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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 2019

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED

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 (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 2019, the Group's revenue amounted to approximately HK\$413.96 million (2018: approximately HK\$371.21 million), representing an increase of approximately 11.52% as compared with last year.
- For the year ended 31 December 2019, the Group's operating profit amounted to approximately HK\$7.46 million (2018: approximately HK\$15.12 million), representing a decrease of approximately 50.66% as compared with last year.
- For the year ended 31 December 2019, the Group's profit for the year amounted to approximately HK\$7.19 million (2018: approximately HK\$12.14 million), representing a decrease of approximately 40.77% as compared with last year.
- The board of Directors (the "**Board**") recommended the payment of a final dividend of HK\$0.005 per share, totaling HK\$4 million for the year ended 31 December 2019 (2018: HK\$4 million).

ANNUAL RESULTS

The Board is pleased to announce the consolidated results of the Group for the year ended 31 December 2019, together with the audited comparative figures for the year ended 31 December 2018. The financial information has been approved by the Board on 25 March 2020.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	Year ended 31 December	
		2019 HK\$'000	2018 HK\$'000
Revenue	4	413,961	371,208
Other income		248	347
Other gains, net		213	63
Employee benefits expenses		(376,870)	(330,477)
Cleaning material costs		(7,472)	(5,596)
Utilities expenses		(2,056)	(1,836)
Depreciation of plant and equipment		(1,692)	(2,232)
Depreciation of right-of-use assets		(919)	–
Other operating expenses		(17,954)	(16,356)
Operating profit	5	<u>7,459</u>	<u>15,121</u>
Finance income		1,619	255
Finance costs		(494)	(852)
Finance income/(costs), net	6	<u>1,125</u>	<u>(597)</u>
Profit before income tax		<u>8,584</u>	<u>14,524</u>
Income tax expense	7	<u>(1,398)</u>	<u>(2,382)</u>
Profit for the year		<u>7,186</u>	<u>12,142</u>
Other comprehensive loss:			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurement of employee benefits obligations		(3,809)	(895)
Other comprehensive loss for the year, net of tax		<u>(3,809)</u>	<u>(895)</u>
Total comprehensive income for the year		<u>3,377</u>	<u>11,247</u>
Earnings per share			
Basic and diluted (HK cents per share)	9	<u>0.90</u>	<u>1.52</u>

CONSOLIDATED BALANCE SHEET

As at 31 December 2019

		As at 31 December	
		2019	2018
	Notes	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Plant and equipment		1,801	4,177
Right-of-use assets		1,255	–
Retention money receivables	10	1,964	2,019
Investment in an insurance contract		2,242	2,177
Rental deposit	10	–	116
		<u>7,262</u>	<u>8,489</u>
Current assets			
Trade receivables	10	64,986	75,873
Contract assets	10	14,969	12,223
Prepayments, deposits and other receivables	10	5,368	6,947
Pledged bank deposits		32,845	28,668
Short-term bank deposit		12,570	–
Cash and bank balances		15,444	30,208
		<u>146,182</u>	<u>153,919</u>
Total assets		<u><u>153,444</u></u>	<u><u>162,408</u></u>
EQUITY			
Equity attributable to the owners of the Company			
Share capital		8,000	8,000
Reserves		103,762	103,789
Total equity		<u>111,762</u>	<u>111,789</u>
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		117	369
Borrowings		–	913
Lease liabilities		553	–
		<u>670</u>	<u>1,282</u>
Current liabilities			
Trade payables	11	196	368
Other payables and accrued liabilities		37,433	34,708
Borrowings		–	12,941
Lease liabilities		774	–
Current income tax liabilities		2,609	1,320
		<u>41,012</u>	<u>49,337</u>
Total liabilities		<u><u>41,682</u></u>	<u><u>50,619</u></u>
Total equity and liabilities		<u><u>153,444</u></u>	<u><u>162,408</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Share Capital HK\$'000 (Note 11)	Share premium HK\$'000 (Note 11)	Contribution reserves HK\$'000 (Note 11)	Share-based payment reserves HK\$'000 (Note 11)	Retained earnings HK\$'000	Total equity HK\$'000
Balance at 1 January 2018	8,000	42,776	22,270	–	27,496	100,542
Profit for the year	–	–	–	–	12,142	12,142
Other comprehensive loss: Remeasurement of employee benefits obligations	–	–	–	–	(895)	(895)
Total comprehensive income	–	–	–	–	11,247	11,247
Balance at 31 December 2018	<u>8,000</u>	<u>42,776</u>	<u>22,270</u>	<u>–</u>	<u>38,743</u>	<u>111,789</u>
Balance at 1 January 2019	<u>8,000</u>	<u>42,776</u>	<u>22,270</u>	<u>–</u>	<u>38,743</u>	<u>111,789</u>
Profit for the year	–	–	–	–	7,186	7,186
Other comprehensive loss: Remeasurement of employee benefits obligations	–	–	–	–	(3,809)	(3,809)
Total comprehensive income	–	–	–	–	3,377	3,377
Transactions with owners in their capacity as owners:						
Share-based payment	–	–	–	596	–	596
Dividend paid	–	–	–	–	(4,000)	(4,000)
Total transactions with owners in their capacity as owners	–	–	–	596	(4,000)	(3,404)
Balance at 31 December 2019	<u>8,000</u>	<u>42,776</u>	<u>22,270</u>	<u>596</u>	<u>38,120</u>	<u>111,762</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 PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The Company’s principal place of business is Units 1102–1103, 11th Floor, Delta House, No. 3 On Yiu Street, Sha Tin, New Territories, Hong Kong.

The Company is an investment holding company and its subsidiaries (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. These consolidated financial statements have been approved for issue by the Board on 25 March 2020.

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

2. BASIS OF PREPARATION

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years and periods presented, unless otherwise stated.

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

The consolidated financial statements has been prepared under the historical cost convention, except that investment in an insurance contract 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 2019:

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

The Group had to change its accounting policy following the adoption of HKFRS 16. For details, please refer to Note 2(iii). The other 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) New standards and interpretations not yet adopted

	Effective for annual periods beginning on or after
Amendments to HKAS 1 and HKAS 8, “Definition of material”	1 January 2020
Amendments to HKFRS 3 (Revised), “Definition of a business”	1 January 2020
Conceptual Framework for Financial Reporting 2018	1 January 2020
HKFRS 17, “Insurance contracts”	1 January 2021
Amendments to HKFRS 10 and HKAS 28 “Sale or contribution of assets between an investor and its associate or joint venture”	To be determined

The above new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(iii) Change in accounting policy

This note explains the impact of the adoption of HKFRS 16 Leases on the Group’s financial statements.

As indicated in Note 2(i) above, 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 weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.13%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and the lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principals of HKFRS 16 are only applied after that date.

(i) Practical expedients applied

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

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

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

(ii) *Measurement of lease liabilities*

	2019 HK\$'000
Operating lease commitments disclosed as at 31 December 2018	566
Discounted using the lessee's incremental borrowing rate at the date of initial application	540
Add: finance lease liabilities recognised as at 31 December 2018	1,439
Lease liabilities recognised as at 1 January 2019	1,979
Of which are:	
— Current lease liabilities	881
— Non-current lease liabilities	1,098
	1,979

(iii) *Measurement of right-of-use assets*

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated balance sheet as at 31 December 2018.

(iv) *Adjustments recognised in the balance sheet on 1 January 2019*

The change in accounting policy affected the following items in the consolidated balance sheet on 1 January 2019:

Consolidated balance sheet (extract)	31 December 2018 as originally presented <i>HK\$'000</i>	Effects of the adoption of HKFRS 16 <i>HK\$'000</i>	1 January 2019 Restated <i>HK\$'000</i>
Non-current assets			
Plant and equipment	4,177	(1,369)	2,808
Right-of-use assets	–	1,909	1,909
Current liabilities			
Lease liabilities	–	881	881
Borrowings	12,941	(526)	12,415
Non-current liabilities			
Lease liabilities	–	1,098	1,098
Borrowings	913	(913)	–

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 service 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 2018 and 2019, no business segment analysis is presented accordingly.

Geographical information

The Group’s revenue is derived from customers in Hong Kong. All the assets of the Group were also located in Hong Kong as at 31 December 2018 and 2019. 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:

	2019 <i>HK\$’000</i>	2018 <i>HK\$’000</i>
Customer A	<u>412,565</u>	<u>367,493</u>

No other single customers contributed 10% or more to the Group’s revenue for the year ended 31 December 2018 and 2019.

4. REVENUE

	2019 <i>HK\$’000</i>	2018 <i>HK\$’000</i>
Property management services income	<u>413,961</u>	<u>371,208</u>

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

5. EXPENSES BY NATURE

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Employee benefits expenses	376,870	330,477
Auditor's remuneration	1,080	1,200
Operating lease rentals in respect of rental premises	–	359
Insurance fee	6,283	4,696
Guarantee fee	1,141	868
Security expenses	669	707
Office supplies	1,591	1,435
	<u>1,591</u>	<u>1,435</u>

6. FINANCE INCOME/(COSTS), NET

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Bank interest income	1,619	255
Interests on borrowings	(411)	(775)
Interests on finance lease liabilities	–	(77)
Interests on lease liabilities	(83)	–
	<u>(494)</u>	<u>(852)</u>
	<u>1,125</u>	<u>(597)</u>

7. INCOME TAX EXPENSE

Hong Kong profits tax is calculated at the rate of 16.5% (2018: 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 new two-tiered tax rate regime with effect from the year of assessment 2018/2019.

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Hong Kong profits tax:		
Current income tax	1,672	2,595
Over provision in prior year	(22)	(47)
	<u>1,650</u>	<u>2,548</u>
Deferred income tax	(252)	(166)
	<u>1,398</u>	<u>2,382</u>

8. DIVIDENDS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Proposed final dividend	<u>4,000</u>	<u>4,000</u>

A final dividend for the year ended 31 December 2019 of HK\$0.005 (2018: HK\$0.005) per ordinary share, totaling approximately HK\$4,000,000 (2018: HK\$4,000,000) 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 2019.

9. EARNINGS PER SHARE

(a) Basic earnings per share

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit attributable to owners of the Company	<u>7,186</u>	<u>12,142</u>
Weighted average number of ordinary shares in issue	<u>800,000,000</u>	<u>800,000,000</u>
Earnings per share (HK cents)	<u>0.90</u>	<u>1.52</u>

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

The Company has one (2018: Nil) category of dilutive potential ordinary shares: share options (2018: Nil). For the share options, a calculation was performed to determine the number of shares that could have been issued at fair value (determined as the average market price of the Company's shares for the period) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of share options.

Diluted earnings per share for the year ended 31 December 2019 is the same as the basic earnings per share as the conversion of potential ordinary shares in relation to the outstanding share options would have an anti-dilutive effect to the basic earnings per share.

There were no potential dilutive ordinary shares outstanding during the year ended 31 December 2018.

10. RECEIVABLES, CONTRACT ASSETS, PREPAYMENTS AND DEPOSITS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Non-current:		
Retention money receivables (<i>Note i</i>)	1,964	2,019
Rental deposit	–	116
	<u>1,964</u>	<u>2,135</u>
Current:		
Trade receivables	64,986	75,873
Contract assets (<i>Note ii</i>)	14,969	12,223
	<u>79,955</u>	<u>88,096</u>
Utilities deposits	368	525
Rental deposits	116	–
Prepaid insurance	2,865	3,973
Prepayment	592	528
Other receivables	1,427	1,921
	<u>5,368</u>	<u>6,947</u>
Total current prepayments, deposits and other receivables	<u>85,323</u>	<u>95,043</u>
Total receivables, contract assets, prepayments and deposits	<u>87,287</u>	<u>97,178</u>

Note:

- (i) 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 of 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 year ended 31 December 2018 and 2019. The carrying amounts of retention money receivables approximate their fair values as the impact of discounting is not significant.
- (ii) 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.

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:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Contract assets (<i>Note ii</i>)	<u>14,969</u>	12,223
Trade receivables:		
Up to 30 days	30,283	33,222
31 to 60 days	21,449	29,799
61 to 90 days	<u>13,254</u>	<u>12,852</u>
	<u>79,955</u>	<u>88,096</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, other receivables, and deposits approximate their fair values. Retention money receivables, trade receivables, contract assets, other receivables and deposits are mainly denominated in HK\$.

11. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED LIABILITIES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade payables	<u>196</u>	368
Provision for long service payment	10,572	5,998
Provision for unutilised annual leave	2,397	2,843
Accrued wages, salaries and pensions	20,153	21,180
Other accrued expenses and payables	<u>4,311</u>	<u>4,687</u>
Total other payables and accrued liabilities	<u>37,433</u>	<u>34,708</u>
Total trade and other payables and accrued liabilities	<u>37,629</u>	<u>35,076</u>

At 31 December 2018 and 2019, the ageing analysis of the trade payables based on invoice date was as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0–30 days	<u>196</u>	<u>368</u>

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.

12. CONTINGENT LIABILITIES

The Group had contingent liabilities in respect of the following:

- (i) As at 31 December 2019, the Group had entered into 40 (2018: 33) performance bonds with a bank. The aggregate amount of the performance bonds was HK\$93,070,000 (2018: HK\$61,265,000) as at 31 December 2019. The Directors do not consider it is 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 2019.

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 2019, the Hong Kong Housing Authority (“HA”) was the Group’s largest customer and contributed most 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 the impact brought by the anticipated economic downturn in Hong Kong and coronavirus epidemic will not be significant to the Group’s business. Nevertheless, the management will closely monitor the development of the coronavirus epidemic and assess the potential impact which it may bring to the Group. The Group will embrace these challenges by implementing proactive marketing strategies, investing more resources on human resources and the reinforcing on cost control measures. The Group intends to execute its development plan as set out in the prospectus of the Company dated 31 October 2017 (the “**Prospectus**”) carefully and prudently, with an aim to bring a higher return to the shareholders of the Company and to facilitate the long-term growth of the business of the Group.

Financial Review

Revenue

The Group’s revenue increased by approximately 11.52% from approximately HK\$371.21 million for the year ended 31 December 2018 to approximately HK\$413.96 million for the year ended 31 December 2019. The increase was primarily attributable to (i) the additional service fee income from two new public housing estates and one new Home Ownership Scheme (“HOS”) estate awarded by the HA in April 2019; and (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.

The following table sets out the number of properties the Group was contracted to provide services to at 31 December 2019.

Types of properties	Number of estates/ contracts
(1) Public housing estates (excluding HOS estates)	19
(2) HOS estates	4
(3) Stand-alone service contracts	2

Other Income

Majority of other income mainly represented cleaning services to ancillary facilities within the estates managed by the Group. Other income decreased by approximately HK\$0.10 million from approximately HK\$0.35 million for the year ended 31 December 2018 to approximately HK\$0.25 million for the year ended 31 December 2019. The decrease was mainly due to decrease in the cleaning services income from the ancillary facilities area within the estates for the year ended 31 December 2019.

Other Gains, Net

Other gains increased by approximately HK\$0.15 million from approximately HK\$0.06 million for the year ended 31 December 2018 to approximately HK\$0.21 million for the year ended 31 December 2019. The increase was mainly due to increase in gain on disposal of plant and equipment for the year ended 31 December 2019.

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 2019, the Group had a total of 2,028 employees (2018: 2,410 employees). The decrease in number of employees was mainly attributable to the completion of contracts with nine public housing estates and four stand-alone services during the fourth quarter of 2019.

The total employee benefits expenses amounted to approximately HK\$376.87 million (2018: HK\$330.48 million) for the year ended 31 December 2019, representing approximately 91.04% (2018: 89.03%) of the Group's revenue. The total employee benefits expenses increased by approximately 14.04% for the year ended 31 December 2019 from last year. Such increase was mainly attributable to (i) the salaries and wages for the additional staff employed for the three new contracts awarded by the HA in April 2019; and (ii) the annual increase in salaries and wages.

Cleaning Material Costs

The cleaning material costs amounted to approximately HK\$7.47 million for the year ended 31 December 2019 (2018: HK\$5.60 million), representing an increase of 33.39% as compared with last year. The increase was mainly due to the construction waste disposal charge paid to the sub-contractor for the two new public housing estates and one new HOS estate commenced in April 2019.

Other Operating Expenses

Other operating expenses amounted to approximately HK\$17.95 million (2018: HK\$16.36 million) for the year ended 31 December 2019, representing an increase of approximately 9.72% from the last year. Other operating expenses mainly included 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 increase in other operating expenses was mainly attributable to (i) increase in estate maintenances expense; (ii) increase in various compliance costs; and (iii) increase in insurance expense and guarantee fees.

Finance Incomes/Costs, net

Net finance income amounted to approximately HK\$1.13 million (2018: net finance costs of HK\$0.60 million) for the year ended 31 December 2019. The net financial income was mainly attributable to increase in bank deposit during the year ended 31 December 2019.

Income Tax Expense

Income tax expense amounted to approximately HK\$1.40 million for the year ended 31 December 2019 (2018: HK\$2.38 million). Profit before income tax amounted to approximately HK\$8.58 million for the year ended 31 December 2019 compared with approximately HK\$14.52 million for the year ended 31 December 2018.

Profit and total comprehensive income attributable to owners of the Company

Profit for the year decreased from approximately HK\$12.14 million for the year ended 31 December 2018 to approximately HK\$7.19 million, mainly due to (i) increase in employee benefits expenses; (ii) increase in various compliance costs; (iii) increase in insurance expense; and (iv) increase in cleaning material costs for the year ended 31 December 2019. Total comprehensive income for the year ended 31 December 2019 amounted to approximately HK\$3.38 million as compared with approximately HK\$11.25 million for the year ended 31 December 2018. Such decrease was mainly due to the decrease in profit for the year and increase in remeasurements of employee benefits obligations.

Dividends

The Board recommended the payment of a final dividend of HK\$0.005 per share, totaling HK\$4 million for the year ended 31 December 2019 (2018: HK\$4 million).

Liquidity and Financial Resources

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Financial position		
Current assets	146,182	153,919
Current liabilities	41,012	49,337
Net current assets	105,170	104,582
Total assets	153,444	162,408
Total liabilities	41,682	50,619
Borrowings	–	13,854
Cash and bank balances	15,444	30,208
Pledged bank deposits	32,845	28,668
Total equity	111,762	111,789
Key financial ratios		
Return on equity ^(Note 1)	6.43%	10.86%
Return on total assets ^(Note 2)	4.68%	7.48%
Current ratio ^(Note 3)	3.56 times	3.12 times
Gearing ratio ^(Note 4)	1.19%	12.39%

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 2019 was 3.56 times as compared to that of 3.12 times as at 31 December 2018. The increase was mainly due to the repayment of borrowings during the year ended 31 December 2019.

As at 31 December 2019, the Group's cash and bank balances were approximately HK\$15.44 million (2018: approximately HK\$30.21 million). As at 31 December 2019, the Group's borrowings were nil (2018: HK\$13.85 million, which bear interest at 2.15%–5.13% per annum).

The gearing ratio decreased to approximately 1.19% as at 31 December 2019 from approximately 12.39% as at 31 December 2018, mainly due to the repayment of borrowings. With the availability of cash and bank balances 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**”) and up to the date of this announcement, 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 2019, 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 2019.

Commitment

The operating lease commitment of the Group was related to the lease of its office premise, which was recognised as lease liabilities in the consolidated balance sheet in accordance with HKFRS 16 since 1 January 2019. The Group has no other material operating lease commitment and capital commitment as at 31 December 2019.

Segment Information

Segment information is disclosed in Note 3 to this announcement.

Future Plans for Material Investments and Capital Assets

As at 31 December 2019, 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 2019.

Significant Investment

The Group held investment in an insurance contract of approximately HK\$2.24 million as at 31 December 2019 (2018: HK\$2.18 million). The gain on investment in an insurance contract amounted to approximately HK\$0.07 million for the year ended 31 December 2019 (2018: HK\$0.06 million). Other than the insurance contract as mentioned above, the Group did not have other significant investment as at 31 December 2019.

Contingent Liabilities

Save as disclosed in Note 12 to this announcement, as at 31 December 2019 and 2018, 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 2019.

Charge of Group's Assets

As at 31 December 2019, the Group has pledged its bank deposits of approximately HK\$32.85 million (2018: approximately HK\$28.67 million) and investment in an insurance contract of approximately HK\$2.24 million (2018: approximately HK\$2.18 million) to a bank for securing its performance bonds of approximately HK\$93.07 million (2018: approximately HK\$61.27 million) and bank borrowings of nil amount (2018: approximately HK\$12.42 million) under certain banking facilities.

Employees and Remuneration Policies

As at 31 December 2019, the Group had a total of 2,028 employees (2018: 2,410 employees). The decrease in number of employees was mainly attributable to the completion of contracts with nine public housing estates and four stand-alone services during the fourth quarter of 2019. The Group's employee benefits expenses for the year ended 31 December 2019 amounted to approximately HK\$376.87 million (2018: HK\$330.48 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.

Events after the Reporting Period

Since the outbreak of Coronavirus Disease 2019 (“**COVID-19**”) in January 2020 in Hong Kong, the Group has adopted a series of precautionary and epidemic control measures to prevent the spread of the COVID-19 among the staff of the Group and the residents of the estates managed by the Group. As the Group's business is mainly focused on property management of public housing and subsidised housing in Hong Kong, contracts of which are normally ranged from 2 to 6 years, it is expected that the impact brought by the COVID-19 and the anticipated consequential economic downturn in Hong Kong would not be significant to the Group's business. However, the Group would continue to pay attention to the development of the COVID-19 and evaluate its impact on the financial position and operating results of the Group. As at the date of this announcement, the Directors were not aware of any material adverse effects on the financial position of the Group as a result of the COVID-19.

Use of Proceeds from the Listing

The final offer price for the Listing was HK\$0.30 per share, and the actual net proceeds from the Listing were approximately HK\$34.85 million, after deducting the listing-related expenses of approximately HK\$25.15 million (of which, approximately HK\$15.92 million and HK\$9.23 million are recognised in the consolidated statement of comprehensive income and the consolidated statement of changes in equity, respectively). 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:

	Adjusted use of actual net proceeds in the same manner and proportion as stated in the Prospectus up to 31 December 2019	Actual utilised amounts as at 31 December 2019	Unutilised amount out of the planned amount as at 31 December 2019
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
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	21.85	3.95
As additional working capital and satisfying additional cash to be deposited as collateral of the performance bond for tendering for additional stand-alone cleaning or security service contracts from the HA	9.05	–	9.05
Total:	<u>34.85</u>	<u>21.85</u>	<u>13.00</u>

From the Listing Date to 31 December 2019, HK\$14.19 million and HK\$7.66 million were utilised as performance bond and working capital respectively to secure new estates contracts awarded by the HA. The Company intends to continue to apply the net proceeds in accordance with the section headed “Future Plans and Use of Proceeds” in the Prospectus. As at 31 December 2019, the unutilised portion of the proceeds of approximately HK\$13.00 million was placed in interest bearing account with bank and partially paid down the bank borrowings in accordance with the disclosure in the Prospectus.

The delay in utilisation of the net proceeds was mainly to the delay in the Group obtaining new property management service contracts and stand-alone cleaning or security service contracts in tenders, which in turn caused the delay in deployment of additional working capital under capital requirement and as collateral of performance bond.

Comparison of Business Strategies and Actual Business Progress

An analysis comparing the business strategies as disclosed in the Prospectus with the Group's actual business progress for the period from the Listing Date to 31 December 2019 is set out below:

Business objectives	Actual progress
Upgrading the computer system	The Group has started evaluation of its computer system and the enhancement started in the second quarter of 2018.
Tender submission for contracting work from various departments	The Group closely evaluates its capacity for its submission for tenders. The Group will submit tenders as and when suitable opportunity is available.

Since the Listing, the Group has commenced to incur expenditure to implement the above business strategies.

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 and complied with the Corporate Governance Code (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules. During the year ended 31 December 2019 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 5.46 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 2019. The Company was not aware of any non-compliance with the Model Code by the Directors during the year ended 31 December 2019 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 (“**2020 AGM**”) will be held at 10:00 a.m. on Friday, 22 May 2020, 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\$0.005 per share for the year ended 31 December 2019. The proposed dividend payment is subject to approval by the shareholders of the Company at the 2020 AGM. Upon shareholders' approval for the payment of the final dividend at the 2020 AGM is obtained, the proposed final dividend is expected to be paid on Friday, 10 July 2020 to shareholders whose names appear on the register of members of the Company on Tuesday, 23 June 2020.

CLOSURE OF REGISTER OF MEMBERS

(i) For determining eligibility to attend and vote at 2020 AGM:

In order to establish entitlement to attend and vote at the forthcoming annual general meeting to be held on Friday, 22 May 2020, the register of members of the Company will be closed from Friday, 15 May 2020 to Friday, 22 May 2020 (both dates 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 14 May 2020.

(ii) For determining entitlement to the final dividend:

In order to establish the entitlement to the final dividend, the register of members of the Company will be closed from Thursday, 18 June 2020 to Tuesday, 23 June 2020 (both dates inclusive), during which period no transfer of the shares will be registered. In order to qualify entitlement to the final dividend, 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 17 June 2020.

AUDIT COMMITTEE

The Company has established the Audit Committee on 24 October 2017 with written terms of reference in compliance with paragraph C.3.3 of the CG Code. The Audit Committee consists of three independent non-executive Directors, namely Dr. Chan Man Wai, Mr. Wong Siu Fai Albert and Mr. Ng Kee Fat Ronny. Mr. Wong Siu Fai Albert has 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 qualification 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 2019 have been reviewed by the Audit Committee.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated balance sheet, consolidated statement of comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2019 as set out in this announcement have been agreed by the Company'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 in accordance with the Hong Kong Standards on Auditing, the Hong Kong Standards on Review Engagements or the Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the this announcement.

APPRECIATION

On behalf of the Board, I would like to extend our sincere thanks to our shareholders, business partners and customers for their utmost support to the Group. I would also like to take this opportunity to thank all management members and staff for their hard work and dedication throughout the year.

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

Hong Kong, 25 March 2020

As at the date of this announcement, the chairman and the executive Director of the Company is Mr. Ho Chu Ming; the executive Directors of the Company are Mr. Ng Fuk Wah, Mr. Sung Alfred Lee Ming and Mr. Tang Kong Fuk; the non-executive Director of the Company is Ms. Tam Mo Kit; and independent non-executive Directors of the Company are Dr. Chan Man Wai, Mr. Wong Siu Fai Albert and Mr. Ng Kee Fat Ronny.

This announcement will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting and on the Company's website at www.modernliving.com.hk