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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 2022

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

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

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

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

FINANCIAL HIGHLIGHTS

- For the year ended 31 December 2022, the Group's revenue amounted to approximately HK\$405.99 million (2021: approximately HK\$479.76 million), representing a decrease of approximately 15.38% as compared with last year.
- For the year ended 31 December 2022, the Group's operating profit amounted to approximately HK\$23.44 million (2021: approximately HK\$30.21 million), representing a decrease of approximately 22.41% as compared with last year.
- For the year ended 31 December 2022, the Group's profit for the year amounted to approximately HK\$21.18 million (2021: approximately HK\$25.46 million), representing a decrease of approximately 16.81% as compared with last year.
- The board of Directors (the "**Board**") recommended the payment of a final dividend of HK\$0.0075 per share, totalling HK\$6.00 million for the year ended 31 December 2022 (2021: HK\$12.00 million).

ANNUAL RESULTS

The Board is pleased to announce the consolidated results of the Group for the year ended 31 December 2022, together with the audited comparative figures for the year ended 31 December 2021. The financial information has been approved by the Board on 22 March 2023.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2022

	<i>Notes</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
Revenue	4	405,987	479,758
Other income		11,022	2,067
Other losses, net		(2,078)	(1,072)
Employee benefits expenses	5	(368,888)	(407,346)
Subcontracting fee	5	–	(18,132)
Cleaning material costs	5	(4,807)	(6,057)
Utilities expenses	5	(1,316)	(1,574)
Depreciation of plant and equipment	5	(737)	(972)
Depreciation of right-of-use assets	5	(925)	(951)
Reversal of the impairment losses on trade receivables	10	367	444
Other operating expenses	5	(15,068)	(15,956)
Share of result of investments accounted for using the equity method		(118)	–
Operating profits		23,439	30,209
Finance income		285	244
Finance costs		(132)	(193)
Finance income, net	6	153	51
Profit before income tax		23,592	30,260
Income tax expense	7	(2,412)	(4,803)
Profit for the year		21,180	25,457
Earnings per share			
Basic and diluted (HK cents per share)	9	2.65	3.18

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022	2021
	HK\$'000	HK\$'000
Profit for the year	21,180	25,457
Other comprehensive income/(loss):		
<i>Items that will not be reclassified to profit or loss</i>		
Remeasurement of employee benefits obligations	<u>2,376</u>	<u>(1,569)</u>
Other comprehensive income/(loss) for the year, net of tax	<u>2,376</u>	<u>(1,569)</u>
Total comprehensive income for the year	<u><u>23,556</u></u>	<u><u>23,888</u></u>

CONSOLIDATED BALANCE SHEET

As at 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
ASSETS			
Non-current assets			
Plant and equipment		1,494	2,027
Right-of-use assets		2,072	2,997
Retention money receivables	10	3,126	2,949
Investment in an insurance contract		2,514	2,369
Investment accounted for using the equity method		110	100
Rental deposit	10	–	120
		<u>9,316</u>	<u>10,562</u>
Current assets			
Financial assets at fair value through profit or loss (“FVPL”)	11	–	6,761
Trade receivables	10	64,248	92,457
Contract assets	10	16,583	18,152
Prepayments, deposits and other receivables	10	3,240	5,309
Tax recoverable		479	–
Pledged bank deposits		34,600	35,132
Short term bank deposits		62,130	–
Cash and cash equivalents		11,387	40,915
		<u>192,667</u>	<u>198,726</u>
Total assets		<u><u>201,983</u></u>	<u><u>209,288</u></u>
EQUITY			
Equity attributable to the owners of the Company			
Share capital		8,000	8,000
Reserves		142,291	136,735
Total equity		<u>150,291</u>	<u>144,735</u>
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		279	240
Lease liabilities		1,402	2,156
		<u>1,681</u>	<u>2,396</u>
Current liabilities			
Trade payables	12	66	113
Other payables and accrued liabilities	12	44,392	58,440
Borrowings	13	4,800	149
Lease liabilities		753	897
Tax liabilities		–	2,558
		<u>50,011</u>	<u>62,157</u>
Total liabilities		<u>51,692</u>	<u>64,553</u>
Total equity and liabilities		<u><u>201,983</u></u>	<u><u>209,288</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Share Capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Contribution reserves <i>HK\$'000</i>	Share-based payment reserves <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
Balance at 1 January 2021	8,000	42,776	22,270	1,304	58,328	132,678
Profit for the year	-	-	-	-	25,457	25,457
Other comprehensive loss: Remeasurement of employee benefits obligations	-	-	-	-	(1,569)	(1,569)
Total comprehensive income	-	-	-	-	23,888	23,888
Transactions with owners in their capacity as owners:						
Share-based payment	-	-	-	169	-	169
Dividend paid: — 2020 final dividend	-	-	-	-	(12,000)	(12,000)
Total transactions with owners in their capacity as owners	-	-	-	169	(12,000)	(11,831)
Balance at 31 December 2021	8,000	42,776	22,270	1,473	70,216	144,735
Balance at 1 January 2022	8,000	42,776	22,270	1,473	70,216	144,735
Profit for the year	-	-	-	-	21,180	21,180
Other comprehensive income: Remeasurement of employee benefits obligations	-	-	-	-	2,376	2,376
Total comprehensive income	-	-	-	-	23,556	23,556
Transactions with owners in their capacity as owners:						
Lapse of share options	-	-	-	(1,473)	1,473	-
Dividend paid: — 2021 final dividend — 2022 interim dividend	-	-	-	-	(12,000) (6,000)	(12,000) (6,000)
Total transactions with owners in their capacity as owners	-	-	-	(1,473)	(16,527)	(18,000)
Balance at 31 December 2022	8,000	42,776	22,270	-	77,245	150,291

NOTES

1. GENERAL INFORMATION

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

The Company is an investment holding company and its subsidiaries (collectively, the “**Group**”) are engaged in the provision of property management services with a primary focus on public housing in Hong Kong.

These consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand (HK\$’000) except when otherwise indicated.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 presented, unless otherwise stated.

2.1 Basis of preparation

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 have been prepared under the historical cost convention, except that investment in an insurance contract and FVPL which are stated at its cash surrender value and fair value respectively.

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 2022:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	COVID-19 Related Rent Concessions beyond 30 June 2021
Amendments to Annual Improvements Project	Annual Improvements to HKFRSs 2018–2020
Revised Accounting Guideline 5	Merger Accounting for Common Control Combinations

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

(ii) The following new standard, amendments to existing standards and annual improvements have been issued, but are not effective for the financial year beginning on 1 January 2022 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

3. SEGMENT INFORMATION

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

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

Segment results, segment assets and segment liabilities

The Group is engaged in the provision of property management services in Hong Kong. Since the operation of provision of property management services attributes to all of the Group’s revenue, and a majority of results and assets during the years ended 31 December 2022 and 2021, no business segment analysis is presented accordingly.

Geographical information

The Group’s revenue is derived from customers in Hong Kong. All other assets of the Group were also located in Hong Kong as at 31 December 2022 and 2021. 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:

	2022 <i>HK\$’000</i>	2021 <i>HK\$’000</i>
Customer A	<u>405,987</u>	<u>479,758</u>

No other single customers contributed 10% or more to the Group’s revenue for the years ended 31 December 2022 and 2021.

4. REVENUE

	2022 <i>HK\$’000</i>	2021 <i>HK\$’000</i>
Property management services income	<u>405,987</u>	<u>479,758</u>

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

5. EXPENSES BY NATURE

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Auditor's remuneration	1,300	1,200
Depreciation of plant and equipment	737	972
Depreciation of right-of-use assets	925	951
Employee benefits expenses	368,888	407,346
Other expenses	19,891	40,519
	<u>391,741</u>	<u>450,988</u>

6. FINANCE INCOME, NET

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Bank interest income	285	244
Interests on borrowings	–	(27)
Interests on lease liabilities	(132)	(166)
	<u>(132)</u>	<u>(193)</u>
	<u>153</u>	<u>51</u>

7. INCOME TAX EXPENSE

Hong Kong profits tax is calculated at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits for the year, except for the first HK\$2,000,000 of a qualified entity's assessable profit which is calculated at 8.25%, in accordance with the two-tiered tax rate regime.

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong profits tax:		
Current income tax	2,401	4,832
Over provision in prior year	(28)	(26)
	<u>2,373</u>	<u>4,806</u>
Deferred income tax	39	(3)
	<u>2,412</u>	<u>4,803</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit before income tax	<u>23,592</u>	<u>30,260</u>
Calculated at applicable tax rate	3,728	4,828
Income not subject to taxation	(2,005)	(433)
Expenses not deductible for taxation purposes	717	434
Over provision in prior year	(28)	(26)
	<u>2,412</u>	<u>4,803</u>

8. DIVIDENDS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interim dividend of HK\$0.0075 (2021: Nil) per share (<i>Note a</i>)	6,000	–
Proposed final dividend of HK\$0.0075 (2021: HK\$0.015) per ordinary share (<i>Note b</i>)	<u>6,000</u>	<u>12,000</u>

Notes:

- (a) An interim dividend in respect of the six months ended 30 June 2022 of HK\$0.0075 per ordinary share (2021: Nil) was paid in cash on 30 September 2022 to shareholders whose names appeared on the Register of Members of the Company on 5 September 2022.
- (b) A final dividend for the year ended 31 December 2022 of HK\$0.0075 (2021: HK\$0.015) per ordinary share, totaling approximately HK\$6,000,000 (2021: HK\$12,000,000) 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 2022.

9. EARNINGS PER SHARE

(a) Basic earnings per share

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

	2022	2021
Profits attributable to owners of the Company (<i>HK\$'000</i>)	21,180	25,457
Weighted average number of ordinary shares in issue	<u>800,000,000</u>	<u>800,000,000</u>
Earnings per share (<i>HK cents</i>)	<u>2.65</u>	<u>3.18</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.

For the year ended 31 December 2021, the Company has one category of dilutive potential ordinary shares: share options. 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 2021 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 2022.

10. RECEIVABLES, CONTRACT ASSETS, PREPAYMENTS AND DEPOSITS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current:		
Retention money receivables (<i>Note i</i>)	3,126	2,949
Rental deposit	—	120
	<u>3,126</u>	<u>3,069</u>
Current:		
Trade receivables	64,248	92,824
Less: Provision of impairment	—	(367)
	<u>64,248</u>	<u>92,457</u>
Contract assets (<i>Note ii</i>)	<u>16,583</u>	<u>18,152</u>
	<u>80,831</u>	<u>110,609</u>
Utilities deposits	226	331
Prepaid insurance	2,228	3,795
Prepayment	70	536
Rental deposit	120	—
Other receivables	596	647
	<u>3,240</u>	<u>5,309</u>
Total current prepayments, deposits and other receivables	<u>84,071</u>	<u>115,918</u>
Total receivables, contract assets, prepayments and deposits	<u>87,197</u>	<u>118,987</u>

Notes:

- (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 and conditions of the service contracts. The balances are regularly reviewed by management with reference to the historical default rates or forfeiture rate. There is no history of forfeiture and default of these balances during the years ended 31 December 2022 and 2021. 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Contract assets (<i>Note ii</i>)	<u>16,583</u>	<u>18,152</u>
Trade receivables:		
Up to 30 days	29,953	41,218
31 to 60 days	28,323	39,642
61 to 90 days	<u>5,972</u>	<u>11,964</u>
	<u>64,248</u>	<u>92,824</u>
Less: Provision of impairment	<u>–</u>	<u>(367)</u>
	<u><u>80,831</u></u>	<u><u>110,609</u></u>

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

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

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
As at 1 January	367	811
Reversal of the impairment losses	<u>(367)</u>	<u>(444)</u>
As at 31 December	<u><u>–</u></u>	<u><u>367</u></u>

11. FINANCE ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (“FVPL”)

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
FVPL — Paper gold	<u>–</u>	<u>6,761</u>

Movement of the Group’s FVPL for the years ended 31 December 2022 and 2021 is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
At 1 January	6,761	–
Additions	–	6,831
Fair value loss	(130)	(70)
Disposal	<u>(6,631)</u>	<u>–</u>
At 31 December	<u><u>–</u></u>	<u><u>6,761</u></u>

12. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED LIABILITIES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	66	113
Provision for long service payment and gratuities	19,205	22,257
Provision for unutilised annual leave	3,043	6,198
Accrued wages, salaries and pensions	18,379	25,140
Other accrued expenses and payables	<u>3,765</u>	<u>4,845</u>
Total other payables and accrued liabilities	<u><u>44,392</u></u>	<u><u>58,440</u></u>
Total trade and other payables and accrued liabilities	<u><u>44,458</u></u>	<u><u>58,553</u></u>

At 31 December 2022 and 2021, the ageing analysis of the trade payables based on invoice date was as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0–30 days	<u>66</u>	<u>113</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.

13. BORROWINGS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Bank loans due for repayment within one year, secured	<u>4,800</u>	<u>149</u>

As at 31 December 2022 and 2021, the bank borrowings bear interest at floating rates and the effective interest rates are as follows:

	2022	2021
Bank loans	<u>5.55%</u>	<u>1.35%–2.5%</u>

The fair values of the borrowings approximate their carrying amounts, as their interest rates are considered current market rates.

As at 31 December 2022 and 2021, the bank borrowings are denominated in HK\$.

As at 31 December 2022 and 2021, the Group's bank borrowings were repayable (based on the scheduled repayment dates as set out in the loan agreements and ignore the effect of any repayment on demand clause) as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 year	<u>4,800</u>	<u>149</u>

The Group has the following floating rate undrawn borrowing facilities:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Unutilised facilities	<u>37,000</u>	<u>34,500</u>

As at 31 December 2022, the banking facilities granted to the Group are secured by:

- (i) The Group's Insurance Policy of HK\$2,514,000 (2021: HK\$2,369,000);
- (ii) The Group's pledged bank deposits of HK\$34,600,000 (2021: HK\$35,132,000); and
- (iii) The corporate guarantee executed by the Company (2021: Same).

14 CONTINGENT LIABILITIES

The Group had contingent liabilities in respect of the following:

- (i) As at 31 December 2022, the Group had entered into 26 (2021: 32) performance bonds with a bank. The aggregate amount of the performance bonds was HK\$87,246,000 (2021: HK\$98,283,000) as at 31 December 2022. The directors do not consider it probable that a claim on the performance bonds will be made against the Group; and
- (ii) In carrying out the ordinary course of business, the Group is subject to the risk of being named as defendant in legal actions, claims and disputes in connection with its business activities. The nature of the legal proceedings initiated against the Company mainly includes claims for compensation by the Group's existing or former employees for work related injuries. The Group maintains insurance cover and, in the opinion of the directors of the Group, based on current available evidence, any such existing claims and legal proceedings against the Company have no material financial impact to the Company as at 31 December 2022.

15 CAPITAL COMMITMENT

As at 31 December 2022 and 2021, the Group had the following capital commitment:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted but not provided for:		
— Investment in a joint venture	<u>772</u>	<u>900</u>

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 2022, Hong Kong Housing Authority (“HA”) was the Group’s sole customer and contributed all of the Group’s total revenue. The Group’s property management services include (i) estate management services (entailing general management, tenancy management, financial management, minor repairs and maintenance as well as project management services); (ii) security services; and (iii) cleaning services.

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

Financial Review

Revenue

The Group’s revenue decreased by approximately 15.38% from approximately HK\$479.76 million for the year ended 31 December 2021 to approximately HK\$405.99 million for the year ended 31 December 2022. The decrease was primarily attributable to the decrease in the number of public housing estates contracts during the year.

The following table sets out the number of properties the Group was contracted to provide services to as at 31 December 2022.

Types of properties	Number of estates/ contracts
(1) Public housing estates (excluding HOS estates)	14
(2) HOS estates	3

Other Income

Other income increased by approximately HK\$8.95 million from approximately HK\$2.07 million for the year ended 31 December 2021 to approximately HK\$11.02 million for the year ended 31 December 2022. The increase was mainly due to the anti epidemic subsidies received from the Hong Kong government during the year.

Other Losses, Net

Other losses increased by approximately HK\$1.01 million from approximately HK\$1.07 million for the year ended 31 December 2021 to approximately HK\$2.08 million for the year ended 31 December 2022. The increase was mainly attributable to the loss incurred on the translation of foreign currency deposits and bank balances into Hong Kong dollars at the year end date.

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 2022, the Group had a total of 1,339 employees (2021: 2,264 employees).

The total employee benefits expenses amounted to approximately HK\$368.89 million (2021: HK\$407.35 million) for the year ended 31 December 2022, representing approximately 90.86% (2021: 84.91%) of the Group's revenue. The total employee benefits expenses decreased by approximately 9.44% for the year ended 31 December 2022 from last year. Such decrease was mainly attributable to decrease in the number of public housing estates contracts during the year.

Retirement Benefits Scheme

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

As at 31 December 2022, the aggregate amount of the Group's contributions to the aforementioned pension schemes was approximately HK\$1,589,000 (2021: HK\$2,590,000), net of forfeited contributions of approximately HK\$1,589,000 (2021: HK\$2,590,000). As at 31 December 2022 and 2021, there is no unutilised forfeited contribution which could be utilised to reduce future contributions of the Group.

Cleaning Material Costs

The cleaning material costs amounted to approximately HK\$4.81 million for the year ended 31 December 2022 (2021: HK\$6.06 million), representing a decrease of 20.63% as compared with last year. The decrease was mainly attributable to the decrease in the number of public housing estates contracts during the year.

Other Operating Expenses

Other operating expenses amounted to approximately HK\$15.07 million (2021: HK\$15.96 million) for the year ended 31 December 2022, representing a decrease of approximately 5.58% from last year. Other operating expenses mainly included insurance expense, office supplies expenses, security charges for specialist guard company to escort money in transit, guarantee fee for performance bonds, entertainment, travelling expense and estate maintenance expense.

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

The breakdown of other operating expenses recorded for the year ended 31 December 2022 together with the comparative figures for the year ended 31 December 2021 is as follows:

	For the year ended 31 December 2022 HK\$ ('000)	For the year ended 31 December 2021 HK\$ ('000)
Auditor's remuneration	1,300	1,200
Insurance and guarantee fee	7,386	7,596
Office supplies	1,207	1,212
Security expenses	451	545
Entertainment and travelling expenses	1,500	1,241
Estate maintenance expenses	512	666
Professional fee	752	1,015
Uniform & laundry	194	331
Others	1,766	2,150
	<hr/>	<hr/>
Total	15,068	15,956
	<hr/> <hr/>	<hr/> <hr/>

Finance Income, net

Net finance income amounted to approximately HK\$0.15 million (2021: HK\$0.05 million) for the year ended 31 December 2022. The increase was mainly attributable to the increase in interests income derived from bank during the year ended 31 December 2022.

Income Tax Expense

Income tax expense amounted to approximately HK\$2.41 million for the year ended 31 December 2022 (2021: HK\$4.80 million). Profit before income tax amounted to approximately HK\$23.59 million for the year ended 31 December 2022 compared with approximately HK\$30.26 million for the year ended 31 December 2021.

Profit and total comprehensive income attributable to owners of the Company

Profit for the year decreased from approximately HK\$25.46 million for the year ended 31 December 2021 to approximately HK\$21.18 million for the year ended 31 December 2022, mainly due to the decrease in the number of public housing estates contracts during the year. Total comprehensive income for the year ended 31 December 2022 amounted to approximately HK\$23.56 million as compared with approximately HK\$23.89 million for the year ended 31 December 2021.

Dividends

The directors have declared and paid the interim dividend of HK\$0.0075 per share, totalling HK\$6.00 million during the year ended 31 December 2022 (2021: Nil).

The Board recommended the payment of a final dividend of HK\$0.0075 per share, totalling HK\$6.00 million for the year ended 31 December 2022 (2021: HK\$12.00 million).

Liquidity and Financial Resources

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial position		
Current assets	192,667	198,726
Current liabilities	50,011	62,157
Net current assets	142,656	136,569
Total assets	201,983	209,288
Total liabilities	51,692	64,553
Borrowings	4,800	149
Short term bank deposits	62,130	–
Cash and cash equivalents	11,387	40,915
Pledged bank deposits	34,600	35,132
Total equity	150,291	144,735
Key financial ratios		
Return on equity ^(Note 1)	14.09%	17.59%
Return on total assets ^(Note 2)	10.49%	12.16%
Current ratio ^(Note 3)	3.85 times	3.20 times
Gearing ratio ^(Note 4)	4.63%	2.21%

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 2022 was 3.85 times as compared to that of 3.20 times as at 31 December 2021. The increase was mainly due to the decrease in other payables and accrued liabilities during the year ended 31 December 2022.

As at 31 December 2022, the Group's cash and cash equivalents were approximately HK\$11.39 million (2021: approximately HK\$40.92 million). As at 31 December 2022, the Group's borrowings were HK\$4.80 million, which bear interest at 5.55% per annum (2021: HK\$0.15 million). Further details and the maturities of the Group's total borrowings are set out in note 13 to this announcement.

The gearing ratio increased to approximately 4.63% as at 31 December 2022 from approximately 2.21% as at 31 December 2021, mainly due to decrease in other payables and accrued liabilities during the year ended 31 December 2022. With the availability of cash and cash equivalents and bank facilities, the Group has sufficient liquidity to satisfy its funding requirements. The Directors are of the view that the Group's financial position is solid.

Capital Structure

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

As at 31 December 2022, 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 2022.

Commitment

Save as disclosed in note 15 to this announcement, as at 31 December 2022 and 2021, the Group did not have other material commitment.

Segment Information

Segment information is disclosed in note 3 to this announcement.

Future Plans for Material Investments and Capital Assets

As at 31 December 2022, 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 2022.

Significant Investment

The Group held investment in an insurance contract of approximately HK\$2.51 million as at 31 December 2022 (2021: HK\$2.37 million). The gain on investment in an insurance contract amounted to approximately HK\$0.14 million for the year ended 31 December 2022 (2021: HK\$0.06 million). Other than the insurance contract as mentioned above, the Group did not have other significant investment as at 31 December 2022.

Contingent Liabilities

Save as disclosed in note 14 to this announcement, as at 31 December 2022 and 2021, 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 2022.

Charge of Group's Assets

As at 31 December 2022, the Group has pledged its bank deposits of approximately HK\$34.60 million (2021: approximately HK\$35.13 million) and investment in an insurance contract of approximately HK\$2.51 million (2021: approximately HK\$2.37 million) to a bank for securing its performance bonds of approximately HK\$87.25 million (2021: approximately HK\$98.28 million) and bank borrowings of HK\$4.80 million (2021: HK\$0.15 million) under certain banking facilities.

Employees and Remuneration Policies

As at 31 December 2022, the Group had a total of 1,339 employees (2021: 2,264 employees). The Group's employee benefits expenses for the year ended 31 December 2022 amounted to approximately HK\$368.89 million (2021: HK\$407.35 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.

CORPORATE GOVERNANCE PRACTICES

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

The Board has adopted the Corporate Governance Code (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules. During the year ended 31 December 2022 and up to the date of this announcement, the Board is of the opinion that the Company has complied with all the code provisions of the CG Code.

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

CODE OF CONDUCT FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “**Model Code**”). The Company had also made specific enquiry to each of the Director and all Directors confirmed that they have complied with the required standards set out in the Model Code regarding Directors' securities transactions throughout the year ended 31 December 2022. The Company was not aware of any non-compliance with the Model Code by the Directors during the year ended 31 December 2022 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 (“**2023 AGM**”) will be held at 2:30 p.m. on Friday, 5 May 2023, 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\$0.0075 per share for the year ended 31 December 2022. The proposed dividend payment is subject to approval by the shareholders of the Company at the 2023 AGM. Upon shareholders' approval for the payment of the final dividend at the 2023 AGM is obtained, the proposed final dividend is expected to be paid on Tuesday, 11 July 2023 to shareholders whose names appear on the register of members of the Company on Wednesday, 21 June 2023.

CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlements to attend and vote at the forthcoming annual general meeting to be held on Friday, 5 May 2023, the register of members of the Company will be closed from Friday, 28 April 2023 to Friday, 5 May 2023 (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 17/F, Far East Financial Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Thursday, 27 April 2023.

In order to establish the entitlement to the final dividend, the register of members of the Company will be closed from Friday, 16 June 2023 to Wednesday, 21 June 2023 (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 17/F, Far East Financial Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Thursday, 15 June 2023.

AUDIT COMMITTEE

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

The primary duties of the Audit Committee are to review and supervise the Group's financial reporting process, to nominate and monitor the Company's external auditors, to oversee the independence and qualifications of the external auditors, and to oversee the risk management and internal control procedures of the Company. The annual results for the year ended 31 December 2022 have been reviewed by the Audit Committee.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2022 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

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

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

Hong Kong, 22 March 2023

As at the date of this announcement, the Board comprises Mr. Ho Chu Ming, Mr. Ng Fuk Wah, Mr. Sung Alfred Lee Ming and Mr. Tang Kong Fuk as executive Directors, Ms. Tam Mo Kit as non-executive Director, Mr. Wong Bay, 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 website (www.hkgem.com) for at least 7 days from the date of its publication and on the website of the Company (www.modernliving.com.hk).