



# 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

QUALITY LIVING ENVIRONMENT  
FOR THE COMMUNITY



2019  
INTERIM REPORT

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

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**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This report, 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 report 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 report misleading.*



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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Mr. Ho Chu Ming (*Chairman*)  
Mr. Ng Fuk Wah (*Chief Executive Officer*)  
Mr. Sung Alfred Lee Ming  
Mr. Tang Kong Fuk

#### Non-executive Director

Ms. Tam Mo Kit

#### Independent Non-executive Directors

Dr. Chan Man Wai  
Mr. Wong Siu Fai Albert  
Mr. Ng Kee Fat Ronny

### COMPLIANCE OFFICER

Mr. Sung Alfred Lee Ming (*HKICPA*)

### AUTHORISED REPRESENTATIVES

Mr. Ng Fuk Wah (*HKICPA*)  
Mr. Sung Alfred Lee Ming (*HKICPA*)

### COMPANY SECRETARY

Mr. Ng Fuk Wah (*HKICPA*)

### AUDIT COMMITTEE

Mr. Wong Siu Fai Albert (*Chairman*)  
Dr. Chan Man Wai  
Mr. Ng Kee Fat Ronny

### REMUNERATION COMMITTEE

Mr. Ng Kee Fat Ronny (*Chairman*)  
Dr. Chan Man Wai  
Mr. Wong Siu Fai Albert

### NOMINATION COMMITTEE

Dr. Chan Man Wai (*Chairman*)  
Mr. Wong Siu Fai Albert  
Mr. Ng Kee Fat Ronny

### AUDITOR

PricewaterhouseCoopers  
*Certified Public Accountants*  
22/F, Prince's Building  
Central  
Hong Kong

### COMPLIANCE ADVISER

Ballas Capital Limited  
Unit 1802, 18/F, 1 Duddell Street  
Central  
Hong Kong

### LEGAL ADVISERS

*As to Hong Kong law*  
ONC Lawyers  
19th Floor, Three Exchange Square  
8 Connaught Place  
Central Hong Kong

*As to Cayman Islands law*  
Appleby  
2206-19 Jardine House  
1 Connaught Place Central  
Hong Kong

### PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited  
1 Queen's Road Central  
Central, Hong Kong

Bank of China (Hong Kong) Limited  
24/F Bank of China Tower  
1 Garden Road  
Hong Kong

### REGISTERED OFFICE

PO Box 1350  
Clifton House, 75 Fort Street  
Grand Cayman KY1-1108  
Cayman Islands

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 1102-1103, 11th Floor  
Delta House  
No. 3 On Yiu Street  
Sha Tin  
New Territories  
Hong Kong

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited  
PO Box 1350  
Clifton House, 75 Fort Street  
Grand Cayman KY1-1108  
Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### COMPANY'S WEBSITE

[www.modernliving.com.hk](http://www.modernliving.com.hk)

### STOCK CODE

8426

## FINANCIAL HIGHLIGHTS

- The Group recorded an unaudited revenue of approximately HK\$205.6 million for the six months ended 30 June 2019 (six months ended 30 June 2018: approximately HK\$183.6 million), representing an increase of approximately 12.0% over the same period in 2018.
- The unaudited profit for the period of the Group for the six months ended 30 June 2019 was approximately HK\$4.2 million while that for the six months ended 30 June 2018 was approximately HK\$5.4 million, representing a decrease of approximately 22.2%.
- The basic earnings per share for the six months ended 30 June 2019 was HK\$0.52 cents (six months ended 30 June 2018: basic earnings per share of HK0.68 cents).
- The Board of Directors resolved not to declare an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

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 2019 (the “**Period**”) together with the corresponding comparative figures as follows:

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Revenue	6	111,183	92,070	205,588	183,636
Other income	7	53	65	108	148
Other gains, net	8	33	15	33	15
Employee benefits expenses	9	(99,133)	(80,224)	(186,472)	(165,780)
Cleaning material costs		(1,866)	(1,166)	(3,543)	(2,348)
Utilities expenses		(531)	(425)	(859)	(637)
Depreciation		(596)	(422)	(1,155)	(838)
Other operating expenses		(5,466)	(4,268)	(9,910)	(6,949)
Operating profit		3,677	5,645	3,790	7,247
Finance income/(costs), net	10	173	(203)	719	(504)
Profit before income tax	11	3,850	5,442	4,509	6,743
Income tax expense	12	(168)	(1,004)	(338)	(1,324)
<b>Profit for the Period</b>		<b>3,682</b>	<b>4,438</b>	<b>4,171</b>	<b>5,419</b>
<b>Other comprehensive (loss)/income:</b> <i>Items that will not be reclassified to profit or loss</i>					
Remeasurements of employee benefit obligations		24	230	(200)	137
Other comprehensive (loss)/income for the Period, net of tax		24	230	(200)	137
<b>Total comprehensive income for the Period</b>		<b>3,706</b>	<b>4,668</b>	<b>3,971</b>	<b>5,556</b>
<b>Earnings per share</b>					
Basic and diluted (HK cents per share)	14	0.46	0.55	0.52	0.68

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	<i>Notes</i>	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Plant and equipment	15	3,885	4,177
Right-of-use assets	16	360	–
Retention money receivables		2,019	2,019
Investment in an insurance contract	17	2,210	2,177
Rental deposit		116	116
		<b>8,590</b>	8,489
<b>Current assets</b>			
Trade receivables	18	81,397	75,873
Contract assets	18	12,223	12,223
Prepayments, deposits and other receivables		4,568	6,947
Pledged bank deposits	19	26,000	28,668
Cash and bank balances		55,758	30,208
		<b>179,946</b>	153,919
<b>Total assets</b>		<b>188,536</b>	162,408
<b>EQUITY</b>			
<b>Equity attributable to the owners of the Company</b>			
Share capital	21	8,000	8,000
Reserves		103,760	103,789
<b>Total equity</b>		<b>111,760</b>	111,789
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	22	913	913
Deferred tax liabilities		319	369
Lease liabilities	16	185	–
		<b>1,417</b>	1,282
<b>Current liabilities</b>			
Trade payables	20	597	368
Other payables and accrued liabilities		40,055	34,708
Borrowings	22	32,819	12,941
Lease liabilities	16	180	–
Current income tax liabilities		1,708	1,320
		<b>75,359</b>	49,337
<b>Total liabilities</b>		<b>76,776</b>	50,619
<b>Total equity and liabilities</b>		<b>188,536</b>	162,408

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	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 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
<b>Balance at 1 January 2019 (audited)</b>	<b>8,000</b>	<b>42,776</b>	<b>22,270</b>	<b>38,743</b>	<b>111,789</b>
Profit for the Period	–	–	–	4,171	4,171
<i>Other comprehensive loss:</i>					
Remeasurements of employee benefit obligations	–	–	–	(200)	(200)
Total comprehensive income for the Period	–	–	–	3,971	3,971
Dividend (Note 13)	–	–	–	(4,000)	(4,000)
<b>Balance at 30 June 2019 (unaudited)</b>	<b>8,000</b>	<b>42,776</b>	<b>22,270</b>	<b>38,714</b>	<b>111,760</b>

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	For the six months ended	
	30 June 2019	30 June 2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Cash flows from operating activities</b>		
Net cash generated from operations	7,155	1,685
<b>Net cash generated from operating activities</b>	<b>7,155</b>	1,685
<b>Cash flows from investing activities</b>		
Purchases of plant and equipment	(683)	(232)
Interest received	968	–
Decrease in pledged bank deposits	2,668	9,818
<b>Net cash generated from investing activities</b>	<b>2,953</b>	9,586
<b>Cash flows from financing activities</b>		
Interest paid	(249)	(504)
Lease payment	(187)	–
Proceeds from bank borrowings	146,000	12,533
Repayment of bank borrowings and finance lease liabilities	(126,122)	(18,337)
Dividends paid	(4,000)	–
<b>Net cash generated from/(used in) financing activities</b>	<b>15,442</b>	(6,308)
Net increase in cash and cash equivalents	25,550	4,963
<b>Cash and cash equivalents at beginning of the Period</b>	<b>30,208</b>	58,163
<b>Cash and cash equivalents at end of the Period</b>	<b>55,758</b>	63,126

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 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 in Hong Kong is at 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") 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

The unaudited condensed consolidated financial statements for the six months ended 30 June 2019 have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

The unaudited condensed consolidated financial statements have been prepared under historical cost convention, except that investment in an insurance contract is stated at its cash surrender value.

#### (a) Application of new and amendments to HKFRSs

The principal accounting policies used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's annual report for the year ended 31 December 2018, except for the following new and amendments to HKFRSs issued by the HKICPA that are adopted for the first time for the current accounting period of the Group:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

## 2. BASIS OF PREPARATION *(Continued)*

### (a) Application of new and amendments to HKFRSs *(Continued)*

#### *Adoption of HKFRS 16*

The Group has changed its accounting policies following the adoption of HKFRS 16 on 1 January 2019.

The Group leases office under non-cancellable operating leases expiring within 3 years. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

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

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

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

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

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

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

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

See Note 3 below for further details on the impact of the change in accounting policy.

## 2. BASIS OF PREPARATION *(Continued)*

### (b) New standards and amendments to standards issued but not effective

A number of new standards and amendments to standards have not come into effect for the financial year beginning 1 January 2019, and have not been early adopted by the Group in preparing the unaudited condensed consolidated financial statements. None of these is expected to have a significant effect on the unaudited condensed consolidated financial statements of the Group based on the preliminary assessment made by management.

## 3. CHANGES IN ACCOUNTING POLICY

As indicated in Note 2(a), the Group has adopted HKFRS 16 Leases retrospectively from 1 January 2019. In accordance with the transitional provision under HKFRS 16, the Group has applied the simplified transition approach, and all right-of-use assets were measured at the amount of the lease liabilities on adoption (adjusted for any prepaid or accrued lease expenses). Comparative figures for the 2018 financial year have not been restated.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019. The lessee’s incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.13%.

	HK\$'000
Operating lease commitments disclosed as at 31 December 2018	566
Discounted using the Group’s weighted average incremental borrowing rate of 5.13%	<u>(26)</u>
Lease liabilities recognised as at 1 January 2019	<u>540</u>

All right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the unaudited condensed consolidated statement of financial position as at 31 December 2018. The impact on transition is summarised as below.

	1 January 2019 HK\$'000
Rights-of-use assets	540
Lease liabilities	<u>540</u>

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

- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

Upon adoption of HKFRS 16, principal elements of lease payments and related interest portion have been classified within financing activities.

## 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 2018.

## 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 2018.

### 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 to 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	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Property management services income	111,183	92,070	205,588	183,636

The Group is engaged in the provision of property management services 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	
	2019	2018	2019	2018
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Sundry income	53	65	108	148

## 8 OTHER GAINS, NET

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Gain on investment in an insurance contract (Note 17)	33	15	33	15

## 9 EMPLOYEE BENEFITS EXPENSES

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Wages, salaries and other allowances (including directors' emoluments)	94,920	76,885	178,595	158,884
Pension costs — defined contribution plan	3,853	3,292	7,377	6,643
Accrual for unutilised annual leave	110	(25)	200	105
Accrual for long service payment	250	72	300	148
	99,133	80,224	186,472	165,780

## 10 FINANCE COSTS, NET

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Bank interest income	282	—	968	—
Interest on lease payment	(6)	—	(12)	—
Interests on borrowings and finance lease liabilities	(103)	(203)	(237)	(504)
	173	(203)	719	(504)

## 11 PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	Three months ended 30 June		Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Employee benefits expenses (Note 9)	99,133	80,224	186,472	165,780
Auditor's remuneration	300	300	600	600
Depreciation	506	422	975	838
Operating lease rentals in respect of rental premises	–	114	–	227
Cleaning material costs	1,866	1,166	3,543	2,348

## 12 INCOME TAX EXPENSE

	Three months ended 30 June		Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Current income tax:				
Hong Kong profits tax	188	967	388	1,251
Deferred income tax	(20)	37	(50)	73
	168	1,004	338	1,324

## 13 DIVIDEND

Final dividends of HK\$4,000,000 (HK0.5 cent per share) in respect of the year ended 31 December 2018 was declared on 22 March 2019 and paid to the shareholders of the Company on 12 July 2019.

The Board did not recommend the payment of dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: 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	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Profit for the period (HK\$'000)	3,682	4,438	4,171	5,419
Number of ordinary shares for the purpose of basic earnings per share (thousand share)	800,000	800,000	800,000	800,000

No diluted earnings per share was presented as there was no potential dilutive shares outstanding during six months ended 30 June 2018 and 2019.

## 15 PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired property, plant and equipment of approximately HK\$0.68 million (six months ended 30 June 2018: HK\$0.23 million).

## 16 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

	As at 30 June 2019 HK\$'000 (unaudited)	As at 31 December 2018 HK\$'000 (audited)
Right-of-use assets	360	–
Lease liabilities		
Current lease liabilities	180	–
Non-current lease liabilities	185	–
	<b>365</b>	–

## 17 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.

## 18 TRADE RECEIVABLES AND CONTRACT ASSETS

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

	As at 30 June 2019 HK\$'000 (unaudited)	As at 31 December 2018 HK\$'000 (audited)
Contract assets	12,223	12,223

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

	As at 30 June 2019 HK\$'000 (unaudited)	As at 31 December 2018 HK\$'000 (audited)
Trade receivables:		
Up to 30 days	39,325	33,222
31 to 60 days	33,715	29,799
61 to 90 days	8,357	12,852
	<b>81,397</b>	75,873

## 19 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 22.

## 20 TRADE PAYABLES

	As at 30 June 2019 HK\$'000 (unaudited)	As at 31 December 2018 HK\$'000 (audited)
0–30 days	597	368

## 21 SHARE CAPITAL

	No. of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
<b>Issued and fully paid:</b>		
At 31 December 2018 and 30 June 2019	800,000	8,000

## 22 BORROWINGS

As at 30 June 2019, 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:

	As at 30 June 2019 (HK\$'000) (unaudited)	As at 31 December 2018 (HK\$'000) (audited)
Within one year	32,819	12,941
Above one year	913	913
Total	33,732	13,854

All the borrowings made by the Group as at 30 June 2019 were denominated in Hong Kong Dollar.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

As at 30 June 2019, the Group's existing property management portfolio comprises 28 public housing estates owned by the HA, four HOS estates awarded by the HA, and three and one standalone service contracts awarded by the HA and the URA, respectively.

### 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\$183.6 million for the six months ended 30 June 2018 to approximately HK\$205.6 million for the six months ended 30 June 2019, representing an increase of approximately 12.0% over the same period in 2018. This increase was attributable to (i) the additional service fee income from the new contracts of the two public housing estates owned by the HA and one HOS estate awarded by the HA; (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 to estates managed by the Group, where independent external contractors carry out repairs and maintenance and building works in those estates.

#### Employee benefits expenses

The total employee benefits expenses amounted to approximately HK\$186.5 million and HK\$165.8 million for the six months ended 30 June 2019 and 2018, respectively. The increase was mainly attributable to (i) the salaries and wages paid to our additional staff employed for the new contracts of the two public housing estates and one HOS estate; and (ii) salary increment.

#### Cleaning material costs

The cleaning material costs increased from approximately HK\$2.3 million for the six months ended 30 June 2018 to approximately HK\$3.5 million for the six months ended 30 June 2019. This increase was mainly due to the increased use of cleaning material costs as a result of the new contracts of two public housing estates and one HOS estate.

#### 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 and estate maintenance expense.

The other operating expenses amounted to approximately HK\$9.9 million and HK\$6.9 million for the six months ended 30 June 2019 and 2018, respectively. The increase in other operating expenses was mainly attributable to (i) increase in insurance expense; and (ii) increase in various compliance costs.

#### Profit for the period

The decrease in profit for the period from approximately HK\$5.4 million for the six months ended 30 June 2018 to approximately HK\$4.2 million for the six months ended 30 June 2019, representing a decrease of approximately 22.2%, was mainly due to (i) increase in employee benefits expenses; (ii) increase in insurance expense; and (iii) increase in various compliance costs.

## LIQUIDITY AND FINANCIAL RESOURCES

For the six months ended 30 June 2019, the Group's operations were primarily financed through its 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 2019 was approximately 30.2% (as at 31 December 2018: approximately 12.4%).

The Group's cash and bank balances amounted to approximately HK\$55.8 million and approximately HK\$30.2 million as at 30 June 2019 and as at 31 December 2018, respectively.

As at 30 June 2019 and as at 31 December 2018, the Group had current assets of approximately HK\$179.9 million and approximately HK\$153.9 million, respectively, which included trade receivables, contract assets, prepayments, deposits and other receivables, cash and cash equivalents, pledged bank deposits. As at 30 June 2019, the Group had cash and cash equivalent of approximately HK\$55.8 million (as at 31 December 2018: approximately HK\$30.2 million). The Group's current ratio increased from approximately 3.1 as at 31 December 2018 to approximately 2.4 at 30 June 2019. The Group's bank borrowings increased from approximately HK\$13.9 million as at 31 December 2018 to approximately HK\$33.7 million as at 30 June 2019. The increase was due to payment of salaries at month end and was repaid 7 days after.

## CAPITAL STRUCTURE

The capital of the Group comprises only ordinary shares. Details of the Group's share capital are set out in note 21 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 2019.

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as those disclosed in the prospectus of the Company dated 31 October 2017 (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\$2.2 million as at 30 June 2019 and as at 31 December 2018, respectively. Save as disclosed herein, the Group did not have other significant investments for the Period.

## CONTINGENT LIABILITIES

As at 30 June 2019, the Group had entered into 39 performance bonds with a bank. The aggregate amount of the performance bonds was approximately HK\$78,004,000 as at 30 June 2019. As at 30 June 2019, 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 2019.

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2019, the Group had a total of 2,714 employees. The Group's employee benefits expenses for the six months ended 30 June 2019 and 2018 amounted to approximately HK\$186.5 million and approximately HK\$165.8 million. To ensure that the Group is able to attract and retain Directors and staff members 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 2019:

	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 2019 (HK\$ million)	Unutilised amount out of the planned amount as at 30 June 2019 (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	11.40	14.40
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
<b>Total</b>	<b>34.85</b>	<b>-</b>	<b>23.45</b>

From 10 November 2017, the date on which the shares of the Company were listed on GEM of the Stock Exchange (the “**Listing Date**”), and up to 30 June 2019, HK\$11.4 million from the net proceeds from the Listing had been utilised. The delay in use of proceeds is because we were unable to successfully tender for some 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 2019 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 2019, 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*

Name of Director	Capacity/nature of interest	Number of shares <sup>(1)</sup>	Approximate percentage of interest in the Company
Ms. Tam Mo Kit <sup>(2)</sup>	Interest in a controlled corporation	491,440,000 (L)	61.43%
	Interest of spouse	24,490,000 (L)	3.06%
Mr. Ng Fuk Wah <sup>(3)</sup>	Interest of spouse	491,440,000 (L)	61.43%
	Beneficial owner	24,490,000 (L)	3.06%
Mr. Ho Chu Ming	Beneficial owner	600,000 (L)	0.08%

Notes:

- The letter “L” denotes the person’s long position in the shares.
- 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 24,490,000 shares in the Company, representing 3.06% 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.
- Mr. Ng Fuk Wah is the beneficial owner of 24,490,000 shares in the Company, representing 3.06% 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 2019, 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

On 24 October 2017, a share option scheme was adopted by the shareholders of the Company (the “Share Option Scheme”). The purpose of the Share Option Scheme is to provide incentives and rewards to eligible participants who would contribute to the success of the Group’s operations. Under the terms of the Share Option Scheme, the Board may, at its discretion, grant share options to any full-time employee and any Director of the Company or its subsidiaries, including any executive, non-executive or independent non-executive directors. The Share Option Scheme will remain in force for a period of ten years commencing the date on the Listing Date.

The exercise price for shares under the Share Option Scheme may be determined by the Board at its absolute discretion but in any event will not be less than the highest of: (i) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a business day; (ii) the average of the closing prices of the shares as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share on the date of grant. Any share options granted under the Share Option Scheme shall end in any event not later than ten years from the Commencement Date (as defined in the Share Option Scheme). A nominal value of HK\$1.00 is payable on acceptance of each grant of share options.

On 17 June 2019, 32,000,000 share options were granted by the Company to four employees at exercise price HK\$0.177 per share, details as follows.

Name or category of participants	Date of grant	Exercise price per share	Vesting date	Exercise period	As at 1 January 2019	Granted during the Period	Exercised during the Period (Number of share options)	Cancelled/lapsed during the Period	As at 30 June 2019
Employees in aggregate	17 June 2019	HK\$0.177	17 June 2020 (50%) 17 June 2021 (50%)	17 June 2020 – 16 June 2022 17 June 2021 – 16 June 2022	-	32,000,000	-	-	32,000,000
<b>Total</b>					<b>-</b>	<b>32,000,000</b>	<b>-</b>	<b>-</b>	<b>32,000,000</b>

## COMPETING INTERESTS

For the six months ended 30 June 2019, 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 2019, 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 and up to the date of this report, 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 report.

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 during the Period and up to the date of this report.

## REVIEW BY AUDIT COMMITTEE

The financial information in this report 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 report, 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 2019 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 2019

*As at the date of this report, 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 as Non-executive Director, and Dr. Chan Man Wai, Mr. Wong Siu Fai Albert and Mr. Ng Kee Fat Ronny as Independent Non-executive Directors.*

*This report 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 report will also published on the Company’s website at <http://www.modernliving.com.hk>.*