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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

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

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

FINANCIAL HIGHLIGHTS

- The Group recorded an unaudited revenue of approximately HK\$206.0 million for the six months ended 30 June 2020 (six months ended 30 June 2019: approximately HK\$205.6 million), representing an increase of approximately 0.2% over the same period in 2019.
- The unaudited profit for the period of the Group for the six months ended 30 June 2020 was approximately HK\$4.8 million, while that for the six months ended 30 June 2019 was approximately HK\$4.2 million, representing an increase of approximately 14.3% over the same period in 2019.
- The basic earnings per share for the six months ended 30 June 2020 was approximately HK0.6 cents (six months ended 30 June 2019: basic earnings per share of approximately HK0.52 cents).
- The Board of Directors resolved not to declare an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

The board of directors (the “**Board**”) of the Company is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2020 (the “**Period**”) together with the corresponding comparative figures as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Revenue	6	119,015	111,183	205,996	205,588
Other income	7	775	53	867	108
Other gains, net	8	34	33	34	33
Employee benefits expenses	9	(105,777)	(99,133)	(188,456)	(186,472)
Cleaning material costs		(1,806)	(1,866)	(3,507)	(3,543)
Utilities expenses		(1,068)	(531)	(1,268)	(859)
Depreciation		(183)	(596)	(775)	(1,155)
Other operating expenses	11	(4,853)	(5,466)	(7,628)	(9,910)
Operating profit		6,137	3,677	5,263	3,790
Finance income, net	10	13	173	562	719
Profit before income tax	11	6,150	3,850	5,825	4,509
Income tax expense	12	(1,113)	(168)	(1,050)	(338)
Profit for the Period		5,037	3,682	4,775	4,171
Other comprehensive (loss)/income: <i>Items that will not be reclassified to profit or loss</i>					
Remeasurements of employee benefit obligations		(50)	24	(300)	(200)
Other comprehensive (loss)/income for the Period, net of tax		(50)	24	(300)	(200)
Total comprehensive income for the Period		4,987	3,706	4,475	3,971
Earnings per share					
Basic and diluted (HK cents per share)	14	0.63	0.46	0.60	0.52

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
	<i>Notes</i>		
ASSETS			
Non-current assets			
Plant and equipment	15	2,235	1,801
Right-of-use assets	16	1,041	1,255
Retention money receivables		1,964	1,964
Investment in an insurance contract	17	2,276	2,242
		<u>7,516</u>	<u>7,262</u>
Current assets			
Trade receivables	18	72,452	64,986
Contract assets	18	14,969	14,969
Prepayments, deposits and other receivables		5,506	5,368
Pledged bank deposits	19	53,677	32,845
Short-term bank deposit		–	12,570
Cash and bank balances		26,711	15,444
		<u>173,315</u>	<u>146,182</u>
Total assets		<u>180,831</u>	<u>153,444</u>
EQUITY			
Equity attributable to the owners of the Company			
Share capital	22	8,000	8,000
Reserves		108,535	103,762
Total equity		<u>116,535</u>	<u>111,762</u>

		As at 30 June 2020 (Unaudited) <i>HK\$'000</i>	As at 31 December 2019 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		117	117
Lease liabilities	16	553	553
		<u>670</u>	<u>670</u>
Current liabilities			
Trade payables	20	569	196
Other payables and accrued liabilities		50,179	37,433
Borrowings	21	12,257	–
Lease liabilities	16	291	774
Current income tax liabilities		330	2,609
		<u>63,626</u>	<u>41,012</u>
Total liabilities		<u>64,296</u>	<u>41,682</u>
Total equity and liabilities		<u>180,831</u>	<u>153,444</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Share Capital HK\$'000	Share premium HK\$'000	Contribution reserves HK\$'000	Share-based payment reserves HK\$'000	Retained earnings HK\$'000	Total equity HK\$'000
Balance at 1 January 2019 (audited)	8,000	42,776	22,270	–	38,743	111,789
Profit for the Period	–	–	–	–	4,171	4,171
<i>Other comprehensive loss:</i>						
Remeasurements of employee benefit obligations	–	–	–	–	(200)	(200)
Total comprehensive income for the Period	–	–	–	–	3,971	3,971
Dividend paid	–	–	–	–	(4,000)	(4,000)
Balance at 30 June 2019 (unaudited)	<u>8,000</u>	<u>42,776</u>	<u>22,270</u>	<u>–</u>	<u>38,714</u>	<u>111,760</u>
Balance at 1 January 2020 (audited)	<u>8,000</u>	<u>42,776</u>	<u>22,270</u>	<u>596</u>	<u>38,120</u>	<u>111,762</u>
Profit for the Period	–	–	–	–	4,775	4,775
<i>Other comprehensive loss:</i>						
Remeasurements of employee benefit obligations	–	–	–	–	(300)	(300)
Total comprehensive income for the Period	–	–	–	–	4,475	4,475
Transactions with owners in their capacity as owners:						
Share-based payment	–	–	–	298	–	298
Total transactions with owners in their capacity as owners	–	–	–	298	–	298
Balance at 30 June 2020 (unaudited)	<u>8,000</u>	<u>42,776</u>	<u>22,270</u>	<u>894</u>	<u>42,595</u>	<u>116,535</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	For the six months ended	
	30 June 2020	30 June 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Net cash generated from operations	10,118	7,155
Hong Kong profits tax paid	(1,680)	–
	<u>8,438</u>	<u>7,155</u>
Net cash generated from operating activities	8,438	7,155
Cash flows from investing activities		
Purchases of plant and equipment	(1,245)	(683)
Interest received	799	968
(Increase)/decrease in pledged bank deposits	(20,832)	2,668
Decrease in short-term bank deposit	12,570	–
	<u>(8,708)</u>	<u>2,953</u>
Net cash (used in)/generated from investing activities	(8,708)	2,953
Cash flows from financing activities		
Interest paid	(201)	(249)
Proceeds from bank borrowings	13,000	146,000
Repayment of bank borrowings and finance lease liabilities	(743)	(126,122)
Dividends paid	–	(4,000)
Repayment of lease liabilities	(519)	(187)
	<u>11,537</u>	<u>15,442</u>
Net cash generated from financing activities	11,537	15,442
Net increase in cash and cash equivalents	11,267	25,550
Cash and cash equivalents at beginning of the Period	15,444	30,208
Cash and cash equivalents at end of the Period	26,711	55,758

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

The Company is an investment holding company and its subsidiaries are engaging in the provision of property management services to public housing estates owned by and subsidised housing built by the Hong Kong Housing Authority (the "HA") and estates of Home Ownership Scheme ("HOS").

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

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 30 June 2020 have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

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

The principal accounting policies adopted in the unaudited condensed consolidated results for the six months ended 30 June 2020 are the same as those adopted in the Group's annual financial statements for the year ended 31 December 2019, 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 as below:

- Amendments to HKAS 1 and HKAS 8, "Definition of material"
- Amendments to HKFRS 3 (Revised), "Definition of a business"
- Conceptual Framework for Financial Reporting 2018

The adoption of these new and revised HKFRSs has had no material effect on the amounts reported in these condensed consolidated results and/or disclosures set out in these 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 services 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. ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

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

The condensed consolidated interim financial information does not include all financial risk management information and disclosure required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2019.

5.2 Liquidity risk

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

5.3 Fair value estimation

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

6. REVENUE

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Property management services income	<u>119,015</u>	<u>111,183</u>	<u>205,996</u>	<u>205,588</u>

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

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

7. OTHER INCOME

	Three months ended 30 June		Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Sundry income	<u>775</u>	<u>53</u>	<u>867</u>	<u>108</u>

8. OTHER GAINS, NET

	Three months ended 30 June		Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Gain on investment in an insurance contract (Note 17)	<u>34</u>	<u>33</u>	<u>34</u>	<u>33</u>

9. EMPLOYEE BENEFITS EXPENSES

	Three months ended 30 June		Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Wages, salaries and other allowances (including directors' emoluments)	100,827	94,920	180,071	178,595
Pension costs — defined contribution plan	4,192	3,853	7,378	7,377
Accrual for unutilised annual leave	1,259	110	1,209	200
Accrual for long service payment	(650)	250	(500)	300
Share-based payment	149	—	298	—
	<u>105,777</u>	<u>99,133</u>	<u>188,456</u>	<u>186,472</u>

10. FINANCE INCOME, NET

	Three months ended 30 June		Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Bank interest income	76	282	799	968
Interest on lease payment	(34)	(6)	(36)	(12)
Interests on borrowings and finance lease liabilities	(29)	(103)	(201)	(237)
	<u>13</u>	<u>173</u>	<u>562</u>	<u>719</u>

11. EXPENSES BY NATURE

	Three months ended 30 June		Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Cleaning material costs	1,806	1,866	3,507	3,543
Depreciation	183	596	775	1,155
Employee benefits expenses (Note 9)	105,777	99,133	188,456	186,472
Other operating expenses (Note)	4,853	5,466	7,628	9,910

Note:

The breakdown of other operating expenses recorded as follow:

	Three months ended 30 June		Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Auditor's remuneration	270	300	540	600
Insurance and guarantee	1,836	2,092	3,284	4,045
Office supplies	421	468	609	831
Securing charges	140	183	242	357
Entertainment and travel	217	316	366	776
Estate maintenance expense	372	402	438	543
Telecommunication charges	106	96	172	183
Professional fee	409	498	681	928
Uniform & laundry	185	134	192	155
Other expenses	897	977	1,104	1,492
	4,853	5,466	7,628	9,910

12. INCOME TAX EXPENSE

	Three months ended 30 June		Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Current income tax:				
Hong Kong profits tax	924	188	924	388
Deferred income tax	189	(20)	126	(50)
	1,113	168	1,050	338

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for both periods, 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.

13. DIVIDEND

Final dividends of HK\$4,000,000 (HK0.5 cent per share) in respect of the year ended 31 December 2019 was declared on 25 March 2020 and paid to the shareholders of the Company on 10 July 2020.

The Board did not recommend the payment of dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

14. EARNINGS PER SHARE

Earnings for the purpose of calculating basic earnings per share:

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit for the period (HK\$'000)	5,037	3,682	4,775	4,171
Number of ordinary shares for the purpose of basic earnings per share (thousand share)	<u>80,000</u>	<u>800,000</u>	<u>80,000</u>	<u>800,000</u>

No diluted earnings per share was presented as there was no potential dilutive shares outstanding during six months ended 30 June 2019 and 2020.

15. PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired property, plant and equipment of approximately HK\$1.25 million (six months ended 30 June 2019: HK\$0.68 million).

16. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

	As at	As at
	30 June	31 December
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Right-of-use assets		
Property	–	180
Equipment	<u>1,041</u>	<u>1,075</u>
	<u>1,041</u>	<u>1,255</u>
Lease liabilities		
Current lease liabilities	291	774
Non-current lease liabilities	<u>553</u>	<u>553</u>
	<u>844</u>	<u>1,327</u>

17. INVESTMENT IN AN INSURANCE CONTRACT

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

18. TRADE RECEIVABLES AND CONTRACT ASSETS

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

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

	As at 30 June 2020 <i>HK\$'000</i> (unaudited)	As at 31 December 2019 <i>HK\$'000</i> (audited)
Contract assets	14,969	14,969
Trade receivables:		
Up to 30 days	39,216	30,283
31 to 60 days	27,365	21,449
61 to 90 days	5,871	13,254
	<u>72,452</u>	<u>64,986</u>
	<u>87,421</u>	<u>79,955</u>

19. PLEDGED BANK DEPOSITS

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

20. TRADE PAYABLES

	As at 30 June 2020 <i>HK\$'000</i> (unaudited)	As at 31 December 2019 <i>HK\$'000</i> (audited)
0–30 days	569	196

21. BORROWINGS

As at 30 June 2020, the borrowings and the banking facilities granted to the Group are secured by the Group's Insurance Policy, the Group's pledged bank deposits and the corporate guarantee executed by the Company.

The bank borrowings are repayable as follows:

	As at 30 June 2020 HK\$'000 (unaudited)	As at 31 December 2019 HK\$'000 (audited)
Within one year	<u><u>12,257</u></u>	<u><u>–</u></u>

All the borrowings made by the Group as at 30 June 2020 were denominated in Hong Kong Dollar.

22. SHARE CAPITAL

	No. of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Issued and fully paid:		
At 31 December 2019 and 30 June 2020	<u><u>800,000</u></u>	<u><u>8,000</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

As at 30 June 2020, the Group's existing property management portfolio comprises 28 public housing estates owned by the Hong Kong Housing Authority ("HA"), 4 HOS estates and 2 standalone service contracts awarded by the HA, under the management of the Group. The Group has completed the contracts in relation to nine public housing estates during the fourth quarter of 2019 and commenced a new contract which comprised of nine public housing estates at the commencement of second quarter of 2020.

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 5 years. It is expected that the impact brought by the COVID-19 pandemic (the "Pandemic") 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 Pandemic 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 Pandemic.

Outlook

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

Financial Review

Revenue

The revenue from the provision of property management services has increased from approximately HK\$205.6 million for the six months ended 30 June 2019 to approximately HK\$206.0 million for the six months ended 30 June 2020, representing an increase of approximately 0.2% over the same period in 2019. This increase was attributable to (i) the additional service fee income from the new contracts of the public housing estates owned by the HA; 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.

Employee benefits expenses

The total employee benefits expenses remained stable at approximately HK\$188.5 million for the six months ended 30 June 2020 and approximately HK\$186.5 million for the six months ended 30 June 2019. The Group has completed the contracts in relation to nine public housing estates during the fourth quarter of 2019 and commenced a new contract which comprised of nine public housing estates at the commencement of second quarter of 2020.

Cleaning material costs

The cleaning material costs remained stable at approximately HK\$3.5 million for both the six months ended 30 June 2019 and 2020 respectively.

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\$7.6 million and HK\$9.9 million for the six months ended 30 June 2020 and 2019, respectively. The decrease in other operating expenses was mainly attributable to (i) decrease in various compliance costs; (ii) decrease in insurance and guarantee fee; and (iii) more stringent procedures implemented.

For further details in relation to the other operating expenses, please refer to Note 11 to the unaudited condensed consolidated financial statements.

The breakdown of other operating expenses recorded for the year ended 31 December 2019 together with the comparative figures for the year ended 31 December 2018 is as:

	For the year ended 31 December 2019 HK\$ ('000)	For the year ended 31 December 2018 HK\$ ('000)
Audit fee	1,080	1,200
Insurance and guarantee expense	7,424	5,564
Office supplies	1,591	1,435
Security charges	669	707
Entertainment and travel	1,594	1,514
Estate maintenance expense	976	788
Telecommunication charges	358	350
Professional fee	1,690	1,504
Uniform & Laundry	566	709
Others	2,006	2,585
	<hr/>	<hr/>
Total	17,954	16,356
	<hr/> <hr/>	<hr/> <hr/>

Profit for the period

The increase in profit for the period from approximately HK\$4.2 million for the six months ended 30 June 2019 to approximately HK\$4.8 million for the six months ended 30 June 2020, representing an increase of approximately 14.3%, was mainly due to (i) increase in the profit margin of new contracts and (ii) administrative income for processing the Government's subsidy paid to the employees.

LIQUIDITY AND FINANCIAL RESOURCES

For the six months ended 30 June 2020, the Group's operations were primarily financed through operating income and financing activities. The Directors believe that in the long term, the Group's operations will continue to be funded by a combination of cash generated from the Group's operating activities and financing activities. The gearing ratio as at 30 June 2020 was approximately 10.5% (as at 31 December 2019: nil).

The Group's cash and bank balances amounted to approximately HK\$26.7 million and approximately HK\$15.4 million as at 30 June 2020 and as at 31 December 2019, respectively.

As at 30 June 2020 and as at 31 December 2019, the Group had current assets of approximately HK\$173.3 million and approximately HK\$146.2 million, respectively, which included trade receivables, contract assets, prepayments, deposits and other receivables, cash and cash equivalents, pledged bank deposits. As at 30 June 2020, the Group had cash and cash equivalent of approximately HK\$26.7 million (as at 31 December 2019: approximately HK\$15.4 million). The Group's current ratio decreased from approximately 3.6 as at 31 December 2019 to approximately 2.7 at 30 June 2020.

CAPITAL STRUCTURE

The capital of the Group comprises only ordinary shares. Details of the Group's share capital are set out in note 22 to the unaudited condensed consolidated financial information. During the six months ended 30 June 2020, there was no change in the capital structure of the Company.

MATERIAL ACQUISITIONS OR DISPOSALS

There were no material acquisitions or disposals of subsidiaries and affiliated companies during the six months ended 30 June 2020.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as those disclosed in the prospectus of the Company dated 31 October 2017 (the “**Prospectus**”), the Group currently has no other plans for material investments.

EXPOSURE TO EXCHANGE RATE FLUCTUATION

The Group’s revenue generating operations are mainly transacted in Hong Kong Dollar. The Directors consider that the impact of foreign exchange exposure to the Group is minimal. During the six months ended 30 June 2020, the Group had not entered into any hedging instrument or contract.

SIGNIFICANT INVESTMENTS

The Group held investment in an insurance contract of approximately HK\$2.3 million as at 30 June 2020 and approximately HK\$2.2 million as at 31 December 2019, respectively. Save as disclosed herein, the Group did not have other significant investments for the Period.

CONTINGENT LIABILITIES

As at 30 June 2020, the Group had entered into 36 performance bonds with a bank. The aggregate amount of the performance bonds was approximately HK\$95.0 million as at 30 June 2020. As at 30 June 2020, the Directors were not aware of any circumstance which may lead to the exercise of the performance bond and the Directors do not consider it is probable that a claim on the performance bonds will be made against the Group.

In carrying out the ordinary course of business, the Group is subject to the risk of being named as defendant in legal actions, claims and disputes in connection with its business activities. The nature of the legal proceedings initiated against the Company mainly includes claims for compensation by the Group’s existing or former employees for work related injuries. The Group maintains sufficient insurance cover and, in the opinion of the Directors, based on current available evidence, any such existing claims and legal proceedings against the Company have no material financial impact to the Company as at 30 June 2020.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2020, the Group had a total of 2,145 employees. The Group’s employee benefits expenses for the six months ended 30 June 2020 and 2019 amounted to approximately HK\$188.5 million and approximately HK\$186.5 million. To ensure that the Group is able to attract and retain Directors and staff members capable of attaining the best performance levels, remuneration packages are reviewed on a regular basis. In addition, discretionary bonus is offered to eligible employees by reference to the Group’s results and individual performance.

USE OF PROCEEDS FROM THE LISTING

The net proceeds from the Listing, after deducting listing-related expenses of HK\$25.15 million, were approximately HK\$34.85 million. This amount was lower than the estimated net proceeds of approximately HK\$44.5 million, which was based on a mid-point offer price of HK\$0.34 per share, as disclosed in the Prospectus. In light of the difference between the actual and estimated amount of the net proceeds, the Group has adjusted the use of net proceeds in the same manner and in the same proportion as shown in the Prospectus. Following table illustrates the status of the use of net proceeds according to the section head “Future Plans and Use of Proceeds” in the Prospectus as at 30 June 2020:

Uses of the Net Proceeds	Planned Use of Net Proceeds <i>HK\$ million</i>	Utilised Net Proceeds during the six months ended 30 June 2020 <i>HK\$ million</i>	Utilised Net Proceeds as at 30 June 2020 <i>HK\$ million</i>	Remaining balance of the Net Proceeds as at 30 June 2020 <i>HK\$ million</i>
Satisfying the additional working capital requirement by the Housing Authority and additional cash to be deposit as collateral of the performance bond for tendering for additional property management service contracts from the Housing Authority	25.80	3.95	25.80	–
As additional working capital and satisfying additional cash to be deposited as collateral of the performance bond for tendering for additional stand-alone cleaning or security service contracts from the Housing Authority	9.05	9.05	9.05	–
	<u>34.85</u>	<u>13.00</u>	<u>34.85</u>	<u>–</u>

After 31 December 2019 and as at 30 June 2020, all net proceeds from the Listing have been fully utilised.

Although the Group has endeavoured to adhere to the implementation plan for the use of proceeds as disclosed in the Prospectus by making tenders to the HA periodically, the Group was not awarded by the HA any new property management service contract for public estates during the financial year ended 31 December 2018, which departs from the implementation plan for the use of proceeds as disclosed in the Prospectus. Other than the property management service contracts for public estates, the Group was awarded one property management service contact for the Home Ownership Scheme and one stand-alone security

contract from the URA during the financial year ended 31 December 2018. Since the HA evaluates tenders based on different financial and non-financial considerations, the Directors believed that the Group's failure to tender for the two expected property management service contracts as disclosed in the Prospectus was attributable to the tenders submitted by other market players carrying lower margin out of the expectation of the Directors. The Directors also considered that submitting tenders with exceptionally lower margin would not be in the interest of the Group as it affects the financial performance and position of the Group in the long run.

However, although there is a delay in the use of proceeds, the Company has fully applied the net proceeds from the Listing consistently with manners as set out in the disclosure in the Prospectus during the six months ended 30 June 2020.

OTHER INFORMATION

Disclosure of Interests

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

As at 30 June 2020, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange: (a) pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions in which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein (the "Register"); or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange were as follows:

Long position in the shares

Name of Director	Capacity/nature of interest	Number of shares⁽¹⁾	Approximate percentage of interest in the Company
Ms. Tam Mo Kit ⁽²⁾	Interest in controlled corporation	491,440,000 (L)	61.43%
	Interest of spouse	32,800,000 (L)	4.10%
Mr. Ng Fuk Wah ⁽³⁾	Beneficial Owner	32,800,000 (L)	4.10%
	Interest of spouse	491,440,000 (L)	61.43%
Mr. Ho Chu Ming	Beneficial owner	2,000,000 (L)	0.25%

Notes:

1. The letter “L” denotes the person’s long position in the shares.
2. R5A Group Limited is the registered owner of 491,440,000 shares, representing 61.43% of the Company’s issued share capital. R5A Group Limited is owned as to 55.23% by Ms. Tam Mo Kit, 16.28% by Mr. Sung Alfred Lee Ming, 13.96% by Mr. Ho Chu Ming, 12.79% by Mr. Tang Kong Fuk, 1.16% by Mr. Ho Tik Wai and 0.58% by Mr. Yiu Ping Keung. Therefore, Ms. Tam Mo Kit is deemed to be interested in all the shares held by R5A Group Limited for the purposes of the SFO. Mr. Ng Fuk Wah is the beneficial owner of 32,800,000 shares in the Company, representing 4.1% of the issued share capital of the Company. As Ms. Tam Mo Kit is the spouse of Mr. Ng Fuk Wah, Ms. Tam Mo Kit is also deemed to be interested in the same number of shares held by Mr. Ng Fuk Wah under the SFO.
3. Mr. Ng Fuk Wah is the beneficial owner of 32,800,000 shares in the Company, representing 4.1% 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 June 2020, none of the Directors nor chief executive of the Company had or was deemed to have any other interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the Register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

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

So far as the Directors are aware of, as at 30 June 2020, the following persons/entities other than a Director or the chief executive of the Company had interests or short positions in the shares and underlying shares, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under section 336 of the SFO, or who were directly or indirectly interested in 5% or more of the issued voting shares of the Company:

Long positions in the ordinary shares of the Company

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	61.43%
Ms. Yeung Siu Wen	Beneficial owner	57,120,000	7.14%

Notes:

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

Save as disclosed above and so far as is known to the Directors, as at 30 June 2020, the Directors were not aware of any other persons who had, or was deemed to have, interest or short positions in the shares or underlying shares of the Company would fall to be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the Register required to be kept by the Company pursuant to Section 336 of the SFO or who were directly or indirectly interested in 5% or more of the issued voting shares of the Company.

SHARE OPTION SCHEME

On 24 October 2017, a share option scheme was adopted by the shareholders of the Company (the “**Share Option Scheme**”) and will remain in force for 10 years after its adoption. The purpose of the Share Option Scheme is to provide incentives and rewards to eligible participants who would contribute to the success of the Group’s operations. Under the terms of the Share Option Scheme, the Board may, at its discretion, grant share options to any full-time employee and any Director of the Company or its subsidiaries, including any executive, non-executive or independent non-executive directors. The Share Option Scheme will remain in force for a period of ten years commencing the date on the Listing Date.

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

On 17 June 2019, 32,000,000 share options were granted by the Company to four employees entitling them to subscribe for a total of 32,000,000 shares at exercise price of HK\$0.177 per share, the details of which are as follows:

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

COMPETING INTERESTS

For the six months ended 30 June 2020, the Directors were not aware of any business or interest of the Directors, the controlling shareholders, and their respective close associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

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

CODE OF CORPORATE GOVERNANCE PRACTICES

The Company endeavors to adopt prevailing best corporate governance practices. During the six months ended 30 June 2020 and up to the date of this announcement, the Company had complied with all the code provisions set out in the Corporate Governance Code as set out in Appendix 15 of the GEM Listing Rules and there has been no deviation in relation thereto.

DIRECTORS' SECURITIES TRANSACTIONS

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

REVIEW BY AUDIT COMMITTEE

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

The Audit Committee has reviewed the unaudited condensed consolidated results of the Company for the six months ended 30 June 2020 and is of the opinion that such results complied with the applicable accounting standards and the requirements under the GEM Listing Rules, and that adequate disclosures have been made.

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

Hong Kong, 10 August 2020

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

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