increase was attributable to increase in interest income.

Finance Income

Finance income was RMB0.4 million for the six months ended 30 June 2018.

Income Tax Expenses

The weighted average applicable tax rate was 30% and 25% for the six months ended 30 June 2017 and 2018 respectively. A relatively lower weighted average applicable tax rate for the six months ended 30 June 2018 was mainly due to a subsidiary of the Company being awarded the certificate of "High and New Technology Enterprise" and entitled to a preferential PRC mainland income tax rate of 15% for each of the years ending 31 December 2018, 2019 and 2020.

Net Profit for the Period

For the six months ended 30 June 2018, as a result of the foregoing, the Group's net profit was RMB38.1 million and its net profit margin was 20%.

Property, Plant and Equipment

Property, plant and equipment mainly consist of machinery, vehicles, office equipment, and leasehold improvements. As at 31 December 2017 and 30 June 2018, the net book values of our Group's property, plant and equipment were RMB18.6 million and RMB18.7 million respectively.

Inventories

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

Inventories decreased from RMB13.9 million as at 31 December 2017 to RMB10.9 million as at 30 June 2018, primarily due to the stocking of inventory in late 2017 prior to the Spring Festival in 2018.

During the six months ended 30 June 2018, the Group did not recognise any provision or write-down for our inventories.

Trade and Other Receivables

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

Trade receivables are mainly related to our receivables from outstanding property management fee, information technology services and renovation and fitting-out services.

Trade receivables increased by 52.4% from RMB42.5 million as at 31 December 2017 to RMB64.8 million as at 30 June 2018 as a result of increase in renovation and fitting-out services and information technology services.

Other receivables

Other receivables are mainly rental deposits, deposits paid to our suppliers and fixed return and capital preservation wealth management product.

Other receivables increased by 28.8% from RMB11.7 million as at 31 December 2017 to RMB15.1 million as at 30 June 2018 due to increase in number of franchising and catering partnership businesses.

Amounts placed in Residents' Accounts

Certain property management companies of the Group which are engaged in the provision of property management services for residential communities on commission basis, have opened and maintained the Residents' Accounts to collect the property management fee and resident support services fee from the residents. The property management companies are also responsible for the treasury function of the Residents' Accounts on behalf of the residents pursuant to the property management contracts. As at 30 June 2018, amounts placed in the Residents' Accounts of RMB5.8 million represented the balances of the property management commission fee and resident support service fee entitled by the property management companies (31 December 2017: RMB2.8 million).

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 suppliers for procurement of raw materials for our renovation and fitting-out services segment, catering services segment and information technology services segment, and products for provision of our retail services segment, and fees due to sub-contractors for provision of our resident support services and information technology services. The Group generally enjoy credit terms of approximately 45 days from the suppliers.

Trade payables increased by 59.2% from RMB28.3 million as at 31 December 2017 to RMB45.1 million as at 30 June 2018 as a result of increase in procurement of raw materials for our renovation and fitting-out services segment and information technology services segment.

Other payables

Other payables primarily comprise amounts due to third parties amounting to RMB12.6 million and RMB13.0 million as at 31 December 2017 and 30 June 2018 respectively, which mainly included deposits received from stall tenants in retail business. The increase was mainly due to increase in rental rate and related deposit.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2018 (for the six months ended 30 June 2017: Nil).

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2018, our material sources of liquidity were cash and cash equivalents of RMB208.8 million.

During the six months ended 30 June 2018, our Group has not obtained any loans or borrowings.

PLEDGE OF ASSETS

The Group had no pledged assets as at 30 June 2018 (31 December 2017: Nil).

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2018.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2018, excluding labour costs borne by the properties that the Group manage on commission basis, the Group had approximately 767 employees (30 June 2017: approximately 1,011 employees). Such decrease was primarily due to strategic shifting from self-operating restaurants to franchising and partnership business for our catering services with an aim to increasing our profitability. 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

The Group had no material acquisition or disposal of subsidiaries or associated companies during the six months ended 30 June 2018. The Group had no significant investments held during the six months ended 30 June 2018.

USE OF NET PROCEEDS FROM INITIAL PUBLIC OFFERING

Based on the offer price of HK$0.46 per share and 250,000,000 shares offered by the Company, the Company raised net proceeds of approximately RMB54.7 million (after deducting underwriting fee and commissions and other relevant expenses, equivalent to approximately RMB46.4 million). The proceeds are intended to be applied in the manner consistent with that set out in the section headed "Future Plans and Use of Proceeds" of the prospectus of the Company dated 27 October 2016. Up to 30 June 2018, approximately RMB27.1 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 2018 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 2018.

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 2018, the Company has complied with all the code provisions as set out in the CG Code.

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 2018.

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 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 2018 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 2018 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 2018 interim report of the Company for the six months ended 30 June 2018 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and made available on the same websites in due course.

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

Hong Kong, 21 August 2018

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

* *For identification purposes only*