

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

從  出發 共創傳奇



雅居物業管理有限公司
Modern Living Property Management Ltd

Third Quarterly Report
2018

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

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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.*

FINANCIAL HIGHLIGHTS

Our revenue amounted to approximately HK\$274.8 million for the nine months ended 30 September 2018, which represented an increase of approximately 3.6% as compared to that of the same period in 2017.

Our employee benefit expenses amounted to approximately HK\$246.4 million for the nine months ended 30 September 2018, which represented an increase of approximately 3.3% as compared to that of the same period in 2017.

The unaudited profit of the Group for the nine months ended 30 September 2018 was approximately HK\$9.5 million while that for the same period in 2017 was approximately HK\$10.4 million after excluding the listing expenses of approximately HK\$14.2 million, representing a decrease of approximately HK\$0.9 million as a result of the increase in other operating expenses.

THIRD QUARTERLY RESULTS

The board of directors (the “Board”) of the Company is pleased to announce the unaudited condensed consolidated results of the Group for the nine months ended 30 September 2018 (the “Period”), together with the comparative unaudited consolidated figures for the corresponding period in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2018

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Revenue	4	91,122	91,360	274,758	265,329
Other income		188	85	336	248
Other gains, net		–	–	15	14
Employee benefit expenses	5	(80,604)	(78,995)	(246,384)	(238,415)
Cleaning material costs		(1,068)	(1,195)	(3,416)	(3,661)
Utilities expenses		(680)	(662)	(1,317)	(1,379)
Depreciation		(428)	(416)	(1,266)	(1,398)
Other operating expenses		(3,495)	(2,408)	(10,444)	(6,799)
Listing expenses		–	(14,151)	–	(14,151)
Operating profit/(loss)		5,035	(6,382)	12,282	(212)
Finance income		–	–	–	1
Finance costs		(112)	(515)	(616)	(1,386)
Finance costs, net		(112)	(515)	(616)	(1,385)
Profit/(loss) before income tax		4,923	(6,897)	11,666	(1,597)
Income tax expense	6	(852)	(1,192)	(2,176)	(2,107)
Profit/(loss) for the period		4,071	(8,089)	9,490	(3,704)
Other comprehensive income: <i>Items that will not be reclassified to profit or loss</i>					
Remeasurements of employee benefit obligations		20	(120)	157	(361)
Other comprehensive income for the period, net of tax		20	(120)	157	(361)
Total comprehensive income/(loss) for the period		4,091	(8,209)	9,647	(4,065)
Earnings/(loss) per share					
Basic and diluted (HK cents per share)	7	0.51	(1.3)	1.19	(0.6)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2018

	Notes	Share capital HK\$'000	Share premium HK\$'000	Contribution reserves HK\$'000	Retained earnings HK\$'000	Total equity HK\$'000
Balance at 1 January 2017 (Audited)	(i)	21,460	–	810	39,330	61,600
Loss for the period		–	–	–	(3,704)	(3,704)
<i>Other comprehensive income:</i>						
Remeasurements of employee benefit obligations		–	–	–	(361)	(361)
Total comprehensive loss for the period		–	–	–	(4,065)	(4,065)
Balance at 30 September 2017 (Unaudited)		21,460	–	810	35,265	57,535
Balance at 1 January 2018 (Audited)		8,000	42,776	22,270	27,496	100,542
Profit for the Period		–	–	–	9,490	9,490
<i>Other comprehensive income:</i>						
Remeasurements of employee benefit obligations		–	–	–	157	157
Total comprehensive income for the Period		–	–	–	9,647	9,647
Balance at 30 September 2018 (Unaudited)		8,000	42,776	22,270	37,143	110,189

Notes:

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2018

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands under the Companies Law of the Cayman Islands and registered as an exempted company with limited liability on 26 June 2017. The Company's shares (the "**Share(s)**") were listed on GEM of the Stock Exchange (the "**Listing**") on 10 November 2017 (the "**Listing Date**"). The address of the Company's registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The Company's principal place of business is Units 1102-1103, 11th Floor, Delta House, No. 3 On Yiu Street, Sha Tin, New Territories, Hong Kong.

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

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars ("**HK\$**"), which is the functional currency of the Group.

Pursuant to the reorganisation of the Group (the "**Reorganisation**") in connection with the Listing, the Company became the holding company of the companies comprising the Group on 10 July 2017. Details of the Reorganisation are set out under the section headed "History, Development and Reorganisation" in the prospectus of the Company dated 31 October 2017 (the "**Prospectus**").

2. BASIS OF PREPARATION

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

The principal accounting policies used in the unaudited condensed consolidated results for the Period are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017, except for the new and revised HKFRSs issued by the HKICPA that are adopted for the first time for the current accounting period of the Group. The adoption of these new and revised HKFRSs has had no material effect on the amounts reported in these unaudited condensed consolidated results and/or disclosures set out in these unaudited condensed consolidated results. The Group has not early adopted any new HKFRSs that have been issued but are not yet effective.

3. SEGMENT INFORMATION

The Group currently operates in one operating segment which is the provision of property management service in Hong Kong. The Group's chief operating decision-maker assesses the performance and allocate resources based on the result for the period for the entire business comprehensively. Accordingly, the Group does not present business segment analysis.

4. REVENUE

	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Property management services	91,122	91,360	274,758	265,329

5. EMPLOYEE BENEFIT EXPENSES

	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Wages, salaries and other allowances (including directors' emoluments)	77,065	75,336	235,949	227,363
Pension costs — defined contribution plan	3,359	3,212	10,002	9,710
Accrual for unutilised annual leave	30	373	135	1,109
Accrual for long service payment	150	74	298	233
	80,604	78,995	246,384	238,415

6. INCOME TAX EXPENSE

	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current income tax:				
Hong Kong Profit Tax	882	1,196	2,133	2,071
Deferred income tax relating to origination and reversal of temporary differences	(30)	(4)	43	36
	852	1,192	2,176	2,107

Hong Kong Profits Tax is calculated at the rate of 16.5% on the estimated assessable profits for both periods.

7. EARNINGS/(LOSS) PER SHARE

	Three months ended 30 September		Nine months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Earnings/(loss) for the purpose of calculating basic earnings per share				
Profit/(loss) for the period	4,071	(8,089)	9,490	(3,704)
Number of ordinary shares for the purpose of calculating basic earnings per share ('000)	800,000	600,000	800,000	600,000

The number of ordinary shares for the purpose of calculating basic earnings/(loss) per share has been retrospectively adjusted for the effects of the Reorganisation which was completed on 10 July 2017 and the Capitalisation Issue (as defined in the Prospectus) which was completed on 9 November 2017.

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

8. DIVIDENDS

The Board resolved not to declare any dividend for the Period (nine months ended 30 September 2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group principally provides property management services to public housing estates in Hong Kong. During the Period, the Housing Authority was our largest customer. Our property management services include (i) estate management services (entailing general management, tenancy management, financial management, minor repair and maintenance as well as project management services), (ii) security services and (iii) cleaning services. As at 30 September 2018, the Group's existing property management portfolio comprises 26 public housing estates, 2 HOS estates awarded by the HA, and 2, 1 and 1 standalone service contracts awarded by the HA, CEDD and the URA, respectively.

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

Financial Review

Revenue

Our revenue from the provision of property management services has increased by approximately HK\$9.4 million between the two periods ended 30 September 2017 and 2018 which was attributable to (i) upward adjustment on service fee for some of our existing contracts in accordance with the adjustment mechanism as stipulated in our contracts; and (ii) increase in our project management fees as we also provide project management service with independent external contractors to carry out repairs and maintenance on building works in the estates we manage.

Employee benefit expenses

The total employee benefits expenses for the Period amounted to approximately HK\$246.4 million (nine months ended 30 September 2017: HK\$238.4 million). The increase was mainly attributable to (i) the salaries and wages paid to our additional staff employed for one URA standalone service contract and two CEDD contracts; (ii) salary increment; and (iii) directors' fee paid to the additional directors.

The staff level in each of the services generally remained stable during the Period.

Cleaning material costs

The slight decrease in cleaning material costs for the Period was mainly attributable to our implementation of closer control.

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\$10.4 million for the Period (nine months ended 30 September 2017: HK\$6.8 million). The increase in other operating expenses was mainly attributable to (i) increase in office rental; (ii) increase in auditor's remuneration and various compliance costs; (iii) increase in photocopying, office supply, uniform and laundry; and (iv) increase in insurance expense.

Profit/(loss) for the period

The slight decrease in profit from approximately HK\$10.4 million (excluding the listing expenses of approximately HK\$14.2 million) for the nine months ended 30 September 2017 to approximately HK\$9.5 million for the Period, which was mainly attributable to the increase in other operating expenses and various compliance costs.

Outlook

The size of the property market in the 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.

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 September 2018, the interests and short positions of each 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 ⁽¹⁾	Approximate percentage of interest in the Company
Ms. Tam Mo Kit ⁽²⁾	Interest in a controlled corporation	503,040,000 (L)	62.88%
Mr. Ng Fuk Wah ⁽³⁾	Interest of spouse	503,040,000 (L)	62.88%
Mr. Ho Chu Ming	Beneficial owner	300,000 (L)	0.04%

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 approximately 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 11,600,000 Shares in the Company, representing approximately 1.45% 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 11,600,000 Shares in the Company, representing approximately 1.45% 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

Name of Director	Name of associated corporation	Capacity/nature of interest	Number of shares held	Percentage of interest
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, as at 30 September 2018, 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 September 2018, the following persons/entities other than a Director or the chief executive of the Company had interests or short positions in the Shares and underlying shares, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under section 336 of the SFO, or who were directly or indirectly interested in 5% or more of the issued voting Shares of the Company:

Long positions in the Shares

Name of Shareholder	Nature of interest/holding capacity	Number of Shares⁽¹⁾	Approximate percentage of interest in the Company
R5A Group Limited ⁽²⁾	Beneficial owner	491,440,000 (L)	61.43%
Ms. Yeung Siu Wen	Beneficial owner	57,120,000 (L)	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 approximately 61.43% of the Company's issued share capital. R5A Group Limited is owned as to approximately 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, as at 30 September 2018, the Directors were not aware of any other persons who had, or was deemed to have, interest or short positions in the Shares or underlying shares of the Company would fall to be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the Register required to be kept by the Company pursuant to Section 336 of the SFO or who were directly or indirectly interested in 5% or more of the issued voting Shares of the Company.

SHARE OPTION SCHEME

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

COMPETING INTERESTS

For the Period, 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” in the Prospectus.

INTEREST 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 September 2018, as notified by Ballas Capital, except for the compliance adviser agreement entered into between the Company and Ballas Capital dated 18 July 2017, neither Ballas Capital nor any of its directors or employees or associates, has or may have, any interest in the securities of the Company or any member of the Group (including options or rights to subscribe for such securities).

CODE OF CORPORATE GOVERNANCE PRACTICES

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

DIRECTORS' SECURITIES TRANSACTIONS

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

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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 Period and is of the opinion that such results complied with the HKFRSs 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 and Executive Director

Hong Kong, 9 November 2018

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 and Mr. Tam Kam Cheung Patrick as Non-executive Directors, and Dr. Chan Man Wai, Mr. Wong Siu Fai Albert and Mr. Ng Kee Fat Ronny as Independent Non-executive Directors.

This 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 be published on the Company's website at <http://www.modernliving.com.hk>.