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雅居物業管理
Modern Living Property Management

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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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.

*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

- For the year ended 31 December 2023, the Group's revenue amounted to approximately HK\$334.24 million (2022: approximately HK\$405.99 million), representing a decrease of approximately 17.67% as compared with last year.
- For the year ended 31 December 2023, the Group's operating profit amounted to approximately HK\$15.07 million (2022: approximately HK\$23.44 million), representing a decrease of approximately 35.71% as compared with last year.
- For the year ended 31 December 2023, the Group's profit for the year amounted to approximately HK\$17.77 million (2022: approximately HK\$21.18 million), representing a decrease of approximately 16.10% as compared with last year.
- The board of Directors (the "**Board**") recommended the payment of a final dividend of HK\$0.00625 per share, totalling HK\$5.00 million for the year ended 31 December 2023 (2022: HK\$6.00 million).

ANNUAL RESULTS

The Board is pleased to announce the consolidated results of the Group for the year ended 31 December 2023, together with the audited comparative figures for the year ended 31 December 2022. The financial information has been approved by the Board on 28 March 2024.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2023

	<i>Notes</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
Revenue	4	334,240	405,987
Other income	5	3,845	11,022
Other losses, net	6	(968)	(2,078)
Employee benefits expenses	7	(301,075)	(368,888)
Cleaning material costs	7	(2,774)	(4,807)
Utilities expenses	7	(1,231)	(1,316)
Depreciation of plant and equipment	7	(630)	(737)
Depreciation of right-of-use assets	7	(923)	(925)
Reversal of the impairment losses on trade receivables	12	–	367
Other operating expenses	7	(14,751)	(15,068)
Share of result of investments accounted for using the equity method		(662)	(118)
Operating profits		15,071	23,439
Finance income		5,038	285
Finance costs		(293)	(132)
Finance income, net	8	4,745	153
Profit before income tax		19,816	23,592
Income tax expense	9	(2,042)	(2,412)
Profit for the year		17,774	21,180
Earnings per share			
Basic and diluted (HK cents per share)	11	2.22	2.65

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023	2022
	HK\$'000	HK\$'000
Profit for the year	17,774	21,180
Other comprehensive income:		
<i>Items that will not be reclassified to profit or loss</i>		
Remeasurement of employee benefits obligations	<u>111</u>	<u>2,376</u>
Other comprehensive income for the year, net of tax	<u>111</u>	<u>2,376</u>
Total comprehensive income for the year	<u>17,885</u>	<u>23,556</u>

CONSOLIDATED BALANCE SHEET

As at 31 December 2023

	<i>Notes</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Plant and equipment		1,162	1,494
Right-of-use assets		2,177	2,072
Investment in an insurance contract		2,600	2,514
Investment accounted for using the equity method		–	110
Retention money receivables, deposits and other receivables	12	<u>2,837</u>	<u>3,126</u>
		<u>8,776</u>	<u>9,316</u>
Current assets			
Trade receivables	12	75,087	64,248
Contract assets	12	8,650	16,583
Prepayments, deposits and other receivables	12	5,502	3,240
Tax recoverable		–	479
Pledged bank deposits		39,550	34,600
Short term bank deposits		60,408	62,130
Cash and cash equivalents		<u>11,556</u>	<u>11,387</u>
		<u>200,753</u>	<u>192,667</u>
Total assets		<u><u>209,529</u></u>	<u><u>201,983</u></u>
EQUITY			
Equity attributable to the owners of the Company			
Share capital		8,000	8,000
Reserves		<u>148,176</u>	<u>142,291</u>
Total equity		<u>156,176</u>	<u>150,291</u>

	<i>Notes</i>	2023 HK\$'000	2022 HK\$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		216	279
Lease liabilities		1,387	1,402
		<u>1,603</u>	<u>1,681</u>
Current liabilities			
Trade payables	<i>13</i>	103	66
Other payables and accrued liabilities	<i>13</i>	50,571	44,392
Borrowings	<i>14</i>	–	4,800
Lease liabilities		885	753
Tax liabilities		191	–
		<u>51,750</u>	<u>50,011</u>
Total liabilities		<u>53,353</u>	<u>51,692</u>
Total equity and liabilities		<u>209,529</u>	<u>201,983</u>

NOTES

1. GENERAL INFORMATION

Modern Living Investments Holdings Limited (the “**Company**”) 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 Windward 3, Regatta Office Park, PO Box 1350, 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 (collectively, the “**Group**”) are engaged in the provision of property management services with a primary focus on public housing in Hong Kong.

These 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.

The Company has listed its shares on the GEM of The Stock Exchange of Hong Kong Limited on 10 November 2017 (the “**Listing**”).

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICY

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) and the disclosure requirements of the Hong Kong Companies Ordinance.

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

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

(i) *New and amended standards adopted by the Group*

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2023:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendment to HKAS 12	International Tax Reform — Pillar Two Model Rules
HKFRS 17	Insurance Contracts

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(ii) The following new standard, amendments to existing standards and annual improvements have been issued, but are not effective for the financial year beginning on 1 January 2023 and have not been early adopted:

		Effective for accounting periods beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current	1 January 2024
Amendments to HKAS 1	Non-Current Liabilities with Covenants	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to HKFRS 16	Lease liability in a Sale and Leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised)	Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKAS 21	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

None of the above new standard, amendments to existing standards and annual improvements is expected to have a significant effect on the consolidated financial statements of the Group.

2.2 Change in accounting policy

Change in accounting policy on offsetting arrangement in long service payment scheme in Hong Kong

In June 2022, the Hong Kong Government enacted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “**Amendment Ordinance**”) which will be effective from 1 May 2025 (the “**Transition Date**”). Under the Amendment Ordinance, any accrued benefits attributable to the employer’s mandatory contributions under mandatory provident fund scheme (“**MPF Benefits**”) of an entity would no longer be eligible to offset against its obligations on long service payment (“**LSP**”) for the portion of the LSP accrued on or after the Transition Date. There is also a change in the calculation basis of last monthly wages for the portion of the LSP accrued before the Transition Date.

Prior to 1 January 2023, the Group applied practical expedient in HKAS 19 paragraph 93(b) (the “**practical expedient**”) to account for the offsettable MPF Benefits as deemed employee contributions to reduce the current service costs in the period in which the related services were rendered.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” (the “**Guidance**”) which provides clarified and detailed guidance on the accounting considerations relating to the abolition of the offsetting mechanism. The Guidance clarified that following the enactment of the Amendment Ordinance, LSP is no longer a ‘simple type of contributory plans’ to which the practical expedient had been intended to apply.

By following the Guidance, the Group has therefore changed its accounting policy and ceased to apply the practical expedient and reattribute the deemed employee contributions on a straight-line basis from the date when services by employees first lead to their benefits in terms of the LSP legislation in accordance with HKAS 19 paragraph 93(a). This change in accounting policy upon the cessation in applying the practical expedient has resulted in a catch-up adjustment for past service costs and a corresponding increase in the Group’s LSP obligations in the year of enactment of the Amendment Ordinance (i.e. year ended 31 December 2022). The adjustment is recognised as past service costs in profit or loss for the year ended 31 December 2022 as the Amendment Ordinance is not contemplated in the original LSP legislation.

The abovementioned change in accounting policy does not have any impact to the consolidated balance sheet as at 1 January 2022 and 31 December 2022.

3. SEGMENT INFORMATION

The executive directors have been identified as the chief operating decision-makers (“CODM”) of the Group who review the Group’s internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

The CODM assesses the performance based on a measure of profit after income tax. The CODM considers all business is included in a single operating segment.

Segment results, segment assets and segment liabilities

The Group is engaged in the provision of property management services in Hong Kong. Since the operation of provision of property management services attributes to all of the Group’s revenue, and a majority of results and assets during the years ended 31 December 2023 and 2022, no business segment analysis is presented accordingly.

Geographical information

The Group’s revenue is derived from customers in Hong Kong. All other assets of the Group were also located in Hong Kong as at 31 December 2023 and 2022. Accordingly, no analysis by geographical segment is provided.

Information about major customer

Details of the customer individually representing 10% or more of the Group’s revenue are as follows:

	2023 <i>HK\$’000</i>	2022 <i>HK\$’000</i>
Customer A	<u>334,240</u>	<u>405,987</u>

No other single customers contributed 10% or more to the Group’s revenue for the years ended 31 December 2023 and 2022.

4. REVENUE

	2023 <i>HK\$’000</i>	2022 <i>HK\$’000</i>
Property management services income	<u>334,240</u>	<u>405,987</u>

All of the Group’s revenues are recognised over time.

5. OTHER INCOME

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Wage subsidies granted from the Employment Support Scheme under Anti-Epidemic Fund	–	2,400
Job Creation Scheme subsidies granted from Civil Service Bureau of the Government of the Hong Kong Special Administrative Region and the Hong Kong Association of Property Management Companies Limited	3,791	7,567
Administrative fee received on distribution of subsidies for cleaners and security workers	–	934
Sundry income	54	121
	<u>3,845</u>	<u>11,022</u>

6. OTHER LOSSES, NET

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Gains on investment in an insurance contract	(86)	(145)
Fair value loss on financial asset at fair value through profit or loss	–	130
Gains on disposal of plant and equipment	–	(360)
Foreign exchange (gain)/losses, net	(223)	2,453
Loss on acquisition of a subsidiary	1,277	–
	<u>968</u>	<u>2,078</u>

7. EXPENSES BY NATURE

Profit before income tax is stated after charging the following items:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Auditor's remuneration	1,300	1,300
Depreciation of plant and equipment	630	737
Depreciation of right-of-use assets	923	925
Employee benefits expenses	301,075	368,888
Other expenses	17,456	19,891
	<u>321,384</u>	<u>391,741</u>

8. FINANCE INCOME, NET

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Bank interest income	5,038	285
Interests on borrowings	(175)	–
Interests on lease liabilities	(118)	(132)
	(293)	(132)
	<u>4,745</u>	<u>153</u>

9. INCOME TAX EXPENSE

Hong Kong profits tax is calculated at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits for the year, except for the first HK\$2,000,000 of a qualified entity's assessable profit which is calculated at 8.25%, in accordance with the two-tiered tax rate regime.

The amount of income tax expense charged to the consolidated income statement represents:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Hong Kong profits tax:		
Current income tax	2,156	2,401
Over provision in prior year	(51)	(28)
	2,105	2,373
Deferred income tax	(63)	39
	<u>2,042</u>	<u>2,412</u>

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Profit before income tax	19,816	23,592
Calculated at applicable tax rate	3,425	3,728
Income not subject to taxation	(1,548)	(2,005)
Expenses not deductible for taxation purposes	216	717
Over provision in prior year	(51)	(28)
	<u>2,042</u>	<u>2,412</u>

10. DIVIDENDS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interim dividend of HK\$0.0075 (2022: HK\$0.0075) per share (<i>Note a</i>)	6,000	6,000
Proposed final dividend of HK\$0.00625 (2022: HK\$0.0075) per ordinary share (<i>Note b</i>)	<u>5,000</u>	<u>6,000</u>

Notes:

- (a) An interim dividend in respect of the six months ended 30 June 2023 of HK\$0.0075 per ordinary share (2022: HK\$0.0075) was paid in cash on 28 September 2023 to shareholders whose names appeared on the Register of Members of the Company on 4 September 2023.
- (b) A final dividend for the year ended 31 December 2023 of HK\$0.00625 per ordinary share, totaling approximately HK\$5,000,000 has been recommended by the Board for approval at the forthcoming annual general meeting of the Company. The proposed final dividend has not been dealt with as dividend payable as at 31 December 2023.

The final dividend for the year ended 31 December 2022 of HK\$0.0075 per ordinary share, totaling approximately HK\$6,000,000 was accounted for as an appropriation of retained earnings in the year ended 31 December 2023.

11. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profits attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the respective years.

	2023	2022
Profits attributable to owners of the Company (<i>HK\$'000</i>)	17,774	21,180
Weighted average number of ordinary shares in issue	<u>800,000,000</u>	<u>800,000,000</u>
Earnings per share (<i>HK cents</i>)	<u>2.22</u>	<u>2.65</u>

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

12. RECEIVABLES, CONTRACT ASSETS, PREPAYMENTS AND DEPOSITS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	75,087	64,248
Less: Provision of impairment	<u>–</u>	<u>–</u>
	75,087	64,248
Contract assets (<i>Note i</i>)	<u>8,650</u>	<u>16,583</u>
Total receivables and contract assets	<u>83,737</u>	<u>80,831</u>
Retention money receivables (<i>Note ii</i>)	2,023	3,126
Rental deposit	119	120
Utilities deposits	206	226
Prepaid insurance	2,608	2,228
Prepayment	55	70
Other receivables	<u>3,328</u>	<u>596</u>
Total prepayments, deposits and other receivables	8,339	6,366
Less: Non-current	<u>(2,837)</u>	<u>(3,126)</u>
Current	<u>5,502</u>	<u>3,240</u>

Notes:

- (i) Contract assets include receivables for project management fees for work performed but yet to be billed; and the project management fee to be billed for completed project management services of maintenance work. Billings to customers will normally be issued when the contractors for the maintenance work submit their final billings. These balances are reviewed regularly by management. No allowance for impairment of contract assets is considered necessary by the directors with reference to the historical experience in collection of these balances once billed and the financial capability of the customer.
- (ii) In accordance with the service contracts with the customer and the common practice in the industry, the customer withholds a portion of the payments in relation to the project management services for maintenance works rendered by the Group as retention money. The retention money normally represents 5% of the service income of the project management services for maintenance works and is accumulated until the sum retained reaches the limit stated in the service contracts. The retention money will be released to the Group according to the terms and conditions of the service contracts. The balances are regularly reviewed by management with reference to the historical default rates or forfeiture rate. There is no history of forfeiture and default of these balances during the years ended 31 December 2023 and 2022. The carrying amounts of retention money receivables approximate their fair values as the impact of discounting is not significant.

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

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

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

	2023 HK\$'000	2022 HK\$'000
Contract assets (<i>Note i</i>)	8,650	16,583
Trade receivables:		
Up to 30 days	33,089	29,953
31 to 60 days	36,162	28,323
61 to 90 days	5,836	5,972
	<u>75,087</u>	<u>64,248</u>
Less: Provision of impairment	—	—
	<u><u>83,737</u></u>	<u><u>80,831</u></u>

The Group applies the simplified approach under HKFRS 9 to measure expected credit losses which uses a lifetime expected loss allowance for trade receivables and contract assets.

The carrying amounts of retention money receivables, trade receivables, contract assets and other receivables and deposits approximate their fair values. Retention money receivables, trade receivables, contract assets and other receivables and deposits are mainly denominated in HK\$.

Movements on the provision for impairment of trade receivables are as follows:

	2023 HK\$'000	2022 HK\$'000
As at 1 January	—	367
Reversal of the impairment losses	—	(367)
As at 31 December	<u><u>—</u></u>	<u><u>—</u></u>

13. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED LIABILITIES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	103	66
Provision for long service payment and gratuities	21,699	19,205
Provision for unutilised annual leave	2,763	3,043
Accrued wages, salaries and pensions	22,051	18,379
Other accrued expenses and payables	4,058	3,765
Total other payables and accrued liabilities	50,571	44,392
Total trade and other payables and accrued liabilities	50,674	44,458

At 31 December 2023 and 2022, the ageing analysis of the trade payables based on invoice date was as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0–30 days	103	66

The carrying amounts of the Group's trade payables are denominated in HK\$.

The carrying amounts of trade and other payables and accrued liabilities approximate their fair values due to their short maturities.

14. BORROWINGS

	2023 HK\$'000	2022 <i>HK\$'000</i>
Bank loans due for repayment within one year, secured	<u>–</u>	<u>4,800</u>

As at 31 December 2022, the bank borrowings bear interest at floating rates and the effective interest rates are as follows:

	2023	2022
Bank loans	<u>–</u>	<u>5.55%</u>

As at 31 December 2022, the bank borrowings were denominated in HK\$.

As at 31 December 2022, the Group's bank borrowings were repayable (based on the scheduled repayment dates as set out in the loan agreements and ignore the effect of any repayment on demand clause) as follows:

	2023 HK\$'000	2022 <i>HK\$'000</i>
Within 1 year	<u>–</u>	<u>4,800</u>

The Group has the following floating rate undrawn borrowing facilities:

	2023 HK\$'000	2022 <i>HK\$'000</i>
Unutilised facilities	<u>41,800</u>	<u>37,000</u>

As at 31 December 2023, the banking facilities granted to the Group are secured by:

- (i) The Group's Insurance Policy of HK\$2,600,000 (2022: HK\$2,514,000);
- (ii) The Group's pledged bank deposits of HK\$39,550,000 (2022: HK\$34,600,000); and
- (iii) The corporate guarantee executed by the Company (2022: same).

15. CONTINGENT LIABILITIES

The Group had contingent liabilities in respect of the following:

- (i) As at 31 December 2023, the Group had entered into 24 (2022: 26) performance bonds with a bank. The aggregate amount of the performance bonds was HK\$64,440,000 (2022: HK\$87,246,000) as at 31 December 2023. The directors do not consider it probable that a claim on the performance bonds will be made against the Group; and
- (ii) 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 of the Group, 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 31 December 2023.

16. CAPITAL COMMITMENT

As at 31 December 2023 and 2022, the Group had the following capital commitment:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Contracted but not provided for:		
— Investment in a joint venture	—	772
	<u> </u>	<u> </u>

17. EVENTS AFTER THE REPORTING PERIOD

On 26 January 2024, Chun Wo Overseas Holdings Limited (the “Offeror” or the “Purchaser”) and R5A Group Limited, Mr. Ng Fuk Wah, Mr. Ho Chu Ming and Mr. Tang Kong Fuk (the “Vendors”) entered into Sale and Purchase Agreement (the “S&P Agreement”) pursuant to which the Vendors have agreed to sell and the Purchaser has agreed to acquire a total of 473,870,000 sale shares which represent approximately 59.23% of the total issued share capital of the Company. The Vendors provided the profit guarantee in favour of the Purchaser under the S&P Agreement. The Consideration for the sale shares shall be in the maximum sum of HK\$165,854,500 (equivalent to HK\$0.350 per sale share). A sum of HK\$136,854,500 was paid by the Offeror to the Vendors in cash on the completion date. The remaining part of the consideration shall become payable to R5A Group Limited in stages if the profit targets are satisfied. The transaction has been completed on 21 February 2024. Further details of the transaction are set out in the Company's announcements date 31 January 2024 and 21 February 2024.

Other than the event as disclosed above and in elsewhere, there are no material subsequent events undertaken by or impacted on the Group subsequent to 31 December 2023 and up to the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Future Prospects

The Group provides property management services in Hong Kong, with a primary focus on public housing. During the year ended 31 December 2023, Hong Kong Housing Authority (“HA”) was the Group’s sole customer and contributed all of the Group’s total revenue. The Group’s property management services include (i) estate management services (entailing general management, tenancy management, financial management, minor repairs and maintenance as well as project management services); (ii) security services; and (iii) cleaning services.

Looking forward, the property management services sector is still full of challenges. As the Group’s business is mainly focused on property management of public housing and subsidised housing, it is expected that any economic downturn in Hong Kong will not be significant to the Group’s business. Nevertheless, the Group will embrace these challenges by implementing proactive marketing strategies, investing more resources on human resources and the reinforcing on cost control measures.

Financial Review

Revenue

The Group’s revenue decreased by approximately 17.67% from approximately HK\$405.99 million for the year ended 31 December 2022 to approximately HK\$334.24 million for the year ended 31 December 2023. The decrease was primarily attributable to the discontinuation of certain property management services contracts after 30 September 2022.

The following table sets out the number of properties the Group was contracted to provide services to as at 31 December 2023.

Types of properties	Number of estates/ contracts
(1) Public housing estates (excluding HOS estates)	17
(2) HOS estates	5

Other Income

Other income decreased by approximately HK\$7.17 million from approximately HK\$11.02 million for the year ended 31 December 2022 to approximately HK\$3.85 million for the year ended 31 December 2023. The decrease was mainly due to the decrease in Anti-Epidemic subsidies received from the Hong Kong government during the year.

Other Losses, Net

Other losses decreased by approximately HK\$1.11 million from approximately HK\$2.08 million for the year ended 31 December 2022 to approximately HK\$0.97 million for the year ended 31 December 2023. The decrease was mainly attributable to the recovery of foreign exchange loss sustained in previous year end date during the year.

Employee Benefits Expenses

Employee benefits expenses comprised staff costs of the Group's (i) estate management staff, which mainly included staff for general management, tenancy management, financial management, project management, repairs and maintenance, management and headquarters; (ii) security staff; and (iii) cleaning staff. As at 31 December 2023, the Group had a total of 1,579 employees (2022: 1,339 employees).

The total employee benefits expenses amounted to approximately HK\$301.08 million (2022: HK\$368.89 million) for the year ended 31 December 2023, representing approximately 90.08% (2022: 90.86%) of the Group's revenue. The total employee benefits expenses decreased by approximately 18.38% for the year ended 31 December 2023 from last year. Such decrease was mainly attributable to discontinuation of certain property management services contracts after 30 September 2022.

Retirement Benefits Scheme

The Group joins a mandatory provident fund (“MPF”) scheme in accordance with the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. Under the MPF Scheme, the Group is required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the scheme vest immediately. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees.

As at 31 December 2023, the aggregate amount of the Group's contributions to the aforementioned pension schemes was approximately HK\$10,398,000 (2022: HK\$13,199,000). As at 31 December 2023 and 2022, there is no unutilised forfeited contribution which could be utilised to reduce future contributions of the Group.

Cleaning Material Costs

The cleaning material costs amounted to approximately HK\$2.77 million for the year ended 31 December 2023 (2022: HK\$4.81 million), representing a decrease of 42.41% as compared with last year. The decrease was mainly attributable to the discontinuation of certain property management services contracts after 30 September 2022.

Other Operating Expenses

Other operating expenses amounted to approximately HK\$14.75 million (2022: HK\$15.07 million) for the year ended 31 December 2023, representing a decrease of approximately 2.12% from last year. Other operating expenses mainly included insurance expense, office supplies expenses, security charges for specialist guard company to escort money in transit, guarantee fee for performance bonds, entertainment, travelling expense and estate maintenance expenses.

The decrease in other operating expenses was mainly attributable to (i) decrease in insurance and guarantee fee; (ii) decrease in office supplies; and (iii) decrease in estate maintenance expenses.

The breakdown of other operating expenses recorded for the year ended 31 December 2023 together with the comparative figures for the year ended 31 December 2022 is as follows:

	For the year ended 31 December 2023 HK\$ ('000)	For the year ended 31 December 2022 HK\$ ('000)
Auditor's remuneration	1,300	1,300
Insurance and guarantee fee	6,547	7,386
Office supplies	952	1,207
Security expenses	243	451
Entertainment and travelling expenses	1,371	1,500
Estate maintenance expenses	385	512
Professional fee	1,478	752
Uniform & laundry	496	194
Others	1,979	1,766
	<hr/>	<hr/>
Total	14,751	15,068
	<hr/> <hr/>	<hr/> <hr/>

Finance Income, net

Net finance income amounted to approximately HK\$4.75 million (2022: HK\$0.15 million) for the year ended 31 December 2023. The increase was mainly attributable to the increase in interests income derived from bank during the year ended 31 December 2023.

Income Tax Expense

Income tax expense amounted to approximately HK\$2.04 million for the year ended 31 December 2023 (2022: HK\$2.41 million). Profit before income tax amounted to approximately HK\$19.82 million for the year ended 31 December 2023 compared with approximately HK\$23.59 million for the year ended 31 December 2022.

Profit and total comprehensive income attributable to owners of the Company

Profit for the year decreased from approximately HK\$21.18 million for the year ended 31 December 2022 to approximately HK\$17.77 million for the year ended 31 December 2023, mainly due to the discontinuation of certain property management services contracts after 30 September 2022. Total comprehensive income for the year ended 31 December 2023 amounted to approximately HK\$17.89 million as compared with approximately HK\$23.56 million for the year ended 31 December 2022.

Dividends

The directors have declared and paid the interim dividend of HK\$0.0075 per share, totalling HK\$6.00 million during the year ended 31 December 2023 (2022: HK\$6.00 million).

The Board recommended the payment of a final dividend of HK\$0.00625 per share, totalling HK\$5.00 million for the year ended 31 December 2023 (2022: HK\$6.00 million).

Liquidity and Financial Resources

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial position		
Current assets	200,753	192,667
Current liabilities	51,750	50,011
Net current assets	149,003	142,656
Total assets	209,529	201,983
Total liabilities	53,353	51,692
Borrowings	–	4,800
Short term bank deposits	60,408	62,130
Cash and cash equivalents	11,556	11,387
Pledged bank deposits	39,550	34,600
Total equity	156,176	150,291
Key financial ratios		
Return on equity ^(Note 1)	11.38%	14.09%
Return on total assets ^(Note 2)	8.48%	10.49%
Current ratio ^(Note 3)	3.88 times	3.85 times
Gearing ratio ^(Note 4)	1.45%	4.63%

Notes:

1. Return on equity is calculated as the profit for the year divided by total equity.
2. Return on total assets is calculated as the profit for the year divided by total assets.
3. Current ratio is calculated as total current assets divided by total current liabilities.
4. Gearing ratio is calculated as the total debt divided by total equity. Total debt represents borrowings and lease liabilities.

The current ratio as at 31 December 2023 was 3.88 times as compared to that of 3.85 times as at 31 December 2022. The increase was mainly due to the increase in trade receivable during the year ended 31 December 2023.

As at 31 December 2023, the Group's cash and cash equivalents were approximately HK\$11.56 million (2022: approximately HK\$11.39 million). As at 31 December 2023, the Group has no borrowings during the year (2022: HK\$4.80 million). Further details and the maturities of the Group's total borrowings are set out in note 14 to this announcement.

The gearing ratio decreased to approximately 1.45% as at 31 December 2023 from approximately 4.63% as at 31 December 2022, mainly due to the decrease in borrowings during the year ended 31 December 2023. With the availability of cash and cash equivalents and bank facilities, the Group has sufficient liquidity to satisfy its funding requirements. The Directors are of the view that the Group's financial position is solid.

Capital Structure

Since the Listing on 10 November 2017 (the "**Listing Date**"), there has been no change in the capital structure of the Company. The share capital of the Group only comprises ordinary shares.

As at 31 December 2023, the Company's issued share capital was HK\$8,000,000 and the number of issued ordinary shares was 800,000,000 of HK\$0.01 each. The number of total issued shares of the Company remained unchanged during the year ended 31 December 2023.

Commitment

Save as disclosed in note 16 to this announcement, the Group did not have other material commitment.

Segment Information

Segment information is disclosed in note 3 to this announcement.

Future Plans for Material Investments and Capital Assets

As at 31 December 2023, the Group did not have any plans for material investments and capital assets.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

The Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 December 2023.

Significant Investment

The Group held investment in an insurance contract of approximately HK\$2.60 million as at 31 December 2023 (2022: HK\$2.51 million). The gain on investment in an insurance contract amounted to approximately HK\$0.09 million for the year ended 31 December 2023 (2022: HK\$0.14 million). Other than the insurance contract as mentioned above, the Group did not have other significant investment as at 31 December 2023.

Contingent Liabilities

Save as disclosed in note 15 to this announcement, the Group did not have other material contingent liabilities.

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. The Group had not entered into any foreign exchange hedging contracts for the year ended 31 December 2023.

Charge of Group's Assets

As at 31 December 2023, the Group has pledged its bank deposits of approximately HK\$39.55 million (2022: approximately HK\$34.60 million) and investment in an insurance contract of approximately HK\$2.60 million (2022: approximately HK\$2.51 million) to a bank for securing its performance bonds of approximately HK\$64.44 million (2022: approximately HK\$87.25 million).

Employees and Remuneration Policies

As at 31 December 2023, the Group had a total of 1,579 employees (2022: 1,339 employees). The Group's employee benefits expenses for the year ended 31 December 2023 amounted to approximately HK\$301.08 million (2022: HK\$368.89 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.

SUBSEQUENT EVENT

Save as disclosed in note 17 to this announcement, the Group did not have other material subsequent event.

CORPORATE GOVERNANCE PRACTICES

The Board recognises that transparency and accountability are important to the Company as a listed company. Since its Listing, the Company is committed in establishing and maintaining good corporate governance practices and procedures. The Directors believe that good corporate governance provides a framework that is essential for effective management, successful business growth and a healthy corporate culture in return to the benefits of the Company's shareholders as a whole.

The Board has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 to the GEM Listing Rules. During the year ended 31 December 2023 and up to the date of this announcement, the Board is of the opinion that the Company has complied with all the code provisions of the CG Code.

The Directors will continue reviewing the Company's corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements from time to time, and to meet the rising expectation on the Company.

CODE OF CONDUCT FOR 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 5.48 to 5.67 of the GEM Listing Rules (the "**Model Code**"). The Company had also made specific enquiry to each of the Director and all Directors confirmed that they have complied with the required standards set out in the Model Code regarding Directors' securities transactions throughout the year ended 31 December 2023. The Company was not aware of any non-compliance with the Model Code by the Directors during the year ended 31 December 2023 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 THE COMPANY'S LISTED SECURITIES

The Directors confirm that since the Listing Date and up to the date of this announcement, there has been no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (“**2024 AGM**”) will be held at 11:30 a.m. on Monday, 13 May 2024, the notice of which shall be sent to the shareholders of the Company in accordance with the articles of association of the Company, the GEM Listing Rules and other applicable laws and regulations.

PROPOSED FINAL DIVIDEND

The Directors recommended the payment of a final dividend of HK\$0.00625 per share for the year ended 31 December 2023. The proposed dividend payment is subject to approval by the shareholders of the Company at the 2024 AGM. Upon shareholders' approval for the payment of the final dividend at the 2024 AGM is obtained, the proposed final dividend is expected to be paid on Friday, 14 June 2024 to shareholders whose names appear on the register of members of the Company on Thursday, 23 May 2024.

CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlements to attend and vote at the forthcoming annual general meeting to be held on Monday, 13 May 2024, the register of members of the Company will be closed from Wednesday, 8 May 2024 to Monday, 13 May 2024 (both days inclusive), during which period no transfer of the shares will be registered.

Shareholders are reminded to ensure that all completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Financial Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Tuesday, 7 May 2024.

In order to determine the entitlement of the proposed final dividend, the register of members of the Company will be closed from Monday, 20 May 2024 to Thursday, 23 May 2024 (both days inclusive), during which period no transfer of the shares will be registered. Shareholders are reminded to ensure that all completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Financial Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Friday, 17 May 2024.

AUDIT COMMITTEE

The Company established the Audit Committee on 24 October 2017 with written terms of reference in compliance with rule 5.28 of the GEM Listing Rules and code provision D.3.3 of the CG Code. The Audit Committee consists of three independent non-executive Directors, namely Mr. Wong Siu Fai Albert, Mr. Wong Bay and Mr. Ng Kee Fat Ronny. Mr. Wong Siu Fai Albert has since been appointed as the chairman of the Audit Committee, and is the independent non-executive Director with the appropriate professional qualifications.

The primary duties of the Audit Committee are to review and supervise the Group's financial reporting process, to nominate and monitor the Company's external auditors, to oversee the independence and qualifications of the external auditors, and to oversee the risk management and internal control procedures of the Company. The annual results for the year ended 31 December 2023 have been reviewed by the Audit Committee.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the this announcement.

APPRECIATION

I wish to take this opportunity to extend my sincere thanks to our shareholders, business partners and customers for their ongoing support to the Group. At the same time, I would like to express my appreciation to my fellow Directors, the Group's management team and staff members for their substantial contribution and unwavering dedication to the Group.

By order of the Board
Modern Living Investments Holdings Limited
Ho Chu Ming
Chairman and Executive Director

Hong Kong, 28 March 2024

As at the date of this announcement, the executive Directors are Mr. Ho Chu Ming, Mr. Ng Fuk Wah, Mr. Sung Alfred Lee Ming, Mr. Tang Kong Fuk, Mr. Pang Yat Ting, Dominic, Mr. Xu Jianhua, Jerry, Ir Dr. Pang Yat Bond, Derrick JP and Mr. Shea Chun Lok, Quadrant; the non-executive Director is Ms. Tam Mo Kit; and the independent non-executive Directors are Mr. Wong Bay, Mr. Wong Siu Fai Albert, Mr. Ng Kee Fat Ronny, Mr. Yu Cheeric and Ms. Fung Nancy Ruth.

This announcement, for which the Directors 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 of Hong Kong Limited 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, (i) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; and (ii) there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the "Latest Company Announcements" page of the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk for at least 7 days from the date of its publication and on the Company's website at www.modernliving.com.hk.