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祈福生活服務
CLIFFORD MODERN LIVING

CLIFFORD MODERN LIVING HOLDINGS LIMITED

祈福生活服務控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3686)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

FINANCIAL HIGHLIGHTS

| | For the six months ended | | Percentage change |
|--|---------------------------------|----------------|------------------------------|
| | 30 June 2021 | 2020 | |
| | RMB'000 | RMB'000 | |
| Revenue | 212,003 | 174,693 | 21.4% |
| Gross profit | 87,022 | 72,073 | 20.7% |
| Profit before income tax | 55,467 | 47,470 | 16.8% |
| Profit for the period | 40,500 | 35,960 | 12.6% |
| Gross profit margin (%) | 41.0% | 41.3% | -0.7% |
| Net profit margin (%) | 19.1% | 20.6% | -7.3% |
| Earnings per share for profit attributable to the owners of the Company during the period (expressed in RMB per share): | | | |
| – Basic and diluted | 0.040 | 0.035 | 14.3% |

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 2021 (the “**Reporting Period**”). The Interim Results have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

| | Notes | Six months ended 30 June | |
|---|-------|--------------------------|----------------------|
| | | 2021 | 2020 |
| | | RMB'000 | RMB'000 |
| | | (Unaudited) | (Unaudited) |
| Revenue | 5 | 212,003 | 174,693 |
| Cost of sales | | <u>(124,981)</u> | <u>(102,620)</u> |
| Gross profit | | 87,022 | 72,073 |
| Other (losses)/gains and other income, net | | (3,869) | 5,743 |
| Selling and marketing expenses | | (12,273) | (13,344) |
| Administrative expenses | | (13,583) | (15,596) |
| Expected credit losses on trade and other receivables | | (760) | (406) |
| Finance costs | | <u>(1,070)</u> | <u>(1,000)</u> |
| Profit before income tax | | 55,467 | 47,470 |
| Income tax expense | 6 | <u>(14,967)</u> | <u>(11,510)</u> |
| Profit and total comprehensive income for the period | | <u>40,500</u> | <u>35,960</u> |
| Profit and total comprehensive income for the period attributable to owners of the Company | | <u>40,500</u> | <u>35,960</u> |
| Earnings per share for profit attributable to the owners of the Company during the period (expressed in RMB per share): | | | |
| – Basic and diluted | 7 | <u>0.040</u> | <u>0.035</u> |

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

| | | As at | |
|---|-------|----------------|----------------|
| | | 30 June | 31 December |
| | | 2021 | 2020 |
| | Notes | RMB'000 | RMB'000 |
| | | (Unaudited) | (Audited) |
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 15,768 | 17,236 |
| Investment properties | | 4,579 | 7,306 |
| Intangible assets | | 1,704 | 1,917 |
| Right-of-use assets | | 50,214 | 32,199 |
| Financial assets at fair value through profit or loss | | 4,241 | 4,181 |
| Investment in unallocated silver bullion | 8 | 133,124 | 138,290 |
| Other receivables | 9 | 2,586 | 3,298 |
| Deferred tax assets | | 2,286 | 2,251 |
| | | <u>214,502</u> | <u>206,678</u> |
| Current assets | | | |
| Inventories | | 15,091 | 14,858 |
| Trade and other receivables | 9 | 115,547 | 97,846 |
| Contract assets | | 6,524 | 15,835 |
| Time deposits | | 3,919 | 13,933 |
| Restricted cash | | 620 | 618 |
| Cash and cash equivalents | | 394,930 | 344,401 |
| | | <u>536,631</u> | <u>487,491</u> |

| | | As at | |
|---|-------|-------------------------------|-----------------------------|
| | | 30 June 2021 | 31 December 2020 |
| | Notes | RMB'000 (Unaudited) | RMB'000 (Audited) |
| Current liabilities | | | |
| Trade and other payables | 10 | 121,228 | 100,434 |
| Contract liabilities | | 35,726 | 30,860 |
| Lease liabilities | | 12,935 | 9,213 |
| Tax payables | | <u>9,577</u> | <u>11,690</u> |
| | | <u>179,466</u> | <u>152,197</u> |
| Net current assets | | <u>357,165</u> | <u>335,294</u> |
| Total assets less current liabilities | | <u>571,667</u> | <u>541,972</u> |
| Non-current liabilities | | | |
| Lease liabilities | | 46,727 | 34,919 |
| Deferred tax liabilities | | <u>2,957</u> | <u>3,059</u> |
| | | <u>49,684</u> | <u>37,978</u> |
| Net assets | | <u>521,983</u> | <u>503,994</u> |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | 11 | 8,876 | 8,872 |
| Share premium | 11 | 179,347 | 179,136 |
| Other reserves | | (99,377) | (99,514) |
| Retained earnings | | <u>433,137</u> | <u>415,500</u> |
| Total equity | | <u><u>521,983</u></u> | <u><u>503,994</u></u> |

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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

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

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

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

Certain comparative figures have been reclassified to conform with the current period’s presentation.

These condensed consolidated financial statements have not been audited.

2. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (the “HKAS”) 34 “Interim Financial Reporting” issued by Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange (the “Listing Rules”).

These condensed consolidated financial statements have been prepared under the historical cost convention except for the investment in unallocated silver bullion and certain financial instruments which have been measured at fair value.

These condensed consolidated financial statements do not include all the notes of the type normally included in an annual consolidated financial statements. Accordingly, this information is to be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRSs”), and any public announcement made by the Company during the current interim reporting period.

3. PRINCIPAL ACCOUNTING POLICIES

Except for the adoption of amended HKFRSs as set out below, the accounting policies and methods of computation adopted in the preparation of these condensed consolidated financial statements are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020.

(a) Amendments to HKFRSs adopted by the Group

In the current interim reporting period, the Group has applied the following amendments to HKFRSs, for the first time, which are mandatory effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group’s condensed consolidated financial statements:

| | |
|---|--|
| Amendments to HKFRS 16 | COVID-19-Related Rent Concessions |
| Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9, HKFRS 16 | Interest Rate Benchmark Reform – Phase 2 |

The adoption of these amendments to HKFRSs in the current period has had no material effect on the Group’s financial position and performance for the current and prior accounting periods and/or on disclosures set out in these condensed consolidated financial statements.

(b) New and revised HKFRSs not yet effective for the financial period beginning on 1 January 2021 and not early adopted by the Group

Up to the date of issuance of this announcement, the Group has not early adopted any of the following new and revised HKFRSs, which have been issued but are not yet effective, in these condensed consolidated financial statements:

| | | Effective for annual reporting periods beginning on or after |
|---|---|---|
| Amendment to HKFRS 16 | COVID-19-Related Rent Concessions Beyond 30 June 2021 | 1 April 2021 |
| Amendment to AG 5 | Accounting Guideline 5 Merger Accounting for Common Control Combinations (Revised) | 1 January 2022 |
| Amendments to HKFRS 3 | Reference to the Conceptual Framework | 1 January 2022 |
| Amendments to HKAS 16 | Property, Plant and Equipment – Proceeds before Intended Use | 1 January 2022 |
| Amendments to HKAS 37 | Onerous Contracts – Cost of Fulfilling a Contract | 1 January 2022 |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2018–2020 | 1 January 2022 |
| Annual Improvements to HKFRSs 2018–2020 | Amendments to HKFRS 1, HKFRS 9, and Illustrative Examples accompanying HKFRS 16 and HKAS 41 | 1 January 2022 |
| HKFRS 17 | Insurance Contracts and the related Amendments | 1 January 2023 |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) | 1 January 2023 |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies | 1 January 2023 |
| Amendments to HKAS 8 | Definition of Accounting Estimates | 1 January 2023 |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction | 1 January 2023 |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | To be determined |

The directors of the Company are in the progress of assessing the impact to the Group's financial performance and position by adopting the new and revised HKFRSs.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements for the year ended 31 December 2020.

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, information technology services, property management services, off-campus training services, property agency services, renovation and fitting-out services, catering services and other services for the purpose of resource allocation and performance assessment. These divisions are the basis on which the Group reports its segment information under HKFRS 8 "Operating Segments".

The executive directors of the Company assess the performance of the operating segments based on a measure of segment revenue and results and segment assets and liabilities. Segment results excluded other (losses)/gains and other income, net, finance costs, central administration costs, income tax expense, and segment assets excluded financial assets at fair value through profit or loss, investment in unallocated silver bullion, time deposits, restricted cash, cash and cash equivalents and deferred tax assets and segment liabilities excluded dividend payable and deferred tax liabilities as these activities are centrally driven by the Group. Catering services segment has been reclassified from others to conform with the current period's presentation.

Segment revenue and results

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

For the six months ended 30 June 2021 (unaudited)

| | Retail services <i>RMB'000</i> | Information technology services <i>RMB'000</i> | Property management services <i>RMB'000</i> | Off-campus training services <i>RMB'000</i> | Property agency services <i>RMB'000</i> | Renovation and fitting-out services <i>RMB'000</i> | Catering services <i>RMB'000</i> | Others <i>RMB'000</i> | Total <i>RMB'000</i> |
|---|-----------------------------------|---|--|--|--|---|-------------------------------------|--------------------------|-------------------------|
| Gross segment revenue | 70,768 | 31,936 | 41,241 | 22,413 | 12,795 | 507 | 25,048 | 9,607 | 214,315 |
| Inter-segment revenue | (123) | (443) | (826) | (44) | - | - | (731) | (145) | (2,312) |
| Revenue | <u>70,645</u> | <u>31,493</u> | <u>40,415</u> | <u>22,369</u> | <u>12,795</u> | <u>507</u> | <u>24,317</u> | <u>9,462</u> | <u>212,003</u> |
| Timing of revenue recognition | | | | | | | | | |
| At a point in time | 60,988 | 4,009 | - | - | 12,670 | - | 22,336 | 4,525 | 104,528 |
| Over time | <u>9,657</u> | <u>27,484</u> | <u>40,415</u> | <u>22,369</u> | <u>125</u> | <u>507</u> | <u>1,981</u> | <u>4,937</u> | <u>107,475</u> |
| | <u>70,645</u> | <u>31,493</u> | <u>40,415</u> | <u>22,369</u> | <u>12,795</u> | <u>507</u> | <u>24,317</u> | <u>9,462</u> | <u>212,003</u> |
| Segment results | <u>10,362</u> | <u>6,575</u> | <u>26,790</u> | <u>9,230</u> | <u>2,197</u> | <u>(231)</u> | <u>7,352</u> | <u>1,744</u> | <u>64,019</u> |
| Other losses and other income, net | | | | | | | | | (3,869) |
| Finance costs | | | | | | | | | (1,070) |
| Unallocated expenses | | | | | | | | | (3,613) |
| Income tax expense | | | | | | | | | <u>(14,967)</u> |
| Profit for the period | | | | | | | | | <u><u>40,500</u></u> |
| Segment results include: | | | | | | | | | |
| Depreciation and amortisation | (4,443) | (585) | (1,101) | (1,468) | (137) | (33) | (578) | (502) | (8,847) |
| Written-off of property, plant and equipment | (184) | - | - | (54) | - | - | - | - | (238) |
| Provision for expected credit losses on trade and other receivables | <u>-</u> | <u>-</u> | <u>(105)</u> | <u>-</u> | <u>-</u> | <u>(580)</u> | <u>(71)</u> | <u>(4)</u> | <u>(760)</u> |

For the six months ended 30 June 2020 (unaudited)

| | Retail services <i>RMB'000</i> | Information technology services <i>RMB'000</i> | Property management services <i>RMB'000</i> | Off-campus training services <i>RMB'000</i> | Property agency services <i>RMB'000</i> | Renovation and fitting-out services <i>RMB'000</i> | Catering Services <i>RMB'000</i> | Others <i>RMB'000</i> | Total <i>RMB'000</i> |
|---|--------------------------------------|---|--|--|--|--|--|--------------------------|-------------------------|
| Gross segment revenue | 74,571 | 31,994 | 37,713 | 6,546 | 7,598 | 7,347 | 1,795 | 7,559 | 175,123 |
| Inter-segment revenue | (82) | - | (348) | - | - | - | - | - | (430) |
| Revenue | <u>74,489</u> | <u>31,994</u> | <u>37,365</u> | <u>6,546</u> | <u>7,598</u> | <u>7,347</u> | <u>1,795</u> | <u>7,559</u> | <u>174,693</u> |
| Timing of revenue recognition | | | | | | | | | |
| At a point in time | 66,853 | 717 | - | - | 7,439 | - | - | 4,300 | 79,309 |
| Over time | <u>7,636</u> | <u>31,277</u> | <u>37,365</u> | <u>6,546</u> | <u>159</u> | <u>7,347</u> | <u>1,795</u> | <u>3,259</u> | <u>95,384</u> |
| | <u>74,489</u> | <u>31,994</u> | <u>37,365</u> | <u>6,546</u> | <u>7,598</u> | <u>7,347</u> | <u>1,795</u> | <u>7,559</u> | <u>174,693</u> |
| Segment results | <u>15,522</u> | <u>5,208</u> | <u>21,427</u> | <u>(1,176)</u> | <u>1,180</u> | <u>2,967</u> | <u>1,583</u> | <u>1,018</u> | <u>47,729</u> |
| Other gains and other income, net | | | | | | | | | 5,743 |
| Finance costs | | | | | | | | | (1,000) |
| Unallocated expenses | | | | | | | | | (5,002) |
| Income tax expense | | | | | | | | | <u>(11,510)</u> |
| Profit for the period | | | | | | | | | <u><u>35,960</u></u> |
| Segment results include: | | | | | | | | | |
| Depreciation and amortisation | (4,880) | (677) | (817) | (1,774) | (135) | (25) | - | (591) | (8,899) |
| Loss on disposal of property, plant and equipment | (6) | - | - | - | - | - | - | - | (6) |
| (Provision for)/reversal of expected credit losses on trade and other receivables | (13) | (150) | (287) | - | - | (219) | - | 263 | (406) |
| Written-off of trade receivables | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(12)</u> | <u>(122)</u> | <u>(134)</u> |

The segment assets and liabilities and the reconciliation with total assets and liabilities of the Group as at 30 June 2021 and 31 December 2020 are as follows:

Segment assets

| | As at | |
|---|-----------------------|-----------------------|
| | 30 June | 31 December |
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Audited) |
| Retail services | 70,870 | 60,418 |
| Information technology services | 101,300 | 85,882 |
| Property management services | 2,583 | 7,975 |
| Off-campus training services | 15,197 | 18,660 |
| Property agency services | 1,789 | 4,207 |
| Renovation and fitting-out services | 1,486 | 4,511 |
| Catering services | 11,258 | 1,643 |
| Others | 7,530 | 7,199 |
| | <hr/> | <hr/> |
| Total segment assets | 212,013 | 190,495 |
| Financial assets at fair value through profit or loss | 4,241 | 4,181 |
| Investment in unallocated silver bullion | 133,124 | 138,290 |
| Time deposits | 3,919 | 13,933 |
| Restricted cash | 620 | 618 |
| Cash and cash equivalents | 394,930 | 344,401 |
| Deferred tax assets | 2,286 | 2,251 |
| | <hr/> | <hr/> |
| Total assets | <u>751,133</u> | <u>694,169</u> |

Segment liabilities

| | As at | |
|-------------------------------------|--|--|
| | 30 June 2021 <i>RMB'000</i> (Unaudited) | 31 December 2020 <i>RMB'000</i> (Audited) |
| Retail services | 80,059 | 66,663 |
| Information technology services | 46,594 | 51,478 |
| Property management services | 9,707 | 15,056 |
| Off-campus training services | 32,712 | 28,225 |
| Property agency services | 3,491 | 2,348 |
| Renovation and fitting-out services | 12,313 | 12,657 |
| Catering services | 12,361 | 5,693 |
| Others | 6,272 | 4,996 |
| Total segment liabilities | 203,509 | 187,116 |
| Dividend payable | 22,684 | – |
| Deferred tax liabilities | 2,957 | 3,059 |
| Total liabilities | 229,150 | 190,175 |

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

As at 30 June 2021, more than 90% (31 December 2020: more than 90%) of the Group's non-current assets other than financial assets, investment in unallocated silver bullion and deferred tax assets, are situated in the PRC Mainland.

During the six months ended 30 June 2021, more than 90% (the six months ended 30 June 2020: 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, contributes more than 11% (the six months ended 30 June 2020: 13%) of the Group's revenue on the segments of retail services, information technology services, property management services, property agency services and off-campus training services (the six months ended 30 June 2020: retail services, information technology services, property management services and off-campus training services) for the six months ended 30 June 2021.

6. INCOME TAX EXPENSE

| | Six months ended 30 June | |
|---------------------------------------|---------------------------------|---------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Current tax: | | |
| – PRC Mainland corporate income tax | 15,104 | 10,806 |
| – PRC Mainland withholding income tax | <u>–</u> | <u>1,338</u> |
| Total current tax | <u>15,104</u> | <u>12,144</u> |
| Deferred tax: | | |
| – PRC Mainland corporate income tax | (137) | (274) |
| – PRC Mainland withholding income tax | <u>–</u> | <u>(360)</u> |
| Total deferred tax | <u>(137)</u> | <u>(634)</u> |
| Income tax expense | <u>14,967</u> | <u>11,510</u> |

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

The general corporate income tax rate applicable to the Group entities located in the PRC Mainland (“**PRC Mainland entities**”) is 25% according to the Corporate Income Tax Law of the PRC Mainland effective on 1 January 2008. During the year ended 31 December 2017, a subsidiary of the Company obtained the Certificate of “High and New Technology Enterprise” (the “**Certificate**”) with valid period from 2017 to 2019 which was extended to 2022 in December 2020. According to the Corporate Income Tax Law of the PRC Mainland, corporations which obtain the Certificate are entitled to enjoy a preferential corporate income rate of 15% (the six months ended 30 June 2020: the corporate income tax rate was resumed to 25% since the Certificate expired on 1 January 2020).

During the six months ended 30 June 2021 and 30 June 2020, some of the subsidiaries of the Group are qualified as the qualifying small enterprises according to the relevant tax law and regulation. When their assessable profit falls under RMB1,000,000 they will be qualified for a reduced 5% effective tax rate, whereas those assessable profit falls under RMB3,000,000 but above RMB1,000,000, they will be qualified for a reduced 10% effective tax rate, under the tax reduction measures introduced by the State Council, from 1 January 2018 to 31 December 2020 which was extended to 31 December 2022 in April 2021.

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 arrangement between the PRC Mainland and Hong Kong.

During the six months ended 30 June 2021, a provision of deferred tax for the distribution of earnings of the certain profitable PRC Mainland subsidiaries to other overseas group entities has been made at withholding income tax rate of 5% (the six months ended 30 June 2020: 5%).

Hong Kong Profits Tax

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

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the condensed consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% (the six months ended 30 June 2020: 16.5%) of the estimated assessable profit for the period.

No provision for Hong Kong Profit Tax has been provided as the Group had no assessable profits for the six months ended 30 June 2021 and 30 June 2020.

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 the owners of the Company by the weighted average number of ordinary shares in issue during the period.

| | Six months ended 30 June | |
|--|--------------------------|----------------------|
| | 2021 (Unaudited) | 2020 (Unaudited) |
| Profit attributable to the owners of the Company (RMB) | <u>40,500,000</u> | <u>35,960,000</u> |
| Weighted average number of ordinary shares in issue | <u>1,015,297,075</u> | <u>1,015,200,000</u> |
| Basic earnings per share for profit attributable to the owners of the Company during the period (expressed in RMB per share) | <u>0.040</u> | <u>0.035</u> |

(b) Diluted

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

The employees' share option scheme was adopted on 8 November 2016 and became effective on the same day. Diluted earnings per share for the six months ended 30 June 2021 was calculated as below:

| | Six months ended 30 June | |
|--|---------------------------------|----------------------|
| | 2021 | 2020 |
| | (Unaudited) | (Unaudited) |
| Profit attributable to the owners of the Company (<i>RMB</i>) | <u>40,500,000</u> | <u>35,960,000</u> |
| Weighted average number of ordinary shares in issue | 1,015,297,075 | 1,015,200,000 |
| Adjustment for: | | |
| – Employees' share options | <u>1,641,557</u> | <u>1,547,399</u> |
| Weighted average number of ordinary shares for diluted earnings per share | <u>1,016,938,632</u> | <u>1,016,747,399</u> |
| Diluted earnings per share for profit attributable to the owners of the Company during the period (expressed in RMB per share) | <u>0.040</u> | <u>0.035</u> |

8. INVESTMENT IN UNALLOCATED SILVER BULLION

During the year ended 31 December 2020, the Group invested in a total of 800,000 ounces of unallocated silver bullion through a licensed bank at a total consideration of approximately RMB102,489,000. Such investment is held for long-term capital appreciation, and the management of the Company has decided to use the fair value model, with the changes in fair value to be recognised in the profit or loss in the period of changes.

As at 30 June 2021, the Group held in a total of 800,000 (31 December 2020: 800,000) ounces of unallocated silver bullion with fair value approximately RMB133,124,000 (31 December 2020: RMB138,290,000). During the six months ended 30 June 2021, the fair value loss on unallocated silver bullion of approximately RMB5,166,000 (the six months ended 30 June 2020: fair value gain of approximately RMB384,000) is recognised in other (losses)/gains and other income, net.

The fair value of the investment in unallocated silver bullion is measured with reference to their bid price in London Precious Metals Markets, which is the exit price, at the end of each reporting period.

The Group can unconditionally, at its sole discretion, convert the investment into allocated silver bullion or realise the investment into cash at the London silver spot price by giving not less than 2 business days' prior written notice.

9. TRADE AND OTHER RECEIVABLES

| | As at | |
|---|--|--|
| | 30 June 2021 <i>RMB'000</i> (Unaudited) | 31 December 2020 <i>RMB'000</i> (Audited) |
| Trade receivables (<i>Note (a)</i>): | | |
| – Related parties | 50,963 | 36,042 |
| – Third parties | <u>44,976</u> | <u>44,525</u> |
| Total trade receivables | 95,939 | 80,567 |
| Less: allowance for expected credit losses of trade receivables | <u>(1,992)</u> | <u>(1,918)</u> |
| | <u>93,947</u> | <u>78,649</u> |
| Amounts placed in Residents' Accounts (<i>Note (b)</i>) | <u>5,316</u> | <u>5,142</u> |
| Other receivables: | | |
| – Related parties | 4,444 | 3,220 |
| – Third parties (<i>Note (c)</i>) | <u>4,924</u> | <u>7,443</u> |
| Total other receivables | <u>9,368</u> | <u>10,663</u> |
| Less: allowance for expected credit losses of other receivables | <u>(686)</u> | <u>–</u> |
| | <u>8,682</u> | <u>10,663</u> |
| Prepayments: | | |
| – Third parties | <u>10,188</u> | <u>6,690</u> |
| Total trade and other receivables | <u>118,133</u> | <u>101,144</u> |
| Analysed into: | | |
| Non-current | 2,586 | 3,298 |
| Current | <u>115,547</u> | <u>97,846</u> |
| | <u>118,133</u> | <u>101,144</u> |

Notes:

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

During the six months ended 30 June 2021, the credit period granted to trade customers of information technology services and renovation and fitting-out services varies from one month to one year (the six months ended 30 June 2020: one month to one year); the trading of retail services, catering services, off-campus training services, property agency services, employment placement services and laundry services are mainly carried out on a cash basis (the six months ended 30 June 2020: cash basis).

As at 30 June 2021 and 31 December 2020, the ageing analysis of the trade receivables, net of expected credit losses based on invoice date, were as follows:

| | As at | |
|------------------|---|---|
| | 30 June 2021 RMB'000 (Unaudited) | 31 December 2020 RMB'000 (Audited) |
| Less than 1 year | 93,523 | 75,265 |
| 1 to 2 year(s) | 5 | 550 |
| Over 2 years | 419 | 2,834 |
| | <u>93,947</u> | <u>78,649</u> |

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

As at 30 June 2021, the residents’ funds amounted to approximately RMB101,453,000 (31 December 2020: RMB107,350,000) which are not included in the Group’s condensed consolidated financial statements.

As at 30 June 2021, amounts included in Residents’ Accounts of approximately RMB5,316,000 (31 December 2020: RMB5,142,000) represented the balances of the property management commission fee and resident support service fee entitled by the property management companies. As at 30 June 2021, amounts placed in Resident’s Accounts carry interest at prevailing rates from 0.30% to 2.00% per annum (31 December 2020: 0.30% to 2.00% per annum). The fair value of these balances approximates their carrying amounts.

- (c) Included in the other receivables balance are the finance lease receivables with aggregate carrying amount of approximately RMB3,972,000 (31 December 2020: RMB4,596,000). Certain leased properties under subleases were classified as finance leases as the terms of the sub-lease transfer substantially all the risks and rewards incidental to ownership of head lease to the lessee. Amounts due from lessees under finance leases are recognised as finance lease receivables which included in the non-current and current other receivables amounting to approximately RMB2,586,000 and RMB1,386,000 (31 December 2020: RMB3,298,000 and RMB1,298,000), respectively and have remaining lease terms ranging from 2 to 5 years (31 December 2020: 2 to 5 years) as at 30 June 2021.

The maximum exposure to credit risk at the reporting dates is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 30 June 2021, a provision of approximately RMB2,678,000 (31 December 2020: RMB1,918,000) was made against the gross amounts of trade and other receivables.

10. TRADE AND OTHER PAYABLES

| | As at | |
|-------------------------------------|--|--|
| | 30 June 2021 <i>RMB'000</i> (Unaudited) | 31 December 2020 <i>RMB'000</i> (Audited) |
| Trade payables (<i>Note</i>): | | |
| – Related parties | 99 | 829 |
| – Third parties | <u>56,940</u> | <u>61,318</u> |
| | <u>57,039</u> | <u>62,147</u> |
| Other payables: | | |
| – Related parties | 3,658 | 3,646 |
| – Third parties | <u>26,356</u> | <u>21,674</u> |
| | <u>30,014</u> | <u>25,320</u> |
| Accrued payroll | 8,511 | 9,516 |
| Dividend payable (<i>Note 12</i>) | 22,684 | – |
| Other tax payables | <u>2,980</u> | <u>3,451</u> |
| | <u><u>121,228</u></u> | <u><u>100,434</u></u> |

Note: As at 30 June 2021 and 31 December 2020, 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 2021 RMB'000 (Unaudited) | 31 December 2020 RMB'000 (Audited) |
| Less than 1 year | 53,194 | 56,383 |
| 1 to 2 year(s) | 3,164 | 4,991 |
| 2 to 3 years | 290 | 45 |
| Over 3 years | 391 | 728 |
| | <u>57,039</u> | <u>62,147</u> |

11. SHARE CAPITAL AND SHARE PREMIUM

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

| | Number of ordinary shares | Share capital | | Share premium | Total |
|---|------------------------------|---------------------------|----------------------------------|-----------------------|-----------------------|
| | | <i>HK\$</i> | <i>Translated to RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Authorised: | | | | | |
| At 31 December 2020 and 30 June 2021 | <u>10,000,000,000</u> | <u>100,000,000</u> | <u>87,440</u> | | |
| Issued and fully paid: | | | | | |
| As at 1 January 2021 | 1,015,250,000 | 10,152,500 | 8,872 | 179,136 | 188,008 |
| Employees' share option scheme | <u>500,000</u> | <u>5,000</u> | <u>4</u> | <u>211</u> | <u>215</u> |
| As at 30 June 2021 | <u>1,015,750,000</u> | <u>10,157,500</u> | <u>8,876</u> | <u>179,347</u> | <u>188,223</u> |
| As at 1 January 2020 | 1,015,200,000 | 10,152,000 | 8,872 | 179,118 | 187,990 |
| Employees' share option scheme | <u>50,000</u> | <u>500</u> | <u>-</u> | <u>18</u> | <u>18</u> |
| As at 31 December 2020 | <u>1,015,250,000</u> | <u>10,152,500</u> | <u>8,872</u> | <u>179,136</u> | <u>188,008</u> |

12. DIVIDEND

Pursuant to the approval at the annual general meeting of shareholders of the Company on 25 June 2021, a final dividend of HK2.70 cents per ordinary share for the year ended 31 December 2020 (31 December 2019: HK2.50 cents) was approved and to be distributed out of the Company's retained earnings. The final dividend amounting to approximately HK\$27,412,000 (equivalent to approximately to RMB22,684,000) (30 June 2020: HK\$25,380,000 (equivalent to approximately to RMB23,136,000)) based on the total number of issued shares of the Company of 1,015,250,000 ordinary shares as at 31 December 2020 (31 December 2019: 1,015,200,000 ordinary shares) was recognised as a liability in the condensed consolidated statement of financial position as at 30 June 2021 (Note 10).

No interim dividend for the six months ended 30 June 2021 (the six months ended 30 June 2020: Nil) has been proposed by the Board of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

1 Property Management Services

The Group provided property management services to 16 residential communities and 5 pure commercial properties or projects with an aggregate contracted gross floor area (“GFA”) of approximately 9,745,000 sq.m. as at 30 June 2021. The table below sets forth the total contracted GFA and the number of residential communities and pure commercial properties or projects the Group managed in different regions in the PRC Mainland as at the dates indicated below:

| | As at 30 June 2021 | | As at 31 December 2020 | |
|---|---|--------------------------|---|--------------------------|
| | Approximate total contracted GFA (’000 sq.m.) | Number of communities | Approximate total contracted GFA (’000 sq.m.) | Number of communities |
| <i>Residential communities</i> | | | | |
| Panyu district | 4,400 | 5 | 4,398 | 5 |
| Huadu district | 1,383 | 8 | 1,350 | 8 |
| Zhaoqing city | 346 | 1 | 346 | 1 |
| Foshan city | 842 | 2 | 842 | 2 |
| Sub-total | 6,971 | 16 | 6,936 | 16 |
| <i>Pure commercial properties/projects</i> | | | | |
| Huadu district | 2,659 | 3 | 2,659 | 3 |
| Panyu district | 115 | 2 | 115 | 2 |
| Sub-total | 2,774 | 5 | 2,774 | 5 |
| Total | 9,745 | 21 | 9,710 | 21 |

2 Renovation and Fitting-out Services

The Group provides renovation and fitting-out services principally for residents, tenants or owners or their principal contractors in their residential units, offices, shops and other properties. To utilise 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 18 retail outlets of different scales covering a total GFA of approximately 13,151 sq.m. as at 30 June 2021. These 18 retail outlets consist of a wet market, 2 supermarkets and 15 convenience stores.

The following table sets out the Group's average daily revenue by type of the retail outlets in operation during the six months ended 30 June 2021 and 2020 respectively:

| | For the six months ended 30 June | |
|--|-------------------------------------|-----------------|
| | 2021 RMB'000 | 2020 RMB'000 |
| <i>Average daily revenue by type of retail outlet (Note)</i> | | |
| Supermarket | 237.19 | 261.21 |
| Wet market | 34.29 | 30.27 |
| Convenience store | <u>120.99</u> | <u>122.34</u> |

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

4 Off-campus Training Services

The Group had four learning centres in Panyu district as at 30 June 2021 (31 December 2020: four learning centres). Training programmes mainly include interest classes, tutoring courses and language learning classes.

5 Information Technology Services

Engineering services

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

Telecommunication services

The Group entered into contracts with some major telecommunication service providers under which the Group acts as agent for their products and services.

6 Ancillary Living Services

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

Catering consultancy services

The Group provides catering consultancy services and receives a fixed consultancy service fee on monthly basis as well as providing catering services to schools.

Property agency services

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

Employment placement services

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

Laundry services

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

PROSPECTS AND FUTURE PLANS

Expansion of the property management network through engagements in integrated projects

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

Further expansion of our information technology services

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

Regulations on our off-campus training services

In July 2021, the General Office of the Central Committee of the Chinese Communist Party and the General Office of the State Council of the People's Republic of China (the “**PRC**”) published the Opinion on Further Easing the Workload of Students in Compulsory Education and Burden of After-school Tutoring (《關於進一步減輕義務教育階段學生作業負擔和校外培訓負擔的意見》) (the “**Opinion**”). The Opinion proposes certain measures intended to ease the workload of students in compulsory education and regulate the relevant afterschool education service providers in the PRC (“**double reduction**” (雙減)).

The Group will pay close attention to the development of the Opinion and its potential impact and relevance to our Group and (if necessary) make adjustment measures to the operation on our off-campus training services.

Meanwhile, the Group has stopped offering academic classes during national statutory holidays, rest days and winter and summer breaks.

Develop online marketing and build online distribution channels

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

Further explore new investment opportunities

Notwithstanding the solid performance in the first half of 2021, we will remain prudent in monitoring the Group's expenditures, look for new investment opportunities to cope with existing market environment and constantly review our business strategies.

FINANCIAL REVIEW

Revenue

| | For the six months ended 30 June | | Variance | | Percentage of total revenue | |
|-------------------------------------|----------------------------------|----------------|---------------|-------------|-----------------------------|--------------|
| | 2021 | 2020 | | | 2021 | 2020 |
| | RMB'000 | RMB'000 | RMB'000 | % | % | % |
| Property management services | 40,415 | 37,365 | 3,050 | 8.2 | 19.1 | 21.4 |
| Renovation and fitting-out services | 507 | 7,347 | (6,840) | -93.1 | 0.2 | 4.2 |
| Retail services | 70,645 | 74,489 | (3,844) | -5.2 | 33.3 | 42.7 |
| Off-campus training services | 22,369 | 6,546 | 15,823 | 241.7 | 10.6 | 3.7 |
| Information technology services | 31,493 | 31,994 | (501) | -1.6 | 14.8 | 18.3 |
| Ancillary Living Services | 46,574 | 16,952 | 29,622 | 174.7 | 22.0 | 9.7 |
| Total | <u>212,003</u> | <u>174,693</u> | <u>37,310</u> | <u>21.4</u> | <u>100.0</u> | <u>100.0</u> |

Revenue increased from RMB174.7 million for the six months ended 30 June 2020 to RMB212.0million for the six months ended 30 June 2021, representing an increase of RMB37.3 million or 21.4%. Increase in revenue was mainly caused by the increase in revenue from property management services, off-campus training services and Ancillary Living Services, and was offset by the decrease in revenue from renovation and fitting-out services, retail services and information technology services.

Property management services

| | For the six months ended 30 June | | Variance | |
|--------------------------------------|---|-----------------------|-----------------|----------|
| | 2021 | 2020 | RMB'000 | % |
| | <i>RMB'000</i> | <i>RMB'000</i> | | |
| General property management services | 26,149 | 24,132 | 2,017 | 8.4 |
| Resident support services | 14,266 | 13,233 | 1,033 | 7.8 |
| Total | 40,415 | 37,365 | 3,050 | 8.2 |

Revenue from the property management services was increased by 8.2% to RMB40.4 million for the six months ended 30 June 2021 from RMB37.4 million for the six months ended 30 June 2020. Revenue from the general property management services increased from RMB24.1 million for the six months ended 30 June 2020 to RMB26.1 million for the six months ended 30 June 2021. The increase in revenue of the resident support services from RMB13.2 million for the six months ended 30 June 2020 to RMB14.3 million for the six months ended 30 June 2021 was due to the increase in demand for our household helper services.

Renovation and Fitting-out Services

| | For the six months ended 30 June | | Variance | |
|--------------|---|-----------------------|-----------------|----------|
| | 2021 | 2020 | RMB'000 | % |
| | <i>RMB'000</i> | <i>RMB'000</i> | | |
| Total | 507 | 7,347 | (6,840) | -93.1 |

Revenue from the renovation and fitting-out services was decreased by 93.1%, from RMB7.3 million for the six months ended 30 June 2020 to RMB0.5 million for the six months ended 30 June 2021. Such decrease was mainly due to the decrease in demand for the renovation and fitting-out services.

Retail Services

| | For the six months | | Variance | |
|---|--------------------|---------------|----------------|-------------|
| | ended 30 June | | RMB'000 | % |
| | 2021 | 2020 | | |
| | RMB'000 | RMB'000 | | |
| Revenue by type of retail outlet | | | | |
| Supermarkets | 42,694 | 47,018 | (4,324) | -9.2 |
| Wet market | 6,172 | 5,449 | 723 | 13.3 |
| Convenience stores | 21,779 | 22,022 | (243) | -1.1 |
| Total | 70,645 | 74,489 | (3,844) | -5.2 |

Revenue from the retail services was decreased by 5.2% to RMB70.6 million for the six months ended 30 June 2021 from RMB74.5 million for the six months ended 30 June 2020. The decrease was due to the fact that the surge in demand for our retail services during the initial stage of outbreak of Coronavirus Disease 2019 (“**COVID-19 Outbreak**”) in the first half of 2020 has returned to normal during the first half of 2021.

Off-campus Training Services

| | For the six months | | Variance | |
|-------------------------------------|--------------------|--------------|---------------|--------------|
| | ended 30 June | | RMB'000 | % |
| | 2021 | 2020 | | |
| | RMB'000 | RMB'000 | | |
| Off-campus training services | | | | |
| revenue by category | | | | |
| Training programmes | 3,452 | 1,464 | 1,988 | 135.8 |
| Interest classes | 18,917 | 5,082 | 13,835 | 272.2 |
| Total | 22,369 | 6,546 | 15,823 | 241.7 |

Revenue from the off-campus training services was increased by 241.7% to RMB22.4 million for the six months ended 30 June 2021 from RMB6.5 million for the six months ended 30 June 2020. Revenue from the off-campus training services increased because demand for off-campus training service resumed during the first half of 2021, after being adversely affected during the initial stage of COVID-19 Outbreak in 2020.

Information Technology Services

| | For the six months | | Variance | |
|--|----------------------|----------------------|---------------------|--------------------|
| | ended 30 June | | RMB'000 | % |
| | 2021 | 2020 | | |
| | RMB'000 | RMB'000 | | |
| Information technology services revenue by category | | | | |
| Engineering | 28,741 | 29,936 | (1,195) | -4.0 |
| Telecommunication | <u>2,752</u> | <u>2,058</u> | <u>694</u> | <u>33.7</u> |
| Total | <u>31,493</u> | <u>31,994</u> | <u>(501)</u> | <u>-1.6</u> |

Revenue from the information technology services was decreased by 1.6% from RMB32.0 million for the six months ended 30 June 2020 to RMB31.5 million for the six months ended 30 June 2021. Such decrease was mainly due to the decrease in number of projects which led to the decrease in revenue from the engineering services from RMB29.9 million for the six months ended 30 June 2020 to RMB28.7 million for the six months ended 30 June 2021. Engineering services comprises information technology hardware integration and network installation.

Ancillary Living Services

| | For the six months | | Variance | |
|--|----------------------|----------------------|----------------------|---------------------|
| | ended 30 June | | RMB'000 | % |
| | 2021 | 2020 | | |
| | RMB'000 | RMB'000 | | |
| Ancillary Living Services revenue by category | | | | |
| Catering services | 24,317 | 1,795 | 22,522 | 1,254.7 |
| Property agency services | 12,795 | 7,598 | 5,197 | 68.4 |
| Employment placement services | 4,937 | 4,318 | 619 | 14.3 |
| Laundry services | <u>4,525</u> | <u>3,241</u> | <u>1,284</u> | <u>39.6</u> |
| Total | <u>46,574</u> | <u>16,952</u> | <u>29,622</u> | <u>174.7</u> |

Revenue from the Ancillary Living Services was increased by 174.7% from RMB17.0 million for the six months ended 30 June 2020 to RMB46.6 million for the six months ended 30 June 2021. Such increase was primarily due to i) the commencement of the provision of catering services to schools in the fourth quarter of 2020; and ii) the increase in commission income received from sales of new residential units during the Reporting Period.

Cost of Sales

Cost of sales comprises mainly the cost of goods sold for retail services, the employee benefit expenses for each of our business segments and the project cost for renovation and fitting-out services and information technology services. Cost of sales increased by approximately RMB22.4 million from approximately RMB102.6 million for the six months ended 30 June 2020 to approximately RMB125.0 million for the six months ended 30 June 2021. The increase in cost of sales was in line with the increase in revenue for the six months ended 30 June 2021.

Gross Profit and Gross Profit Margin

Gross profit increased from approximately RMB72.1 million for the six months ended 30 June 2020 to approximately RMB87.0 million for the six months ended 30 June 2021, representing an increase of approximately RMB14.9 million or 20.7%. Meanwhile, the Group's gross profit margin decreased from approximately 41.3% for the six months ended 30 June 2020 to approximately 41.0% for the six months ended 30 June 2021. The increase in gross profit was in line with the increase in revenue during the six months ended 30 June 2021.

Selling and Marketing Expenses

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

Selling and marketing expenses decreased from RMB13.3 million for the six months ended 30 June 2020 to RMB12.3 million for the six months ended 30 June 2021, representing a decrease of 7.5%, which was mainly due to the decrease in revenue from retail services.

Administrative Expenses

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

Administrative expenses decreased from RMB15.6 million for the six months ended 30 June 2020 to RMB13.6 million for the six months ended 30 June 2021, representing a decrease of 12.8%. The decrease was mainly due to the decrease in administrative staff costs and depreciation expenses.

Other (Losses)/Gains and Other Income, Net

Other losses and other income, net amounted to RMB3.9 million for the six months ended 30 June 2021 (for the six months ended 30 June 2020: other gains and other income, net of RMB5.7 million). The losses was primarily due to the fair value loss on investment in unallocated silver bullion of RMB5.2 million recorded during the six months ended 30 June 2021.

Finance Costs

Finance costs amounted to RMB1.1 million for the six months ended 30 June 2021 (for the six months ended 30 June 2020: RMB1.0 million), which represents the interest expense on lease liabilities.

Income Tax Expense

The effective tax rate was 24.9% for the six months ended 30 June 2021 (for the six months ended 30 June 2020: 22.8%).

Net Profit for the Period

For the six months ended 30 June 2021, as a result of the foregoing, the Group's net profit was RMB40.5 million (for the six months ended 30 June 2020: RMB36.0 million) and its net profit margin was 19.1% (for the six months ended 30 June 2020: 20.6%).

Property, Plant and Equipment

Property, plant and equipment mainly consist of the machinery, vehicles, office equipment and leasehold improvements. As at 31 December 2020 and 30 June 2021, the net book values of the property, plant and equipment of the Group were RMB17.2 million and RMB15.8 million respectively.

Investment Properties

Investment properties amounted to RMB7.3 million and RMB4.6 million as at 31 December 2020 and 30 June 2021 respectively, representing principally right-of-use assets, which are held for long-term rental yields and are not occupied by the Group and are recognised due to operating leases.

Financial Assets at Fair Value through Profit or Loss

As at 30 June 2021, financial assets at fair value through profit or loss represented an unlisted financial product purchased from commercial banks with high market credit rating, liquidity and stable return as below:

| No. | Bank | Product name | Product type | Principle business of the underlying assets | Investment cost | Fair value | Changes in fair value | Fair value | Size |
|-----|----------------------------|---|--|---|-----------------|------------------------|---|--------------------|--------------------------------------|
| | | | | | | as at 31 December 2020 | (Recognised as gains in profit or loss) | as at 30 June 2021 | relative to the Group's total assets |
| | | | | | RMB'000 | RMB'000 | RMB'000 | RMB'000 | |
| 1 | Agricultural Bank of China | Benlifeng Bubugao Open-ended RMB Wealth Management Products* (“本利豐步步高”開放式人民幣理財產品) | Unlisted financial product purchased from commercial banks | Underlying assets include national bonds, corporate bonds, central bank bills, repurchase, higher credit rating debt (including but not limited to, corporate bonds, short-term financing bonds), exchange bonds, privately raised company bonds, money market funds, bond funds, other low-risk funds or assets, targeted asset management plans, trust plans and other investment products that meet regulatory requirements. | 4,000 | 4,181 | 60 | 4,241 | 0.56% |

Investments in Unallocated Silver Bullion

The Group, utilising its internal resources, purchased a total of 800,000 ounces of unallocated silver bullion through a licensed bank, during the year ended 31 December 2020 with the total consideration of approximately RMB102.5 million. The Group recorded a loss in fair value of approximately RMB5.2 million during the Reporting Period and the fair value as at 30 June 2021 amounted to RMB133.1 million. For further details, please refer to the announcements of the Company dated 26 February 2020 and 28 February 2020 respectively.

Inventories

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

Inventories increased from approximately RMB14.9 million as at 31 December 2020 to approximately RMB15.1 million as at 30 June 2021, which was primarily due to adjustment of stock level according to the trading volume.

During the six months ended 30 June 2021, the Group did not recognise any provision or write-down for our inventories.

Trade and Other Receivables

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

Trade receivables

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

Trade receivables were increased by 19.5% from RMB78.6 million as at 31 December 2020 to RMB93.9 million as at 30 June 2021.

Other receivables

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

Other receivables were decreased by 18.7% from RMB10.7 million as at 31 December 2020 to RMB8.7 million as at 30 June 2021 due to the decrease in finance leases receivable.

Amounts placed in Residents' Accounts

Certain property management companies of the Group have engaged in the provision of property management services for residential communities on commission basis and opened the Residents' Accounts. These Residents' Accounts are used to keep the property management fee and resident support services fee collected from the residents. The property management companies have undertaken the treasury function for these bank accounts on behalf of the residents pursuant to the property management contracts. As at 30 June 2021, amounts included in Residents' Accounts of RMB5.3 million represented the balances of the property management commission fee and resident support service fee entitled by the property management companies (31 December 2020: RMB5.1 million).

Trade and Other Payables

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

Trade payables

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

Trade payables were decreased by 8.2% from RMB62.1 million as at 31 December 2020 to RMB57.0 million as at 30 June 2021 as a result of decrease in the procurement of the raw materials for the information technology services segment.

Other payables

Other payables primarily comprise amounts due to third parties amounted to RMB21.7 million and RMB26.4 million as at 31 December 2020 and 30 June 2021 respectively, which mainly included the deposits received from the stall tenants in the retail business. The increase was mainly due to the increase in the rental rate and the related deposit.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2021 (for the six months ended 30 June 2020: Nil).

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2021, the Group's material sources of liquidity were cash and cash equivalents of RMB394.9 million (31 December 2020: RMB344.4 million).

During the six months ended 30 June 2021, the Group has not obtained any loans or borrowings.

PLEDGE OF ASSETS

The Group had no pledged assets as at 30 June 2021 (31 December 2020: Nil).

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2021.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, excluding the labour costs borne by the properties that were managed on commission basis, the Group had approximately 696 employees (31 December 2020: approximately 608 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 Mainland) and a discretionary bonus program.

In addition, 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**") 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. Details of the Share Option Scheme are set out in the paragraph headed "Share Option Schemes" in the interim report of the Company for the six months ended 30 June 2021, which will be dispatched to the shareholders of the Company in due course.

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

Save as disclosed in paragraph headed “Financial assets at fair value through profit or loss” and “Investments in unallocated silver bullion” in this announcement, the Group had no significant investment held, material acquisition or disposal of subsidiaries or associated companies during the six months ended 30 June 2021.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

There was no material subsequent event affecting the Group after 30 June 2021 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 2021.

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 Listing Rules. The Board is of the view that throughout the six months ended 30 June 2021, save for the following deviation, the Company has complied with all the code provisions as set out in the CG Code.

Both the positions of the Chairman and Chief Executive Officer of the Company are held by Ms. MAN Lai Hung.

Under code provision A.2.1 of the CG Code as set out in Appendix 14 to the Listing Rules, the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual.

However, the Board considers that Ms. MAN Lai Hung has in-depth knowledge and experience in the Group’s businesses in the PRC Mainland and therefore it is the best interests of the Group for her to take up the dual roles of the Chairman and Chief Executive Officer. The Board believes that the dual roles of Ms. MAN Lai Hung can provide the Company with strong and consistent leadership that facilitates effective and efficient planning and implementation of business decisions and strategies, and should be overall beneficial to the management and development of the Group’s business. The structure is supported by the Company’s well established corporate governance structure and internal control policies.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the Group’s code of conduct regarding the 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 required standard set out in the Model Code and its code of conduct regarding directors’ securities transactions throughout the six months ended 30 June 2021.

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference in compliance with the CG Code. As at the date of this announcement, the Audit Committee consists of three independent non-executive Directors, namely Ms. LAW Elizabeth (Chairman), Mr. HO Cham and Mr. MAK Ping Leung (alias Mr. MAK Wah Cheung) (with Ms. LAW Elizabeth possessing the appropriate professional qualifications and accounting and related financial management expertise). The main duties of the Audit Committee are to assist the Board in providing an independent review of the completeness, accuracy and fairness of the financial information of the Group, as well as the efficiency and effectiveness of the Group’s operations and internal controls.

In addition, the independent auditor of the Company, Moore Stephens CPA Limited, has reviewed the Interim Results 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 HKICPA.

The work performed by Moore Stephens CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Moore Stephens CPA Limited on this announcement.

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 2021 interim report of the Company for the six months ended 30 June 2021 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, Chief Executive Officer and Executive Director

Hong Kong, 27 August 2021

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

** for identification purpose only*