



雅居投資控股有限公司  
Modern Living Investments Holdings Limited

(Incorporated in the Cayman Islands with limited liability) Stock Code: 8426

# Annual Report 2023






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

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**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.**

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

 **Tin Yiu Estate** is one of the largest public housing estates in Hong Kong, consisting of 12 residential blocks with nearly 8500 flats. Operated by Modern Living, the estate performs excellently in eco-friendliness and has received numerous awards and recognitions.

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Ho Chu Ming (*Chairman*)  
Mr. Ng Fuk Wah (*Chief Executive Officer*)  
Mr. Sung Alfred Lee Ming  
Mr. Tang Kong Fuk  
Mr. Pang Yat Ting, Dominic (*appointed on 6 March 2024*)  
Mr. Xu Jianhua, Jerry (*appointed on 6 March 2024*)  
Ir Dr. Pang Yat Bond, Derrick *JP* (*appointed on 6 March 2024*)  
Mr. Shea Chun Lok, Quadrant (*appointed on 6 March 2024*)

### Non-executive Director

Ms. Tam Mo Kit

### Independent Non-executive Directors

Mr. Wong Siu Fai Albert  
Mr. Ng Kee Fat Ronny  
Mr. Wong Bay  
Mr. Yu Cheeric (*appointed on 6 March 2024*)  
Ms. Fung Nancy Ruth (*appointed on 6 March 2024*)

### COMPLIANCE OFFICER

Mr. Sung Alfred Lee Ming (*HKICPA*)

### AUTHORISED REPRESENTATIVES

Mr. Ng Fuk Wah (*HKICPA*)  
Mr. Sung Alfred Lee Ming (*HKICPA*)

### COMPANY SECRETARY

Mr. Ng Fuk Wah (*HKICPA*)

### AUDIT COMMITTEE

Mr. Wong Siu Fai Albert (*Chairman*)  
Mr. Wong Bay  
Mr. Ng Kee Fat Ronny

### REMUNERATION COMMITTEE

Mr. Ng Kee Fat Ronny (*Chairman*)  
Mr. Wong Bay  
Mr. Wong Siu Fai Albert

### NOMINATION COMMITTEE

Mr. Wong Bay (*Chairman*)  
Mr. Wong Siu Fai Albert  
Mr. Ng Kee Fat Ronny

### AUDITOR

PricewaterhouseCoopers  
*Certified Public Accountants*  
*and Registered PIE Auditor*  
22/F, Prince's Building  
Central  
Hong Kong

## LEGAL ADVISERS

*As to Cayman Islands law*  
Appleby  
2206–19 Jardine House  
1 Connaught Place  
Central  
Hong Kong

## PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited  
1 Queen's Road Central  
Central, Hong Kong

Bank of China (Hong Kong) Limited  
24/F Bank of China Tower  
1 Garden Road  
Hong Kong

## REGISTERED OFFICE

Windward 3, Regatta Office Park  
PO Box 1350  
Grand Cayman KY1-1108  
Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 1102–1103, 11th Floor  
Delta House  
No. 3 On Yiu Street  
Sha Tin  
New Territories  
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited  
Windward 3, Regatta Office Park  
PO Box 1350  
Grand Cayman KY1-1108  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

## COMPANY'S WEBSITE

[www.modernliving.com.hk](http://www.modernliving.com.hk)

## STOCK CODE

8426



# CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of Directors (the **"Board"**) of Modern Living Investments Holdings Limited (the **"Company"**), I am pleased to present the annual report of the Company and its subsidiaries (together referred to as the **"Group"**) for the year ended 31 December 2023.

## **BUSINESS REVIEW**

The year under review was full of challenges and difficulties, but the Group continued its efforts to stay competitive in the market. Under the Group's existing property management portfolio as at 31 December 2023, it has 17 public housing estates and 5 Home Ownership Scheme (**"HOS"**) estates awarded by the Hong Kong Housing Authority (**"HA"**).

The total revenue of the Group for the year ended 31 December 2023 was approximately HK\$334.24 million (2022: HK\$405.99 million), representing a decrease of approximately 17.67% as compared with last year. The operating profit of the Group for the year ended 31 December 2023 was approximately HK\$15.07 million (2022: HK\$23.44 million), representing a decrease of approximately 35.71% as compared with last year. The decrease in operating profit was mainly attributable to the discontinuation of certain property management services contracts after 30 September 2022.

The basic and diluted earnings per share for the year ended 31 December 2023 was HK2.22 cents (2022: earnings per share of HK2.65 cents).

The Board recommended the payment of a final dividend of HK\$0.00625 per share, totalling HK\$5.00 million for the year ended 31 December 2023 (2022: HK\$6.00 million). Other than final dividend, the directors have declared and paid the interim dividend, totalling HK\$6.00 million of HK\$0.0075 (2022: HK\$0.0075) per share during the year ended 31 December 2023 (2022: 6.00 million).

Details of the Group's performance, financial position and results of operation for the year ended 31 December 2023 will be more particularly discussed in the section headed "Management Discussion and Analysis" in this annual report.

## **LOOKING AHEAD**

The population and number of residential properties in Hong Kong is expanding. The voices over the increase in building of public housing and the speeding up of the housing completion is expected to be imminent as the demand of housing in Hong Kong remains to be extremely high. It is envisaged that the property management business will expand simultaneously. On the other hand, even though strong competition exists and costs soar resulting from minimum wage revision and inflation, the Directors are confident that the Group will be benefited from the increase of its market share in due course.

In the near future, the Group will continue to expand its property management portfolio by capturing opportunities from both public and private sectors, in residential and/or commercial properties.

## **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.

**Ho Chu Ming**

*Chairman and Executive Director*

Hong Kong, 28 March 2024

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW AND FUTURE PROSPECTS

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

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

## FINANCIAL REVIEW

### Revenue

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

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

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

### Other Income

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

### Other Losses, Net

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

## Employee Benefits Expenses

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

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



# MANAGEMENT DISCUSSION AND ANALYSIS

## Retirement Benefits Scheme

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

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

## Cleaning Material Costs

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

## Other Operating Expenses

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

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

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

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## Finance Income, net

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

## Income Tax Expense

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

## Profit and total comprehensive income attributable to owners of the Company

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

## DIVIDENDS

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

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

## LIQUIDITY AND FINANCIAL RESOURCES

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

Notes:

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



# MANAGEMENT DISCUSSION AND ANALYSIS

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

As at 31 December 2023, the Group's cash and cash equivalents were approximately HK\$11.56 million (2022: approximately HK\$11.39 million). As at 31 December 2023, the Group has no borrowings during the year (2022: HK\$4.80 million). Further details and the maturities of the Group's total borrowings are set out in note 26 to the consolidated financial statements.

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

## **CAPITAL STRUCTURE**

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

As at 31 December 2023, the Company's issued share capital was HK\$8,000,000 and the number of issued ordinary shares was 800,000,000 of HK\$0.01 each. The number of total issued shares of the Company remained unchanged during the year ended 31 December 2023. Details of the Group's share capital are set out in note 23 to the consolidated financial statements in this annual report.

## **COMMITMENT**

Save as disclosed in note 35 to the consolidated financial statements, the Group did not have other material commitment.

## **SEGMENT INFORMATION**

Segment information is disclosed in note 5 to the consolidated financial statements.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

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

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES**

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

## **SIGNIFICANT INVESTMENT**

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

## **CONTINGENT LIABILITIES**

Save as disclosed in note 31 to the consolidated financial statements, the Group did not have other material contingent liabilities.

## **EXPOSURE TO EXCHANGE RATE FLUCTUATION**

The Group's revenue generating operations are mainly transacted in Hong Kong Dollar. The Directors consider that the impact of foreign exchange exposure to the Group is minimal. The Group had not entered into any foreign exchange hedging contracts for the year ended 31 December 2023.

# MANAGEMENT DISCUSSION AND ANALYSIS

## **CHARGE OF GROUP'S ASSETS**

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

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2023, the Group had a total of 1,579 employees (2022: 1,339 employees). The Group's employee benefits expenses for the year ended 31 December 2023 amounted to approximately HK\$301.08 million (2022: HK\$368.89 million). To ensure that the Group is able to attract and retain Directors and staff capable of attaining the best performance levels, remuneration packages are reviewed on a regular basis. In addition, discretionary bonus is offered to eligible employees by reference to the Group's results and individual performance.

## **SUBSEQUENT EVENTS**

Save as disclosed in note 37 to the consolidated financial statements, the Group did not have other material subsequent event.



# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. Ho Chu Ming**, aged 65, is the chairman of the Board and one of the controlling shareholders of the Company. He joined the Group in January 2005 and was appointed as a Director on 6 July 2017. Mr. Ho was designated as an executive Director and the chairman of the Board on 14 July 2017. Mr. Ho is responsible for the strategic planning, overall management and supervision of operation of the Group.

Mr. Ho has over 30 years of experience in the property management and maintenance industries. He obtained his bachelor's degree in building technology and management from The University of Salford, the United Kingdom, in July 1986. Mr. Ho has been a professional associate of the Royal Institute of Chartered Surveyors and a member of the Hong Kong Institute of Surveyors since October 1987 and March 1989, respectively.

**Mr. Ng Fuk Wah**, aged 64, is an executive Director, the chief executive officer of the Group, as well as the company secretary of the Company. Mr. Ng joined the Group in July 2007 and was appointed as a Director on 6 July 2017. He was designated as an executive Director and the chief executive officer of the Company on 14 July 2017. Mr. Ng is responsible for the overall business development, strategic planning and major decision-making of the Group.

Mr. Ng has over 29 years of experience in the property management industry and obtained his professional diploma in accountancy from The Hong Kong Polytechnic University in November 1983 and a diploma in housing management from the School of Professional and Continuing Education of The University of Hong Kong (HKU SPACE) in September 2002. Mr. Ng was admitted as a member of the Hong Kong Society of Accountants (currently known as the Hong Kong Institute of Certified Public Accountants) in October 1986. He was admitted as a member of the Hong Kong Institute of Housing in December 2002 and was registered as a professional housing manager of the Housing Managers Registration Board in August 2003.

**Mr. Sung Alfred Lee Ming**, aged 66, is an executive Director and the chief financial officer of the Group. Mr. Sung joined the Group in April 2007, and was appointed as a Director on 26 June 2017. He was designated as an executive Director and appointed as the chief financial officer of the Company on 14 July 2017. Mr. Sung is one of the controlling shareholders and the compliance officer of the Company. Mr. Sung is primarily responsible for the Group's treasury, accounting, finance and compliance matters.

Mr. Sung graduated from La Trobe University in Australia in March 1984 with a bachelor's degree in economics. Mr. Sung was admitted as a fellow of the Taxation Institute of Australia and a member and fellow of the Hong Kong Society of Accountants (currently known as the Hong Kong Institute of Certified Public Accountants) in November 1987, December 1987 and February 1995, respectively. He was also admitted as an associate of the Australian Society of Certified Practising Accountants (currently known as CPA Australia) and the Institute of Chartered Accountants in Australia (currently known as the Chartered Accountants Australia and New Zealand) in March 1986 and April 1989, respectively.

Mr. Sung has been the sole proprietor of Alfred Sung & Co. since 1999 and he is primarily responsible for overseeing audit and taxation works. From April 2012 to October 2014, Mr. Sung served as an independent non-executive director of TC Orient Lighting Holdings Limited (stock code: 515), a company listed on the Main Board of the Stock Exchange. Mr. Sung has been an independent non-executive director of Harbour Equine Holdings Limited (formerly known as Shen You Holdings Limited) (stock code: 8377) since 24 November 2017. Mr. Sung is also the chairman of the audit committee, a member of each of the remuneration committee and the nomination committee of Harbour Equine Holdings Limited.

**Mr. Tang Kong Fuk**, aged 58, joined the Group in December 2002 and was appointed as a Director on 6 July 2017 and was designated as an executive Director on 14 July 2017. Mr. Tang is one of the controlling shareholders of the Company. Mr. Tang is primarily responsible for the maintenance management of the public housing estates.

Mr. Tang has over 34 years of experience in the real estate and maintenance management industries. Mr. Tang graduated from the Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) with a higher certificate in building studies in November 1987.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. Pang Yat Ting, Dominic**, aged 51, has been appointed as an executive Director on 6 March 2024. He is one of the ultimate beneficial owner of Chun Wo Overseas Holdings Limited, the controlling shareholder of the Company. He graduated from Columbia University, New York in 1995 with a Bachelor of Arts degree in Economics, Political Science and Mathematics, and obtained a Juris Doctorate from the New York University School of Law in 1998 and an Executive Master of Business Administration degree from Kellogg-HKUST in 2010. In 2023, he was conferred an Honorary Fellowship by City University of Hong Kong. Mr. Pang has been appointed as a vice president of Belt & Road General Chamber of Commerce in April 2018, a member of council of the Vocational Training Council in July 2019, the chairman of Executive Board of the Hong Kong Real Property Federation since September 2019, a council member of The Chinese University of Hong Kong since May 2022 and the non-executive director of the Mandatory Provident Fund Schemes Authority since March 2023.

Mr. Pang has more than 21 years of experience in the construction industry and corporate management. In 2003, Mr. Pang joined Asia Allied Infrastructure Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 00711) ("**AAI**"), and was appointed as the assistant to the late chairman of AAI. Mr. Pang was appointed as the chairman and executive director of AAI in April 2010 and re-designated as the co-chairman and non-executive director of AAI in January 2015. He has been further redesignated as the chairman and executive director of AAI since March 2017. Mr. Pang is the elder brother of Ir Dr. Pang Yat Bond, Derrick.

**Mr. Xu Jianhua, Jerry**, aged 55, has been appointed as an executive Director on 6 March 2024. He holds a Bachelor's degree in Law of the China University of Political Science and Law, a Master's degree in Business Administration of Beijing University of Aeronautics and Astronautics and a Master of Laws degree in International Economic Law of City University of Hong Kong. He was qualified as a lawyer in the PRC in 1994 and a senior economist in the PRC in 2003. Mr. Xu has over 24 years of corporate management experience and extensive experience in transactions of mergers and acquisitions and investment and financing. He was a director of a company listed on the Shanghai Stock Exchange and two companies listed on the Main Board of the Stock Exchange. Mr. Xu has been appointed as the co-chairman and an executive director of AAI since January 2015, and has been re-designated as the deputy chairman of AAI since March 2017.

**Ir Dr. Pang Yat Bond, Derrick JP**, aged 48, has been appointed as an executive Director on 6 March 2024. He graduated from the University of California, Berkeley in the United States in 1997 with a Bachelor of Science degree and obtained a Master of Engineering degree in Civil and Environmental Engineering from Massachusetts Institute of Technology in the United States in 1998 and a Master's degree in Business Administration from The Chinese University of Hong Kong in 2007. He also obtained a Doctor of Philosophy in Civil Engineering from the Hong Kong University of Science and Technology in 2014. He is a member of the Institution of Civil Engineers, the United Kingdom and the Hong Kong Institution of Engineers and a Registered Professional Engineer in the State of California, United States. He has over 23 years of geotechnical design and construction experience in the United States and Hong Kong. He has been appointed as a council member of The Hong Kong Polytechnic University since April 2021, a member of the Aviation Development and Three-runway System Advisory Committee since August 2021, a non-executive director of the Insurance Authority since December 2021 and a director of the Hong Kong Cyberport Management Company Limited since April 2023. He was appointed as Justice of the Peace by the Government of Hong Kong in June 2017.

Ir Dr. Pang joined AAI in 2001 and has been appointed as the executive director of AAI since April 2010 and acted as the deputy chairman of AAI from April 2010 to March 2017. He has been appointed as the chief executive officer of AAI since April 2017 and acted as the chief operating officer of AAI from April 2017 to January 2019. Ir Dr. Pang is the younger brother of Mr. Pang Yat Ting, Dominic.



# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. Shea Chun Lok, Quadrant** (alias Martin, former name: Shea Chi Lap, Quadrant), aged 57, has been appointed as an executive Director on 6 March 2024. He graduated from Monash University of Australia with a Bachelor's degree in Business and later completed a postgraduate programme of Public Finance (Taxation) and obtained a Master's degree in Economics from Jinan University, China and a Master of Laws degree from Renmin University of China. He is a fellow member of CPA Australia, a member of Hong Kong Institute of Certified Public Accountants, The Taxation Institute of Hong Kong, The Chartered Institute of Management Accountants of the United Kingdom and Institute of Singapore Chartered Accountants and a Chartered Global Management Accountant. He is also a Chartered Tax Adviser of Hong Kong and obtained a Certificate of Pass in Practice Training Examination for Hong Kong Certified Tax Advisers Serving in Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, Qianhai, Shenzhen jointly issued by Shenzhen Municipal Office of the State Administration of Taxation and Shenzhen Local Taxation Bureau. He has been awarded the Certified ESG Planner with the focus on sustainable banking and finance issued by the International Chamber of Sustainable Development.

Mr. Shea has substantial experience in accounting and finance in listed companies and worked as qualified accountant and company secretary in various companies listed on the Main Board of the Stock Exchange over the years. He was the group financial controller of S.A.S. Dragon Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 01184) from 1999 to 2005. He has been appointed as an independent non-executive director of Beijing Enterprises Water Group Limited (a company listed on the Main Board of the Stock Exchange, stock code: 00371) since 2002 and is also the chairman of the audit committee of the company. He has also been appointed as an independent non-executive director of Hi-Level Technology Holdings Limited (a company listed on GEM, stock code: 08113) since 2015 and is the chairman of the audit committee, nomination committee and remuneration committee of the company. Mr. Shea joined the AAI Group as financial controller of property development segment in 2008 and has been appointed as the chief financial officer and company secretary of AAI since 2015. He has been appointed as an executive director of AAI since July 2017.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## NON-EXECUTIVE DIRECTOR

**Ms. Tam Mo Kit**, aged 64, joined the Group in April 2007 and was appointed as a Director on 6 July 2017 and was designated as a non-executive Director on 14 July 2017. Ms. Tam is the spouse of Mr. Ng Fuk Wah, who is an executive Director and the chief executive officer of the Company. Ms. Tam is responsible for strategic planning and financial planning of the Group.

Ms. Tam obtained a professional diploma in accountancy from the Hong Kong Polytechnic (currently known as the Hong Kong Polytechnic University) in November 1983. Ms. Tam was admitted as an associate member of the Hong Kong Society of Accountants (currently known as the Hong Kong Institute of Certified Public Accountants) since October 1985.

Ms. Tam has over 29 years of experience in public sector accounting and financial management. Ms. Tam retired from The Chinese University of Hong Kong in August 2022 and her last position was Assistant Director of Finance.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Wong Bay**, aged 72, was appointed as an independent non-executive Director on 18 October 2021.

Mr. Wong has over 42 years of experience in the real estate industry. In November 2010, Mr. Wong was appointed Associate Professor of the Department of Real Estate and Construction of The University of Hong Kong. Prior to joining The University of Hong Kong, Mr. Wong worked in the following departments of the Hong Kong Government and the Government of the Hong Kong Special Administrative Region, China:

Name of department	Principal business activities	Position	Period of Services
Public Works Department	Building maintenance and improvements	Assistant Maintenance Surveyor/Maintenance Surveyor	May 1974–May 1977
Housing Department	Estate maintenance, improvements and project management	Maintenance Surveyor/Senior Maintenance Surveyor/Chief Maintenance Surveyor	June 1977–October 1997
Housing Department	Property maintenance and estate management	Acting Assistant Director of Housing	October 1997–November 1998
Finance Bureau	Management of public finance	Chief Assistant Secretary (Special Duties)	November 1998–May 1999
Housing Department	Property maintenance and estate management	Acting Assistant Director of Housing	May 1999–February 2001
Housing Department	Estate management and housing administration	Assistant Director of Housing	February 2001–April 2010

Mr. Wong studied surveying and building technology at Hong Kong Technical College from 1969 to 1972. He was elected Professional Associate of the Royal Institution of Chartered Surveyors in 1974 and a Fellow in 1989. In 1974, he was also admitted Associate of the Chartered Institute of Arbitrators. He obtained his Master Degree of Business Administration (with credit) from the Hong Kong Polytechnic University in 1994.

Mr. Wong was a founder member of Hong Kong Institute of Surveyors (HKIS) in 1984 and was elected a Fellow in the same year. Since 1993, Mr. Wong is a registered professional surveyor in building surveying division of Hong Kong. He was presented “Distinguished Building Surveyor 1998” by the HKIS and was elected President of HKIS (2010–2011) in 2010. Since 2012, Mr. Wong is a registered inspector under the Buildings Ordinance, Cap 123.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Wong is an educator. From 2010 to 2016, he was the Program Director for the MSc program in Interdisciplinary Design and Management in the Department of Real Estate and Construction of the University of Hong Kong. He is currently an Adjunct Professor and teaches subjects targeting in developing leaders for the industry and sharing his experiences in managing construction, maintenance and conservation projects.

On community services, Mr. Wong was a member of the Construction Industry Council from 2012 to 2014. He was also a director of the Hong Kong Green Building Council (HKGBC) from 2014 to 2020. He was appointed Chairman of HKGBC from 2016 to 2017. In 2020, he was admitted as a member of the Green Building Faculty by HKGBC. From 2014 to 2017, Mr. Wong was appointed a member of the Inspectors Registration Committee Panel and the Inspectors Registration Committee. He was appointed as a member of the Antiquities Advisory Board from 2013 to 2018 and a member of the Advisory Committee on Water Supplies from 2014 to 2020.

Mr. Wong was admitted as a member of the Hong Kong Housing Society (HKHS) in 2014. He was elected member of the Supervisory Board and Audit Committee for 2015/2016. He is currently a member of the Supervisory Board of HKHS (2022–2025) and member of the Special Committee on Planning Design and Construction (2022–2024) giving advices to the management of HKHS.

Upon invitation, Mr. Wong also serves as a member of the major capital development advisory committee of the Hong Kong Society for Rehabilitation from 2021 to 2023 and a member of the capital development and facility management from 2023 to 2025.

Apart from community services, Mr. Wong also serves as an advisor to the Global Leaders Corporation since September 2020.

**Mr. Wong Siu Fai Albert**, aged 64, was appointed as an independent non-executive Director on 24 October 2017. He is primarily responsible for providing independent advice to the Board. Before retirement, Mr. Wong was the chief financial officer and the secretary of Walcom Group Limited, a company listed on AIM of the London Stock Exchange, from December 2006 to June 2019. He has over 38 years of experience in corporate finance and accounting work for various business-consulting companies and audit firms.

Mr. Wong obtained an honours diploma in accounting (Distinction) from Hong Kong Baptist University in June 1983. He has been an associate member of the Hong Kong Society of Accountants (currently known as the Hong Kong Institute of Certified Public Accountants) since February 1987 and a fellow member of the Hong Kong Institute of Certified Public Accountants since February 2008. From June 2006 to October 2014, Mr. Wong served as an independent non-executive director of TC Orient Lighting Holdings Limited (stock code: 515), a company listed on the Main Board of the Stock Exchange.

**Mr. Ng Kee Fat Ronny**, aged 76, was appointed as an independent non-executive director on 24 October 2017. He is primarily responsible for providing independent advice to the Board.

Mr. Ronny Ng was a former employee of the Hong Kong Housing Department (the "**Housing Department**"). He has over 43 years of experience in property management of public rental housing estates and shopping centres. Mr. Ronny Ng retired from the Housing Department in January 2007 and his last position was senior housing manager. Mr. Ronny Ng was a fellow of Chartered Institute of Housing from June 1991 to March 2006 and member of Hong Kong Institute of Housing from 1993 to 2006. Mr. Ronny Ng is also a registered professional housing manager from 2000 to 2007. He was awarded the Medal of Honour by the Government in 2006. Mr. Ronny Ng completed the certificate course in Housing Management offered by the Department of Extra-mural Studies of the University of Hong Kong in 1978.



# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. Yu Cheeric**, aged 48, has been appointed as an independent non-executive Director on 6 March 2024. He obtained a bachelor of science in business administration (accountancy) from the California State University and completed the Wharton-Greentown Asset — Light-Program organised by the University of Pennsylvania. Mr. Yu is a member of the American Institute of Certified Public Accountants and a certified public accountant of the State of Delaware.

Mr. Yu has over 25 years of experience in auditing, advisory business services and finance management. Mr. Yu started his career as an accountant in assurance and advisory business service with Ernst & Young, thereafter, worked for various listed companies on the Stock Exchange, including CLP Holdings Limited (stock code: 00002), Shimao Property Holdings Limited (stock code: 00813) and Greentown Management Holdings Limited (stock code: 09979). Mr. Yu is currently a financial controller and company secretary of Wisdom Education International Holdings Company Limited (stock code: 06068), a company listed on the Main Board of the Stock Exchange. Since February 2020, he has been serving as an independent non-executive director of MBV International Limited (stock code: 01957), a company listed on the Main Board of the Stock Exchange.

**Ms. Fung Nancy Ruth** (former name: Fung Lan Sze, Lanzee), aged 58, has been appointed as an independent non-executive Director on 6 March 2024. She obtained a bachelor in economic and social studies from The University College of Wales in the United Kingdom in 1989. Ms. Fung has more than 30 years of experience in the finance industry and was a responsible officer of Type 4 and Type 9 Regulated Activities under the SFO.

From June 1991 to June 1992, Ms. Fung worked at The Stock Exchange of Hong Kong Ltd. as a compliance assistant officer. From June 1992 to March 2001, she worked in various securities houses in Hong Kong as a research or investment analyst, including two years at OCBC Securities (Hong Kong) Limited (currently known as OCBC Securities Brokerage (Hong Kong) Limited), three years and eight months at Daiwa Institute of Research (H.K.) Limited, a year at JS Cresvale International Limited (currently known as JS Cresvale Securities International Limited), and over six months at SBI E2-Capital Financial Services Limited (currently known as SBI China Capital Financial Services Limited).

From April 2001 to February 2003, she worked at SBI China Provident Capital Management Limited, an asset management firm, as a senior analyst. From March 2003 to August 2007, she worked at Softbank China Venture Investments Limited (lately known as SIIIS Investment Management Limited), a firm focusing on venture capital fund management, as vice president.

From October 2007 to November 2022, she served as a responsible officer of asset management firms, including over six years at SBI E2-Capital Asset Management Limited (currently known as SBI China Capital Asset Management Limited), six months at Simsen Asset Management (HK) Limited (currently known as Huarong International Asset Management Limited), over three years at China Goldjoy Asset Management Limited (currently known as Atlantic Asset Management Limited), and nearly five years at Ban Loong Asset Management Limited, where she also acted as a director. Her responsible officer experience encompassed acting as an investment committee member to supervise funds and discretionary accounts, providing investment advice to its board of directors, and making decisions on investment proposals.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## SENIOR MANAGEMENT

**Ms. Lau Wai Kay Vicky**, aged 51, is the business development and administration manager of the Group. Ms. Lau joined the Group in October 2016 and is primarily responsible for business development and administration matters of the Group. Ms. Lau has over 21 years of experience in business development in various industries, including property management industry and banking industry. Ms. Lau obtained a bachelor of arts degree from University of Toronto, Ontario, Canada and a master of business administration degree from University of Canberra, Australia in November 1994 and December 2002, respectively.

**Ms. Lo Mei Yee**, aged 49, is the personnel and administration manager of the Group. She joined the Group in July 2009 and is primarily responsible for human resources and administration matters of the Group. Ms. Lo has over 25 years of experience in handling human resources and administrative matters. Ms. Lo obtained a bachelor of arts degree from The University of Hong Kong and a master of science in management (human resource management) from The Polytechnic University in December 1997 and February 2004, respectively.

**Mr. Yun Kwok King**, aged 68, is the senior property manager of the Group. He joined the Group in May 2007 and is primarily responsible for supervision of property management of public estates managed by the Group. Mr. Yun has over 46 years of experience in property management industry and worked in the HA from February 1977 to June 2003 with last position as assistant housing manager. Mr. Yun was elected as a corporate member of the Chartered Institute of Housing in November 1997.

**Ms. Chan Kwai Chu**, aged 60, is the senior property manager of the Group. Ms. Chan joined the Group in October 2014 and is primarily responsible for supervision of property management of public estates managed by the Group. Ms. Chan has over 34 years of experience in the property management industry. She worked in the HA from March 1989 to January 2001 with her last position as housing officer. Ms. Chan obtained a certificate in housing practice from the School of Professional and Continuing Education of The University of Hong Kong (HKU SPACE) in July 1997.

**Mr. Yiu Ping Keung**, aged 63, is the regional technical manager (Building Works) of the Group. Mr. Yiu is a founding shareholder and one of the controlling shareholders of the Company. He joined the Group in February 2003 and is primarily responsible for supervision the technical building works matters of public estates managed by the Group. Mr. Yiu has over 43 years of experience in building works supervision. Mr. Yiu obtained a diploma in civil engineering and a higher certificate in civil engineering from The Hong Kong Polytechnic University.

**Ms. Chan Nga Shuen**, aged 35, is the registered safety officer of the Group. Ms. Chan joined the Group in May 2010 and is primarily responsible for safety management of the Group. Ms. Chan obtained a bachelor of social sciences degree from Lingnan University, and obtained a professional diploma in occupational safety and health from the School of Continuing Education Hong Kong Baptist University in January 2012. Ms. Chan became a registered safety officer of the Labour Department, Hong Kong in December 2016.

## COMPANY SECRETARY

**Mr. Ng Fuk Wah** is the company secretary of the Company. Please refer to the paragraph headed "Executive Directors" above for a biography of Mr. Ng.

## COMPLIANCE OFFICER

**Mr. Sung Alfred Lee Ming** is the compliance officer of the Company. Please refer to the paragraph headed "Executive Directors" above for a biography of Mr. Sung.

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

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

The Board has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 to the GEM Listing Rules. During the year ended 31 December 2023 and up to the date of this annual report, 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.

## BOARD OF DIRECTORS

### Composition of the Board

The Board currently comprises:

#### Executive Directors

Mr. Ho Chu Ming (*Chairman*)

Mr. Ng Fuk Wah (*Chief Executive Officer*)

Mr. Sung Alfred Lee Ming (*Chief Financial Officer*)

Mr. Tang Kong Fuk

Mr. Pang Yat Ting, Dominic (appointed on 6 March 2024)

Mr. Xu Jianhua, Jerry (appointed on 6 March 2024)

Ir Dr. Pang Yat Bond, Derrick *JP* (appointed on 6 March 2024)

Mr. Shea Chun Lok, Quadrant (appointed on 6 March 2024)

#### Non-executive Director

Ms. Tam Mo Kit

#### Independent Non-executive Directors

Mr. Ng Kee Fat Ronny

Mr. Wong Bay

Mr. Wong Siu Fai Albert

Mr. Yu Cheeric (appointed on 6 March 2024)

Ms. Fung Nancy Ruth (appointed on 6 March 2024)

The biographical details of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" in this annual report.



# CORPORATE GOVERNANCE REPORT

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Ho Chu Ming is the chairman of the Board. According to the code provision C.2.1 of the CG Code, the role of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established. Mr. Ho Chu Ming currently assumes the role of chairman of the Board while Mr. Ng Fuk Wah assumes the role of chief executive officer. The Board considers that this structure could enhance efficiency in formulation and implementation of the Company's strategies.

In compliance with rules 5.05(1), (2) and 5.05A of the GEM Listing Rules, the Company has appointed five independent non-executive Directors and one of whom (Mr. Wong Siu Fai Albert) has appropriate professional qualifications, or accounting and related financial expertise.

## RESPONSIBILITIES OF THE BOARD

The overall management of the Company's business is vested in the Board which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. All the Directors should make decisions objectively in the interests of the Company. The Board has full support from the executive Directors and the senior management of the Company to discharge its responsibilities.

The day-to-day management, administration and operation of the Company are delegated to the executive Directors and the senior management of the Company. The delegated functions and work tasks are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by any of the executive Directors and the senior management. The Board also assumes the responsibilities of maintaining high standard of corporate governance, including, among others, developing and reviewing the Company's policies and practices on corporate governance, reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements, and reviewing the Company's compliance with the CG Code. All Directors, including both the non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for efficient and effective delivery of the Board functions. The Board has also delegated various responsibilities to the board committees of the Company (the "**Board Committees**"). Further details are set out below in this annual report.

The Company has received annual confirmations from each of the independent non-executive Directors of his independence, and the Company considered each of them to be independent in accordance with Rule 5.09 of the GEM Listing Rules.

## BOARD COMMITTEES

The Board has established three Board Committees to oversee specific aspects of the Group's affairs and help it in the execution of its responsibilities. Each of the Board Committees have specific written terms of reference which clearly outline the committees' authority and duties, and require the Board Committees to report back on their decisions or recommendations to the Board. All Board Committees are provided with sufficient resources to discharge their duties, including access to management or professional advice if considered necessary.

## 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 the 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.

# CORPORATE GOVERNANCE REPORT

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 members of the Audit Committee should meet at least four times a year. The Audit Committee has held meetings on 22 March 2023, 10 May 2023, 10 August 2023 and 8 November 2023 to review and approve the respective announcements and reports of the financial results of the Group.

Subsequent to the end of the Reporting Period and up to the date of this annual report, a meeting of the Audit Committee was held on 28 March 2024, during which the Audit Committee has, among other things, reviewed the consolidated financial statements of the Group for the Reporting Period, including the accounting policies and practices adopted by the Group, as well as the risk management and internal control systems of the Group. The attendance records of the respective members of the Audit Committee to its meetings during the Reporting Period are set out below:

<b>Name of member of the Audit Committee</b>	<b>Attendance/ number of meeting held</b>
Mr. Wong Siu Fai Albert ( <i>Chairman</i> )	4/4
Mr. Ng Kee Fat Ronny	4/4
Mr. Wong Bay	4/4

## REMUNERATION COMMITTEE

The Company has established the Remuneration Committee on 24 October 2017 with written terms of reference in compliance with rules 5.34 to 5.36 of the GEM Listing Rules and code provision E.1.2 of the CG Code. The Remuneration Committee has three members, namely Mr. Wong Bay, Mr. Wong Siu Fai Albert and Mr. Ng Kee Fat Ronny. Mr. Ng Kee Fat Ronny has been appointed as the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy, structure and package relating to all Directors and senior management of the Company, and to ensure that none of the Directors determine their own remuneration.

The attendance records of the respective members of the Remuneration Committee to its meetings during Reporting Period is set out below.

<b>Name of member of the Remuneration Committee</b>	<b>Attendance/ number of meeting held</b>
Mr. Ng Kee Fat Ronny ( <i>Chairman</i> )	1/1
Mr. Wong Siu Fai Albert	1/1
Mr. Wong Bay	1/1

# CORPORATE GOVERNANCE REPORT

## NOMINATION COMMITTEE

The Company has established the Nomination Committee on 24 October 2017 with written terms of reference in compliance with code provision B3.1 of the CG Code. The Nomination Committee consists of three members, namely Mr. Wong Bay, Mr. Wong Siu Fai Albert and Mr. Ng Kee Fat Ronny. Mr. Wong Bay has been appointed as the chairman of the Nomination Committee.

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board annually, to identify individuals suitably qualified to become members of the Board, to assess the independence of the independent non-executive Directors, to make recommendations to the Board on relevant matters relating to appointments or re-appointments of Directors and to make succession planning for the Directors.

The attendance records of the respective members of the Nomination Committee to its meetings during the Reporting Period is set out below.

<b>Name of member of the Nomination Committee</b>	<b>Attendance/ number of meeting held</b>
Mr. Wong Bay ( <i>Chairman</i> )	1/1
Mr. Ng Kee Fat Ronny	1/1
Mr. Wong Siu Fai Albert	1/1

## Nomination criteria

In evaluating and selecting any candidate for the directorship, the following criteria should be considered by the Nomination Committee:

- (i) the candidate's character and integrity;
- (ii) the candidate's qualifications including professional qualifications, skills, knowledge and experience, and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy;
- (iii) any measurable objectives adopted for achieving diversity of the Board;
- (iv) for independent non-executive Directors, whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules;
- (v) any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;
- (vi) the candidate's willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company; and
- (vii) such other perspectives that are appropriate to the Company's business and succession plan and where applicable may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of directors and succession planning.



# CORPORATE GOVERNANCE REPORT

## Nomination Procedures

The Company has put in place the following director nomination procedures:

### *Appointment of New and Replacement Directors*

- (i) If the Board determines that an additional or replacement Director is required, it will deploy multiple channels for identifying suitable director candidates, including referral from Directors, shareholders, management, advisors of the Company and external executive search firms.
- (ii) Upon compilation and interview of the list of potential candidates, the relevant Nomination Committee will shortlist candidates for consideration by the Nomination Committee/Board based on the selection criteria and such other factors that it considers appropriate. The Board has the final authority on determining suitable director candidate for appointment.

### *Re-election of Directors and Nomination from Shareholders*

- (i) Where a retiring Director, being eligible, offers himself for re-election, the Board shall consider and, if consider appropriate, recommend such retiring Director to stand for re-election at a general meeting. A circular containing the requisite information on such retiring Director will be sent to shareholders prior to a general meeting in accordance with the Listing Rules.
- (ii) Any shareholder of the Company who wishes to nominate a person to stand for election as a Director at a general meeting must lodge with the Company Secretary of the Company within the lodgement period specified in the relevant shareholder circular (a) a written nomination of the candidate, (b) written confirmation from such nominated candidate of his willingness to stand for election, and (c) biographical details of such nominated candidate as required under the GEM Listing Rules. Particulars of the candidate so proposed will be sent to all shareholders for information by a supplementary circular.

## 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 Reporting Period. The Company was not aware of any non-compliance with the Model Code by the Directors during the year ended 31 December 2023 and up to the date of this annual report.

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

## BOARD DIVERSITY POLICY

The Company adopted a board diversity policy (the "**Board Diversity Policy**") from the Listing Date. A summary of this Board Diversity Policy, together with the measurable objectives set for implementing this Board Diversity Policy, and the progress made towards achieving those objectives are disclosed as below.

## SUMMARY OF THE BOARD DIVERSITY POLICY

The Company recognised and embraced the benefits of having a diverse Board to the quality of its performance. The Board Diversity Policy aims to set out the approach to achieve diversity on the Board. In designing the Board's composition, Board diversity has been considered from a number of measurable aspects including gender, age, ethnicity, knowledge and length of services. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regards for the benefits of diversity on the Board.

# CORPORATE GOVERNANCE REPORT

## MEASURABLE OBJECTIVES

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of services. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

## IMPLEMENTATION AND MONITORING

The Nomination Committee reviewed the Board's composition under diversified perspectives, and monitored the implementation of the Board Diversity Policy annually.

The Nomination Committee of the Board has reviewed the Board Diversity Policy to ensure its effectiveness and considered that the Group achieved the Board Diversity Policy during the Reporting Period.

## BOARD MEETING, GENERAL MEETING AND PROCEDURES

During the Reporting Period, four Board meetings were and one general meeting was held. For the financial year commencing on 1 January 2023, the Board is scheduled to meet four times a year at approximately quarterly intervals with notice given to the Directors at least 14 days in advance. The attendance record of each Director at the Board meeting is set out in the table below:

Name of Directors	Number of attendance/ number of general meeting	Number of attendance/ number of Board meetings
<b>Executive Directors</b>		
Mr. Ho Chu Ming ( <i>Chairman</i> )	1/1	4/4
Mr. Ng Fuk Wah ( <i>Chief Executive Officer</i> )	1/1	4/4
Mr. Sung Alfred Lee Ming ( <i>Chief Financial Officer</i> )	1/1	4/4
Mr. Tang Kong Fuk	1/1	4/4
<b>Non-executive Director</b>		
Ms. Tam Mo Kit	0/1	4/4
<b>Independent Non-executive Directors</b>		
Mr. Wong Siu Fai Albert	1/1	4/4
Mr. Ng Kee Fat Ronny	1/1	4/4
Mr. Wong Bay	1/1	4/4

## CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, etc. The Board held meetings from time to time whenever necessary. At least 14 days' notice of regular Board meetings is given to all Directors and they can include matters for discussion in the agenda as they think fit. The agenda accompanying Board papers are sent to all the Directors at least 3 days before the date of every Board meeting in order to allow sufficient time for the Directors to review the documents.

Minutes of every Board meeting are circulated to all Directors for their perusal and comments prior to confirmation of the minutes. The Board also ensures that it is supplied in a timely manner with all necessary information in a form and of a quality appropriate to enable it to discharge its duties.

Every Board member has full access to the advice and services of the company secretary with a view to ensuring that Board procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

# CORPORATE GOVERNANCE REPORT

## **APPOINTMENT AND RE-ELECTION OF DIRECTORS**

Each of the executive Directors has entered into a service agreement with the Company for a term of three years commencing from the date of appointment subject to renewal and termination by either party in accordance with the terms thereof and retirement and re-election provisions in accordance with the articles of association of the Company (the “Articles”).

Each of the non-executive Directors has entered into an appointment letter with the Company for a term of three years commencing from the date of appointment subject to renewal and termination by either party in accordance with the terms thereof and retirement and re-election provisions in the Articles.

The independent non-executive Directors should be appointed for a specific term subject to re-election. Each of the independent non-executive Directors has entered into an appointment letter with the Company for a term of one year/three years commencing from the date of appointment subject to renewal and termination by either party in accordance with the terms thereof and retirement and re-election provisions in the Articles.

With the various experience of both the executive Directors, non-executive Directors and the independent non-executive Directors, the Board considers that the Directors have a balance of skills and experience for the business of the Group.

Article 108 of the Articles provides that at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation and that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

Article 112 of the Articles provides that any Director appointed by the Board to fill a casual vacancy shall hold office only until the first annual general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company after his appointment and shall then be eligible for re-election.

Save as disclosed in the section headed “Biographical Details of Directors and Senior Management” of this annual report, there is no financial, business, family or other material or relevant relationships among members of the Board and senior management.

## **CONTINUOUS PROFESSIONAL DEVELOPMENT**

To assist the Directors’ continuous professional development, the Company recommends the Directors to attend relevant seminars to develop and refresh their knowledge and skills. The Directors also participate in continuous professional development programmes such as external seminars organised by qualified professionals, to develop and refresh their knowledge and skills in relation to their contribution to the Board. All the Directors understand the importance of continuous professional development and are committed to participate any suitable training to develop and refresh their knowledge and skills. The company secretary of the Company is responsible for maintaining and updating records for the Directors’ training sessions. During the Reporting Period, the Directors have participated continuous professional development by attending courses or reading relevant materials on the topic related to corporate governance and relevant update of the rules and regulations.

## **DIRECTORS’ RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS**

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group that give a true and fair view of the state of affairs of the Group. The Directors aim to present a balanced and understandable assessment of the Group’s position and prospects with timely publication of the consolidated financial statements of the Group. As at 31 December 2023, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt on the Group’s ability to continue as a going concern.

The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the shareholders of the Company. The statements by external auditor, PricewaterhouseCoopers, about their reporting responsibility on the consolidated financial statements of the Group are set out in the independent auditor’s report in this annual report.



# CORPORATE GOVERNANCE REPORT

## INTERNAL CONTROL AND RISK MANAGEMENT

The Board has an overall responsibility for the establishment, maintenance and review of the Group's internal control system to safeguard shareholders' investments and the assets of the Group. The internal control system of the Group aims to facilitate effective and efficient operation which in turn minimises the risks to which the Group is exposed. The system can only provide reasonable but not absolute assurance against misstatement or losses.

The Group recognises that good risk management is essential for the long-term development on the Group's business. Management is responsible for establishing, implementing, reviewing and evaluating a sound and effective internal control system underpinning the risk management framework. All employees of the Group are committed to implement the risk management framework into the daily operation.

The Company has not established a standalone internal audit department, however, the Group engaged an external consulting firm as the Group's internal control adviser, Infinity Concept Ripple Limited (the "**Internal Control Adviser**") to conduct a review on the internal control systems which included financial, operational, compliance, procedural and risk management functions. The Directors confirm that issues identified by the Internal Control Adviser have been properly addressed and/or resolved and that the current internal control and risk management mechanisms are adequate and appropriate for the Group's operations.

## OBJECTIVES OF RISK MANAGEMENT AND INTERNAL CONTROL

The objectives of the risk management and internal control framework of the Group are to identify and manage the risk of the Group's with the acceptable safety levels and achieve the Group's strategic objectives. The Group has adopted a three-line risk management approach to identify, analysis, evaluation, mitigate and handle risks. At the first line of defence, department staff/ frontline employees who must understand their roles and responsibilities are responsible for identifying, assessing and monitoring risks associated with transactions. The second line of defence is the Group's management that provides independent oversight of the risk management activities of the first line of defence. It ensures that risks are within the Group's risk capacity and that the control of the first line of defence is effective. As the final line of defence, the Audit Committee, with the advices and opinions from the external professional party and the internal control function was conducted on an annual basis to ensure that the first and second lines of defence are performed effectively.

## AUDITORS' REMUNERATION

The amount of fees charged by the external auditor generally depends on the scope and volume of the external auditor's work performed.

For the Reporting Period, the remuneration paid or payable to PricewaterhouseCoopers, the external auditor of the Company, in respect of their audit services for the Group was as follows:

Categories of Services	2023 HK\$'000
Audit services	1,300

For the Reporting Period, PricewaterhouseCoopers did not provide any non-audit services to the Group.

## COMPANY SECRETARY

Mr. Ng Fuk Wah has taken no less than 15 hours of relevant professional training for the Reporting Period. The biographical details of Mr. Ng are set out under the section headed "Biographical Details of Directors and Senior Management" of this annual report.

## COMPLIANCE OFFICER

Mr. Sung Alfred Lee Ming is the compliance officer of the Company. Please refer to his biographical details as set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

# CORPORATE GOVERNANCE REPORT

## SHAREHOLDERS' RIGHTS

As one of the measures to safeguard shareholders' interest and rights, separate resolutions can be proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. All resolutions put forward at shareholders' meeting will be voted by poll pursuant to the GEM Listing Rules and the poll voting results will be posted on the website of the Stock Exchange and the Company's website after the relevant shareholders' meeting.

## PROCEDURES FOR SHAREHOLDERS TO CONVENE EXTRAORDINARY GENERAL MEETING

The following procedures for shareholders to convene an extraordinary general meeting are subject to the Articles (as amended from time to time), and the applicable legislation and regulation, in particular the GEM Listing Rules (as amended from time to time):

- (a) any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company (the "**Eligible Shareholder(s)**") carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company (the "**Company Secretary**"), to require an extraordinary general meeting ("**EGM**") to be called by the Board for the transaction of any business specified in such requisition;
- (b) Eligible Shareholders who wish to convene an EGM must deposit a written requisition (the "**Requisition**") signed by the Eligible Shareholder(s) concerned to the head office and principal place of business of the Company in Hong Kong at Units 1102-1103, 11th Floor, Delta House, No. 3 On Yiu Street, Sha Tin, New Territories, Hong Kong, or Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for the attention of the Board and/or the Company Secretary;
- (c) the Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding, the reason(s) to convene an EGM and the details of the business(es) proposed to be transacted in the EGM, and must be signed by the Eligible Shareholder(s) concerned together with a deposit of a sum of money reasonable sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned in accordance with the statutory requirements to all the registered shareholders;
- (d) the Requisition will be verified with Hong Kong branch share registrar and transfer office of the Company and upon their confirmation that the Requisition is proper and in order, the Board will convene an EGM by serving sufficient notice in accordance with the requirements under the Articles to all the registered Shareholders. On the contrary, if the Requisition has been verified as not in order or the Shareholders concerned have failed to deposit sufficient money to meet the Company's expenses for the said purposes, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM;
- (e) if within 21 days of the deposit of the Requisition, the Board fails to proceed to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves may do so, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

## PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

There are no provisions allowing shareholders to move new resolutions at the general meetings under the Companies Law (Revised) of Cayman Islands. However, pursuant to the Articles, shareholders who wish to move a resolution may by means of Requisition convene an EGM following the procedures set out above.

# CORPORATE GOVERNANCE REPORT

## PROCEDURES FOR RAISING ENQUIRIES

Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's Hong Kong share registrar (details of which are set out in the section headed "Corporate Information" of this annual report).

Should the shareholders have any enquiries and concerns, they may send in written enquiries addressed to the head office and principal place of business of the Company in Hong Kong at Units 1102–1103, 11th Floor, Delta House, No. 3 On Yiu Street, Sha Tin, New Territories, Hong Kong by post for the attention of the Board and/or the Company Secretary.

Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

## INVESTORS RELATIONS

The Company has adopted a shareholders communication policy with the objective of providing the shareholders of the Company with information about the Company and enabling them to engage actively with the Company and exercise their rights as shareholders in an informed manner.

The Company has established a range of communication channels between itself and its shareholders, and investors. These include answering questions through the annual general meeting, the publication of annual, interim and quarterly reports, notices, announcements and circulars, the Company's website at [www.modernliving.com.hk](http://www.modernliving.com.hk) and meetings with investors and shareholders. News update of the Group's business development and operation are also available on the Company's website.

## NON-COMPETITION UNDERTAKINGS BY CONTROLLING SHAREHOLDERS

Each of the controlling shareholders of the Company has made an annual declaration to the Company that for the Reporting Period, he/she/it and his/her/its associates have complied with the terms of non-competition undertakings ("**Non-Competition Undertakings**") given in favour of the Company which are contained in the Deed of Non-Competition Undertaking. Details of the Non-Competition Undertakings are set out in the section headed "Relationship with the Controlling Shareholders" of the Prospectus. The independent non-executive Directors have also reviewed the status of compliance by each of the controlling shareholders with the undertakings in the Non-Competition Undertakings and as far as the independent non-executive Directors can ascertain, there is no breach of any of the undertakings in the Non-Competition Undertakings.

## CONSTITUTIONAL DOCUMENTS

During the Reporting Period, the Company has amended its Articles in order to bring the Articles in line with the latest legal and regulatory requirements, including the amendments made to Appendix A1 to the GEM Listing Rules. The amendment was approved by Shareholders in the annual general meeting of the Company held on 5 May 2023. Details of the amendment are set out in the circular of the Company dated 30 March 2023.



# CORPORATE GOVERNANCE REPORT

## DIVIDEND POLICY

Pursuant to the amended CG Code, the Company should have a dividend policy and disclose such policy in its annual report. The Company has adopted a dividend policy (the "**Dividend Policy**"), the summary of which is set out below:

- (i) In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia:
  - a. the general financial condition of the Group;
  - b. capital and debt level of the Group;
  - c. future cash requirements and availability for business operations, business strategies and future development needs;
  - d. any restrictions on payment of dividends that may be imposed by the Group's lenders;
  - e. the general market conditions; and
  - f. any other factors that the Board considers appropriate.
- (ii) The payment of the dividend by the Company is also subject to restrictions under the Companies Law of the Cayman Islands and the Articles of Association of the Company. Any final dividends declared by the Company must be approved by an ordinary resolution of the Shareholders at an annual general meeting and must not exceed the amount recommended by the Board. The Board may from time to time pay to the Shareholders such interim and/or special dividends as it considers to be justified by the profits of the Group.
- (iii) The Board endeavours to strike a balance between the Shareholders' interests and prudent capital management with a sustainable Dividend Policy. The Board will review the Dividend Policy from time to time and may exercise at its sole and absolute discretion to update, amend and/or modify the policy at any time as it deems fit and necessary.

# REPORT OF THE DIRECTORS

The Board is pleased to present their annual report together with the audited consolidated financial statements of the Group for the Reporting Period.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 36 to the consolidated financial statements. The principal activity of the Group is the provision of property management services with a primary focus on public housing in Hong Kong.

## RESULTS AND DIVIDENDS

The results of the Group for the Reporting Period are set out in the consolidated income statement on page 40 of this annual report.

The Company does not declared a special dividend for the Reporting Period (2022: Nil).

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

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

## CHARITABLE DONATIONS

During the year, the Group made charitable donations totalling HK\$255,000 (2022: HK\$20,600).

## PLANT AND EQUIPMENT

Details of the movements in plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

## BORROWINGS

Particulars of borrowings of the Group as at the balance sheet date are set out in note 26 to the consolidated financial statements.

## BUSINESS REVIEW

Detailed business review is set out in the section headed "Management Discussion and Analysis" in this annual report. Future development of the Company's business is set out in the sections headed "Management Discussion and Analysis" and "Chairman's Statement" of this annual report.

## KEY PERFORMANCE INDICATORS ("KPI") WITH THE STRATEGY OF THE GROUP

The key financial performance indicators of the Group for the Reporting Period are set out below:

Strategy	KPI
Maximise value for the shareholders	Return on equity = 11.38% (2022: 14.09%)
Improve the Group's liquidity	Current ratio = 3.88 times (2022: 3.85 times)

## COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Board is aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group.

# REPORT OF THE DIRECTORS

## **PRINCIPAL RISK AND UNCERTAINTIES**

The Group believes that the risk management practices are important and uses its best effort to ensure it is sufficient to mitigate the risks present in the Group's operations and financial position as efficiently and effectively as possible. Operational risks may arise when the Group has loss of (i) its major customer; and (ii) senior management employed by the Group which may adversely affect the Group's operations.

An analysis of the Group's financial risk management (including credit risk, interest rate risk, foreign exchange risk and liquidity risk) objectives and policies are provided in note 3 to the consolidated financial statements. Other risks facing the Group are set out in the section headed "Risk Factors" of the Prospectus.

## **FINANCIAL SUMMARY**

A summary of the published results and of the assets and liabilities of the Group is set out on page 108 of this annual report. The summary does not form part of the audited consolidated financial statements.

## **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive or similar rights under the laws of Caymans Islands or the Articles which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders.

## **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 annual report, there has been no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

## **RESERVES**

Details of movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and note 36(b) to the consolidated financial statements, respectively.

## **DISTRIBUTABLE RESERVES**

Retained earnings of the Company may be available for distribution to ordinary shareholders provided that the Company will be able to pay its debts as they fall due in the ordinary course of business immediately following the date on which any such distribution is proposed to be paid. The Company's reserves available for distribution to the shareholders at 31 December 2023 amounted to approximately HK\$98.85 million.

## **SEGMENT INFORMATION**

An analysis of the Group's performance for the year by operating segment is set out in note 5 to the consolidated financial statements.



# REPORT OF THE DIRECTORS

## RELATIONSHIP WITH KEY STAKEHOLDERS

### Major Customer and Suppliers

The HA is the Group's sole and most important customer. For the Reporting Period, the aggregate revenue attributable to the HA amounted to approximately HK\$334.24 million, representing approximately 100% of the total revenue.

For the year ended 31 December 2023, the Group's five largest suppliers (in respect of cleaning materials and plastic bags) accounted for approximately 96.82% (2022: 81.57%) of the Group's cleaning material costs. The largest supplier accounted for approximately 38.27% (2022: 32.00%) of the Group's cleaning material costs.

None of the Directors, their close associates or any shareholder of the company (which to the knowledge of the Directors owns more than 5% of the issued shares of the Company) had any interest in any of these major customer or suppliers during the year ended 31 December 2023.

### Employees

Employees are regarded as important and valuable assets of the Group. Details of remuneration are set out in the section headed "Management Discussion and Analysis" in this annual report.

## DIRECTORS

During the year and up to the date of this annual report, the Board's composition is as follows:

### Executive Directors

Mr. Ho Chu Ming (*Chairman*)

Mr. Ng Fuk Wah

Mr. Sung Alfred Lee Ming

Mr. Tang Kong Fuk

Mr. Pang Yat Ting, Dominic (*appointed on 6 March 2024*)

Mr. Xu Jianhua, Jerry (*appointed on 6 March 2024*)

Ir Dr. Pang Yat Bond, Derrick JP (*appointed on 6 March 2024*)

Mr. Shea Chun Lok, Quadrant (*appointed on 6 March 2024*)

### Non-executive Director

Ms. Tam Mo Kit

### Independent non-executive Directors

Mr. Wong Siu Fai Albert

Mr. Ng Kee Fat Ronny

Mr. Wong Bay

Mr. Yu Cheeric (*appointed on 6 March 2024*)

Ms. Fung Nancy Ruth (*appointed on 6 March 2024*)

Pursuant to article 108 of the Article, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation and that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

Article 112 of the Articles provides that any Director appointed by the Board to fill a casual vacancy shall hold office only until the first annual general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company after his appointment and shall then be eligible for re-election.

Accordingly Mr. Ho Chu Ming, Mr. Pang Yat Ting, Dominic, Mr. Xu Jianhua, Jerry, Ir Dr. Pang Yat Bond, Derrick, Mr. Shea Chun Lok, Quadrant, Mr. Ng Kee Fat Ronny, Mr. Yu Cheeric and Ms. Fung Nancy Ruth will retire from office as Directors at the forthcoming annual general meeting to be held on Monday, 13 May 2024 and are eligible and will offer themselves for re-election.

# REPORT OF THE DIRECTORS

## **BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT**

Biographical details of the Directors and the senior management of the Group are set out on pages 9 to 15 of this annual report.

## **DIRECTORS' SERVICE CONTRACTS**

Each of the executive Directors has entered into a service agreement with the Company for a term of three years commencing from the date of appointment and subject to renewal and termination by either party in accordance with the terms thereof and retirement and re-election provisions in accordance with the Articles of the Company.

Each of the non-executive Directors has entered into an appointment letter with the Company for a term of three years commencing from the date of appointment subject to renewal and termination by either party in accordance with the terms thereof and retirement and re-election provisions in the Articles.

Each of the independent non-executive Directors has entered into an appointment letter with the Company for a term of one year/three year commencing from the date of appointment subject to renewal and termination by either party in accordance with the terms thereof and retirement and re-election provisions in the Articles.

Save as disclosed above, none of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

## **INDEPENDENCE CONFIRMATION**

The Company has received confirmation from each of the independent non-executive Directors regarding his independence in accordance with Rule 5.09 of the GEM Listing Rule and there has been no circumstances which would render them not to be independent as contemplated under the GEM Listing Rules. The Company therefore considers each of the independent non-executive Director to be independent.

## **PERMITTED INDEMNITY PROVISION**

Pursuant to Articles of the Company, a permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the financial year. The Company has purchased the Directors' and Officers' Liability Insurance to provide protection against claims arising from the lawful discharge of duties by the Directors.

## **EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE AND THE FIVE HIGHEST PAID INDIVIDUALS**

Details of the emoluments of the Directors, chief executive and the five highest paid individuals of the Group are set out in note 11 to the consolidated financial statements.

## **RETIREMENT BENEFIT SCHEME**

Details of the Group's retirement benefit scheme are set out in note 28 to the consolidated financial statements.

# REPORT OF THE DIRECTORS

## 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 31 December 2023, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and 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 and 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:

### (i) Long position in the shares

Name of Director	Capacity/nature of interest	Number of Shares <sup>(1)</sup>	Approximate percentage of interest in the Company
Ms. Tam Mo Kit <sup>(2)</sup>	Interest in a controlled corporation	544,830,000 (L)	68.10%
Mr. Ng Fuk Wah <sup>(3)</sup>	Interest of spouse	544,830,000 (L)	68.10%
Mr. Ho Chu Ming	Beneficial owner	4,840,000 (L)	0.61%
Mr. Tang Kong Fuk	Beneficial owner	4,200,000 (L)	0.53%

Notes:

- The letter “L” denotes the person’s long position in the Shares.
- R5A Group Limited is the registered owner of 491,440,000 Shares, representing approximately 61.43% of the Company’s issued share capital. R5A Group Limited is owned as to 55.34% by Ms. Tam Mo Kit, 16.40% by Mr. Sung Alfred Lee Ming, 14.07% by Mr. Ho Chu Ming, 12.91% by Mr. Tang Kong Fuk and 1.28% by Mr. Ho Tik Wai. 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 53,390,000 Shares in the Company, representing approximately 6.67% of the issued share capital of the Company. As Ms. Tam Mo Kit is the spouse of Mr. Ng Fuk Wah, Ms. Tam Mo Kit is also deemed to be interested in the same number of Shares held by Mr. Ng Fuk Wah under the SFO.
- Mr. Ng Fuk Wah is the beneficial owner of 53,390,000 Shares in the Company, representing approximately 6.67% 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.

### (ii) 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	952	55.34%
Mr. Sung Alfred Lee Ming	R5A Group Limited	Beneficial owner	282	16.40%
Mr. Ho Chu Ming	R5A Group Limited	Beneficial owner	242	14.07%
Mr. Tang Kong Fuk	R5A Group Limited	Beneficial owner	222	12.91%

Save as disclosed above and so far as is known to the Directors, as at 31 December 2023, 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 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 of the GEM Listing Rules.



# REPORT OF THE DIRECTORS

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

So far as the Directors are aware of, as at 31 December 2023, 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 <sup>(1)</sup>	Approximate percentage of interest in the Company
R5A Group Limited <sup>(2)</sup>	Beneficial owner	491,440,000 (L)	61.43%
Ms. Yeung Siu Wen	Beneficial owner	57,120,000 (L)	7.14%

Notes:

1. The letter "L" denotes the person's long position in the Shares.
2. R5A Group Limited is the registered owner of 491,440,000 Shares, representing 61.43% of the Company's issued share capital. R5A Group Limited is owned as to 55.34% by Ms. Tam Mo Kit, 16.40% by Mr. Sung Alfred Lee Ming, 14.07% by Mr. Ho Chu Ming, 12.91% by Mr. Tang Kong Fuk and 1.28% by Mr. Ho Tik Wai.

Save as disclosed above and so far as is known to the Directors, immediate following the Listing, the Directors were not aware of any other persons who had or deemed or taken to have any interests or short positions in the shares or underlying shares which would fall to be disclosed 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.

# REPORT OF THE DIRECTORS

## **SHARE OPTION SCHEME**

On 24 October 2017, a share option scheme was adopted by the shareholders of the Company (the **"Share Option Scheme"**). 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.

The total number of shares issued and to be issued upon exercise of options granted to each eligible participant (including both exercised and outstanding Options) in any 12-month period must not exceed 1% of the shares in issue. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof. Pursuant to Rule 23.03F of the GEM Listing Rules, the vesting period for options shall not be less than 12 months.

The maximum number of shares which may be issued upon exercise of all options granted under the Share Option Scheme and any other schemes must not, in aggregate, exceed 80,000,000 Shares, being 10% of the shares in issue as at the Listing Date. No share option has been granted, exercised, lapsed or cancelled during the Reporting Period and is outstanding as at the date of this report.

The number of share options available for grant under the scheme mandate at the beginning and the end of the financial year is 48,000,000 and 48,000,000 respectively.

## **DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS**

No transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest subsisted at the end of the year or at any time during the year.

## **COMPETING INTEREST**

For the year ended 31 December 2023, 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.

# REPORT OF THE DIRECTORS

## **RELATED PARTY TRANSACTIONS**

Details of the related party transactions entered into by the Group are set out in note 34 to the consolidated financial statements. Such related party transactions do not fall under the definition of connected transaction or continuing connected transaction under Chapter 20 of the GEM Listing Rules.

## **CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION**

During the Reporting Period, the Group has not entered into any connected transactions or continuing connected transactions that are not exempted under the GEM Listing Rules. The Board confirms that the Company has complied with the applicable disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

## **MANAGEMENT CONTRACTS**

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of any business of the Group were entered into or existed during the year ended 31 December 2023.

## **SUFFICIENCY OF PUBLIC FLOAT**

Since the Listing Date and up to 31 December 2023, based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital is held by the public as required under the GEM Listing Rules.

## **AUDITOR**

The consolidated financial statements have been audited by PricewaterhouseCoopers, Certified Public Accountants, who will retire and, being eligible, offered themselves for re-appointment as auditors of the Company at the forthcoming annual general meeting. A resolution for their re-appointment as the auditor of the Company will be proposed at the forthcoming annual general meeting.

## **ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT**

The Group is committed to support environmental protection to ensure business development and sustainability. The Group implement green office practices to reduce the consumption of energy and natural resources. These practices include the use of energy-saving lightings and recycled paper, reduce energy consumption by switching off idle lightings, computers and electrical appliances and the use of environmentally friendly products whenever possible.

The environmental, social and governance report for the Reporting Period is set on pages 89 to 107 of this annual report.

## **CLOSURE OF REGISTER OF MEMBERS**

In order to establish entitlements to attend and vote at the forthcoming annual general meeting to be held on Monday, 13 May 2024, the register of members of the Company will be closed from Wednesday, 8 May 2024 to Monday, 13 May 2024 (both days inclusive), during which period no transfer of the shares will be registered. Shareholders are reminded to ensure that all completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Tuesday, 7 May 2024.

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

## **CORPORATE GOVERNANCE**

Details of the corporate governance practices adopted by the Company are set out on pages 16 to 26 of this annual report.

# REPORT OF THE DIRECTORS

## **REVIEW BY AUDIT COMMITTEE**

The audited consolidated financial statements of the Group for the Reporting Period have been reviewed by the audit committee. The audit committee is of the opinion that the consolidated financial statements of the Group for the Reporting Period comply with applicable financial reporting standards, GEM Listing Rules, and that adequate disclosures have been made.

On behalf of the Board

**Ho Chu Ming**

*Chairman and Executive Director*

Hong Kong, 28 March 2024



# INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

## To the Shareholders of Modern Living Investments Holdings Limited

*(incorporated in the Cayman Islands with limited liability)*

### OPINION

#### What we have audited

The consolidated financial statements of Modern Living Investments Holdings Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 40 to 88, comprise:

- the consolidated balance sheet as at 31 December 2023;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

#### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

#### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

#### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in our audit is related to the occurrence and completeness of employee benefits expenses.

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# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>Occurrence and completeness of employee benefits expenses</b></p> <p>Refer to Note 4, Note 10 and Note 28 to the consolidated financial statements.</p> <p>The Group operates in a labor-intensive industry and manages over 1,500 employees. For the year ended 31 December 2023, HK\$301.1 million of employee benefits expenses, which consisted of basic salaries, staff benefits, gratuities, pension cost, provision of annual leave and long service payments, were incurred by the Group and accounted for approximately 93% of the total costs incurred for the year. Also, management judgements are involved in estimating the provision of gratuities and long service payments.</p> <p>In view of the significance of employee benefits expenses to the consolidated income statement and the management judgement involved, significant auditor's effort is involved in verifying the occurrence and completeness of such expenses. Therefore, we determined this area to be a key audit matter.</p>	<p>Our audit procedures included testing the Group's internal controls over employee benefits expenses and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors. Specifically, we sample tested the effectiveness of key management controls designed and implemented over the process of maintenance of employee records and the approval of monthly payroll calculation and settlement.</p> <p>We tested, on sample basis, the supporting evidence for the occurrence of payroll expenses, including but not limited to, inspecting payment records, reviewing employment contracts and checking to time-sheet records of individual employees. In assessing the completeness of employee benefits expenses, we arranged face-to-face interviews with selected employees and traced the employees' identities and salaries to their employment records; selected, on a sample basis, the payroll settlement records and agreed the salary payments to the employee benefits expenses recorded.</p> <p>We assessed and challenged management's assumptions over the provision of long service payment and gratuities by evaluating key parameters used, including but not limited to, the employee turnover rate, discount rate and salary growth rate, against the internal historical data and external economic trends. We have also involved our valuation specialist to evaluate the methodology of long service payment and gratuities, re-perform the calculation of the provision of long service payment and gratuities, and to review the reasonableness of assumptions by making reference to available market data, in order to assess the appropriateness of the methodology adopted by management and the overall reasonableness of the provision.</p> <p>Based on our audit procedures performed, we found that the occurrence and completeness of the employee benefits expenses was supported by the available evidence.</p>

# INDEPENDENT AUDITOR'S REPORT

## **OTHER INFORMATION**

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee are responsible for overseeing the Group's financial reporting process.

## **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

# INDEPENDENT AUDITOR'S REPORT

## **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS** *(Continued)*

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wilson Chan.

### **PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 28 March 2024



# CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Revenue	6	334,240	405,987
Other income	7	3,845	11,022
Other losses, net	8	(968)	(2,078)
Employee benefits expenses	9	(301,075)	(368,888)
Cleaning material costs	9	(2,774)	(4,807)
Utilities expenses	9	(1,231)	(1,316)
Depreciation of plant and equipment	9	(630)	(737)
Depreciation of right-of-use assets	9	(923)	(925)
Reversal of the impairment losses on trade receivables	20	–	367
Other operating expenses	9	(14,751)	(15,068)
Share of result of investments accounted for using the equity method	19	(662)	(118)
Operating profits		15,071	23,439
Finance income		5,038	285
Finance costs		(293)	(132)
Finance income, net	12	4,745	153
Profit before income tax		19,816	23,592
Income tax expense	13	(2,042)	(2,412)
<b>Profit for the year</b>		<b>17,774</b>	<b>21,180</b>
<b>Earnings per share</b>			
Basic and diluted (HK cents per share)	15	2.22	2.65

The above income statement should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	<i>Notes</i>	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
<b>Profit for the year</b>		<b>17,774</b>	21,180
<b>Other comprehensive income:</b>			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurement of employee benefits obligations	28	<b>111</b>	2,376
Other comprehensive income for the year, net of tax		<b>111</b>	2,376
<b>Total comprehensive income for the year</b>		<b>17,885</b>	23,556

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

# CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2023

	Notes	2023 HK\$'000	2022 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Plant and equipment	16	1,162	1,494
Right-of-use assets	17	2,177	2,072
Investment in an insurance contract	18	2,600	2,514
Investment accounted for using the equity method	19	–	110
Retention money receivables, deposits and other receivables	20	2,837	3,126
		<b>8,776</b>	9,316
<b>Current assets</b>			
Trade receivables	20	75,087	64,248
Contract assets	20	8,650	16,583
Prepayments, deposits and other receivables	20	5,502	3,240
Tax recoverable		–	479
Pledged bank deposits	21	39,550	34,600
Short term bank deposits	22	60,408	62,130
Cash and cash equivalents	22	11,556	11,387
		<b>200,753</b>	192,667
<b>Total assets</b>		<b>209,529</b>	201,983
<b>EQUITY</b>			
<b>Equity attributable to the owners of the Company</b>			
Share capital	23	8,000	8,000
Reserves	23	148,176	142,291
<b>Total equity</b>		<b>156,176</b>	150,291
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities	27	216	279
Lease liabilities	17	1,387	1,402
		<b>1,603</b>	1,681
<b>Current liabilities</b>			
Trade payables	25	103	66
Other payables and accrued liabilities	25	50,571	44,392
Borrowings	26	–	4,800
Lease liabilities	17	885	753
Tax liabilities		191	–
		<b>51,750</b>	50,011
<b>Total liabilities</b>		<b>53,353</b>	51,692
<b>Total equity and liabilities</b>		<b>209,529</b>	201,983

The above balance sheet should be read in conjunction with the accompanying notes.

The notes on pages 45 to 88 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 40 to 88 were approved by the Board of Directors on 28 March 2024 and were signed on its behalf

**Ng Fuk Wah**  
Director and Chief Executive Officer

**Ho Chu Ming**  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

	Share Capital	Share premium	Contribution reserves	Share-based payment reserves	Retained earnings	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Note 23)	(Note 23)	(Note 23)	(Note 23)		
<b>Balance at 1 January 2022</b>	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	-	-	-	-	(12,000)	(12,000)
- 2022 interim dividend	-	-	-	-	(6,000)	(6,000)
Total transactions with owners in their capacity as owners	-	-	-	(1,473)	(16,527)	(18,000)
<b>Balance at 31 December 2022</b>	8,000	42,776	22,270	-	77,245	150,291
<b>Balance at 1 January 2023</b>	<b>8,000</b>	<b>42,776</b>	<b>22,270</b>	<b>-</b>	<b>77,245</b>	<b>150,291</b>
Profit for the year	-	-	-	-	17,774	17,774
Other comprehensive income:						
Remeasurement of employee benefits obligations	-	-	-	-	111	111
Total comprehensive income	-	-	-	-	17,885	17,885
Transactions with owners in their capacity as owners:						
Dividend paid:						
- 2022 final dividend	-	-	-	-	(6,000)	(6,000)
- 2023 interim dividend	-	-	-	-	(6,000)	(6,000)
Total transactions with owners in their capacity as owners	-	-	-	-	(12,000)	(12,000)
<b>Balance at 31 December 2023</b>	<b>8,000</b>	<b>42,776</b>	<b>22,270</b>	<b>-</b>	<b>83,130</b>	<b>156,176</b>

The above statement of changes in equity should be read in conjunction with the accompanying notes.



# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	<i>Note</i>	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
<b>Cash flows from operating activities</b>			
Net cash generated from operations	30(a)	<b>20,135</b>	47,368
Hong Kong profits tax paid		<b>(1,434)</b>	(5,410)
<b>Net cash generated from operating activities</b>		<b>18,701</b>	41,958
<b>Cash flows from investing activities</b>			
Purchases of plant and equipment		<b>(298)</b>	(557)
Proceeds from disposal of plant and equipment		–	713
Disposal of financial assets at fair value through profit or loss (“FVPL”)		–	6,631
Interest received		<b>3,237</b>	285
Capital injection to an investment accounted for using the equity method		<b>(552)</b>	(128)
Decrease/(increase) in short term bank deposits		<b>1,722</b>	(62,130)
(Increase)/decrease in pledged bank deposits		<b>(4,950)</b>	532
Acquisition of a subsidiary	29	<b>90</b>	–
<b>Net cash used in investing activities</b>		<b>(751)</b>	(54,654)
<b>Cash flows from financing activities</b>			
Interest paid		<b>(175)</b>	–
Dividend paid		<b>(12,000)</b>	(18,000)
Proceeds from bank borrowings		<b>29,000</b>	4,800
Repayment of bank borrowings		<b>(33,800)</b>	(149)
Principal elements of lease payments		<b>(1,029)</b>	(1,030)
<b>Net cash used in financing activities</b>		<b>(18,004)</b>	(14,379)
Net decrease in cash and cash equivalents		<b>(54)</b>	(27,075)
<b>Cash and cash equivalents at beginning of the year</b>		<b>11,387</b>	40,915
<b>Effects of exchange rate changes on cash and cash equivalents</b>		<b>223</b>	(2,453)
<b>Cash and cash equivalents at end of the year</b>	22	<b>11,556</b>	11,387

The above statement of cash flows should be read in conjunction with the accompanying notes.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 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, research and development in Hong Kong.

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

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

## 2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICY

### 2.1 Basis of preparation

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

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

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICY *(Continued)*

### 2.1 Basis of preparation *(Continued)*

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICY *(Continued)*

### 2.2 Change in accounting policy

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

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

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

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

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

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3 FINANCIAL RISK MANAGEMENT

### 3.1 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 any financial derivatives to hedge its financial risk exposures.

Management regularly manages the financial risks of the Group. Because of the simplicity of the financial structure and the current operations of the Group, no hedging activities are undertaken by management.

#### (a) Credit risk

Credit risk mainly arises from cash and cash equivalents, short term bank deposits, pledged bank deposits, trade receivables, contract assets, other receivables and deposits, and retention money receivables. The carrying amounts of these balances in the consolidated balance sheet represent the Group's maximum exposure to credit risk in relation to its financial assets.

Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group maintains a defined credit policy for its customers and the credit terms given vary according to the business activities. The financial strength of and the length of business relationship with the customers, on an individual basis, are considered in arriving at the respective credit terms. Overdue balances are reviewed regularly by management.

Majority of the Group's bank balances, short term bank deposits and pledged bank deposits are placed in those banks and financial institutions which are independently rated with a high credit rating. Management does not expect any losses from non-performance by these banks and financial institutions as they have no default history in the past.

The credit quality of the debtors is assessed based on the financial position of the debtors as well as past experience of the Group in dealing with respective debtors. The Group's historical experience in collection of deposits and receivables falls within recorded allowance, if necessary, and the directors are of the opinion that adequate provision for uncollectible receivable has been made.

As at 31 December 2023, the Group has a high concentration of credit risk as 100% (2022: 100%) of the total trade receivables and contract assets were due from the largest customer (2022: largest customer). The largest customer is a statutory body which develops and implements a public housing programme.

Management does not expect any losses to be incurred from non-performance by these financial institutions and counterparties.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3 FINANCIAL RISK MANAGEMENT *(Continued)*

### 3.1 Financial risk factors *(Continued)*

#### *(a) Credit risk (Continued)*

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available, reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customers' ability to meet its obligations
- actual or expected significant changes in the operating results of customers
- significant increases in credit risk on other financial instruments of customers
- significant changes in the expected performance and behavior of customers, including changes in the payment status of customers in the Group and changes in the operating results of the customers.

#### *(i) Retention money receivables, trade receivables and contract assets*

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for retention money receivables, trade receivables and contract assets. The Group measures the expected credit losses on a combination of both individual and collective basis.

#### **Measurement of expected credit loss on individual basis**

Receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment of receivables. As at 31 December 2023, the balance of provision for impairment of trade receivables in respect of these individually assessed receivables was nil (2022: nil).

Expected credit losses are also estimated by grouping the remaining receivables based on shared credit risk characteristics and collectively assessed for likelihood of recovery, taking into account the nature of the customer, its geographical location and its ageing category, and applying the expected credit loss rates to the respective gross carrying amounts of the receivables.

The expected credit loss rates are determined based on historical credit losses and are adjusted to reflect current and forward-looking information such as macroeconomic factors affecting the ability of the customers to settle the receivables. On that basis, the provision for impairment of retention money receivables, trade receivables and contract assets from public estates are assessed to be immaterial as at 31 December 2023 and 2022.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3 FINANCIAL RISK MANAGEMENT *(Continued)*

### 3.1 Financial risk factors *(Continued)*

(a) *Credit risk (Continued)*

(i) **Retention money receivables, trade receivables and contract assets** *(Continued)*

**Measurement of expected credit loss on individual basis** *(Continued)*

Movement in provision for impairment of trade receivables are shown in Note 20.

Impairment losses on trade receivables are recognised in the consolidated income statement within “reversal of the impairment loss on trade receivables”. Subsequent recoveries of amounts previously written off are credited against the same line item in the consolidated income statement.

(ii) **Other receivables and deposits**

Other financial assets at amortised cost include other receivables and deposits.

As at 31 December 2023 and 2022, management considers other receivables and deposits as a low risk of default and a strong capacity to meet contractual cash flows as performing. The Group has assessed that the expected credit losses for these receivables and deposits are not material under the 12 months expected losses method. No loss allowance provision was recognised during the year.

(b) *Interest rate risk*

Other than pledged bank deposits, bank balances and borrowings, the Group has no other significant interest-bearing assets and liabilities. The Group's pledged bank deposits and bank balances earn interest at floating rates. Also, borrowings of the Group are at floating rates which expose the Group to cash flow interest rate risk. The Group does not enter into derivatives to address either cash flow or fair value interest rate risks.

During the year ended 31 December 2023, if the interest rates had been 50 basis points higher/lower with all other variables held constant, the Group's profit for the year would have been approximately HK\$19,000 lower/higher (2022: nil), respectively mainly as a result of higher/lower net finance cost on floating rate bank deposits and borrowings.

(c) *Foreign exchange risk*

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arises when recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

Most of the income and expenditures of the Group are denominated in HK\$. For the pledged bank deposits denominated in United States dollar (“USD”), and their expression in HK\$ on the consolidated balance sheet are reasonably stable due to the HK\$/USD Linked Exchange Rate System.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Financial risk factors (Continued)

#### (c) Foreign exchange risk (Continued)

The foreign exchange risk of the Group also arises from short term bank deposits denominated in Japanese Yen ("JPY"). As at 31 December 2023, if JPY had strengthened/weakened by 5% with all other variables held constant, the post-tax profit would have been approximately HK\$61,000 lower/higher (2022: HK\$70,000 lower/higher), mainly as a result of foreign exchange gains/losses on revaluation of JPY denominated short term bank deposits.

The Group has not implemented or entered into any type of instruments or arrangements to hedge against currency exchange fluctuations for the year ended 31 December 2023.

#### (d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with debt covenant, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks to meet their liquidity requirements in the short and longer term.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interests payments computed using contractual rates, or if floating, based on the current rates at the year-end date). Where the loan agreement contains a repayable on demand clause which gives the lender an unconditional right to call the loan at any time, the amounts repayable are classified in the earliest time bracket in which the lender could demand repayment and no interest payments were included. The maturity analysis for other borrowings is prepared based on the scheduled repayment dates. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Within 1 year/ repayable on demand HK\$'000	Between 1 and 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
<b>At 31 December 2023</b>				
Trade payables	103	-	-	103
Other payables	1,932	-	-	1,932
Lease liabilities	904	1,380	-	2,284
	<b>2,939</b>	<b>1,380</b>	-	<b>4,319</b>
<b>At 31 December 2022</b>				
Trade payables	66	-	-	66
Other payables	1,364	-	-	1,364
Borrowings	4,836	-	-	4,836
Lease liabilities	794	1,427	-	2,221
	7,060	1,427	-	8,487



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3 FINANCIAL RISK MANAGEMENT *(Continued)*

### 3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital structure of the Group consists of shareholders' equity and total debts. Capital is managed so as to maximise the return to shareholders while maintaining a capital base to allow the Group to operate effectively in the marketplace and sustain future development of the business. The Group monitors capital on the basis of net gearing ratio. This ratio is calculated as net cash divided by total capital. Net cash is calculated as total debts less cash and cash equivalents and short term bank deposits. Total capital is calculated as "equity" as shown in the consolidated balance sheet plus net debt.

The gearing ratios as at 31 December 2022 and 2023 are as follows:

	2023 HK\$'000	2022 HK\$'000
Total debts <i>(Note 30(b))</i>	2,272	6,955
Less: Cash and cash equivalents and short term bank deposits <i>(Note 22)</i>	(71,964)	(73,517)
Net cash	(69,692)	(66,562)
Total equity	156,176	150,291
Total capital	86,484	83,729
Net gearing ratio	N/A	N/A

As at 31 December 2023, the Group maintained a net cash position of HK\$69,692,000 (2022: HK\$66,562,000), thus no net gearing ratio is presented.

### 3.3 Fair value estimation

The carrying amounts of the Group's financial instruments carried at cost or amortised cost approximate their fair values as at the reporting date since either the instrument are with short maturities or the interest rate is close to the current market rate.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

### (a) Impairment of trade receivables and contract assets

The Group applies the simplified approach to provide for expected credit losses as prescribed by HKFRS 9, which requires the use of the lifetime expected loss allowance for all trade receivables and contract assets. The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Management reassesses the provision at each balance sheet date.

### (b) Estimated provision of long service payment and gratuity

Management of the Group review the calculation on the long service payment and gratuity based on the best estimation of the probable future payments that have been earned by the employees from their services to the Group at the end of each reporting period. This involves key parameters used, including but not limited to, the employee turnover rate, discount rate and salary growth rate, against the internal historical data and external economic trends. The payments due are dependent on future events and recent payment experience may not be indicative of future payments. Any increase or decrease in the provision would affect profit or loss and other comprehensive income in future years.

## 5 SEGMENT INFORMATION

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

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

### Segment results, segment assets and segment liabilities

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

### Geographical information

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 5 SEGMENT INFORMATION *(Continued)*

### Information about major customer

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

	2023 HK\$'000	2022 HK\$'000
Customer A	334,240	405,987

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

## 6 REVENUE

	2023 HK\$'000	2022 HK\$'000
Property management services income	334,240	405,987

### Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activities.

Revenue are recognised when or as the control of the services or goods is transferred to the purchaser. Depending on the terms of the contract and the laws that apply to the contract, control of the services or goods may transfer over time or at a point in time.

When control of services or goods is transferred over time, the progress towards complete satisfaction of performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation.

A contract asset is the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer, and it is presented separately. A contract asset becomes a receivable when receipt of the consideration is conditional only on the passage of time. Contract assets are assessed for impairment under the same approach adopted for impairment assessment of financial assets carried at amortised cost.

An entity is a principal if it controls the promised goods or service before transferring it to the customer. An entity is an agent if its role is to arrange for another entity to provide the goods or service. The Group consider it is a principle in providing its services.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

Property management services income is recognised on a systematic basis over the service period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 7 OTHER INCOME

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

## 8 OTHER LOSSES, NET

	2023 HK\$'000	2022 HK\$'000
Gains on investment in an insurance contract (Note 18)	<b>(86)</b>	(145)
Fair value loss on FVPL	–	130
Gains on disposal of plant and equipment (Note 30 (b))	–	(360)
Foreign exchange (gain)/losses, net	<b>(223)</b>	2,453
Loss on acquisition of a subsidiary (Note 29)	<b>1,277</b>	–
	<b>968</b>	2,078

## 9 EXPENSES BY NATURE

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

	2023 HK\$'000	2022 HK\$'000
Auditor's remuneration	<b>1,300</b>	1,300
Depreciation of plant and equipment (Note 16)	<b>630</b>	737
Depreciation of right-of-use assets (Note 17)	<b>923</b>	925
Employee benefits expenses (Note 10)	<b>301,075</b>	368,888
Other expenses	<b>17,456</b>	19,891
	<b>321,384</b>	391,741



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 10 EMPLOYEE BENEFITS EXPENSES

	2023 HK\$'000	2022 HK\$'000
Wages, salaries and other allowances (including directors' emoluments)	285,143	346,413
Pension costs — defined contribution plan (Note a)	10,398	13,199
Written back of unutilised annual leave	(880)	(814)
Long service payment and gratuities (Note 28(c))	6,414	10,090
	<b>301,075</b>	368,888

Notes:

**(a) Pensions — defined contribution plans**

The Group has established a mandatory provident fund scheme ("MPF scheme") in Hong Kong. The assets of the MPF scheme are held in separate trustee-administered funds. Both the Group and the employees are required to contribute 5% of the employee's relevant income up to a maximum of HK\$1,500 per employee per month.

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

**(b) Five highest paid individuals**

For the year ended 31 December 2023, the five individuals whose emoluments were the highest in the Group include 2 (2022: 2) directors, respectively, whose emoluments were reflected in the analysis presented in Note 11 to the consolidated financial statements. The emoluments paid to the remaining individuals are as follows:

	2023 HK\$'000	2022 HK\$'000
Basic salaries and allowances	2,292	2,255
Discretionary bonuses	54	151
Employer's contribution to defined contribution plan	54	54
	<b>2,400</b>	2,460

The emoluments fell within the following bands:

	Number of individuals	
Emolument bands	2023	2022
Nil to HK\$1,000,000	3	3

No incentive payment for joining the Group or compensation for loss of office was paid or payable to any for the five highest paid individuals during the year ended 31 December 2023 (2022: same).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 11 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURE REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP.622) AND COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G)

### (a) Directors' emoluments

The remuneration of each director and the chief executive officer ("CEO") for the year ended 31 December 2023 is set out below:

	Fees HK\$'000	Basic salaries and allowances HK\$'000	Discretionary bonuses HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000	Total HK\$'000
<b>For the year ended 31 December 2023</b>					
<b>Executive directors</b>					
Ng Fuk Wah (CEO)	-	819	-	18	837
Ho Chu Ming (chairman)	-	652	10	18	680
Sung Alfred Lee Ming	612	-	10	2	624
Tang Kong Fuk	-	763	10	18	791
<b>Non-executive directors</b>					
Tam Mo Kit	336	-	-	-	336
<b>Independent non-executive directors</b>					
Ng Kee Fat	132	-	-	-	132
Wong Siu Fai Albert	132	-	-	-	132
Wong Bay	132	-	-	-	132
	<b>1,344</b>	<b>2,234</b>	<b>30</b>	<b>56</b>	<b>3,664</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 11 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURE REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP.622) AND COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) (Continued)

### (a) Directors' emoluments (Continued)

The remuneration of each director and the chief executive officer ("CEO") for the year ended 31 December 2022 is set out below:

	Fees HK\$'000	Basic salaries and allowances HK\$'000	Discretionary bonuses HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000	Total HK\$'000
<b>For the year ended 31 December 2022</b>					
<b>Executive directors</b>					
Ng Fuk Wah (CEO)	–	972	10	18	1,000
Ho Chu Ming (chairman)	–	660	40	18	718
Sung Alfred Lee Ming	612	–	10	18	640
Tang Kong Fuk	–	763	40	18	821
<b>Non-executive directors</b>					
Tam Mo Kit	333	–	–	–	333
<b>Independent non-executive directors</b>					
Ng Kee Fat	129	–	–	–	129
Wong Siu Fai Albert	129	–	–	–	129
Wong Bay	129	–	–	–	129
	1,332	2,395	100	72	3,899

Notes:

- (i) No directors waived or agreed to waive any emoluments for the year ended 31 December 2023 and 2022.
- (ii) No director of the Company was appointed/resigned during the year ended 31 December 2023.
- (iii) On 6 March 2024, Mr. Pang Yat Ting, Dominic, Mr. Xu Jianhua, Jerry, Ir Dr. Pang Yat Bond, Derrick and Mr. Shea Chun Lok, Quadrant have been appointed as executive Directors. Ms. Fung Nancy Ruth and Mr. Yu Cheeric have been appointed as independent non-executive Directors.

### (b) Directors' retirement benefits

No retirement benefits were paid to the directors of the Company during the year ended 31 December 2023 by a defined contribution plan operated by the Group in respect of their services as directors of the Company. Save for the retirement benefits paid to certain directors in respect of their other services in connection with the management of the affairs of the Group disclosed in (a) above, no other retirement benefits were paid to the directors in respect of their other services of the Group during the year ended 31 December 2023 (2022: same).

### (c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year ended 31 December 2023 (2022: same).

### (d) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2023, the Group did not pay any consideration to any third parties for making available the services of themselves as directors of the Group (2022: same).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 11 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURE REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP.622) AND COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) (Continued)

### (e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended 31 December 2023, there are no loans, quasi-loans and other dealing arrangements in favour of the directors, bodies corporate controlled by and controlled entities with such directors (2022: Nil).

### (f) Directors' material interests in transactions, arrangements or contracts

Mr. Ho Chu Ming, Mr. Tang Kong Fuk and Mr. Sung Alfred Lee Ming, executive directors of the Company and Ms. Tam Mo Kit, non-executive director of the Company, have beneficial interest in the Company by virtue of their direct interest in the ultimate holding company, RSA Group Limited.

Apart from the aforesaid directors' interests and save for the balances and transactions disclosed elsewhere in the notes to the consolidated financial statements, no other significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Company has a material interest, whether directly or indirectly, subsisted at the end of or at any time during the years ended 31 December 2023.

## 12 FINANCE INCOME, NET

	2023 HK\$'000	2022 HK\$'000
Bank interest income	5,038	285
Interests on borrowings	(175)	–
Interests on lease liabilities (Note 17)	(118)	(132)
	(293)	(132)
	4,745	153

## 13 INCOME TAX EXPENSE

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

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

	2023 HK\$'000	2022 HK\$'000
Hong Kong profits tax:		
Current income tax	2,156	2,401
Over provision in prior year	(51)	(28)
	2,105	2,373
Deferred income tax (Note 27)	(63)	39
	2,042	2,412



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 13 INCOME TAX EXPENSE *(Continued)*

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

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

## 14 DIVIDENDS

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

Notes:

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

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

## 15 EARNINGS PER SHARE

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 16 PLANT AND EQUIPMENT

	Tools and equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Office equipment HK\$'000	Total HK\$'000
<b>At 1 January 2022</b>					
Cost	4,712	422	2,000	1,516	8,650
Accumulated depreciation	(3,212)	(386)	(1,709)	(1,316)	(6,623)
Net book value	1,500	36	291	200	2,027
<b>Year ended 31 December 2022</b>					
Opening net book value	1,500	36	291	200	2,027
Additions	309	-	225	23	557
Disposal	(267)	(23)	-	(63)	(353)
Depreciation charge (Note 9)	(547)	(6)	(134)	(50)	(737)
Closing net book value	995	7	382	110	1,494
<b>At 31 December 2022</b>					
Cost	<b>3,085</b>	<b>164</b>	<b>1,926</b>	<b>849</b>	<b>6,024</b>
Accumulated depreciation	<b>(2,090)</b>	<b>(157)</b>	<b>(1,544)</b>	<b>(739)</b>	<b>(4,530)</b>
Net book value	<b>995</b>	<b>7</b>	<b>382</b>	<b>110</b>	<b>1,494</b>
<b>Year ended 31 December 2023</b>					
Opening net book value	<b>995</b>	<b>7</b>	<b>382</b>	<b>110</b>	<b>1,494</b>
Additions	<b>275</b>	<b>-</b>	<b>-</b>	<b>23</b>	<b>298</b>
Depreciation charge (Note 9)	<b>(456)</b>	<b>(3)</b>	<b>(129)</b>	<b>(42)</b>	<b>(630)</b>
Closing net book value	<b>814</b>	<b>4</b>	<b>253</b>	<b>91</b>	<b>1,162</b>
<b>At 31 December 2023</b>					
Cost	<b>3,360</b>	<b>164</b>	<b>1,926</b>	<b>872</b>	<b>6,322</b>
Accumulated depreciation	<b>(2,546)</b>	<b>(160)</b>	<b>(1,673)</b>	<b>(781)</b>	<b>(5,160)</b>
Net book value	<b>814</b>	<b>4</b>	<b>253</b>	<b>91</b>	<b>1,162</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 17 LEASES

### (a) Amounts recognised in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

	2023 HK\$'000	2022 HK\$'000
<b>Right-of-use assets</b>		
Property	857	174
Equipment	1,320	1,898
	<b>2,177</b>	2,072
<b>Lease liabilities</b>		
Current	885	753
Non-current	1,387	1,402
	<b>2,272</b>	2,155

Additions to the right-of-use assets during the 2023 financial year were approximately HK\$1,028,000 (2022: nil).

### (b) Amounts recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

	2023 HK\$'000	2022 HK\$'000
<b>Depreciation of right-of-use assets</b>		
Property	(345)	(347)
Equipment	(578)	(578)
	<b>(923)</b>	(925)
Interest expense (included in finance cost) (Note 12)	<b>(118)</b>	(132)

The total cash outflow for leases in 2023 was approximately HK\$1,029,000 (2022: HK\$1,030,000).

### (c) The Group's leasing activities and how these are accounted for

The Group leases various offices and equipment. Rental contracts are typically made for fixed periods of 3 to 5 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 18 INVESTMENT IN AN INSURANCE CONTRACT

	2023 HK\$'000	2022 HK\$'000
As at 1 January	2,514	2,369
Gains on investment in an insurance contract (Note 8)	86	145
As at 31 December	2,600	2,514

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 as set out in Note 26 to the consolidated financial statements. Changes in value of the investment in an insurance contract are recorded in "other losses, net" in the consolidated income statement.

## 19 INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

Name	Country of incorporation and type of legal entity	Principal activities	Equity interest attributable to the Group		Nature of the relationship	Measurement method	Carrying amount	
			2023	2022			2023	2022
							HK\$'000	HK\$'000
Modern Proptech Limited	Hong Kong, limited liability company	Research and development	-	70%	Joint venture	Equity method	-	110

Note:

- (i) During the year, the Group acquired remaining 30% equity interest of Modern Proptech Limited, a former joint venture of the Group. Upon the completion of the acquisition, the Group held the entire equity interest of Modern Proptech Limited. Details are shown in Note 29.

Movements of investments accounted for using the equity method are as follows:

	2023 HK\$'000	2022 HK\$'000
At 1 January	110	100
Additions	552	128
Share of losses	(662)	(118)
At 31 December	-	110



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 20 RECEIVABLES, CONTRACT ASSETS, PREPAYMENTS AND DEPOSITS

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

*Notes:*

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 20 RECEIVABLES, CONTRACT ASSETS, PREPAYMENTS AND DEPOSITS *(Continued)*

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

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

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. See Note 3 for more details.

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:

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

### Classification as trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 21 PLEDGED BANK DEPOSITS

Pledged bank deposits represent deposits pledged to a bank to secure performance bonds as set out in Note 31 and the banking facilities granted to the Group as set out in Note 26 to the consolidated financial statements. The Group's pledged bank deposits are denominated in USD (2022: USD) and earn interest at a rate of 4.82% per annum as at 31 December 2023 (2022: 3.21%) per annum.

## 22 CASH AND CASH EQUIVALENTS AND SHORT TERM BANK DEPOSITS

	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
Cash on hand	<b>171</b>	159
Cash at banks	<b>11,385</b>	11,228
Cash and cash equivalents	<b>11,556</b>	11,387
Short term bank deposits — time deposits with initial maturity period over three months	<b>60,408</b>	62,130

The carrying amounts of cash and cash equivalents and short term bank deposits are denominated in the following currencies:

	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
Hong Kong dollar	<b>40,090</b>	39,615
USD	<b>30,408</b>	12,456
GBP	—	19,766
JPY	<b>1,466</b>	1,680
	<b>71,964</b>	73,517

Note:

Cash at banks and short term bank deposit earn interest at floating rates based on daily bank deposit rates.

The maximum exposure to credit risk of the Group is cash at banks and short term bank deposits totaling to HK\$71,793,000 (2022: HK\$73,358,000).

As at 31 December 2023, the weighted average effective interest rate on short term bank deposits was approximately 4.73% (2022: 3.45%) per annum. These deposits had an average maturity period of 184 days (2022: 111 days).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 23 SHARE CAPITAL AND RESERVES

### (a) Share capital and premium

	No. of shares	Nominal value of ordinary shares HK\$'000	Share premium HK\$'000
<b>Authorised:</b>			
At 31 December 2022, 1 January 2023 and 31 December 2023	2,000,000,000	20,000	–
<b>Issued and fully paid:</b>			
At 31 December 2022, 1 January 2023 and 31 December 2023	800,000,000	8,000	42,776

### (b) Contribution reserve

Contribution reserve in the consolidated balance sheet represents contribution from the then shareholders of the Company as a result of a reorganisation upon its listing on the Hong Kong Stock Exchange.

### (c) Share-based payment reserves

The Share Option Scheme was approved and conditionally adopted by the then shareholders of the Company by way of a written resolution on 24 October 2017 for the primary purpose of recognising and acknowledging the contribution of the directors, employees and other eligible parties who have made valuable contribution to the Group.

The maximum number of shares which may be issued under the Share Option Scheme and any other schemes must not, in aggregate, exceed 80,000,000 Shares, being 10% the shares of the Company. The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes involving the issue or grant of options or similar rights over shares or other securities by the Company must not, in aggregate, exceed 30% of the shares in issue from time to time.

The total number of shares issued and to be issued upon exercise of options granted to each eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue unless approved in advance by the shareholders of the Company in general meeting.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board of Directors may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

Details of the share-based payment are disclosed in Note 24.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 24 SHARE-BASED PAYMENT

Set out below are summaries of options granted under the Share Option Scheme:

	2023		2022	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
As at 1 January	N/A	–	HK\$0.177	32,000,000
Lapsed during the year	N/A	–	N/A	(32,000,000)
As at 31 December	–	–	–	–
Vested and exercisable at 31 December	–	–	–	–

Share options outstanding at the end of the year have the following expiry date and exercise price:

Grant date	Expiry date	Exercise price	Share options 31 December 2023
17 June 2019	16 June 2022	HK\$0.177	–

In June 2019, the Company granted 32,000,000 options to certain employees, whereby 50% of the options are vested in one year and the remaining in two years. The options are exercisable for a period of one to two years upon vesting.

### Fair value of options granted

The assessed fair value of options granted at grant date was HK\$0.166 per option. The fair value at grant date is independently determined using the Binomial Model. The significant model inputs included an expected price volatility of 48.77%, an expected life of three years, an expected dividend yield of 2.69%, a risk-free interest rate of 1.63% and an exercise multiple of 2.8 times.

The expected price volatility is based on the historic volatility and the remaining life of the options, adjusted for any expected changes to future volatility due to publicly available information.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 25 TRADE PAYABLES, OTHER PAYABLES AND ACCRUED LIABILITIES

	2023 HK\$'000	2022 HK\$'000
Trade payables	103	66
Provision for long service payment and gratuities (Note 28)	21,699	19,205
Provision for unutilised annual leave	2,763	3,043
Accrued wages, salaries and pensions	22,051	18,379
Other accrued expenses and payables	4,058	3,765
Total other payables and accrued liabilities	50,571	44,392
Total trade and other payables and accrued liabilities	50,674	44,458

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

	2023 HK\$'000	2022 HK\$'000
0–30 days	103	66

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

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

## 26 BORROWINGS

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

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

	2023	2022
Bank loans	–	5.55%

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

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

	2023 HK\$'000	2022 HK\$'000
Within 1 year	–	4,800

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 26 BORROWINGS (Continued)

The Group has the following floating rate undrawn borrowing facilities:

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

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

- (i) The Group's Insurance Policy of HK\$2,600,000 (2022: HK\$2,514,000) (Note 18);
- (ii) The Group's pledged bank deposits of HK\$39,550,000 (2022: HK\$34,600,000) (Note 21); and
- (iii) The corporate guarantee executed by the Company (2022: same).

## 27 DEFERRED TAXATION

Deferred income taxes are calculated in respect of temporary differences under the liability method using the tax rates enacted or substantively enacted by the reporting date.

	2023 HK\$'000	2022 HK\$'000
Deferred tax liabilities		
— to be settled after more than 12 months	<b>216</b>	279

The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred tax assets

	Lease liabilities HK\$'000	Total HK\$'000
At 1 January 2022	89	89
Credited to profit or loss (Note 13)	(59)	(59)
At 31 December 2022 and 1 January 2023	<b>30</b>	<b>30</b>
Charged to profit or loss (Note 13)	<b>113</b>	<b>113</b>
At 31 December 2023	<b>143</b>	<b>143</b>

Deferred tax liabilities

	Accelerated depreciation HK\$'000	Right-of-use asset HK\$'000	Others HK\$'000	Total HK\$'000
At 1 January 2022	(174)	(86)	(69)	(329)
Charged to profit or loss (Note 13)	—	57	(37)	20
At 31 December 2022 and 1 January 2023	<b>(174)</b>	<b>(29)</b>	<b>(106)</b>	<b>(309)</b>
Charged to profit or loss (Note 13)	<b>54</b>	<b>(113)</b>	<b>9</b>	<b>(50)</b>
At 31 December 2023	<b>(120)</b>	<b>(142)</b>	<b>(97)</b>	<b>(359)</b>

At 31 December 2023 and 2022, the Group has no significant unrecognized deferred tax assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 28 EMPLOYEE BENEFIT OBLIGATIONS

### How these are accounted for

The Group commitment to pay lump sum payment to certain employees upon their cessation of employment is the lump sum long service amounts payable on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance or gratuity, which is certain percentage of the employees' total wages earned during the period, whichever is higher. The Group's net obligation is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method by a qualified actuary, discounted to its present value, and the fair value of any related plan assets, if any, is deducted. The discount rate is the yield at balance sheet date on Exchange Fund Notes that have maturity dates approximating the terms of the Group's obligations. All actuarial gains and losses of long service payments provision are recognised immediately in other comprehensive income in the period in which they occur. Past-service costs are recognised immediately in the consolidated income statement.

Modern Living Property Management Limited ("Operating Subsidiary") is obligated to make lump sum payments on cessation of employment in certain circumstances to certain employees who have completed at least five years of service with the Operating Subsidiary or lump sum payments to the non-skilled workers who has completed one or more year of service to get the gratuities, whichever is higher. The Group does not set aside any assets to fund any remaining obligations. The payments are paid out from the Group's cash in hand when such payments are required.

The latest actuarial valuation as at 31 December 2023 and 2022 specifically designated for the Group's employees was completed by a qualified actuary, BonVision International Appraisals Limited (2022: Roma Appraisals Limited), using projected unit credit method.

- (a) The amounts recognised in the consolidated balance sheet are as follows:

	2023 HK\$'000	2022 HK\$'000
Present value of employee benefit obligations	21,699	19,205

- (b) Movements in the net liability recognised in the consolidated balance sheet are as follows:

	2023 HK\$'000	2022 HK\$'000
At 1 January	19,205	22,257
Expense recognised in the consolidated income statement	6,414	10,090
Gain recognised in the other comprehensive loss	(111)	(2,376)
Benefits paid	(3,809)	(10,766)
At 31 December	21,699	19,205

- (c) Expenses recognised in the consolidated income statement is as follows:

	2023 HK\$'000	2022 HK\$'000
Past service cost	(45)	(35)
Current service cost	5,743	10,033
Interest cost	716	92
	6,414	10,090

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 28 EMPLOYEE BENEFIT OBLIGATIONS (Continued)

### How these are accounted for (Continued)

(d) Gain recognised is as follows:

	2023 HK\$'000	2022 HK\$'000
Actuarial gain — demographic assumptions	<b>(111)</b>	(2,376)

(e) The principal actuarial assumptions used as at 31 December 2023 and 2022 (expressed as weighted average) are as follows:

	2023	2022
Discount rate	<b>3.64% and 4.14%</b>	3.64% and 4.14%
Future salary increment	<b>3.94%</b>	2.34%

	Impact on employee benefit obligations		
	Change in assumption	Increase in assumption	Decrease in assumption
<b>At 31 December 2022:</b>			
Discount rate	0.50%	Decrease by 1.10%	Increase by 1.12%
Salary growth rate	0.50%	Increase by 0.06%	Decrease by 0.07%
<b>At 31 December 2023:</b>			
Discount rate	<b>0.50%</b>	<b>Decrease by 0.68%</b>	<b>Increase by 0.70%</b>
Salary growth rate	<b>0.50%</b>	<b>Increase by 0.02%</b>	<b>Decrease by 0.02%</b>

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

## 29 BUSINESS COMBINATION

In October 2023, the Group acquired 30% remaining equity interest of Modern PropTech Limited, a former joint venture of the Group, at a cash consideration of HK\$2. Upon the completion of the acquisition, the Group held the entire equity interest of Modern PropTech Limited. A loss in acquisition of this transaction approximately amounting HK\$1,277,000 has been recognised as "Other losses, net" in the consolidated profit or loss for the year ended 31 December 2023.

The following table summarises the consideration paid for the acquisition, the fair value of assets acquired and liabilities assumed at the acquisition date.

	2023 HK\$'000
Cash received from the other shareholder of the joint venture	-
Fair value of net liabilities acquired — shown as below	<b>1,277</b>
Loss on acquisition of a subsidiary (Note 8)	<b>(1,277)</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 29 BUSINESS COMBINATION *(Continued)*

The fair values of the identifiable assets acquired and liabilities assumed are as follows:

	2023 HK\$'000
Cash and bank balances	90
Other receivable	21
Other payables and accrued liabilities	(1,388)
	<hr/>
Total identifiable net liabilities acquired	(1,277)

## 30 CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Cash generated from operations

	2023 HK\$'000	2022 HK\$'000
<b>Cash flows from operating activities</b>		
Profit before income tax	<b>19,816</b>	23,592
Adjustments for:		
Share of results of investments accounted for using the equity method	<b>662</b>	118
Depreciation of plant and equipment <i>(Note 16)</i>	<b>630</b>	737
Depreciation of right-of-use assets <i>(Note 17)</i>	<b>923</b>	925
Finance income <i>(Note 12)</i>	<b>(5,038)</b>	(285)
Finance costs <i>(Note 12)</i>	<b>293</b>	132
Gains on investment in an insurance contract <i>(Note 18)</i>	<b>(86)</b>	(145)
Gains on disposal of plant and equipment <i>(Note 8)</i>	–	(360)
Reversal of the impairment loss on trade receivables <i>(Note 20)</i>	–	(367)
Loss on acquisition of a subsidiary <i>(Note 8)</i>	<b>1,277</b>	–
Fair value loss on FVPL	–	130
Unrealised currency translation (gains)/losses	<b>(223)</b>	2,453
	<hr/>	
<b>Operating profits before working capital changes</b>	<b>18,254</b>	26,930
Changes in working capital:		
Retention money receivables	<b>1,103</b>	(177)
Trade receivables and contract assets	<b>(2,906)</b>	30,145
Prepayments, deposits and other receivables	<b>(1,254)</b>	2,189
Trade payables	<b>37</b>	(47)
Other payables and accrued liabilities	<b>4,901</b>	(11,672)
	<hr/>	
<b>Cash generated from operations</b>	<b>20,135</b>	47,368

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 30 CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

### (b) Reconciliation of liabilities arising from financing activities

	<b>Bank borrowings</b> HK\$'000	<b>Lease liabilities</b> HK\$'000	<b>Total</b> HK\$'000
As at 31 December 2021 and 1 January 2022	149	3,053	3,202
Interest on lease liabilities	–	132	132
Cash flows	4,651	(1,030)	3,621
As at 31 December 2022 and 1 January 2023	<b>4,800</b>	<b>2,155</b>	<b>6,955</b>
Interest on lease liabilities	–	<b>118</b>	<b>118</b>
Cash flows	<b>(4,800)</b>	<b>(1)</b>	<b>(4,801)</b>
Total debt at 31 December 2023	–	<b>2,272</b>	<b>2,272</b>

## 31 CONTINGENT LIABILITIES

The Group had contingent liabilities in respect of the following:

- (i) As at 31 December 2023, the Group had entered into 24 (2022: 26) performance bonds with a bank. The aggregate amount of the performance bonds was HK\$64,440,000 (2022: HK\$87,246,000) as at 31 December 2023. The directors do not consider it probable that a claim on the performance bonds will be made against the Group; and
- (ii) In carrying out the ordinary course of business, the Group is subject to the risk of being named as defendant in legal actions, claims and disputes in connection with its business activities. The nature of the legal proceedings initiated against the Company mainly includes claims for compensation by the Group's existing or former employees for work related injuries. The Group maintains insurance cover and, in the opinion of the directors of the Group, based on current available evidence, any such existing claims and legal proceedings against the Company have no material financial impact to the Company as at 31 December 2023.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 32 BANK BALANCES IN CLIENT ACCOUNTS

Certain bank accounts were opened and held in the name of the entity within the Group on behalf of a customer. Such bank accounts are regarded as client accounts held on behalf of third parties and are not recognised as assets and associated liabilities in the consolidated financial statements of the Group.

As at 31 December 2023, the Group held a total of HK\$19,655,000 (2022: HK\$24,189,000) in various trustee bank accounts on behalf of Estate Common Area Management Fund of various estates. The fund is for the purposes of the deposit of revenues collected and the making of payments in respect of daily operation of the estate common area.

## 33 FINANCIAL INSTRUMENTS BY CATEGORIES

	Financial assets at amortised costs	
	2023	2022
	HK\$'000	HK\$'000
<b>Financial assets as per financial position</b>		
Retention money receivables (Note 20)	2,023	3,126
Trade receivables and contract assets (Note 20)	83,737	80,831
Deposits and other receivables (Note 20)	3,653	942
Pledged bank deposits (Note 21)	39,550	34,600
Short term bank deposits (Note 22)	60,408	62,130
Cash and cash equivalents (Note 22)	11,556	11,387
Total	200,927	193,016

	Financial liabilities at amortised cost	
	2023	2022
	HK\$'000	HK\$'000
<b>Financial liabilities as per financial position</b>		
Trade payables (Note 25)	103	66
Other payables	1,932	1,364
Lease liabilities (Note 17)	2,272	2,155
Borrowings (Note 26)	–	4,800
Total	4,307	8,385

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 34 RELATED PARTY TRANSACTIONS

The Group is controlled by R5A Group Limited (incorporated in the British Virgin Islands), which owns 61.43% of the Company's shares. The remaining 38.57% of the shares are widely held. The ultimate parent of the Group is R5A Group Limited (incorporated in the British Virgin Islands).

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, to joint control over the party or exercise significant influence over the other party in making financial and operation decisions, or vice versa. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following related party transactions:

### (a) Key management compensation

Key management compensation are as follows:

	2023 HK\$'000	2022 HK\$'000
Basic salaries, allowances and benefits	3,546	3,475
Discretionary bonuses	74	198
Employer's contribution to a defined contribution plan	90	90
	<b>3,710</b>	3,763

## 35 CAPITAL COMMITMENT

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 36 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

### Balance sheet of the Company

	<i>Notes</i>	<b>As at 31 December 2023 HK\$'000</b>	<b>As at 31 December 2022 HK\$'000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments in subsidiaries	<i>a</i>	<b>106,779</b>	107,451
Investment accounted for using the equity method		–	228
		<b>106,779</b>	107,679
<b>Current assets</b>			
Cash and cash equivalents		<b>217</b>	223
		<b>217</b>	223
<b>Total assets</b>		<b>106,996</b>	107,902
<b>EQUITY</b>			
<b>Equity attributable to the owners of the Company</b>			
Capital		<b>8,000</b>	8,000
Reserves		<b>98,848</b>	99,754
<b>Total equity</b>		<b>106,848</b>	107,754
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Other payables and accrued liabilities		<b>148</b>	148
<b>Total liabilities</b>		<b>148</b>	148
<b>Total equity and liabilities</b>		<b>106,996</b>	107,902

The balance sheet of the Company was approved by the Board of Directors on 28 March 2024 and was signed on its behalf.

**Ng Fuk Wah**  
*Director and Chief Executive Officer*

**Ho Chu Ming**  
*Director*



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 36 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

### (a) Particulars of subsidiaries

Company name	Place of incorporation and kind of legal entity	Issued and fully paid share capital	Principal activities and place of operation	Equity interest held as at	
				2023	2022
<b>Directly held</b>					
Modern Living Investments Limited	British Virgin Islands, limited liability company	USD1	Investment holding in Hong Kong	100%	100%
<b>Indirectly held</b>					
Modern Living Property Management Limited	Hong Kong, limited liability company	HK\$21,460,000	Provision of property management services in Hong Kong	100%	100%
Modern PropTech Limited	Hong Kong limited liability company	HK\$100,000	Research and development	100%	70%

### (b) Reserve movement of the Company

	Share premium HK\$'000	Contribution reserve HK\$'000	Share-based payment reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
<b>As at 1 January 2022</b>	42,776	61,600	1,473	(5,277)	100,572
Profit and total comprehensive income for the year	-	-	-	17,182	17,182
Transactions with owners in their capacity as owner:					
Lapse of share options	-	-	(1,473)	1,473	-
Dividend paid					
— 2021 final dividend	-	-	-	(12,000)	(12,000)
— 2022 interim dividend	-	-	-	(6,000)	(6,000)
	-	-	(1,473)	(16,527)	(18,000)
<b>At 31 December 2022</b>	42,776	61,600	-	(4,622)	99,754
<b>As at 1 January 2023</b>	<b>42,776</b>	<b>61,600</b>	<b>-</b>	<b>(4,622)</b>	<b>99,754</b>
Profit and total comprehensive income for the year	-	-	-	11,094	11,094
Transactions with owners in their capacity as owner:					
Dividend paid					
— 2022 final dividend	-	-	-	(6,000)	(6,000)
— 2023 interim dividend	-	-	-	(6,000)	(6,000)
	-	-	-	(12,000)	(12,000)
<b>At 31 December 2023</b>	<b>42,776</b>	<b>61,600</b>	<b>-</b>	<b>(5,528)</b>	<b>98,848</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 37 SUBSEQUENT EVENTS

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

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

## 38 SUMMARY OF OTHER ACCOUNTING POLICIES

### 38.1 Principle of consolidation

#### (a) *Subsidiaries*

Subsidiaries are all entities (including a structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

#### (b) *Joint arrangements*

Under HKFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Interests in joint ventures are accounted for using the equity method (see (c) below), after initially being recognised at cost in the consolidated balance sheet.

#### (c) *Equity method*

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group. The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 38.6.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 38 SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

### 38.1 Principle of consolidation (Continued)

#### (d) *Separate financial statements*

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends received from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

### 38.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

### 38.3 Foreign currency translation

#### (a) *Functional and presentation currency*

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK\$, which is the Company's functional currency and the Group's presentation currency.

#### (b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss within "other losses, net".

### 38.4 Plant and equipment

Plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Depreciation of plant and equipment is calculated using the straight-line method to allocate cost over their estimated useful lives, as follows:

Tools and equipment	5 years
Furniture and fixtures	5 years
Motor vehicles	5 years
Office equipment	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 38.5).

Gains or losses on disposal are determined by comparing proceeds with carrying amount and are recognised in profit or loss within "other losses, net".

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 38 SUMMARY OF OTHER ACCOUNTING POLICIES *(Continued)*

### 38.5 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting period.

### 38.6 Impairment of investment accounted for using the equity method

The Group determined at each reporting date whether there is any objective evidence that the investment accounted for using the equity method is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of investment accounted for using the equity method and its carrying value and recognises the amount in the consolidated income statement.

### 38.7 Financial assets

(i) *Classification*

The Group classifies its financial at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) *Measurement*

At initial recognition, the Group measures a financial asset at its fair value and subsequently measurement at amortised cost using the effective interest method, less provision for impairment.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

The Group classifies all of its debt instruments to be measured at amortised cost. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## **38 SUMMARY OF OTHER ACCOUNTING POLICIES** *(Continued)*

### **38.7 Financial assets** *(Continued)*

#### *(iv) Impairment of financial assets*

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3 details how the Group determines whether there has been a significant increase in credit risk.

For retention money receivables, trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets.

Impairment on other receivables and deposits, cash and cash equivalents, short-term bank deposit and pledged bank deposits are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measure as lifetime expected credit losses.

### **38.8 Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

### **38.9 Cash and cash equivalents**

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

### **38.10 Bank balances in client accounts**

Certain bank accounts were opened and held in the name of the entity within the Group on behalf of certain customers. Such bank accounts are regarded as client accounts held on behalf of third parties and are not recognised as assets and associated liabilities in the consolidated financial statements of the Group.

### **38.11 Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### **38.12 Trade and other payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## **38 SUMMARY OF OTHER ACCOUNTING POLICIES** *(Continued)*

### **38.13 Provisions and contingent liabilities**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### **38.14 Leases**

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the group under residual value guarantees;
- the exercise price of a purchase option if the group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## **38 SUMMARY OF OTHER ACCOUNTING POLICIES** *(Continued)*

### **38.14 Leases** *(Continued)*

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated income statement. Short-term leases are leases with a lease term of 12 months or less.

### **38.15 Borrowings and borrowing costs**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 38 SUMMARY OF OTHER ACCOUNTING POLICIES *(Continued)*

### 38.15 Borrowings and borrowing costs *(Continued)*

Borrowings are removed from the consolidated balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

### 38.16 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

#### (a) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

#### (b) *Deferred income tax*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 38 SUMMARY OF OTHER ACCOUNTING POLICIES *(Continued)*

### 38.17 Employee benefits

(i) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by the employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) *Pension obligations*

The Group contributes to a defined contribution retirement benefit plan, the Mandatory Provident Fund scheme (MPF) in Hong Kong, the assets of which are generally held in separate trustee administered funds.

A defined contribution retirement benefit plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group's contributions to the defined contribution retirement benefit plan are charged to profit or loss in the period incurred.

(iii) *Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the Group has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after the balance sheet date are discounted to their present value.

(iv) *Bonus plan*

Provisions for bonus plans are recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(v) *Long service payments and gratuity*

See Note 28 for further information about the group's accounting for long service payments and gratuity.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 38 SUMMARY OF OTHER ACCOUNTING POLICIES *(Continued)*

### 38.17 Employee benefits *(Continued)*

#### *(vi) Equity-settled share-based payment transactions*

Share-based payment benefits are provided to employees through the Company's share option scheme adopted on 24 October 2017 (the "Share Option Scheme"). Information relating to the Share Option Scheme is set out in Note 23 and Note 24.

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expenses is determined to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market performance and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to equity.

#### *(vii) Share-based payment transactions among group entities*

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

### 38.18 Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the entity's shareholders or directors, where appropriate.

### 38.19 Investment in an insurance contract

The Group acquired a management life insurance contract, which includes both investment and insurance elements. The investment in insurance contract is initially recognised at the amount of the premium paid and subsequently carried at the amount that could be realised under the insurance contract (cash surrender value) at end of each reporting period, with changes in value recognised in profit or loss.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## **38 SUMMARY OF OTHER ACCOUNTING POLICIES** *(Continued)*

### **38.20 Earnings per share**

#### *(a) Basic earnings per share*

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

#### *(b) Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

### **38.21 Interest income**

Interest income is recognised on a time-proportion basis using the effective interest method.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ABOUT THIS REPORT

This report is the sixth Environmental, Social and Governance report (the “ESG report”) published by the Company. By reporting the policies, measures and performances in environmental, social and governance (the “ESG”) aspects, the Company aims to allow all stakeholders to understand the progress and development direction of the Group. The report is available in both English and Chinese.

## Reporting Scope and Boundary

The Group’s ESG report focuses on its property management services between 1 January 2023 and 31 December 2023 (the “reporting year”). The reporting scope covers the headquarter office in Shek Mun, Shatin (the “headquarter office”) and all the management offices of public or subsidized housing estates managed by the operating subsidiary of the Company, namely Modern Living Property Management Limited (hereafter as the “operating subsidiary”).

The following table specifies the details of the management offices of the premises managed by the Company in 2023:

Management Office	Location	Number of staff as of	
		31 Dec 2023	Operation Period in 2023
Tin Yiu Estate	Tin Shui Wai	258	01 Jan — 31 Dec
Shui Pin Wai Estate	Yuen Long	91	01 Jan — 31 Dec
Headquarter Office	Shatin	34	01 Jan — 31 Dec
Mei Pak Court	Shatin	18	01 Jan — 31 Dec
Choi Wo Court	Shatin	26	29 Jun — 31 Dec
Shan Lai Court	North	61	30 Nov — 31 Dec
King Tai Court	San Po Kong	22	01 Jan — 31 Dec
High Prosperity Terrace	Kwai Tsing	28	01 Mar — 31 Dec
Sheung Tak Estate	Tseung Kwan O	183	01 Jan — 31 Dec
Hau Tak Estate	Tseung Kwan O	143	01 Jan — 31 Dec
Siu Sai Wan Estate	Eastern District	185	01 Jan — 31 Dec
Oi Tung Estate	Eastern District	123	01 Jan — 31 Dec
Chai Wan	Eastern District	49	01 Jan — 31 Dec
Tsui Wan Estate	Eastern District	3	01 Jan — 31 Dec
Fung Wah Estate	Eastern District	5	01 Jan — 31 Dec
Ma Hang Estate	Southern District	103	01 Jan — 31 Dec
Wah Kwai Estate	Southern District	35	01 Jan — 31 Dec
Lei Tung Estate	Southern District	14	01 Jan — 31 Dec
Sai Wan Estate	Central & Western District	52	01 Jan — 31 Dec

\* Excluding 136 staff in security services who work outside of the above sites of operation

Environmental key performance indicators (“KPIs”) of this ESG report covers the headquarter office and offices of the above sites of operation. All of the Company’s sites of operation are in Hong Kong.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Reporting Standard

This ESG report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) in Appendix 20 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. The four reporting principles, namely the principles of materiality, quantitative, balance and consistency, form the backbone of this ESG report.

To provide stakeholders with an overview of the Group’s performance in ESG aspects, the report not only discloses environmental KPIs required under the “comply or explain” provisions but also reports additional social KPIs under the “recommended disclosures” as set out in the ESG Reporting Guide. A complete index is inserted in the last section of this ESG report for reference.

## Data Preparation

The Group has established internal controls and a formal review process to ensure that any information presented in this ESG report is as accurate and reliable as possible. The Board of Directors (the “Board”) of the Company has overall responsibility for the establishment and disclosure of relevant measures and KPIs. This ESG report was reviewed by the Board on 28 March 2024.

## Feedback Channel

Comments and suggestions can help define and strengthen the Group’s future ESG strategy and reporting. Stakeholders are welcome to contact the company’s Environmental, Social and Governance Committee by email at [enquiry@modernliving.com.hk](mailto:enquiry@modernliving.com.hk).

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## CHAIRMAN'S STATEMENT

People are our greatest assets, and empowering our people means empowering our company. A consistently growing and learning staff team is the most valuable assets of our Group, and cordial relationship with a thriving community is the pillar of our success. In the post-pandemic era, Modern Living adopts a people-centric approach towards promoting sustainability within the Group and in the community where it operates.

The Group firmly believes that its actions and effort in maintaining sustainability can contribute to the United Nations' Sustainable Development Goal 11 of Sustainable Cities and Communities, and create values for stakeholders. With a focus on people and the community, the Group focuses on building a culture of community care and environmental protection among all employees, as well as on increasing community engagement with external stakeholders. Community wellbeing is crucial to how we measure the success of our business.

No business operation is independent of natural environment and resources, and people and communities. The Group has refined its internal control process in terms of risk assessment of the impacts on health, safety, environment and society. Going forward, the Group will ensure that such refined system can effectively perform evaluation of imminent ESG risks, and can enable us to better prepare for societal and market changes in a timely manner. We are also committed in providing a pleasant environment for the community it serves. To achieve this aim, it adopts various emissions reduction measures in all of its operations. We consider environmental compliance as a starting point, and thus constantly seek ways to improve our environmental performance in other areas such as resource consumption and carbon footprint.

Stakeholder engagement provides essential links to strengthen our sustainability efforts. By engaging internal and external stakeholders we can understand better of their opinion and expectations, which allows us to come up with plans to address the most relevant issues. Their feedback has been guiding us in the preparation of this ESG report. The Group aspires to become an industry leader in sustainability and to create a caring culture with everyone in the community. We are confident that innovation and dedication, together with the support of stakeholders, would continue to guide us in our pursuit of a brighter and more liveable future of the community.

In view of the Group's new business developments, an Environmental, Social and Governance Committee (the "ESG Committee") is to be formed by the Board ensures that the Group is steered in the right direction on its path towards sustainability. The ESG Committee shall report to and advise the board regarding issue identification, policy adoption and updates, risk assessment and review, and practice monitoring, across the environmental, social and governance aspects.

### **Ho Chu Ming**

*Chairman and Executive Director*

28 March 2024

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## **ESG GOVERNANCE**

The Board has the responsibility to oversee the Group's policies, initiatives and performance on sustainability matters, principally in respect of employment, community investment, environmental protection and operational responsibility. It also defines the Group's sustainability strategies, set objectives and approves targets. The Board regularly reviews ESG issues to strengthen and better reflect our commitment in corporate sustainability governance.

In year 2022–2023, the Group received awards and certificates from Social Capital Builder Award by Community Investment & Inclusion Fund (CIIF), Happy Work Place, CMA ESG Pledge Scheme, BOCHK Corporate Environmental Leadership Awards, and Hong Kong Green Organisation Award as recognition to our commitment in ESG governance.

## **Performance & Risk Management**

The Group considers risk management as an integral part of daily management processes and good corporate governance. The Board has overall responsibility for the oversight of the Group's risk management and internal control systems. Since the Group's primary business is property management of housing estates contracted by the HA, we strictly complies with government regulations and other international standards required by the contracts.

1. The company's business operation is audited and monitored by the HA, with monthly as well as quarterly performance reports.
2. The company undertakes ISO 9001, ISO 10002, ISO 14001 and ISO45001 on our environmental, societal and occupational practices performance; and
3. The company employs an external independent consultancy to conduct an annual review on internal control.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## STAKEHOLDER ENGAGEMENT

The Group values stakeholders' concerns and meeting these needs. Stakeholders' feedback leads the Group to identify material ESG issues and manage the relevant risks and opportunities. In the reporting year, the Group has engaged our key stakeholders via multiple channels to gather their feedback and strives for continuous improvement. The following table outlines the major engagement between the Group and various type of Stakeholders:

Employees	Customers/Tenants/ Residents	Suppliers	Government	Communities
A wide range of initiatives to promote professionalism, healthy and happy workplace, and well-being amongst our employees	Conducting on-site review quarterly to identify areas for improvement and to meet with their expectation;  Organising estate-based activities with resident representatives	Setting specifications and requirements with annual evaluation to ensure the quality of materials purchased  Conducting KYC exercise to suppliers	Joining meetings with key government officials to understand related policies and initiatives  Participating in training courses provided by the government to understand community issues and government standards	Supporting the community through teaming up with NGOs  Encouraging employees to participate in charity activities and volunteer services

### Identifying Material Issues

Key to the business management of the Group, stakeholder participation helps the Group review potential risks and business opportunities, and also facilitates the mitigation of these risks as well as the identification of opportunities. Understanding stakeholders' views allow the Group to better fulfil their needs and expectations with its business practice and manage different stakeholders' opinions.

Apart from the insights from the Board and expert advice, a survey was conducted among senior and middle-management executives to identify material issues of the Group from the 17 Sustainable Development Goals (SDGs) of the 2030 Agenda for Sustainable Development promulgated by United Nations General Assembly. The Group has identified 3 material issues from the 11 environmental and social aspects of the ESG Reporting Guide from this survey to be the focuses of this ESG report. These three issues are **health and safety, development and training**, as well as **decent work and economic growth**.

### Moving Forward on Stakeholder Engagement

Adopting a people-centric approach towards promoting sustainability within the Group and in the community, the Group is keen to learn more about the expectations and interests of our stakeholders in order to ensure their feedback are effectively considered in the development of our sustainability strategy. To carry out engagement activities on a systematic and regular basis, the Group is planning to develop a more comprehensive engagement strategy (for instance, with reference to the AA1000 Stakeholder Engagement Standard), which include detailed planning of yearly stakeholder engagement activities, annual assessment as well as review of material issues through stakeholder surveys.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## CARING FOR OUR EMPLOYEES

As a caring and responsible employer, Modern Living is devoted to providing a quality workplace for its employees. At Modern Living, it is not only about fostering a safe and healthy working environment for our employees, but also providing opportunities to develop and realise their potential as they move along the career path. As part of our employee management system, the Group has established a set of policy statements and guidelines to outline its commitments to fostering a respectful, safe and healthy working environment and promoting life-long learning.

### Health and Safety

The presence of any hazardous substances, physical and chemical hazards, at the workplace put employees at risk. Modern Living acknowledges its responsibility to look after their employees and considers risk management as a critical success factor in occupational health and safety (OHS) management in the Employment and Labour Practices Policy Statement. As part of the Group's risk management system, the Safety Committee is responsible for identifying work tasks with high risks, providing sufficient guidance, training and personal protective equipment and conducting regular risk assessment to ensure and maintain a safe working environment for all employees.

There were no cases of workplace fatalities during the reporting year. While 42 incidents of work-related injuries were recorded in the reporting year, less than one fourth (10 out of 42) were related to high-risk tasks. The work-related injuries cases involved cleaners and security guards, incurred due to accidents in regular work activities (e.g. patrols) or on the way to work (e.g. tripping over on the road). Investigations and follow-up actions were immediately undertaken within the Group.

The Group has taken a series of new initiatives and measures in the reporting year to strengthen OHS management, for instances:

- Establishing safety committee at every operation site with representatives from headquarter and estate management office across different organisation levels;
- Teaming up with healthcare NGOs to design special warm-up exercise for workers;
- Giving incentives and awards for staff who maintain good OHS practices and zero work-related injuries during the quarter/year;
- Enhancing and revamping high-risk locations, for instance designing safety steps on podium and rooftop, installing anchorage systems for safety belts;
- Equipping frontline staff with extra assistive gears, for instance hiking sticks for security guards on patrol, to minimise injury; and
- Organising safety trainings for all front-line staff with topics covering especially high-risk conditions, such as fire safety, proper use of personal protective equipments, hazard prevention & control, workplace violence prevention, safe working practices etc.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In the post-pandemic era, the Company carries on with scrupulous and innovative measures to ensure the workplace health and safety:

- Keeping close contact with government departments such as HA, Centre for Health Protection and Home Affairs Department on actions and arrangements related to sanitisation, social distancing, and other measures to stay alert on COVID-related infections and other health risks.
- Guidelines and instructions from the HA and other government departments were promptly communicated to staff of all levels.
- The headquarter office constantly monitored the stock and supply of protective gears and sanitisation materials.
- AI robots were mobilised to disinfect public areas of the sites of operation and disseminate messages on public health and hygiene.
- Masks, hand-sanitisers and various forms of disinfectants were provided for staff daily use, if needed.

## Development and Training

Investing in learning and development for employees is the key driver for building a talented and engaged workforce. Through learning and development opportunities, our employees are able to acquire professional knowledge and skills to enhance competencies in terms of career growth and development. This commitment is underlined in our Employment and Labour Practices Policy Statement, which prescribes the allocation of resources to staff development and training.

During the reporting year, the Group continues to encourage employees to attend seminars and talks organised by the Housing Authority as well as other government departments. At the same time we reviewed and redesigned the training programme by taking reference to social circumstances and how well our employees understand and respond to certain social issues. The table below shows some of the areas where employees receive education and training:

Training Themes	Content Highlights
Professional standards	<ul style="list-style-type: none"> <li>• Online data management</li> <li>• Licensing regime under Property Management Services Ordinance</li> <li>• Handling of Regulatory Actions</li> </ul>
Employment & labour practices	<ul style="list-style-type: none"> <li>• Labour benefits</li> <li>• Occupational health and safety practices in office</li> </ul>
Operating Practices	<ul style="list-style-type: none"> <li>• Prevention of bribery</li> <li>• Handling personal data</li> <li>• Regulations and policies on tenants of public housing</li> <li>• Security and guarding ordinance and regulations</li> <li>• Pest control</li> <li>• Tree management</li> <li>• Horticulture management and green roof planting</li> <li>• Technical updates on site operation</li> <li>• Energy management system</li> <li>• Resources management</li> <li>• Maintenance of flats</li> <li>• Maintenance of lifts and elevators</li> </ul>
Community & Social Issues	<ul style="list-style-type: none"> <li>• Anti-mosquito and dengue fever measures</li> <li>• Identifying and supporting elderly people with dementia</li> </ul>

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group also support the continuous education of employees, and sponsor in part or in full their tuition fees of the courses and certifications. In the reporting year we have sponsored staff in completing the following courses and trainings:

- Certified First-Aid Course
- Hygiene Supervisor Training Course
- Certificate of the Electrician
- Construction Industry Safety Training Certificate
- Courses and seminars on ISO
- Courses and seminars on ESG & GRI
- Certificate in Public Housing Agency Management Course
- Master of Arts in Housing Studies

In the past year, the Group also endeavoured in researching and developing innovative solutions to our daily operation. New systems with the aid of technology have been created and implemented by staff members to drive innovation and continuous improvement of the Company.

## Employment System

Modern Living respects every employee and recognises the value of diversity and equality. In addition to the Group's Employment and Labour Practices Policy Statement, the operating subsidiary has issued a Staff Handbook, which includes detailed guidelines on recruitment, promotion, dismissal, working hours, rest periods, compensation, benefits and welfare, equal opportunities, diversity and anti-discrimination as to ensure that employees understand their rights and duties. For a fair, respectful and inclusive working environment, employees are entitled to equal opportunity in promotion decisions given their qualification, experience and work performance.

In case of suspected violation of the employment and labour practices, employees are encouraged to report them to the Group via internal whistleblowing channels. A dedicated email was set up by the CEO office to handle reported cases. For each complaint received, a committee comprising the CEO, the Operations Director, the HR Director and the Property Manager of the sites of operations concerned will be set up. This ad-hoc committee should conduct investigation through interviews with the informant(s), the victim(s) and other involved parties wherever applicable. For each case investigated, a report should be prepared and will be circulated among senior executives of the company. In case of suspected criminal offence, the Company will alert the police and other relevant government departments immediately.

The Group is also concerned with job satisfaction and exit arrangement for staff. Managers of the sites of operations review regularly on the hiring of suitable talents for middle and senior management posts, as well as reasons for staffs to resign. In the reporting year, the Group's operating subsidiary received one new contract and two contract expiries. Close discussions with ex- and new contractors were conducted to ensure a smooth transition of the operation so as to help staff from ex-contractors to be transferred to the Group and for our staff to be transferred to their new employers if they so desire.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Labour Standards

Modern Living adopts a zero-tolerance policy against the use of child labour and forced labour. Measures are taken to ensure adherence to the Employment and Labour Practices Policy Statement. During recruitment process, the Human Resources Department is required to inspect the proof of identity of all applicants (to both full-time and part-time positions) such as Hong Kong Identity Card and valid work visa labels. Guidelines regarding overtime work, allowances and compensation leave are specified in the Staff Handbook, to reduce the risks of forced labour.

The Group abides by labour-related laws and regulations, including but not limited to the Employment Ordinance and the Occupational Safety and Health Ordinance of Hong Kong. In the reporting year, one case of non-compliance in relation to employment was reported and it had been duly dealt with, and mitigation and rectification measures had been taken at all levels.

## Decent Work & Economic Growth

By putting people first, in addition to workplace healthy and safety, and development and training, the Group takes a further step to promote professional development of the staff and share with all levels of staff the proceeds of its business operation. The Company sets a clear career path for young executives in their relevant fields, for instances, training and advancement for EMA (Estate Management Assistant) and graduate building surveyors, as well as promoting young managers with high potentials to senior management.

The Company also offers various bonus and incentive schemes for staff to enjoy the fruit of their contribution at work by merit for individual staff, by project, and by team effort of sites of operation.

## COMMUNITY INVESTMENT

The Group believes in creating social value with our territory-wide operations. Supporting the communities where we operate is one of our opportunities to create such value, and we strive to build an inclusive community. Our Community Investment Policy Statement underlines the importance of engaging and supporting communities. The Group contributes to the communities by encouraging its employees to take part in volunteer services, as well as sponsoring community projects.

In the reporting year, the Group maintained active in the communities where our business operates, and carried out initiatives in two main areas, namely caring for people with disabilities, and promoting hygiene and cleanliness. We encourage employees to proactively take part in events and collaborate with NGOs and charities to organise related activities for residents of the housing estates managed by the Group wherever possible. The table below shows some highlights of the events organised:

Theme	Event	Details
Caring for people with disabilities	Installation of emergency response devices in domestic units for the hearing-impaired	To promote a caring culture within the Group, the Group team up with a NGO that serve persons with hearing impairment to understand their needs and awareness in emergency responses. The Group then engaged them to produce an education video in case of fire, and enhance the process in assisting tenants with hearing impairments to install fire alarm inside their domestic units.
Promoting hygiene and cleanliness	"Tai Ping Tei"	Maintaining a clean and hygienic environment is one of the keys to a healthy livelihood. Each housing estate organises a thorough sweeping and cleaning within the residential building and public spaces regularly to keep the environment clean. During the exercise staff will also share health tips and environmental tips to residents.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Our community investment endeavours in 2023 have received multiple external recognitions. The Group has been recognised as a Caring Company for over 10 consecutive years and a Happy Company for over 5 consecutive years, and is awarded the Social Capital Builder Awards, SCB, issued by the Community Investment and Inclusion Fund since 2018. In future, the Group will continue to refine its community investment projects and make greater contributions to the sustainable development of the community.

## PROTECTING THE ENVIRONMENT

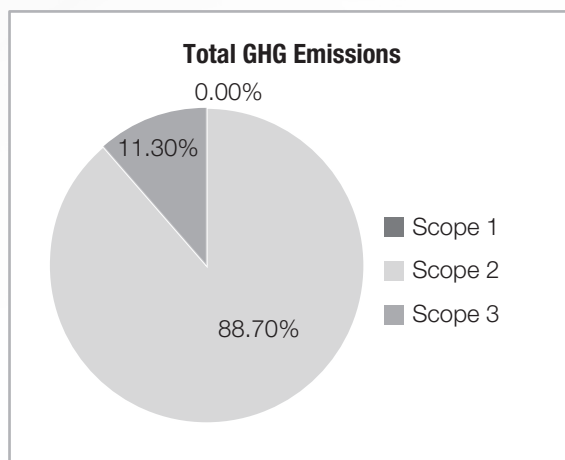
Recognising that climate change can bring risks and opportunities to businesses and communities, we are committed to reducing our environmental impact associated with our activities. The Group has in place an Environmental Protection Policy Statement which outlines our commitment to protecting the environment and minimising the environmental impact of our business operations, while guidelines are provided for employees to encourage environmental-friendly practices.

### Energy and Air Emission Management

The Group's Environmental Protection Policy Statement prescribes actions to promote energy conservation, to reduce waste, and to mitigate pollution, including greenhouse gas (the "GHG") emissions and discharges into water and land.

As the first step in establishing a carbon reduction strategy, the Group diligently conducts a carbon assessment to quantify the GHG emissions (or "carbon emissions") for our operations during their corresponding operation period in the reporting year. The quantification process is in accordance with the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong, with reference to other international standards such as the ISO 14064 standard and the GHG Protocol. The following table illustrates the energy consumption and emission information of the Group during the reporting year:

Total GHG emissions	Total energy consumption	GHG emissions per employee
499.40 tCO <sub>2</sub> -e	664.7 MWh	0.32 tCO <sub>2</sub> -e



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The total GHG emissions of our headquarter office as well as our offices in the sites of operation were 499.40 tonnes. Purchased electricity accounts for a major part of the total GHG emissions, we therefore have established a set of guidelines regarding energy efficiency in the headquarter office and offices in the sites of operation. The practices prescribed in these guidelines include:

Air conditioning & ventilation	Lighting
<ul style="list-style-type: none"> <li>— Maintain indoor air-conditioning temperature at 25.5 Celsius;</li> <li>— Improve air circulation to achieve cooling effects;</li> <li>— Turn off some air conditioners during lunch and off-hours;</li> <li>— Put up double-layer bamboo blinds for windows that face strong sunlight, to cool down the indoor temperature and reduce pressures on air conditioning;</li> <li>— Manage and monitor energy consumption, with monthly inspections to identify abnormal use and to carry out remedial actions.</li> </ul>	<ul style="list-style-type: none"> <li>— Remove unnecessary light pipes, light bulbs and decorative lights;</li> <li>— Phase out old light tubes or bulbs and replacing them with more energy-efficient LED light tube or bulb;</li> <li>— Adjust timers of automatic lighting system according to the sunshine time;</li> <li>— Manage and monitor energy consumption, with monthly inspections to identify abnormal switches (premature lighting, late lighting) and to carry out remedial actions.</li> </ul>

During the reporting year, the Group has managed to minimise Scope 1 Direct GHG Emissions by replacing the one passenger car deployed by the Group to a battery electric vehicles, which also eliminates air pollutants including NO<sub>x</sub>, SO<sub>x</sub> and RSP that are generated by petrol. The Group will continue to assess our environmental performance to better understand the use of resources and develop specific action plans and develop more comprehensive carbon and other air emission reduction targets.

## Resource and Waste Management

Using energy and water prudently is important to the Group's sustainability performance as well as conserving natural resources. Using resources in an efficient and sustainable manner is part of our operation strategy.

In terms of water efficiency, various environmental initiatives have been developed and implemented. To enhance water efficiency, employees are encouraged to use water wisely and reminders such as stickers and posters are posted at eye-catching locations around office toilets and pantries. During the reporting year, the headquarter office and offices at the sites of operations did not encounter any issues in sourcing water for property management purpose. Excluding the amount of water consumption at the headquarter office<sup>1</sup>, a total of 3261.71m<sup>3</sup> of freshwater was consumed by the Group during the reporting year.

As for waste management, domestic waste generated at the sites of operations are regularly collected by the refuse collection vehicles of the Food and Environmental Hygiene Department or its contractors, which are transferred to the nearest refuse collection points. Within the management offices, there are collection trays to collect paper that have only been used one side for re-using. Whereas at all properties managed by the Group, there are recycling bins to collect waste paper, waste metal, waste plastic and light tubes to encourage waste reduction and recycling efforts. The table below shows the amount of recyclable wastes collected during the reporting year:

Item	Paper (kg)	Aluminium	Plastic (kg)	Metal materials (kg)	Light tube (qty)
		cans (kg)			
Total amount collected	1,105,472	83,301	116,612	302,465	1,865

<sup>1</sup> There is no communal water supply to the headquarter office; it is hence unable to provide separate water consumption data to the Group for the reporting year.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Other than within the sites of operation, the Group takes the initiative to reuse or recycle materials from communal events, for instance, recycling garden soils from Hong Kong Flower Show, collecting and planting mandarin orange pots and flowers pots from CNY, collecting and recycling mooncake boxes. The Group also encourages site operation teams to minimise one-off festival decorations and instead to use recycled materials for these occasions to promote eco-friendliness and creativity.

The Group recognises the significance of accurate reporting on environmental performance data, and hence have developed a system in this reporting year to coordinate data reporting actions in all sites of operations. Meanwhile, all sites of operations are preparing to apply for the Source Separation of Domestic Waste Commendation Scheme by the Environmental Protection Department of the Hong Kong Government in the year 2023–2024.

The Group also encourages the management offices of the sites of operation to apply for various environmental certifications whenever possible. In 2023, 2 sites of operation (management offices of Shui Pin Wai Estate and Tin Yiu Estate) were awarded the title of Hong Kong Green Organisation for their efforts in conserving energy, reducing waste and other aspects of environmental management, while other sites were awarded the EnergyWi\$e certificates and WasteWi\$e certificates. In addition, all sites of operation and the headquarter office have joined the Energy Saving Charter 2023 organised by the Environment Bureau and the Electrical and Mechanical Services Department in a bid to save energy.

During the reporting year, the Group did not produce any hazardous waste in its operation.

## Climate Change

The Group has, during the reporting year, reviewed the materiality of its operation to and the impact from climate change. Since the business operation of the Group generates minimal environmental impact, and that the operation sites and supply chain are not exposed to or directly impacted by extreme weather, the impact of climate change to business of the Group is limited.

Nonetheless, the Group identifies possible impacts on our business operation related to climate change and keeps record of these impacts for long term analysis. The impacts identified include:

- Over-time working hours to cope with extra workload brought about by typhoon, rainstorm and other extreme weather
- Provision of 150% of wages to non-skilled employees for working under Typhoon Warning Signal No. 8 or above
- Landscape and slope maintenance before and after typhoon, rainstorm and other extreme weather
- Facility maintenance and safety precautions before and after typhoon, rainstorm and other extreme weather

## The Environment and Natural Resources

While Modern Living does not impose any significant direct impact on the environment and natural resources, the Group recognises that property operation would pose impacts on the surrounding environment and therefore continues to promote environmental protection in the communities.

The Group acts in accordance with relevant laws and regulations on emissions, including but not limited to the Air Pollution Control Ordinance, the Water Pollution Control Ordinance and the Waste Disposal Ordinance of Hong Kong. In the reporting year, there were no non-compliance cases in relation to the environment reported.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## OPERATING PRACTICES

Modern Living is committed to upholding a high standard of corporate governance and business integrity in all its business activities. The Group's Supply Chain Management, Product Responsibility and Anti-corruption Policy Statement sets out objectives and requirements regarding ethical practices in business operations.

### Supply Chain Management

By committing to responsible, fair and ethical business practices, we continue to nurture long-term business relationships with suppliers to build a fair and responsible supply chain. In addition to the HA's Procurement and Supplies Instructions that requires the Group to obtain prior approval for procuring products and services that exceed a set amount at the sites of operations, the Group has specified its own approach in managing environmental and social risks of the supply chain, for instances:

- consideration of suppliers' environmental and social performance in annual review
- identification of environmental and social risks in supply chain
- establishment of communication channels with suppliers

Since the reporting year of 2021, we also conduct KYC exercise with significant suppliers to understand their ESG relevant practices and to communicate our ESG policy to them.

### Product Responsibility

#### *Customer health and safety*

As a service provider, we endeavour to maintain a safe and healthy environment for the residents and the general public who use and access the housing estates. Regular inspections into the performance of all escalators and lifts have been conducted at all sites of operations, to ensure system reliability and safety of building users. Fire drills, attended by both staff and resident representatives, are conducted yearly to ensure capability of emergency response in property management, and to raise fire safety awareness among residents. We have been working closely with government departments on the enhancement of residential and communal environment at the sites of operations, for instance on pest controls.

#### *Customer satisfaction*

The Group seeks to improve its customer services and handle complaints with due procedures. To achieve this goal, the Group provided service in accordance with the criteria set out in the Property Service Agents Performance Assessment System Manual. The criteria cover quality standard of service provision in relation to estate management (including cleaning, security, soft landscaping etc.), and the procedures of handling complaints and requests. The service performance of the sites of operations was assessed by monthly audit and compliance checks. The monthly audit consists of 4 major parts:

1. Score table of a list of service items/standards;
2. Checklist for compliance of environmental management;
3. Assessor's comments (can be sheer description, recommendation or commendation); and
4. Photo records of the spots checked.

The sites of operations take remedial measures suggested by the audit result to optimise service provision workflows. Wherever follow-up actions are needed, the Group will endeavours to carry out remedial measures within a reasonable time frame.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## *Customer privacy*

Modern Living is committed to protecting the personal data of our customers. With respect to client's right to privacy, the Group sets out the Guideline on Protection of Customer Data and Guidance on CCTV Surveillance, providing frontline employees with guidance and working procedures on the proper handling and protection of personal data of any individual, including residents, tenants and visitors. Tenant information is restricted to authorised personnel with designated computers and password access, while images generated from surveillance cameras are only accessible to designated persons on duties with prescribed functions of security management.

## *Marketing communications*

The Group provides easy-to-access information regarding our services both on our printed communication materials and digital platforms. These communication channels help stakeholders, including our customers and shareholders, make informed choices. As stated in our policy statement, we are dedicated to marketing our services responsibly in line with relevant regulatory requirements and providing trustworthy information for customers.

The Group abides by laws and regulations in relation to product responsibility, including but not limited to Building Management Ordinance, the Personal Data (Privacy) Ordinance and the Competition Ordinance of Hong Kong. During the reporting year, no cases of non-compliance in relation to product responsibility were reported.

## **Anti-corruption**

Operating with honesty, integrity and fairness is essential to our business. Our Staff Disciplinary Code sets the standard and practices on anti-bribery and anti-corruption. As stated under the Code, directors and employees are prohibited to receive advantage from the tenants, license holders, residents, visitors, etc. when they are performing duties. Advantages can be in the form of gifts, loans, fees, rewards, employment opportunities, services or favours.

In addition, whistle-blowing procedures are set up for employees to raise concerns via dedicated email address on possible improprieties or non-compliance of employees, suppliers and business partners without fear of reprisal. Reported cases will be sent to senior management of the Group, including Chairman, Chief Executive Officers, and Directors of the human resources and operation departments. The Group should handle each reported case with due procedures and confidentiality.

The Group follows the relevant laws and regulations in relation to corruption, including but not limited to the Prevention of Bribery Ordinance of Hong Kong. During the reporting year, there were no cases of non-compliance or legal cases in relation to corruption.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## SUMMARY OF KEY PERFORMANCE INDICATORS

### Environmental Performance

Air Emissions	Quantity	Unit
Nitrogen oxides (NO <sub>x</sub> )	0.00	Kilogram
Sulphur oxides (SO <sub>x</sub> )	0.00	Kilogram
Respiratory suspended particles (RSP)	0.00	Kilogram

Waste	Quantity	Unit
Total hazardous waste produced	Not available	tonnes
Total non-hazardous waste produced	2.974	tonnes
Intensity of non-hazardous waste produced (by number of employees)	0.002	tonnes/person

Energy Use	Quantity	Unit
Total energy consumption	664.70	MWh
Intensity of energy consumption (by number of employees)	0.42	MWh/person

Greenhouse Gas Emissions	Quantity	Unit
Scope 1 emissions	0.00	tonnes CO <sub>2</sub> -e
Scope 2 emissions	442.99	tonnes CO <sub>2</sub> -e
Scope 3 emissions	56.41	tonnes CO <sub>2</sub> -e
Total carbon emissions	499.40	tonnes CO <sub>2</sub> -e
Intensity of carbon emissions (by number of employees)	0.32	tonnes CO <sub>2</sub> -e/person

Water Use	Quantity	Unit
Total water consumption	3,153.6	m <sup>3</sup>
Intensity of water consumption (by number of employees)	2.01	m <sup>3</sup> /person

Packaging materials	Quantity/Unit
Total packaging materials used	Not applicable (The office operations and business nature of the Group in the reporting scope do not involve use of packaging materials for finished products.)
Packaging materials used per unit produced	

### Social Performance

	Number of work-related injuries	Number of work-related injuries due to high-risk tasks	Number of lost days due to work injury
Male	8	2	131
Female	34	8	2,764
Total	42	10	2,895

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Workforce	Number of Employees (as of 31 Dec 2023)
Full-time (including body-shopped staff who works outside of the above sites of operation)	1,475
Part-time	94
Total	1,569

Workforce (as of 31 Dec 2023)		Below 30	30–40	40–50	Over 50	Total	Total	Male to female ratio
Male	Directors (including non-executive directors)	0	0	1	8	9	630	1:1.45
	Senior management	1	1	12	26	40		
	Middle management	7	14	12	39	72		
	General staff	46	24	22	417	509		
Female	Directors (including non-executive directors)	0	1	0	2	3	939	
	Senior management	0	3	3	5	11		
	Middle management	3	12	6	27	48		
	General staff	22	19	86	750	877		
Total workforce*		79	74	142	1,274	1,569		

\* Including body-shopped staff who works outside of the above sites of operation

Number of work-related fatalities	0
Rate of work-related fatalities	0

## Community Investment

Number of volunteer hours of employees in community activities	424
Amount of contribution (HKD)	515,763.08

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ESG REPORTING GUIDE CONTENT INDEX

Material Aspect	Content	Page Index/Remarks
A1. General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	98
A1.1	The types of emissions and respective emissions data	103
	Nitrogen oxides (NO <sub>x</sub> ) (kilogram)	103
	Sulphur oxides (SO <sub>x</sub> ) (kilogram)	103
	Particulate matter (PM) (kilogram)	103
A1.2	Greenhouse gas emissions in total (tonnes)	103
	Intensity of greenhouse gas emissions (tonnes CO <sub>2</sub> -e/no. of employee)	103
A1.3	Total hazardous waste produced (tonnes)	103
	Intensity of total hazardous waste produced (tonnes/square feet)	103
A1.4	Total non-hazardous waste produced (tonnes)	103
	Intensity of non-hazardous waste produced (tonnes/no. of employee)	103
A1.5	Description of measures to mitigate emissions and results achieved	99
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	100
A2. General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	99
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (MWh).	103
	Direct energy (GJ)	103
	Indirect energy (MWh)	103
	Direct and/or indirect energy intensity by type (e.g. electricity, gas or oil) (MWh/no. of employee)	103

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Material Aspect	Content	Page Index/Remarks
A2.2	Water consumption in total (m <sup>3</sup> )	103
	Water intensity (tonnes/no. of employee)	103
A2.3	Description of energy use efficiency initiatives and results achieved	99
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	99
A2.5	Total packaging material used for finished products (tonnes)	103
	Packaging material intensity (tonnes/unit of product)	103
A3. General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	100
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	100
B1. General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	94
B1.1	Total workforce by gender, employment type, age group and geographical region	103
B1.2	Employee turnover rate by gender, age group and geographical region	N/A
B2. General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	94
B2.1	Number and rate of work-related fatalities	104
B2.2	Lost days due to work injury	104
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	94
B3. General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	95

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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# FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities of the Group for the last three financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below:

	For the year ended 31 December		
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000
Revenue	<b>334,240</b>	405,987	479,758
Other income	<b>3,845</b>	11,022	2,067
Other (losses)/gains, net	<b>(968)</b>	(2,078)	(1,072)
Employee benefits expenses	<b>(301,075)</b>	(368,888)	(407,346)
Subcontracting fee	–	–	(18,132)
Cleaning material costs	<b>(2,774)</b>	(4,807)	(6,057)
Utilities expenses	<b>(1,231)</b>	(1,316)	(1,574)
Depreciation of plant and equipment	<b>(630)</b>	(737)	(972)
Depreciation of right-of-use assets	<b>(923)</b>	(925)	(951)
Reversal of trade receivables	–	367	444
Other operating expenses	<b>(14,751)</b>	(15,068)	(15,956)
Share of result of investments accounted for using the equity method	<b>(662)</b>	(118)	–
Operating profits	<b>15,071</b>	23,439	30,209
Finance income, net	<b>4,745</b>	153	51
Profit before income tax	<b>19,816</b>	23,592	30,260
Income tax expense	<b>(2,042)</b>	(2,412)	(4,803)
<b>Profit for the year</b>	<b>17,774</b>	21,180	25,457
<b>ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>	<b>17,774</b>	21,180	25,457

## ASSETS AND LIABILITIES

	As at 31 December		
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000
Total assets	<b>209,529</b>	201,983	209,288
Total liabilities	<b>53,353</b>	51,692	64,553