



**Modern Living Investments Holdings Limited**  
**雅居投資控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 8426)**

**INTERIM RESULTS ANNOUNCEMENT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2018**

**CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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*This announcement, for which the directors (collectively the “**Directors**” and each the “**Director**”) of Modern Living Investments Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”, “**we**”, “**our**” or “**us**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

## **FINANCIAL HIGHLIGHTS**

- The Group recorded an unaudited revenue of approximately HK\$183.6 million for the six months ended 30 June 2018 (six months ended 30 June 2017: approximately HK\$177.0 million), representing an increase of approximately 3.7% over the same period in 2017.
- The unaudited profit of the Group for the six months ended 30 June 2018 was approximately HK\$5.4 million while that for the six months ended 30 June 2017 was approximately HK\$5.1 million, representing an increase of approximately 6.0%.
- The basic earnings per share for the six months ended 30 June 2018 was HK0.68 cents (six months ended 30 June 2017: basic earnings per share of HK0.85 cents).
- The board of Directors resolved not to declare an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

## INTERIM RESULTS

The board of directors (the “**Board**”) of the Company is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2018 (the “**Period**”) together with the corresponding comparative figures as follows:

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Revenue	6	92,070	86,707	183,636	176,969
Other income	7	65	79	148	162
Other gains, net	8	15	–	15	14
Employee benefits expenses	9	(80,224)	(76,857)	(165,780)	(161,305)
Cleaning material costs		(1,166)	(1,441)	(2,348)	(2,467)
Utilities expenses		(425)	(418)	(637)	(717)
Depreciation		(422)	(400)	(838)	(983)
Other operating expenses		(4,268)	(2,686)	(6,949)	(4,791)
Operating profit		5,645	4,984	7,247	6,882
Finance income		–	1	–	2
Finance costs		(203)	(231)	(504)	(471)
Finance costs, net	10	(203)	(230)	(504)	(469)
Profit before income tax	11	5,442	4,754	6,743	6,413
Income tax expense	12	(1,004)	(892)	(1,324)	(1,303)
<b>Profit for the Period</b>		<b>4,438</b>	<b>3,862</b>	<b>5,419</b>	<b>5,110</b>
<b>Other comprehensive income:</b>					
<i>Items that will not be reclassified to profit or loss</i>					
Remeasurements of employee benefit obligations		230	250	137	129
Other comprehensive income for the Period, net of tax		230	250	137	129
<b>Total comprehensive income for the Period</b>		<b>4,668</b>	<b>4,112</b>	<b>5,556</b>	<b>5,239</b>
<b>Earnings per share</b>					
Basic and diluted (HK cents per share)	14	0.55	0.64	0.68	0.85

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*As at 30 June 2018*

	<i>Notes</i>	<b>As at 30 June 2018 (Unaudited) HK\$'000</b>	<b>As at 31 December 2017 (Audited) HK\$'000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Plant and equipment	<i>15</i>	<b>5,095</b>	5,701
Retention money receivables		<b>1,714</b>	1,714
Investment in an insurance contract	<i>16</i>	<b>2,129</b>	2,114
Rental deposit		<b>116</b>	116
		<hr/> <b>9,054</b> <hr/>	<hr/> 9,645 <hr/>
<b>Current assets</b>			
Trade and unbilled receivables	<i>17</i>	<b>63,898</b>	71,117
Contract assets	<i>17</i>	<b>12,569</b>	–
Prepayments, deposits and other receivables		<b>8,414</b>	5,079
Pledged bank deposits	<i>18</i>	<b>26,950</b>	36,768
Cash and bank balances		<b>63,126</b>	58,163
		<hr/> <b>174,957</b> <hr/>	<hr/> 171,127 <hr/>
<b>Total assets</b>		<hr/> <b>184,011</b> <hr/>	<hr/> 180,772 <hr/>
<b>EQUITY</b>			
<b>Equity attributable to the owners of the Company</b>			
Share capital	<i>20</i>	<b>8,000</b>	8,000
Reserves		<b>98,098</b>	92,542
		<hr/> <b>106,098</b> <hr/>	<hr/> 100,542 <hr/>
<b>Total equity</b>		<hr/> <b>106,098</b> <hr/>	<hr/> 100,542 <hr/>

		As at 30 June 2018 (Unaudited) HK\$'000	As at 31 December 2017 (Audited) HK\$'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities		608	535
Borrowings	21	1,440	1,440
		<u>2,048</u>	<u>1,975</u>
<b>Current liabilities</b>			
Trade payables	19	312	312
Other payables and accrued liabilities		32,535	30,445
Borrowings	21	40,234	46,038
Current income tax liabilities		2,784	1,460
		<u>75,865</u>	<u>78,255</u>
<b>Total liabilities</b>		<u>77,913</u>	<u>80,230</u>
<b>Total equity and liabilities</b>		<u>184,011</u>	<u>180,772</u>

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Notes	Share Capital HK\$'000	Share premium HK\$'000	Contribution reserves HK\$'000	Retained earnings HK\$'000	Total equity HK\$'000
<b>Balance at 1 January 2017 (audited)</b>	(i)	21,460	–	810	39,330	61,600
Profit for the Period		–	–	–	5,110	5,110
<i>Other comprehensive income:</i>						
Remeasurements of employee benefit obligations		–	–	–	129	129
Total comprehensive income for the Period		–	–	–	5,239	5,239
<b>Balance at 30 June 2017 (unaudited)</b>	(i)	21,460	–	810	44,569	66,839
<b>Balance at 1 January 2018 (audited)</b>		8,000	42,776	22,270	27,496	100,542
Profit for the Period		–	–	–	5,419	5,419
<i>Other comprehensive income:</i>						
Remeasurements of employee benefit obligations		–	–	–	137	137
Total comprehensive income for the Period		–	–	–	5,556	5,556
<b>Balance at 30 June 2018 (unaudited)</b>		8,000	42,776	22,270	33,052	106,098

Note:

- (i) The share capital balance as at 1 January 2017 and 30 June 2017 represented the issued share capital of Modern Living Property Management Limited, being a subsidiary of the Company.

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	For the six months ended	
	30 June 2018 HK\$'000 (Unaudited)	30 June 2017 HK\$'000 (Unaudited)
<b>Cash flows from operating activities</b>		
Net cash generated from operations	<u>1,685</u>	<u>7,086</u>
<b>Net cash generated from operating activities</b>	<u>1,685</u>	<u>7,086</u>
<b>Cash flows from investing activities</b>		
Purchases of plant and equipment	(232)	(498)
Interest received	–	2
Decrease/(Increase) in pledged bank deposits	<u>9,818</u>	<u>(2)</u>
<b>Net cash generated from/(used in) investing activities</b>	<u>9,586</u>	<u>(498)</u>
<b>Cash flows from financing activities</b>		
Interest paid	(504)	(471)
Proceeds from bank borrowings	12,533	9,035
Repayment of bank borrowings and finance lease liabilities	(18,337)	(7,017)
Repayment of loans from the then shareholders	<u>–</u>	<u>(1,000)</u>
<b>Net cash (used in)/generated from financing activities</b>	<u>(6,308)</u>	<u>547</u>
Net increase in cash and cash equivalents	4,963	7,135
<b>Cash and cash equivalents at beginning of the Period</b>	<u>58,163</u>	<u>25,058</u>
<b>Cash and cash equivalents at end of the Period</b>	<u>63,126</u>	<u>32,193</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2018*

## 1 GENERAL INFORMATION

Modern Living Investments Holdings Limited was incorporated in the Cayman Islands under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and registered as an exempted company with limited liability on 26 June 2017. The address of the Company's registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The Company's principal place of business is Units 1102–1103, 11th Floor, Delta House, No. 3 On Yiu Street, Sha Tin, New Territories, Hong Kong.

The Company is an investment holding company and its subsidiaries are engaging in the provision of property management services to public housing estates owned by the Hong Kong Housing Authority (the "HA"), estates of Home Ownership Scheme ("HOS"), the Civil Engineering and Development Department ("CEDD") and the Urban Renewal Authority ("URA") in Hong Kong.

These unaudited condensed consolidated financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

## 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". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") except for the adoption of new and amended standards as disclosed in Note 3.

## 3 SIGNIFICANT ACCOUNTING POLICIES

Except as described below, 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.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total earnings.

### (a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies accordingly. The impact of adopting following standards are disclosed below:

- (i) HKFRS 9 Financial instruments, and
- (ii) HKFRS 15 Revenue from contracts with customers.

The other newly adopted standards did not have material impact on the Group's accounting policies and did not require retrospective adjustments.



(i) *HKFRS 9, Financial Instruments*

The Group has trade receivables and contract assets for provision of services that are subject to HKFRS 9's new expected credit loss model (“**ECL model**”), and the Group was required to revise its impairment methodology under HKFRS 9 for these receivables and contract assets. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

HKFRS 9 was generally adopted without restating comparative information with the exception of certain aspects of hedge accounting. The Group used modified retrospective approach while adopting HKFRS 9. The reclassification and adjustments arising from the new impairment rules (if any) are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the opening statement of financial position on 1 January 2018.

As at 30 June 2018, the Group has applied the simplified approach and recorded lifetime ECLs on trade receivables and contract assets, and general approach and recorded 12-month ECLs on retention money receivables and deposits and other receivables. The Group determined that there are no significant financial impact arising from these changes.

(ii) *HKFRS 15, Revenue from Contracts with Customers*

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies. The Group adopted HKFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption (if any) will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

Following adjustment which were made to the amounts recognised in the statement of financial position at the date of initial application (1 January 2018):

	<b>HKAS 18</b> <b>carrying amount</b> <b>31 December</b> <b>2017</b> <i>HK\$'000</i>	<b>Reclassification*</b> <i>HK\$'000</i>	<b>HKFRS 15</b> <b>carrying amount</b> <b>1 January</b> <b>2018</b> <i>HK\$'000</i>
Trade and unbilled receivables	71,117	(12,338)	58,779
Contract assets	–	12,338	12,338
	<u>71,117</u>	<u>–</u>	<u>71,117</u>

\* The Group recognises project management fees for its services performed overtime towards complete satisfaction of a performance obligation. Billings to customers will normally be issued when the contractors for the maintenance work submit their final billings. The balance are classified as contract assets under HKFRS 15.

Other than the above reclassification of contract assets, the adoption of HKFRS 15 did not result in any impact to the financial statements as the timing of revenue recognition on services provided is not changed.

- (b) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2018 and have not been early adopted by the Group:

		<b>Effective for annual periods beginning on or after</b>
HKFRS 16	Leases	1 January 2019 <sup>(i)</sup>
HK (IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021

(i) *HKFRS 16, Leases*

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

#### **4 ESTIMATES**

The preparation of interim financial information 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 expenses. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgments 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 consolidated financial statements for the year ended 31 December 2017.

#### **5 FINANCIAL RISK MANAGEMENT**

##### **5.1 Financial risk factors**

The Group's activities expose it to a variety of financial risks: credit risk, interest rate risk, foreign exchange risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not use financial derivative to hedge its financial risk exposures.

The condensed consolidated interim financial information does not include all financial risk management information and disclosure required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2017.

##### **5.2 Liquidity risk**

Compared to year end, there was no material change in the contractual undiscounted cash outflow for financial liabilities.

### 5.3 Fair value estimation

The carrying amounts of the Group's financial assets, including cash and bank balances, pledged bank deposits, trade and other receivables, retention money receivables and deposits and the Group's financial liabilities, including trade and other payables and borrowings approximate their fair values. The fair values of financial liabilities for disclosure purposes are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

## 6 REVENUE

	Three months ended 30 June		Six months ended 30 June	
	2018 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i> (Unaudited)
Property management services income	<u>92,070</u>	<u>86,707</u>	<u>183,636</u>	<u>176,969</u>

The Group is engaged in the provision of property management service in Hong Kong during the Period. Since the operation of provision of property management services is attributable to all the Group's revenue during the Period, no business segment analysis is presented accordingly.

The Group's revenue was derived from Hong Kong and all assets of the Group were located in Hong Kong during the Period, no analysis by geographical segment is prepared.

## 7 OTHER INCOME

	Three months ended 30 June		Six months ended 30 June	
	2018 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i> (Unaudited)
Sundry income	<u>65</u>	<u>79</u>	<u>148</u>	<u>162</u>

## 8 OTHER GAINS, NET

	Three months ended 30 June		Six months ended 30 June	
	2018 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i> (Unaudited)
Gain on investment in an insurance contract (Note 16)	<u>15</u>	<u>–</u>	<u>15</u>	<u>14</u>

## 9 EMPLOYEE BENEFITS EXPENSES

	Three months ended 30 June		Six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Wages, salaries and other allowances (including directors' emoluments)	76,885	72,763	158,884	153,512
Pension costs — defined contribution plan	3,292	4,274	6,643	7,470
Accrual for unutilised annual leave	(25)	(250)	105	175
Accrual for long service payment	72	70	148	148
	<u>80,224</u>	<u>76,857</u>	<u>165,780</u>	<u>161,305</u>

## 10 FINANCE COSTS, NET

	Three months ended 30 June		Six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Bank interest income	—	(1)	—	(2)
Interests on borrowings and finance lease liabilities	203	231	504	471
	<u>203</u>	<u>230</u>	<u>504</u>	<u>469</u>

## 11 PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	Three months ended 30 June		Six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Employee benefits expenses (Note 9)	80,224	76,857	165,780	161,305
Auditor's remuneration	300	200	600	400
Depreciation of plant and equipment	422	400	838	983
Operating lease rentals in respect of rental premises	114	74	227	147
Cleaning material costs	1,166	1,441	2,348	2,467
	<u>1,166</u>	<u>1,441</u>	<u>2,348</u>	<u>2,467</u>

## 12 INCOME TAX EXPENSE

	Three months ended 30 June		Six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Current income tax:				
Hong Kong profits tax	967	850	1,251	1,219
Deferred income tax	37	42	73	84
	<u>1,004</u>	<u>892</u>	<u>1,324</u>	<u>1,303</u>

## 13 DIVIDEND

The Board does not recommend the payment of dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

## 14 EARNINGS PER SHARE

Earnings for the purpose of calculating basic earnings per share

	Three months ended 30 June		Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)	2018 (Unaudited)	2017 (Unaudited)
Profit for the period (HK\$'000)	4,438	3,862	5,419	5,110
Number of ordinary shares for the purpose of basic earnings per share (thousand share)	<u>800,000</u>	<u>600,000</u>	<u>800,000</u>	<u>600,000</u>

For the three months and six months ended 30 June 2017, the number of ordinary shares for the purpose of calculating basic earnings per share has been retrospectively adjusted for the effects of the Reorganisation (as defined in the Prospectus of the Company dated 31 October 2017 (the “**Prospectus**”)) which was completed on 10 July 2017 and the Capitalisation Issue (as defined in the Prospectus) which was completed on 9 November 2017. It does not take into account of issue of new shares pursuant to the Share Offer (as defined in the Prospectus) which took place after 30 June 2017.

No diluted earnings per share was presented as there was no potential dilutive potential shares outstanding during the above respective periods.

## 15 PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired property, plant and equipment of approximately HK\$0.23 million (six months ended 30 June 2017: HK\$0.5 million)

## 16 INVESTMENT IN AN INSURANCE CONTRACT

Investment in an insurance contract represents a management life insurance policy (the “**Insurance Policy**”). The Group is the beneficiary of the Insurance Policy. The Insurance Policy was pledged to a bank to secure certain banking facilities granted to the Group. Changes in value of the investment in an insurance contract are recorded in “other gains, net” (Note 8) in the unaudited condensed consolidated statement of comprehensive income.

## 17 TRADE AND UNBILLED RECEIVABLES AND CONTRACT ASSETS

The trade receivables are generally on credit terms ranging from 30 to 60 days.

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Unbilled receivables ( <i>Note</i> )	–	12,338
Contract assets ( <i>Note</i> )	<u>12,569</u>	<u>–</u>
	<u><b>12,569</b></u>	<u>12,338</u>

*Note:* As disclosed in Note 3 (a) (ii) to the unaudited condensed consolidated financial information, the unbilled receivables represents project management fees earned for work performed but yet to be billed; and the project management fee to be billed for completed project management services of maintenance work. The balances are reclassified as contract assets upon adoption of HKFRS 15.

The following is an aging analysis of trade receivables, presented based on the invoice date at the end of the reporting period:

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade receivables:		
Up to 30 days	<b>29,568</b>	32,398
31 to 60 days	<b>29,382</b>	23,537
61 to 90 days	<u>4,948</u>	<u>2,844</u>
	<u><b>63,898</b></u>	<u>71,117</u>

## 18 PLEDGED BANK DEPOSITS

Pledged bank deposits represent deposits to a bank to secure performance bonds and the banking facilities granted to the Group as set out in Note 21.

## 19 TRADE PAYABLES

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
0–30 days	<u>312</u>	<u>312</u>

## 20 SHARE CAPITAL

	<b>No. of shares</b> <i>'000</i>	<b>Amount</b> <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
<b>Issued and fully paid:</b>		
At 31 December 2017 and 30 June 2018	<u>800,000</u>	<u>8,000</u>

## 21 BORROWINGS

As at 30 June 2018, the borrowings and the banking facilities granted to the Group are secured by the Group's Insurance Policy, the Group's pledged bank deposits, the Group's trade receivables and the corporate guarantee executed by the Company.

The bank borrowings are repayable as follows:

	<b>As at 30 June 2018 HK\$'000 (unaudited)</b>	As at 31 December 2017 HK\$'000 (audited)
Within one year	<b>40,234</b>	46,038
Above one year	<b>1,440</b>	1,440
Total	<b><u>41,674</u></b>	<u>47,478</u>

All the borrowings made by the Group as at 30 June 2018 were denominated in Hong Kong Dollar.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

As at 30 June 2018, the Group's existing property management portfolio comprises 26 public housing estates owned by the HA, two HOS estates awarded by the HA, and two, two and one standalone service contracts awarded by the HA, CEDD and the URA, respectively.

The Company has successfully listed its shares on GEM of the Stock Exchange on 10 November 2017 (the "**Listing**"), which enhanced the Group's capital strength for future plans. Going forward, the Directors and the management will continue to devote their best efforts to the future plans as stated in the Prospectus. From time to time, the Directors will seek for business opportunities to increase the Group's revenue and to control the Group's overall costs to an acceptable and satisfactory level to increase shareholders' returns.

### Outlook

The property market in Hong Kong has been growing. It is envisaged that the growth of public housing property management services business will expand simultaneously with the development of public housing market in Hong Kong. The Directors are optimistic that the Group will continue to increase its market share after the Listing and believe that the said opportunities will benefit the Group's business.

### Financial Review

#### *Revenue*

The revenue from the provision of property management services has increased from approximately HK\$177.0 million for the six months ended 30 June 2017 to approximately HK\$183.6 million for the six months ended 30 June 2018, representing an increase of approximately 3.7% over the same period in 2017. This increase was attributable to (i) the additional service fee income from the two HOS estates awarded by the HA, a new standalone security service contract awarded by the URA and two new service and maintenance contracts awarded by the CEDD after the first quarter of 2017; (ii) the upward adjustment on service fee for some of the Group's existing contracts in accordance with the adjustment mechanism as stipulated in those contracts; and (iii) the increase in project management fees from the provision of project management services, with independent external contractors to carry out repairs and maintenance on building works in the estates managed by the Group.

#### *Employee benefits expenses*

The total employee benefits expenses amounted to approximately HK\$165.8 million and HK\$161.3 million for the six months ended 30 June 2018 and 2017, respectively. The increase was mainly attributable to (i) the salaries and wages paid to our additional staff employed for the two HOS estates, one URA standalone service contract and two CEDD contracts; (ii) salary increment; and (iii) directors' fee paid to the additional directors.

The staff level remained stable for the six months ended 30 June 2018.



### ***Cleaning material costs***

The cleaning material costs decreased from approximately HK\$2.5 million for the six months ended 30 June 2017 to approximately HK\$2.3 million for the six months ended 30 June 2018. This slight decrease was mainly attributable to the stringent cost control measures adopted by the Group.

### ***Other operating expenses***

The other operating expenses mainly comprised insurance expense, office supplies expense, security charges for specialist guard company to escort money in transit, guarantee fee for performance bonds, entertainment, travelling expense, insurance expense and estate maintenance expense.

The other operating expenses amounted to approximately HK\$6.9 million and HK\$4.8 million for the six months ended 30 June 2018 and 2017, respectively. The increase in other operating expenses was mainly attributable to (i) increase in office rental; (ii) increase in auditor's remuneration and various compliance costs; (iii) increase in photocopying, office supply, uniform and laundry; (iv) increase in insurance expense; and (v) increase in security expenses.

### ***Profit for the period***

The increase in profit for the period from approximately HK\$5.1 million for the six months ended 30 June 2017 to approximately HK\$5.4 million for the six months ended 30 June 2018, representing an increase of approximately 5.9% over the same period in 2017, was mainly attributable to the increase the revenue attributable to the standalone service contracts awarded by the HA, CEDD and the URA after the year end of 2017.

## **LIQUIDITY AND FINANCIAL RESOURCES**

For the six months ended 30 June 2018, the Group's operations were primarily financed through is financing activities. The Directors believe that in the long term, the Group's operations will continue to be funded by a combination of cash generated from the Group's operating activities and financing activities. The gearing ratio as at 30 June 2018 was 39.3% (2017: 47.2%).

The Group's cash and bank balances amounted to approximately HK\$63.1 million and approximately HK\$58.2 million as at 30 June 2018 and 2017, respectively.

As at 30 June 2018 and 2017, the Group had net current assets of approximately HK\$175.0 million and approximately HK\$171.1 million, respectively, which included trade and unbilled receivables, contract assets, prepayments, deposits and other receivables, cash and cash equivalents, pledged bank deposits. As at 30 June 2018, the Group had cash and cash equivalent of approximately HK\$63.1 million (as at 31 December 2017: HK\$58.1 million). The Group's current ratio increased from approximately 2.2 as at 30 June 2017 to approximately 2.3 at 30 June 2018. The Group's bank borrowings decreased from approximately HK\$47.5 million as at 30 June 2017 to approximately HK\$41.7 million as at 30 June 2018. Such decrease was mainly due to the sufficient cash flows generated during the six months ended 30 June 2018.

## **CAPITAL STRUCTURE**

The capital of the Group comprises only ordinary shares. Details of the Group's share capital are set out in note 20 to the unaudited condensed consolidated financial information.

## **MATERIAL ACQUISITIONS OR DISPOSALS**

There were no material acquisitions or disposals of subsidiaries and affiliated companies during the six months ended 30 June 2018.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

Save as those disclosed in the Prospectus, the Group currently has no other plans for material investments.

## **EXPOSURE TO EXCHANGE RATE FLUCTUATION**

The Group's revenue generating operations are mainly transacted in Hong Kong Dollar. The Directors consider that the impact of foreign exchange exposure to the Group is minimal.

## **SIGNIFICANT INVESTMENTS**

The Group held investment in an insurance contract of approximately HK\$2.1 million and HK\$2.1 million as at 30 June 2018 and 2017. The gain on investments in the insurance contract amounted to approximately HK\$0.02 million and HK\$0.01 million for the six months ended 30 June 2018 and 2017.

## **CONTINGENT LIABILITIES**

As at 30 June 2018, the Group had entered into 32 performance bonds with a bank. The aggregate amount of the performance bonds was approximately HK\$58,638,000 as at 30 June 2018. As at 30 June 2018, the Directors were not aware of any circumstance which may lead to the exercise of the performance bond and the Directors do not consider it is probable that a claim on the performance bonds will be made against the Group.

In carrying out the ordinary course of business, the Group is subject to the risk of being named as defendant in legal actions, claims and disputes in connection with its business activities. The nature of the legal proceedings initiated against the Company mainly includes claims for compensation by the Group's existing or former employees for work related injuries. The Group maintains insurance cover and, in the opinion of the Directors, based on current available evidence, any such existing claims and legal proceedings against the Company have no material financial impact to the Company as at 30 June 2018.

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2018, the Group had a total of 2,349 employees. The Group's employee benefits expenses for the six months ended 30 June 2018 and 2017 amounted to approximately HK\$165.8 million and approximately HK\$161.3 million. To ensure that the Group is able to attract and retain Directors and staff capable of attaining the best performance levels, remuneration packages are reviewed on a regular basis. In addition, discretionary bonus is offered to eligible employees by reference to the Group's results and individual performance.

## USE OF PROCEEDS FROM THE LISTING

The net proceeds from the Listing, after deducting listing-related expenses of HK\$25.15, were approximately HK\$34.85 million. This amount was lower than the estimated net proceeds of approximately HK\$44.5 million, which was based on a mid-point offer price of HK\$0.34 per share, as disclosed in the Prospectus. In light of the difference between the actual and estimated amount of the net proceeds, the Group has adjusted the use of net proceeds in the same manner and in the same proportion as shown in the Prospectus. Following table illustrates the status of the use of net proceeds according to the section head "Future Plans and Use of Proceeds" in the Prospectus as at 30 June 2018:

	Adjusted use of actual net proceeds in the same manner and proportion as stated in the Prospectus up to 31 December 2019 (HK\$ million)	Actual utilised amount as at 30 June 2018 (HK\$ million)	Unutilised amount out of the planned amount as at 30 June 2018 (HK\$ million)
Satisfying the additional working capital requirement by the HA and additional cash to be deposit as collateral of the performance bond for tendering for additional property management service contracts from the HA	25.80	–	25.80
As additional working capital and satisfying additional cash to be deposited as collateral of the performance bond for tendering for additional stand-alone cleaning or security service contracts from the HA	9.05	–	9.05
Total	<u>34.85</u>	–	<u>34.85</u>

From 10 November 2017, the date on which the shares of the Company were listed on the Stock Exchange (the "Listing Date"), and up to 30 June 2018, the net proceeds from the Listing had not been utilised. The delay in use of proceeds is because we were unable to successfully tender for the intended property management service contracts as planned. However, the Company will continue to tender for the property management service contracts which will be open for tender from the HA in the remaining half of 2018 and the Company intends to continue to apply the net proceeds in accordance with the section headed "Future Plans and Use of Proceeds" of the Prospectus.

## OTHER INFORMATION

### Disclosure of Interests

#### *(a) Interests and short positions of Directors and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations*

As at 30 June 2018, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) which were required to be notified to the Company and the Stock Exchange: (a) pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions in which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein (the “Register”); or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange were as follows:

#### *Long position in the shares*

<b>Name of Director</b>	<b>Capacity/nature of interest</b>	<b>Number of shares<sup>(1)</sup></b>	<b>Approximate percentage of interest in the Company</b>
Ms. Tam Mo Kit <sup>(2)</sup>	Interest in a controlled corporation	499,750,000 (L)	62.47%
Mr. Ng Fuk Wah <sup>(3)</sup>	Interest of spouse	499,750,000 (L)	62.47%

#### *Notes:*

1. The letter “L” denotes the person’s long position in the shares.
2. R5A Group Limited is the registered owner of 491,440,000 shares, representing 61.43% of the Company’s issued share capital. R5A Group Limited is owned as to 55.23% by Ms. Tam Mo Kit, 16.28% by Mr. Sung Alfred Lee Ming, 13.96% by Mr. Ho Chu Ming, 12.79% by Mr. Tang Kong Fuk, 1.16% by Mr. Ho Tik Wai and 0.58% by Mr. Yiu Ping Keung. Therefore, Ms. Tam Mo Kit is deemed to be interested in all the shares held by R5A Group Limited for the purposes of the SFO. Mr. Ng Fuk Wah is the beneficial owner of 8,310,000 shares in the Company, representing 1.03% of the issued share capital of the Company. As Ms. Tam Mo Kit is the spouse of Mr. Ng Fuk Wah, Ms. Tam Mo Kit is also deemed to be interested in the same number of shares held by Mr. Ng Fuk Wah under the SFO.
3. Mr. Ng Fuk Wah is the beneficial owner of 8,310,000 shares in the Company, representing 1.03% of the issued share capital of the Company. Mr. Ng Fuk Wah is the spouse of Ms. Tam Mo Kit. Under the SFO, Mr. Ng Fuk Wah is deemed to be interested in the same number of shares in which Ms. Tam Mo Kit is interested.

*Long position in the ordinary shares of associated corporation*

<b>Name of Director</b>	<b>Name of associated corporation</b>	<b>Capacity/ nature of interest</b>	<b>Number of shares held</b>	<b>Percentage of interest</b>
Ms. Tam Mo Kit	R5A Group Limited	Beneficial owner	950	55.23%
Mr. Sung Alfred Lee Ming	R5A Group Limited	Beneficial owner	280	16.28%
Mr. Ho Chu Ming	R5A Group Limited	Beneficial owner	240	13.96%
Mr. Tang Kong Fuk	R5A Group Limited	Beneficial owner	220	12.79%

Save as disclosed above and so far as is known to the Directors, immediate following the Listing, none of the Directors nor chief executive of the Company had or was deemed to have any other interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the Register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

**(b) *Interests and short positions of substantial shareholders in the shares, underlying shares and debentures of the Company and its associated corporation***

So far as the Directors are aware of, as at 30 June 2018, the following persons/entities other than a Director or the chief executive of the Company had interests or short positions in the shares and underlying shares, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under section 336 of the SFO, or who were directly or indirectly interested in 5% or more of the issued voting shares of the Company:

*Long positions in the ordinary shares of the Company*

<b>Name of Shareholder</b>	<b>Nature of interest/ holding capacity</b>	<b>Number of shares<sup>(1)</sup></b>	<b>Approximate percentage of interest in the Company</b>
R5A Group Limited <sup>(2)</sup>	Beneficial owner	491,440,000	61.43%
Ms. Yeung Siu Wen	Beneficial owner	57,120,000	7.14%

*Notes:*

1. The letter “L” denotes the person’s long position in the shares.
2. R5A Group Limited is the registered owner of 491,440,000 Shares, representing 61.43% of the Company’s issued share capital. R5A Group Limited is owned as to 55.23% by Ms. Tam Mo Kit, 16.28% by Mr. Sung Alfred Lee Ming, 13.96% by Mr. Ho Chu Ming, 12.79% by Mr. Tang Kong Fuk, 1.16% by Mr. Ho Tik Wai and 0.58% by Mr. Yiu Ping Keung.

Save as disclosed above and so far as is known to the Directors, immediate following the Listing, the Directors were not aware of any other persons who had, or was deemed to have, interest or short positions in the shares or underlying shares of the Company would fall to be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the Register required to be kept by the Company pursuant to Section 336 of the SFO or who were directly or indirectly interested in 5% or more of the issued voting shares of the Company.

## **SHARE OPTION SCHEME**

The share option scheme of the Company (the “**Share Option Scheme**”) is a share incentive scheme prepared in accordance with Chapter 23 of the GEM Listing Rules. The Share Option Scheme was adopted on 24 October 2017 (the “**Adoption**”). As of the date of this announcement, no option has been granted, agreed to be granted, exercised, cancelled or lapsed under the Share Option Scheme.

## **COMPETING INTERESTS**

For the six months ended 30 June 2018, the Directors were not aware of any business or interest of the Directors, the controlling shareholders, and their respective close associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

A deed of non-competition dated 24 October 2017 was entered into by the controlling shareholders in favour of the Company (for itself and as trustee for its subsidiaries), details of which are set out in the section headed “Relationship with Controlling Shareholders” of the Prospectus.

## **INTERESTS OF THE COMPLIANCE ADVISER**

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Ballas Capital Limited (“**Ballas Capital**”) to be the compliance adviser. As at 30 June 2018, as notified by Ballas Capital, except for the compliance adviser agreement entered into between the Company and Ballas Capital dated 18 July 2017, neither Ballas Capital nor any of its directors or employees or associates, has or may have, any interest in the securities of the Company or any member of the Group (including options or rights to subscribe for such securities).

## **CODE OF CORPORATE GOVERNANCE PRACTICES**

The Company endeavors to adopt prevailing best corporate governance practices. Since the Listing Date, the Company had complied with all the code provisions set out in the Corporate Governance Code as set out in Appendix 15 of the GEM Listing Rules and there has been no deviation in relation thereto.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in Rules 5.46 to 5.67 of the GEM Listing Rules (the “**Model Code**”). The Company had also made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the Model Code by the Directors since the Listing Date and up to the date of this announcement.

Pursuant to rule 5.66 of the Model Code, the Directors have also requested any employee of the Company or director or employee of subsidiary of the Company who, because of his/her office or employment in the Company or a subsidiary, is likely to possess inside information in relation to the securities of the Company, not to deal in securities of the Company when he/she would be prohibited from dealing by the Model Code as if he/she were a Director.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities since the Listing Date and up to the date of this announcement.

## **REVIEW BY AUDIT COMMITTEE**

The financial information in this announcement has not been audited by the auditor of the Company. Pursuant to Rule 5.28 of the GEM Listing Rules, the Company established the audit committee (the “**Audit Committee**”) with written terms of reference aligned with the provisions set out in Appendix 15 of the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures of the Group. As at the date of this announcement, the Audit Committee comprises Mr. Wong Siu Fai Albert (Chairman), Dr. Chan Man Wai and Mr. Ng Kee Fat Ronny, being the independent non-executive Directors.

The Audit Committee has reviewed the unaudited condensed consolidated results of the Company for the six months ended 30 June 2018 and is of the opinion that such results complied with the applicable accounting standards and the requirements under the GEM Listing Rules, and that adequate disclosures have been made.

By Order of the Board  
**Modern Living Investments Holdings Limited**  
**Ho Chu Ming**  
*Chairman*

Hong Kong, 9 August 2018

*As at the date of this announcement, the Board comprises Mr. Ho Chu Ming (Chairman), Mr. Ng Fuk Wah (Chief Executive Officer), Mr. Sung Alfred Lee Ming (Chief Financial Officer) and Mr. Tang Kong Fuk as Executive Directors, Ms. Tam Mo Kit and Mr. Tam Kam Cheung Patrick as Non-executive Directors, and Dr. Chan Man Wai, Mr. Wong Siu Fai Albert and Mr. Ng Kee Fat Ronny as Independent Non-executive Directors.*

*This announcement will remain on the “Latest Company Announcements” page of the GEM’s website at <http://www.hkgem.com> for at least seven days from the date of its publication. This announcement will also published on the Company’s website at <http://www.modernliving.com.hk>.*